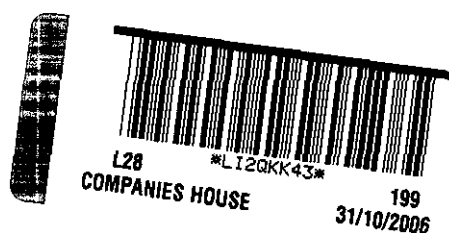


# **Airia Limited**

## **Directors' Report and Financial Statements for the year ended 31 December, 2005**

**Company number 3990064**



**Airía Limited**

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## **Directors' report to the members of Airia Limited**

The directors have pleasure in submitting their report and financial statements for the year ended 31 December 2005.

### *Principal activities*

The principal activity of Airia Limited is to develop a system to provide television services and related multimedia services to aircraft and other mobile users.

### *Review of Business and Future Developments*

The results for the year are shown in the profit and loss account shown on page 5.

The accounts continue to be prepared on a going concern basis as the shareholders have indicated their continuing willingness to support the company.

As discussed in note 1 to the financial statements, the Company is seeking strategic partners to provide additional market access and funding.

### *Results and Dividends*

The operating loss for the year amounted to US\$445,329 (2004 loss : US\$661,409 m). There were no dividends and retained losses have been transferred to reserves.

### *Charitable and Political Donations*

No donations were made in the period.

### *Directors and their interests*

The Directors who held office during the period and up to the date of this report are given below:

Wayne Pierzga  
Vardhan Rajkumar  
Robert Michael Stevens  
Secretary:  
Jordans Company Secretaries Ltd

No remuneration is paid to the Directors of the Company.

As at 31 December 2005, Vardhan Rajkumar held a stock appreciation right over 266,666 units under the Airia Limited Stock Appreciation Rights Plan.

As at 31 December 2005, Wayne Pierzga held a stock appreciation right over 266,666 units under the Airia Inc. Stock Appreciation Rights Plan.

### *Auditors*

PricewaterhouseCoopers LLP resigned consequent to there being no need to have the accounts audited.

### *Directors' Responsibilities*

The following statement is made with a view of distinguishing the respective responsibilities of the directors in relation to the financial statements.

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. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

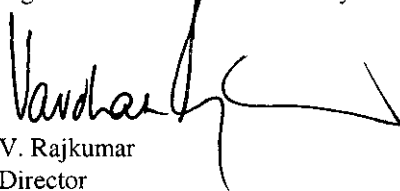
## **Directors' report to the members of Airia Limited**

The directors confirm that suitable accounting policies have been used and applied consistently in the year as explained under Note 1 'Accounting policies'. They also confirm that reasonable and prudent judgments and estimates have been made in preparing the financial statements for the period ended 31 December 2005 and that applicable accounting standards have been followed.

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.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

Signed on behalf of the Board by:

A handwritten signature in black ink, appearing to read 'V. Rajkumar', with a long horizontal stroke extending to the right.

V. Rajkumar  
Director  
30 October 2006

**Airia Limited**

**NOTES TO THE FINANCIAL STATEMENTS**

**Airia Limited**

**PROFIT AND LOSS ACCOUNT 31-12-05**

<i>(US\$000)</i>	Note	Year ended 31 December 2005	Restated Year ended 31 December 2004
<b>Revenue</b> .....	2	0	21
<b>Administrative expenses</b> .....			
Depreciation and amortisation .....	3	(435)	(435)
Other administration costs .....	3	(43)	(229)
Write off of tangible fixed assets	8(b)	0	0
Write down of investment in subsidiary		0	0
<b>Total administrative expenses</b> .....		(478)	(664)
<b>Total operating loss</b> .....	3	(478)	(643)
Interest receivable and similar income.....	4	33	12
Exceptional Gain		0	0
<b>Profit before taxation</b> .....		(445)	(631)
Taxation.....	6	0	(32)
<b>Retained loss for the year</b> .....	13	(445)	(661)

All activities are continuing. The Company had no recognised gains and losses during the year ended 31 December 2005 other than those reflected above.

The accompanying notes are an integral part of the financial statements

**Airia Limited**

**NOTES TO THE FINANCIAL STATEMENTS**

**Airia Limited**

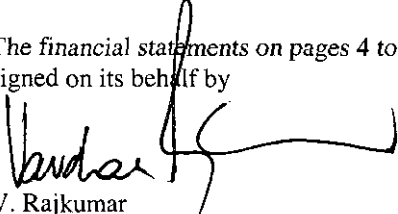
**BALANCE SHEET 31.12.05**

(US\$000)	Note	As at 31 December 2005	As at 31 December 2004
<b>Fixed assets .....</b>			
Intangible fixed assets .....	8(a)	0	0
Tangible fixed assets .....	8(b)	635	1,070
Investments .....	9	809	809
<b>Total fixed assets .....</b>		<b>1,444</b>	<b>1,879</b>
<b>Current assets .....</b>			
Debtors.....			
- Amounts falling due after one year.....	10	295	295
Cash at bank and in hand .....		1,348	1,343
<b>Total current assets .....</b>		<b>1,643</b>	<b>1,638</b>
Creditors - amounts falling due within one year .....		0	0
<b>Net current assets.....</b>		<b>1,643</b>	<b>1,638</b>
<b>Total assets less current liabilities .....</b>		<b>3,071</b>	<b>3,517</b>
Creditors - amounts falling due after one year .....		0	0
<b>Net assets.....</b>		<b>3,071</b>	<b>3,517</b>
<b>Capital and reserves .....</b>			
Called up share capital .....	12	10,003	10,003
Share premium account.....	13	13,998	13,998
Shares to be issued .....	13	0	0
Profit and loss account .....	13	(20,930)	(20,484)
<b>Total shareholders' funds.....</b>		<b>3,071</b>	<b>3,517</b>
<b>Analysis of shareholders' funds .....</b>			
Equity .....	12	(6,959)	(6,483)
Non-equity .....	12	10,000	10,000
		3,071	3,517

The Company is entitled to exemption from audit under S249(A)(1) of the Companies Act 1985 for the year ended 31 December 2005. The members have not required the Company to obtain an audit of its financial statements for the year ended 31 December 2005 in accordance with S249 (B)(2) of the Companies Act 1985,

The Directors acknowledge their responsibilities for ensuring that the Company keeps accounting records which comply with S221 of the Companies Act 1985 and preparing financial statements which give a true and fair view of the state of affairs of the Company as at the end of each financial year and of its profit or loss for each financial year in accordance with S226 and which otherwise comply with the requirements of the Companies Act 1985 relating to financial statements, so far as applicable to the Company. These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to Smaller Entities (effective January 2005).

The financial statements on pages 4 to 10 were approved by the Board of directors on 30 October 2006 and were signed on its behalf by

  
V. Rajkumar  
Director

The accompanying notes are an integral part of the financial statements

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Background and basis of preparation

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005). The principal accounting policies, which have been applied consistently except where stated otherwise, are described in note 2 below.

During the financial year ended 31 December 2005, the Company has continued to invest in its service modules, sales partners and through its research and development programmes. Further working capital is required in order to secure sales channels.

This additional funding is likely to come from one or a number of sources, including further funding from the Company's remaining shareholder, introduction of another joint venture partner or from a third party lender. Preliminary discussions are taking place on the additional finance that may be provided and long term financing of the Company.

The financial statements have been prepared on the going concern basis as the shareholders have indicated their continuing willingness to support the company.

### 2. Summary of significant accounting policies

The Company has reviewed its accounting policies in line with FRS 18 'Accounting Policies' and adopted accounting policies most appropriate to its business so as to give a true and fair view as well as disclose sufficient information to enable users to understand the policies adopted and how they have been applied in the financial statements.

FRS 19 'Deferred tax' has been adopted in the year further details of which are given below.

#### *Revenue*

The US\$21,000 of revenue in 2004 was a reimbursement from Inmarsat for VAT paid.

#### *Pensions*

The Company did not offer a pension or defined benefit plan in 2005.

#### *Advertising costs*

Advertising costs are expensed as incurred.

#### *Taxation*

The Company has adopted FRS 19 'Deferred Tax' from 1 January 2002 and this is reflected in these financial statements. The adoption of FRS 19 has not resulted in a change to the retained loss or net assets in either 2005 or 2004.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profit and loss and its results as stated in the financial statements. No deferred tax is recognised on permanent differences.

Deferred tax is measured at the average tax rates that are expected to apply in the period in which the timing differences are expected to reverse, based on tax rates and law that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis. Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

# Airia Limited

## NOTES TO THE FINANCIAL STATEMENTS

### Research and development

Research and development expenditure is written off in the year in which it is incurred.

### Intangible fixed assets

Intangible fixed assets comprise intellectual property and goodwill, which reflects the excess of the consideration paid over the fair value of the assets acquired. Intangibles are amortised using the straight-line method over their estimated useful life.

### Depreciation of fixed assets

Depreciation is calculated to write off the historical cost of fixed assets, except land, on a straight-line basis over the expected useful lives of the assets concerned. Depreciation commences once the assets enter into service. The principal annual rates used for this purpose are:

Fixtures and fittings, and other building-related equipment.....	10.0%
Buildings.....	4.0%
Other fixed assets and Network Infrastructure .....	20.0-33.3%

### Asset impairment

The Company evaluates potential impairment loss related to long-lived assets, including intangible assets, when a change in circumstances occurs, by assessing whether the carrying amount can be recovered over the remaining life. Impairment is recognised if the recoverable amount (the higher of net realisable value and value in use) falls below its carrying value.

### Functional currency

The Company's principal cash flows are primarily denominated in US dollars so the Company has adopted the US dollar as its reporting currency. The £ sterling / US dollar exchange rate at 31 December 2005 was £1/\$1.7686 (2004 - £1/\$1.916). The average £sterling/US dollar exchange rate during 2005 was 1.820 (2004: 1.810).

### 3. Total operating loss

Operating loss is stated after charging:

	Year ended 31 December 2005	Year ended 31 December 2004
(US\$000)		
Amortisation of intellectual property.....		
Amortisation of goodwill.....		
Depreciation.....	435	435
Auditors' remuneration and expenses:		
Audit .....	26	18
Non audit .....	0	0
Advertising costs.....	0	6
Research and development costs.....	17	184



# Airia Limited

## NOTES TO THE FINANCIAL STATEMENTS

### 4. Interest receivable and similar income

	Year ended 31 December 2005	Year ended 31 December 2004
(US\$000)		
Bank interest receivable .....	33	12

### 5. Directors' remuneration

No remuneration is made to the Directors of the Company.

As at 31 December 2005, Vardhan Rajkumar held a stock appreciation right over 266,666 units under the Airia Limited Stock Appreciation Rights Plan. Under the terms of this plan, participants may be able to exercise stock appreciation rights (which would be paid in the form of cash or such other assets of like value) principally on a change in control of the Company. There are no other participants of the Airia Limited plan.

### 6. Taxation

The tax charge is based on the taxable profits for the period and comprises:

	Year ended 31 December 2005	Year ended 31 December 2004
(US\$000)		
Corporation tax at 30%—current year ....	0	32
Deferred tax—current year .....	-	-
	0	32

#### Deferred Taxation

The tax effect of timing differences is:

	As at 31 December 2005	As at 31 December 2004
(US\$000)		
Asset recognised .....	-	-
Potential asset not recognised	0	0

There are trade losses available for offset against future profits of the same trade of \$10.5m.

The Company's effective tax rate reconciliation is as follows:

	Year ended 31 December 2005	Year ended 31 December 2005
(US\$000)		
UK statutory tax rate .....	30%	30%
Profit/(Loss) on ordinary activities .....	(445)	(661)
Corporation tax at UK statutory rate .....	0	0
Depreciation in excess of capital allowances .....	0	0
Deferred tax asset on losses not recognised .....	0	0
Non-deductible expenses .....		
Loss relief for losses brought forward .....	0	0
Group Relief for which no payment made .....		
Current tax charge / (credit) .....	-	-

### 7. Dividends

There were no dividends declared for the period ended 31 December 2005 (2004 : \$Nil).

**Airia Limited**

**NOTES TO THE FINANCIAL STATEMENTS**

**8(a). Intangible fixed assets**

<i>(US\$000)</i>	Intellectual Property	Goodwill	Total
<b>Cost at 1 January 2004 and 31 December 2005.....</b>	9,001	1,500	10,501
Accumulated amortisation at 1 January 2005 .....	9,001	1,500	10,501
Charge for the year.....	0	0	0
<b>Accumulated amortisation at 31 December 2005.....</b>	9,001	1,500	10,501
<b>Net book amount at 31 December 2005 .....</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net book amount at 31 December 2004 .....</b>	<b>0</b>	<b>0</b>	<b>0</b>

The intellectual property and goodwill have been amortised over 3 years, which is the directors' estimate of their useful life to the business.

**8(b). Tangible fixed assets**

<i>(US\$000)</i>	Network infrastructure
<b>Cost</b>	
at 1 January 2005 .....	1,914
Additions in the year .....	0
Write off and Disposals.....	0
<b>Cost at 31 December 2005.....</b>	<b>1,914</b>
<b>Accumulated depreciation</b>	
at 1 January 2005 .....	844
Charged for the year .....	435
Write off and Disposal .....	0
<b>Accumulated depreciation at 31 December 2005 ....</b>	<b>1,279</b>
<b>Net book amount at 31 December 2005.....</b>	<b>635</b>
<b>Net book amount at 31 December 2004.....</b>	<b>1,070</b>

**9. Investments**

	Principal Activity	US\$000	Trading	Country of Incorporation and operation	Effective interest in issued share capital at December 31, 2005
Airia Inc.	Telecommunications	809	Trading	USA	100%
Airia Services Limited	Telecommunications	0	Dormant	England and Wales	100%

**Airia Limited**

**NOTES TO THE FINANCIAL STATEMENTS**

**10. Debtors—amounts falling due after more than one year**

<i>(US\$000)</i>	As at 31 December 2005	As at 31 December 2004
Amounts receivable due from Subsidiary .....	295	295

**11. Commitments**

The Company did not have any annual commitments under non-cancellable operating leases.

At 31 December 2005 the Company had capital commitments of \$ 0 (none) (2004 ; \$0).

**12. Called up share capital**

<i>(US\$000)</i>	As at 31 December 2005	As at 31 December 2004
<b>Authorised:</b>		
800 ordinary "A" shares of US\$1.00 each .....	1	1
200 ordinary "B" shares of US\$1.00 each .....	-	-
10,000,000 ordinary "C" shares of US\$0.01 each.....	100	100
100,004 ordinary "D" shares of US\$100 each .....	10,000	10,000
	<u>10,101</u>	<u>10,101</u>
<b>Allotted, issued and fully paid:</b>		
84 "A" shares of US\$1.00 each.....	-	-
21 "B" shares of US\$1.00 each.....	-	-
210,000 "C" shares of US\$0.01each.....	2	2
100,000 "D" shares of US\$100 each.....	10,000	10,000
	<u>10,003</u>	<u>10,003</u>

"A" and "B" shares carry voting rights, but no rights to income or capital distributions, and accordingly are classified as non-equity shares. "C" shares have no voting rights, but carry unlimited rights to income and capital distributions, and accordingly are classified as equity shares. "D" shares carry no voting rights, have no rights to income distributions but have a preference over all other shares on capital distributions, and accordingly are also classified as non-equity shares.

**13. Reserves**

<i>(US\$000)</i>	Share Premium Account	Shares to be issued	Profit and Loss Account
<b>Adjustment to 2004</b>			0
<b>At 1 January 2005</b>	13,998	0	(20,485)
Removal of requirement to issue shares.....			
Retained Loss for the year.....	-		(445)
<b>At 31 December 2005</b>	<u>13,998</u>	<u>0</u>	<u>(20,930)</u>

**14. Related Parties and ultimate controlling party**

APR Limited, a Barbados registered company is the ultimate controlling party by virtue of being 100% shareholder of the Company.