

IFE SERVICES LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2005



IFE SERVICES LIMITED

COMPANY INFORMATION

Directors	Mark Hogg Walli Ullah Rizvan Zafar Simon Stapleton Estibaliz Asiain Sancho (Appointed 15 September 2005) Howard Clark Alan McInnes (Appointed 15 September 2005)
Secretary	Temple Secretarial Limited
Company number	3395338
Registered office	16 Old Bailey London EC4M 7EG
Auditors	HWCA Limited Northern Assurance Buildings 9/21 Princess Street Manchester M2 4DN
Business address	Haig Road Knutsford Cheshire WA16 8DX
Bankers	Royal Bank of Scotland plc 38 Mosley Street Manchester M60 2BE
Solicitors	Withers LLP 16 Old Bailey London EC4M 7EG

IFE SERVICES LIMITED

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IFE SERVICES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 JULY 2005

The directors present their report and financial statements for the year ended 31 July 2005.

Principal activities and review of the business

The principal activity of the company continued to be the supply of inflight entertainment to airlines.

During the year the company generated an increase in turnover of 28% to £10,081,705 and operating profit of £345,731 (2004: £237,024).

This profit is after charging exceptional directors and staff bonuses in the year of approximately £675,000 (2004: nil) which are expected to be paid within nine months of the year end. In the prior year, operating profit was reduced by £470,000 as the company chose to write down the carrying value of certain assets. Exchange rate movements reduced operating profits by £106,481 (2004: £110,000) during the year.

Removing the effects of the exceptional bonus provision, exchange rate movements and the write down in carrying value of certain assets, operating profit during the year was approximately £1,130,000 (2004: £817,000).

Net cash inflow before management of liquid resources and financing during the year was £1,248,200 an increase of £2,067,356 over the prior year.

Net assets increased during the year by £4,731,695 to £6,136,414.

Results and dividends

The results for the year are set out on page 4.

The directors recommend the payment of a dividend of £400,000.

Future developments

The directors will continue to develop the business in line with current activities and view the future with confidence.

Directors

The following directors have held office since 1 August 2004:

Mark Hogg

Walli Ullah

Patrick Cox

(Resigned 8 July 2005)

Anthony Indaimo

(Resigned 8 July 2005)

Rizvan Zafar

Simon Stapleton

Estibaliz Asiain Sancho

(Appointed 15 September 2005)

Howard Clark

Alan McInnes

(Appointed 15 September 2005)

Directors' interests

Some of the directors of the company are also directors of the holding company and their interests in the shares of that company together with their rights to subscribe for shares in that company are disclosed in the financial statements of IFE Holdings Limited.

None of the directors had any interest in the shares of the company.

IFE SERVICES LIMITED

DIRECTORS' REPORT (CONTINUED) **FOR THE YEAR ENDED 31 JULY 2005**

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that HWCA Limited be reappointed as auditors of the company will be put to the Annual General Meeting.


Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board



Walli Ullah

Director

13 December 2005

IFE SERVICES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF IFE SERVICES LIMITED

We have audited the financial statements of IFE Services Limited on pages 4 to 24 for the year ended 31 July 2005. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for opinions we have formed.

Respective responsibilities of the directors and auditors

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.


We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 July 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

HWCA Limited

Chartered Accountants
Registered Auditor

A handwritten signature in black ink that reads "HWCA Limited" in a cursive, stylized font.

13 December 2005
Northern Assurance Buildings
9/21 Princess Street
Manchester
M2 4DN

IFE SERVICES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 JULY 2005

	Notes	2005 £	2004 £
Turnover	2	10,081,705	7,903,642
Cost of sales		(6,378,344)	(4,854,312)
Gross profit		3,703,361	3,049,330
Administrative expenses		(3,357,630)	(2,812,306)
Operating profit	3	345,731	237,024
Other interest receivable and similar income	4	2,694	-
Interest payable and similar charges	5	(68,613)	(79,471)
Profit on ordinary activities before taxation		279,812	157,553
Tax on profit on ordinary activities	6	(154,627)	4,423
Profit on ordinary activities after taxation		125,185	161,976
Dividends	7	(400,000)	-
Retained (loss)/profit for the year	16	(274,815)	161,976

The profit and loss account has been prepared on the basis that all operations are continuing operations.

IFE SERVICES LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 JULY 2005

	2005 £	2004 £
Profit for the financial year	125,185	161,976
Unrealised surplus on revaluation of assets	5,006,510	241,750
Total recognised gains and losses relating to the year	5,131,695	403,726
Prior year adjustment	-	20,885
Total gains and losses recognised since last financial statements	5,131,695	424,611

Note of historical cost profits and losses

	2005 £	2004 £
Reported profit on ordinary activities before taxation	279,812	157,553
Difference between an historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	80,583	-
Historical cost profit on ordinary activities before taxation	360,395	157,553
Historical cost (loss)/profit for the year retained after taxation, extraordinary items and dividends	(194,232)	161,976


IFE SERVICES LIMITED

BALANCE SHEET AS AT 31 JULY 2005

	Notes	2005 £	£	2004 £	£
Fixed assets					
Intangible assets	8	5,471		34,019	
Tangible assets	9	6,013,173		906,203	
		<u>6,018,644</u>		<u>940,222</u>	
Current assets					
Stocks	10	33,525		31,340	
Debtors: amounts falling due within one year	11	5,989,243		3,928,783	
Debtors: amounts falling due after more than one year	11	174,346		237,071	
Cash at bank and in hand		645,869		7,574	
		<u>6,842,983</u>		<u>4,204,768</u>	
Creditors: amounts falling due within one year	12	<u>(6,361,898)</u>		<u>(3,629,913)</u>	
Net current assets		<u>481,085</u>		<u>574,855</u>	
Total assets less current liabilities		<u>6,499,729</u>		<u>1,515,077</u>	
Creditors: amounts falling due after more than one year	13	(318,199)		(110,358)	
Provisions for liabilities and charges	14	<u>(45,116)</u>		<u>-</u>	
		<u>6,136,414</u>		<u>1,404,719</u>	
Capital and reserves					
Called up share capital	15	3,350		3,350	
Share premium account	16	498,650		498,650	
Revaluation reserve	16	5,167,677		241,750	
Profit and loss account	16	466,737		660,969	
Shareholders' funds - equity interests	17	<u>6,136,414</u>		<u>1,404,719</u>	

The financial statements were approved by the Board on 13 December 2005


Mark Hogg
Director


Walli Ullah
Director

IFE SERVICES LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JULY 2005

	2005	2004
£	£	£
Net cash inflow/(outflow) from operating activities	1,473,289	(465,224)
Returns on investments and servicing of finance		
Interest received	2,694	-
Interest paid	(68,613)	(70,780)
Net cash outflow for returns on investments and servicing of finance	(65,919)	(70,780)
Taxation	(40,147)	(21,603)
Capital expenditure		
Payments to acquire tangible assets	(231,342)	(278,317)
Receipts from sales of tangible assets	112,319	16,768
Net cash outflow for capital expenditure	(119,023)	(261,549)
Net cash inflow/(outflow) before management of liquid resources and financing	1,248,200	(819,156)
Financing		
New long term bank loan	500,000	-
Repayment of long term bank loan	(152,778)	(33,333)
Capital element of hire purchase contracts	(167,649)	(75,017)
Net cash inflow/(outflow) from financing	179,573	(108,350)
Increase/(decrease) in cash in the year	1,427,773	(927,506)

IFE SERVICES LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JULY 2005

1	Reconciliation of operating profit to net cash inflow/(outflow) from operating activities	2005		2004	
		£		£	
	Operating profit	345,731		237,024	
	Depreciation of tangible assets	275,466		286,938	
	Amortisation of intangible assets	28,548		28,548	
	Profit on disposal of tangible assets	(26,518)		(819)	
	Increase in stocks	(2,185)		(3,200)	
	Increase in debtors	(2,035,551)		(1,393,542)	
	Increase in creditors within one year	2,887,798		379,827	
	Net cash inflow/(outflow) from operating activities	1,473,289		(465,224)	
2	Analysis of net funds/(debt)	1 August 2004	Cash flow	Other non-cash changes	31 July 2005
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	7,574	638,295	-	645,869
	Bank overdrafts	(789,478)	789,478	-	-
		<u>(781,904)</u>	<u>1,427,773</u>	<u>-</u>	<u>645,869</u>
	Bank deposits	-	-	-	-
	Debt:				
	Finance leases	(161,034)	(17,429)	-	(178,463)
	Debts falling due within one year	(13,889)	(152,778)	-	(166,667)
	Debts falling due after one year	-	(194,444)	-	(194,444)
		<u>(174,923)</u>	<u>(364,651)</u>	<u>-</u>	<u>(539,574)</u>
	Net (debt)/funds	<u>(956,827)</u>	<u>1,063,122</u>	<u>-</u>	<u>106,295</u>
3	Reconciliation of net cash flow to movement in net funds/(debt)	2005		2004	
		£		£	
	Increase/(decrease) in cash in the year	1,427,773		(927,506)	
	Cash (inflow)/outflow from (increase)/decrease in debt and lease financing	(364,651)		108,350	
	Movement in net funds/(debt) in the year	1,063,122		(819,156)	
	Opening net debt	(956,827)		(137,671)	
	Closing net funds/(debt)	<u>106,295</u>		<u>(956,827)</u>	

IFE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2005

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of certain fixed assets.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.4 Research and development

Research expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. Intangible assets include costs relating to specific video products for general applicability over a number of contracts. In this situation, the expenditure is deferred and amortised over the period during which the company is expected to benefit.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

Image content	5% straight line
Revalued production equipment	33% straight line
Other fixed assets	10 to 53% straight line
Motor vehicles	25% straight line

1.6 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period. The net obligations under hire purchase contracts and finance leases are secured by fixed charges on the assets concerned.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.7 Stock

Stock is valued at the lower of cost and net realisable value.

1.8 Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

IFE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2005

1 Accounting policies (continued)

1.9 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3	Operating profit	2005 £	2004 £
	Operating profit is stated after charging:		
	Amortisation of intangible assets	28,548	28,548
	Depreciation of tangible assets	275,466	286,938
	Loss on foreign exchange transactions	106,481	109,775
	Operating lease rentals	160,353	154,656
	Auditors' remuneration	9,000	9,000
	and after crediting:		
	Profit on disposal of tangible assets	(26,518)	(819)
4	Investment income	2005 £	2004 £
	Bank interest	2,694	-
5	Interest payable	2005 £	2004 £
	On bank loans and overdrafts	54,021	61,179
	Hire purchase interest	14,327	16,444
	Other interest	265	1,848
		68,613	79,471

IFE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2005

6	Taxation	2005	2004
		£	£
	Domestic current year tax		
	U.K. corporation tax	66,250	34,702
	Adjustment for prior years	5,445	273
		<hr/>	<hr/>
	Current tax charge	71,695	34,975
	Deferred tax		
	Deferred tax charge/credit current year	82,932	(39,398)
		<hr/>	<hr/>
		154,627	(4,423)
		<hr/>	<hr/>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	279,812	157,553
		<hr/>	<hr/>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 24.98% (2004: 19.00%)	69,897	29,935
		<hr/>	<hr/>
	Effects of:		
	Non deductible expenses	7,359	9,333
	Depreciation add back	68,834	42,801
	Capital allowances	(74,620)	(22,119)
	Adjustments to previous periods	5,445	275
	Chargeable disposals	(6,624)	(156)
	Other tax adjustments	1,404	(25,094)
		<hr/>	<hr/>
		1,798	5,040
		<hr/>	<hr/>
	Current tax charge	71,695	34,975
		<hr/>	<hr/>
7	Dividends	2005	2004
		£	£
	Ordinary final proposed	400,000	-
		<hr/>	<hr/>

IFE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2005

8 Intangible fixed assets

	Development Costs £
Cost	
At 1 August 2004 & at 31 July 2005	85,645
Amortisation	
At 1 August 2004	51,626
Charge for the year	28,548
At 31 July 2005	80,174
Net book value	
At 31 July 2005	5,471
At 31 July 2004	34,019

IFE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2005

9 Tangible fixed assets

	Image content	Revalued production equipment	Other fixed assets	Motor vehicles	Total
	£	£	£	£	£
Cost or valuation					
At 1 August 2004	-	241,750	967,042	209,007	1,417,799
Additions	25,000	-	311,791	124,935	461,726
Revaluation	5,006,510	-	-	-	5,006,510
Disposals	-	-	(186,132)	(184,418)	(370,550)
At 31 July 2005	5,031,510	241,750	1,092,701	149,524	6,515,485
Depreciation					
At 1 August 2004	-	-	439,089	72,507	511,596
On disposals	-	-	(186,132)	(98,617)	(284,749)
Charge for the year	-	80,583	153,957	40,925	275,465
At 31 July 2005	-	80,583	406,914	14,815	502,312
Net book value					
At 31 July 2005	5,031,510	161,167	685,787	134,709	6,013,173
At 31 July 2004	-	241,750	527,953	136,500	906,203

In the previous year the company included at valuation production equipment. This equipment was revalued at 31st July 2004 by the directors at current second hand value for existing use. The directors have performed a review of the carrying value of the assets as at 31 July 2005 and do not consider the equipment to have materially changed in value.

At the 31 July 2005 Image content was revalued by the directors at £5,031,510. The valuation is based upon catalogued image content being valued on a per minute basis.

IFE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2005

9 Tangible fixed assets

(continued)

Comparable historical cost for the assets included at valuation:

	Image content £	Revalued production equipment £	Total £
Cost			
At 1 August 2004	-	237,164	237,164
Additions	25,000	-	25,000
At 31 July 2005	25,000	237,164	262,164
Depreciation based on cost			
At 1 August 2004	-	237,164	237,164
Charge for the year	-	-	-
At 31 July 2005	-	-	237,164
Net book value			
At 31 July 2005	25,000	-	25,000
At 31 July 2004	-	-	-

Included above are assets held under finance leases or hire purchase contracts as follows:

	Other fixed assets £	Motor vehicles £	Total £
Net book values			
At 31 July 2005	71,178	111,856	183,034
At 31 July 2004	34,943	113,755	148,698
Depreciation charge for the year			
At 31 July 2005	31,608	5,379	36,987
At 31 July 2004	20,302	46,107	66,409

10 Stocks

	2005 £	2004 £
Finished goods and goods for resale	33,525	31,340

IFE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2005

11 Debtors	2005 £	2004 £
Trade debtors	3,289,500	1,887,636
Amounts owed by parent and fellow subsidiary undertakings	1,985,568	1,616,403
Corporation tax	4,735	4,735
Other debtors	43,925	450
Prepayments and accrued income	839,861	618,814
Deferred tax asset (see note 14)	-	37,816
	<u>6,163,589</u>	<u>4,165,854</u>

Amounts falling due after more than one year and included in the debtors above are:

	2005 £	2004 £
Prepayments	<u>174,346</u>	<u>237,071</u>

12 Creditors: amounts falling due within one year	2005 £	2004 £
Bank loans and overdrafts	166,667	803,367
Net obligations under hire purchase contracts	54,708	50,676
Trade creditors	1,381,702	992,238
Corporation tax	66,250	34,702
Other taxes and social security costs	104,822	111,851
Exceptional bonus accrual	675,000	-
Accruals and deferred income	322,512	143,291
Licensing accruals	3,190,237	1,493,788
Proposed dividend	400,000	-
	<u>6,361,898</u>	<u>3,629,913</u>

IFE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2005

13 Creditors: amounts falling due after more than one year	2005 £	2004 £
Bank loans	194,444	-
Net obligations under hire purchase contracts	123,755	110,358
	<u>318,199</u>	<u>110,358</u>
Analysis of loans		
Wholly repayable within five years	361,111	13,889
	<u>361,111</u>	<u>13,889</u>
Included in current liabilities	(166,667)	(13,889)
	<u>194,444</u>	<u>-</u>
Loan maturity analysis		
In more than one year but not more than two years	166,666	-
In more than two years but not more than five years	27,778	-
	<u>194,444</u>	<u>-</u>
The obligations to the bank are secured by a debenture of IFE Services Limited, as well as assignment of life policies acceptable to the bank on the lives of two of the directors.		
Net obligations under hire purchase contracts		
Repayable within one year	67,340	62,407
Repayable between one and five years	143,581	116,299
	<u>210,921</u>	<u>178,706</u>
Finance charges and interest allocated to future accounting periods	(32,458)	(17,672)
	<u>178,463</u>	<u>161,034</u>
Included in liabilities falling due within one year	(54,708)	(50,676)
	<u>123,755</u>	<u>110,358</u>

IFE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2005

14 Provisions for liabilities and charges

	Deferred tax liability £
Balance at 1 August 2004	(37,816)
Profit and loss account	82,932
	<u>45,116</u>
Balance at 31 July 2005	<u>45,116</u>

The deferred tax liability is made up as follows:

	2005 £	2004 £
Accelerated capital allowances	45,116	(37,816)
	<u>45,116</u>	<u>(37,816)</u>

The company revalued assets in the prior year. The net book value as shown in the financial statements totals £161,167 (2004 : £241,750). The company has also valued assets in the current year. The net book value as shown in the financial statements totals £5,031,510. No deferred tax has been provided on these net book value amounts as there is no intention to sell these assets. Were the assets to be realised at this valuation the amount of tax payable would at the current rate of corporation tax of 30% amount to £1,557,803 (2004 : 19% amounting to £45,932).

15 Share capital	2005 £	2004 £
Authorised		
3,508 Ordinary shares of £1 each	3,508	3,508
	<u>3,508</u>	<u>3,508</u>
Allotted, called up and fully paid		
3,350 Ordinary shares of £1 each	3,350	3,350
	<u>3,350</u>	<u>3,350</u>

16 Statement of movements on reserves

	Share premium account £	Revaluation reserve £	Profit and loss account £
Balance at 1 August 2004	498,650	241,750	660,969
Retained loss for the year	-	-	(274,815)
Transfer from revaluation reserve to profit and loss account	-	(80,583)	80,583
Revaluation during the year	-	5,006,510	-
	<u>498,650</u>	<u>5,167,677</u>	<u>466,737</u>
Balance at 31 July 2005	498,650	5,167,677	466,737

IFE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2005

17 Reconciliation of movements in shareholders' funds	2005 £	2004 £
Profit for the financial year	125,185	161,976
Dividends	(400,000)	-
	(274,815)	161,976
Other recognised gains and losses	5,006,510	241,750
Net addition to shareholders' funds	4,731,695	403,726
Opening shareholders' funds	1,404,719	1,000,993
Closing shareholders' funds	6,136,414	1,404,719

18 Contingent liabilities

The company has an unlimited intercompany guarantee with its parent company against the liabilities that both companies have with the bank.

19 Financial commitments

At 31 July 2005 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2005 £	2004 £	2005 £	2004 £
Expiry date:				
Within one year	-	-	15,499	-
Between two and five years	75,000	75,000	30,887	38,179
	75,000	75,000	46,386	38,179

20 Directors' emoluments	2005 £	2004 £
Emoluments for qualifying services	1,669,657	884,570
Emoluments disclosed above include the following amounts paid to the highest paid director:		
Emoluments for qualifying services	701,107	338,016

IFE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2005

21 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2005 Number	2004 Number
Admin	17	17
Sales and Production	17	22
	<u>34</u>	<u>39</u>

Employment costs

	£	£
Wages and salaries	2,211,965	1,645,341
Social security costs	267,113	191,691
	<u>2,479,078</u>	<u>1,837,032</u>

22 Control

The company is a wholly owned subsidiary of IFE Holdings Limited, a company registered in England and Wales.

IFE SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2005

23 Related party transactions

The following transactions were entered into during the year with related parties.

Legal services to the value of £125,058 (2004 :£39,287) were purchased on an arms length basis from Withers LLP, a firm of solicitors in which Anthony Indaimo is a partner. At the year end £36,629 was owed to Withers (2004 :payment on account to Withers of £4,362).

An intercompany loan account was operated with the companys parent company IFE Holdings Limited. At the year end the company was owed £1,985,567 (2004 :£1,616,403) in respect of this loan account.

The company paid £1,473 (2004 :£952) to Guernsey Media.com, a company in which Patrick Cox is a director, for expenses incurred. At the year end £Nil (2004 : £160) was owed to this company.

Executive Concierge Services Limited: £7,992 of services were bought (2004 : £13,647) and credit notes recieved to the value £3,385. £10,953 of sales were credited during the year (2004 : sold £11,261). At the year end Executive Concierge Services Limited owed the company £Nil (2004 :£12,870) and IFE Services owed Executive Concierge Services Limited £Nil (2004 :£2,347). During the year this company was sold. Mark Hogg and Walli Ullah no longer have any interest in this company.

Executive Candidate Services Limited: £1,400 (2004 : £802) of services were bought and £Nil (2004 : £2,517) were sold during the year. At the year end Executive Candidate Services Limited owed the company £Nil (2004 :£4,146). The balance was written off as a bad debt at the year end. At the year end £Nil was owed to this company (2004 :a payment on account existed on the supplier account for £1,645).

Goods and services of £1,683,499 (2004 : £Nil) were sold to In Flight Entertainment Spain s.l. and further income of £370,000 (2004 : £Nil) was accrued for. At the year end the company was owed £1,185,845 (2004 : £Nil). The company is incorporated in Spain. Mark Hogg, Walli Ullah and Rizvan Zafar are directors as well as shareholders in this company. Patrick Cox is a shareholder.

The company sold Marlli Productions LLP £100,000 (2004 : £Nil) of goods and services. At the year end the company was owed £117,500 (2004 : £Nil). The partnership is under the control of Mark Hogg and Walli Ullah.