Avanti Communications Group plc

Annual Report & Accounts 2010

We sell wholesale satellite broadband to service providers.

"For a young company to have two satellites fully financed with no debt service payments for another two years gives me great comfort that we are in control of our own destiny."

▶ Chairman's Statement, page 8

Chairman
John Brackenbury CBE

"The successful launch and the bringing into use of our spectrum undoubtedly creates the significant value we have been projecting for many years."

▶ Chief Executive's Report, page 9

Chief Executive
David Williams

"In July 2010, the company announced a further placing of 16.3 million shares at 430 pence yielding gross proceeds of £70 million… £54 million was used to repay the PIK bond the company raised in July 2007"

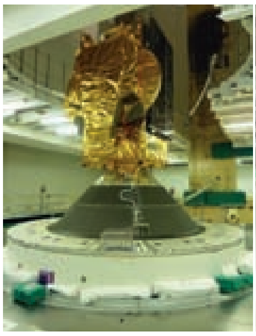
▶ Finance and Operating Review, page 12

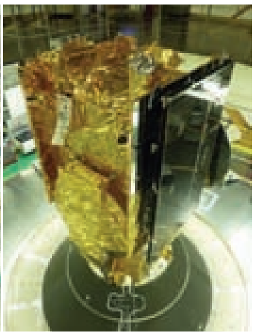
Group Finance Director
Nigel Fox

Highlights

HYLAS 1

The successful launch of Avanti's first Ka-band satellite, HYLAS 1, on 26 November 2010 was a monumental achievement for Avanti. Commercial services will begin in early 2011. HYLAS 1 will serve the European market with satellite broadband and high speed data services.





HYLAS 1, just before the launch

HYLAS 2

Announced in December 2009, HYLAS 2 is under construction in the USA. The Ka-band satellite is fully funded and on target for a Spring 2012 launch. HYLAS 2 will increase Avanti's Ka-band capacity in Europe and introduce new coverage in the Middle East and Africa.

HYLAS 3

Avanti initiated the design of its third Ka-band satellite, HYLAS 3, in July 2010. Avanti aims to secure sufficient customer demand to secure efficient debt financing before completing the procurement.

HYLAS 2

HYLAS 2, Avanti's second satellite, is being built by the Orbital Sciences Corporation in the USA. HYLAS 2 will triple Avanti's satellite capacity and provide 24 Ka-band transponders across Europe, the Middle East and Africa. HYLAS 2 is capable of operating in both civil and government frequency bands and has already attracted significant pre-launch interest.

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Assets

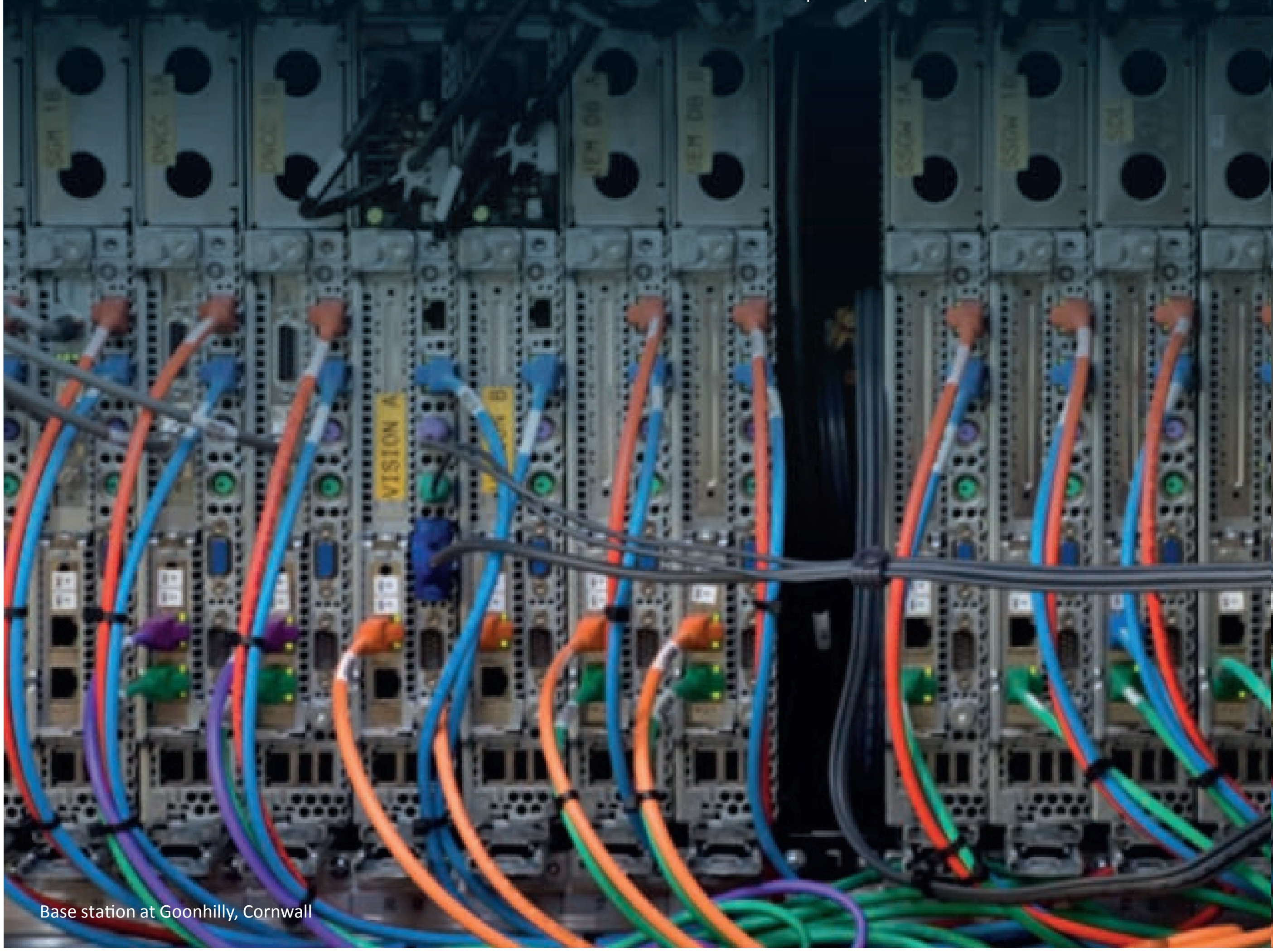
Infrastructure

HYLAS 1 was the first broadband satellite ever launched outside the USA and puts Ka-band capacity into Europe. HYLAS 2 is three times larger and will put capacity into Europe, the Middle East and Africa. The HYLAS satellites are supported by a state-of-the-art dual redundant ground infrastructure, including Gateway Earth Stations ("GES") in the UK, Germany, Cyprus and several other locations.

Business Model

Since 2007, Avanti has refined its operating model by delivering satellite broadband to customers across Europe using leased satellite capacity. HYLAS 1, Avanti's first Ka-band satellite, will replace that leased capacity reducing operating costs and improving the range of services to customers.

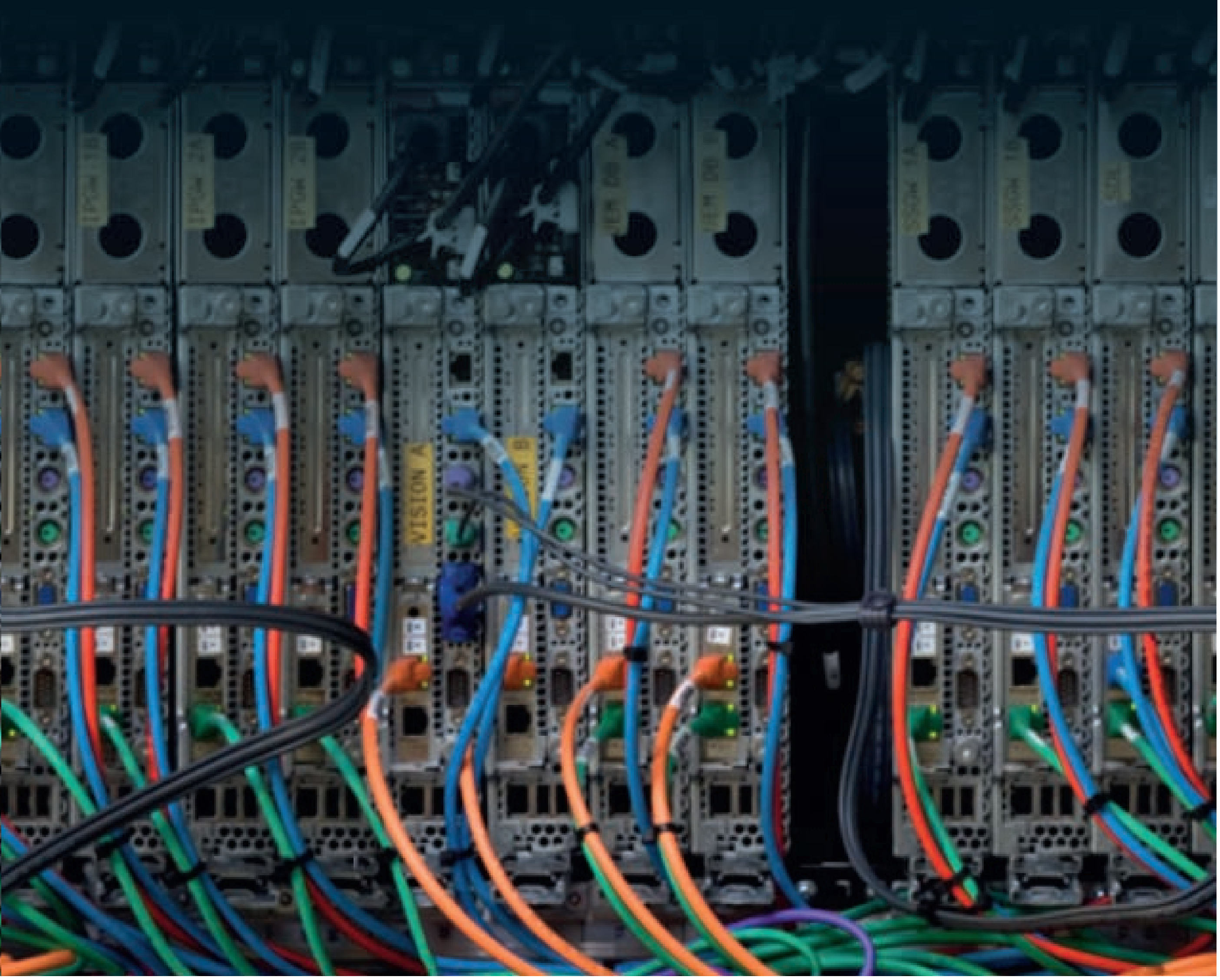
Avanti operates a Virtual Network Operator model. The design of its satellites, Gateway Earth Stations ("GES"), together with bespoke Avanti proprietary software means that Avanti's customers can access the Avanti satellite network themselves to set up their own customers account, set service level agreements and characteristics and manage, shape and bill their own traffic. Thus they gain many of the benefits of behaving like network operators without the need to make any capital expenditures at all.



Base station at Goonhilly, Cornwall

Customers

Avanti sells its managed satellite broadband services to telecommunications companies who sell onto end-users. Avanti has secured over 60 customers of its service at launch of HYLAS 1 serving government, enterprise and consumer end-users.



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Strategy

Mission

Avanti is at the forefront of the expansion of the UK space industry, which the UK government assessed will grow to be worth £30 billion per annum. Avanti hopes to become the global leader in Ka-band satellite communications, launching up to 20 satellites over time.

Markets

Avanti focuses on four core markets:

1. **Consumer broadband** – Economic and geographical limitations mean that some 100 million households in Avanti's current coverage area cannot access good quality 2Mb broadband. Avanti's first two satellites can only serve 1.3 million of these at peak.
2. **Enterprise networks** – Businesses which demand ubiquity, resilience and security turn to satellite for bespoke international networks. Avanti supplies, amongst others, the World's number 1 in this sector, Hughes, which has a 50% market share.
3. **Institutional** – Government organisations have an increasing demand for high capacity satellite services, especially for the management of battlefield communications.
4. **Cellular backhaul** – The dramatic rise in data traffic across mobile phone networks leaves many operators in need of backhaul capacity especially in rural areas or emerging markets.

Future Satellites

Avanti is working on the procurement of HYLAS 3 and other satellites. New satellites will be subject to strict financing efficiency tests to minimise equity dilution.

Base station at Goonhilly, Cornwall

1 – Assets | 2 – Strategy | 3 – Achievement

Achievem

HYLAS 1, just before the launch

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Chairman's Statement

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Avanti now has two satellites fully funded, a very strong balance sheet with no debt service payments or cash flow covenants falling due until December 2012.

- **Successful launch of HYLAS 1**
- **Valuable spectrum brought into use**
- **High cost debt repaid in July 2010, balance sheet now very strong**
- **HYLAS 2 fully financed and on schedule for launch in Spring 2012**
- **Excellent progress with sales on both satellites**

John Brackenbury CBE
Chairman

As the Chairman of a company in possession of an in-orbit satellite I have great pleasure in presenting Avanti Communications Group plc's results for the year ended 30 June 2010. The achievement of a start up company in launching a satellite is very rare. Avanti now has one satellite in-orbit and a second launching in a little over a year, a very strong balance sheet with no debt service payments or cash flow covenants falling due until December 2012, huge untapped markets and a quite thrilling opportunity to create a company of genuine scale.

During a busy year we completed the construction of our first satellite and associated ground infrastructure and made strong progress in signing customers for its bandwidth around Europe. We also completed the financing of HYLAS 2 which involved facilities provided by the US and French government's Export Credit Agencies of £194 million. We have discovered very high early demand for the capacity in the Middle East and Africa. Equally important however was the repayment of our high yielding PIK bond which was completed after the year end following a £70 million equity fund raising. For a young company to have two satellites fully financed with no debt service payments for another two years gives me great comfort that we are in control of our own destiny and have everything we need over the next few years to create the strong cash flows we expect to generate for shareholders.

I would like to pay tribute to my Chief Executive David Williams in leading our team and also to David Bestwick who has masterminded the construction of our satellites. I am also pleased that all of our employees have shares in the company and so have a full opportunity to enjoy the financial success which they play their part in creating.

John Brackenbury CBE
Chairman

Partnership

Avanti has entered into a strategic partnership with Hughes Network Systems LLC for the supply of Ka-band earth station hubs and customer terminal equipment. Hughes hubs are installed in Avanti's Goonhilly and Lands End earth stations. Hughes is the global leader in Ka-band equipment and has consistently maintained a global market share of over 50%.

The market for our products is evidently strong and we are confident of achieving the target of selling out HYLAS 1 within three years.

The HYLAS 1 satellite experienced delays in manufacture and launch but it is easy to underestimate the scale of effort which has gone into this success. It is one of the most advanced commercial satellites ever flown and involved a complex partnership with the European Space Agency as well as our suppliers Astrium and Arianespace.

David Williams
Chief Executive

Introduction

I am pleased to report results for the year which exceed expectations, but which are nonetheless relatively immaterial in the context of the successful launch last week of HYLAS 1. The successful launch and the bringing into use of our spectrum undoubtedly creates the significant value we have been projecting for many years. The market for our products is evidently strong and we are confident of achieving the target of selling out HYLAS 1 within three years. With good progress in financing and building HYLAS 2 and the commencement of HYLAS 3, the business changed its scale very dramatically during the year.

Financial Review

Our result for the year produced lower turnover of £5.82m (2009: £8.04m) resulting from our decision to stop selling our interim service on rented satellite capacity. The service sold in 2006-9 on old fashioned Ku-band television satellite capacity is comparatively slow and expensive, and it makes a loss. It has however been invaluable in helping us to validate market assumptions and more importantly to develop and test in a live environment the control and management software which will deliver high quality customer experience and enable us to maximise the yield of our HYLAS satellites. The customers on this system will be migrated to HYLAS 1 in the next few months, and during 2010 we decided that there was no merit in installing systems which would be replaced within a few months. The financially unproductive nature of this activity is demonstrated in the gross profit line which showed only a marginal reduction to £2.68m (2009: £2.97m).

Naturally our costs increased during the year as recruitment ramped up to sell our bandwidth and also to manage three satellite projects instead of one. The increase in operating costs was offset by receivables in the form of contractual payments from suppliers resulting from certain manufacturing delays. Our currency exposures are all hedged so that there is no cash risk, but Accounting Standards oblige us to report the notional changes in value of hedging and again this year it can be seen that our hedging strategies protected us from losses, and this manifests itself in a profit of £0.97 million (2009: £2.92 million).

Customers

Avanti signed a contract with BT to supply satellite broadband to rural customers in Cornwall. This is a perfect example of the ideal business model whereby Avanti helps incumbent telecoms operators to solve problems at the edge of their network.

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Procurement with HYLAS 2 has proceeded well. We passed the Critical Design Review in November 2010 and in the first twelve months of the contract we have not lost a single day of schedule.

Prudent financial management and cost control therefore restricted the net loss for the year to £1.93 million (2009: profit £1.05 million).

During the year we raised £89 million in an equity placing to complement the Export Credit Agency debt facilities of £194 million which completes the full financing of the construction, launch and operation of HYLAS 2. The debt is at attractive interest rates of 5.7% and is drawn down during the period to launch then repayable over a seven year period from December 2012.

Post balance sheet we raised £70 million in an equity placing to refinance an expensive PIK bond which had onerous covenants and pending interest and principal payments. Removing this debt gives Avanti two years in which to generate strong cash flows before we need to make debt payments so shareholders can draw great comfort from the stable long term financial resilience of our company.

Business Overview

Getting our first satellite into space and bringing our spectrum into use are events which in my opinion crystalise a huge amount of value, given the rapidly increasing demand for data worldwide. We are of the opinion that the World is beginning to see a data crunch where the demand for data transmission capacity will greatly outstrip supply across all market sectors and geographies, so any company in possession of long term rights to use large amounts of spectrum has a strong future. In particular, the transmission of video across all platforms, and the emergence of cloud computing will fundamentally change consumers bandwidth requirements.

In the enterprise sector, machine to machine communications looks set to transform the way many businesses operate and we are seeing strong demand in telemetry, banking and retail for the movement of critical real time financial and performance data. We believe we have a strong role to play in helping mobile phone companies to maximise the flexibility and efficiency with which they can support network growth in rural areas. In the institutional market, the automation of many operations, particularly in unmanned aerial vehicles creates a very significant opportunity – it is apparent that in the sector Ka-band beginning to experience mainstream demand and we are confident of capitalising on this trend.

For the moment we are focussed on filling our first two satellites quickly since this puts us in a position to offer cash returns to shareholders and efficiently finance more satellites. I expect the data crunch to give us opportunity and demand to finance many satellites in the next decade or so. We have enough spectrum available to launch perhaps 20 satellites. Whilst I am overwhelmingly convinced that the demand will be there, many shareholders may wish to maximise the value of their shares in the cash flows arising from HYLAS 1 and 2 and therefore would be reluctant to dilute ownership of those cash flows with speculative projects. I have therefore committed to provide significant pre-sales on any new satellites which can be used to support efficient debt financing. This is the case with HYLAS 3. We began the design project after the 2009 year end and are working hard to produce an efficient financing strategy.

Groundbreaking Mobile Trials

Avanti Consulting has completed a project designing and trialling femtocell technology for use in mobile network connectivity. Femtocells provide a strong indoor signal in mobile phone "blackspots" by routing voice and data traffic over a standard broadband connection. In this groundbreaking trial, codenamed Project Iron, Avanti demonstrated that satellite broadband can provide mobile coverage in areas where no terrestrial broadband access is available.

During the year we extended our customer base so that we have sold capacity to over sixty service providers in Europe. Given that each customer typically commits only to enough bandwidth to serve the business they can forecast in the short term, we expect them all to come back to us to buy more bandwidth to cope with growth. We would also expect to sign new customers whose caution prevented them from committing prior to the launch of HYLAS 1.

Procurement with HYLAS 2 has proceeded well. We passed the Critical Design Review in November 2010 and in the first twelve months of the contract we have not lost a single day of schedule, so we remain on target to launch this satellite in Spring 2012.

We supported our business during the development of the HYLAS satellites by selling an interim broadband service using rented capacity on an old style television satellite. We stopped actively selling our interim service over a year ago, since it is not possible to sell a profitable broadband service on Ku-band satellites. However, that activity served several purposes in a) validating business model assumptions and b) giving us a live customer base for which to develop the customer service software which will be used to manage and enhance HYLAS performance.

Outlook

HYLAS 1 is one of the most advanced commercial satellites ever flown and involved a complex partnership with the European Space Agency as well as our suppliers Astrium and Arianespace. It is humbling to know that over 1,000 engineers have been involved in bringing this satellite to life. At Avanti we have a very long term view of our business and I believe we have created some enduring business partnerships which will help to sustain long term growth, and I am grateful for the support of all our suppliers and partners.

Before we begin to put customer traffic onto HYLAS 1 after Christmas, we will be working to enhance the revenue generating potential of the satellite. As a result of certain extra activities during manufacture HYLAS 1 has higher performance than the original design provided for, and enables us to offer certain new services, especially to institutional markets. We will analyse the precise performance characteristics of the satellite in these and other operating modes, along with certain customers, in order that we are best able to maximise the revenue generating potential of the satellite through its lifetime.

Looking forward, the key milestones for us now relate to the successful sale of our capacity on HYLAS 1 and HYLAS 2, the launch and sale of HYLAS 2 capacity and the project financing of further satellites. We have set prudent expectations for sale of capacity, with our financing based on three year fill for HYLAS 1 and 5 years for HYLAS 2. It appears that the markets are more than strong enough to achieve this many times over and I hope that we can fill our satellites very quickly and then finance growth in capacity on the back of success. The successful launch of HYLAS 1 is the first major step for us in creating a business which I hope will lead the World in Ka-band satellite communications.

David Williams
Chief Executive

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In December 2009, the Company announced that it had agreed debt financing for HYLAS 2 with US EXIM bank and COFACE.

By 31 July 2010, following the approved equity placing and the repayment of the PIK, shareholder equity stood at £220 million with no debt outstanding.

Nigel Fox
Group Finance Director

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:

- The Group has adopted IFRS 8, ‘Operating Segments’. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker (the Avanti Executive Board) to allocate resources and assess performance. All resources are allocated on the basis of satellite services. As a result, Avanti Communications Group plc are disclosing one segment being satellite services.

- IAS 23 Borrowing costs (revised) – the Group early adopted IAS 23(R) as of 1 July 2007.

- The Group has adopted IAS 1 (revised) Presentation of Financial Statements. The amendment affects the presentation of owner changes in equity and introduces a ‘‘Statement of Comprehensive Income’’. The Group has elected to present a single statement of performance, being the Statement of Comprehensive Income.

- The amendment to IFRS 2 relates to vesting conditions and cancellations for share options. No restatement of prior period information has been necessary as a consequence of adopting this standard.

- Amendments to IFRS 7: Financial instruments has been adopted which gives enhanced disclosures about fair value measurements of financial instruments and over liquidity risk. Since the amendment only impacts presentation and disclosure aspects, there is no impact on the Group’s results or net assets.

	30 June 2010 £’000	30 June 2009 £’000
Loss from operations before taxation	**(2,436)**	(1,386)
Depreciation and other non-cash movements	**915**	337
Change in working capital and provisions	**3,804**	(10,297)
Net capital expenditure	**(108,803)**	(2,850)
Operating cashflow	**(106,520)**	(14,196)
Net interest received/financing exchange gains	**(512)**	3,381
Free cashflows	**(107,032)**	(10,815)
Movements in funding	**116,598**	189
Increase/(decrease)in net funds	**9,566**	(10,626)

The July 2010 placing facilitated the repayment of the PIK bond.

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

As we approached the launch of HYLAS 1 we restricted the number of new customers we installed on our rented capacity. As a result there was a planned fall in revenue to £5.8 million (2009: £8.0 million). Gross margins on our rented capacity remained at acceptable levels and yielded a gross profit of £2.7 million.

Overheads, which are mainly salary related, increased by 23% over the prior period to £8.7 million (£7.1 million). These overheads are in line with planned levels as we gear up for the launch.

Other operating income

The Company continued to receive liquidated damages from Astrium for the late delivery of HYLAS. The receipt of these damages was concluded in November 2009, however the benefit is recognised through the income statement in line with the additional costs associated with the delay.

An exchange gain of £426,000 (2009: £1,355,000 gain) arising from revaluation of working capital was also recognised during the period.

Taxation

The Group tax credit was £24,000 (2009: £752,000 charge). The rate was negatively affected by the anticipated fall in the UK corporation tax rate from 28% to 24%, which has affected the brought forward deferred tax asset values.

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 fell to a loss of 3.68 pence per share (2009: 3.78 pence earnings per share). The earnings in 2009 were materially affected by foreign exchange gains. Note 9 to the financial statements provides details of these calculations.

Financing and treasury

In December 2009, the Company announced that it had agreed debt financing for HYLAS 2 with US EXIM bank and COFACE. This debt totalled £194 million which included a drawdown period through to June 2012, during which the interest during construction would be capitalised. Thereafter the debt is repaid over a maximum of 7 years, giving an effective interest rate of 5.7%. As at the balance sheet date none of this debt has been drawn. In conjunction with this debt, the Company raised in January 2010 and additional £86 million of equity via a placing of 21.5 million shares at 400p to complete the financing of HYLAS 2. A further 750,000 was subsequently placed with a major shareholder at the same 400p price.

In July 2010, the Company announced a further placing of 16.3 million shares at 430 pence yielding gross proceeds £70 million. These proceeds were received in early July 2010. £53.6 million was used to repay the PIK bond the Company raised in July 2007, which had begun to prove restrictive and expensive. The balance of the funds are to be used in relation to two projects.

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Net cash received from financing of £117 million was entirely utilised on payments for fixed assets.

Firstly, early stage development of satellite 3, and secondly to facilitate the re-domicile of the HYLAS 2 assets to Cyprus. HYLAS 2 covers Eastern Europe, Middle East, East and Southern Africa. Cyprus, therefore represents an ideal base from which to run this business when we also plan to put one of our main Ground Stations into the same country. As a secondary consequence of this move, profits arising from the HYLAS 2 business will be taxed in Cyprus at the prevailing rates, currently 10%. The Cypriot companies were incorporated in July 2010.

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.

The HYLAS 2 companies having raised debt in US dollars, purchasing assets predominantly in US dollars, and anticipating in excess of 50% of their revenues to arise in US dollars have a functional currency of US dollars. This will protect the income statement from any material changes in the US dollar to sterling exchange rate.

Balance sheet

At the balance sheet date, shareholder equity was £152.2 million (2009: £64.5 million). By 31 July 2010, following the approved equity placing and the repayment of the PIK, shareholder equity stood at £220 million with no debt outstanding.

Fixed assets increased during the year to £170.2 million from £51.5 million. The vast majority of the additions are in relation to the satellites under construction and further details are given in note 11 on page 41.

Current assets excluding cash fell from £46.4 million to £17.9 million which is accounted for by the receipt of the unpaid share capital at June 2009, received in July 2009.

As noted above the long term loan shown on the balance sheet and disclosed in note 21 on page 46 was repaid for £53.6 million. In addition to the accrued interest, the difference is represented by an early repayment penalty of £2.3 million.

Cash flow

Net cash increased by £9.6 million. Net cash received from financing of £116.6 million was entirely utilised on payments for fixed assets. The net increase in funds therefore arose from reduced working capital, interest income offset by a cash outflow of £1.5 million from operating activities.

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 satellites will have their transmissions powered by solar power. They therefore produce lower carbon emissions per customer than other forms of terrestrial telecommunications.

Principal risks and uncertainties

HYLAS 1 has now been successfully launched and the debt finance on HYLAS 1 repaid.

HYLAS 1 is currently undergoing in-orbit acceptance. Any failure of the satellite during the first year of operations is covered by the launch insurance policy. Thereafter we will take out an annual in-orbit policy that will cover issues of failure.

The demand for Ka-band services is now well established. The predicted market for HYLAS 1 consumer broadband services over the regions which it can cover is 100 million households and SME's. HYLAS 1 is the first Ka-band satellite to be deployed over Europe and can serve just 350,000 end users. In addition, business in Enterprise, Cellular Backhaul and Institutional markets can have a transformational impact on the speed of saturation. We therefore anticipate that the risk of failing to sell the capacity is very small.

Whilst pricing is dynamic we do not anticipate price pressure. As stated above the market is huge and supply is extremely restricted. Even with competition, the market will remain largely unserved and as such normal supply and demand economics suggests that prices will not fall. The satellite industry has experience consistently rising prices for many years.

HYLAS 2 is due for launch in the second quarter of 2012. The satellite is fully funded and the risks are therefore similar to HYLAS 1. In addition, given that we are 18 months from launch there is a supplementary risk of delay. Delay could adversely affect our revenues, profitability and liquidity. The satellite is still on track for the due launch date.

The global economic environment remains fluid. Whilst we do not expect this to affect demand for our services, macro-economics may affect exchange rates, debt market prices, credit risks, liquidity risks and interest rates.

We continue to carry a receivable of $7.6 million, under "other receivables" which was first recognised in June 2009. This amount is due from Space Explorations Inc ("SpaceX"), who Avanti originally contracted to launch HYLAS 1 on their Falcon 9 launch vehicle. However, as SpaceX had failed to generate the required launch heritage Avanti cancelled the launch services, as provided within the contract, and the monies previously paid were due to be refunded. SpaceX have failed to make the required refund and we took the dispute to arbitration in New York. The arbitrators are due to give their binding ruling in the early New Year. The directors are confident that the monies will be recovered and no provision is necessary.

Critical accounting policies

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

Nigel Fox
Group Finance Director

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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, Trustee and Director of Springboard UK, Trustee and Director of Bradfield Foundation, Trustee and Director of GamCare. John is the founder Chairman and Chairman of the Nominations Committee of Avanti Communications Group plc.

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.

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.

William Wyatt*+•
Non-Executive
Will is Chief Executive Officer of Caledonia Investments plc. He is also a Non-Executive Director on the boards of Bristow Group Inc, Cobepa, Melrose Resources plc, REI plc, TGE Marine AG, 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. Alan is the Chairman of the Remuneration Committee of Avanti Communications Group plc.

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 SatCom Group Holdings plc, 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. Richard is the Chairman of the Audit Committee of Avanti Communications Group plc.

Ian Taylor
Non-Executive
Ian Taylor was a Member of the UK Parliament for 23 years until deciding to stand down ahead of the 2010 General Election. Ian was Minister for Science and Technology at the Department of Trade and Industry during 1994 - 1997 in a Conservative Government. He subsequently chaired the all-Party Parliamentary and Scientific Committee which includes the Parliamentary Engineering Group. 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
• Nominations committee

Employees

Drawing expertise from across the globe.

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26 Countries represented


Customer Support
Sales Support
Consulting
Marketing
Space
Space
Space
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Space
IT
COO
Consulting
Finance Director
Legal
Marketing
Space
Networks
Customer Support
Customer Support
Customer Support
Networks
General Counsel
Space
Customer Support
Finance
Marketing
Non-Executive
Marketing
Marketing
Networks
Consulting
Networks
Finance
Networks
Finance
Non-Executive
Consulting
Space
Sales
Networks
Sales

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

SOS Children's Villages

Ennerdale, South Africa

This village was the first to be built in South Africa, in 1984, 30km south of Johannesburg. Today it is home to over 150 children in its 15 family homes, as well as a house for retired SOS mothers who act as grandmothers for the children.

The adjoining SOS Kindergarten has a capacity to take in up to 100 children and the SOS Social Centre, which was opened in 2000, houses a clinic, a day-care centre and an HIV/AIDS community-based child care and support programme. The clinic offers treatment to up to 2,000 patients a year and the day-care centre has a capacity to take in up to 40 children between ages 0-3. HIV/AIDS affected families receive materials, medical support, education and counselling and are supported with income generating activities. Moreover, HIV/AIDS awareness and prevention campaigns are organised.

Avanti has contributed €3,087 in 2010.

Medlanky, Czech Republic

Within the village there are:

9 family houses for 59 children – a village director's house with flats for co-workers – a community building which includes rooms for SOS aunts who support the SOS mothers and take care of children when the mothers have a day off – an activity house for workshops for children – a multi-purpose building with rooms for the psychologist and pedagogue – a recently added playground.

The tenth family house is currently being used as an SOS Youth Facility for the youngsters from SOS Children's Village Chvalcov, who can stay there during their vocational training or higher education and prepare for an independent life.

Avanti contributed €3,906 at the beginning of 2010.

Not just a rocket scientist…

Lucy Edge, Avanti Space System Manager, combines her international role as a key member of our satellite design, build and operations team with her passion for triathlon. With Astrophysics MPhys and Space Engineering MSc under her belt, she found that the Space industry would be both interesting and more than 'just a job'.

Lucy finds that, to balance the training with the demands of her job, that sport helps her to decompress and gives her precious thinking time before work. With the launch of HYLAS 1 and the rapid progress of HYLAS 2, she's made training compromises but performed better in races.

"To perform well at anything, you need to sleep and eat well – training reminds me to do that and keeps me well for work."

Avanti is proud to sponsor Lucy, a member of Team Great Britain.

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 30 June 2010.

Principal activities and review of the business

The principal activity of the Company is the provision of satellite communication services. The services are principally provided via Ka-band satellite.

Business review and key performance indicators ("KPI's")

The Directors are required by the Companies Act to present a business review, reporting on the development and performance of the Group and the Company during the year and their positions at the end of the year. The information that fulfils the requirements of the business review including likely future developments, can be found in the Chief Executive's report on pages 9 to 11, the Finance and Operating review on pages 12 to 15 and the Corporate Social responsibility report on pages 20 to 21, which are incorporated in this report by reference. As the company is still the early stages of its strategy with a focus on the future, we do not currently have a focus on traditional KPI's. Instead our business model is focussed on the launch of the satellite and subsequent capacity sales. In the Chief Executive's report and Finance and Operating Review, we have highlighted key financial statistics such as revenue and operating profit, however given the nature of the business at the current time, we do not consider them to be KPI's.

The Corporate Governance report on page 26 falls within the scope of this Directors' report.

Results and dividends

The results for the year ended 30 June 2010 are shown on page 28. No equity dividend was paid in the year ended 30 June 2010 (2009: £nil). No final dividend is proposed at the year-end (2009: £nil). The loss for the year transferred to reserves was £1,932,000 (2009: profit of £1,049,000).

Financial instruments

A discussion of the Group's financial risk management objectives and policies and the exposure of the group to interest rate, foreign exchange, credit and liquidity risk is included in Note 22 to the Consolidated Financial Statements. Further discussion is also included in the Finance and Treasury section of the Finance and Operating Review on page 13.

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.

Post balance sheet events

Details of material post balance sheet events are included in Note 31 to the consolidated financial statements.

Directors

The directors who served during the year were as follows:

F E J G Brackenbury CBE
D J Bestwick
M J O'Connor
C R Vos
I C Taylor MBE
D J Williams
N A D Fox
D A Foster
W P Wyatt

Directors' emoluments

The remuneration of the directors including the highest paid director and Chairman was as follows:

For the year ended 30 June 2010

	Salaries and other short term employee benefits £	Post employment benefits £	Total 2010 £
Executive			
D J Williams	151,047	103,745	**254,792**
D J Bestwick	85,082	78,841	**163,923**
N A D Fox	158,867	7,020	**165,887**
M J O'Connor	138,218	6,792	**145,010**
Total executive	**533,214**	**196,398**	**729,612**

	Salaries and other short term employee benefits £	Post employment benefits £	Total 2010 £
Non-executive			
F E J G Brackenbury CBE	60,000	–	**60,000**
D A Foster	25,000	–	**25,000**
W P Wyatt	25,000	–	**25,000**
I C Taylor MBE	25,000	–	**25,000**
C R Vos	25,000	–	**25,000**
Total non-executive	**160,000**	**–**	**160,000**

For the year ended 30 June 2009

	Salaries and other short term employee benefits £	Post employment benefits £	Total 2009 £
Executive			
D J Williams	236,128	19,832	255,960
D J Bestwick	151,887	13,928	165,814
N A D Fox	140,400	7,020	147,420
M J O'Connor	52,433	2,622	55,055
Total executive	**580,848**	**43,402**	**624,249**
Non-executive			
F E J G Brackenbury CBE	60,000	–	**60,000**
D A Foster	25,000	–	**25,000**
W P Wyatt	25,000	–	**25,000**
I C Taylor MBE	25,000	–	**25,000**
C R Vos	25,000	–	**25,000**
Total non-executive	**160,000**	**–**	**160,000**

Directors’ Long Term Incentive Plans

Original allocations:	Core	Exceptional	Extraordinary	Total 2010/2009
D J Williams	565,480	350,741	279,884	1,196,105
D J Bestwick	350,741	209,384	279,884	840,009
N A D Fox	137,501	50,000	50,000	237,501
M J O'Connor	139,238	69,445	69,445	278,128
Total	**1,192,960**	**679,570**	**679,213**	**2,551,743**

The Long Term Incentive Plan (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 sub 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.

One additional grant was made during the year to a senior manager of 250,000 options split across the three categories. The exercise criteria of this grant is consistent with the criteria of the existing LTIP scheme.

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. 4/7ths of this core grant is now exercisable.

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ii) The exceptional achievement tranche

This element of the grant was amended during the year. Originally, these options were only exercisable if the average market value of the share exceeded £5 for a consecutive period of six months prior to 30 June 2010. Given the unprecedented market conditions over the previous year, the remuneration committee considered that whilst the executives had performed well and that the share price had outperformed the FTSE 100 and AIM all share index since the LTIPs were granted, the target set in the LTIP rules may still not be achieved.

In May 2010 the remuneration committee agreed to extend the target date to 31 December 2010 and that the six month average target price should be increased £5.50.

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.

Non-executive directors' unapproved plans

	Total 2010/2009
F E J G Brackenbury CBE	62,863
D A Foster	15,000
C R Vos	15,000
Total	**92,863**

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. There are no performance criteria associated with these options and they are exercisable as long as the option holder remains with the Company.

Directors' share interests

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

	Fully paid Ordinary Shares of 1p each	
	30 June 2010	30 June 2009
D J Williams	**1,543,905**	1,541,655
D J Bestwick	**1,102,264**	1,051,158
N A D Fox	**89,897**	70,254
M O'Connor	**144,564**	124,673
F E J G Brackenbury CBE	**442,891**	426,891
D A Foster	**359,639**	339,639
W P Wyatt	**11,200**	11,200
I C Taylor MBE	**6,300**	6,300
C R Vos	**6,030**	6,030

At 29 October, 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.

M&G Investment Management Ltd	London	12,507,850	14.72%
Caledonia Investments plc	London	11,636,965	13.70%
Directors & Related and EBT	–	7,351,939	8.65%
AEGON Asset Management UK plc	Edinburgh	3,843,800	4.52%
Capital Research Global Investors	Los Angeles	3,488,372	4.11%

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

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 2010, the Company did not have any trade creditors (2009: nil).

Political and charitable donations

During the year the Group made a political donation to the Conservative party of £5,000. In addition the Avanti staff made charitable donations to SOS Children of €6,993 as detailed on page 20.

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 2010, the Company provided an indemnity in respect of all of the Company's Directors.

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
30 November 2010

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Corporate Governance Report

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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 R Vos, W Wyatt, and J Brackenbury and is chaired by R Vos. 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. 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 2010 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the statement of cash flows , the statement 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 25, 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 2010 and of the group's loss 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

J. Booker (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
30 November 2010

Consolidated Income Statement Year Ended 30 June 2010

	Notes	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
Revenue	2	**5,815**	8,041
Cost of sales		**(3,140)**	(5,068)
Gross profit		**2,675**	2,973
Operating expenses	3	**(8,739)**	(7,086)
Other operating income	6	**3,628**	2,727
Loss from operations		**(2,436)**	(1,386)
Financing exchange gain and movement in derivative fair value	7	**972**	2,932
Finance income	7	**99**	417
Finance expense	7	**(591)**	(162)
Net finance income	7	**480**	3,187
(Loss)/profit before tax		**(1,956)**	1,801
Income tax credit/(expense)	8	**24**	(752)
(Loss)/profit for the year		**(1,932)**	1,049
Attributable to:			
Equity holders of the parent		**(1,932)**	1,049
Basic (loss)/earnings per share (pence)	9	**(3.68p)**	3.78p
Diluted (loss)/earnings per share (pence)	9	**(3.68p)**	3.39p

Consolidated Statement of Comprehensive Income Year Ended 30 June 2010

	Notes	Year ended 30 June 2010 £'000	Year ended 30 June 2009 £'000
(Loss)/profit for the year		**(1,932)**	1,049
Other comprehensive income			
Exchange differences on translation of foreign operations		**13**	–
Total comprehensive (loss)/income for the year		**(1,919)**	1,049

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Consolidated Statement of Financial Position as at 30 June 2010

	Notes	30 June 2010 £'000	30 June 2009 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**170,231**	51,534
Intangible assets	12	**11**	21
Deferred tax assets	17	**268**	5
Total non-current assets		**170,510**	51,560
Current assets			
Inventories	15	**1,398**	352
Unpaid share capital		**–**	31,500
Trade and other receivables	16	**15,993**	14,237
Derivative financial instruments		**525**	347
Cash and cash equivalents	18	**34,181**	24,615
Total current assets		**52,097**	71,051
Total assets		**222,607**	122,611
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	19	**13,460**	11,369
Derivative financial instruments		**–**	795
Provisions for other liabilities	20	**30**	30
Interest bearing liabilities	21	**269**	402
Total current liabilities		**13,759**	12,596
Non-current liabilities			
Trade and other payables	19	**7,228**	2,899
Provisions for other liabilities	20	**33**	63
Loans and other borrowings	21	**49,404**	42,574
Total non-current liabilities		**56,665**	45,536
Total liabilities		**70,424**	58,132
Equity			
Share capital	23	**639**	417
Share premium	24	**120,496**	34,041
Retained earnings and other reserves	24	**31,048**	30,021
Total shareholders' equity		**152,183**	64,479
Total liabilities and equity		**222,607**	122,611

The financial statements of company number 6133927 on pages 28 to 55 were approved by the Board of Directors on 30 November 2010 and signed on its behalf by:

Nigel Fox
Finance Director

30 November 2010

Company Statement of Financial Position as at 30 June 2010

	Notes	30 June 2010 £'000	30 June 2009 £'000
ASSETS			
Non-current assets			
Deferred tax assets	17	**62**	102
Investments	13	**41,320**	289
Total non-current assets		**41,382**	391
Current Assets			
Trade and other receivables	16	**80,234**	7,291
Derivative financial instruments		**525**	347
Unpaid share capital		**–**	31,500
Total current assets		**80,759**	39,138
Total assets		**122,141**	39,529
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	19	**9**	4,278
Derivative financial instruments		**–**	795
Total current liabilities		**9**	5,073
Total liabilities		**9**	5,073
Equity			
Share capital	23	**686**	449
Share premium	24	**120,496**	34,041
Retained earnings and other reserves	24	**950**	(34)
Total shareholders' equity		**122,132**	34,456
Total liabilities and equity		**122,141**	39,529

The financial statements of company number 6133927 on pages 28 to 55 were approved by the Board of Directors on 30 November 2010 and signed on its behalf by:

Nigel Fox
Finance Director

30 November 2010

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Statement of Cash Flows Year Ended 30 June 2010

	Notes	Group Year ended 30 June 2010 £'000	Group Year ended 30 June 2009 £'000	Company Year ended 30 June 2010 £'000	Company Year ended 30 June 2009 £'000
Cash flow from operating activities					
Loss from operations before taxation		**(2,436)**	(1,386)	**(59)**	(285)
Net foreign exchange gain		**(439)**	(1,183)	**–**	–
Depreciation of property, plant and equipment	3	**759**	768	**–**	–
Amortisation of intangible assets	3	**10**	51	**–**	–
Provision for impairment of trade receivables	16	**13**	172	**–**	–
Onerous lease provision utilised	20	**(30)**	(123)	**–**	–
Share based payments expense	25	**602**	652	**54**	155
		(1,521)	(1,049)	**(5)**	(130)
Movement in working capital					
(Increase)/decrease in inventories		**(1,047)**	(102)	**–**	–
(Increase)/decrease in trade and other receivables		**(1,756)**	(5,626)	**(72,872)**	(1,882)
Increase/(decrease) in trade and other payables		**6,607**	(4,569)	**(3,092)**	2,012
		2,283	(11,346)	**(75,969)**	–
Interest received		**99**	951	**–**	–
Interest paid		**(155)**	(162)	**–**	–
Net cash generated from/(used by) operating activities		**2,227**	(10,557)	**(75,969)**	–
Cash flows from investing activities					
Investments		**–**	–	**(41,031)**	–
Payments for property, plant and equipment		**(108,803)**	(2,850)	**–**	–
Net cash used in investing activities		**(108,803)**	(2,850)	**(41,031)**	–
Cash flows from financing activities					
Proceeds from borrowings		**–**	–	**–**	–
Repayment of borrowings		**–**	(21)	**–**	–
Debt issue cost paid		**–**	–	**–**	–
Proceeds from share issue		**120,500**	–	**120,500**	–
Share issue costs		**(3,500)**	–	**(3,500)**	–
Proceeds from finance leases		**–**	802	**–**	–
Finance lease paid		**(402)**	(592)	**–**	–
Net cash received from financing activities		**116,598**	189	**117,000**	–
Effects of exchange rate on the balances of cash and cash equivalents		**(456)**	2,592	**–**	–
Net increase/(decrease) in cash and cash equivalents		**9,566**	(10,626)	**–**	–
Cash and cash equivalents at the beginning of the financial year		**24,615**	35,241	**–**	–
Cash and cash equivalents at the end of the financial year	18	**34,181**	24,615	**–**	–

Statement of Changes in Equity Year Ended 30 June 2010

Group

	Share Capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
2009				
At 1 July 2008	277	3,858	28,600	32,735
Total comprehensive 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
2010				
At 1 July 2009	417	34,041	30,021	64,479
Total comprehensive loss for the year	–	–	(1,919)	(1,919)
Issue of share capital	237	86,455	–	86,692
EBT treasury shares	(15)	–	–	(15)
Foreign currency translation reserve	–	–	2,181	2,181
Share based payments	–	–	602	602
Tax credit taken directly to reserves	–	–	163	163
At 30 June 2010	**639**	**120,496**	**31,048**	**152,183**

Company

	Share Capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
2009				
At 1 July 2008	309	3,858	(146)	4,021
Total comprehensive 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**
2010				
At 1 July 2009	449	34,041	(34)	34,456
Total comprehensive profit for the year	–	–	723	723
Issue of share capital	237	86,455	–	86,692
Foreign currency translation reserve	–	–	174	174
Share based payments	–	–	54	54
Tax credit taken directly to reserves	–	–	33	33
At 30 June 2010	**686**	**120,496**	**950**	**122,132**

1. Accounting policies

Statement of compliance

The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU issued by the International Accounting Standards Board (IASB), and with the International Financial Reporting Interpretations Committee (IFRIC), and 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 2010

The Group has adopted IFRS 8, 'Operating Segments'. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker (the Avanti Executive Board) to allocate resources and assess performance. All resources are allocated on the basis of satellite services. As a result, the Group is disclosing one segment being satellite services.

IAS 23 Borrowing costs (revised) – the Group early adopted IAS 23(R) as of 1 July 2007.

The Group has adopted IAS 1 (revised) Presentation of Financial Statements. The amendment affects the presentation of owner changes in equity and introduces a ''Statement of Comprehensive Income''. The Group has elected to present a single statement of performance, being the Statement of Comprehensive Income.

The amendment to IFRS 2 relates to vesting conditions and cancellations for share options. No restatement of prior period information has been necessary as a consequence of adopting this standard.

Amendments to IFRS 7: Financial instruments has been adopted which gives enhanced disclosures about fair value measurements of financial instruments and over liquidity risk. Since the amendment only impacts presentation and disclosure aspects, there is no impact on the Group's results or net assets.

New standards and interpretations

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 July 2009 but are not currently relevant for the Group, or have had no impact:

IFRS 3 (R) – Business Combinations
IAS 27 (R) – Consolidated and Separate Financial Statements
Amendments to various IFRSs and IASs arising from May 2008 Annual Improvements to IFRSs
Amendment to IAS 39 - Eligible hedged items
Amendment to IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations
Amendment to IFRIC 9 and IAS 39: Embedded derivatives
Amendment to IAS 32 Financial instruments: Presentation
IFRIC 12, Service concession arrangements
IFRIC 13, Customer loyalty programmes relating to IAS 18, Revenue
IFRIC 14 The limit on a defined benefit asset, minimum funding requirements and their interaction
IFRIC 15 Agreements for the construction of real estate
IFRIC 16 Hedges of a net investment in a foreign operation
IFRIC 17 Distributions of Non cash assets to Owners
IFRIC 18 Transfers of assets from customers

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 July 2010:

Amendments to various IFRSs and IASs arising from 2010:
Annual Improvements to IFRSs (effective 1 January 2010)
Amendment to IFRS 2 Share based payments group cash-settled transactions (effective 1 January 2010)
IFRS 1 First-time Adoption – Additional exemptions (effective 1 January 2010)
Amendment to IAS 32 Financial instruments: Classification of rights issues (effective 1 February 2010)
Amendment to IFRS 1: 'First time adoption' – financial instrument disclosures (effective 1 July 2010)
IFRIC 19 Extinguishing financial liabilities with equity instruments (effective 1 July 2010)

1. Accounting policies continued

New standards and interpretations

The Directors do not anticipate that the adoption of any of the above standards, amendments or interpretations will have a material impact on the Group's financial statements on initial application.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 July 2010 and have not been early adopted:

Amendments to various IFRSs and IASs arising from 2010:
Annual Improvements to IFRSs (effective 1 January 2011)
Amendment to IAS 24 Related party disclosures (effective 1 January 2011)
Amendments to IFRIC 14 Prepayments on a minimum funding requirement (effective 1 January 2011)
Phase 1 of IFRS 9 Financial instruments: classification and measurement (effective 1 January 2013)

The Group is currently assessing the impact of the standards on its results, financial position and cash flows.

The Group continues to monitor the potential impact of other new standards and interpretations which may be endorsed by the European Union and require adoption by the Group in future accounting periods.

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.

(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.

(c) Space Explorations Inc ("Spacex")

The group continues to carry a receivable of $7.6 million, under "other receivables" which was first recognised in June 2009. This amount is due from Spacex, who Avanti originally contracted to launch HYLAS 1 on their Falcon 9 launch vehicle. However, as Spacex had failed to generate the required launch heritage Avanti cancelled the launch services, as provided within the contract, and the monies previously paid were due to be refunded. SpaceX have failed to make the required refund and the dispute was taken to arbitration in New York. The arbitrators are due to give their binding ruling in early 2011. The directors are confident that the monies will be recovered and no provision will be necessary.

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

The group currently earns revenue primarily from the sale of satellite broadband services to customers and from providing consultancy advice connected with the exploitation of the space assets. Following the launch of HYLAS 1, revenue from the sale of satellite broadband services will be the key revenue stream of the business with space consultancy contracts being a smaller proportion of the total revenues.

Broadband satellite communications services revenues are recorded on a straight-line basis over the term of the contract concerned net of discounts, VAT and other similar allowances.

Revenues also include sales of terminals recognised upon installation when the risks and rewards of ownership have transferred to the customer.

Revenue from space consultancy and other consultancy contracts connected with the exploitation of the space assets 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. Deferred income represents any unearned balances remaining from amounts received from customers pursuant to prepaid contracts.

Appropriate allowances for estimated irrecoverable amounts are recognised against revenue when there is objective evidence that trade receivables are impaired. Accounts receivable balances are specifically reviewed to assess a customer's ability to make payments.

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 satellite assets 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 its subsidiaries is sterling (with the exception of Avanti Hylas 2 Limited and Avanti Hylas 2 Launch Services Limited which have US dollars as their presentational and functional currency).

Pension schemes
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.

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.

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1. Accounting policies continued

Deferred tax continued

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.

Cost includes the original purchase price of the asset and the costs directly attributable to bringing the asset to its working condition for its intended use.

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 (including employee related costs) directly attributable to the construction of the HYLAS satellites. 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. It is anticipated that the life of HYLAS 1 will be 15 years and therefore the first annual depreciation will be in the year ended 30 June 2011 following successful launch of HYLAS 1.

Research and development costs in relation to the satellites 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 assets.

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

Intangible assets

Intangible assets comprise of computer software and 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 straightline method. The amortisation rate on computer software is 25%.

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

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.

Impairment of non-financial assets
Assets that are subject to amortisation and depreciation are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be fully recoverable. The impairment review comprises a comparison of the carrying amount of the fixed asset with its recoverable amount, which is the higher of fair value less costs to sell and value in use.

Fair value less costs to sell is calculated by reference to the amount at which the asset could be disposed of. Value in use is calculated by discounting the expected future cash flows obtainable as a result of the asset's continued use, including those resulting from its ultimate disposal, at a market-based discount rate on a pre-tax basis.

An impairment loss is recognised in the Income Statement whenever the carrying amount of an asset exceeds its recoverable amount. The carrying amount will only be increased where an impairment loss recognised in a previous period for an asset either no longer exists or has decreased, up to the amount that it would have been had the original impairment not occurred.

For the purpose of conducting impairment reviews, CGUs are identified as groups of assets and liabilities that generate cash flows that are largely independent of other cash flow streams. The assets and liabilities include those directly involved in generating the cash flows and an appropriate proportion of corporate assets. For the purposes of impairment review space segment assets are treated as one CGU.

European Space Agency (ESA) Funding
When payments are made by ESA direct to the satellite contractor EADS Astrium, the group records the transaction by capitalising the amount to property, plant and equipment 'space assets' and recognising the deferred revenue. Both the satellite asset and the deferred revenue will be depreciated/released to the income statment over the expected life of the asset. There are no contingencies associated with the ESA funding.

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.

Cost is determined by the first-in first -out method.

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.

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1. Accounting policies continued

Financial instruments and hedging activities continued

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.

2. Revenue

As noted in note 1, the group currently earn revenue primarily from the sale of satellite broadband services to customers and from providing consultancy advice connected with the exploitation of the space assets. On adoption of IFRS 8, 'Operating Segments', the group concluded that the Chief Operating Decision Maker (the Avanti Executive Board) manage the business and the allocation of resources on the basis of the provision of satellite services, resulting in one segment.

Revenue of £5,815,000 (2009: £8,041,000) represents invoiced sales of satellite broadband services provided to external customers, revenue on space and consultancy contracts recognised on a percentage of completion basis and the sale of terminals.

The group derived £1,334,000 (2009: £2,597,000) of its turnover from European countries outside the United Kingdom, and £4,481,000 (2009: £5,444,000) 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 2010 £'000	**30 June 2009 £'000**
Depreciation of property, plant and equipment	**759**	768
Amortisation of intangible assets	**10**	51
Research and development costs written off as incurred	**15**	2
Employee benefit expense	**4,542**	3,744
Operating lease expenses		
– Minimum lease payments	**408**	384
– Sublease payments	**(50)**	(50)
– Onerous lease provision utilised	**(30)**	(23)
– Onerous lease provision released	**-**	(99)

4. Auditors' remuneration

	30 June 2010 £'000	**30 June 2009 £'000**
Fees payable to company's auditor for the audit of parent company and consolidated financial statements	**67**	43
Fees payable to the company's auditor for other non audit services:		
– The audit of company's subsidiaries pursuant to legislation	**20**	16
– Other services pursuant to legislation	**4**	6
– Tax services	**270**	11
	361	**76**

£224,000 of the tax services fees relate to the feasibility study and initial advice regarding the re-domicile of the Hylas 2 assets to Cyprus. The remaining balance relates to fees for normal ongoing tax advice.

5. Employee benefit costs

The aggregate remuneration of all employees comprised:

	30 June 2010 £'000	30 June 2009 £'000
Wages and salaries	**4,898**	4,091
Social security costs	**534**	438
Pension costs	**229**	113
Share based payment expense	**602**	652
	6,263	5,294
Less: costs capitalised as satellite in construction	**(1,721)**	(1,550)
	4,542	3,744

Employee numbers

The average monthly number of people (including the Executive Directors) employed during the year by category of employment:

	30 June 2010 No. employees	30 June 2009 No. employees
Operations	**21**	17
Sales and marketing	**21**	19
Development and engineering	**21**	12
Administration and executive	**18**	17
	81	**65**

6. Other operating income

	30 June 2010 £'000	30 June 2009 £'000
Exchange gain on trade receivables and payable balances	**426**	1,355
Liquidated damages received	**3,202**	1,372
	3,628	2,727

Liquidated damages were received from Astrium due to the late delivery of HYLAS 1 in November 2009. These damages compensate for the additional costs incurred as a result of the late delivery of the satellite and are recognised on a straight-line basis over the additional period that the incremental running costs were being incurred. All liquidated damages have now being recognised in the income statement.

7. Net finance income

	30 June 2010 £'000	30 June 2009 £'000
Finance income		
Fair value gain on derivatives	**972**	340
Financing exchange gain	**–**	2,592
	972	2,932
Interest income on bank deposits	**99**	417
	1,071	3,349
Finance expense		
Interest expense on borrowings and loans	**(88)**	(109)
Financing exchange loss	**(456)**	–
Finance lease expense	**(47)**	(53)
	(591)	(162)
Net finance income	**480**	3,187

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8. Income tax (credit)/expense

	30 June 2010 £'000	30 June 2009 £'000
Current tax		
Adjustment in respect of prior periods	76	–
Total current tax	**76**	–
Deferred tax		
Origination and reversal of temporary differences	(403)	587
Adjustment in respect of prior periods	278	165
Impact of change in UK tax rate	25	–
Total deferred tax	(100)	752
Total income tax (credit)/expense	**(24)**	**752**

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 2010 £'000	30 June 2009 £'000
(Loss)/profit before tax	**(1,956)**	1,801
Tax (credit)/charge at the corporate tax rate of 28% (2009: 28%)	**(548)**	504
Tax effect of non-deductible expenses	**145**	83
Adjustment in respect of prior periods	**354**	165
Impact of change in UK tax rate	**25**	–
Income tax (credit)/expense	**(24)**	752

9. Earnings/(loss) per share

	30 June 2010 pence	30 June 2009 pence
Basic (loss)/earnings per share	**(3.68)**	3.78
Diluted (loss)/earnings per share	**(3.68)**	3.39

The calculation of basic and diluted (loss)/earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year.

	30 June 2010 £'000	30 June 2009 £'000
(Loss)/profit for the year attributable to equity holders of the parent company	**(1,932)**	1,049
Weighted average number of ordinary shares for the purpose of basic earnings per share	**52,430,725**	27,787,491
Restricted shares held in the Employee Benefit Trust (EBT)	**3,813,258**	3,172,930
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**56,243,983**	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 profit after tax for the year ended 30 June 2010 amounted to £723,000 (2009: £14,000 loss).

11. Property, plant and equipment

	Leasehold improvements £'000	Network assets £'000	Fixtures and fittings £'000	Plant and machinery £'000	Satellites in construction £'000	Motor vehicles £'000	Group total £'000
Cost							
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 1 July 2009	250	3,321	515	–	49,712	112	53,910
Additions	4	2,239	92	–	117,094	27	119,456
Disposals	–	–	–	–	–	–	–
Balance at 30 June 2010	**254**	**5,560**	**607**	**–**	**166,806**	**139**	**173,366**
Depreciation							
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 1 July 2009	181	1,809	365	–	–	21	2,376
Charge for the year	39	618	68	–	–	34	759
Disposals	–	–	–	–	–	–	–
Balance at 30 June 2010	**220**	**2,427**	**433**	**–**	**–**	**55**	**3,135**
Net book value							
Balance at 30 June 2010	**34**	**3,133**	**174**	**–**	**166,806**	**84**	**170,231**
Balance at 30 June 2009	69	1,512	150	–	49,712	91	51,534

At 30 June 2010 the Group held assets under finance lease agreements with a net book value of £416,000 (2009: £747,000). A depreciation charge for the year of £331,000 (2009: £331,000) has been provided on these assets. These assets are included in network assets.

The satellites in construction relate to the HYLAS 1 and HYLAS 2 satellites. £103,166,000 relates to the HYLAS 1 satellite, and £63,640,000 relates to the HYLAS 2 satellite. Included in the satellite in construction costs is interest capitalisation of £18,159,523 all relating to the HYLAS 1 satellite. Interest is charged at 16.5 basis points above LIBOR.

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12. Intangible assets

	Computer software £'000
Cost	
Balance at: 1 July 2008	418
Additions	3
Disposals	(26)
Balance at 1 July 2009	395
Additions	–
Disposals	–
Balance at 30 June 2010	**395**
Amortisation	
Balance at: 1 July 2008	323
Charge for the year	51
Disposals	–
Balance at: 1 July 2009	374
Charge for the year	10
Disposals	–
Balance at 30 June 2010	**384**
Net book value	
Balance at 30 June 2010	**11**
Balance at 30 June 2009	21

13. Investments

Company
Shares in subsidiary undertakings

	30 June 2010 £'000	30 June 2009 £'000
Beginning of the year	**289**	289
Capital contribution	**15**	–
Equity investments in Avanti HYLAS 2 Limited	**41,016**	–
End of year	**41,320**	289

In the year ended June 2010, the Company contributed £15,000 (1,500,000 shares at £0.01 each) to the Avanti Employee Benefit Trust established in July 2007.

The directors believe that the carrying value of the investments is supported by their underlying net assets.

A full list of the company's subsidiaries is disclosed in note 14.

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 Hylas 2 Limited *	Satellite services
Avanti Hylas 2 Launch Services Limited *	Management services
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 and Avanti Hylas 2 Launch Services Limited which were 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 2010 financial year.

Subsequent to year end, the following subsidiary companies have been incorporated:

Name of subsidiary	Nature of business
Avanti Hylas 2 Cyprus Limited	Satellite broadband business
Avanti Hylas 2 Services Limited	Project management services
Avanti Communications Marketing Services	Sales and marketing

Avanti Communications Marketing Services Limited was incorporated in England & Wales, and Avanti Hylas 2 Cyprus Limited and Avanti Hylas 2 Services Limited were incorporated in Cyprus. The company holds 100% ownership interest and voting power in all the above entities.

15. Inventories

	30 June 2010 at cost £'000	30 June 2009 at cost £'000
Group		
Finished goods	**1,398**	352

The cost of inventories recognised as an expense during the year was £448,000 (2009: £1,705,000). There have been no write-downs of inventory during the year.

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16. Trade and other receivables

	Group		Company	
	30 June 2010 £'000	30 June 2009 £'000	30 June 2010 £'000	30 June 2009 £'000
Trade receivables	**611**	789	**–**	–
Less provision for impairment of trade receivables	**(3)**	(16)	**–**	–
Net trade receivables	**608**	773	**–**	–
Accrued income	**8,545**	7,484	**–**	–
Prepayments	**1,185**	1,375	**6**	–
Amounts due from group companies	**–**	–	**80,228**	7,291
Other receivables	**5,655**	4,605	**–**	–
	15,993	14,237	**80,234**	7,291

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

The other receivable is primarily the $7.6m due from Space Explorations Inc ("Spacex") as disclosed on page 15 of the Finance and Operating Review. This amount has been reclassified from trade receivables to other receivables. The impact of this reclassification was to decrease trade receivables by £5,049,000 (2009: £4,600,000) and to increase other receivables by the same amount.

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 2010 £'000	30 June 2009 £'000	30 June 2010 £'000	30 June 2009 £'000
Deferred tax assets	**6,157**	3,617	**62**	102
Deferred tax liabilities	**(5,889)**	(3,612)	**–**	–
	268	5	**62**	102
The gross movement on the deferred income tax account is as follows:				
Balance at 1 July	**5**	1,037	**102**	88
Income tax (expense)/credit	**100**	(752)	**(73)**	42
Tax credited directly to equity	**163**	(280)	**33**	(28)
Balance at 30 June	**268**	5	**62**	102

Group

30 June 2010	Opening balance £'000	Charged to the income statement £'000	Charged to equity £'000	Closing balance £'000
Tax assets				
Provisions and deferred income	**817**	**989**	**–**	**1,806**
Share based payment	**110**	**29**	**163**	**302**
Unused tax losses	**2,690**	**1,359**	**–**	**4,049**
Total tax assets	**3,617**	**2,377**	**163**	**6,157**
Tax liabilities				
Derivative financial asset	**–**	**–**	**–**	**–**
Property, plant and equipment	**(3,612)**	**(2,277)**	**–**	**(5,889)**
Total tax liabilities	**(3,612)**	**(2,277)**	**–**	**(5,889)**
Net deferred tax asset/(liability)	**5**	**100**	**163**	**268**

Group

30 June 2009	Opening balance £'000	Charged to the income statement £'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

Company

30 June 2010	Opening balance £'000	Charged to the income statement £'000	Charged to equity £'000	Closing balance £'000
Tax assets				
Share based payment	**23**	**4**	**33**	**60**
Unused tax losses	**79**	**(77)**	**–**	**2**
Total tax assets	**102**	**(73)**	**33**	**62**

Company

30 June 2009	Opening balance £'000	Charged to the income statement £'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

At 30 June 2010, none of the deferred tax asset of £6.2m (2009: £3.6m) is expected to be recovered in the next 12 months.
At 30 June 2010, none of the deferred tax liability of £5.9m (2009: £3.6m) 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 2010 £'000	30 June 2009 £'000
Cash and bank balances	**918**	2,376
Short term deposits	**33,263**	22,239
Net cash and cash equivalents	**34,181**	24,615

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19. Trade and other payables

	Group		Company	
	30 June 2010 £'000	30 June 2009 £'000	30 June 2010 £'000	30 June 2009 £'000
Current				
Trade payables	**7,118**	5,416	**–**	–
Social security and other taxes	**177**	132	**–**	–
Other payables	**1,104**	630	**–**	–
Amounts due to group companies	**–**	–	**–**	3,092
Accruals and deferred income	**5,061**	5,191	**9**	1,186
	13,460	11,369	**9**	4,278
Non-current				
Accruals and deferred income	**7,228**	2,899	**–**	–

20. Provisions for other liabilities

Group

	Current £'000	Non-current £'000	Total £'000
Onerous lease provision			
Balance at 1 July 2009	30	63	93
Used during the year	–	(30)	(30)
Balance at 30 June 2010	**30**	**33**	**63**

The Group leases premises at Hoxton Square and sublets the premises to a third party. The amount that the Group pays for the lease is not covered by the rent received in respect of the premises. As a result, an onerous lease provision has been recorded and is being released over the life of the committed lease period.

During the year, the Group has released £30,000 to the income statement. The remaining £62,500 will be released over the next 25 months.

21. Loans and other borrowings

	Current		Non-current	
	30 June 2010 £'000	30 June 2009 £'000	30 June 2010 £'000	30 June 2009 £'000
Secured at amortised cost				
Bank loans	**–**	–	**49,191**	42,093
Finance lease liabilities (i)	**269**	402	**213**	481
	269	402	**49,404**	42,574

(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 group 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 1 satellite. As noted in Note 31, in order to avoid further interest charges, the group repaid this loan of 30 July 2010 prior to its maturity date of 31 March 2014.

In accordance with IAS 23 – Borrowing Costs, qualifying borrowing costs have been capitalised as part of the cost to HYLAS 1, 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 foreign currency 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. When a contract is entered into in a foreign currency the group seeks to enter into a forward exchange contract or use natural hedging within the group to limit the exposure to foreign currency risk. The risks are assessed on a continual basis.

Financial instruments by currency

	30 June 2010				30 June 2009			
	GBP £'000	EURO £'000	USD £'000	Total £'000	GBP £'000	EURO £'000	USD £'000	Total £'000
Financial assets								
Cash and short term deposits	**32,884**	**1,198**	**99**	**34,181**	22,718	1,380	517	24,615
Trade and other receivables	**2,233**	**8,608**	**5,152**	**15,993**	34,103	7,279	4,699	46,081
	35,117	**9,806**	**5,251**	**50,174**	56,821	8,659	5,216	70,696
Financial liabilities								
Trade and other payables	**(8,463)**	**(4,211)**	**(786)**	**(13,460)**	(4,377)	(5,290)	(1,939)	(11,606)
Interest bearing liabilities	**(49,673)**	**–**	**–**	**(49,673)**	(42,977)	–	–	(42,977)
	(58,136)	**(4,211)**	**(786)**	**(63,133)**	(47,354)	(5,290)	(1,939)	(54,583)
Net financial position	**(23,019)**	**5,595**	**4,465**	**(12,959)**	9,467	3,369	3,277	16,113

At 30 June 2010, 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 (2009: post tax profit would have worsened by £127,000 or improved by £116,000).

At 30 June 2010, 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 profit would have worsened by £44,000 or improved by £116,000).

Management believes that a 5% sensitivity rate provides an adequate analysis into the expected changes in foreign exchange rates. This is the assumption we used last year and management feel it is still valid.

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.

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 $7.6 million as described in Note 16. 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.

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22. Financial instruments and risk management continued

b) Credit risk management continued

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 2010	89	60	135	324	608
30 June 2009	19	704	36	14	773

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

	30 June 2010 £'000	30 June 2009 £'000
At 1 July 2009	**16**	188
Allowances made in the period	**58**	27
Amounts used and reversal of unused amounts	**(34)**	(11)
Bad debts written off	**(37)**	(188)
At 30 June 2010	**3**	16

The provision of £2,906 (2009: £16,267) has been raised against gross trade receivables of £608,000 (2009: £773,000). Every major customer is assessed on an individual basis and we take a prudent approach when providing for debts. For our smaller customers we provide for every debt over 60 days and the provision gets charged to Cost of Sales.

Other receivables include accrued revenue of £8,545,000 which, due to their nature, are all current and also amounts due from Spacex of £5,049,000 which are described in Note 16 and on page 15 of the finance and operating review.

c) Liquidity risk management

The groups exposure to liquidity risk management is minimillised due to the prudent monitoring of all of the groups liabilities. Cash and cash forecasts are monitored on a daily basis and our cash requirements are met by a mixture of short term cash deposits, debt and finance leases.

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 2010						
Bank loans	**53,606**	**–**	**–**	**–**	**53,606**	**49,191**
Finance leases	**299**	**220**	**–**	**–**	**–**	**–**
Trade Payables	**7,118**	**–**	**–**	**–**	**–**	**–**
30 June 2009						
Bank loans	–	–	–	92,888	92,888	42,093
Finance leases	455	518	–	–	–	–
Trade Payables	5,416	–	–	–	–	–

The bank loan contractual amount is based on repayment in July 2010 and includes an early repayment penalty. Refer to note 31.

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 21, cash and cash equivalents (note 18) and equity attributable to equity holders of the parent (notes 23 and 24), comprising ordinary share capital, share premium, other reserves and retained earnings.

23. Share capital – issued and fully paid

	Number of shares '000	Group ordinary shares £'000	Company ordinary shares £'000	Group and company share premium £'000
At 1 July 2009	44,922	417	449	34,041
Shares issued	23,750	237	237	88,777
Less transaction costs	–	–	–	(2,322)
Issue of treasury shares to Employee Benefit Trust	–	(15)	–	–
At 30 June 2010	**68,672**	**639**	**686**	**120,496**

On 6 January 2010, the Group issued 22,250,000 shares at £4.00 per share.

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 (2009: 100 million) at £0.01 each.

Refer to Note 31 for details of shares issued on 12 July 2010.

24. Reserves

Group

	Share premium £'000	Retained earnings £'000	Total reserves £'000
2009			
At 1 July 2008	3,858	28,600	32,458
Profit for the year	–	1,049	1,049
Issue of share capital	31,360	–	31,360
Transaction costs related to share issue	(1,177)	–	(1,177)
Share based payments	–	652	652
Tax expense taken directly to reserves	–	(280)	(280)
At 30 June 2009	34,041	30,021	64,062
2010			
At 1 July 2009	34,041	30,021	64,062
Comprehensive loss for the year	–	(1,919)	(1,919)
Issue of share capital	88,777	–	88,777
Transaction costs related to share issue	(2,322)	–	(2,322)
Foreign currency translation reserve	–	2,181	2,181
Share based payments	–	602	602
Tax credit taken directly to reserves	–	163	163
At 30 June 2010	**120,496**	**31,048**	**151,544**

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24. Reserves continued

Company

	Share premium £'000	Retained earnings £'000	Total reserves £'000
2009			
At 1 July 2008	3,858	(146)	3,712
Loss for the year	–	(14)	(14)
Issue of share capital	31,360	–	31,360
Transaction costs related to share issue	(1,177)	–	(1,177)
Share based payments	–	154	154
Tax expense taken directly to reserves	–	(28)	(28)
At 30 June 2009	34,041	(34)	34,007
2010			
At 1 July 2009	34,041	(34)	34,007
Profit for the year	–	723	723
Issue of share capital	88,777	–	88,777
Transaction costs related to share issue	(2,322)	–	(2,322)
Foreign currency translation reserve	–	174	174
Share based payments	–	54	54
Tax credit taken directly to reserves	–	33	33
At 30 June 2010	**120,496**	**950**	**121,446**

25. Share based payments

The fair value of share options charged to the income statement in the period was £602,000 (2009: £652,000). The full fair value of these options is recognised over the vesting period for those options. 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).

During the year, the Company also established a Save As You Earn (SAYE) option scheme. Contributions to the scheme commenced on 1 July 2010 and the fair value charge associated with this scheme will be recognised in the next financial period.

The 2010 charges and weighted average fair value for each of the plans above were as follows:

	EMI	Unapproved plan	LTIP
2010 charge	£150,000	£47,000	£405,000
Weighted average fair value	£2.04	£2.42	£2.72
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:

2010

	Outstanding at start of year	Granted during year	Forfeited in year	Exercised during the year	Outstanding at end of year
EMI					
Number of options	**339,505**	**–**	**(51,000)**	**(39,202)**	**249,303**
Weighted average exercise price	**£0.01**	**–**	**£0.01**	**£0.01**	**£0.01**
Weighted average share price	**£2.23**	**–**	**£2.16**	**£2.16**	**£2.26**
Unapproved scheme (est. 2007)					
Number of options	**107,863**	**–**	**–**	**–**	**107,863**
Weighted average exercise price	**£0.01**	**–**	**–**	**–**	**£0.01**
Weighted average share price	**£1.86**	**–**	**–**	**–**	**£1.86**
Unapproved scheme (est. 2010)					
Number of options	**–**	**292,490**	**(3,000)**	**–**	**289,490**
Weighted average exercise price	**–**	**£0.01**	**£0.01**	**–**	**£0.01**
Weighted average share price	**–**	**£4.30**	**£4.30**	**–**	**£4.30**
LTIP					
Number of options	**2,512,418**	**250,000**	**–**	**–**	**2,762,418**
Weighted average exercise price	**£0.01**	**£0.01**	**–**	**–**	**£0.01**
Weighted average share price	**£1.44**	**£3.94**	**–**	**–**	**£1.67**

2009

	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 exercise price	£0.01	–	£0.01	£0.01	£0.01
Weighted average share price	£2.23	–	£1.82	£2.50	£2.23
Unapproved scheme (est. 2007)					
Number of options	107,863	50,000	–	(50,000)	107,863
Weighted average exercise price	£0.01	£0.01	–	£0.01	£0.01
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 exercise price	£0.01	–	–	£0.01	£0.01
Weighted average share price	£1.45	–	–	£1.78	£1.44

17,926 of the EMI options, and 170,423 of the LTIP options had vested and were exercisable from 30 June 2010. No Unapproved Scheme options were exercisable at 30 June 2010.

The exercise price of options outstanding at 30 June 2010 was £0.01 and the weighted average remaining contractual life was 4.6 years.

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

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25. Share based payments continued

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.

Unapproved Scheme (est. 2007)

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	3 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.

Unapproved Scheme (est. 2010)

The unapproved scheme was established in March 2010. The options are issued for 10 years with 33% vesting at the end of years 3, 4 and 5. In order for the vesting conditions to be met the market value of the shares must be £10.00 or more per share for a consecutive period of six months.

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

Share price at date of Grant	£4.33
Weighted average exercise price	£0.01
Expected volatility	21%
Expected Life	3 years
Risk free rate	2.1%
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 sub 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.

One additional grant was made during the year to a senior manager of 250,000 options split across the three categories. The exercise criteria of this grant is consistent with the criteria of the existing LTIP scheme.

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 was amended during the year. Originally, these options were only exercisable if the average market value of the share exceeded £5 for a consecutive period of six months prior to 30 June 2010. Given the unprecedented market conditions over the previous year, the remuneration committee considered that whilst the executives had performed well and that the share price had outperformed the FTSE 100 and AIM all share index since the LTIPs were granted, the target set in the LTIP rules may still not be achieved.

In May 2010 the remuneration committee agreed to extend the target date to 31 December 2010 and that the six month average target price should be increased £5.50.

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	1,153,635	679,570	679,213	2,512,418
Senior managers	125,000	62,500	62,500	250,000
	1,278,635	742,070	741,713	2,762,418

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	£1.67
Weighted average exercise price	£0.01
Expected volatility	34%
Expected Life	5 years
Risk free rate	5.1%
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.

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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 2010 £'000	**30 June 2009 £'000**	**30 June 2010 £'000**	**30 June 2009 £'000**
No later than one year	**299**	455	**269**	402
Later than 1 year no later than 5 years	**220**	518	**213**	481
	519	973	**482**	883
Less future finance charge	**(37)**	(90)	**–**	–
	482	883	**482**	883

	30 June 2010 £'000	30 June 2009 £'000
Included in the financial statements as:		
Current borrowings	**269**	402
Non-current borrowings	**213**	481
Present value of minimum lease payments	**482**	883

27. Obligations under operating leases

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

	30 June 2010		30 June 2009	
	Land & buildings £'000	**Other £'000**	**Land & buildings £'000**	**Other £'000**
No later than one year	**345**	–	345	8
Within 1 to 5 years	**874**	–	954	–
After 5 years	**860**	–	1,125	–
	2,079	–	2,424	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 2010 is £100,000 over 2 years (as at 30 June 2009: £150,000 over 3 years).

28. Capital commitments

At 30 June 2010, Avanti Space Limited had contracted for satellite expenditure totalling £22.9million which has yet to be paid. £5.4 million is reflected in the year end creditor balance. Part of the total price, amounting to €10.6 million, is due to be paid directly from the European Space Agency (ESA) to the satellite contractor, Astrium EADS Limited and €12.5 million to Arianespace thereby reducing the commitment due directly from the Group.

Avanti Hylas 2 limited has contracted for satellite expenditure totalling $162.6 million.

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 2010	30 June 2009
Salaries and other short term employee benefits	**693**	741
Post employment benefits	**196**	43
	889	784

Pension contributions amounting to £196,000 (2009: £43,000) were made into personal pension schemes in respect of four (2009: four) of the Directors.

The emoluments of the highest paid Director totalled £255,000 (2009: £256,000), made up of:

Total emoluments	30 June 2010	30 June 2009
Salaries and other short term benefits	**151**	236
Post employment benefits	**104**	20
Total emoluments	**255**	256

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 2010	30 June 2009	30 June 2010	30 June 2009
Salaries and other short term employee benefits	**1,053**	1,051	**255**	264
Post employment benefits	**265**	115	**–**	–
Share based payments	**474**	429	**19**	32
	1,792	1,595	**274**	296

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 2010	30 June 2009
Avanti Communications Limited ('ACL')	**688**	610
Avanti Broadband Limited ('ABL')	**1,368**	1,158
Avanti Space Limited ('ASL')	**1,212**	719
Avanti (NI) Limited	**1,172**	186
Avanti Caledonian Broadband Limited	**784**	1,091
	5,224	3,764

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 events

On 26 November 2010 the Group successfully launched HYLAS 1.

The Group received £70,000,000 on 30 July 2010 in payment for the 16,279,070 shares issued on 12 July 2010. This is discussed further in the finance and operating review on page 13.

In addition, on 30 July 2010 the Group repaid its long term loan carried at £49,398,000. The loan was repaid earlier than scheduled as the Group wanted to avoid further interest charges. On settlement, the Group repaid £53,606,000 including interest and an early repayment penalty of £2,300,000.

Notice of Annual General Meeting

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Notice is hereby given that the Annual General Meeting of the Company for 2010 will be held on 23 December 2010 at 9.00 am at 74 Rivington Street, London EC2A 3AY, for the following purposes:

Ordinary business

To consider and, if thought fit pass the following resolutions which will be proposed as ordinary resolutions:

1. To receive the accounts for the year ended 30 June 2010, together with the reports of the Directors and Auditors therein.
2. To re-elect David Williams as a Director of the Company.
3. To re-elect John Brackenbury as a Director of the Company.
4. To re-elect Alan Foster as a Director of the Company.
5. To re-elect PricewaterhouseCoopers LLP as auditors to the Company.
6. To authorise the Directors to determine the remuneration of the auditors.

Special business

To consider and, if thought fit pass the following resolutions of which 7 will be proposed as an ordinary resolution and 8 will be proposed as a special resolution:

7. 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, and unless previously renewed, revoked, varied or extended, this authority shall expire at the earlier of the date which is 18 months from 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 authority had not expired.

Special resolutions

8. 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(1) of the Act) of the Company wholly for cash pursuant to the authority of the Directors under section 551 of the Act conferred by resolution 7 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, and unless previously renewed, revoked, varied or extended this power shall expire on the earlier of the date which is 18 months from 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 before the expiry of this power make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such 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
30 November 2010

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 9.00 a.m. on 21 December 2010 (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. A member that is a company or other organisation not having a physical presence cannot attend in person but can appoint someone to represent it. This can be done in one of two ways: either by the appointment of a proxy (described in Note 1 above) or of a corporate representative. Members considering the appointment of a corporate representative should check their own legal position, the Company's articles of association and the relevant provision of the Companies Act 2006.

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 8.30 am and the meeting will start promptly at 9.00 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.

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.

Notes to Notice of Annual General Meeting continued

Analysis of Shareholders

Range of holdings	Number of shares	Number of shareholders
Less than 10,001	**3,523,575**	**1,941**
10,001-20,000	**1,122,508**	**74**
20,001-50,000	**1,996,122**	**63**
50,001-100,000	**2,660,027**	**37**
100,001-150,000	**2,308,961**	**19**
150,000-300,000	**5,709,797**	**25**
301,000-500,000	**6,551,173**	**17**
500,001-1,000,000	**10,384,492**	**16**
1,000,001 +	**50,694,480**	**16**

Financial Calendar

23 December 2010
Annual General Meeting

February 2011
Interim results for the six months ended 31 December 2010

September 2011
Preliminary results for the year ended 30 June 2011

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 2010.

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 3BR.

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 9.00 am on 23 December 2010 (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 1 December 2010 (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 2010, together with the reports of the Directors and Auditors therein.				
2	To re-elect David Williams as a Director of the Company.				
3	To re-elect John Brackenbury as a Director of the Company.				
4	To re-elect Alan Foster 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.				
7	To authorise the Directors to determine the remuneration of the auditors.				
	Special Resolutions				
8	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:

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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.

Please return to the following address in the envelope supplied:

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

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
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

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