Avanti Communications Group plc

Annual Report & Accounts 2009

We sell wholesale satellite broadband to service providers.

Chairman
John Brackenbury CBE

"With the launch of HYLAS we hope and expect that Avanti will become one of the World's most exciting telecommunications businesses – a pioneer, a market leader and a British national champion"

" Chairman's Statement, page 8

Chief Executive
David Williams

"Satellite manufacture has proceeded smoothly, the launch has been de-risked and our market opportunity confirmed with impressive sales growth"

" Chief Executive's Report, page 10

Group Finance Director
Nigel Fox

"With the wise counsel of a very experienced board, we made the right decisions to protect and enhance our balance sheet through the credit crunch: securing debt finance early in the project, keeping our cash in safe custody and hedging currency and interest rate risks effectively"

" Finance and Operating Review, page 15

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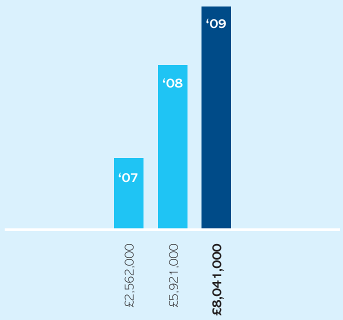
HIGHLIGHTS

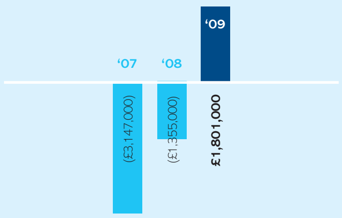
+35.8%

Revenue



£1.8m

Profit/(loss) before tax and exceptionals



HYLAS – A Truly European Story

HYLAS, Avanti's first satellite, will be launched in 2010 through the collaboration of the private sector, the European Space Agency (ESA) and the British National Space Centre (BNSC).

Avanti – Fully Funded

A successful placing of 14 million new ordinary shares was completed in June 2009, raising £31.5 million. This was augmented by a €12.5 million contribution from ESA. The new funds will support the upgrade of the launch service provider to Arianespace.

Arianespace – Reducing Launch Risk

Avanti has now contracted Arianespace to launch HYLAS from French Guiana in Q2 of 2010. Arianespace is the most reliable commercial launch agency in the world.

Success in Scotland

Avanti has completed the first phase of the Scotland Broadband Reach Project, connecting over 2000 business and residential customers in "broadband notspots" to the internet with satellite broadband services using interim capacity which will be upgraded to HYLAS. The contract has been extended to address more homes and businesses without access to terrestrial broadband.

ARIANESPACE LAUNCHER

HYLAS

Avanti's first satellite will provide superfast broadband to businesses and consumers around Europe. The first Ka band broadband satellite ever launched in Europe, HYLAS uses technology which for the first time means that satellite can deliver speeds of 10Mb per second at the same prices as terrestrial broadband. Similar technology has recently been launched and commercially proven in the USA.

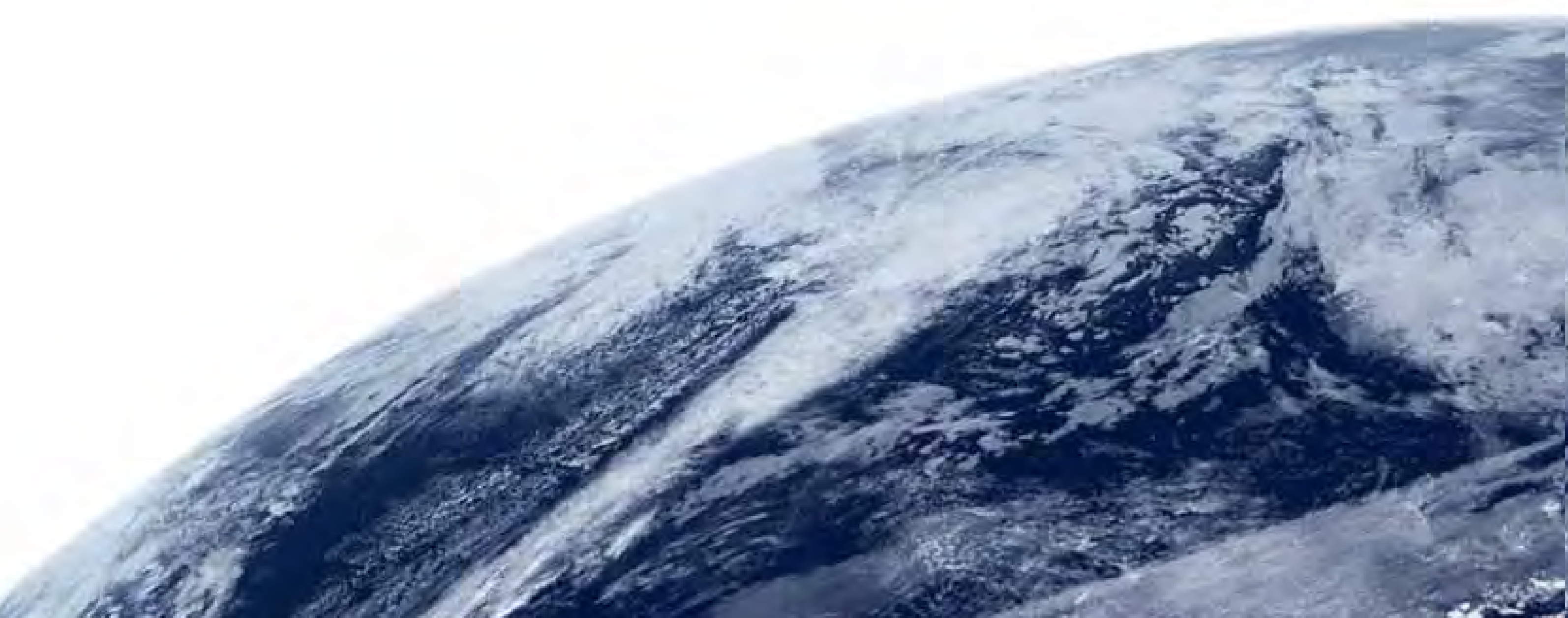
Latest Technology

Spotbeam technology operating at higher frequencies and re-using power and spectrum creates our compelling service and cost advantages. It provides a timely solution to some of the problems identified by the UK government's Digital Britain project.

Strong Partners

The technology was developed and built for Avanti by EADS Astrium in partnership with the British Government's British National Space Centre and the European Space Agency and will launch with Arianespace – a strong European partnership. Key operational tasks have been outsourced to Inmarsat and BT.

Satellit



e

Superf

Huge Market

Internet users are demanding higher speeds than can be provided ubiquitously by terrestrial technologies. HYLAS can provide 10Mb services to anyone within its European beam coverages. We estimate that 70 million homes in Europe cannot receive a high quality 2Mb-plus broadband service through terrestrial networks.

Strong Distribution

The demand for satellite broadband is evidenced in Avanti's success in signing 51 service providers to sell the services in 13 countries in Europe. Pre-sales commitments are already over 13% of first year capacity. Larger telecoms companies are now adopting our service in order to fulfil their own universal service obligations.

Government Support

The British Government had great foresight in funding early stage development for HYLAS, and we hope to repay this faith by delivering valuable solutions to the Digital Britain problems. When HYLAS launches, no family or business in Britain needs to be without low cost broadband. But all over Europe, governments are turning to satellite to accelerate the deployment of universal broadband service and this makes it easier for Avanti to aggregate demand and fill the satellite quickly.

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SHAREHOLDER INFORMATION

Little Competition

The satellite operator market is concentrated with high barriers to entry. Recent market conditions and high industry leverage have further restricted investment. As a result there is very little competition. Only one other Ka band satellite is planned for Europe, and along with HYLAS could serve a small fraction of the market of 70 million.

Next Generation

HYLAS will greatly exceed consumer expectations with a 10Mb service available everywhere. This is a strong competitive advantage even in some urban areas. Consumer "throughput" or data volumes downloaded is doubling year on year. With the industry moving to charging based on Mb downloaded, we expect a strong ARPU and revenue trend for the entire telecoms industry.

Future Plans

The demand and supply characteristics are as strongly favourable to Avanti, or even better in other regions of the world. Avanti has secured large amounts of spectrum to enable it to launch many satellites with almost global coverage. We will launch more satellites, and become a large global business.

Everyw

here

CHAIRMAN'S STATEMENT

The procurement of one of the most complex and innovative commercial satellite systems ever built has progressed well, with the system expected to operate at the top end of technical performance expectations

- **Revenue £8.0 million** (2008: £5.9 million)
- **Profit before tax £1.8 million** (2008: loss £1.4 million)
- **Profit after tax £1.0 million** (2008: loss £1.0 million)
- **Closing cash and cash equivalents balance £24.6 million** (2008: £35.2 million)
- **Cash and cash equivalents was £55.9 million,** following receipt of equity proceeds on 3 July 2009

I have great pleasure in presenting Avanti Communications Group plc's results for the year ended 30 June 2009. We have significantly exceeded expectations through the exercise of cost discipline, prudent financial risk management, and the sale of services on our interim satellite capacity.

We are now in our launch year, the year in which potential begins to turn into profit and cash. During 2008 we made important progress in procurement, finance and sales. The procurement of one of the most complex and innovative commercial satellite systems ever built has progressed well, with the system expected to operate at the top end of technical performance expectations. With the support of the British government, ESA and our very strong shareholder base we took the opportunity to de-risk our project with the purchase of a launch from Arianespace, the world's most reliable launch service provider.

During the year, our market grew strongly. Terrestrial broadband telecoms technologies continue to exclude very large populations around the world. There is now consensus that some 70m homes in Europe will not be able to access

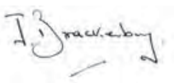
SCOTTISH REACH PROJECT

The Scottish Government funded a project to deliver broadband services to the "notspots" across the country, including the most remote Highland and Island communities. A capital budget of £3.3m was made available to support the project and, following an international tender, Avanti was chosen as the primary supplier. With over 2000 installations completed, the project achieved a rural broadband penetration on a level par with the Scotland wide broadband penetration of 53% (Jan 2009), demonstrating that satellite is the solution for rural populations.

terrestrial broadband at speeds of 2Mb or more and consumers are demanding ever faster service. HYLAS will be the first superfast broadband satellite to launch in Europe and would be full with just 300,000 users so we have a vast yet lightly competed market to exploit.

During the year our market has grown and as a result, the decision of Avanti three years ago to make a pioneering investment in Ka band satellites is widely regarded as farsighted. We have an excellent management team and an impressive shareholder list and so I am confident that we can continue to lead in a large and growing global market.

With the launch of HYLAS we hope and expect that Avanti will become one of the world's most exciting telecommunications businesses – a pioneer, a market leader and a British national champion.



John Brackenbury CBE
Chaiman

The telecoms industry has begun to understand Avanti's foresight in moving into Ka band satellites

KEY MILESTONES 2009

- **Presentation of maiden profit before tax of £1.8m** resulting from strong operating result and hedging
- **Strong progress in creating a distribution network with 51 service providers** now committed around Europe plus a substantial new business pipeline
- **Successful and timely completion of rural broadband project** with the Scottish Government
- **Compelling evidence of the growing importance of broadband** to governments and consumers
- **Completion of a £31.5m equity placing, plus ESA €12.5m contribution** to finance launch service change
- **Satellite on target for launch** from French Guiana in Q2 2010

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CHIEF EXECUTIVE'S REPORT

Avanti's business model remains simple. We sell broadband to service providers at a quality and price which confers significant competitive advantages.

I am pleased to report results for the year which exceed expectations. Our interim service has sold well, and we have been able to use this activity to prepare our business operations systems for full scale roll out as soon as HYLAS launches in the second quarter of 2010. Also, with the wise counsel of a very experienced board, we made the right decisions to protect and enhance our balance sheet through the credit crunch: securing debt finance early in the project, keeping our cash in safe custody and hedging currency and interest rate risks effectively. The successful development of our business model and the expansion of our market then enabled us to win the support of existing shareholders and an impressive array of new institutions in raising finance to improve the quality and reliability of our launch service, thereby removing the last significant technology risk from our project.

Business Overview

Avanti's business model remains simple. We own and operate a satellite called HYLAS. This satellite will be the first "Ka band" superfast broadband satellite launched outside America and one of the most advanced payloads ever built. It will deliver high speed broadband at very competitive prices around Western and Eastern Europe. We will provide broadband at speeds up to 10Mb (with the return path by satellite at up to 5Mb). The customer uses a small satellite dish, typically between 45cm and 78cms, and a small satellite modem connected to the PC or server. Ka band satellite technology is new, although the first generation has been proven both technically and commercially in the USA. The technology enables us to use higher frequency bands with multiple spot beams meaning that we can transmit at higher speeds and serve many more subscribers per satellite than was previously possible.

CELLULAR BACKHAUL

Mobile phone companies are struggling to get enough "backhaul" capacity to base stations to cope with the growth in data usage. Avanti solves the problem with rapidly deployed and low cost 10Mb installations. The first was done this year.

We sell to telecoms service providers, who are obliged to make minimum initial commitment to service volumes. They then sell to end users within their defined territories in the expectation of building a large subscriber base and increasing their bandwidth purchases from us. We provide to these service providers a managed broadband service (not just raw bandwidth) along with all of the software systems, marketing support and training they need to deliver service. We call these service providers VNOs (Virtual Network Operators). Our VNOs need to make no initial capex investment since we manage the satellite and own and operate all associated ground control and network communications infrastructure, with the sole exception of the end user customers' satellite dish and modem.

In addition to regular consumer and business customers, our broadband product has begun to find new markets this year. We currently have services running providing "backhaul" for mobile phone base stations (i.e. carrying user traffic from a rural base station back to the network centre), providing telemetry for wind farms and providing outside broadcasting transmissions for television companies. The product is the same, it's all broadband to Avanti, but the applications which customers find for our very high speed low cost services are definitely growing.

This was our second full year offering satellite broadband services on our rented capacity, and during the year we rapidly completed Europe's largest ever rural broadband project, for the Scottish Government. The success was verified by the award of a second contract from that customer. The service we provide to those and other current customers will be upgraded when HYLAS launches.

We completed Europe's largest ever rural broadband project for the Scottish Government, on time and on budget

CHIEF EXECUTIVE'S REPORT continued

Universal broadband service is now regarded as critical national infrastructure in most countries

The activity has had three benefits to our business:

1. We have demonstrated the role of satellite in solving the digital divide and raised its profile. This has been important and timely in the context of government exercises like Digital Britain.

2. We have a proven market and our ability to access it, using the early service to recruit 48 service providers in 12 countries in Europe.

3. We have learned the lessons of operational deployment in volume. We have field tested all of the back office software systems which we have developed to manage customer activation, support and billing and have completed detailed process manuals to guide both our staff and our VNOs in their management of the products. This means that when HYLAS launches, execution of the ramp up in business should be smooth.

The market demand for broadband in general and the competitive dynamic has evolved significantly since the beginning of our project. It is now overwhelmingly clear that:

1. Competing technologies leave very large populations unserved for reasons of technical and economic limitation. It is widely held that:

   a. Copper ADSL networks leave populations of between 10% and 40% without adequate broadband all over the world.

   b. Fibre optic cable networks to the home are not economically viable in large parts of the world, leaving at least 40% of the population unserved even in densely populated countries like the UK.

   c. 3G/4G networks, whilst providing excellent mobile data, cannot be used for fixed broadband substitution because they have insufficient capacity and spectrum available to cope with the high volumes of data (especially video) now demanded by consumers at home.

   d. Wi-fi and Wi-Max technology suffering from a combination of line of sight, quality of service, base station density and infrastructure cost efficiency

Competing technologies leave very large populations unserved for reasons of technical and economic limitation

There is consensus in government and telecoms circles that Ka band satellites have a major role to play

issues and has not made a significant impact on any major European markets.

2. Universal broadband service is now regarded as critical national infrastructure in most countries of the world and governments are acting to accelerate its achievement.

3. There remains very little competition to Avanti. Only one other dedicated Ka band satellite is planned for Europe, launching a year after HYLAS. In aggregate the two satellites can serve probably at most only 1 million 2Mb services, in a market which has potential demand for 70 million.

There is now broad consensus in government and telecoms circles that Ka band satellites have a major role to play in the patchwork of varying technologies which will provide universal high speed broadband. We are confident therefore of our future market opportunity.

We have made great strides this year in building our distribution channels. We now have 51 VNOs signed in thirteen countries (Scotland, Ireland, England, France, Spain, Germany, Poland, Czech Republic, Italy, Serbia, Hungary, Albania and Macedonia).

These VNOs commitments range from £100,000 to £9,000,000 and from 3 to 15 years. For the first year of service we have more than 13% of HYLAS capacity pre-sold and hope to top 20% by the day of launch. These VNOs of course all expect to build their own subscriber bases rapidly and to return to Avanti to buy more capacity. Based on Avanti's experiment of offering service on rented capacity, it is clear that a small specialised VNO can sell and install at least 2,000 subscribers per annum per country (especially with EU funding assistance). HYLAS will be full with around 200,000 – 300,000 end user customers, depending on the mix of service levels sold by the VNOs (0.5Mb to 10Mb). We therefore have enough VNOs already to be confident that we can achieve our plan to fill HYLAS quickly and are currently signing one or two new VNOs per month. We are also now making progress with larger telecoms companies who are typically adopting satellite broadband as a product for the first time to address their own universal service obligations and therefore the average order size is likely to increase.

SATELLITE LAUNCH

CHIEF EXECUTIVE'S REPORT continued

We remain on schedule to launch within the previously announced window of April to June 2010

Manufacture of the satellite is proceeding well, and we remain on schedule to launch within the previously announced window of April to June 2010. During the year we raised £31.5m in an equity placing plus €12.5m contribution from the British Government via the European Space Agency to fund the upgrade of our Launch Service to Arianespace, the most reliable launch service available. Moving to Arianespace was expensive, but has given greater comfort and certainty to investors, customers and our government partners. We have thus removed the last major technology risk, and can now focus our energies on maximising the price and pace at which we sell out HYLAS capacity.

Outlook

We now have full confidence in the imminent delivery of a fully operational satellite into orbit. Our fortunes now rest on our ability to sell out HYLAS quickly and at the best yield. The distribution channels we have established should enable us to achieve this. But we are also now finding that the larger traditional telecoms service providers are beginning to adopt our product in volume and also new application markets are opening up. The sales pipeline is strong, and should be given a further boost by the Digital Britain project in the UK and the increasing activity of projects in Europe funded by European Commission budgets. We are highly confident that HYLAS will sell out quickly, and are therefore busy working on two new projects to increase our capacity. An investment bank has been retained to help us to close financing which has been offered by government sponsors. The success of this effort is not yet definitive but we hope to report positively on this soon.

David Williams
Chief Executive

We are highly confident that HYLAS will sell out quickly, and are busy working on two new projects to increase our capacity

FINANCE AND OPERATING REVIEW

The year produced a profit before tax of £1.8 million (2008: loss £1.4 million)

Basis of reporting

The Group financial statements in this report have been prepared in accordance with International Financial Reporting Standards (IFRS) and the associated International Financial Reporting Interpretation Council (IFRIC) interpretations each as adopted for use in the EU.

We have implemented the following standards in these financial statements.

IFRIC 11, "IFRS 2 – Group and treasury share transactions", provides guidance on whether share based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share based payment transactions in the stand alone accounts of the parent and group companies. This interpretation does not have an impact on the group's financial statements. The company's accounting policy for share based compensation arrangements is already in compliance with the interpretation.

Accounting policies

The Group has reviewed its accounting policies in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and determined that they are appropriate for the Group.

Operating performance

Revenue increased by 36% to £8.0 million (2008: £5.9 million). Costs of sale increased mainly due to additional costs incurred as a result of the delay in the delivery of HYLAS. These costs are offset by the liquidated damages which are reported separately under other operating income. As a result gross margins were 38% (2008: 68%) and a gross profit of £3m (2008: £4 million). Losses from operations fell by 25% to £1.4 million (2008: loss £1.9 million) helped by foreign exchange gains on hedging of receivables and revenues and the receipt of £1.4 million of liquidated damages from Astrium due to the late contractual delivery of HYLAS.

	30 June 2009 £'000	30 June 2008 £'000
Loss from operations before taxation	(1,386)	(1,858)
Depreciation and other non-cash movements	337	1,341
Change in working capital and provisions	(10,297)	(2,152)
Net capital expenditure	(2,850)	(7,543)
Operating cashflow	(14,196)	(10,212)
Net interest received/financing exchange gains	3,381	1,555
Free cashflows	(10,815)	(8,657)
Movements in funding	189	33,950
Increase/(decrease) in net funds	(10,626)	25,293

FINANCE AND OPERATING REVIEW continued

Total shareholders' equity has increased to £64.5 million from £32.7 million

Further foreign exchange gains arising from hedging of the Satellite and launcher procurement meant that the year produced a profit before tax of £1.8 million (2008: loss £1.4 million)

Other operating income
The company received liquidated damages from Astrium for the late delivery of HYLAS which accrue on a daily basis until November. These damages are recognised through the income statement to compensate for additional costs incurred as a result of this late delivery.

Taxation
The tax charge of £0.75 million (2008: credit £0.36 million) represents an effective rate of 41.8% (2008: 26.6%). The change in the effective tax rate reflects the tax treatment of exchange gains and losses on derivatives, together with the potential permanent delay in the tax reliefs of the share based payments charge in relation to the long term incentives plan.

The group currently generates all its taxable results in the UK. Note 8 to the financial statements provide details of the tax charge.

Earnings per share
Basic earnings per share rose to 3.78 pence per share (2008: 3.60 pence loss per share). Note 9 to the financial statements provide details of these calculations.

Financing, cash flow and treasury
With the wise counsel of a very experienced board, we made the right decisions to protect and enhance our balance sheet through the credit crunch: securing debt finance early in the project, keeping our cash in safe custody and hedging currency and interest rate risks effectively.

In June 2009 the company completed a placing of 14 million shares, over which pre-emption rights had been previously waived at the Annual General Meeting. These shares were formally allotted on 29 June and admitted for trading on AIM on July 3rd. The placing was at 225p netting £30.3 million after expenses.

The total proceeds from this placing were received on 3 July 2009. £20m of the proceeds of this placing in conjunction with a further €12.5 million ESA grant will fund the additional costs of the change

VALLE D'AOSTA DAM

Avanti provides the critical link for hydro-electric power above the Central Quirico in Courmayeur, Italy. Nestling at the foot of Mont Blanc, the satellite service provides two-way telemetry control of the electricity generation plant and also visual confirmation of water levels through a live television picture fed to a web page. The satellite installation in this remote area was completed and is managed by one of Avanti's Italian partners – CO.NA.Installer.

The HYLAS satellite will have its transmission powered by solar power, producing lower carbon emissions

of launcher from SpaceX Falcon 9 to an Arianespace launcher. The balance of the proceeds will provide additional working capital support.

Until HYLAS revenues are recognised, both operating and capital cash flows will be dominated by milestone payments which may cause volatility in the Group cash flows.

The Group has significant US dollar and Euro currency exposures. The Group's policy is to hedge all currency transaction exposures at the time of entering into a contractual commitment. To date the Euro receivables have formed a natural hedge against euro payables to Astrium for HYLAS. US dollar payables have been hedged using options and forward contracts. The group has chosen not to adopt hedge accounting during the current or previous year.

Balance Sheet

The Group Balance sheet is significantly changed from last year. Total shareholders' equity has increased to £64.5 million from £32.7 million primarily as a result of a placing during June 2009. The long term debt continues to increase as the quarterly interest is rolled into the principal in the pre-launch period and now stands at £42.6 million. Some of the debt covenants were renegotiated during June in conjunction with the equity placing, the switch to Arianespace and the delay in the launch window to 1 April 2010 through 30 June 2010.

Environmental factors

The activities of Avanti are judged to have a low environmental impact and are not expected to give rise to any significant inherent environmental risks over the next twelve months. Avanti's HYLAS satellite will have its transmission powered by solar power. It therefore produces lower carbon emissions per customer than other forms of terrestrial telecommunications.

Risks

The key development risks of the satellite have now been retired and we are currently in the final stages of assembly and testing before the satellite is shipped to the launch site. With the switch to an Arianespace launcher we have further reduced our launch risk given the ongoing successful heritage of this launch services provider. The launch window is set for 1 April to 30 June 2010.

Critical accounting policies

Details of our critical accounting policies are in Note 1 to the consolidated Annual Report.

Nigel Fox
Group Finance Director

BOARD OF DIRECTORS

John Brackenbury CBE*+
Chairman
John was founder Chairman of Pubmaster which was sold in 2003 to Punch Taverns. He is a leading industrialist with over 40 years experience in the drinks and leisure sector. He is also President of Business in Sport and Leisure Limited, a Non-Executive Director of Isle of Capri Casinos Ltd and a Director of Springboard UK.

Nigel Fox
Finance Director and Secretary
Nigel is a Chartered Accountant and has held various senior finance roles before joining Avanti Communications in 2007, including chief financial officer of Climax Group; group financial controller at ARC International; finance director of Ruberoid Building Products, and group financial controller of Ruberoid Plc.

Matthew O'Connor
Chief Operating Officer
Matthew joined Avanti in 2005 having worked in the telecommunications industry for 20 years initially for BT where he held a number of sales and marketing roles within the UK and International Divisions.

He joined Telewest in 1996 as a Director of its Business Division, where he was part of the team that grew the business from a £30m regional business to a £300m turnover national operation in 6 years. He went on to be Managing Director of the Wholesale Division with customers that included T-Mobile, 3, Cable and Wireless, NTL, and many telecoms re-sellers.

David Williams
Chief Executive
David is a co–founder of the Company. Prior to this he spent ten years working in the City financing telecommunications projects.

David Bestwick
Chief Technology Officer
David is a co-founder of the Company. David graduated from the University of Leicester in 1987 with a BSc in Physics with Astrophysics. Following three years at Marconi Research Centre (MRC), he joined VEGA Group PLC in 1990 where he worked on a wide range of satellite applications projects.

William Wyatt*+
Non Executive
Will joined Caledonia Investments plc in 1998 and was elected to the board in 2005. He also serves as non-executive director on the boards of Melrose Resources plc, TGE Marine AG, Bristow Group Inc and Terrace Hill plc.

Alan Foster+
Non Executive
Alan was a senior partner of de Zoete & Bevan for over twenty years and, on the creation of BZW Asset Management, he was appointed Deputy Chairman. This company was the forerunner of Barclays Global Investors.

Richard Vos*
Non Executive
Richard is a telecommunications and satellite professional, with international experience, gained over 40 years working in the industry.

His previous positions included Chairman of Inmedia Communications Ltd. and of Inmarsat Ventures PLC and Head of Satellite Investments for British Telecommunications plc (BT), serving as Governor for the UK and Ireland on the Board of INTELSAT and as Chairman of the Board.

Ian Taylor
Non Executive
Ian is MP for Esher and Walton, entering Parliament in 1987.

He was Minister for Science and Technology at the Department of Trade and Industry (1994-97). He now chairs the Conservative Party's Policy Task-force on Science, Technology, Engineering and Mathematics.

Prior to entering Parliament, Ian had 18 years experience of providing corporate finance and management advice to companies in the UK, France and USA.

* Audit committee
\+ Remuneration committee

EMPLOYEES

Drawing expertise from across the globe

CORPORATE SOCIAL RESPONSIBILITY

SOS Children's Villages
The world's largest orphan charity

"SOS Children's is very glad to have been partnered with Avanti Communications for the last 2 years. The company's support of our work is both committed and wide-ranging."

Avanti staff make regular contributions through their payroll and challenge themselves to 10ks and marathons to raise additional sponsorship, donating to tangible projects that really need the support. Avanti's expertise in the communications industry has further assisted a children's village, through a satellite installation and the provision of broadband.

The company's proactive attitude to charitable giving is reflected by David Williams' energy and enthusiasm for SOS Children since the beginning.

Caroline Baker
Corporate Liaison & Challenges Coordinator

DIRECTORS' REPORT

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 30 June 2009.

Principal activities and review of the business
The principal activity of the Company is the provision of satellite broadband internet services.

Business review and key performance indicators
The information that fulfils the requirements of the business review can be found in the finance and operating review on pages 15 to 17, which are incorporated in this report by reference.

Results and dividends
The results for the year ended 30 June 2009 are shown on page 26. No equity dividend was paid in the year ended 30 June 2009 (2008: £nil). No final dividend is proposed at the year end (2008: £nil). The profit for the year transferred to reserves was £1,049,000 (2008: loss of £994,000).

Research and development
The Group continues to invest in new services and technology through its research and development programs which can lead to profitable exploitation of Avanti's satellite capacity. These include pure research into new products as well as developing those services which have been demonstrated to have a profitable business case.

Directors
The directors who served during the year were as follows:

F E J G Brackenbury CBE
D J Williams
D J Bestwick
N A D Fox
M J O'Connor (appointed 2nd February 2009)
D A Foster
C R Vos
W P Wyatt
I C Taylor MBE, MP

Directors' share interests
The following Directors held interests in the share capital of the Company:

	Fully paid Ordinary Shares of 1p each	
	30 June 2009	**30 June 2008**
D J Williams	**1,541,655**	1,619,306
D J Bestwick	**1,051,158**	1,101,052
N A D Fox	**70,254**	50,611
M O'Connor	**124,673**	65,000
F E J G Brackenbury CBE	**426,891**	407,891
D A Foster	**339,639**	304,639
W P Wyatt	**11,200**	11,200
IC Taylor MBE, MP	**6,300**	2,885
C R Vos	**6,030**	6,030

At 16 September, the Company had been notified, pursuant to the Financial Services Authority's Disclosure & Transparency Rules, of the following notifiable voting rights in the Company's issued ordinary share capital.

Caledonia Investments plc	London	9,473,956	21.1%
Directors & Related and EBT	–	6,062,615	13.5%
M & G Investment Management Ltd.	London	5,300,000	11.8%
Avenue Capital Group	New York	3,354,412	8.0%
Kaupthing Bank Luxembourg S.A.	Luxembourg	1,699,000	3.8%
J.P. Morgan Asset Management U.K. Limited	London	1,510,389	3.4%

In addition, 2.1 million shares are held under LTIP. Dividend and voting rights have been waived.

DIRECTORS' REPORT
continued

Policy and practice on payment of creditors
The Group's policy and practice on payment of creditors is:

- To pay all suppliers within the time limit agreed at the start of business with that supplier;
- To ensure that suppliers are aware of the terms of payment; and
- To pay in accordance with the contractual and other legal obligations whenever it is satisfied that the supplier has provided goods and services in accordance with the agreed terms and conditions.

At 30 June 2009, the Group's trade creditor days were 53 days (2008: 133 days).

At 30 June 2009, the Company did not have any trade creditors.

Directors' and Officers' liability insurance
Avanti Communications Group plc maintains appropriate insurance to cover Directors' and Officers' liability for itself and its subsidiaries. At the date upon this report was approved and for the year to 30 June 2009, the Company provided an indemnity in respect of all of the Company's Directors.

Auditors
PricewaterhouseCoopers LLP ('PwC') were re-elected as auditors during the year and have indicated their willingness to continue as auditors; accordingly a resolution to reappoint them will be proposed at the forthcoming AGM in accordance with Section 489 of the Companies Act 2006.

Directors' responsibilities
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. In preparing these financial statements, the directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company 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 accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union and IFRSs issued by IASB have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In the case of each director in office at the date the directors' report is approved:

(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

London

24 September 2009

CORPORATE GOVERNANCE REPORT

The Group is quoted on AIM. Although the rules of AIM do not require the Company to comply with the Combined Code 2006 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 four executive directors and five non-executive directors one of whom is the chairman. Despite the fact that some of the non-executive directors have share options, the board considers that each of the non-executive directors is independent. The board meets at least six 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 three committees: audit, remuneration and nominations, all 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 Avanti website: www.avantiplc.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.

Nominations committee

The nominations committee consists of W Wyatt, J Brackenbury and A Foster and is chaired by J Brackenbury. It meets as and when necessary and is responsible for nominating candidates for appointment as Directors to the Board, bearing in mind the need for a broad representation of skills across the Board.

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 at Redleaf Communications Limited by email info@redleafpr.com or in writing to Redleaf Communications Limited, 9-13 St Andrews Street, London EC4A 3AF.

Internal control and risk management

The Group operates a system of internal control and continues 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.

CORPORATE GOVERNANCE REPORT continued

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.

INDEPENDENT AUDITORS' REPORT
to the members of Avanti Communications Group plc

We have audited the group and parent company financial statements (the "financial statements") of Avanti Communications Group plc for the year ended 30 June 2009 which comprise the Consolidated income statement, the Consolidated balance sheet, the Company balance sheet, the Cash flow statements and the Statements of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 22, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Sections 495 and 496 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2009 and of the group's profit and group's and parent company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

J. Booker (Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London

24 September 2009

CONSOLIDATED INCOME STATEMENT
year ended 30 June 2009

	Notes	Year ended 30 June 2009 £'000	Year ended 30 June 2008 £'000
Revenue	2	**8,041**	5,921
Cost of sales		**(5,068)**	(1,918)
Gross Profit		**2,973**	4,003
Operating expenses	3	**(7,086)**	(6,450)
Other operating income	6	**2,727**	589
Loss from operations		**(1,386)**	(1,858)
Financing exchange gain and movement in derivative fair value	7	**2,932**	119
Finance income	7	**417**	585
Finance expense	7	**(162)**	(201)
Net financing income	7	**3,187**	503
Profit/(Loss) before tax		**1,801**	(1,355)
Income tax (expense)/credit	8	**(752)**	361
Profit/(Loss) for the year		**1,049**	(994)
Attributable to:			
Equity holders of the parent		**1,049**	(994)
Basic earnings/(loss)per share (pence)	9	**3.78p**	(3.60)p
Diluted earnings per share (pence)	9	**3.39p**	–

The notes on pages 31 to 55 form part of the financial statements.

CONSOLIDATED BALANCE SHEET
as at 30 June 2009

	Notes	30 June 2009 £'000	30 June 2008 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**51,534**	39,647
Intangible assets	12	**21**	95
Deferred tax assets	17	**5**	1,037
Total non-current assets		**51,560**	40,779
Current Assets			
Inventories	15	**352**	249
Unpaid share capital	31	**31,500**	–
Trade and other receivables	16	**14,584**	8,656
Cash and cash equivalents	18	**24,615**	35,241
Total current assets		**71,051**	44,146
Total assets		**122,611**	84,925
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	19	**12,164**	13,743
Provisions for other liabilities	20	**30**	86
Interest bearing liabilities	21	**402**	545
Total current liabilities		**12,596**	14,374
Non-current liabilities			
Trade and other payables	19	**2,899**	1,365
Provisions for other liabilities	20	**63**	129
Loans and other borrowings	21	**42,574**	36,322
Total non-current liabilities		**45,536**	37,816
Total liabilities		**58,132**	52,190
Equity			
Share capital	23	**417**	277
Share premium	24	**34,041**	3,858
Retained earnings and other reserves	24	**30,021**	28,600
Total shareholders' equity		**64,479**	32,735
Total liabilities and equity		**122,611**	84,925

Approved on behalf of the Board of Directors

Nigel Fox
Finance Director

24 September 2009

COMPANY BALANCE SHEET
as at 30 June 2009

	Notes	30 June 2009 £'000	30 June 2008 £'000
ASSETS			
Non-current assets			
Deferred tax assets	17	**102**	88
Investments	13	**289**	289
Total non-current assets		**391**	377
Current Assets			
Trade and other receivables	16	**7,638**	5,530
Unpaid share capital	31	**31,500**	–
Total current assets		**39,138**	5,530
Total assets		**39,529**	5,907
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	19	**5,073**	1,886
Total current liabilities		**5,073**	1,886
Total liabilities		**5,073**	1,886
Equity			
Share capital	23	**449**	309
Share premium	24	**34,041**	3,858
Retained earnings and other reserves	24	**(34)**	(146)
Total shareholders' equity		**34,456**	4,021
Total liabilities and equity		**39,529**	5,907

Approved on behalf of the Board of Directors

Nigel Fox
Finance Director

24 September 2009

CASH FLOW STATEMENTS
for the year ended 30 June 2009

	Notes	Group Year ended 30 June 2009 £'000	Group Year ended 30 June 2008 £'000	Company Year ended 30 June 2009 £'000	Company Year ended 30 June 2008 £'000
Cash flow from operating activities					
Loss from operations before taxation		**(1,386)**	(1,858)	**(285)**	(425)
Net foreign exchange gain		**(1,183)**	(589)	**–**	–
Depreciation of property, plant and equipment	3	**768**	648	**–**	–
Depreciation of intangible assets	3	**51**	96	**–**	–
Write off of fixed assets	3	**–**	31	**–**	–
Provision for impairment of trade receivables	16	**172**	188	**–**	–
Onerous lease provision	20	**(123)**	215	**–**	–
Share based payments expense	25	**652**	871	**155**	71
		(1,049)	(398)	**(130)**	(354)
Movement in working capital					
(Increase) in inventories		**(102)**	(218)	**–**	–
(Increase) in trade and other receivables		**(5,626)**	(1,936)	**(1,882)**	(5,291)
(Decrease)/increase in trade and other payables		**(4,569)**	(117)	**2,012**	1,767
Cash used by operations		**(11,346)**	(2,669)	**–**	(3,878)
Interest received		**951**	1,736	**–**	–
Interest paid		**(162)**	(201)	**–**	–
Net cash used by operating activities		**(10,557)**	(1,134)	**–**	(3,878)
Cash flows from investing activities					
Payments for property, plant and equipment		**(2,850)**	(7,543)	**–**	–
Net cash used in investing activities		**(2,850)**	(7,543)	**–**	–
Cash flows from financing activities					
Proceeds from borrowings		**–**	32,000	**–**	–
Repayment of borrowings		**(21)**	(390)	**–**	–
Debt issue cost paid		**–**	(988)	**–**	–
Proceeds from share issue		**–**	4,000	**–**	4,000
Share issue costs		**–**	(122)	**–**	(122)
Proceeds from finance leases		**802**	–		
Finance lease paid		**(592)**	(550)	**–**	–
Net cash received from financing activities		**189**	33,950	**–**	3,878
Effects of exchange rate on the balances of cash and cash equivalents		**2,592**	20		
Net increase/(decrease) in cash and cash equivalents		**(10,626)**	25,293	**–**	–
Cash and cash equivalents at the beginning of the financial year		**35,241**	9,948	**–**	–
Cash and cash equivalents at the end of the financial year	18	**24,615**	35,241	**–**	–

STATEMENT OF CHANGES IN EQUITY
year ended 30 June 2009

Group

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total reserves £'000
2008				
At 1 July 2007	257	–	28,431	28,688
Loss for the year	–	–	(994)	(994)
Issue of share capital	52	–	–	52
EBT Treasury shares	(32)	–	–	(32)
Premium on shares issued	–	3,858	–	3,858
Share based payments	–	–	871	871
Tax credit taken directly to reserves	–	–	292	292
At 30 June 2008	277	3,858	28,600	32,735
2009				
At 1 July 2008	277	3,858	28,600	32,735
Profit for the year	–	–	1,049	1,049
Issue of share capital	140	30,183	–	30,323
Share based payments	–	–	652	652
Tax expense taken directly to reserves	–	–	(280)	(280)
At 30 June 2009	**417**	**34,041**	**30,021**	**64,479**

Company

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total reserves £'000
2008				
At 1 July 2007	257	–	–	257
Loss for the year	–	–	(239)	(239)
Issue of share capital	20	–	–	20
Issue of shares to EBT	32	–	–	32
Premium on shares issued	–	3,858	–	3,858
Share based payments	–	–	71	71
Tax credit taken directly to reserves	–	–	22	22
At 30 June 2008	**309**	**3,858**	**(146)**	**4,021**
2009				
At 1 July 2008	309	3,858	(146)	4,021
Loss for the year	–	–	(14)	(14)
Issue of share capital	140	30,183	–	30,323
Share based payments	–	–	154	154
Tax expense taken directly to reserves	–	–	(28)	(28)
At 30 June 2009	**449**	**34,041**	**(34)**	**34,456**

NOTES TO THE ACCOUNTS
year ended 30 June 2009

1. Accounting Policies

Statement of compliance

The Group financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU issued by the International Accounting Standards Board (IASB) and with those parts of the Companies Act 2006 applicable to companies preparing their accounts under IFRS.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The financial statements have been prepared on the historical cost basis, with the exception of share based payments and financial derivatives, which are incorporated using fair value.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the parent company income statement.

New standards applied during the year ended 30 June 2009

IFRIC 11, 'IFRS 2 – Group and treasury share transactions', provides guidance on whether share based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share based payment transactions in the stand alone accounts of the parent and group companies. This interpretation does not have an impact on the group's financial statements. The company's accounting policy for share based compensation arrangements is already in compliance with the interpretation.

New standards and interpretations not applied

During the year ended 30 June 2009, the International Accounting Standards Board ('IASB') and the International Financial Reporting Committee ('IFRIC') have issued the following standards and interpretations with an effective date after the date of these financial statements.

International Financial Reporting Standards

IFRS 2 (amendment) 'Share based payments' (effective 1 January 2009)

IFRS 8 'Operating segments' (effective 1 January 2009). IFRS 8 replaces IAS 14 'Segment reporting', and requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The expected impact is still being assessed in detail.

International Accounting Standards

IAS 1 (revised) 'Presentation of financial statements' (effective 1 January 2009)

IAS 23 (amendment) 'Borrowing costs' (effective 1 January 2009)

IAS 39 (amendment) 'Financial instruments: Recognition and measurement' (effective 1 January 2009)

IAS 36 (amendment) 'Impairment of assets' (effective 1 January 2009)

IAS 19 (amendment) 'Employee benefits' (effective 1 January 2009)

IAS 32 (amendment) 'Financial instruments: presentation' (effective 1 January 2009)

IFRS 3 (revised) 'Business combinations' (effective 1 July 2009)

The directors do not anticipate that the adoption of any of these standards and interpretations will have a significant impact on the group's or company's financial statements.

Critical accounting estimates and management judgement

The presentation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

NOTES TO THE ACCOUNTS continued

1. Accounting Policies

(a) Income taxes

The Group's income tax balance is the sum of the total current and deferred tax balances. The calculation of this, and of the Group's potential liabilities or assets, necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority. The amounts recognised or disclosed are derived from the Group's best estimation and judgement. However, the inherent uncertainty regarding the outcome of these means eventual realisation could differ from the accounting estimates and therefore impact the Group's results and cash flows.

(b) Revenue recognition

The group uses the percentage-of-completion method in accounting for its consultancy and space projects. Use of the percentage-of-completion method requires the group to estimate the services performed to date as a proportion of the total services to be performed. Refer to the consultancy and space projects note 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.

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 present the results of the company and its subsidiaries, including the Employee Benefit Trust ("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 from the date of acquisition.

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

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

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 and space contracts

Consultancy revenues are derived from consultancy contracts. New consultancy projects are now connected with the exploitation of our satellite assets.

Where the outcome of a contract can be estimated reliably, revenues are recognised by reference to the stage of completion of the contract activity at the balance sheet date. The contracts are broken down into key milestones and work packages which are all judged individually on a percentage of completion basis in order to ascertain the completeness of an overall project. By its nature these projects require a certain element of judgement by management. Contract costs are recognised as an expense in the period they are incurred.

Accrued income represents the difference between amounts invoiced and revenues recognised on a percentage of completion basis.

Network services

Revenue is earned by selling broadband services and bandwidth to customers over a 12 to 24 month period. Revenues also include sales of customer premises equipment recognised upon installation. All services are priced and invoiced on a monthly basis and revenue is recognised in the period in which the services are provided.

Where a customer pays a fee for exclusive rights or options over the satellite capacity, revenue is only recognised at the end of the period of exclusivity. If the fee is credited against the final capacity sale, the fee is recognised over the period of the capacity term.

Leased assets

Assets acquired under hire purchase or finance lease are capitalised in the balance sheet. Those held under hire purchase and finance lease 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.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Interest income and expense

Borrowing costs incurred for the construction of the HYLAS satellite asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use, in accordance with IAS 23 'Borrowing Costs'. Other borrowing costs are expensed in the Income Statement.

Interest income on cash deposits is recognised on an effective interest rate methodology, taking into account the principal amounts outstanding and the interest rates applicable.

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 presentational currency of the Group is sterling. The functional and presentational currency of the parent and all its subsidiaries 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 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.

Share based payments

The group operates a number of equity-settled, share based compensation plans. The fair value of these employee share option plans, representing employee services received in exchange for the grant of the options, is calculated using an option-pricing model. In accordance with IFRS 2 "Share based payment", the resulting cost is charged to the income statement over the vesting period of the options. The amount of the charge is adjusted to reflect expected and actual levels of options vesting.

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.

NOTES TO THE ACCOUNTS continued

1. Accounting Policies

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.

Property, plant and equipment

Property, plant and equipment 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.

Motor vehicles	25% per annum	Plant and machinery	25% per annum
Network assets	20-25% per annum	Leasehold improvements	25% per annum
Fixtures and fittings	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.

Satellite in construction relate to costs directly attributable to the construction of the HYLAS satellite. These assets will be transferred to a space asset category and depreciated over the life of the satellites once they become operational and placed into service. No depreciation has been charged on these assets.

Research and development costs in relation to the HYLAS satellite are capitalised if they meet the conditions set out in IAS 38 'Intangible Assets' which are that development costs are only capitalised once a business case has been demonstrated as to the technical feasibility and commercial viability. Capitalised development costs are amortised over the expected useful life of the asset.

Where the conditions are not met the costs are expensed through the income statement.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation 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.

Computer software 25% per annum.

The estimated useful lives, residual values and amortisation 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.

European Space Agency (ESA) funding
ESA funding relating to property, plant and equipment are included in non-current liabilities as deferred income and are credited to the income statement on a straight line basis over the expected lives of the related assets.

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.

Equity instruments
Equity instruments issued by the Company are recorded at the proceeds received, net of directly attributable issue costs.

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 time 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 operating expenses.

Cash and cash equivalents
Cash and cash equivalents 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 are stated net of outstanding bank overdrafts.

Provisions
Provisions are recognised when the Group has a legal or constructive obligation to transfer economic benefits arising from past events and the amount of the obligation can be estimated reliably. Provisions are not recognised unless the outflow of economic benefits to settle the obligation is more likely than not to occur.

Borrowings
Interest-bearing bank loans and overdrafts are measured initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

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

Financial instruments and hedging activities
Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

The group uses derivative financial instruments mainly to reduce exposure to foreign exchange risks. The group does not hold or issue derivative financial instruments for trading purposes. Derivatives are recognised at fair value on the date a contract is entered into and are subsequently re-measured at their fair value.

Hedge accounting is currently not applied. Changes in fair value of derivative financial instruments are recognised in the income statement as they arise.

NOTES TO THE ACCOUNTS continued

2. Revenue

Revenue represents net invoiced sales of services provided and goods sold, net of value added tax of £8.041,000 (2008: £5,921,000). The company derived £2,597,000 (2008: £1,570,000) of its turnover from European countries outside the United Kingdom, and £5,444,000 (2008: £4,351,000) from the United Kingdom.

3. Operating expenses

Costs are presented by the nature of the expense to the Group and include the following:

	30 June 2009 £'000	30 June 2008 £'000
Depreciation of property, plant and equipment	**768**	648
Depreciation of intangible assets	**51**	96
Loss on disposal of fixed assets	**–**	31
Research and development costs written off as incurred	**2**	4
Operating lease expenses		
– Minimum lease payments	**384**	320
– Sublease payments	**(50)**	(50)
– Onerous lease provision	**(122)**	215

4. Auditors' remuneration

	30 June 2009 £'000	30 June 2008 £'000
Fees payable to company's auditor for the audit of parent company and consolidated financial statements.	**43**	45
Fees payable to the company's auditor for other non audit services:		
– The audit of company's subsidiaries pursuant to legislation	**16**	16
– Other services pursuant to legislation	**6**	4
– Tax services	**11**	17
	76	82

5. Employee benefit costs

The average number of employees, including the Directors, during the year ended 30 June 2009 was 68 (30 June 2008: 49). The aggregate remuneration of all employees comprised:

	30 June 2009 £'000	30 June 2008 £'000
Wages and salaries	**4,091**	3,383
Social security costs	**438**	343
Pension costs	**113**	340
Share based payment expense	**652**	871
	5,294	4,937
Less: costs capitalised as satellite in construction	**(1,550)**	(1,405)
	3,744	3,532

The remuneration of key management personnel and directors are disclosed in note 29.

6. Other operating income

	30 June 2009 £'000	30 June 2008 £'000
Exchange gain on trade receivables and payable balances	**1,355**	589
Liquidated damages received	**1,372**	–
	2,727	589

Liquidated damages have been received from Astrium due to the late delivery of HYLAS. These damages accrue daily and will continue until November 2009. These damages compensate for the additional costs incurred as a result of the late delivery of the satellite.

7. Net finance income

	30 June 2009 £'000	30 June 2008 £'000
Finance income		
Fair value gain on derivatives	**340**	119
Financing exchange gain	**2,592**	–
	2,932	119
Interest income on bank deposits	**417**	585
	3,349	704
Finance expense		
Interest expense on borrowings and loans	**(109)**	(130)
Finance lease expense	**(53)**	(71)
	(162)	(201)
Net finance income	**3,187**	503

NOTES TO THE ACCOUNTS continued

8. Income tax expense

	30 June 2009 £'000	30 June 2008 £'000
Current tax		
Current tax	–	–
Total current tax	–	–
Deferred tax		
Origination and reversal of temporary differences	**587**	(404)
Adjustment in respect of prior periods	**165**	25
Impact of change in UK tax rate	–	18
Total income tax expense/(credit)	**752**	(361)

The tax on the group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	30 June 2009 £'000	30 June 2008 £'000
Profit/(Loss) before tax	**1,801**	(1,355)
Tax charge/(credit) at the corporate tax rate of 28% (2008: 29.5%)	**504**	(400)
Difference in overseas tax rates	**(5)**	–
Tax effect of non-deductible expenses	**88**	49
Previously unrecognised tax losses	–	(53)
Adjustment in respect of prior periods	**165**	25
Impact of change in UK tax rate	–	18
Income tax expense/(credit)	**752**	(361)

9. Earnings/(Loss) per share

	30 June 2009 pence	30 June 2008 pence
Basic earnings/(loss) per share	**3.78**	(3.60)
Diluted earnings per share	**3.39**	–

The calculation of basic and diluted earnings/(loss) 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 comparative balance for 30 June 2008 because there was no dilution to the basic earnings per share calculation required as any adjustments would have been anti-dilutive.

	30 June 2009 £'000	30 June 2008 £'000
Profit/(loss) for the year attributable to equity holders of the parent company	**1,049**	(994)
Weighted average number of ordinary shares for the purpose of basic earnings per share	**27,787,491**	27,587,955
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**30,960,421**	–

10. Profit of the parent company

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent Company is not presented as part of these accounts. The parent company's loss after tax for the year ended 30 June 2009 amounted to £14,000 (2008: £239,000 loss).

11. Property, plant and equipment

	Leasehold Improvements £'000	Network Assets £'000	Fixtures and fittings £'000	Plant and Machinery £'000	Satellite in Construction £'000	Motor vehicles £'000	Group Total £'000
Cost							
Balance at: 1 July 2007	226	2,601	450	112	17,656	–	21,045
Additions	8	594	50	–	19,785	–	20,437
Disposals	–	(25)	(90)	–	–	–	(115)
Balance at 1 July 2008	234	3,170	410	112	37,441	–	41,367
Additions	16	151	108	–	12,271	112	12,658
Disposals	–	–	(3)	(112)	–	–	(115)
Balance at 30 June 2009	**250**	**3,321**	**515**	**–**	**49,712**	**112**	**53,910**
Depreciation							
Balance at: 1 July 2007	73	665	306	112	–	–	1,156
Charge for the year	57	516	75	–	–	–	648
Disposals	–	(15)	(69)	–	–	–	(84)
Balance at: 1 July 2008	130	1,166	312	112	–	–	1,720
Charge for the year	51	643	53	–	–	21	768
Disposals	–	–	–	(112)	–	–	(112)
Balance at 30 June 2009	**181**	**1,809**	**365**	**–**	**–**	**21**	**2,376**
Net book value							
Balance at 30 June 2009	**69**	**1,512**	**150**	**–**	**49,712**	**91**	**51,534**
Balance at 30 June 2008	104	2,004	98	–	37,441	–	39,647

At 30 June 2009 the Group held assets under finance lease agreements with a net book value of £747,000 (2008: £1,078,000). Depreciation of £331,000 (2008: £331,000) has been provided on these assets.

NOTES TO THE ACCOUNTS continued

12. Intangible assets

	Computer Software £'000
Cost	
Balance at: 1 July 2007	374
Additions	44
Disposals	–
Balance at 1 July 2008	418
Additions	3
Disposals	(26)
Balance at 30 June 2009	**395**
Depreciation	
Balance at: 1 July 2007	227
Charge for the year	96
Disposals	–
Balance at: 1 July 2008	323
Charge for the year	51
Disposals	–
Balance at 30 June 2009	**374**
Net book value	
Balance at 30 June 2009	**21**
Balance at 30 June 2008	95

13. Investments

Company

The company is a public limited company domiciled and incorporated in England and Wales.

Shares in subsidiary undertakings

	30 June 2009 £'000	30 June 2008 £'000
Beginning of the year	**289**	257
Capital contribution	**–**	32
End of year	**289**	289

In June 2008, the Company contributed £32,136 (3,213,562 shares at £0.01 each) to the Avanti Employee Benefit Trust established in July 2007.

14. Subsidiaries

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

Name of subsidiary	Nature of business
Avanti Communications Limited	Telecommunication consultancy
Avanti Space Limited	Satellite services
Avanti Space 2 Limited	Satellite services
Avanti Space 3 Limited	Satellite services
Avanti Launch Services Limited	Management services
Avanti Broadband Limited	Satellite broadband business
Avanti Broadband (Ire) Limited *	Satellite broadband business
Avanti (NI) Limited *	Satellite broadband business
Avanti Communications Infrastructure Company Limited	Holding company
Avanti Caledonian Broadband Limited	Scottish satellite business
Avanti Employee Benefit Trust	Employee benefit trust

All the above entities were incorporated in England & Wales, except for Avanti Launch Services Limited which was incorporated in the Isle of Man. The company holds 100% ownership interest and voting power in all the above entities.

* These entities were incorporated during the 2009 financial year.

NOTES TO THE ACCOUNTS continued

15. Inventories

Group	30 June 2009 £'000	30 June 2008 £'000
Finished goods	**352**	249

The cost of inventories recognised as an expense during the period was £1,705,000 (2008: £720,000).

16. Trade and other receivables

	Group		Company	
	30 June 2009 £'000	30 June 2008 £'000	30 June 2009 £'000	30 June 2008 £'000
Trade receivables	**5,389**	245	**–**	–
Less provision for impairment of trade receivables	**(16)**	(188)	**–**	–
Net trade receivables	**5,373**	57	**–**	–
Accrued income	**7,484**	7,508	**–**	–
Prepayments	**1,375**	872	**–**	–
Amounts due from group companies	**–**	–	**7,291**	5,411
Derivative asset	**347**	119	**347**	119
Other receivables	**5**	100	**–**	–
	14,584	8,656	**7,638**	5,530

For discussion of credit risk, refer to Note 22(b).

17. Deferred taxation

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

Non-current

	Group		Company	
	30 June 2009 £'000	30 June 2008 £'000	30 June 2009 £'000	30 June 2008 £'000
Deferred tax assets	**3,617**	2,775	**102**	121
Deferred tax liabilities	**(3,612)**	(1,738)	**–**	(33)
	5	1,037	**102**	88
The gross movement on the deferred income tax account is as follows:				
Balance at 1 July	**1,037**	384	**88**	–
Income tax (expense)/credit	**(752)**	361	**42**	66
Tax credited directly to equity	**(280)**	292	**(28)**	22
Balance at 30 June	**5**	1,037	**102**	88

Group

30 June 2009	Opening balance £'000	Charged to the P&L £'000	Charged to equity £'000	Closing balance £'000
Tax assets				
Provisions and deferred income	446	371	–	817
Share based payment	535	(145)	(280)	110
Unused tax losses	1,794	896	–	2,690
Total tax assets	2,775	1,122	(280)	3,617
Tax liabilities				
Derivative financial asset	(33)	33	–	–
Property, plant and equipment	(1,705)	(1,907)	–	(3,612)
Total tax liabilities	(1,738)	(1,874)	–	(3,612)
Net deferred tax asset/(liability)	1,037	(752)	(280)	5

NOTES TO THE ACCOUNTS continued

17. Deferred taxation continued

Group

30 June 2008	Opening balance £'000	Charged to the P&L £'000	Charged to equity £'000	Closing balance £'000
Tax assets				
Provisions and deferred income	–	446	–	446
Share based payment	–	243	292	535
Unused tax losses	823	971	–	1,794
Total tax assets	823	1,660	292	2,775
Tax liabilities				
Derivative financial asset	–	(33)	–	(33)
Property, plant and equipment	(439)	(1,266)	–	(1,705)
Total tax liabilities	(439)	(1,299)	–	(1,738)
Net deferred tax asset/(liability)	384	361	292	1,037

Company

30 June 2009	Opening balance £'000	Charged to the P&L £'000	Charged to equity £'000	Closing balance £'000
Tax assets				
Share based payment	**42**	**9**	**(28)**	**23**
Unused tax losses	**46**	**33**	**–**	**79**
Total tax assets	**88**	**42**	**(28)**	**102**

Company

30 June 2008	Opening balance £'000	Charged to the P&L £'000	Charged to equity £'000	Closing balance £'000
Tax assets				
Share based payment	–	20	22	42
Unused tax losses	–	46	–	46
Total tax assets	–	66	22	88

At 30 June 2009, none of the deferred tax asset of £.3.6m (2008: £2.8m) is expected to be recovered in the next 12 months.
At 30 June 2009, none of the deferred tax liability of £3.6m (2008: £1.7m) is expected to be settled in the next 12 months.

18. 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:

Group

	30 June 2009 £'000	30 June 2008 £'000
Cash and bank balances	**2,376**	1,050
Short term deposits	**22,239**	34,191
Net cash and cash equivalents	**24,615**	35,241

19. Trade and other payables

	Group		Company	
	30 June 2009 £'000	30 June 2008 £'000	30 June 2009 £'000	30 June 2008 £'000
Current				
Trade payables	**5,416**	7,169	**–**	–
Social security and other taxes	**132**	99	**–**	–
Other payables	**630**	1,672	**–**	–
Amounts due to group companies	**–**	–	**3,092**	1,886
Derivative liability	**795**	–	**795**	–
Accruals	**5,191**	4,803	**1,186**	–
	12,164	13,743	**5,073**	1,886
Non-current				
Deferred income	**2,899**	1,365	**–**	–

20. Provisions for other liabilities

Group

	Current £'000	Non-current £'000	Total £'000
Onerous lease provision			
Balance at 1 July 2008	86	129	215
Used during the year	(56)	(66)	(122)
Balance at 30 June 2009	**30**	**63**	**93**

The onerous lease provision has been recognised as a result of the unfavourable lease agreement in relation to the Hoxton Square premises which is currently above market value. The provision is expected to be utilised in the next four years.

NOTES TO THE ACCOUNTS continued

21. Loans and other borrowings

Group

	Current		Non-current	
	30 June 2009 £'000	**30 June 2008 £'000**	**30 June 2009 £'000**	**30 June 2008 £'000**
30 June 2009				
Secured at amortised cost				
Bank loans	**–**	–	**42,093**	36,172
Bank overdrafts	**–**	–	**–**	–
Other loans	**–**	21	**–**	–
Finance lease liabilities [i]	**402**	524	**481**	150
	402	545	**42,574**	36,322

[i] 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.

The company entered into a Senior Finance Term Facility Agreement on 29 July 2007 of £32 million. This money was raised for the sole purpose of funding the HYLAS satellite. The loan bears interest at LIBOR plus a margin. The debt (including interest) is not repayable until its maturity in 2014. In accordance with IAS 23 – Borrowing Costs, qualifying borrowing costs have been capitalised as part of the cost to HYLAS, recognised as Satellite in Construction in Note 11.

22. Financial instruments and risk management

The Group is subject to the risks arising from adverse movements in interest rates and foreign currency. The Group uses a variety of derivative financial instruments to manage these risks. The managing of these risks, along with the day-to-day managing of treasury activities is performed by the Finance team.

All financial instruments have been measured at amortised cost, except for derivative assets recognised as fair value through the income statement. As such financial assets being cash and cash equivalents and trade and other receivables are classified as 'Loans and Receivables' and financial liabilities being trade and other payables and interest bearing liabilities have been classified as 'Other Financial Liabilities'.

a) Market risk

i) Foreign exchange risk management

The Group's presentation currency is pounds sterling although some transactions are executed in non-sterling currencies, including Euros and US Dollars. The transactional amounts realised or settled are therefore subject to the effect of movements in these currencies against the pound. It is the Group's policy to manage the exposures arising using currency options. Hedge accounting is not sought for these transactions.

Financial instruments by currency

	30 June 2009				30 June 2008			
	GBP £'000	Euro £'000	USD £'000	Total £'000	GBP £'000	Euro £'000	USD £'000	Total £'000
Financial assets								
Cash and short term deposits	**22,718**	**1,380**	**517**	**24,615**	30,788	4	4,449	35,241
Trade and other receivables	**34,103**	**7,279**	**4,699**	**46,081**	1,383	7,263	10	8,656
	56,821	**8,659**	**5,216**	**70,696**	32,171	7,267	4,459	43,897
Financial liabilities								
Trade and other payables	**(4,377)**	**(5,290)**	**(1,939)**	**(11,606)**	(6,407)	(7,129)	(1,572)	(15,108)
Interest bearing liabilities	**(42,977)**	**–**	**–**	**(42,977)**	(36,867)	–	–	(36,867)
	(47,354)	**(5,290)**	**(1,939)**	**(54,583)**	(43,274)	(7,129)	(1,572)	(51,975)
Net financial position	**9,467**	**3,369**	**3,277**	**16,113**	(11,103)	138	2,887	(8,078)

At 30 June 2009, if the Euro had weakened/strengthened against the sterling by 5% with all other variables held constant, post tax profit would have worsened by £127,000 or improved by £116,000 (2008: post tax loss would have improved by £5,000 or decreased by £5,000).

At 30 June 2009, if the US Dollar had weakened/strengthened against the sterling by 5% with all other variables held constant, post tax profit would have worsened by £44,000 or improved by £49,000 (2008: post tax loss would have increased by £109,000 or decreased by £99,000).

ii) Cash flow

The Group only borrows in pounds sterling at floating rates of interest and does not seek to mitigate the effect of adverse movements in interest rates.

Cash and deposits earn interest at floating rates based on banks' short term treasury deposit rates. Short-term trade and other receivables are interest free.

NOTES TO THE ACCOUNTS continued

22. Financial instruments and risk management continued

b) Credit risk management

The Group's principal financial assets are cash and short term deposits and trade and other receivables. The Group has no significant concentrations of credit risk, with the exception of the receivable from Spacex of £4.6 million. Cash and cash equivalents are deposited with high-credit quality financial institutions with a minimum rating of A+ and trade receivables are principally from well established corporations. The credit quality of major customers is assessed before trading commences taking into account its financial position, past experience and other factors.

The ageing of trade receivables which have not been impaired was as follows:

	Not past due £'000	1-30 days £'000	31-60 days £'000	60+ days £'000	Total £'000
30 June 2009	4,619	704	36	14	5,373
30 June 2008	6	1	–	50	57

Movements in the provision for impairment of trade receivables are as follows:

	30 June 2009 £'000	30 June 2008 £'000
At 1 July 2008	**188**	–
Allowances made in the period	**27**	–
Amounts used and reversal of unused amounts	**(11)**	188
Bad debts written off	**(188)**	–
At 30 June 2009	**16**	188

The provision of £16,267 (2008: £188,000) have been raised against gross trade receivables of £5,389,000 (2008: £245,000).

c) Liquidity risk management

The Group has a fully drawn debt facility which provides adequate liquidity.

The following table analyses the Group's financial liabilities into relevant maturity groupings based on the expected undiscounted cash flows.

	Within 1 year £'000	1 to 2 years £'000	2 to 5 years £'000	Over 5 years £'000	Contractual amount £'000	Carrying amount £'000
30 June 2009						
Bank loans	**–**	**–**	**–**	**92,888**	**92,888**	**42,093**
Other loans	**–**	**–**	**–**	**–**	**–**	**–**
Finance leases	**455**	**518**	**–**	**–**	**–**	**–**
30 June 2008						
Bank loans	–	–	–	99,453	99,453	36,172
Other loans	22	–	–	–	22	21
Finance leases	563	156	–	–	719	674

The bank loan contractual amount is based on principal plus interest repayable on maturity in 2014. The interest repayable has been based on the average LIBOR for the 2008 and 2009 financial years plus 10.5% margin.

d) Fair value of financial instruments
The directors consider the carrying value of all financial assets and liabilities to be approximate to their fair values.

e) Capital risk management
The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 20, cash and cash equivalents (note 17) and equity attributable to equity holders of the parent (Note 22 and 23), comprising ordinary share capital, share premium, other reserves and retained earnings.

23. Share capital – issued and fully paid

30 June 2009	Number of shares '000	Group Ordinary shares £'000	Company Ordinary shares £'000	Group and Company Share Premium £'000
At 1 July 2008	30,922	277	309	3,858
Shares issued but not fully paid	14,000	140	140	31,360
Less transaction costs	–	–	–	(1,177)
At June 2009	**44,922**	**417**	**449**	**34,041**

On 29 June 2009, the Group issued 14,000,000 shares at £2.25 per share. The shares issued were fully paid on 3 July 2009.

The total authorised number of ordinary shares is 100 million shares (2008: 40 million) at £0.01 each.

NOTES TO THE ACCOUNTS continued

24. Reserves

Group

	Share premium £'000	Retained earnings £'000	Total reserves £'000
2008			
At 1 July 2007	–	28,431	28,431
Loss for the year	–	(994)	(994)
Premium on shares issued	3,858	–	3,858
Share based payments	–	871	871
Tax expense taken directly to reserves	–	292	292
At 30 June 2008	3,858	28,600	32,458
2009			
At 1 July 2008	3,858	28,600	32,458
Profit for the year	–	1,049	1,049
Premium on shares issued	30,183	–	30,183
Share based payments	–	652	652
Tax credit taken directly to reserves	–	(280)	(280)
At 30 June 2009	**34,041**	**30,021**	**64,062**

Company

	Share premium £'000	Retained earnings £'000	Total reserves £'000
2008			
At 1 July 2007	–	–	–
Loss for the year	–	(239)	(239)
Premium on shares issued	3,858	–	3,858
Share based payments	–	71	71
Tax credit taken directly to reserves	–	22	22
At 30 June 2008	3,858	(146)	3,712
2009			
At 1 July 2008	3,858	(146)	3,712
Loss for the year	–	(14)	(14)
Premium on shares issued	30,183	–	30,183
Share based payments	–	154	154
Tax credit taken directly to reserves	–	(28)	(28)
At 30 June 2009	**34,041**	**(34)**	**34,007**

The share premium account, representing the premium on allotment of shares, is not available for distribution.

25. Share based payments

The fair value recognised over the vesting period of share options and award granted 2009 was £652,000 (2008: £871,000). All share based payment plans are equity settled and details of these plans are set out below.

The Company has established three share option schemes: The Avanti Communications Group plc approved Enterprise Management Incentives Scheme (EMI), the Avanti Communications Group plc Unapproved Share Option Plan and a Long Term Incentive Plan (LTIP). The 2009 charges and weighted average fair value for each of the plans above were as follows:

	EMI	Unapproved plan	LTIP
2009 charge	£150,000	£127,000	£375,000
Weighted average fair value	£2.04	£1.76	£0.67

To date all options have been granted with a strike price of 1 pence.

In July 2007 an Employee Benefit Trust (EBT) was established. The EBT is managed by Bedell Trustees in Jersey. The results of the EBT have been consolidated into the Group's results.

The options granted under each scheme are as follows:

	Outstanding at start of year	Granted during year	Forfeited in year	Exercised during the year	Outstanding at end of year
EMI					
Number of options	344,932	–	(4,000)	(1,427)	339,505
Weighted average share price	£2.23	–	£1.82	£2.50	£2.23
Unapproved scheme					
Number of options	107,863	50,000	–	(50,000)	107,863
Weighted average share price	£1.86	£1.86	–	£1.86	£1.86
LTIP					
Number of options	2,551,743	–	–	(39,325)	2,512,418
Weighted average share price	£1.45	–	–	£1.78	£1.44

24,138 of the EMI options were exercisable from 30 June 2009. No Unapproved Scheme or LTIP options were exercisable at 30 June 2009.

The exercise price of options outstanding at 30 June 2009 was £0.01 and the weighted average remaining contractual life was 4.7 years.

Each model has slightly different exercise criteria and therefore separate valuation models were used.

EMI Scheme

The EMI scheme was used to issue options to staff on 24 July 2007 at an exercise price of 1p. The new options are issued for 10 years with 25% vesting at the end of years 3, 4, 5 and 6. Those staff who had previously held unvested options in the former parent company at the time of the de-merger were given a shorter vesting period for these new options. There are no performance criteria associated with these options and are exercisable as long as the option holder remains an employee of the Company.

The weighted average inputs to the Black-Scholes model are as follows:

Share price at date of Grant	£2.16
Weighted average exercise price	£0.01
Expected volatility	35%
Expected Life	4 years
Risk free rate	5.5%
Expected dividend yield	1%

Expected volatility was determined by calculating the actual volatility of the Group's share price since flotation. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

NOTES TO THE ACCOUNTS continued

25. Share based payments continued

Unapproved Scheme

The unapproved scheme was established during 2007. The options are issued for 10 years with 25% vesting at the end of years 3, 4, 5 and 6 (with the exception of one former employee who had the ability to exercise in April 2009). There are no performance criteria associated with these options and are exercisable as long as the option holder remains with the Company.

The weighted average inputs to the Black-Scholes model are as follows:

Share price at date of Grant	£1.86
Weighted average exercise price	£0.01
Expected volatility	35%
Expected Life	4 years
Risk free rate	5.5%
Expected dividend yield	1%

Expected volatility was determined by calculating the actual volatility of the Group's share price since flotation. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Long Term Incentive Plan

The LTIP has been established by the Company with approval from the Remuneration Committee to reward and incentivise the Executive Directors and senior managers of the Company.

The LTIP allocations are in separate funds within the EBT and are subject to a discretionary Trust. The shares are subject to automatic revocation if certain criteria (set out below) are not met and continue to be revocable for the entire Trust period.

The allocations into the LTIP vary for each executive. The total allocation to each executive is split into three separate tranches:

i) The Core Tranche

This element of the grant becomes exercisable in 7 equal instalments. The first instalment was exercisable on grant and the second on 30 June 2008. The remaining 5 are yearly thereafter.

ii) The Exceptional Achievement Tranche

This element of the grant is only exercisable if the Market Value of a Share exceeds £5 for a consecutive period of six months before 30 June 2010.

iii) The Extraordinary Achievement Tranche

This element of the grant is only exercisable if the Market Value of a Share exceeds £10 for a consecutive period of six months before 30 June 2013.

	Core	Exceptional	Extraordinary	Total
Number of options:				
Executive Directors	1,053,722	610,125	609,768	2,273,615
Senior managers	139,238	69,445	69,445	278,128
	1,192,960	679,570	679,213	2,551,743

The Core Tranche has been modelled using the Black-Scholes model while the Exceptional and Extraordinary Tranches have been modelled using the Monte-Carlo model, allowing for the market-based performance conditions.

The weighted average inputs to both models are as follows:

Share price at date of Grant	£1.45
Weighted average exercise price	£0.01
Expected volatility	35%
Expected Life	5 years
Risk free rate	5.5%
Expected dividend yield	1%

Expected volatility was determined by calculating the actual volatility of the Group's share price since flotation and also taking into account historic volatility of other companies within the same sector who have been listed for longer periods. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

26. 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		Present value of lease payments	
	30 June 2009 £'000	**30 June 2008 £'000**	**30 June 2009 £'000**	**30 June 2008 £'000**
No later than one year	**455**	563	**402**	524
Later than 1 year no later than 5 years	**518**	156	**481**	150
	973	719	**883**	674
Less future finance charge	**(90)**	(45)	**–**	–
Present value of minimum lease payments	**883**	674	**883**	674

	30 June 2009 £'000	**30 June 2008 £'000**
Included in the financial statements as:		
Current borrowings	**402**	524
Non-current borrowings	**481**	150
Present value of minimum lease payments	**883**	674

27. Obligations under operating leases

The Group's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	30 June 2009		30 June 2008	
	Land & buildings £'000	**Other £'000**	**Land & buildings £'000**	**Other £'000**
No later than 1 year	**345**	**–**	358	8
Within 1 to 5 years	**954**	**–**	1,337	–
After 5 years	**1,125**	**–**	1,389	–
	2,424	**–**	3,084	8

Operating lease commitments principally relate to leased office space of the Group's head office located at 74 Rivington Street, London.

The total of future sub-lease payments expected to be received under non-cancellable sub leases at 30 June 2009 is £150,000 over 3 years (as at 30 June 2008: £200,000 over 4 years).

NOTES TO THE ACCOUNTS continued

28. Capital commitments

At 30 June 2009, Avanti Space Limited had contracted for satellite expenditure totalling £66.4m. Part of the total price, amounting to €15.5 million, is due to be paid directly from the European Space Agency (ESA) to the satellite contractor, Astrium EADS Limited and €12.5 to Arianespace thereby reducing the commitment due directly from the Group.

29. Related party transactions and directors' emoluments

Transactions with Directors – Group

Details of the Directors' remuneration are set out below in aggregate for each of the categories specified in the Companies Act 2006.

	30 June 2009	30 June 2008
Salaries and other short term employee benefits	**741**	733
LTIP contribution	**572**	–
Post employment benefits	**43**	634
	1,356	1,367

Pension contributions amounting to £43,000 (2008: £634,000) were made into personal pension schemes in respect of four (2008: three) of the Directors.

During the year ended 30 June 2009, one Director exercised 39,325 shares of their LTIP entitlement. The shares were exercised at 1 pence/share. The aggregate gain on the share exercise was £70,000 (2008: nil).

The amount of assets receivable by the Directors under the LTIP scheme at 30 June 2009 were £6.3 million (2008: £6.4 million).

The emoluments of the highest paid Director were £468,000 (2008: £602,000), made up of:

	30 June 2009	30 June 2008
Salaries and other short term benefits	**236**	215
Bonus	**–**	30
LTIP contribution	**212**	–
Post employment benefits (current year)	**20**	165
Current year recurring emoluments	**468**	410
Pension contributions in relation to prior year	**–**	192
Total emoluments	**468**	602

The amount of assets receivable by the highest paid Director under the LTIP scheme at 30 June 2009 were £3.0 million (2008: £3.0 million).

Transactions with Directors and key management personnel - Group and company

Details of the remuneration of Directors and key management personnel are set out below in aggregate for each of the categories specified in IAS 24 "Related Party Disclosures".

	Group		Company	
	30 June 2009	**30 June 2008**	**30 June 2009**	**30 June 2008**
Salaries and other short term employee benefits	**1,051**	1,151	**264**	293
LTIP contribution	**572**	–	**254**	–
Post employment benefits	**115**	683	**–**	188
Share based payments	**429**	751	**32**	44
	2,167	2,585	**550**	525

Other related party transactions

Subsidiaries

Intra-group transactions are eliminated on consolidation and are not reported in the group accounts. Transactions between the company and its Management fee charged to:

	30 June 2009	**30 June 2008**
Avanti Communications Limited ('ACL')	**610**	556
Avanti Broadband Limited ('ABL')	**1,158**	332
Avanti Space Limited ('ASL')	**719**	1,200
Avanti (NI) Limited	**186**	–
Avanti Caledonian Broadband Limited	**1,091**	–
	3,764	2,088

30. Contingent liabilities

The group's bankers have provided guarantees totalling £7 million to certain customers in the event of a failure to operationally deploy the HYLAS satellite. The group has arranged launch and in-orbit insurance on HYLAS.

31. Post balance sheet event

The Group received £31,500,000 on 3 July 2009 in payment for the 14,000,000 shares issued on 29 June 2009.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Company for 2009 will be held on 27 October 2009 at 10.00 am at 74 Rivington Street, London EC2A 3AY, for the following purposes:

Ordinary business

1. To receive the accounts for the year ended 30 June 2009, together with the reports of the Directors and Auditors therein.
2. To elect Matthew O'Connor as a Director of the Company.
3. To re-elect David Bestwick as a Director of the Company.
4. To re-elect Richard Vos as a Director of the Company.
5. To re-elect PricewaterhouseCoopers LLP as auditors to the Company.

Special business

6. That the Directors are generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (The "Act") (in substitution for all or such existing authorities which are hereby revoked) to allot shares in the Company, and grant rights to subscribe for or to convert any security into shares of the Company (such shares, and rights to subscribe for or to convert any security into shares of the Company being "relevant securities") at such times and to such persons, on such terms and in such manner as they think fit, up to an aggregate nominal amount of £60,000, such authority to expire on 28th February 2011 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 resolutions

7. 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 570(1) of the Act to allot equity securities (as defined in section 560 of the Act) of the Company wholly for cash pursuant to the authority of the directors conferred by resolution 6 above, and/or where such an allotment constitutes an allotment of equity securities by virtue of section 560(2) of the Act, as if section 561(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 724(5) 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 £60,000, 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

24 September 2009

NOTES TO NOTICE OF ANNUAL GENERAL MEETING

1. Proxies

A member who is entitled to attend, speak and vote at the Annual General Meeting may appoint a proxy to attend, speak and vote instead of him. A proxy need not be a member of the Company but must attend the meeting in order to represent you. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares (so a member must have more than one share to be able to appoint more than one proxy). A Form of Proxy accompanies this document. The notes to the Form of Proxy include instructions on how to appoint the Chairman of the Annual General Meeting or another person as a proxy and how to appoint a proxy electronically. To be valid the Form of Proxy must reach the Company's registrar, Neville Registrars at Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA by at least 48 hours before the Annual General Meeting.

2. Documents on display

The following documents are available for inspection at the registered office of the Company during the usual business hours on any weekday (Saturday, Sunday or public holidays excluded) from the date of this notice until the conclusion of the Annual General Meeting and will also be available for inspection at the place of the Annual General Meeting from 9:30 a.m. on the day of the Annual General Meeting until its conclusion:

(a) copies of the executive directors' service contracts with the Company and any of its subsidiary undertakings and letters of appointment of the non-executive directors; and

(b) the Register of Directors' Interests in the share capital of the Company.

3. Right to attend and vote

The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company at 10.00 a.m. on 23 October 2009 (or, if the Annual General Meeting is adjourned, 2 working days before the time fixed for the adjourned Annual General Meeting) shall be entitled to attend and vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. In each case, changes to the register of members after such time shall be disregarded in determining the rights of any person to attend or vote at the Annual General Meeting.

4. Please note that communications regarding the matters set out in this Notice of Annual General Meeting will not be accepted in electronic form, other than as specified in the accompanying Form of Proxy.

5. In order to facilitate voting by corporate representatives at the Annual General Meeting, arrangements will be put in place at the Annual General Meeting so that (a) if a corporate shareholder has appointed the chairman of the Annual General Meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the Annual General Meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (b) if more than one corporate representative for the same corporate shareholder attends the Annual General Meeting but the corporate shareholder has not appointed the chairman of the Annual General Meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of appointment letter if the chairman is being appointed as described in (a) above.

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 9.30 am and the meeting will start promptly at 10.00 am.

Cameras, tape recorders etc.

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

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.

NOTES TO NOTICE OF ANNUAL GENERAL MEETING continued

Important
If you have questions about the meeting, or if you need any assistance, please telephone Georgina Campbell-Harris 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	2,105,942	956
10,001-20,000	727,475	49
20,001-50,000	1,744,991	56
50,001-100,000	2,074,367	27
100,001-150,000	1,321,108	11
150,000-300,000	3,570,647	15
301,000-500,000	5,471,487	13
500,001-1,000,000	4,247,372	6
1,000,001 +	23,658,676	6
	44,922,065	1,139

Financial Calendar
27 October 2009
Annual General Meeting

February 2010
Interim results for the six months ended 31 December 2009

September 2010
Preliminary results for the year ended 30 June 2010

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 56.

Dividend
The Directors have not recommended the payment of a dividend for the year ended 30 June 2009.

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

The share price is available from the Avanti website at www.avantiplc.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.avantiplc.com

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FORM OF PROXY
for Avanti Communications Group 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 10.00 am on 27 October 2009 (the 'AGM'). Please read the Notice of AGM and associated notes.

I/We*

of

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, speak and vote for me/us and on my/our behalf at the AGM and at any adjournment thereof in relation to the resolutions specified in the notice of the AGM dated 22 September 2009 (the "Resolutions") and any other business (including adjournments and amendments to the Resolutions) which may properly come before the AGM or 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.

	Ordinary Resolutions	**For**	**Against**	**Vote withheld (note 2)**	**Discretionary (note 2)**
1	To receive the accounts for the year ended 30 June 2009, together with the reports of the Directors and Auditors therein.				
2	To elect Matthew O'Connor as a Director of the Company.				
3	To re-elect David Bestwick as a Director of the Company.				
4	To re-elect Richard Vos as a Director of the Company.				
5	To re-elect PricewaterhouseCoopers LLP as auditors to the Company.				
6	To authorise the directors to allot relevant securities.				
	Special Resolutions				
7	To disapply the statutory pre-emption rights in certain circumstances.				

Number of shares: Class of shares:

☐ This proxy appointment is one of a multiple proxy appointment (Note 4)

Dates: Signed:

1. Only holders of ordinary shares of 1p each in the capital of the Company are entitled to attend, speak and vote at the AGM and may appoint one or more proxies to attend, speak and vote instead of them.
2. Please indicate by inserting an "X" in the appropriate box how you wish your vote to be cast on the Resolutions. If you mark the box "vote withheld" it will mean that your proxy will abstain from voting and, accordingly, your vote will not be counted either for or against the relevant resolution. If you mark the box "discretionary" or fail to select any of the given options, the proxy can vote as he or she chooses or can decide not to vote at all.
3. If the proxy is being appointed for less than your full entitlement, please indicate above your signature the number and class of shares in relation to which that person is authorised to act as your proxy. If left blank, your proxy will be deemed to be authorised in respect of your full entitlement.
4. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares (so a member must have more than one share to be able to appoint more than one proxy). A separate form of proxy must be deposited for each proxy appointed. Further copies of this form may be obtained by contacting Neville Registrars Limited between 9.00am and 5.00pm (London time) Monday to Friday on 0121 585 1131 from within the UK or +44 121 585 1131 if calling from outside the UK or you may photocopy this form. If you appoint multiple proxies, please indicate above your signature the number and class of shares in relation to which the person named on this form is authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned to Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA together in the same envelope. Where multiple proxies are appointed, failure to specify the number of shares to which this proxy appointment relates, or specifying a number which exceeds the number held by the member when totalled with the number specified on other proxy appointments by the same member, will render all appointments invalid.
5. To be valid, this form of proxy together with any power of attorney or other authority under which it is signed or a notarially certified copy of such power or authority must reach the Company's registrars, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA by no later than 48 hours before the time of the AGM (or if the AGM is adjourned, 48 hours before the time fixed for the adjourned AGM).
6. The appointment of a proxy will not preclude a member from attending the AGM and voting in person but if he or she does so this proxy appointment will terminate automatically.
7. In the case of a company, this form of proxy must be executed under the common seal or signed on its behalf by an officer or attorney of the company.
8. In the case of joint holders, the proxy appointment of the most senior holder will be accepted to the exclusion of any appointments by the other joint holders. For this purpose, seniority is determined by the order in which the names are stated in the register of members of the Company in respect of the joint holding.
9. Any alterations made to this form of proxy should be initialled.
10. A member wishing to change his or her proxy instructions should submit a new proxy appointment using the methods set out in note 4 above. A member who requires another form of proxy should contact Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA. The time limits for proxy appointments in note 5 also apply to changes to proxy instructions. Any change to proxy instructions received after that time will be disregarded. If a member submits more than one valid proxy appointment, the appointment received last before the time limit in note 3 will take precedence.
11. A member wishing to revoke his or her proxy appointment should do so by sending a notice to that effect to the Company's registrars to the address set out in note 5. The revocation notice must be received by the Company's registrars by the time limit set out in note 5. Subject to note 6, any revocation notice received after this time will not have effect.
12. Please note that communications regarding the matters set out in this form of proxy will not be accepted in electronic form.

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stamp
here

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

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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 O'Connor
Chief Operating Officer

D A Foster
Non-Executive Director

W P Wyatt
Non-Executive Director

C R Vos
Non-Executive Director

I C Taylor MBE, MP
Non-Executive Director

Secretary

N A D Fox

Registered Office

74 Rivington Street
London
EC2A 3AY

Company Number

6133927

Bankers

HSBC Bank Plc
70 Pall Mall
London
SW1Y 5EZ

Solicitors

Osborne Clark
2 Temple Black East
Temple Quay
Bristol
BS1 6EG

Registered Auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RHT

Avanti Communications Group plc

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London EC2A 3AY

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