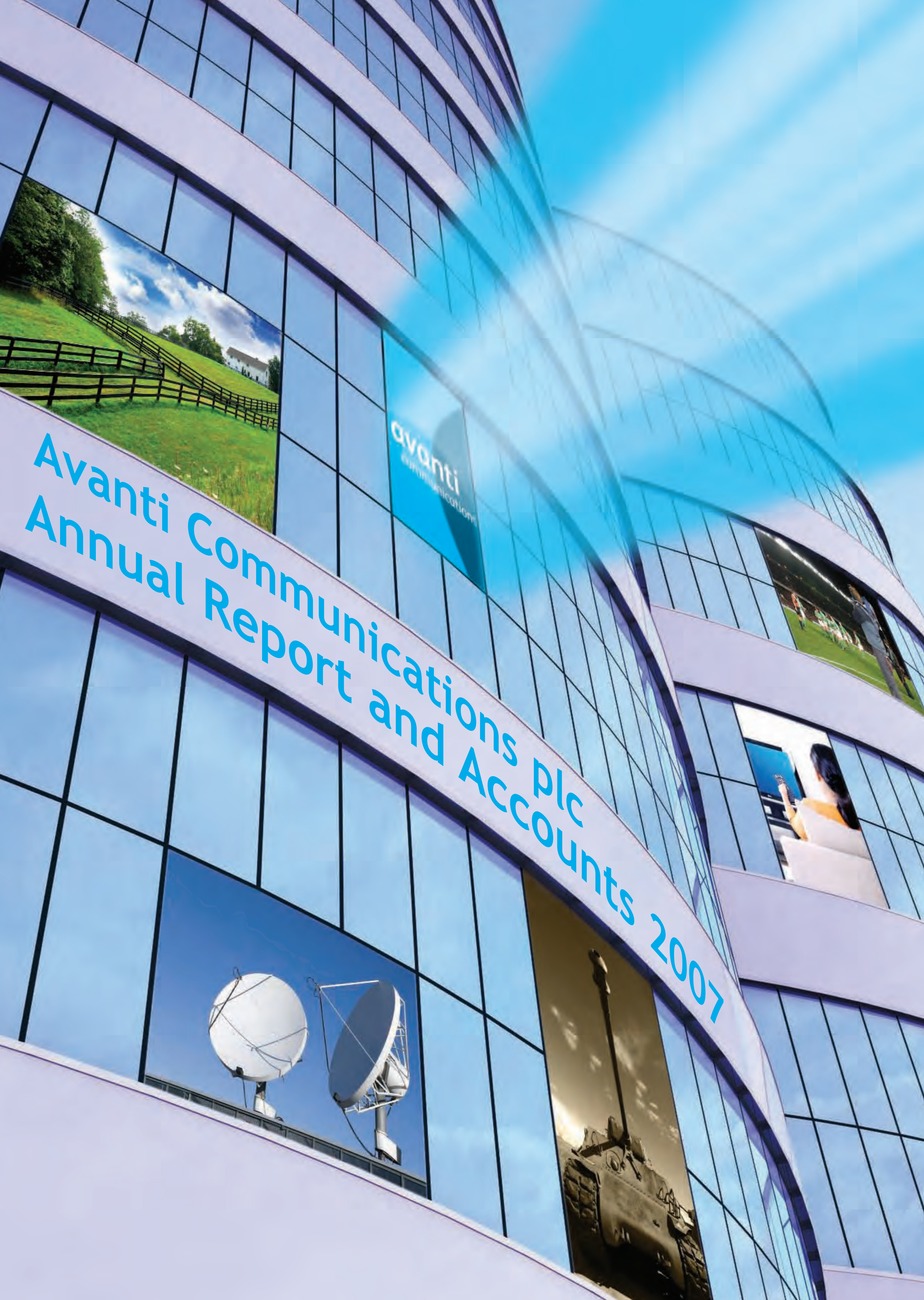
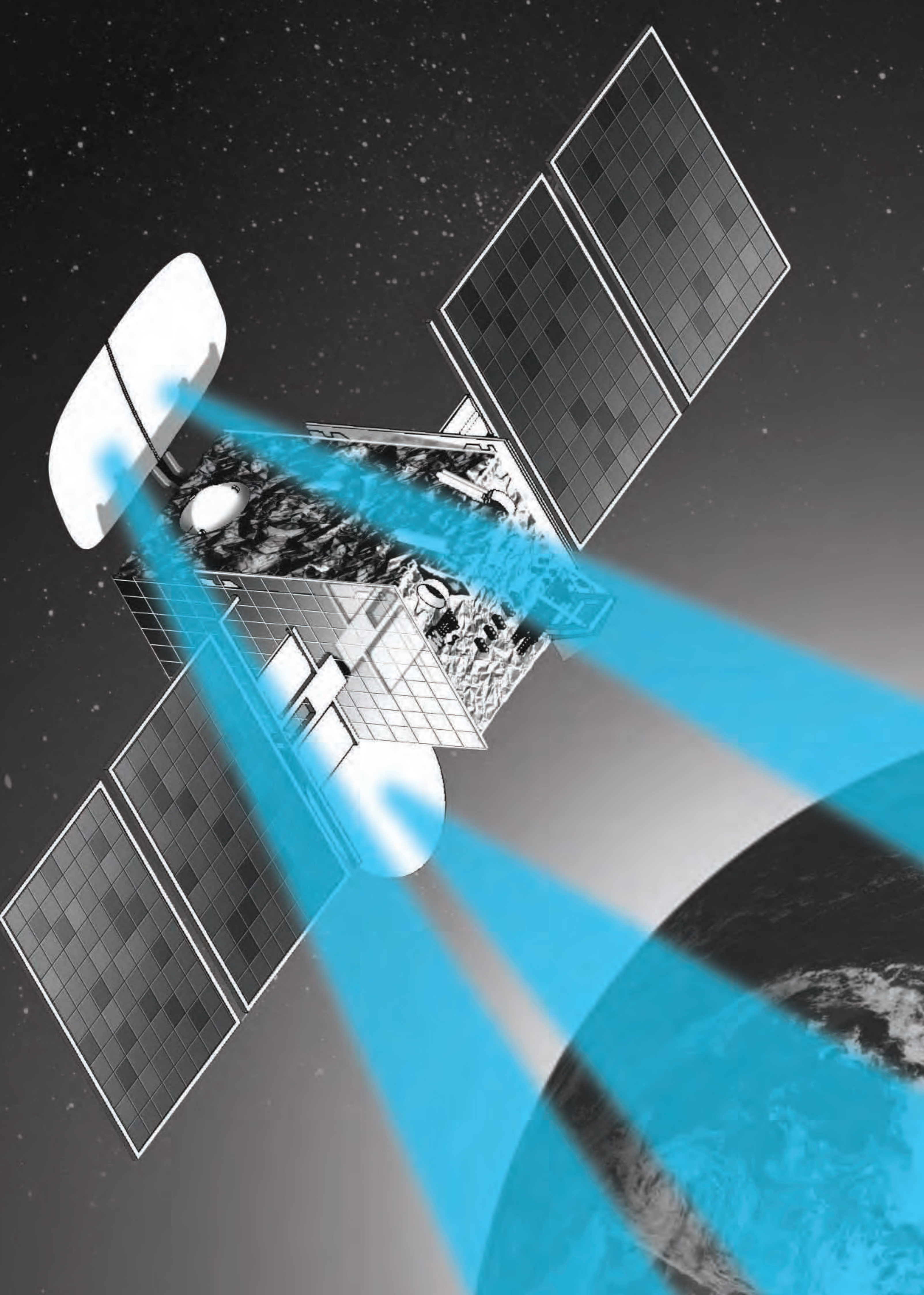
Avanti Communications plc Annual Report and Accounts 2007





contents

officers and professional advisers

Directors

F E J G Brackenbury CBE	Chairman
D J Williams	Chief Executive
D J Bestwick	Chief Technology Officer
N A D Fox	Group Finance Director
M J Desmond	Non-Executive Director
C R Vos	Non-Executive Director
D A Foster	Non-Executive Director
W P Wyatt	Non-Executive Director

Secretary
N A D Fox

Registered office
74 Rivington Street
London
EC2A 3AY

Bankers
HSBC Bank Plc
70 Pall Mall
London
SW1Y 5EZ

Auditors
Kingston Smith LLP
Devonshire House
60 Goswell Road
London
EC1M 7AD

chairman's statement

I have great pleasure in presenting Avanti Communications Group plc's results for the year ending 30 June 2007, a transformational year for our business. Avanti was de-merged from its former parent company on 16 April 2007 and there is now no corporate connection between the two companies.

Avanti is now a focused Fixed Satellite Services operator, with complementary Network Services and Consultancy divisions which will continue to make a small contribution; but the success of the Company rests in its exploitation of Space assets.

The results are presented here on a pro-forma basis as if Avanti had traded independently for the whole period. Pro-forma numbers for 2006 are presented for comparison.

Key highlights

The Company performed in line with market expectations and met key milestones. Avanti is currently developing the infrastructure required to deliver its satellite operator strategy. Although we have small revenue lines from the Consultancy and Networks Services divisions, our results are and will continue to be dominated by the Space activities which, as anticipated, required heavy investment during the year. Our focus is now on generating a large backlog of contracted revenue for future periods which will generate profit and cash flow after the launch of HYLAS in March 2009, and we expect to see contracts flow this year.

Revenue	£2.6 million	(2006: £9.7 million)
Profit before tax	£20.2 million*	(2006: £6.3 million)
Profit after tax	£21.1 million*	(2006: £5.7 million)
Closing cash balance	£9.7 million	(2006: £11.4 million)

Since I last wrote to you, the Company has achieved a number of key milestones:

- It completed a £32m debt financing - the first time a European satellite operator has raised non-recourse debt for the construction phase of its first satellite - a real milestone for our industry. This debt gives us long term security as the cash has been fully drawn down, no interest or principal payments are due until the end of the seven year term and the covenant structure in the early phase is light.
- It has successfully managed the satellite procurement programme to contracted budgets and schedules.
- It secured a launch at advantageous pricing for HYLAS for 31 March 2009.
- It secured the use of two new orbital positions which will enable the launch of new satellites to provide Ka band data services to cover Africa, Middle East and Asia.

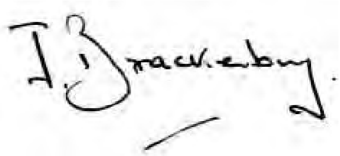
** includes exceptional credit of £23.3 million.*

chairman's statement (continued)

- It completed the de-merger with very little disruption to ordinary trading activities.
- It deployed its DVB-RCS high speed data services (using temporary leased capacity) into the market with full commercial launch, swiftly securing significant business.

I should like to pay tribute to our executive team, led by our Chief Executive, David Williams, for their enormous energy and creativity which gives the Company an edge over our competitors. I also welcome Nigel Fox, who joined the Company as Finance Director on 18 June 2007.

It is increasingly clear that the satellite market is exhibiting a shortage of capacity and rising demand which is well addressed by Avanti's technology and business model. Satellite businesses are highly scalable, and we expect the Company to expand significantly during the coming year. We ended August with £45m cash in the bank and HYLAS fully funded, a promising sales pipeline, and new opportunities for international growth. I look forward with excitement to reporting to you again at the end of what I am sure will be another highly successful period.



John Brackenbury CBE
Chairman

Avanti: corporate data networks

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chief executive's report

This was a year of enormous change for Avanti which has emerged with a business in excellent shape to realise its very high ambitions.

Introduction

This was a year of enormous change for Avanti which has emerged with a business in excellent shape to realise its very high ambitions. Our operations suffered no disruption from the intensive corporate finance activities of the de-merger and subsequent debt fund raising. I am pleased to report that our financial and operational performance during the year was consistent with market expectations. We have a team of highly skilled and motivated staff, who are now implementing a very clear strategy in market conditions which strongly favour us.

Business overview

The Company consists of three divisions, which are highly complementary: Space, Network Services and Consultancy.

Space

Space will be the key driver of revenue and profit growth for Avanti. We own the rights to use mainly Ka band and some Ku band spectrum in areas across the globe, including Latin America, Europe, Africa, Middle East, Central Asia and India. We have our first satellite, called HYLAS, under construction by Astrium, part of EADS. The satellite procurement is proceeding smoothly, passing a number of key milestones during the year. We expect this satellite to launch on 31 March 2009. The satellite will use eight Ka band spot beams and one Ku band pan European beam to deliver the equivalent of forty 36MHz transponders.

Avanti's target customers are companies which need satellite bandwidth to transport data from point to point. These fall into four general categories:

- Wholesale video distribution
- Corporate data networks
- Broadband service providers
- Military and Homeland Security

We have begun the process of selling capacity on HYLAS - whilst it is not typical in our industry to have a high percentage of a satellite pre-sold during construction phase, our current pipeline leads us to conclude that we will generate some significant pre-sales contracts before launch. We currently have a pipeline of £168m potential HYLAS business. Potential business is only recorded to the pipeline once an approved proposal is submitted and negotiations have commenced.

Avanti is deploying disruptive new Ka band satellite technology which delivers both cost and quality advantages over the existing market. Ka band is a higher part of the frequency spectrum than has traditionally been used around the world for television and telecommunications. Our ability to use Ka band frequency has only emerged recently with advances in electronics. Avanti's technology lowers the cost of satellite capacity whilst also increasing the quality - for example enabling customers to send data up to the satellite from inexpensive 60cm dishes at 8Mb per second.

The incumbent satellite operators have high investment in fleets of Ku band technology, so will not change to Ka band quickly. We do expect to see other companies begin to adopt our technology gradually, but our industry is relatively conservative and slow to move, so we expect to have a window of opportunity for long enough to become firmly established around the world.

Although we have just one satellite under construction to cover Europe, we recently acquired satellite spectrum in new orbital positions which will enable us to provide the same products in Latin America, Africa, Middle East and Asia, in addition to Europe.

Our market opportunity has strengthened since we began the project. There is clear evidence in market research reports and in the recent public statements of our competitors that capacity is very scarce and demand is strong and that as a result pricing is rising. These trends are set to continue, and given Avanti's technology and price advantage, the Company is very well positioned.

Network Services

Avanti already offers some data communications services using a small amount of satellite capacity which it has leased until its first satellite, HYLAS is launched in 2009. We are doing this for two reasons. Firstly it gives us an opportunity to understand in relatively small scale the operational parameters our customers for HYLAS capacity will work with. Secondly it allows us to build up a base of resellers and agents for some of our products which can be transferred later to HYLAS with an uplift in quality and value for money.

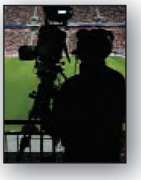
Consultancy

Avanti uses some of the scientists and engineers who initiated the HYLAS programme to offer advice to government and private sector clients on satellite technology research, development and exploitation. We have a significant presence within this industry and are currently working on projects in navigation and earth observation as well as communications. We expect to grow this cash generative business without the need for further investment.

Space Strategy

Since our Space group is the driver of future value and operates in an unfamiliar industry for most observers our strategy merits some detailed description.

Most Fixed Satellite Service operators (as distinct from Mobile Satellite Service operators) are infrastructure providers rather than the suppliers of services to end users. Most telecommunications or television companies do not own or operate their own satellites. They buy transmission services,



chief executive's report (continued)

in the form of long term transponder leases from specialised Fixed Satellite Service operators, of whom there are only around forty in the world. There are a number of advantageous market trends which, we believe underpin the large scale of Avanti's opportunity:

• *Satellite spectrum is scarce*

There are some physical and regulatory limitations to the amount of satellite capacity which is potentially available. In that part of the frequency spectrum which is used mainly in Europe, called Ku band, there is very little available capacity remaining. This is mainly because Europe's many different national and language groupings have many different satellite television offerings, which consume far more satellite capacity than is seen on continents with larger single language populations. The demand for satellite data services is also growing very rapidly, spurred on largely by the increasing complexity of services one can transmit over a telecoms link, such as real time or downloaded video communications.

• *Data customers are being 'crowded out'*

The established customers for television capacity are unlikely to move large scale existing customer bases to new orbital positions because of the disruption and cost of re-pointing satellite dishes. Therefore they are less sensitive to price increases and in the current tight market transponder prices in those positions used for Direct to Home (DTH) television services have risen as high as €5m per annum. This, and the knock on effect to other positions, mean that the customers for data capacity (who typically are price sensitive and do not have dish inertia) are facing steep price rises which are not supportable - they are being "Crowded Out" of the bandwidth market. The Crowding Out effect is also being observed in Asia, the Middle East and Africa and most satellite operators are reporting high utilisation rates.

• *HYLAS can compete on price and quality*

Price advantages for HYLAS are resulting in strong pipeline of potential sales. However, the unique design of HYLAS also means that it offers much higher power/data rates than the legacy satellite technology. Thus Avanti can compete on both price and quality simultaneously. Sales lead times in the satellite industry are long because of the complexity and high value of transponder leases, but with almost a year's marketing behind us, we are confident that pre-sales contracts will flow soon. We expect to sell out the capacity on HYLAS fairly soon after launch, at which point the creation of additional capacity would be relatively easy to finance through project finance debt which maximises the value of equity.

• *More satellites will be financed by customer commitments*

The advantage that Avanti can seize from the Crowding Out effect is likely to last for several years, but eventually other operators will deploy larger volumes of Ka band satellites. We therefore regard it as essential to populate our new orbital positions with Ka band capacity as soon as possible, in order to gain or extend first mover advantage geographically. In order to do this we are pursuing a variety of customer/partnership negotiations which if successful will result in large capacity sales which in turn will help us to efficiently finance more satellites with project finance debt. We also have what we regard to be "Orphan" Ku band spectrum over Europe. That is we have access to enough of the highly valued and very scarce Ku band spectrum to occupy one large satellite, but it is not core to our business plan or proposition and so we are seeking to monetise this through partnership to put a Ku band satellite into orbit as soon as possible.

Outlook

Whilst our financial results for the year are in line with market expectations, they are relatively immaterial in the context of our business plan. The milestones we achieved during the year are very significant, and we now have a very clear strategy and the people and resources to execute it. Avanti is Europe's first ever Entrepreneur-created Fixed Satellite Services operator, and having broken into a market dominated by multinational or quasi-governmental companies, we now have the corporate structure, focus and resources required to take advantage of what increasingly looks like an outstanding and rare market opportunity. I expect the scale and value of that opportunity to be well illustrated during the coming year with the pre-selling of satellite capacity. This is an exciting time to work at Avanti Communications and I look forward to reporting significant progress in delivering our vision next year.

David Williams
Chief Executive

directors' report

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 30 June 2007.

Principal activities and review of the business

Avanti Communications Group plc (ACG) was incorporated on 1 March 2007 in order to facilitate the de-merger of the satellite networks business from its former parent (Avanti Screenmedia Group PLC - ASM). The de-merger was effected by Avanti Screenmedia declaring a special dividend, equal to the book value of the Company's shareholding in Avanti Communications Infrastructure Limited (ACIL), which was satisfied, in specie, by ASM transferring to ACG the whole of the share capital in ACIL. The de-merger was concluded on 15 March 2007 and ACG was admitted to AIM on 16 April 2007. The principal activity of the Company is the provision of fixed satellite services and telecommunication consultancy and engineering.

Business review and key performance indicators

A comprehensive business review is covered in the *finance and operating review* on pages 14 and 15.

Results and dividends

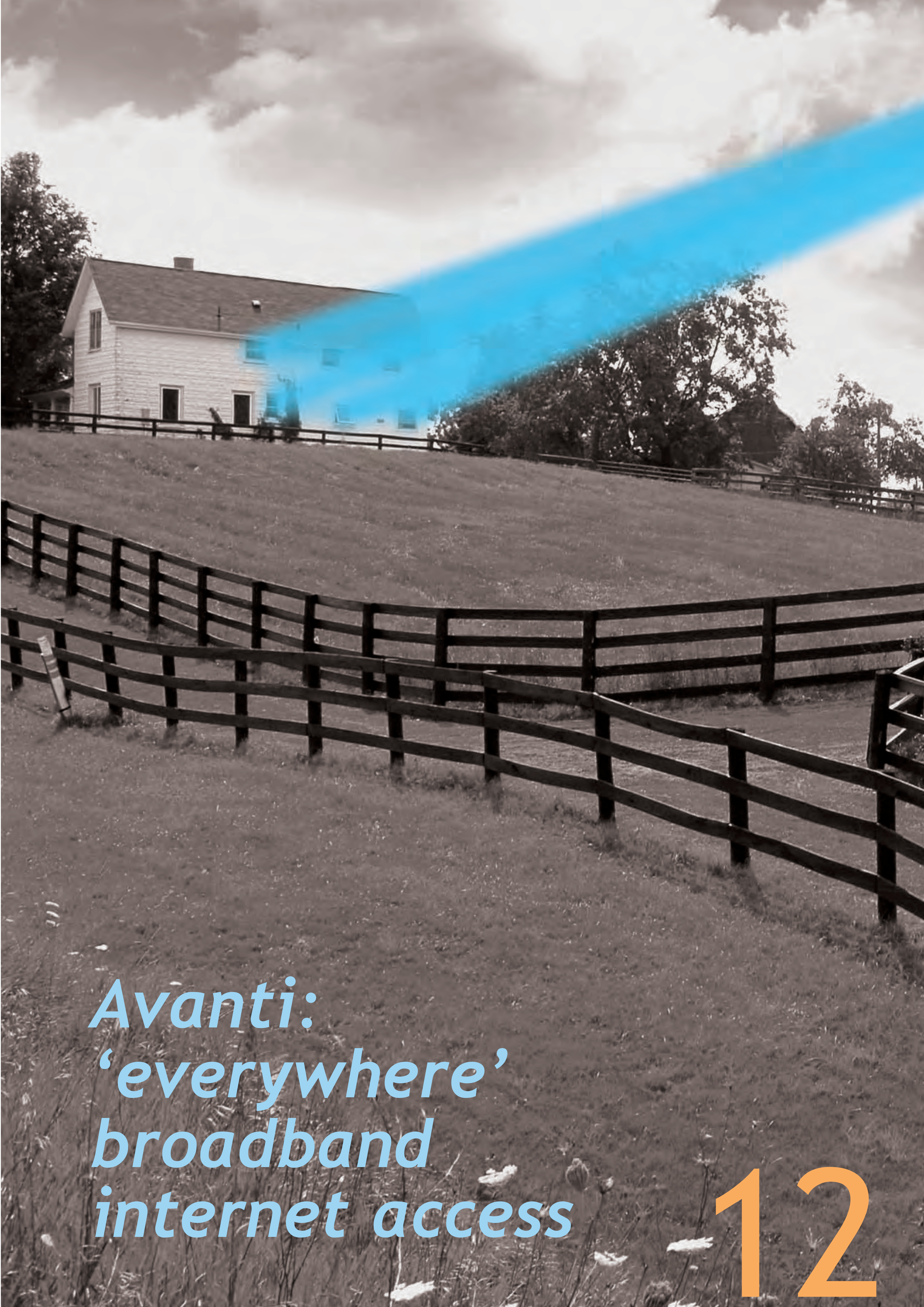
The results for the year ended 30 June 2007 are shown on page 24. No equity dividend was paid in the year ended 30 June 2007 (2006 - £nil). No final dividend is proposed at the year end (2006 - £nil). The profit for the year transferred to reserves was £21.1 million (2006 - £5.7 million).

Directors

The directors who served during the year were as follows:

F E J G Brackenbury CBE	appointed 16 April 2007
D J Williams	appointed 14 March 2007
D J Bestwick	appointed 14 March 2007
N A D Fox	appointed 29 June 2007
D A Foster	appointed 16 April 2007
M J Desmond	appointed 16 April 2007
C R Vos	appointed 16 April 2007
W J Wyatt	appointed 16 April 2007

The Board of Directors: (standing left to right) Richard Vos, William Wyatt, Alan Foster, David Bestwick, Nigel Fox and Mick Desmond; (seated) David Williams and John Brackenbury



Avanti: 'everywhere' broadband internet access

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directors' report (continued)

Auditors

Kingston Smith LLP were appointed the first auditors and have indicated their willingness to continue in office and in accordance with the provisions of the Companies Act 1985 it is proposed that they be re-appointed auditors to the company for the ensuing year.

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice and International Financial Reporting Standards. 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 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.

Statement of disclosure to auditor

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Approved by the Board of Directors
and signed on behalf of the Board

Nigel Fox
Secretary and Group Finance Director

8 October 2007

finance and operating review

Accounting Standards - IFRS

The first period for the adoption of International Financial Reporting Standards (IFRS) was the financial year ended 30 June 2007, reported on herein. The impact on the Group was limited. The area most affected was that of deferred taxation where there is now full provision for the deferred tax asset arising from the operating losses sustained by the business.

The establishment of share option plans after the year end will mean that there will be a further impact on the results due to IFRS during the forthcoming period. It should be emphasised that although the introduction of IFRS had some impact on the presentation of the primary financial statements and the results of the Group, it does not change the economics, risk profile or cash flow of the business itself.

Group trading summary

Revenue

At present the business derives revenues from two of its three divisions, Network Services and Consultancy. The Space division will derive revenue once the Hylas satellite has been successfully launched, although we are now accepting orders.

Revenue from the Network Services division arises from satellite telecommunications services including broadband, internet access, corporate data networks and video contribution services. It operates a DVB-RCS hub and uplink and has a transponder lease on an existing satellite. Once Hylas has been launched the services using the leased capacity will be transferred to Hylas.

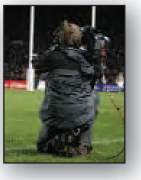
The business has an established consulting business which provides technology study and development services to government and European Agencies. The consulting business is currently engaged in a number of contracts exploring new applications for satellite technology including navigation and disaster monitoring.

We currently have an unweighted pipeline of £164 million (weighted £28 million) and a committed backlog of £13 million.

We calculate a "pipeline" of potential sales monthly and will be reporting this regularly, along with a "backlog" of contracted revenues for future periods. Potential sales only appear in our pipeline if the transaction has been the subject of an approved proposal and negotiations have commenced. We then apply weightings to indicate the probability of ongoing negotiations to a successful conclusion.

Risks

There are four key risks associated with the HYLAS project: (i) raising sufficient funds for the completion of the project; (ii) procurement of the launcher; (iii) placing of insurance and (iv) a successful launch. The project debt was raised in July 2007 and the contract for the launcher was concluded with SpaceX in September within budget. Our insurance programme is well advanced and should be concluded no later than the end of January 2008. At that point the focus will be on securing sales to utilise the available capacity.



finance and operating review (continued)

Profits

The operating profit for the period was £19.6 million (2006: £5.7 million). This included an exceptional profit of £23.3 million following the agreed write off of the amounts owed to Avanti Screenmedia Group.

Excluding the exceptional credit the loss before taxation was £3.1 million (2006: profit £6.3 million).

Taxation

The exceptional profit arising from the write off of the loan account is non taxable income. There is therefore a tax credit to the profit and loss account of £898,000 (2006: charge : £513,000).

Creditor payment policy

The Group endeavours to pay all suppliers within terms.

Shareholder returns

The earnings per share are calculated on a pro-forma basis using the same weighted average number of shares for both 2006 and 2007 (see note 9).

Post Balance Sheet Events

a. completion of debt financing

Avanti signed a facility agreement with a syndicate of lenders to borrow £32m over a term of seven years, which completes the financing requirements for its HYLAS project. Interest is charged at 10.5% above LIBOR and accrues to be repaid at maturity as a payment in kind. The facility can be redeemed after 30 months. The syndicate of lenders comprises funds advised or managed by Avenue Capital Group, funds advised by JO Hambro Capital Management, Caledonia Investments plc and Frost City Limited, an entity controlled by Mr Robert Tchenguiz. In addition, and as part of the overall financing package, funds managed by Avenue Capital Group will also subscribe for 2,000,000 new ordinary shares, representing approximately 7.2% of the issued share capital of the Company, at 200p per share.

b. issue of new shares

In addition to the 2,000,000 shares issued to Avenue Capital Group as part of the debt facility, the Group issued 3,213,562 shares in July 2007 to its Employee Benefit Trust. The Trustees of the EBT have waived their rights to vote and to receive dividends. In accordance with Generally Accepted Accounting Principles these shares are excluded from the calculation of earnings per share.

c. establishment of share option plans

At the time of the de-merger the Company indicated its plans to issue staff with share options following the lapse of previous options over the former parent. These options were granted during July 2007.

Nigel Fox
Group Finance Director

Avanti: direct-to-home tv

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corporate governance report

Introduction

The Group is listed on AIM. Although the rules of AIM do not require the Company to comply with the Combined Code on Corporate Governance ('the Code') the Company fully supports the principles set out in the Code and will seek to comply wherever practical, given both the size and resources available to the Company. Details are provided below of how the Company applies those parts of the Code which it believes to be appropriate.

The board

The Company has appointed non-executive directors to bring an independent view to the board and to provide a balance to the executive directors.The board of directors comprises three executive directors and four non-executive directors one of whom is the chairman. The board considers that each of the non-executive directors is independent within the meaning of the Code. The board meets at least four times per year and receives a board pack comprising individual reports from each of the executive directors and members of the senior management team, together with any other material deemed necessary for the board to discharge its duties. The board has responsibility for formulating, reviewing and approving the Group's strategy, budgets, major items of expenditure and acquisitions.

Board committees

The Board has established two committees: audit and remuneration both having written terms of delegated responsibilities. Each is chaired by a different non-executive director. A copy of each committee's terms of reference can be found at the Company's website www.avanti-communications.com

Audit committee

The audit committee consists of W Wyatt, J Brackenbury and R Vos and is chaired by W Wyatt. It meets at least twice a year and is responsible for ensuring that the appropriate financial reporting procedures are properly maintained and reported on and for meeting the auditors and reviewing their reports relating to the Group's accounts and internal control systems. The committee also receives all internal operational review reports.

Remuneration committee

The remuneration committee consists of A Foster, J Brackenbury, and W Wyatt and is chaired by A Foster. It meets at least twice a year and is responsible for reviewing the performance of the executive directors and other senior executives and for determining appropriate levels of remuneration.

Shareholder relations

The Company meets with institutional shareholders and analysts as appropriate and uses its website to encourage communication with private, existing and prospective shareholders. Avanti Communications Group plc welcomes feedback from investors about its published reports and website. Please address your feedback to our investor relations team by email to investor@avanti-communications.com or in writing to Avanti Communications Group plc, 74 Rivington Street, London EC2A 3AY.

Avanti: wholesale video distribution

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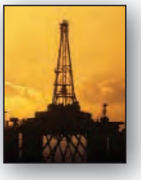

corporate governance report (continued)

Internal control and risk management

The Group operates a system of internal control and intends to develop and review that system in accordance with the guidance published by the Institute of Chartered Accountants in England and Wales. The internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives. The board is responsible for the system of internal control and for reviewing its effectiveness. It can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The board operates a formal process of risk assessment and reporting. Each major business unit carries out formal risk assessments annually and regularly updates those during the year. Reports on the assessments and related mitigation actions of all significant risks are provided to the board.

The Group does not have an internal audit function due to the small size of the Company's administrative function, the high level of director review and authorisation of transactions. However, the Company undertakes a programme of operational reviews designed to visit all major businesses on a regular basis. The finance director is responsible for that programme and its reporting to the audit committee.

The board recognises that an essential part of its responsibility is the effective safeguarding of assets, the proper recognition of liabilities and the accurate reporting of results. The Group has a comprehensive system for regular reporting to the board. This includes an annual planning and budgeting system with budgets approved by the board. The financial reporting system compares against budget and prior year and reconsiders its financial year forecast on a monthly basis. The board has established a formal policy of authorisation setting out matters which require its expressed approval and certain authorities delegated to the executive directors.

In compliance with AIM rules the Company has established a policy and share dealing code relating to dealing in the Company's shares by directors, employees and connected persons.

The Company maintains appropriate insurance cover in respect of legal actions against directors as well as against material loss or claims against the Group, and reviews the adequacy of cover regularly.

There were no notifiable environmental impacts at any Avanti Communications Group site during the financial year.

statement of directors' responsibilities

United Kingdom company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and Group as at the end of the financial period and of the profit or loss of the Group for that period. In preparing these 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;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on a 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 Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the Company's and Group's system of internal control, for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Board of Directors

independent auditors’ report to the shareholders of Avanti Communications Group plc

We have audited the group and parent company financial statements of Avanti Communications Group Plc for the year ended 30 June 2007, which comprise the Group Income Statement, the Group and Company Balance Sheets, the Group Statement on Changes in Equity, the Group Cash Flow Statement, and related notes. These financial statements have been prepared under the historical cost convention 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 for no purpose other than to draw to the attention of the company's members those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the company and company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The Directors' Responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors’ Report includes that specific information presented in the Finance and Operating Review that is cross referred from the Business Review section of the Directors’ Report.

In addition we report to you if in our opinion 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 misstatement or material inconsistencies with the Group financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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 group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs at 30 June 2007 and of its profit for the year then ended;
- the company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the company's affairs at 30 June 2007;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Kingston Smith LLP

Kingston Smith LLP
Chartered Accountants and Registered Auditors

Devonshire House
60 Goswell Road
London
EC1M 7AD

8 October 2007

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Avanti: military communications

consolidated income statement

year ended 30 June 2007

	Notes	Year ended 30 June 2007 £'000	Year ended 30 June 2006 £'000
Revenue	2	**2,562**	9,720
Cost of sales		**(2,763)**	(1,124)
Gross Profit - continuing activities		**(201)**	8,596
Operating expenses	4	**(3,562)**	(2,848)
Other operating income	6	**23,343**	-
Profit from operations		**19,580**	5,748
Finance income	7	**715**	578
Finance expense		**(99)**	(68)
Profit before tax		**20,196**	6,258
Income Tax Expense	8	**898**	(513)
Profit for the year		**21,094**	5,745
Attributable to:			
Equity holders of the parent		**21,094**	5,745
Basic and diluted earnings per share (pence)	9	**82.51p**	21.30p

There are no recognised gains or losses other than the profit for the financial year.

The notes on pages 29 to 42 form part of the financial statements.

consolidated balance sheet

As at 30 June 2007

	Notes	30 June 2007 £'000	30 June 2006 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	20,036	10,296
Total non-current assets		20,036	10,296
Current Assets			
Inventories	14	31	-
Trade and other receivables	15	1,238	11,061
Other assets	16	4,526	3,818
Deferred tax assets	18	823	-
Cash and short term deposits	20	10,651	11,531
Total current assets		17,269	26,410
Total assets		**37,305**	**36,706**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	17	5,933	27,282
Borrowings	19	1,277	429
Total Current liabilities		7,210	27,711
Non-current liabilities			
Deferred tax liabilities	18	439	513
Borrowings	19	968	888
Total non-current liabilities		1,407	1,401
Total liabilities		8,617	29,112
Equity attributable to equity holders of the parent company			
Share capital	21	257	-
Share premium	22	-	180
Retained earnings	22	28,431	7,414
Total equity		28,688	7,594
Total liabilities and equity		**37,305**	**36,706**

Approved on behalf of the Board of Directors

8 October 2007

company balance sheet

As at 30 June 2007

	Notes	30 June 2007 £'000
ASSETS		
Non-current assets		
Investment	12	257
Total non-current assets		257
Total assets		**257**
LIABILITIES AND EQUITY		
Equity attributable to equity holders of the parent company		
Share capital	21	257
Total equity		257
Total liabilities and equity		**257**

Approved on behalf of
the Board of Directors

8 October 2007

consolidated cash flow statement

for the year ended 30 June 2007

	Notes	30 June 2007 £'000	30 June 2006 £'000
Cash flow from operating activities			
Profit from operations before taxation		19,580	5,748
Net foreign exchange (gain)/loss		(1)	-
Depreciation and amortisation of non-current assets		565	467
		20,144	6,215
Movement in working capital			
(Increase)/decrease in stock		(31)	38
Decrease/(increase) in debtors		9,526	(10,046)
(Increase) in other assets		(1,605)	(417)
Increase in trade and other payables		3,076	1,779
Cash generated from operations		31,110	(2,431)
Interest received		615	510
Net income tax deferred		898	-
Net cash generated / (used) by operating activities		**32,623**	(1,921)
Cash flows from investing activities			
Payments for property, plant and equipment		(10,305)	(9,655)
Net cash used in investing activities		(10,305)	(9,655)
Cash flows from financing activities			
Proceeds from borrowings		430	883
Intercompany movement - following de-merger		(24,128)	22,299
Repayment of borrowings		(385)	-
Net cash used in financing activities		(24,083)	**23,182**
Net (decrease)/increase in cash and cash equivalents		(1,765)	11,606
Cash and cash equivalents at the beginning of the financial year		11,439	(167)
Effect of exchange rate changes on the balance of the cash held in foreign currencies		1	-
Cash and cash equivalents at the end of the financial year	20	**9,675**	**11,439**

consolidated statement of changes in equity

Year ended 30 June 2007

2006	**Share capital £'000**	**Share premium £'000**	**Profit and loss account reserves £'000**	**Total reserves £'000**
At 1 July 2005	-	180	1,669	1,849
Profit for the year	-	-	5,745	5,745
At 30 June 2006	**-**	**180**	**7,414**	**7,594**
2007				
At 1 July 2006	-	180	7,414	7,594
Profit for the year	-	-	21,094	21,094
Intercompany movement following de-merger	257	180	(77)	-
At 30 June 2007	**257**	**-**	**28,431**	**28,688**

notes to the accounts

Year ended 30 June 2007

Statement of compliance

The Group financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and with those parts of the Companies Act 1985 applicable to companies preparing their accounts under IFRS.

Basis of preparation

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted in the preparation of the financial statements are set out below.

Going concern

The accounts have been prepared on a going concern basis which assumes that the Group will continue in operational existence for the foreseeable future and has no intention of curtailing operations or reducing activities.

Basis of consolidation

Where the company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The financial statements presents the results of the company and its subsidiaries ("the group") as if they formed a single entity. Intercompany transactions, balances, income and expenses are therefore eliminated in full. The results of subsidiaries acquired during the year are included in the consolidated income statement.

There are no minority interest in the net assets of the Group, and no goodwill arising on acquisition of subsidiary.

The financial statements of subsidiaries are prepared for the same reporting year as the parent company using consistent accounting policies.

Following the demerger in April 2007 the consolidated results for both 2006 and 2007 are shown as though the group, in its current form, had always been in existence and have been consolidating using merger accounting principles. This treatment has been adopted because following the restructuring there was no change in the underlying control of the group and it has therefore been treated as a group reconstruction.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business net of discounts, VAT , returns and other similar allowances.

Consultancy contracts

Where the outcome of a contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, measured as the proportion that contract costs incurred for the work performed to date bear to the estimated contract cost, except where this would not be representative of the stage of completion.

Where the outcome of a consultancy contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as an expense in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Leased assets

Assets acquired under hire purchase or finance lease are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Leased assets (continued)

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals are recognised as an expense in the period in which they are incurred.

Foreign currency

Transactions entered into by the group entities in a currency other than the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rate ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are similarly recognised immediately in the income statement.

The functional currency and the presentational currency of the Group is sterling.

Pension schemes

The employees have the option to establish their own pension scheme to which the Group will match employee contributions up to a maximum amount. There is no liability to the group scheme, and there is no on-going liability to the Group beyond the period that the contributions are made. The cost of such contributions are charged to the income statement when incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The charge for taxation is based on taxable profits for the year. Taxable profits differ from profit as reported in the income statement because it excludes items of income and expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities based on tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred tax

Deferred tax is recognised on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates that have been enacted or substantially enacted by the balance sheet date. The measurement of the deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when the group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on either the same taxable group company; or different group entities which intend either to settle current tax assets and liabilities on a net basis, or to realise the assets and settle the liability simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Intangible Assets
Acquired brands and other intangible assets which are controlled through custody or legal rights and could be sold separately from the rest of the business are capitalised, where fair value can be reliably measured. Where intangible assets are regarded as having limited useful economic lives they are amortised on a straight line basis over those lives. Where they are regarded as having indefinite useful lives they are not amortised. Impairment reviews are carried out to ensure that intangible assets are not carried at above their recoverable amounts. Any amortisation or impairment write downs are charged to the profit and loss account. Amortisation is over a maximum of 20 years.

Property, plant and equipment
Fixtures and fitting are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided so as to write off the cost or valuation of assets, other than assets under construction, over their estimated useful lives using the straight-line method of four years.

Computer software	25% per annum
Network assets	25% per annum
Fixtures and fittings	25% per annum
Plant and machinery	25% per annum
Motor vehicles	25% per annum
Satellite in construction	Nil

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The gain or loss arising on the disposal of assets is charged to the profit and loss account and is calculated as the difference between the disposal proceeds and the carrying amount of the assets.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Trade receivables
Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method where the true value of money is material. Appropriate allowances for estimating irrecoverable amounts are recognised in the Income Statement where there is evidence that the asset is impaired. This impairment would be recognised within administrative expenses.

Cash and cash equivalents
Cash and short term deposits in the balance sheet comprise of cash on hand and demand deposits, and other short term highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Trade payables
Trade payables are initially measured at fair value, and are subsequently measured at amortised cost.

2 Revenue

	30 June 2007 £'000	30 June 2006 £'000
Continuing operations		
Revenue from the sale of goods	503	460
Revenue from the rendering of services	2,059	9,260
	2,562	9,720

Turnover represents net invoiced sales of services provided and goods sold, net of value added tax. The company derived £2,059,000, (2006 - £4,302,000) of its turnover from European countries outside the United Kingdom.

3 Segment information

Business segment

Products and services within each business segment

The group's primary reporting format for reporting segment information is business segments. For management purposes the group is organised into three major operating divisions - consultancy, construction / operation of satellite and provision for satellite services.

Space	- satellite business selling Ku and Ka bandwidth on its Hylas satellite which will be operational in July 2009
Network Services	- the provision of data communications services by satellite
Consultancy	- the provision of telecommunication consultancy and engineering services

Segment revenue	External sales		Inter-segment		Total	
	30 June 2007 £'000	30 June 2006 £'000	30 June 2007 £'000	30 June 2006 £'000	30 June 2007 £'000	30 June 2006 £'000
Space	-	5,000	-	-	-	5,000
Network Services	503	460	-	-	503	460
Consultancy	2,059	3,582	-	678	2,059	4,260
Consolidated revenue					2,562	9,720

Inter-segment sales are charged at amounts equal to competitive market prices for external sales of similar goods.

Segment results

	30 June 2007 £'000	30 June 2006 £'000
Continuing operations		
Space	(1)	4,319
Network Services	(1,341)	(35)
Consultancy	(1,805)	1,974
Exceptional items	23,343	-
Profit/(Loss) before tax	20,196	6,258
Income tax expense	898	(513)
Profit/(Loss) for the year from continuing operations	21,094	5,745

Segment assets and liabilities

	Assets		Liabilities	
	30 June 2007 £'000	30 June 2006 £'000	30 June 2007 £'000	30 June 2006 £'000
Space	24,516	16,199	(11,485)	(12,295)
Network Services	2,588	1,704	(2,911)	(2,028)
Consultancy	17,567	20,010	(1,587)	(15,996)
Inter-company	(7,366)	(1,207)	7,366	1,207
Consolidated	37,305	36,706	(8,617)	(29,112)

4 Operating expenses

	30 June 2007 £'000	30 June 2006 £'000
Operating expenses		
Staff costs (see note 5)	596	247
Depreciation of property, plant and equipment	566	467
Foreign exchange differences	(1)	-
Research and development costs written off as incurred	5	-
Operating lease expenses	-	-
Auditors' remuneration - audit	26	19
- non audit services	-	-

5 Staff costs

The average number of employees, including the Directors, during the year ended 30 June 2007 was 49 (30 June 2006 - 47). The aggregate remuneration of all employees comprised:

	30 June 2007 £'000	30 June 2006 £'000
Wages and salaries	2,094	1,847
Social security costs	204	334
Pension costs	48	43
	2,346	**2,224**

The emoluments of the directors were as follows

	30 June 2007 £'000	30 June 2006 £'000
Remuneration	85	-
Pension contributions	4	-
	89	**-**

The emoluments of the highest paid director were £50,000 (2006 - £nil), including pension contributions of £4,000 (2006 - £nil).

Pension contributions amounting to £4,000 (2006 - £nil) were made into personal pension schemes in respect of three (2006 - two) of the Directors. The Directors only received emoluments from the time of the demerger. Emoluments prior to that date are borne by the previous parent.

6 Other operating income

	30 June 2007 £'000	30 June 2006 £'000
Inter-company debt repayment waived	**23,343**	**-**

Operating income relates to the write back of the inter-company loan due from ASG to ASM. The write off has no cash flow effect.

7 Finance income

	30 June 2007 £'000	30 June 2006 £'000
Interest on bank overdraft and loans	(60)	(58)
Interest on obligations under finance lease	(39)	(10)
	(99)	(68)
Less: Interest revenue		
Bank deposits	715	578
Other income	-	-
Net finance income	**616**	**510**

8 Income tax recognised in the profit and loss account

	30 June 2007 £'000	30 June 2006 £'000
Deferred tax		
Income tax on losses for the year	(904)	-
Total current tax asset	**(904)**	**-**
Deferred Tax		
Deferred tax charge for the period	6	513
Tax on loss on operating activities	**(898)**	**513**

The reasons for the difference between the actual tax credit for the year and the standard rate of corporation tax in the UK applied to losses for the year are as follows:

	30 June 2007 £'000	30 June 2006 £'000
Profit from continuing operations	20,196	5,413
Tax effect on ordinary activities at 30% (2006 - 30%)	6,059	1,624
Effect of expenses not deductible in determining taxable profits	18	18
Effect of revenue that is exempt from taxation	(7,002)	-
Effect of deferred tax charged for the period	6	513
Effect of group relief	-	(1,130)
Effect of capital allowances in excess of depreciation	21	(471)
Tax losses brought forward	-	(41)
Income tax credit recognised in the profit or loss	**(898)**	**513**

9 Earning per share

	30 June 2007 pence	30 June 2006 pence
Basic earnings per share	**82.51p**	**21.30p**

The calculation of basic and diluted earning per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year. There is no dilution to the earnings per share calculation required.

	30 June 2007 £'000	30 June 2006 £'000
Profit for the year attributable to equity holders of the parent company	**21,094**	**5,745**
Weighted average number of ordinary shares for the purpose of basic earnings per share (all measures)	25,708,503	25,708,503

10 Property, plant and equipment

	Leasehold Improvements £'000	Computer Software £'000	Network Assets £'000	Fixtures and Fittings £'000	Plant and Machinery £'000	Satellite in Construction £'000	Total £'000
Cost							
Balance at: 1 July 2005	76	357	558	306	162	-	1,459
Additions	44	3	1,792	37	-	7,779	9,655
Balance at: 1 July 2006	120	360	2,350	343	162	7,779	11,114
Additions	106	14	251	57	-	9,877	10,305
Balance at 30 June 2007	**226**	**374**	**2,601**	**400**	**162**	**17,656**	**21,419**
Depreciation							
Balance at: 1 July 2005	8	44	103	60	136	0	351
Charge for the year	24	92	201	124	26	0	467
Balance at: 1 July 2006	32	136	304	184	162	0	818
Charge for the year	41	91	361	72	-	0	565
Balance at 30 June 2007	**73**	**227**	**665**	**256**	**162**	**0**	**1,383**
Net Book Value							
Balance at 30 June 2007	**153**	**147**	**1,936**	**144**	**-**	**17,656**	**20,036**
Balance at 30 June 2006	88	224	2,046	159	-	7,779	10,296

At 30 June 2007 the Company held assets under finance lease agreements with a net book value of £1,424,000 (2006 - £816,000). Depreciation of £225,000 (2006 - £27,000) has been provided on these assets.

11 Profit of the parent company

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent Company is not presented as part of these accounts. The parent company's profit after tax for the year ending 30 June 2007 amounted to £nil (2006 - £nil).

12 Investments

Company

	Shares in Subsidiary undertakings £'000
Cost and net book value	
As at 30 June 2007	**257**

13 Subsidiaries

As at the end of the year the company held the following investments in subsidiary companies:

Name of subsidiary	Country of incorporation	Proportion of ownership interest	Proportion of voting power held
		%	%
Avanti Communications Limited	England & Wales	100	100
Avanti Space Limited	England & Wales	100	100
Avanti Broadband Limited	England & Wales	100	100
Avanti Communications Infrastructure Company Limited	England & Wales	100	100

14 Inventories

	30 June 2007 £'000	30 June 2006 £'000
Finished goods	**31**	-

The cost of inventories recognised as an expense during the period was £754,000 (2006 - £30,000).

15 Trade and other receivables

	30 June 2007 £'000	30 June 2006 £'000
Trade receivables	1,238	10,764
Amounts owed by former group undertakings	-	297
	1,238	**11,061**

16 Other assets

	30 June 2007 £'000	30 June 2006 £'000
Prepayments	**4,526**	**3,818**

17 Trade and other payables

	30 June 2007 £'000	30 June 2006 £'000
Trade payables	836	448
Amounts due to former group undertakings	-	24,425
Social security and other taxes	79	44
Other creditors	331	365
Accruals and deferred income	4,687	2,000
	5,933	27,282

18 Deferred tax

	30 June 2007 £'000	30 June 2006 £'000
Balance at 1 July 2006	(513)	-
Accelerated capital allowances	74	(513)
Unused taxable losses	823	-
Balance at 30 June 2007	**384**	**(513)**
Deferred tax balances are presented in the balance sheet as follows:		
Deferred tax asset	823	-
Deferred tax liabilities	(439)	(513)
	384	**(513)**

19 Borrowings

	Current		Non-current	
	30 June 2007 £'000	30 June 2006 £'000	30 June 2007 £'000	30 June 2006 £'000
Secured at amortised cost				
Bank loans and overdrafts (i)	703	92	273	-
Other loans	24	29	21	402
Finance lease liabilities (ii)	550	308	674	486
	1,277	**429**	**968**	**888**

(i) The bank overdraft and loans are secured by a debenture over all assets of the company both present and future.

(ii) Finance lease obligations are secured by retention of title to the related assets. The borrowings are on fixed interest rate debt with repayment periods not exceeding 5 years.

20 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents include cash in hand and at banks net of outstanding overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement can be reconciled to the related items in the balance sheet as follows:

	30 June 2007 £'000	30 June 2006 £'000
Cash and bank balances	10,651	11,531
Bank overdraft	(976)	(92)
Net cash and cash equivalents	**9,675**	**11,439**

Included in the cash balance is £7 million held in Escrow pending future HYLAS deliverables by the Company.

21 Share capital

	2007 £'000
Authorised:	
40,000,000 ordinary shares of £0.01 each	400
Allotted, called up and paid: 25,708,503 fully paid ordinary shares of £0.01 each (i)	257

(i) Avanti Communications Group plc was incorporated on 1 March 2007 as the holding company to Avanti Communications Limited, Avanti Space Limited and Avanti Broadband Limited. The shares capital and share premiums of these companies have therefore been eliminated on aggregation in the year ended 30 June 2007, the resulting value taken to reserves. The consolidated share capital now consists of that of Avanti Communications Group plc.

22 Reserves

2006	Share Premium £'000	Profit & Loss Account Reserves £'000	Total Reserves £'000
At 1 July 2005	180	1,669	1,849
Profit in the year	-	5,745	5,745
At 30 June 2006	**180**	**7,414**	**7,594**

2007			
At 1 July 2006	180	7,414	7,594
Profit for the year	-	21,094	21,094
Intercompany movement - see note 21	(180)	(77)	(257)
At 30 June 2007	**-**	**28,431**	**28,431**

23 Obligations under finance leases

Leasing arrangements

Finance leases relate to capital equipment with lease terms of 5 years. The Group has the option to purchase the equipment for a nominal value at the conclusion of the lease agreement. The Group's obligations under finance leases are secured by the lessor's title to the leased assets.

Finance lease liabilities

	Minimum lease payments 30 June 2007 £'000	Minimum lease payments 30June 2006 £'000	Present value of lease payments 30 June 2007 £'000	Present value of lease payments 30 June 2006 £'000
No later than one year	630	338	550	308
Later than 1 year not later than 5 years	720	508	674	486
	1,350	846	1,224	794
Less future finance charge	(126)	(52)	-	-
Present value of minimum lease payments	**1,224**	**794**	**1,224**	**794**

Included in the financial statements as:	£'000	£'000
Current borrowings	550	308
Non-current borrowings	674	486
	1,224	794

24 Obligations under operating leases

As 30th June 2007 the Group was committed to making the following payments during the next year in respect of operating leases:

	30 June 2007 Land and buildings £'000	Other £'000	30 June 2006 Land and buildings £'000	Other £'000
Leases expiring				
Within 1 year	-	-	-	81
Within 2 year	-	38	-	-
After 5 years	241	-	241	-
	241	**38**	**241**	**81**

25 Post balance sheet events

On 24 July 2007 Avanti signed a facility agreement with a syndicate of lenders to borrow £32 million over a term of seven years, which completes the financing requirements for its HYLAS project. Interest is charged at 10.5% above LIBOR and accrues to be repaid at maturity as a payment in kind. The facility can be redeemed after 30 months. The syndicate of lenders comprises funds advised or managed by Avenue Capital Group, funds advised by JO Hambro, Capital Management, Caledonia Investments plc and Frost City Limited, an entity controlled by Mr Robert Tchenguiz. At the same time Avenue Capital Group subscribed for 2 million new ordinary shares at 200p per share.

On 10 September 2007 Avanti announced that it had signed a contract to purchase launch services for the launch of HYLAS, on schedule and within budget, from Space Exploration Technologies Corporation, USA.

26 Contingent liabilities

At 30 June 2007 the bank held a fixed and floating charge over all present and future assets of the Company. There is also a multilateral guarantee dated 16 April 2007 between all of the companies in the Group to secure liabilities of each other.

27 Capital commitments

At 30 June 2007, Avanti Space Limited had contracted for satellite expenditure totalling £46.3 million of which £14.7 million had been paid. Part of the total price, amounting to €19.5 million, is due to be paid directly from the European Space Agency (ESA) to the satellite contractor, Astrium EADS Limited, and part of the total price, amounting to €14.7 million, is paid to Avanti by ESA.

28 Related party transactions

a. Costs recharged between Avanti Communications Group Companies and Avanti Screenmedia

All recharges in 2006/2007 were up until 16 April 2007 - there were no recharges post de-merger.

	1 July 06 to to 16 April 07 £'000	1 July 05 to 30 June 06 £'000
Costs recharged from Avanti Communications Ltd to Screenmedia Ltd	-	390
Costs recharged from Avanti Communications Ltd to Screenmedia Group	917	12,410
Cost recharged from Avanti Broadband Ltd to Screenmedia Ltd	278	76
	1,195	12,876
Costs recharged from Screenmedia Ltd to Avanti Communications Ltd	5,042	-

b. Costs recharged between Avanti Communications Group Companies

	12 months to 30 June 07 £'000	12 months to 30 June 06 £'000
Costs recharged from Avanti Communications Ltd to Avanti Broadband Ltd	355	139
Cost recharged from Avanti Communications Ltd to Avanti Space Ltd	6,848	-
Cost charged from Avanti Broadband Ltd to Avanti Space Ltd	(30)	-
	7,173	139

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company for 2007 will be held on 29 November 2007 at 10.30 am at 74 Rivington Street, London EC2A 3AY, for the following purposes:

Ordinary business

1. To receive the accounts for the year ended June 2007, together with the reports of the Directors' and Auditors' therein.
2. To re-elect John Brackenbury CBE as a Director of the Company.
3. To re-elect David Williams as a Director of the Company.
4. To re-elect William Wyatt as a Director of the Company.
5. To re-elect David Bestwick as a Director of the Company.
6. To re-elect Nigel Fox as a Director of the Company.
7. To re-elect Alan Foster as a Director of the Company.
8. To re-elect Mick Desmond as a Director of the Company.

Special business

9. That the Directors are generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 (The "Act") (in substitution for all or such existing authorities which are hereby revoked) to allot relevant securities (as defined in section 80(2) of the Act) at such times and to such persons, on such terms and in such manner as they think fit, up to a maximum nominal amount equal to the nominal amount of the authorised but un-issued share capital at the date of the passing of this resolution, such authority to expire on 28th February 2009 or at the conclusion of the Annual General Meeting next following the date on which this resolution is passed (whichever is earlier), save that the Company may before such expiry make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if that authority had not expired.

Special resolution

10. That, in substitution for any equivalent authorities and powers granted to the directors prior to the passing of this resolution, the directors be and they are hereby empowered pursuant to section 95(1) of the Act to allot equity securities (as defined in section 94(2) of the Act) of the Company wholly for cash pursuant to the authority of the directors conferred by resolution 9 above, and/or where such an allotment constitutes an allotment of equity securities by virtue of section 94(3A) of the Act, as if section 89(1) of the Act did not apply to such allotment provided that the power conferred by this resolution shall be limited to:
    - (a) the allotment of equity securities in connection with an invitation or offer of equity securities to the holders of ordinary shares in the capital of the Company (excluding any shares held by the Company as treasury shares (as defined in section 162A(3) of the Act)) on a fixed record date in proportion (as nearly as practicable) to their respective holdings of such shares or in accordance with the rights attached to such shares (but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or as a result of legal or practical problems under the laws of, or the requirements of any regulatory body or any stock exchange in any territory or otherwise howsoever);
    - (b) the allotment of equity securities pursuant to the exercise of any options granted by the Company at the date of this resolution; and
    - (c) the allotment, otherwise than pursuant to paragraph (a) above, of equity securities up to an aggregate nominal value equal to £90,779.35, and unless previously renewed, revoked, varied or extended, this power shall expire on the earlier of the date falling 15 months after the date of the passing of this resolution and the conclusion of the next annual general meeting of the Company except that the Company may at any time before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if this power had not expired.

By Order of the Board
Nigel Fox
Secretary

Registered office:
74 Rivington Street, London EC2A 3AY

Registered number: 6133927

Dated: 28 September 2007

Notes to notice of Annual General Meeting

1. Proxies

Only holders of Ordinary Shares in the Company are entitled to attend and vote at this meeting. A member entitled to attend and vote may appoint a proxy or proxies who need not be a member of the Company to attend (and on a poll to vote) instead of him or her. Forms of proxy need to be deposited with the Company's registrar, at Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA, not later than 48 hours before the time of the meeting. Completion of a form of proxy will not preclude a member attending and voting in person at the meeting.

2. Documents on display

The Register of Directors' Interests in the share capital of the Company, together with copies of service agreements under which Directors of the Company are employed, are available for inspection at the Company's registered office during normal business hours from the date of this notice until the date of the annual general meeting and will be available for inspection at the place of the annual general meeting for at least 15 minutes prior to and during the meeting.

3. Right to attend and vote

In order to have the right to attend and vote at the meeting (and also for the purpose of calculating how many votes a person entitled to attend and vote may cast), a person must be entered on the register of holders of the ordinary shares of the Company by no later than 10.00 am on the 27th November 2007, being 48 hours before the time fixed for this meeting. Changes to the entries on the register after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

Shareholder and contact information

1. The Notice of Meeting is being issued to all shareholders. Enclosed with this notice, you will find an attendance card, and for shareholders a form of proxy.
2. If you are attending the meeting you should bring the attendance card.
3. A shareholder is entitled to appoint one or more proxies to attend and, upon a poll, vote instead of him. A proxy need not be a shareholder. If you wish to appoint a proxy, you must complete the enclosed form of proxy which must be deposited with the Registrars, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA.
4. Copies of the Directors' service contracts, a statement of all transactions of Directors (and of their family) in the share capital of the Company in the year ended 30 June 2007 and, a copy of the the Register of Directors' (and their family) interests in the share capital of the Company, will be available for inspection at the Company's registered office during normal business hours on each day (except Saturday, Sunday and any public holidays) from the date of the Notice of Meeting until 27th November 2007 and also at the place of the AGM from 10.30 am on the day of the meeting until the conclusion of the meeting. Copies of the same will also be available on the same day at the offices of the Company's solicitors, Osborne Clarke, Apex Plaza, Reading WC1R 4JH.

Introduction

After his opening remarks, the Chairman will explain in the detail the procedures for the conduct of the meeting, particularly for asking questions. The resolutions which are set out in the Notice of Meeting will then be put to the meeting.

How to ask questions

At the meeting, shareholders will be given the opportunity to ask questions. Please explain the nature of your question and give your name and address.

You may be asked to wait until called upon to speak. Please remember to state your name before asking your question.

Time

The doors will open at 10.00 am and the meeting will start promptly at 10.30 am.

Cameras, tape recorders etc.

No cameras, video recorders, tape recorders or mobile phones will be allowed into the meeting.

Notes to notice of Annual General Meeting (continued)

Registration

To ensure your entrance to the meeting is dealt with promptly, please bring your attendance card with you and register at the registration desk inside the building.

Shareholder information

If you have any questions concerning your shareholding, please speak to Avanti Communications Group plc staff.

Important

If you have questions about the meeting, or if you need any assistance, please telephone Josie Lawrence at Avanti Communications Group plc on 0207 749 1600 during normal working hours.

Analysis of Shareholders

Range of holdings	Number of shares	Number of shareholders
Less than 10,001	1,420,995	669
10,001 - 20,000	488,617	33
20,001 - 50,000	1,207,593	38
50,001 - 100,000	1,260,262	18
100,001 - 150,000	1,047,439	8
150,001 - 300,000	1,917,327	9
300,001 - 500,000	1,972,792	5
500,001 - 1,000,000	4,636,449	7
1,000,001 +	16,970,631	7

Financial Calendar

29 November 2007	Annual General Meeting
February 2008	Interim results for the six months ended 31 December 2007
September 2008	Preliminary results for the year ended 30 June 2008

Shareholder information

Annual General Meeting

The Annual General Meeting will be held at 74 Rivington Street, London EC2A 3AY.

Details of the resolutions to be proposed at the Annual General Meeting are contained in the Notice of Annual General Meeting on page 43.

Dividend

The Directors have not recommended the payment of a dividend for the year ended 30 June 2007.

Listing

Ordinary shares of Avanti Communications Group plc are traded on AIM.

The share price is available from the Avanti website at www.avanti-communications.com and in The Financial Times and The Times.

Registrars

All administrative enquiries relating to shareholdings should be directed to The Registrar, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA.

Avanti’s services

Information about Avanti's services can be found at www.avanti-communications.com

Form of proxy for Avanti Communications plc

(incorporated and registered in England and Wales under number 6133927) (the '**Company**')

For use by holders of ordinary shares of 1p each in the Company (the '**Shareholders**') at the annual general meeting of the Company to be held at 74 Rivington Street, London EC2A 3AY at 10.30 am on 29 November 2007 (the '**AGM**'). **Please read the Notice of AGM and associated notes.**

I/We* (please insert the name of the Shareholder(s)* in full in BLOCK CAPITALS)

of (please insert the full postal address of the Shareholder(s)* in full in BLOCK CAPITALS)

being Shareholder(s)* entitled to attend and vote at meetings of Shareholders, hereby appoint the Chairman of the AGM†

as my/our* proxy to attend and, on a poll, to vote for me/us* on my/our* behalf at the AGM, and at any adjournment thereof.

† If it is desired to appoint some other person to be your proxy: (i) delete 'the Chairman of the AGM'; (ii) initial the alteration; and (iii) insert the full name, title and address of the person you wish to appoint as your proxy IN BLOCK CAPITALS.

* Delete as appropriate.

Please indicate with an'X' in the appropriate space how you wish your proxy to vote on the resolutions set out in the Notice or whether you wish the vote to be withheld (see 1. of Notes to Notice of AGM).

	For	Against	Vote withheld
1. To receive the accounts for the year ended June 2007, together with the reports of the Directors' and Auditors' therein.	☐	☐	☐
2. To re-elect John Brackenbury CBE as a Director of the Company.	☐	☐	☐
3. To re-elect David Williams as a Director of the Company.	☐	☐	☐
4. To re-elect William Wyatt as a Director of the Company.	☐	☐	☐
5. To re-elect David Bestwick as a Director of the Company.	☐	☐	☐
6. To re-elect Nigel Fox as a Director of the Company.	☐	☐	☐
7. To re-elect Alan Foster as a Director of the Company.	☐	☐	☐
8. To re-elect Mick Desmond as a Director of the Company.	☐	☐	☐
9. That the Directors are generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 (The "Act") (in substitution for all or such existing authorities which are hereby revoked) to allot relevant securities (as defined in section 80(2) of the Act) at such times and to such persons, on such terms and in such manner as they think fit, up to a maximum nominal amount equal to the nominal amount of the authorised but un-issued share capital at the date of the passing of this resolution, such authority to expire on 28th February 2009 or at the conclusion of the Annual General Meeting next following the date on which this resolution is passed (whichever is earlier), save that the Company may before such expiry make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if that authority had not expired.	☐	☐	☐
10. Disapplication of pre-emption rights.	☐	☐	☐

Dated

Signed

THIRD FOLD AND TUCK IN

FIRST FOLD

Please Affix Stamp Here

Neville Registrars Limited
Neville House
18 Laurel Lane
Halesowen
West Midlands
B63 3DA

SECOND FOLD

Avanti Communications plc
74 Rivington Street
London
EC2A 3AY

Tel: +44 (0)20 7749 1600

www.avanti-communications.com