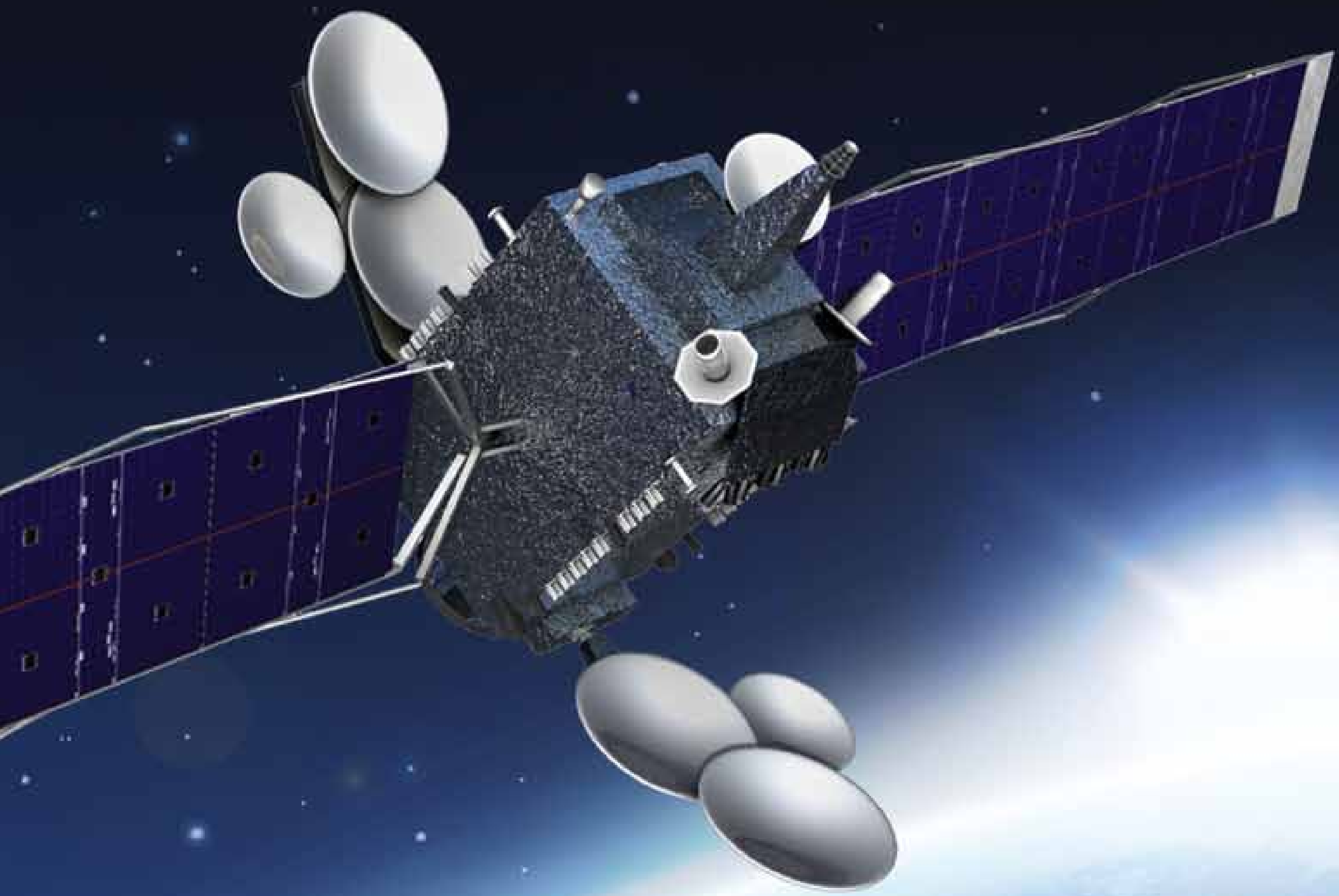
avanti



Avanti
Communications
Group plc

Annual Report and Accounts 2013

Quality. Flexibility.

Avanti

Avanti owns and operates a fleet of satellites and earth stations which deliver high speed Ka-band data communications services for Europe, the Middle East and Africa.

www.avantiplc.com

Avanti's first satellite, HYLAS 1, launched in November 2010 and was the first superfast Ka-band satellite launched for Europe. Avanti's second satellite, HYLAS 2, was launched in August 2012 and extends Avanti's coverage to Africa and the Middle East. Avanti's third satellite, HYLAS 3, is to be launched in partnership with ESA and will provide further capacity in the EMEA region.

Contents

Highlights

"Avanti achieved major milestones this year in launching the HYLAS 2 satellite, expanding service to 50 countries and becoming operating cash flow positive. Market adoption is maturing and the Company has an increasingly "blue chip" customer base."

John Brackenbury CBE
Chairman

Operational highlights

- Successful launch of HYLAS 2, service available in 50 countries
- Market adoption now strong with increasingly "blue chip" customer base
- Strong progress in key high value markets such as cellular backhaul
- Valuable spectrum filings completed

Financial highlights

- Revenues increased by 65% to £20.6 million (2012: £12.5 million)
- £290 million backlog (2012: £245 million)
- £42 million of that backlog expected to convert to revenues in 2014
- Cash flow positive for the first time in June 2013
- £38.6 million cash at year end

Chairman's Statement

The Company has best in class products with clear competitive advantages, good customers and the right people to make the investments a success.

I am pleased to announce the results for the year ended 30 June 2013. Avanti achieved major milestones this year, with the launch of HYLAS 2, expansion of services to 50 primary countries and the completion of important spectrum rights. All these helped us to grow revenues to £20.6 million and to reach operating cash flow positive in June. The backlog of £42 million which is expected to be taken to revenue in FYE 2014 points to a positive year of growth ahead. Total backlog was £290 million.

Following the year end, the Board has conducted a detailed appraisal of our strategy and backlog, and we are confident that we have the right strategy in place and a strong base of business from which to grow profitability.

The Board believes that a move to the Full List in due course is in the best interest of shareholders but does not expect this to happen in the current financial year given other priorities.

Market adoption of Avanti's technology is progressing strongly and the Company has an increasingly blue chip customer base. The Company has best in class products with clear competitive advantages, good customers and the right people to make the investments a success.

John Brackenbury CBE
Chairman

John Brackenbury CBE
Chairman

Achievements to date

2002
Founded in 2002

2005
Licence awarded in 2005; £25 million funding from ESA, balance of HYLAS 1 funded with equity and debt

2007
Avanti floated on AIM in present form

2009
Raised £32 million of equity to fund the upgrade of the HYLAS 1 launch service provider

2010
Raised £89 million of equity in January 2010 to fund HYLAS 2

2011
HYLAS 1 launched 26 November 2010, raised £70 million of equity in order to repay HYLAS 1 debt

HYLAS 1 service commenced April 2011, HYLAS 3 project work commenced

2012
Raised £75 million of equity for HYLAS 3, HYLAS 2 launched Q3 2012. HYLAS 2 service commenced January 2013

Chief Executive's Statement

In 2013, major global telecoms and media companies began to adopt Ka-band for the first time across all four of our markets. We believe this has been a major catalyst which should accelerate revenue growth and are now seeing a shortening of the sales cycle.

David Williams
Chief Executive

Summary

During the financial year ended 30 June 2013, Avanti launched its HYLAS 2 satellite. Revenues therefore included HYLAS 2 for the first time, with sales growing by 65% to £20.6 million. The Company became operating cash flow positive for the first time in the final quarter, and had £39 million cash at year end. The backlog for FYE June 2014 (which is expected to be taken to revenue in FYE 2014) is £42 million.

In 2013, progress was made in all geographies and market sectors which demonstrated that Avanti's business model is resilient and that its products have key competitive advantages. In particular, we prioritised the generation of near term revenues from large multinational telecoms and media companies. These efforts are producing good results in generating an increasingly "blue chip" customer base.

Avanti has pioneered the use of Ka-band satellites for data communications in Europe, the Middle East and Africa. Because of the innovative nature of our business and products, schedules have not been easy to predict and revenues have been impacted by timing issues. HYLAS 2 was delivered seven months late. It also took longer than we expected to get some customers up and running due to delays in their own logistical planning until HYLAS 2 testing was completed. In some cases, we allowed customers to delay their service start date by several months, which affected 2013 revenues.

However, market adoption of our technology is now progressing well in all of our four markets and in all geographies. The satellite specialist companies such as Speedcast, TTcomm and Bentley Walker, who adopted Avanti's technology early, have generated significant advantages in deploying their products. In all regions our customers are increasing their utilisation.

£290m

backlog

In 2013, major global telecoms and media companies began to adopt Ka-band for the first time across all four of our markets. We believe this to have been a major catalyst which should accelerate revenue growth and are now seeing a shortening of the sales cycle with larger customers like Vodafone, Technicolor and CNN. We are creating new markets where the technology is an enabler, but also customers are churning from legacy Ku-band technology to Ka-band because of price and efficiency improvements, especially in Africa where there is only limited competition to Avanti's best in class services.

Avanti is succeeding in application areas where customers value the quality and flexibility of its systems and Avanti has key advantages. We made major progress in turning pilots into long term contracts in strategically important areas. Recent milestones include:

- The world's first fully operational and commercial Ka-band 3G cellular backhaul service, on HYLAS 1. A second backhaul contract is in planning and 2 further networks are at pilot stage;
- Several contracts to provide our Satellite News Gathering service in Africa, Middle East and Europe;
- An exclusive pan-European contract for video distribution;
- An exclusive contract for consumer broadband provision with a Eurostoxx50 customer;
- Several contracts via Service Providers or directly to build networks for government customers in Europe, as well as Africa and Middle East; and
- Progress in the defence market as Service Providers supplying the sector seek more flexible and cheaper solutions.

We now have customers active in all beams on both HYLAS 1 and HYLAS 2, and are working with Tier 2 carriers in most countries.

During the year, our success in selling highly complex products to multinational telecoms and media companies who are new to satellite products was stimulated in part by our ability to be flexible. These companies have typically made initial orders under framework contracts which allow them to buy enough for their needs on a pay as you go basis and easily increase their usage with new purchase orders, rather than having to renegotiate contracts. Thus whilst long term demand from these large customers may not be fully evident in backlog yet, we expect these customers to lock in price and availability as their usage grows.

Backlog at 30 June 2013 was £290 million (which covers orders extending to the full lifetime of our satellites). In addition to KPI reporting, Avanti will now also report backlog, for each of the next three years. Backlog for these three periods at 30 June 2013 stood at:

FYE June 2014: £42 million
FYE June 2015: £46 million
FYE June 2016: £40 million
2017 Onwards: £162 million

We expect orders under framework contracts (not included in backlog), new contracts (pipeline) and expected renewals (of contracts expiring between 2014 and 2016) to increase these numbers.

40 new contracts were signed in total in the second half of FYE 2013 (2012 second half: 17) showing that market adoption is accelerating well. The total number of customers was 96 at year end. Whilst HYLAS 2 accounts for 79% of our current orbit capacity and thus accounts for a similar proportion of new orders, it is satisfying that major break-throughs in high end applications such as cellular backhaul, outside broadcasting and digital cinema were made in Europe using HYLAS 1.

At 30 June 2013, peak utilisation (which accounts for contracted increases) was 45% on HYLAS 1 and 15% on HYLAS 2.

Backlog is an important measure of the forward business Avanti has booked and we are pleased to have booked £7 million per month of new orders in 2013. There was a surge in orders in the six months leading to HYLAS 2 launch, then a slower rate in the second half. We expect three factors to impact backlog growth in the coming year.

Firstly, the satellite specialists who made significant commitments to HYLAS 2 pre-launch are now digesting their orders. We expect that as their own plans mature many of these customers will increase their orders; several have already. Secondly, we expect volumes under existing framework contracts to grow. Thirdly, many HYLAS 1 contracts are entering their third year, and we expect most of these contracts to renew, adding to backlog. It is difficult to predict new order intake for future backlog periods in a new business like this, and it may continue to be variable for some time.

Operational performance of our networks continues to be outstanding. We delivered a 12 month Service Level Agreement performance across the fleet exceeding 99.9%.

The successful launch of HYLAS 2 during the financial year enabled Avanti to complete its regulatory spectrum filings at the ITU. As a result, our filings for spectrum use at 31.0°E (supporting HYLAS 2 and HYLAS 3) as well as 33.5°W (HYLAS 1) are now recorded in the ITU Master Frequency Register. This means that Avanti has perpetual rights to use the allocated spectrum, and this can be applied to multiple satellites in the future.

It also means that other operators who wish to use Ka-band near Avanti have to seek co-ordination agreements from Avanti, and none is in a position to constrain Avanti's operations. Thus, achieving 'priority' has removed all material spectrum risks in our business, and is a major step forward in protecting and enhancing the value of our assets and in creating a strong platform for future growth.

The HYLAS 3 project is a partnership project with ESA, whereby Avanti gained a 4GHz payload at low cost by paying for its payload to be flown on-board a scientific satellite called EDRS-C. Avanti expects to position its payload to cover West Africa, but in a unique innovation, the entire capacity is 100% steerable, so it could be used anywhere in EMEA. Avanti expects to launch service to customers with this satellite in 2016.

Avanti remains conservatively financed, with a long term repayment profile on its debts and remains in full compliance with all covenants. We ended the year with a cash balance of £39 million and gross debt of £206 million.

Chief Executive's Statement *continued*

Our business

Current trading and outlook

Sales momentum is growing well with 40 contracts signed in the second half of the year producing revenues in the current financial year. Several major tenders have either been awarded subject to contract or are due to complete soon and we currently have 17 pilot projects live with potential customers.

With £39 million of cash on the balance sheet at year end and operating cash flow positive reached in June, we have the comfort of sufficient cash to cover debt repayments for two years. We plan to meet those obligations from cash generated from operations and with backlog in FYE 2014 of £42 million, we expect to generate strong positive cash flow from operations this year.

The Company continues to investigate some significant new business opportunities, and believes that the flexibility to grow offered by a bond financing structure might be more suited to its medium term needs. Avanti has accordingly retained advisors to consider bond finance options, with a view to enabling it to respond quickly and positively to these opportunities as they arise.

Business overview

Avanti sells managed satellite data communications services using Ka-band satellites on a wholesale basis to service providers. Service is available in 50 countries, plus we have partial coverage (where our marketing strategy is different) in a further 38 countries. Because the use of Ka-band in EMEA is new, we have created new business models as well as new technologies. It is obvious that the very large (often greater than 50%) customer savings that Ka-band systems create are leading Service Providers to churn from Ku-band systems to Ka-band.

However, this is not solely where Avanti's advantages are to be found. With the benefit of two years of talking to customers with live service, it has become apparent that Avanti has some key competitive advantages in its approach which differentiate it from competitors, which are found in our approach to quality and flexibility. The advantages are described in detail in a White Paper published on our website (http://www.avantiplc.com/wp4), called "Not All Ka Satellites Are The Same".

Our advantages arise from the planning we did on our design and business model, tailoring them very specifically at addressing the technical and business needs of sophisticated Service Providers in four different market sectors, rather than designing a one size fits all system to address just the consumer broadband resale sectors.

In quality for example, we designed our beams in Africa so that, in each primary country we serve, the Service Provider can be guaranteed equal quality of service regardless of location – this is currently a unique advantage. So too is our operation of resilient gateway earth station systems, which means that ground control of network traffic can be automatically transferred to a backup in the event of a problem. This is a major factor in Avanti's consistent delivery of an SLA of over 99.9%. These factors have persuaded customers who care about quality to choose Avanti, particularly large corporations who do not want to take a risk with their brand.

In flexibility, Avanti is unique in the Ka-band market in being able to offer the Select, Custom and Pure methods of purchase, which means that customers can either buy bundled service packages, managed megabits or pure Megahertz. These packages appeal to different types of customers depending on their risk appetite of relative desire for control and security. But also our technology is incredibly flexible, meaning that we can respond to the extremely varied specifications which sophisticated telecoms Service Providers require. This has helped us to win complex projects this year in the cellular backhaul, digital cinema and defence and security sectors without competition.

Broadband

In Africa and the Middle East, competition is limited and Service Providers show clear desire to service the end users, apparently unconstrained by the economic backdrop of the West. Thus we now have consumer broadband programmes up and running in all of our HYLAS 2 beams. In these markets Ku-band systems were used for broadband by consumers willing to pay high charges, and a lot of Service Providers are churning from those systems to come to Ka-band.

In Europe, the broadband market has been negatively affected by limited capital for growth in the telecom Service Provider market and aggressive price competition from other satellite operators. Avanti has focused with some success on supporting a small number of committed Service Providers who either have government backing for deployments or aggressive growth plans, and have secured reasonable market share in Northern Europe. However, our competitors are unable to offer the higher value added services that Avanti offers in Carrier, Enterprise and Government and so we have chosen not to follow pricing down everywhere to chase unattractive business, preferring to sell on our strengths in other markets. Broadband accounts for 30% of backlog.

Enterprise

In Enterprise, we have achieved success in selling to some of the most respected names in the VSAT industry, such as Bentley Walker, Speedcast and TTComm for corporate connectivity and private network services. We have also achieved success in the video distribution business, launching services in digital cinema with Technicolor and selling outside broadcasting services directly or via service providers to CNN, Sky, the BBC and ITV.

We successfully launched a product to provide leased line connectivity to building sites and have deployed services to a number of utility providers for telemetry and monitoring of power generation and environmental monitoring.

Avanti’s flexibility to provide a high degree of customisation of technology to its Enterprise customers has been a key success criterion. Enterprise accounts for 53% of backlog.

Carrier services

Carrier services means principally two things to Avanti: cellular backhaul and trunking.

Cellular backhaul addresses Mobile phone operators’ need for satellites to connect base stations back to the core network if they are in relatively remote locations, and also in some more urban locations where they need to use satellite to back up fibres. Avanti commercially deployed the world’s first Ka-band cellular backhaul network for 3G in Europe in the second half of FYE 2013. We have three other network pilots now live in Europe and Africa. Our success in breaking new ground in 3G backhaul with an important first customer, and the publishing of a White paper on the subject (available on our website), has greatly increased traction in the sector and we expect success to escalate rapidly. This is important because Carrier Services is the most bandwidth intensive of our segments, and because the high spectral efficiency of our satellites and ground systems also supports reasonable pricing.

Trunking refers to the use of very high bandwidth systems (up to 360Mbps) to provide connectivity for ISPs into the Internet for primary or backup use, or sometimes for large corporate customers with unusually high bandwidth requirements. Our high spectral efficiency means that with relatively small dishes and modems costing a few thousand Dollars, customers can access Megabyte prices that are the lowest in the market. Trunking systems have now launched in Northern, Eastern and Southern Africa. Carrier Services accounts for 1% of backlog, and this is expected to be the market which grows the fastest in 2014.

Government

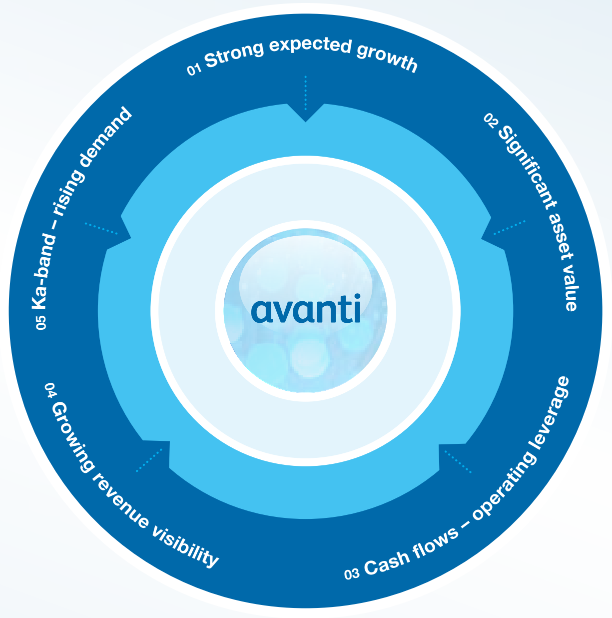
We centralised the selling of all services to Government under one function. In addition to security and “blue light” customers, this heading now covers services sold to education, health and other ministries and also the consulting and system integration services we sell to government customers.

Avanti successfully deployed networks via Service Providers for government customers in South Africa, Libya, Afghanistan, Iraq, the UK and elsewhere in 2013. Our satellites and ground systems were designed with government security needs in mind, and the Company has also complied with the ISO 27001 security standard. Our encryption, ITAR compliance, ISO standard and general level of security have proven to be strong advantages in selling beyond just defence customers. Police and border security are strong markets, as are education ministries in Africa. Government accounts for 16% of backlog.

David Williams
Chief Executive

Investment Case

The reasons to invest in Avanti



01 Strong expected growth

- HYLAS 1 and HYLAS 2 are main drivers of near term EBITDA growth
- HYLAS 2 and HYLAS 3 are uniquely positioned to benefit from high growth market demand

02 Significant asset value

- c.$1 billion of asset value across satellites, slots and backlog
- All three satellites fully financed
- Asset value appreciation with time, in particular slots and backlog

03 Cash flows – operating leverage

- Low fixed costs and high contribution margins drive EBITDA growth and attractive run-rate free cash flow generation

04 Growing revenue visibility

- High quality firm order book
- Growing pipeline of customer capacity negotiations
- Clearly visible forward revenue stream

05 Ka-band – rising demand

- Avanti benefits from first mover advantage in the attractive Ka-band industry
- Emphasis on attractive growth markets with limited competition

Our strengths include the following:

Leading provider of Ka-band services in high growth markets. We are a pioneer in delivering Ka-band solutions to the high growth markets and are the largest Ka-band focused operator with 83% of capacity focused on high growth markets post launch of HYLAS 3. Ka-band is forecast to be the fastest growing satellite spectrum band and is superior to alternative offerings due to higher data throughput, lower cost, smaller terminals and more sophisticated product offerings. The Company is ideally suited to serve highly attractive, rapidly growing end markets where terrestrial services are not feasible given topography, population density and investment requirement, and where competition is limited in our key markets.

Unique product offering and low cost advantage. Ka-band enjoys certain inherent technological advantages over other spectrum bands (including Ku-band) including higher data throughput and frequency reuse thereby enabling a more cost-effective data solution capable of addressing a much larger market. The HYLAS satellites are a relatively low cost satellite constellation as a result of their innovative design features, particularly power efficiencies, together with the research and development contribution received from ESA. HYLAS 3, being launched as a hosted payload on an ESA satellite, provides an excellent low cost intermediate alternative to the funding and launching of a larger satellite. The cost per GHz in launching HYLAS 3 is expected to be over 40% lower than HYLAS 2 because costs such as satellite platform, launch vehicle and project management are borne by ESA. The technological superiority and flexibility of our satellites de-risk the business and allow swift market response. The Company's propriety technology, Avanti Cloud, allows Service Providers to run a virtual network where they can choose to acquire layers of services. In addition, our satellites have steerable beams and flexible payloads that allow dynamic capacity allocation to meet demand. Our robust infrastructure provides service quality and certainty and is a key competitive advantage.

Revenue visibility with a blue chip customer base. Most of our significant Service Providers are well established telecom services companies or governmental entities; we do not service retail Service Providers directly. We have strong backing and support from blue chip Service Providers comprised of leading telecommunications providers, media companies, governments, very small aperture terminal ('VSAT') operators and network integrators. The stability of our revenue and cash flows is supported by our multi-year contracts with Service Providers, which are typically three to five years in duration. As of 30 June 2013, our contracted FSS revenue backlog – which is our future revenue under existing customer contracts – was approximately £290 million, or approximately 14 times our year-ended 30 June 2013 satellite services revenue of £20.6 million. Our backlog rolloff provides visibility into near-term projections with £42 million rolling off in the year ended 30 June 2014, £46 million in the year ended 30 June 2015 and £40 million in the year ended 30 June 2016.

Ideally positioned in high growth markets with strong demand dynamics and low competitive intensity. Relatively underdeveloped telecom infrastructure and demonstrable demand dynamics across market sectors like broadband, cellular backhaul, military applications and enterprise data, provide a significant growth opportunity for providers of cost effective data capacity in the high growth markets. With our existing and planned satellite launches, we are well-positioned to be at the forefront to capture the huge growth potential in these markets.

Large addressable market with significant growth characteristics. The markets that we serve offer attractive growth opportunities, with increasing demand for applications that require greater bandwidth, such as broadband internet service, enterprise network services and backhaul networks for cellular data services. According to Euroconsult, 'regular' transponder demand growth is expected to grow to over US$14.8 billion by 2020. Simultaneously, the market value of High Throughput Satellite ('HTS') capacity leasing should increase from approximately US$340 million in 2010 to around US$2 billion by 2014 and close to US$5.7 billion by 2020. This demand growth, coupled with high barriers to entry, have driven increased regional fill rates, which are a measure of market-wide capacity utilisation. This has caused FSS prices in MENA to increase over the last two years.

Multiple barriers to entry. We have a number of key relationships which have provided significant benefits to the business over a number of years that would be difficult to replicate. In particular, ESA and the UK Department of Business (through the UK Space Agency) have provided a combination of funding and technical credibility. We also receive strong support and endorsement from OfCom (Office of Communications, the UK's telecoms and broadcasting regulator) as national regulator. We have made significant capital investments to fund the satellite construction and orbital launch costs for HYLAS 1 and HYLAS 2, ensuring that we have the capacity available to address the rapidly rising demand for Ka-band in our markets. The Company has also prefunded its HYLAS 3 satellite. In addition, we have priority filings for HYLAS 1 and HYLAS 2 submitted to the ITU Master International Frequency Register.

Substantial asset value underpinned by young fleet and attractive orbital slots. We have access to attractive orbital positions with usage rights in two satellite filings and 14GHz of spectrum, resulting from an active strategy of managing the rights for orbital positions.

The orbital positions of HYLAS 1 and HYLAS 2 are 33.5°W and 31.0°E respectively, and are both in the ITU Master Register. Our fleet is young with the remaining useful life of HYLAS 1 and HYLAS 2 being 13.5 and 14.7 years, respectively. Our satellite and ground assets are fully insured at c.£350 million.

Markets

Sectors

Carrier Services

Mobile networks need to offer broad 2G/3G/4G coverage in areas where reliable backhaul is often hard to find. Avanti offers flexible satellite backhaul products at speeds of up to 365Mbps and costs that are fundamentally changing the viability of many rural and remote base station deployments.

- **Poor fixed line infrastructure and explosive mobile data growth are straining existing backhaul infrastructure:**
  - significant opportunity as operators seek low capex marginal revenues from data growth.
  - Ka-band provides a credible cost effective solution for cellular backhaul and trunking.

Government

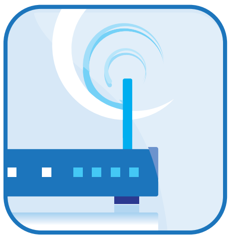
Ka-band is revolutionising the delivery of high speed operational and welfare services for the defence, homeland and civil security sectors. Avanti offers significant cost savings with no compromise to resilience, throughput or security.

- **Increasing proliferation of military applications and governments' inclination to look for cost effective satellite solutions creates a strong growth opportunity for Ka-band operators:**
  - technology ideally suited to meet growing demand for bandwidth.
  - growth is independent of 'boots on the ground'.

Enterprise

Enterprise Service Providers in sectors such as oil and gas, utilities, Satellite News Gathering ('SNG') and digital cinema choose VSAT for its ubiquity and security. Either for primary VPNs, for backup, or occasional use, Avanti delivers these services at higher quality and lower cost than previously possible.

- **Ka-band helps expand the enterprise network services market due to its lower cost and higher speed:**
  - structural growth in demand across industry verticals.
  - government, SNG, oil and gas, digital cinema are the key target markets.



Broadband

The HYLAS fleet of satellites provides ubiquitous high speed coverage over areas that terrestrial network operators cannot reach. Even in the most challenging locations, Avanti always delivers consistent, reliable and fast broadband services.

- **Ka-band is an established broadband technology:**
  - successful business models developed in US (>1 million users).
  - significant opportunities in Africa and the Middle East where it is currently nascent.
  - focus on 'broadband-dark' locations – 10 million homes in EU alone attract subsidy.

Unique Product Advantages

Quality

Full coverage

Avanti has designed its fleet to offer 100% national coverage of primary countries. Our beam patterns overlap, so there are no in-country coverage gaps. Our Service Providers can guarantee consistent quality for their customers.

Smart beam clustering

Avanti's beam clusters land in a single earth station in the relevant country or region. Service Providers who want a national service need only operate through a single hub.

High spectral density, compact customer premises equipment

Avanti's network design means that Service Providers can use the smallest possible terminals. This provides a cheaper, attractive and more efficient way of delivering bandwidth to their customers.

Diverse networks deliver resilience

Avanti's ground network is protected from atmospheric events. In the unlikely event of service degradation we automatically switch to the relevant redundant ground earth station. Service Providers experience market beating SLAs with no atmospheric outages at gateway.

Flexibility

Unique Avanti Operational Support System ('OSS')

Our proprietary OSS, backed up by high levels of training and support puts our Service Providers in total control, allowing them to configure and manage services as if they owned the satellite fleet.

Contracting flexibility

Service Providers can choose from three methods of operation/contract to suit their own risk appetite, technical capability and budget: raw bandwidth, managed megabit and packaged customer accounts. They can then change between them as their business evolves.

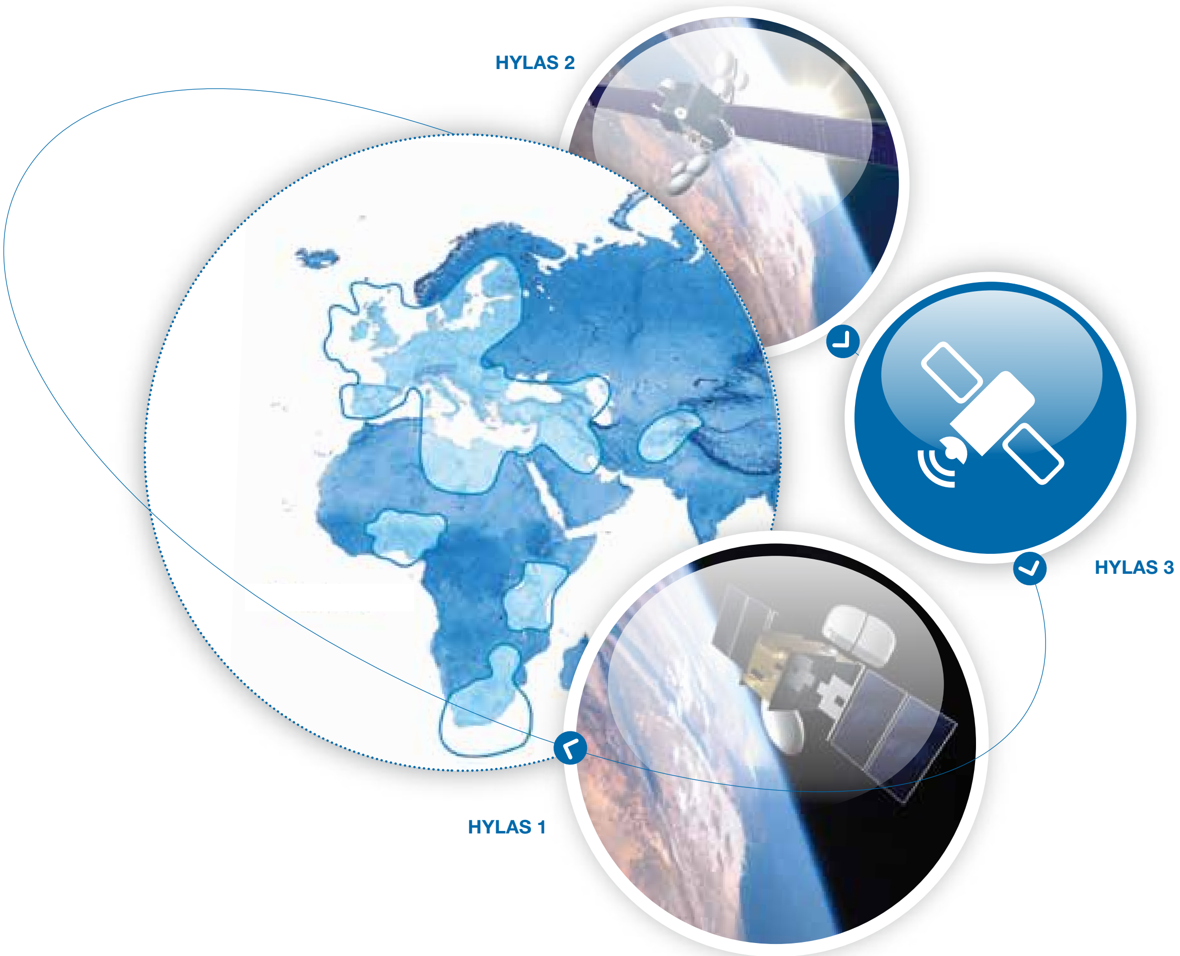
Multi-vendor platform

Service Providers often have preferences for vendor hardware. Avanti operates an open architecture enabling the use of any vendor's hub or modem.

Advanced applications

Service Providers can form their own applications from Avanti's cloud. They can use their own hardware, software and skills, or they can pick plug and play applications to deploy directly into their target markets. Avanti has already done the research and development heavy lifting to accelerate customer's service offerings.

Fleet and coverage



HYLAS 1
Serving Europe from an orbital position of 33.5˚West

- Very high power (62dBW)
- Bi-directional Ka-band
- Eight fixed spot beams
- Broadcast only Ku-band
- Up to 3GHz capacity

HYLAS 2
Serving EMEA from an orbital position of 31˚East

- Very high power (62dBW)
- Bi-directional Ka-band
- 24 fixed and one steerable spot beam
- Up to 11GHz capacity

HYLAS 3
Will serve West Africa from an orbital position of 31˚East

- Very high power (62dBW)
- Bi-directional Ka-band
- Eight beams steerable antenna
- ESA Hosted Payload PPP
- Up to 4GHz capacity

With our systems delivering the highest spectral efficiency, our fleet can deliver up to 90Gb of throughput tightly focussed in 50 countries in EMEA.

Strategy

Avanti's business strategy is based on 4 Axioms:

1. **The world's demand for data will continue to grow at high levels for the foreseeable future**
2. **Terrestrial telecoms networks will continue to leave gaps in coverage**
3. **End user applications change frequently so our technology must remain flexible**
4. **High Growth markets offer the best opportunities**

The strategic priorities that result are as follows:

Use Ka-band
The use of Ka-band frequencies means that high speed data services can be delivered at price points and quality levels that were not possible with legacy Ku-band systems. Price changes the market, but on its own is not enough to win.

Sell on Quality and Flexibility
Avanti serves telecoms Service Providers who in the main have been served in the past by satellite operators as an afterthought with systems designed for TV broadcast, not telecoms. Avanti has designed its systems to suit the requirements of telecoms companies specifically. In Quality, this means that Avanti made engineering decisions to increase the security and resilience of its systems, and to guarantee a uniformity of service quality across its national beam clusters that Service Providers can rely upon.

In Flexibility, Avanti understand that telecoms is a fast moving environment where new protocols, software, applications and hardware devices are introduced frequently, and our systems must remain flexible enough to cope with these changes. Our systems are designed to support complex systems integration with Service Providers' networks.

The Avanti Cloud system means that Service Providers can log on to Avanti's satellites and set up their own accounts without the need for capex or large commitment, and can dynamically change the service they use in many different ways. By giving telecoms Service Providers maximum Quality and Flexibility, in a way that has never been done before in the satellite industry, Avanti believes it can create new markets, expand existing markets and generate enduring loyalty in its customer base.

Support service providers
Avanti does not sell direct to end users and does not enter into exclusivity arrangements with Service Providers. Thus we focus on supporting a thriving ecosystem of Service Providers with high quality channel management support, marketing and technical development to optimise the Service Providers' chances of success. Service Providers were not well served by the satellite industry in the past, and by focusing on customer service and a courteous, flexible approach to addressing business challenges, Avanti can generate enduring loyalty and market advantage. Avanti operates a 24x7 multilingual customer support department.

Prioritise high growth markets
We aim to extend our coverage in fast growing markets in Africa and the Middle East, as quickly as possible. With the launch of HYLAS 3, 83% of our total satellite capacity will be able to cover these markets, positioning us to benefit from demand growth and market adoption of new satellite technology. Today, we are the leading Ka-band satellite operator in these high growth markets, and we believe we are well positioned to take advantage of the growth opportunity these markets represent.

Mitigate market risks
We use our flexible satellite technology to mitigate future market and competition risks. Our HYLAS fleet has steerable beams and flexible payloads that allow dynamic capacity allocation to meet demand and adapt to changing market requirements. 29.4% of our capacity is steerable, while 77.8% of our capacity is frequency shifting. Additionally, we aim to limit individual market risk with small dedicated capacity per country and broad total geographic coverage.

Business Model

Avanti is a satellite operator providing fixed satellite services ('FSS') throughout Europe, the Caucasus, the Middle East and Africa through our fleet of Ka-band satellites. Ka-band systems have higher frequency ranges and significantly higher spectral efficiency than satellites operating in other bands, allowing larger data carrying capacity at lower cost. However, not all Ka-band systems are the same, and Avanti has designed its systems to prioritise the Quality and Flexibility that the most demanding telecoms Service Providers require, across the broadest range of applications and markets.

The Avanti Cloud means that we own and operate not only the satellites, but also the earth stations and the routing and processing equipment inside them which makes an end to end service work. Therefore customers can log on to the Avanti satellites without any need for capex, all they need to do is install a dish at the end user site and set up the account online. We offer three styles of managed service contract, with varying levels of involvement in the management of the service, so that customers can choose the risk/return that suits them best.

We sell managed services on a wholesale basis to a range of Service Providers who supply four key end markets: Enterprise, Broadband, Carrier Services and Government.

Enterprise

Enterprise end users are typically either: i) large companies which need high bandwidth broadband connections to link remote offices, or ii) businesses with more specialised machine to machine communications needs.

Broadband

Our end users in this sector are typically consumers or Small and Medium Enterprises ('SMEs') who live in places that are too remote to be reached by terrestrial telecoms services, and with a 74cm satellite dish fixed to a wall or roof and a small modem plugged into their computer, can receive two way broadband services at high speed and low cost.

Carrier Services

Our customers in this sector are mainly mobile phone companies who need base stations in remote places to be connected to their core network with efficient, high capacity links. Our technology provides an advance in quality and a major reduction in cost, resulting in the world's first deployment in 2013, in a market which is expected to accelerate rapidly. Also ISPs need connections into the World Wide Web and use satellite to replace or back up sub-sea cables, a service called IP trunking.

Government

Our end users and sometimes our direct customers in this sector are government ministries buying a range of communications services for a variety of needs. The defence, civil security and first responder sectors utilise high speed data services in connection with military and counterterrorism operations, security and surveillance, social and welfare programmes, Voice-over-IP networks and disaster recovery, often in areas where terrestrial communications networks have been damaged or are non-existent.

Carrier Services

Our customers in this sector are mainly mobile phone companies who need base stations in remote places to be connected to their core network with efficient, high capacity links.

Our technology provides an advance in quality and a major reduction in cost, resulting in the world's first deployment in 2013, in a market which is expected to accelerate rapidly. Also ISPs need connections into the World Wide Web and use satellite to replace or back up sub-sea cables, a service called IP trunking. Fixed line and wireless carriers rely on their ability to provide broad and consistent connectivity to their customers. Carriers often seek ways to extend their network coverage and improve existing terrestrial infrastructure. We provide mobile and Wi-Fi network operators with the capability to extend their network reach, deal with network traffic overload, improve coverage quality or build satellite capacity into their backhaul strategy. We also provide trunking services that allow terrestrial internet Service Providers to provide international backup capacity to restore broken sub-sea cables, a market that is growing rapidly in Africa. Our range of satellite solutions offers the flexibility to facilitate this quickly and cost effectively. Approximately 7% of our revenue for the year ended 30 June 2013 was attributed to our Carrier Services end market, and approximately 1% of our backlog related to our Carrier Services end market as of 30 June 2013.

Government

Our end users and sometimes our direct customers in this sector are government ministries buying a range of communications services for a variety of needs.

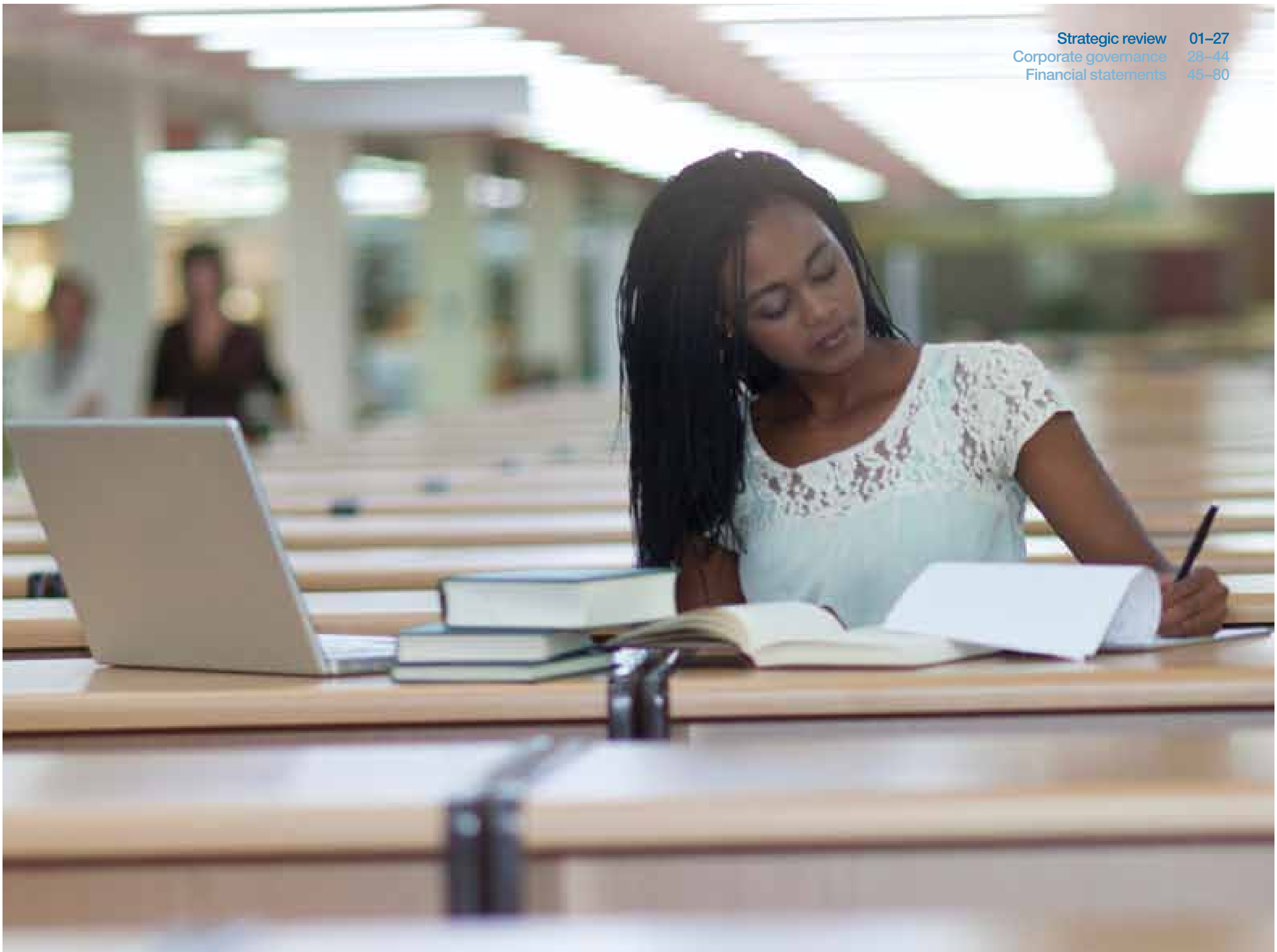
The defence, civil security and first responder sectors utilise high-speed data services in connection with military and counterterrorism operations, security and surveillance, social and welfare programmes, Voice-over-IP networks and disaster recovery, often in areas where terrestrial communications networks have been damaged or are non-existent. Our satellites are equipped with steerable beams that can be pointed at different geographic locations, making it possible for us to quickly deploy additional capacity to any location within the satellite's coverage in response to Government customers' needs. In addition, our ground infrastructure and high levels of encryption provide a secure and resilient base for defence and security network operations. But also other government users in health and education value the experience that Avanti has of working with a wide range of government agencies and the security of our satellites and business operations, even where their own needs do not require the highest security. Approximately 7% of our revenue for the year ended 30 June 2013 was attributed to our Government end market, and approximately 16% of our backlog related to our Government end market as of 30 June 2013.

Enterprise

Enterprise end users are typically either:

i) large companies which need high bandwidth broadband connections to link remote offices, or
ii) businesses with more specialised machine to machine communications needs.

They all typically require standardised and ubiquitous services provided to multiple sites across large geographic areas. The applications for our technology in the Enterprise sector include SNG, telemetry for utility companies' monitoring of water treatment or power generation equipment, remote medical diagnostic facility data collection, electronic point-of-sale data collection, as well as bespoke, proprietary corporate networking. Approximately 46% of our revenue for the year ended 30 June 2013 was attributed to our Enterprise end market, and approximately 53% of our backlog related to our Enterprise end market as of 30 June 2013.



Broadband

Our end users in this sector are typically consumers or SMEs who live in places that are too remote to be reached by terrestrial telecoms services, and with a 74cm satellite dish fixed to a wall or roof and a small modem plugged into their computer, can receive two way broadband services at high speed and low cost.

Traditional broadband internet networks are not available in many parts of the world where fixed line or wireless infrastructure is not cost effective or technically viable, creating a market for satellite broadband in areas where there is limited or no terrestrial internet network available. Our fleet of satellites can provide high speed broadband coverage with cheap small dishes (up to 10Mb/s) over these areas. Approximately 24% of our revenue for the year ended 30 June 2013 was attributed to our Broadband end market, and approximately 30% of our backlog as of 30 June 2013.

Finance and Operating Review

During the last 12 months we signed in excess of 50 new contracts creating an average amount added to backlog of £7 million per month.

Nigel Fox
Group Finance Director

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

Revenues for the financial year rose to £20.6 million (2012: £12.5 million). Revenues from HYLAS 2 were below our expectations because of the delayed launch of the satellite. Despite a more efficient post launch in orbit testing campaign enabling HYLAS 2 to be commercially operational by Q2 of the financial year, this was not matched by the logistical and technical readiness of some of our customers for service. Therefore, we allowed several customers to defer the start dates of their commitments which resulted in a delay in revenue generation. All customers on HYLAS 2 are now receiving services.

Our previous revenue guidance also included our expectation of the value of several new large contracts which may have completed in the last financial year. Several of these contracts are now expected to complete in the year ending 30 June 2014. These delays did not impact our backlog and are part of the ordinary course of business.

The costs of running the ground stations increased during the year as planned. We brought online two further stations in Germany and Cyprus to support HYLAS 2. Overheads increased to £18.2 million (2012: £14.0 million) as a result of further investment in staff and additional marketing expenditure to support the launch of HYLAS 2 and assisting HYLAS 2 Service Providers in preparing for service.

£7m

monthly average added to backlog

Depreciation

Depreciation of the satellites became the largest expenditure in the income statement during the period as a result of the HYLAS 2 launch. All Avanti satellites are depreciated on a straight line basis over the warranted lives of 15 years irrespective of the capacity sold in any given period. Satellite depreciation increased from £9.8 million in 2012 to £24.6 million in 2013, the increase being accounted for by 9 months charge on HYLAS 2.

Other operating income

During the year, other operating income fell from £2.6 million in 2012 to £1.0 million in 2013. The figures for 2012 included £1.8 million for the value of an arbitration settlement which was not repeated in 2013. The 2013 income relates to regional development grants for our investment in the infrastructure and employment in Cornwall. In addition, there was a late delivery settlement from a supplier.

Interest

Net interest payable has increased to £3.9 million (2012: £0.2 million), primarily due to the interest on the HYLAS facility being charged to the income statement from October 2012, whereas previously it has been capitalised as part of the construction of the satellite.

The loss before interest and taxation increased to £33.7 million (2012: £15.8 million) mainly as a result of the increased depreciation charge.

Taxation

The group tax credit was £6.8 million (2012: £2.1 million credit), resulting in an effective tax rate of 18.1% (2012: 13.3%). The rate has been negatively affected by the fall in the UK corporation tax rate.

Loss per share

Loss attributable to shareholders is £30.4 million resulting in a loss per share of 28.37p (2012: loss per share 14.86p).

Financing and treasury

The Company's primary source of debt is the facility provided by US EXIM and COFACE. The facility drawdown period closed at the end of February 2013. The Company utilised US$310 million of the available US$328 million facility.

In December 2012, the first debt service payments were made with a further one in June 2013. The total debt service during the year was US$8.0 million (2012: US$ nil).

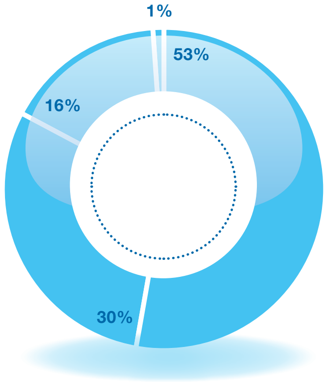
Insurance

The Company maintains a full suite of insurance policies covering not only space assets, but also business interruption associated with the failure of any of the three ground stations. HYLAS 1 in orbit policy was renewed in November 2012 with an insured value of £120 million and HYLAS 2 was renewed shortly after the year end for an insured risk of US$306 million.

Key performance indicators

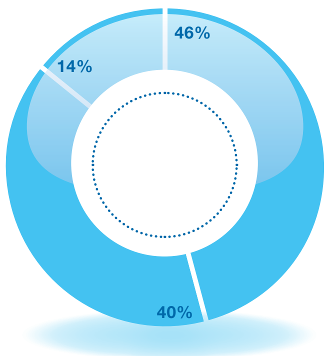
As the business develops a track record our KPI's will also be updated. At the moment the key metrics are in relation to backlog. During the last 12 months we signed in excess of 50 new contracts. In the 6 month period to 31 December 2012 the average amount added to backlog per month was £11 million. In the second period to 30 June 2013 the number of contracts increased, but the type of contract was biased towards framework and occasional use types of contract which do not immediately add to backlog. For this reason the average for the year fell to £7 million per month.

HYLAS 1 and HYLAS 2 backlog by business sector



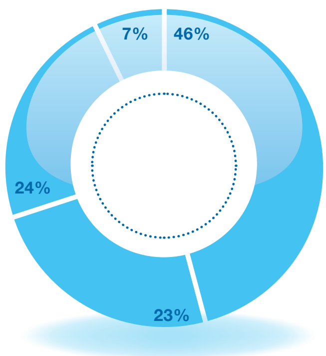
53% Enterprise
30% Broadband
16% Government
1% Carrier Services

2012 revenue by business sector



46% Broadband
40% Enterprise
14% Government

2013 revenue by business sector



46% Enterprise
24% Broadband
23% Government
7% Carrier Services

Finance and Operating Review *continued*

Currency hedging and exchange rates

Our policy remains to hedge all currency exposures as soon as they become certain through a combination of natural offset hedging and the use of vanilla products through our relationship banks. Our most significant exposure is the HYLAS 2 debt which is denominated in US$. Given that the majority of our HYLAS 2 revenues will be US$ denominated, the HYLAS 2 companies have a functional currency of US$ thus hedging this exposure.

Balance sheet

Tangible fixed assets increased to £403.5 million (2012: £372.3 million) after a depreciation charge of £25.4 million (2012: £11.2 million). The increase represents the final payments in relation to the HYLAS 2 satellite and the supporting ground stations as well as accrued interest for the first three months of the fiscal year.

Total assets remained broadly constant at £479.9 million (2012: £478.1 million) although cash balances fell to £38.6 million from £76.7 million.

Trade payables increased slightly to £18.4 million (2012: £18.2 million) and included a large milestone invoice for HYLAS 3, which was payable after the year end.

Gross debt increased to £206 million (2012: £175 million) as the final drawdowns under the US Exim Bank and COFACE facilities were made. The drawdown period for this facility is now complete. Debt service repayments commenced in December 2012 and a further repayment was made in June 2013.

Cash flow

Net cash balances decreased to £39 million (2012: £77 million).

Post balance sheet events

There were no significant post balance sheet events.

Principal risk and uncertainty

Foreign exchange risk

We operate internationally and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US$ and the €. In order to hedge the foreign currency risk we enter into forward contracts or natural hedges. These risks are assessed on a continual basis.

The procurement of our second satellite HYLAS 2 has transactions mainly executed in US$. This is hedged naturally against the corresponding financing loan denominated in US$. These items are held in a US$ denominated company and both are translated into our accounts at the year-end exchange rate.

At 30 June 2013, if the Euro had weakened/strengthened against the Sterling by 5% with all other variables held constant, post tax loss would have improved by £253,346 or worsened by £280,114.

At 30 June 2013, if the US$ had weakened/strengthened against Sterling by 5% with all other variables held constant, post tax loss would have improved by £83,489 or worsened by £92,278. The US$ cash reserves and US$ loan are held in a US$ denominated company and are revalued through reserves upon consolidation.

The average volatility of rates during the year compared to the year end exchange rate was 3.55% and therefore management believes that a 5% sensitivity rate provides a reasonable basis upon which to assess expected changes in foreign exchange rates.

Interest rate risk

We borrow in £ and US$ at fixed rates of interest and do not seek to mitigate the effect of adverse movements in interest rates. Cash and deposits earn interest at fixed rates based on banks' short term treasury deposit rates. Short term trade and other receivables are interest free.

Credit risk

Credit risk is the risk of financial loss arising from a counterparty's inability to repay or service debt in accordance with contractual terms. Credit risk includes both the direct risk of default and the risk of deterioration of creditworthiness. We believe we have no significant concentrations of credit risk. The credit quality of major Service Providers is assessed before trading commences taking into account its financial position, past experience and other factors. Generally when a balance becomes more than 90 days past its due date it is considered that the amount will not be fully recoverable.

Liquidity risk

Liquidity risk is the risk that we may have difficulty in obtaining funds in order to be able to meet both our day-to-day operating requirements and our debt servicing obligations. Our exposure to liquidity risk management is minimised due to our prudent monitoring of all of our 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.

As in prior years the two key risks to the profitability and liquidity of the business are the rate at which we can fill both satellites and the prices at which we can do that. Our satellite fleet footprint is widely spread across fifty different countries. Whilst demand obviously varies from country to country, the breadth of coverage minimises concentration risk to downturn in demand. With limited competition in the markets covered by HYLAS 1 and HYLAS 2 we have not seen any significant downward price pressure.

Global economic environment

The global financial system has suffered considerable turbulence and uncertainty in recent years. This turbulence has contributed to a general economic downturn in many of the countries served by Avanti. If potential Service Providers have difficulty accessing capital to fund their business plans, this may have a negative effect on the Avanti performance, and may delay the onset of new revenue.

Going concern

The Group has available sufficient financial resources at 30 June 2013. The Group's banking covenants have all been met in the past and the expectation is that this will continue. The Group has a strong backlog underpinning the business, with a significant pipeline of opportunities to give the Directors a reasonable expectation that the Group has adequate resources and business demand drivers to adopt the going concern basis of accounting for the financial statements.

Corporate governance

As part of our ongoing corporate governance programme, the Audit Committee tendered our audit services in late 2012. As a result KPMG LLP were appointed. Avanti would like to thank PwC for their services over the last five years.

Critical accounting policies

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

Nigel Fox
Group Finance Director

Sustainability

Our approach to sustainability

Avanti is fully committed to sustainability initiatives as part of an overall aim to achieve a high international standard of performance.

Long term sustainability of the Group is secured by managing the current impacts of its operations and products, and anticipating the future global business environment to ensure that we have in place:

- Responsible business practices to underpin business activities and support employees in making the right decisions to drive business performance.
- A safe work environment for employees.
- A diverse range of talented employees with a broad range of skills and capabilities to deliver against global customer requirements.
- Programmes to manage the environmental impact of the Group's operations and products, reducing the Group's carbon footprint and that of the Group's Service Providers.

The Chief Executive, supported by the Board, has overall responsibility for the Group's ongoing commitment to sustainability, to ensure that there are appropriate policies, systems, reporting structures and metrics in place to achieve the Group's sustainability objectives. Additionally, employees all have some responsibility for sustainability, whether it be in their interactions with Service Providers or making efficiencies which support our environmental aims. The effectiveness of policies and processes are monitored and reviewed on an ongoing basis and risks or opportunities are assessed and managed.

We are increasingly adopting targets and metrics to measure our performance and provide our stakeholders with an overview of our sustainability as a company. We focus on improvement, which means learning from our successes and challenges and using these insights to further enhance future performance. We have evaluated possible sustainability issues based on their relevance to our current operations and the potential impact on the business in order to ascertain our priorities. These priorities may change as the business develops and as we receive feedback from our stakeholders and we will therefore review on a regular basis. For those issues identified as having a high importance, we have either already developed strategies and have controls in place and are reporting on performance, or we are developing more detailed strategies within our existing systems to focus on specific aspects. Once we have established and agreed a strategy we will then implement additional management controls if required, set targets and measure appropriate performance metrics. This will then demonstrate the effectiveness of both the strategy and the controls. By monitoring our performance in this way we will also get valuable feedback which we can use to continuously improve our policies, processes and procedures. Stakeholder engagement is important to Avanti, we currently hold dialogue with all of our major stakeholders as well as listening to others. We hope to encourage this process still further through clear and objective reporting of the key issues.

Talent/Avanti people

To have a sustainable business, Avanti must attract, develop and retain talent and manage it across the business. Avanti contributes to the wider community through the course of its business by creating employment, offering apprenticeships and graduate training opportunities to young people and by investing in good causes that are relevant to the business.

Attract and retain

The measure of voluntary employee turnover provides insight into retention, with a target voluntary turnover of less than 15%, which is consistently met. This level reflects the current average of turnover experienced in London, Avanti's head office, with an appropriate level of churn to refresh the talent base. Avanti monitors this on a monthly basis and regular feedback channels ensure that any potential issues are identified and dealt with.

Like many companies operating in the technology industry in the UK, Avanti has concerns about future talent shortages in the technology and engineering sectors. To address this issue, Avanti have extended recruitment into social media and are using their own networks and web presence to create a database of talented individuals who have shown an interest in future roles at Avanti. We have also built links with colleges and universities as well as local groups promoting opportunities to leavers.

Working with young people

Avanti's aim is to support science, technology and engineering education through building links with local colleges and universities, in particular working with the National Space Centre and Loughborough College in the creation of a Higher Apprenticeship in Space Engineering. Avanti's graduate scheme attracted over 300 enquiries this year and provides bright graduates with training and hands on experience of technical roles within the satellite communications industry, prompting one graduate engineer to say "Since joining the graduate recruitment scheme at Avanti I have been given real responsibilities and opportunities and have been constantly challenged. Avanti is a dynamic company where no two days are the same and the scheme is a great introduction to work and a career in the space industry."

Avanti key behaviours

Avanti continues to focus on driving the right behaviours to ensure responsible business practices across the Group. Our key behaviours set out the principles and standards of business conduct expected of all employees wherever they operate and in whatever role. These behaviours are embedded into our performance review processes and employees are provided with guidance on where to go for advice, to whom to report concerns and other related policies.

Sustainability
continued

Our approach to sustainability

Human rights
Avanti requires that its business be conducted with honesty and integrity, and in full compliance with all applicable laws. Company policies establish clear ethical standards and guidelines for how we do business and establish accountability. The Company has clear accountability mechanisms in place to monitor and report on compliance with these directives. Additionally, Avanti supports and upholds the elimination of discriminatory practices with respect to employment and occupation, and promotes and embraces diversity in all aspects of its business operations.

Developing Avanti's talent
Our robust appraisal and performance management processes enable us to identify and develop talent within the organisation. We are developing our practices to improve analysis and planned development activity to supplement the existing offer of a wide variety of training, including on the job training across the business. Avanti is proud of its record of developing people and promoting from within; in 2012 alone, 30% of vacancies were filled by internal promotion.

Key next steps
Avanti's process for capturing development activity is being constantly improved to allow for better reporting against training needs and appraisal objectives. Avanti continues to develop and recruit talent using the most effective methods available. Policies are under review to ensure that we remain able to meet the changing needs of the workforce and remain an attractive employer.

Health and safety
Avanti wants its employees to work in a safe, healthy environment. To achieve this Avanti has in place policies, procedures and practices to assess and mitigate against risks and ensure continual review. Processes remain under review and improvements will be made to reflect changes in work and location that occur as well as to integrate site specific processes into Company policies. Avanti is in the process of reviewing its training offering to ensure continued safe workplace behaviour and adherence to safety standards.

Environment
At Avanti we feel an environmental responsibility to both our Service Providers and their wider communities. Fortunately, our technology enables us and our Service Providers to behave in an environmentally responsible way. Services and applications such as teleworking, videoconferencing, distance learning and e-commerce allow Service Providers to exchange information and ideas without actually travelling — saving energy and reducing pollution. Today, Service Providers can use our wireless services to make the distribution of goods more efficient; help reduce energy use in workshops, offices and homes; and take advantage of telemedicine and distance learning.

Measuring the environmental impact
Avanti encourages all employees to avoid all unnecessary travel by providing full telephone or video conferencing in meeting rooms at Avanti sites. Employees are expected to consider the necessity of their journeys and to use alternative methods of communication where possible, such as remote accreditation of partners and supporting partners via video conferencing.

Future plans
Plans are in place to extend energy monitoring to Avanti sites at Goonhilly, Cornwall, and in Cyprus. We are also extending our energy monitoring to include greenhouse gas emissions for transportation and other uses.

Stakeholders
Avanti's principal stakeholders include investors, employees, partners, suppliers, government and non-government organisations and the communities in which it operates. Avanti aims to communicate openly with stakeholders about its business in order to better understand their views and concerns, and explain the Company's approach.

Structure

Organisational departments

The chart opposite shows the organisation structure of Avanti as at 1 September 2013.

The structure at Avanti is designed to promote flexibility and excellent customer service by encouraging accountability and allowing for focused working. This is achieved by grouping the functions whose main purposes are customer facing (the partner support, deployment and logistics teams), sales and revenue generation (marketing, sales and presales) and technical operations and innovation (procurement, satellite operations, ground operations and networks). Interdepartmental working is encouraged through the use of project teams and regular meetings of the management team.

Board of Directors

Strong and experienced Board

01/


02/


03/


04/


05/


06/


07/


08/


09/


10/


11/


01/ John Brackenbury CBE + • Δ
Chairman
John is founder Chairman of Avanti. He was awarded a CBE in June 2000 for his contribution to Tourism, Education and Employment. He is a leading industrialist with over 40 years of experience in the drinks and leisure sector. He is also President of Business in Sport and Leisure Limited, Trustee and Director of Springboard Educational Trust, Chairman of Brackenbury Leisure Ltd and Trustee of GamCare. John is the Chairman of the Nominations Committee of Avanti Communications Group plc.

02/ David Williams
Chief Executive
David is a co-founder of the Company. Prior to this, he spent 10 years working in the City financing telecommunications projects with Chase Manhattan, CIBC and Babcock and Brown. He graduated from Leeds with a degree in Economics and Politics.

03/ David Bestwick †
Technical Director
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, he joined VEGA Group PLC in 1990 where he worked on a wide range of satellite applications projects.

04/ Nigel Fox
Group Finance Director
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.

05/ 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 and went on to be Managing Director of the Wholesale Division.

06/ Alan Foster • Δ
Non-Executive
Alan was a senior partner of de Zoete & Bevan for over 20 years and, on the creation of BZW Asset Management, he was appointed Deputy Chairman. This company was the forerunner of Barclays Global Investors.

07/ Professor Michael Walker OBE FREng †
Non-Executive
Professor Walker is adviser to Vodafone Group Technology, having spent 18 years of his professional career there culminating in the post of Group R&D Director. He is visiting professor at the University of Surrey and sits on the scientific advisory boards for the Universities of Warwick and Surrey. He also holds directorships with Alacrity Foundation, Glasswall Solutions Ltd, Mobile VCE and Walker and Associates Telecoms Consultancy Ltd.

08/ 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 and Chairman for the UK and Ireland on the Board of INTELSAT. Richard has recently accepted a non-executive role in One Horizon Group Inc, effective from 1 September 2013. Richard is the Chairman of the Remuneration Committee of Avanti Communications Group plc.

09/ William Wyatt + • Δ
Non-Executive
William is Chief Executive Officer of Caledonia Investments plc. He is also a Non-Executive Director on the Boards of Terrace Hill Group plc, Cobehold SA, TGE Marine AC and Sterling Industries plc.

10/ Paul Walsh + •
Non-Executive
Paul was the CEO of Diageo plc from 1 September 2000 to 1 July 2013, and the Chief Operating Officer of Diageo from 1 January 2000.

Paul joined GrandMet's brewing division in 1982 and became Finance Director in 1986. He held financial and commercial positions with Inter-Continental Hotels and in the GrandMet food business, becoming CEO of the Pillsbury Company in 1992. Paul was appointed to the GrandMet Board in October 1995, and to the Diageo Board in December 1997. Paul is a Non-Executive Director at Unilever plc and FedEx Corporation and was appointed to the board of the United Spirits Limited on 19 August 2013. Paul will become Chairman of Compass Group on 6 February 2014.

11/ Paul Johnson +
Non-Executive
Paul is a Fellow of the Institute of Chartered Accountants in England and Wales. He spent 38 years with KPMG Europe LLP, becoming a Partner in 1988 and has extensive experience of working with companies in a variety of different industries in both the listed and private sectors. For the last 12 years he was Chairman of KPMG London and Eastern Counties and a member of KPMG's UK Markets Executive. Paul is the Chairman of the Audit Committee of Avanti Communications Group plc.

\+ Audit
• Remuneration
Δ Nomination
† Technical

Corporate Governance Report

Chairman's statement of compliance with the UK corporate governance code

John Brackenbury CBE
Chairman

Avanti firmly supports the upholding of good principles of corporate governance, not only because it is required for compliance purposes but because effective corporate governance serves to ensure that the business is run properly and in the interests of all of its stakeholders.

The Board recognises that it is accountable to shareholders for the Group's activities and that it is responsible for the effectiveness of corporate governance practices. It remains committed to maintaining high standards of corporate governance and, whilst the Group is AIM listed and therefore not required to comply with the UK Corporate Governance Code ('the Code'), the Board seeks to comply with the Code in all material respects wherever it is practical to do so having regard to the size of the Group and the resources available to it.

As a Board we monitor closely for developments in legislation, regulation and industry guidelines to ensure that our corporate governance policies are kept up-to-date and that the Board committees take into account all of the latest guidance in their areas of activity.

The Board takes all appropriate measures to ensure that no conflict of interest can exist between members of the Board and other stakeholders in the Company.

Throughout the year ended 30 June 2013, the Board considers that the Company complied in all material respects with those parts of the Code that it considers appropriate. This Corporate Governance Report, the Report of the Board and the Remuneration Report detail how the Company has applied the main principles of the Code.

John Brackenbury CBE
Chairman

Board of Directors

Role of the Board

The Board of Directors has a collective duty to promote the long term success of the Avanti Group for its shareholders. The Board sets the Group's strategy and ensures that the necessary resources are in place to achieve the strategic priorities.

In determining the long term strategy and objectives of the Group, the Board takes into account its duties and responsibilities not just to its shareholders but also to customers, employees and other stakeholders and makes its decisions objectively. It reviews management and financial performance, monitors the delivery of strategy and achievement of objectives and works within a rigorous framework of internal controls and risk management. The Board develops and promotes the collective vision of the Group's purpose, objectives, values and key behaviours.

Composition of the Board

During the year, the Board comprised a Non-Executive Chairman, six other Non-Executive Directors and four Executive Directors. The balance of the Board, together with the advice sought from other members of senior management and the Company's external advisors, ensures that no individual has unfettered powers of decision.

Chairman and the Chief Executive

The Board is chaired by John Brackenbury who provides leadership that demonstrates the values and behaviours of the Company. The Chairman is responsible for creating the conditions for overall Board and individual Director effectiveness. He ensures that both Executive Directors and Non-Executive Directors make available sufficient time to execute their duties in an appropriate manner, that all Directors receive sufficient financial and operational information and that there is proper debate at Board meetings. He is also responsible, in consultation with the Chief Executive and the Company Secretary, for setting the agenda for the Board's meetings.

David Williams is the Chief Executive and, supported by the Group Finance Director, the Chief Operating Officer and the Technical Director, he is responsible for the day-to-day management of the Company. He provides leadership to the Group to successfully plan and execute the objective and strategy agreed by the Board.

The roles of the Chairman and Chief Executive are separate with each having clearly defined duties and responsibilities.

Non-Executive Directors

The Group benefits from the extensive experience of the Non-Executive Directors in areas critical to the long term future success of the Company, encompassing a deep understanding of the industry, technology, corporate strategy, finance and investment.

The Non-Executive Directors help the Executive Directors by contributing independent challenge and rigour to the Board's deliberations and assisting in the development of the Company's strategy. In addition, they are responsible for monitoring the performance of the Executive Directors against agreed goals and objectives. Their views are essential in overseeing the performance of the Company.

Induction and ongoing training

All Directors have access to advice from the Company Secretary and independent professionals at the Company's expense. Training is available for Directors as necessary. New Directors receive an induction programme and all the Directors are encouraged to continue professional education programmes.

Corporate Governance Report *continued*

Matters reserved for the Board

The Board recognises that, to ensure the long term success of the Company, certain specific matters should be reserved for the consideration and decision of the Board alone. Decisions specifically reserved for approval by the Board are formally recorded and include:

- annual and interim accounts and financial statements;
- dividend policy;
- Board appointments;
- Group strategy and annual operating budget;
- changes to the Group's capital structure;
- changes to the Group's management and control structure;
- major capital expenditure, acquisitions and disposals;
- treasury policies;
- risk management strategy;
- Group corporate governance policy; and
- environmental, health and safety and sustainability policies.

Board meetings

The Board meets on six occasions during the year following a formal agenda. Additional meetings can be held if the business needs arise. The Board also maintains an open dialogue throughout the year and contact by telephone occurs whenever necessary.

The attendance of Directors at Board meetings during the year was as follows:

Board attendance for the financial year 1 July 2012 to 30 June 2013

		Attended
Chairman	John Brackenbury CBE	6/6
Executive Directors	David Williams	6/6
	David Bestwick	6/6
	Matthew O'Connor	5/6
	Nigel Fox	6/6
Non-Executive Directors	Alan Foster	6/6
	William Wyatt	5/6
	Richard Vos	6/6
	Michael Walker OBE FREng	6/6
	Paul Walsh	6/6
	Paul Johnson	3/3

During the year, the Chairman continued the practice of maintaining a 12 month agenda for Board and committee meetings. Agenda items included permanent items such as progress reports from the Executive Directors and the Company Secretary, as well as periodic items such as updates from the Board committees, review of the risk register and internal controls, strategy and succession planning.

In advance of each meeting, the Board is provided with monthly management reports and other relevant information in a timely manner and in a form and quality that it considers appropriate.

The Chairman and the Board have confidence that the way in which the Board meetings are conducted ensures that they cover all the matters required to be discussed and that sufficient time is allowed for discussion of each matter at the most appropriate meeting in the year, enabling the members of the Board to discharge their duties as Directors effectively.

The Company Secretary attends all Board meetings and is available to advise on any corporate governance issues that may arise.

Reappointment of Directors

All Directors are required to retire every three years and may offer themselves for reappointment, which is not automatic. As a Company with a long-term growth strategy, it is appropriate for Directors to serve on the Board for more than a single term, subject to continuing satisfactory performance.

All Directors proposed to shareholders for election or re-election are accompanied by a biography and a description of the skills and experience that the Board considers relevant. The Board is satisfied that all the Directors standing for election or re-election continue to perform effectively and demonstrate commitment to their roles, including commitment of time for Board and Board committee meetings as well as any other duties which may be undertaken by them from time to time.

Board committees

The Board has established a number of committees to assist in the discharge of its responsibilities. The principal committees are the Nominations Committee, the Audit Committee, the Remuneration Committee and the Technical Committee. The responsibilities of each of these Board committees are set out in their individual Terms of Reference. The role and responsibilities of the committees are discussed further below.

Committee meetings are held independently of Board meetings and invitations to attend are extended by the committee Chairman to other Directors, the Group's advisors and management as appropriate.

Audit Committee

The Audit Committee is comprised of five Non-Executive Directors; Richard Vos, William Wyatt, Paul Walsh, Paul Johnson and John Brackenbury. The Committee was chaired by Richard Vos until February 2013. Paul Johnson was appointed a Non-Executive in January 2013, and took over the chairmanship of the Committee in February 2013. Through their other business activities, each member of the Committee has significant experience in financial matters. The Company considers that the composition of the Audit Committee is in accordance with the Code. Further information on the activities of the Committee is set out in the Audit Committee Report on page 36.

Nominations Committee

The Nominations Committee is comprised of three Non-Executive Directors; William Wyatt, John Brackenbury and Alan Foster. It is chaired by John Brackenbury, except when the matters under consideration relate to his position. For further information on the activities of the Committee please refer to page 37.

Remuneration Committee

The Remuneration Committee is comprised of five Non-Executive Directors; Alan Foster, William Wyatt, Richard Vos, Paul Walsh and John Brackenbury. It is chaired by Richard Vos.

Executive Directors and senior management attend Remuneration Committee meetings at the invitation of the Committee Chairman only.

The Remuneration Committee meets according to the Company's requirements at least twice a year.

The Remuneration Committee determines, within agreed Terms of Reference, specific remuneration packages for the Chairman, the Executive Directors and the officers of the Company. This includes implementation of Group share incentive plans. In accordance with the Committee's Terms of Reference, no Director may participate in discussions relating to his own terms and conditions of service or remuneration.

With regards to the remuneration policy, the Committee considers:

- the pay scales applied to each Director's package;
- the proportion of the different types of reward within each package;
- the period within which performance related elements become payable;
- what proportion of rewards should be related to measurable performance or enhanced shareholder value, and the balance between short and long-term performance elements; and
- transparency of Directors' remuneration in the annual financial statements.

Further information on the activities of the committee is set out in the Remuneration Committee Report on page 39.

Technical Committee

The Technical Committee is comprised of two Non-Executive Directors, Michael Walker and Richard Vos, the Technical Director and other senior technical management of the Company. It is chaired by Michael Walker. For further information on the activities of the Committee please refer to page 38.

Corporate Governance Report *continued*

Relations with shareholders

The Board recognises the importance of establishing and maintaining good relationships with all of the Company's shareholders. During the period under review, the Chief Executive, Finance Director, Chairman, Remuneration Committee Chairman and Audit Committee Chairman have met with analysts and institutional shareholders to keep them informed of significant developments and report to the Board accordingly on the views of these stakeholders.

The Interim Report and the Annual Report and Financial Statements are the primary means used by the Board for communication during the year with all of the Company's shareholders. The Board also recognises the importance of the internet as a means of communicating widely, immediately and cost effectively and a Group website www.avantiplc.com is maintained to facilitate communications with shareholders. Information available online includes copies of the full and half year Financial Statements, press releases and Company news, corporate governance information and key dates in the financial calendar.

The Board is committed to the constructive use of the AGM as a forum to meet with shareholders and to hear their views and answer their questions. The 2013 AGM will be held on 14 November 2013 at 9.00 am. Shareholders are encouraged to attend the AGM and to participate in proceedings by asking questions during the formal part of the meeting, voting on resolutions put to the meeting and providing Board members with their views in informal discussions after the meeting.

Notice of the AGM is on page 81 and it is also available to download on the Company's website. Separate resolutions are proposed on each issue so that they can be given proper consideration and there is a resolution to approve the Annual Report and Accounts. The Company counts all proxy votes and indicates the level of proxies lodged on each resolution, after it has been dealt with usually by a show of hands.

Financial reporting

At the half year and the year end, all operating Group companies are required to produce Financial Statements to comply with local accounting regulations and to produce sufficient information to enable the central finance team to produce IFRS-compliant Consolidated Financial Statements.

The Board presents a balanced and understandable assessment of the Group's position and prospects in all interim and price sensitive public reports whilst also reporting to regulators all information required to be presented by statutory requirements.

Internal control and risk management

The Board has overall responsibility for the Group's system of internal control to safeguard Company assets and shareholders' investments. The risk management process and systems of internal control are designed to manage rather than eliminate the risk of failure to achieve the Group's objectives.

The Board has reviewed the effectiveness of the system of internal control for the year ended 30 June 2013 and up to the date of the signing of the Annual Report and Accounts. The Board will continue to develop and implement internal control procedures appropriate to the Group's nature and scale.

The Company does not have an internal audit function due to the small size of the Company's administrative function and the high level of Director review and authorisation of transactions. The Audit Committee believes that these internal controls are adequate for the Group's current size and does not feel that a separate internal audit function is currently warranted. This situation is kept under regular review.

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 approval and certain authorities delegated to the Executive Directors.

The key features of the Group's system of internal control are as follows:

- **Management responsibility and accountability:** There are clearly defined management responsibilities, reporting lines and limits of authority. The Chief Executive Officer and Finance Director meet regularly with the Executive Directors and other members of senior management to review progress on financial, commercial, operational, supply chain, HR, health, safety and environmental issues as well as regulatory and legal compliance matters.

- **Strategy and planning:** The Group updates its strategic plan each year and this is approved by the Board.
- **Budgeting and reporting:** Detailed management accounts are prepared each month, consolidated and reviewed in detail with senior management.
- **Expenditure approval:** Authorisation and control procedures are in place for capital expenditure and other major projects. There is also a process to review capital expenditure projects post completion to highlight issues and improve future projects. Authorisation procedures for operating costs and contractual commitments are reviewed regularly.
- **Independence of the finance function:** The finance function is encouraged to act independently of general management in the course of its preparation of monthly accounts and exercising of control procedures.
- **Insurance and risk management policies:** This includes a formal annual risk review report to the Board. Regular meetings are held with insurance and risk advisors to assess the risks throughout the Group.
- **Documented policies:** There are documented policies for a range of areas including HR matters, expenditure, treasury and financial reporting.
- **Cash:** The cash and debt position at Group and operational level is monitored daily and variances from forecast levels are investigated thoroughly. Working capital balances are reviewed on a monthly basis at Group level, and any significant variances are analysed and investigated.
- **Effectiveness:** The Board continually reviews the effectiveness of the systems of internal control and risk management procedures throughout the year.

Ethics

The Group prides itself on carrying out its business in a fair, honest and open manner, ensuring that it complies with all relevant laws and regulations.

Under the Companies Act 2006, a Director of a company must avoid a situation in which he or she has, or can have, a direct or indirect interest that conflicts, or may possibly conflict with the interests of the company. The Company has a formal procedure in place to manage the disclosure consideration and, if appropriate, the authorisation of any such possible conflict. Directors are aware of the requirement to notify the Board as soon as they become aware of any possible future conflict or a material change to an existing authorisation. Only Directors who have no interest in the matter being considered are able to take the relevant decision.

The Executive Directors have contracts of service with one year's notice, whilst Non-Executive Directors' appointments can be terminated at any time with six months' notice.

None of the Non-Executive Directors has any material business or other relationship with the Company or its management.

Details of the Directors' service contracts, emoluments, the interests of the Directors in the share capital of the Company and options to subscribe for shares in the Company are provided in the Remuneration Report on page 39.

Bribery Act 2010

The Board has performed an assessment of the risk environment and implemented a framework to ensure that the Group trades in compliance with the Bribery Act 2010.

Audit Committee

All members of the Audit Committee are Independent Non-Executive Directors. The Board is confident that the collective experience of the Audit Committee members enables them, as a group, to act as an effective committee.

By invitation, the meetings of the Audit Committee may be attended by the Group Finance Director. The KPMG LLP audit engagement partner is present at the Audit Committee meetings to ensure full communication of matters relating to the audit. The Chairman of the Audit Committee meets regularly with the Group Finance Director and external auditors.

The Audit Committee has particular responsibility for monitoring the financial reporting process, the adequacy and effectiveness of the operation of internal controls and risk management and the integrity of the financial statements. This includes a review of significant issues and judgements, policies and disclosures. Its duties include keeping under review the scope and results of the audit and its cost effectiveness, consideration of management's response to any major external or internal audit recommendations and the independence and objectivity of the internal and external auditors.

During the year to 30 June 2013, the Audit Committee reviewed and endorsed, prior to submission to the Board, half-year and full-year financial statements, interim management statements and results announcements. It considered internal management reports and risk management updates, agreed external audit plans, received updates on management responses to audit recommendations and approved the review of accounting policies. Progress on implementation of processes to meet the requirements of the UK Bribery Act, 2010 were also provided to the Audit Committee.

During 2012, the Senior Statutory Auditor of the external Auditor for PwC completed his five-year term working with the Company. The Company decided at that point to put the Audit to tender. KPMG LLP was appointed and the process of introducing a new Partner has gone smoothly, with briefings from the Audit Committee Chairman and management to provide transparency of business activities.

Richard Vos stepped down as Chairman of the Audit Committee in February 2013, and Paul Johnson assumed the position of Chairman. The Audit Committee would like to thank Richard Vos for his work as Chairman.

External Auditor

Auditor objectivity and independence is safeguarded through a variety of mechanisms. To ensure the Auditor's independence, the Audit Committee annually reviews the Company's relationship with the Auditor. Following the review in 2013, the Company concluded that it continues to have an objective and professional relationship with KPMG and that there are sufficient controls and processes in place to ensure the required level of independence. In addition, the Auditor is required to review and confirm its independence to the Audit Committee on a regular basis.

Non-audit services

The Company's Auditor may also be employed where, as a result of its position as Auditor, it either must, or is best placed to, perform the work in question. A policy is in place in relation to the provision of non-audit services by the Auditor to ensure that there is adequate protection of its independence and objectivity.

Paul Johnson
Audit Committee Chairman

Nominations Committee

The Nominations Committee comprises a majority of Independent Non-Executive Directors. The Nominations Committee meets as and when necessary. The Nominations Committee has responsibility for nominating to the Board candidates for appointment as Directors, bearing in mind the need for diversity and a broad representation of skills across the Board.

The Nominations Committee will also make recommendations to the Board concerning the reappointment of any Independent, Non-Executive Director at the conclusion of his or her specified term, the election and re-election of any Director by shareholders in accordance with the provisions of the Code and changes to senior management, including Executive Directors.

During 2013, a significant activity for the Nominations Committee was the appointment of Paul Johnson. The Chairman, Mr John Brackenbury, chaired the Nominations Committee for these meetings and throughout the process would additionally call meetings of all the Non-Executive Directors to brief them on progress.

Another area of activity, which the Committee debated and which was also discussed with the full Board, related to Board diversity and agreement to the issue of a statement of how the Board considers diversity as part of its succession planning. Gender is one element of the considerations made in appointing senior management, Board appointees and as part of general recruitment practices across the Group. The Nominations Committee gives full consideration to succession planning in the course of its work, taking into account the challenges and opportunities facing the Company, how to take account of diversity, and what skills and expertise are needed on the Board and from senior management in the future.

John Brackenbury CBE
Nominations Committee Chairman

Technical Committee

The Board of Avanti has established a Technical Committee to report on progress by the Company with all aspects of the technology that underpins its business. The activities of the Committee include:

1. Reviewing progress on the development, deployment and operation of the technology that supports Avanti's business on an ongoing basis.

2. Monitoring all technological risks identified in the Company risk register.

3. Assisting the Company with the resolution of technology problems and the realisation of technology opportunities.

4. Assessing whether the technology employed is the best fit for the Avanti business, and that the technology team is strong enough to develop, deliver, operate and maintain it in the best interests of the business.

5. Bringing to the attention of the Board any issues with technology, including disruptive technology which might have a significant impact on the business of the Company.

6. Preparing and maintaining a Technology Strategy for the Company which is continuously updated.

The Technical Committee is chaired by Professor Michael Walker, with support from Richard Vos, David Bestwick and senior executives from within the Company.

To date, the Technical Committee has been active in all of these areas, holding regular meetings with a standing agenda which includes all key operational issues. In particular, the Committee receives regular status reports on the performance of all of Avanti's in-orbit and ground based infrastructure. It also monitors the progress and results from key customer trials, identifying areas where improved technology could enhance the quality of service on offer. Finally, the Technical Committee receives briefings on all major new satellite projects prior to their commissioning.

Professor Mike Walker OBE
Non-Executive Director

Report of the Remuneration Committee

The Remuneration Committee comprises Independent Non-Executive Directors only. The Remuneration Committee, on behalf of the Board, meets as and when necessary to review and approve, as appropriate, the remuneration of the Executive Directors and senior management and major remuneration plans for the Group.

The Chairmanship was held by Alan Foster until February 2013, when it was assumed by Richard Vos. The Committee would like to thank Alan Foster for his major contribution during the Company's early development stages.

During the year the Remuneration Committee met six times.

Remuneration policy

The Company's policy on remuneration of Directors is to attract, retain and motivate the best people, recognising the input they have to the ongoing success of the business. Consistent with this policy, the remuneration and benefits package awarded to Directors is intended to be competitive and comprises a mix of performance-related and non-performance related elements designed to incentivise Directors in the short and longer term, and align their interests with those of shareholders. Their remuneration accordingly consists of base pay, annual bonus, long term incentive plan, share options, pension contributions and other benefits such as health care.

The Long Term Incentive Plan ('LTIP') in operation since 2006 terminated on 30 June 2013. The Remuneration Committee accordingly developed, with advice from Deloitte Touche Tomatsu (Deloitte), a new LTIP that would come into operation from July 2013. Under the new LTIP, shares will only vest if specific targets are met that will reflect the desired performance of the Company as it develops from a 'start-up' to a more mature business.

Other than the new LTIP, the above represents no change from the Company's remuneration policy and no further change is anticipated in the coming year.

Remuneration 2013

The remuneration of the Directors for the year was as set out below. The previous year's figures are shown for comparison:

	Salaries £	Bonus £	Other benefits £	Post employment benefits £	Total 2013 £
Executive					
D J Williams	**327,000**	**–**	**78,822**	**40,875**	**446,697**
D J Bestwick	**245,203**	**–**	**45,431**	**27,838**	**318,472**
N A D Fox	**191,000**	**–**	**35,899**	**23,875**	**250,774**
M J O'Connor	**174,000**	**–**	**23,631**	**21,750**	**219,381**
Non-Executive					
F E J G Brackenbury CBE	**110,000**	**–**	**6,524**	**–**	**116,524**
D A Foster	**41,042**	**–**	**–**	**–**	**41,042**
W P Wyatt	**35,833**	**–**	**–**	**–**	**35,833**
M Walker OBE	**37,083**	**–**	**–**	**–**	**37,083**
P Walsh	**35,833**	**–**	**–**	**–**	**35,833**
C R Vos	**41,250**	**–**	**–**	**–**	**41,250**
P Johnson	**21,250**	**–**	**–**	**–**	**21,250**
Total	**1,259,494**	**–**	**190,307**	**114,338**	**1,564,139**

Report of the Remuneration Committee *continued*

For the year ended 30 June 2012

	Salaries £	Bonus £	Other benefits £	Post employment benefits £	Total 2012 £
Executive					
D J Williams	314,000	314,000	82,443	39,250	749,693
D J Bestwick	232,365	230,000	112,745	25,296	600,406
N A D Fox	184,000	127,000	35,347	23,000	369,347
M J O'Connor	168,000	95,000	23,337	21,000	307,337
Non-Executive					
F E J G Brackenbury CBE	110,000	–	5,608	–	115,608
D A Foster	40,000	–	–	–	40,000
W P Wyatt	35,000	–	–	–	35,000
M Walker OBE	35,000	–	–	–	35,000
P Walsh	17,500	–	–	–	17,500
C R Vos	40,000	–	–	–	40,000
Total	**1,175,865**	**766,000**	**259,480**	**108,546**	**2,309,891**

Basic salary
Base salary is set by the Committee and reviewed annually taking account of an individual's performance and experience measured by appraisal and market practice. The Executive Directors received a 4% increase for the year ended 30 June 2013.

Pension
The Company does not operate a pension scheme for the Executive Directors. The Executive Directors are entitled to a Company contribution to their private pensions equal to 12.5% of their base salary.

Cash bonus
Bonus awards, which are not pensionable, are made to the Executive Directors based on Group financial and individual performance. Personal performance is appraised against achievement of challenging objectives set at the start of each financial year, and is linked to Group strategic and operational performance.

Save as you earn ('SAYE')
During the year, three Executive Directors made contributions into the Avanti SAYE schemes. Nigel Fox and Matthew O'Connor made monthly contributions of £250 and £150 respectively into the July 2010 SAYE scheme, and David Bestwick made monthly contributions of £250 into the November 2011 SAYE scheme.

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

	Fully paid Ordinary Shares of 1p each		
	10 September 2013	**30 June 2013**	30 June 2012
D J Williams	1,761,884	**1,732,684**	1,643,801
D J Bestwick	1,297,954	**1,297,954**	1,231,648
N A D Fox	132,620	**132,620**	109,677
M J O'Connor	202,091	**197,091**	154,009
F E J G Brackenbury CBE	430,791	**430,791**	415,076
D A Foster	396,250	**396,250**	392,500
W P Wyatt	35,342	**35,342**	25,342
C R Vos	21,030	**21,030**	21,030
M Walker OBE	–	**–**	–
P Walsh	140,000	**130,000**	67,428
P Johnson	10,000	**10,000**	–

Long Term Incentive Plans ('LTIPs')

LTIPs have been established by the Company with approval of the Remuneration Committee to reward and incentivise the Executive Directors and senior managers of the Company. The LTIP in force during 2013 was established in 2006 with a final maturity date of 30 June 2013. Accordingly, the Remuneration Committee has developed, with the advice and assistance of Deloitte, a new LTIP which will replace the 2006–2013 LTIP.

All unvested shares are held in the Employee Benefit trust ('EBT'). The LTIP allocations are in separate sub funds within the EBT and are subject to automatic revocation if certain criteria are not met and continue to be revocable for the entire Trust period.

The allocations into the LTIP vary for each executive.

2006–2013 LTIP

The total allocation to the executive was split into three separate Tranches:

The Core Tranche

This element of the grant became exercisable in seven equal instalments. The first instalment was exercisable on grant, the second on 30 June 2008 and the remaining five annually thereafter.

The Exceptional Achievement Tranche

This tranche vested in 2012.

The Extraordinary Achievement Tranche

This element of the grant was only exercisable if the market value of a share exceeded £10 for a consecutive period of 6 months before June 2013. As this condition was not met, the grant did not vest and the outstanding shares were returned to the EBT.

Original allocations	Core	Exceptional	Extraordinary	Total
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**

Outstanding allocations	Core	Exceptional	Extraordinary	Total
D J Williams	–	–	–	–
D J Bestwick	–	–	–	–
N A D Fox	–	–	–	–
M J O'Connor	–	–	–	–
Total	**–**	**–**	**–**	**–**

New LTIP 2013

Allocations to senior executives is subject to specific performance criteria, which must be met within a stated period after the grant. For the first year, the criteria are twofold:

Two thirds of an award ('the Revenue Part'), or a proportion thereof, will only vest if specific revenue targets are achieved or bettered. Revenue will be based on the Company's audited financial statements for the relevant financial year. The revenue part will lapse to the extent it does not vest.

One third of an award ('the Share Price Part'), or a proportion thereof, will vest if the three-month average share price is above a specified amount. In the event of any variation in the share capital of the Company by way of capitalisation or rights issue, consolidation, subdivision or reduction or otherwise, the Remuneration Committee shall make an appropriate adjustment to the share price targets to reflect this.

The share price part will lapse to the extent it does not vest in accordance with the schedule.

Richard Vos
Remuneration Committee Chairman

Report of the Board of Directors

The Directors have pleasure in presenting their Annual Report together with the audited Financial Statements for the year ended 30 June 2013.

Principal activities

The principal activity of the Company is the provision of satellite communication services and it is expected to be so for the foreseeable future. The services are principally provided via Ka-band satellites. Avanti's first satellite, HYLAS 1, was launched in November 2010 and brought into commercial service in April 2011. The second satellite, HYLAS 2, was successfully launched on 2 August 2012 and came into commercial service in October 2012.

A review of the Group's business and developments during the year is included in the Chairman's Statement, the Chief Executive's Statement and the Strategic Review.

Business review and key performance indicators

The information that fulfils the requirements of the Business Review can be found in the Finance and Operating Review on pages 20 to 23, which are incorporated by reference. As the Company is still in the early stages of its strategy with a focus on the future, we do not currently focus on traditional key performance indicators ('KPIs'). Instead our business model is focused on development of the satellite fleet and sale of capacity.

In the Chairman's Statement 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 KPIs.

Results and dividends

The results for the year ended 30 June 2013 are shown on page 46. No equity dividend was paid in the year ended 30 June 2013 (2012 £nil). No final dividend is proposed at the year end (2012 £nil). The loss for the year transferred to the shareholder's funds was £30.4 million (2012 loss of £13.4 million). The net asset position at year end is £241.4 million (2012: £269.6 million).

Share capital

The Company did not issue any new Ordinary Shares during the year ended 30 June 2013 (2012: 26,785,000). Details of the Company's share capital are given in Note 24 to the Consolidated Financial Statements.

Qualitative and quantitative disclosures about interest, foreign exchange, credit and liquidity risks

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 the Finance and Operating Review, pages 20 to 23.

Research and development

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

Directors

The Directors who served during the year and were in office up to the date of signing were as follows:

F E J G Brackenbury CBE
D J Williams
D J Bestwick
N A D Fox
M J O'Connor
D A Foster
C R Vos
W P Wyatt
M Walker OBE
P Walsh
P Johnson (appointed 16 January 2013)

A biography for each Director is provided on page 28.

In accordance with the Company's Articles of Association, all Directors will offer themselves for re-election every 3 years. The Board believes that the members of the Board continue to be effective and to demonstrate commitment to their roles, the Board and the Group. The Board therefore recommends the reappointment of all Directors who are up for re-election at the AGM.

Directors' emoluments

Remuneration policy

The Company's policy on remuneration of Directors is to attract, retain and motivate the best people, recognising the input they have to the ongoing success of the business. Consistent with this policy, the benefit package awarded by Avanti Communications Group plc to its Directors is intended to be competitive.
It comprises a mix of performance-related and non-performance related remuneration designed to incentivise the Directors and align their interest with those of shareholders and consists of base pay, annual bonus, long term incentive plan, share options, pension contributions and other benefits such as health care.

Major shareholders

At 28 August 2013, 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	21,790,683
Caledonia Investments plc	London	15,331,632
The Capital Group Companies, Inc.	London/Los Angeles	6,937,062
Government of Singapore Investment Corporation Pte. Ltd.	Singapore	5,905,492
Legal & General Investment Management Ltd. (UK)	London	4,422,545
Hargreaves Lansdown Asset Management	Bristol	4,381,952
Directors & Related	–	4,342,430
Avanti Communications Group EBT	London	4,132,039
Barclays, Plc.	Geneva/London/Madrid	3,905,531

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 the business with that supplier;
- to ensure that all 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 the goods and/or services in accordance with the agreed terms and conditions.

At 30 June 2013, the Company did not have any trade creditors (2012 nil).

Employees

The Group employed 174 people at 30 June 2013.

Employees are key to the Group's success and we rely on the workforce being committed to helping us achieve our business objectives.

Employees are regularly updated about market and industry developments.

Communication between the Board and employees at all levels is highly valued and this is achieved through regular staff presentations given by the Chief Executive and regular email communication.

The Group believes in equal opportunities for all employees and prospective employees irrespective of nationality, ethnicity, religion, age, gender, sexuality or disability. The Group has zero tolerance of discrimination in any form.

Political donations

During the year the Group made no political donations (2012 nil).

Corporate governance

The Corporate Governance Report is provided on page 30 and includes reports from the Board's Audit, Nominations, Remuneration and Technical Committees.

Notice of Annual General Meeting

The notice of the Company's AGM can be found on page 81.

Independent Auditor

At the 2012 AGM, shareholders reappointed PricewaterhouseCoopers LLP as auditor for the Group. During the year, the appointment of Auditor was the subject of a tender as a result of which KPMG LLP was appointed in December 2012, following the audit tender process.

On the recommendation of the Audit Committee, resolutions are to be proposed at the AGM for the appointment of KPMG LLP as Auditor of the Company and to authorise the Board to fix its remuneration.

Directors' and officers' liability insurance

The Group maintains appropriate insurance to cover Directors' and Officers' liability for itself and its subsidiaries. At the date upon which this report was approved and for the year ended 30 June 2013, the Company provided an indemnity in respect of all of the Group's Directors in respect of all losses arising out of or in connection with the execution of their powers, duties and responsibilities as Directors to the extent permitted by the Companies Act 2006 and the Company's Articles of Association.

By order of the Board.

Patrick Willcocks
Secretary

Statement of 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. 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departure disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume 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 are able 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 corporate and financial information provided on the Company's website www.avantiplc.com. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the Directors, confirms that to the best of his knowledge and belief:

- the financial statements in this document, prepared in accordance with the applicable set out accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Company and of the Group as a whole; and
- the Directors' Report, including the Business Review, includes a fair view of the development and performance of the business and the position of the Company and of the Group as a whole, including a description of the principal risks and uncertainties that they face.

In the case of each Director in office at the date on which the Directors' Report is approved:

- so far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- 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 the Company's Auditors are aware of that information.

This confirmation is given in accordance with the provisions of s.418 of the Companies Act 2006.

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

David Williams
Chief Executive

Independent Auditors' Report
to the members of Avanti Communications Group plc

We have audited the financial statements of Avanti Communications Group Plc for the year ended 30 June 2013 set out on pages 46 to 80. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement set out on page 44, 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, and express an opinion on, 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.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2013 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU 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.

Tudor Aw (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square,
London,
E14 5GL

10 September 2013

Consolidated Income Statement
year ended 30 June 2013

	Notes	Year ended 30 June 2013 £'000	Year ended 30 June 2012 £'000
Revenue	2	**20,600**	12,461
Cost of sales		**(37,096)**	(16,781)
Satellite depreciation		**(24,603)**	(9,831)
Other cost of sales		**(12,493)**	(6,950)
Gross loss		**(16,496)**	(4,320)
Operating expenses	3	**(18,198)**	(13,998)
Other operating income	6	**953**	2,559
Loss from operations		**(33,741)**	(15,759)
Finance income	7	**281**	454
Finance expense	7	**(4,172)**	(702)
Net financing expense		**(3,891)**	(248)
Loss before taxation		**(37,632)**	(16,007)
Income tax credit	8	**6,805**	2,122
Loss for the year		**(30,827)**	(13,885)
Loss attributable to:			
Equity holders of the parent		**(30,438)**	(13,400)
Non-controlling interests		**(389)**	(485)
Basic loss per share (pence)	9	**(28.37p)**	(14.86p)
Diluted loss per share (pence)	9	**(28.37p)**	(14.86p)

The notes on pages 51 to 80 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income
year ended 30 June 2013

	Year ended 30 June 2013 £'000	Year ended 30 June 2012 £'000
Loss for the year	**(30,827)**	(13,885)
Other comprehensive income		
Exchange differences on translation of foreign operations and investments	**2,314**	1,489
Total comprehensive loss for the year	**(28,513)**	(12,396)
Attributable to:		
Equity holders of the parent	**(28,124)**	(11,911)
Non-controlling interests	**(389)**	(485)

Items in the statement above are net of tax. The income tax relating to each component of other comprehensive income is disclosed in note 8.

All items in the statement above will be subsequently recycled to the income statement.

The notes on pages 51 to 80 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position
as at 30 June 2013

	Notes	**30 June 2013 £'000**	30 June 2012 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**403,489**	372,278
Intangible assets	12	**8,882**	9,008
Deferred tax assets	18	**12,393**	5,591
Total non-current assets		**424,764**	386,877
Current assets			
Inventories	16	**2,963**	881
Trade and other receivables	17	**13,597**	13,475
Derivative financial instruments	23	**–**	129
Cash and cash equivalents	19	**38,585**	76,700
Total current assets		**55,145**	91,185
Total assets		**479,909**	478,062
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	20	**18,417**	18,157
Provisions for other liabilities	21	**–**	3
Loans and other borrowings	22	**17,776**	4,967
Total current liabilities		**36,193**	23,127
Non-current liabilities			
Trade and other payables	20	**14,269**	15,347
Loans and other borrowings	22	**188,001**	170,001
Total non-current liabilities		**202,270**	185,348
Total liabilities		**238,463**	208,475
Equity			
Share capital	24	**1,070**	1,070
EBT shares	24	**47**	47
Share premium	24	**262,319**	262,319
Foreign currency translation reserve		**1,662**	(652)
Retained earnings		**(22,778)**	7,288
Total parent shareholders' equity		**242,320**	270,072
Non-controlling interests		**(874)**	(485)
Total equity		**241,446**	269,587
Total liabilities and equity		**479,909**	478,062

The financial statements of company number 6133927 on pages 46 to 80 were approved by the Board of Directors on 10 September 2013 and signed on its behalf by:

Nigel Fox
Group Finance Director

Company Statement of Financial Position
as at 30 June 2013

	Notes	**30 June 2013 £'000**	30 June 2012 £'000
ASSETS			
Non-current assets			
Deferred tax assets	18	**327**	282
Investments	14	**97,725**	97,725
Total non-current assets		**98,052**	98,007
Current assets			
Trade and other receivables	17	**165,001**	165,946
Derivative financial instruments	23	**–**	129
Total current assets		**165,001**	166,075
Total assets		**263,053**	264,082
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	20	**71**	31
Loans and other borrowings	22	**240**	232
Total current liabilities		**311**	263
Non-current liabilities			
Loans and other borrowings	22	**109**	349
Total liabilities		**420**	612
Equity			
Share capital	24	**1,070**	1,070
EBT shares	24	**47**	47
Share premium	24	**262,319**	262,319
Foreign currency translation reserve		**174**	174
Retained earnings		**(977)**	(140)
Total shareholders' equity		**262,633**	263,470
Total liabilities and equity		**263,053**	264,082

The financial statements of company number 6133927 on pages 46 to 80 were approved by the Board of Directors on 10 September 2013 and signed on its behalf by:

Nigel Fox
Group Finance Director

Consolidated and Company Statement of Cash Flows
year ended 30 June 2013

	Notes	Group		Company	
		Year ended 30 June 2013 £'000	Year ended 30 June 2012 £'000	**Year ended 30 June 2013 £'000**	Year ended 30 June 2012 £'000
Cash flow from operating activities					
Cash (absorbed)/generated by operations	30	**(11,860)**	(12,314)	**232**	(60,913)
Interest received		**267**	34	**–**	–
Interest paid		**(5,527)**	(9)	**–**	–
Net cash (absorbed)/generated by operating activities		**(17,120)**	(12,289)	**232**	(60,913)
Cash flows from investing activities					
Payments for other financial assets and investments		**–**	–	**–**	(12,996)
Payments for property, plant and equipment		**(47,488)**	(77,222)	**–**	–
Receipt on sale of motor vehicles		**–**	10	**–**	–
Cash received as part of business combination		**–**	2	**–**	–
Net cash used in investing activities		**(47,488)**	(77,210)	**–**	(12,996)
Cash flows from financing activities					
Proceeds from borrowings		**28,806**	48,452	**–**	–
Repayment of borrowings		**(3,092)**	–	**–**	–
Proceeds from share issue		**–**	75,000	**–**	75,000
Share issue costs		**–**	(1,091)	**–**	(1,091)
Proceeds from lease and lease back		**–**	5,337	**–**	–
Finance lease paid		**(342)**	(590)	**(232)**	–
Net cash received from/(used by) financing activities		**25,372**	127,108	**(232)**	73,909
Effects of exchange rate on the balances of cash and cash equivalents		**1,121**	262		
Net (decrease)/increase in cash and cash equivalents		**(38,115)**	37,871	**–**	–
Cash and cash equivalents at the beginning of the financial year		**76,700**	38,829	**–**	–
Cash and cash equivalents at the end of the financial year	19	**38,585**	76,700	**–**	–

The notes on pages 51 to 80 are an integral part of these consolidated financial statements.

Consolidated and Company Statement of Changes in Equity
year ended 30 June 2013

Consolidated

	Notes	Share capital £'000	Employee benefit trust (EBT) £'000	Share premium £'000	Retained earnings £'000	Foreign currency translation reserve £'000	Non-controlling interests £'000	Total equity £'000
2012								
At 1 July 2011		802	47	188,678	19,974	(2,141)	–	207,360
Loss for the year		–	–	–	(13,400)	–	(485)	(13,885)
Other comprehensive income		–	–	–	–	1,489	–	1,489
Issue of share capital		268	–	73,641	–	–	–	73,909
Share based payments		–	–	–	631	–	–	631
Tax charge taken directly to reserves		–	–	–	83	–	–	83
At 30 June 2012		1,070	47	262,319	7,288	(652)	(485)	269,587
2013								
At 1 July 2012		1,070	47	262,319	7,288	(652)	(485)	269,587
Loss for the year		–	–	–	(30,438)	–	(389)	(30,827)
Other comprehensive income		–	–	–	–	2,314	–	2,314
Share based payments	25	–	–	–	375	–	–	375
Tax credit taken directly to reserves	18	–	–	–	(3)	–	–	(3)
At 30 June 2013		**1,070**	**47**	**262,319**	**(22,778)**	**1,662**	**(874)**	**241,446**

Company

	Notes	Share capital £'000	Employee benefit trust (EBT) £'000	Share premium £'000	Retained earnings £'000	Foreign currency translation reserve £'000	Non-controlling interests £'000	Total equity £'000
2012								
At 1 July 2011		802	47	188,678	322	174	–	190,023
Loss for the year		–	–	–	(480)	–	–	(480)
Issue of share capital		268	–	73,641	–	–	–	73,909
Share based payments		–	–	–	27	–	–	27
Tax credit taken directly to reserves		–	–	–	(9)	–	–	(9)
At 30 June 2012		1,070	47	262,319	(140)	174	–	263,470
2013								
At 1 July 2012		1,070	47	262,319	(140)	174	–	263,470
Loss for the year		–	–	–	(840)	–	–	(840)
Share based payments		–	–	–	14	–	–	14
Tax credit taken directly to reserves	18	–	–	–	(11)	–	–	(11)
At 30 June 2013		**1,070**	**47**	**262,319**	**(977)**	**174**	**–**	**262,633**

The notes on pages 51 to 80 are an integral part of these consolidated financial statements.

Notes to the accounts

1 Accounting policies

Statement of compliance

The Group financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU "IFRS", International Financial Reporting Interpretations Committee (IFRIC) Interpretations, and the Companies Act 2006 applicable to companies preparing their accounts under IFRS.

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

The Company is a public limited company, which is listed on the Alternative Investment Market ("AIM") and domiciled and incorporated in the UK.

The registered office of the Company is 20 Black Friars Lane, London, United Kingdom.

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 consolidated 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 disclose satellite depreciation as a separate item in cost of sales on the face of the consolidated income statement due to the significance of the charge.

The Company has taken the exemption under section 408 of the Companies Act 2006 to not present the parent Company income statement or statement of comprehensive income.

New and amended standards adopted by the Group

The following new standards, amendments to standards or interpretations were mandatory for the first time for the financial year beginning 1 July 2012:

- Deferred Tax: Recovery of Underlying Assets – Amendment to IAS 12
- Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 July 2012 and not early adopted

- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IFRS 13 Fair Value Measurement
- IAS 27 Separate Financial Statements (2011)
- IAS 28 Investments in Associates and Joint Ventures (2011)
- Amendments to IAS 19 Defined Benefit Plans
- Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities
- Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment Entities
- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities
- Amendments to IAS 36 Recoverable amount disclosures for non-financial assets
- IFRS 9 Financial Instruments

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

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.

Notes to the accounts *continued*

1 Accounting policies *continued*

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) 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.

(b) Impairment of satellites

The carrying amounts of the satellites is dependent on the Group's ability to sell sufficient capacity in the satellites over their useful economic lives. In management's view, at this early stage in the life of the HYLAS 1 and 2 satellites, the sale of capacity is progressing well and in line with plans. The Group will assess impairment annually.

(c) European Space Agency ('ESA') Funding and Sale of Capacity

In April 2006, the Group entered into a contract with ESA to receive funding for the build of the HYLAS 1 satellite and also giving ESA the right to use up to 10% of capacity on HYLAS 1 for a period of 3 years if the capacity is available. An assessment of the fair value of the revenues for the sale of capacity has been performed in order to account for this as a multiple element arrangement. The fair value of the capacity sales will be recognised as revenue on a straight line basis over a 3 year period. This 3 year period commenced when HYLAS 1 became operational in April 2011. Management has made their best estimate of the fair value of the revenue element of the transaction based on market prices of the capacity at the inception of the arrangement. The residual fair value represents the value of the capital grant and this is released to cost of sales over a period of 15 years to match the useful economic life of the satellite. If the fair value of the capacity sale was altered by 10% the impact on the revenue figure would be £450,000.

(d) Impairment of goodwill arising as part of business combinations

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ('CGUs'), or groups of CGUs, that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews will be undertaken annually. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment would be recognised immediately as an expense and would not subsequently be reversed.

Going concern

The Directors have assessed forecast future cash flows for the foreseeable future, being a period of at least a year following the approval of the Accounts, and are satisfied that the Group's cash resources and facilities are sufficient to meet these cash flows.

Considering the above, the Directors believe that the Group is well placed to manage its business risks successfully despite the continued current uncertain economic outlook and have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Therefore, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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 Filiago GmbH & Co. and 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.

1 Accounting policies *continued*

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. The Group applies the acquisition method to account for business combinations. The cost of control for the acquisition of a subsidiary is the fair values of the assets transferred, the settlement of pre-existing relationships, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Goodwill is initially measured as the excess of the aggregate of the cost of control and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this cost of control is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the income statement.

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

Revenue recognition

Revenue is generated from the sale of satellite broadband services to customers, other exploitation of satellite assets, provision of consultancy services and sales of end user terminals to customers. In the current year, revenue from the sale of satellite broadband services on the HYLAS fleet is the key revenue stream of the business with consultancy contracts being a smaller proportion of the total revenues.

Broadband satellite communications services revenues are recorded in accordance with the contracted amounts or the actual usage of the customer. Revenue under framework agreements is recognised once an order has been placed and service has commenced.

For multiple element arrangements revenue is allocated to each element on fair value regardless of any separate prices stated within the contract. The portion of the revenue allocated to an element is recognised when the revenue recognition criteria for that element have been met.

Revenues also includes the sale of satellite equipment recognised 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 reporting date. The contracts are broken down into separable elements 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 excess of revenue recognised over amounts invoiced. Deferred income represents any unearned balances remaining from amounts received from customers pursuant to prepaid contracts.

Appropriate allowances for estimated irrecoverable amounts are recognised as an expense 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

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys the right to use the asset.

Leases of property, plant and equipment where the Group holds substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired under hire purchase or a finance lease are capitalised in the statement of financial position. Those held under hire purchase and finance lease contracts are depreciated over the shorter of either their estimated useful lives or the term of the lease. The interest element of these obligations is charged to the income statement over the relevant period. The capital element of the future payments is treated as a liability.

Leases where a significant portion of the risks and rewards are held by the lessor are classified as operating leases. Rentals are charged to the income statement on a straight line basis over the period of the lease.

Notes to the accounts *continued*

1 Accounting policies *continued*

Interest income and expense

Borrowing costs incurred for the construction of the satellite assets are capitalised during the period of time required to complete and prepare the assets for their 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 reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the income statement.

The presentational currency of the Group is Sterling.

On consolidation, assets and liabilities of foreign undertakings are translated into Sterling at year end exchange rates. The results of foreign undertakings are translated into Sterling at average rates of exchange for the year (unless this average is not a reasonable approximation of the cumulative effects of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions). Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity, the foreign currency translation reserve.

In the event of the disposal of an undertaking with assets and liabilities denominated in a foreign currency, the cumulative translation difference associated with the undertaking in the translation reserve is charged or credited to the gain or loss on disposal recognised in the income statement.

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 ongoing 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 payment arrangements, under which the Group receives services from employees as consideration for equity instruments (share options and shares) of the Group. Equity settled share based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant, but including any market-based performance criteria and the impact of investing conditions. The fair value determined at the grant date is recognised on a straightline basis over the vesting period, based on the Group's estimate of the options or shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

Fair value is measured using either the Binomial options pricing model, the Black Scholes model or Monte Carlo simulations, whichever is most appropriate to the award.

Service and performance conditions are vesting conditions. Any other conditions are non-vesting conditions which have to be taken into account to determine the fair value of equity instruments granted. In the case that an award or option does not vest as a result of a failure to meet a non-vesting condition that is within the control of either counterparty, this is accounted for as a cancellation. Cancellations must be treated as accelerated vesting and all remaining future charges are immediately recognised. As the requirement to save under an employee share save arrangement is a non-vesting condition, employee cancellations must be treated as an accelerated 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.

1 Accounting policies *continued*

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity respectively.

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 reporting date.

Deferred tax

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

The carrying amount of deferred tax assets is reviewed at each reporting 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 substantively enacted by the reporting 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 of assets, other than assets under construction, over their estimated useful lives using the straightline method. Depreciation on satellite assets commences once in-orbit testing has been completed and the satellite is available for use.

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
Network assets 20–25% per annum
Fixtures and fittings 25% per annum
Satellite in operation 6.67% per annum
Plant and machinery 25% per annum
Leasehold improvements 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 income statement 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. Once the satellites become operational and placed into service, the assets are transferred to a space asset category and depreciated over the life of the satellites.

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

Notes to the accounts *continued*

1 Accounting policies *continued*

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided so as to write off the cost of assets, other than assets under construction, over their estimated useful lives using the straight-line method. The amortisation rate on computer software is 25%. Newly acquired intangible assets as part of the business combination, customer lists and trade name, are amortised over 15 and 5 years respectively.

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 income statement and is calculated as the difference between the disposal proceeds and the carrying amount of the assets.

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.

Impairment of non-financial assets

Assets that have an indefinite useful life, for example, goodwill or intangible assets not ready for use, are not subject to amortisation and will be tested annually for impairment.

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, individual satellites are treated as individual CGUs.

Investments

Investments are recorded at cost. Investments are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be fully recoverable.

Investments in subsidiaries are stated at cost and reviewed for impairment on an annual basis.

European Space Agency (ESA) funding

As noted in the critical estimates and judgements, an element of income from ESA represents revenue for the sale of capacity on the satellite. The fair value of the capacity sold to ESA is being recognised as revenue over 3 years on a straight line basis.

Grant funding

Other grant income which has capital expenditure and job creation/safeguarding targets is recognised on a straight line basis over the relevant period irrespective of cash and claims, and is disclosed as other operating income.

1 Accounting policies *continued*

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 and other financial assets

Trade and loan 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 statement of financial position are comprised 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 reporting date.

Trade payables

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

Business combinations

Business combinations are recognised in the consolidated financial statements from the time of acquisition. The comparative figures are not restated for acquisitions.

Acquisitions are accounted for using the acquisition method and the identifiable assets and liabilities acquired are measured at their fair values at the date of acquisition.

Any excess of the cost of control over the fair value of the acquired assets and liabilities is recognised as Goodwill, with intangible assets. Intangible assets are amortised over their useful life and any Goodwill is tested annually for impairment.

Notes to the accounts *continued*

1 Accounting policies *continued*

Derivative financial instruments

Financial assets and financial liabilities are recognised on the Group's statement of financial positions when the Group becomes a party to the contractual provisions of the instrument.

The Group uses derivative financial instruments mainly to reduce exposure to foreign exchange risks. The Group does not hold or issue derivative financial instruments for trading purposes. Derivatives are recognised at fair value on the date a contract is entered into and are subsequently remeasured at their fair value. Fair value is measured using the closing bank rate compared with the contract rate.

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

Segment reporting

Operating segment(s) are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segment(s), has been identified as the Avanti Executive Board who make the strategic decisions.

2 Revenue

As stated 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 £20,600,000 (2012: £12,461,000) 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. Of this, £2,582,000 (2012: £1,780,000) relates to the sale of terminals. As referred to in the critical estimates and judgements, revenues from ESA representing the sale of capacity on HYLAS 1 comprise 21.8% (2012: 36.1%) of total revenue.

The Group derived £3,945,000 (2012: £4,471,000) of its turnover from European countries outside the United Kingdom, £6,856,000 (2012: nil) from countries outside Europe and £9,799,000 (2012: £7,990,000) from the United Kingdom.

3 Operating expenses

Operating expenses by function are as follows:

	30 June 2013 £'000	30 June 2012 £'000
Distribution	**3,760**	1,405
Administration	**14,438**	12,593
	18,198	13,998

3 Operating expenses *continued*

Loss from operations for the year is stated after charging the following:

	30 June 2013 £'000	30 June 2012 £'000
Operating expenses:		
Depreciation of property, plant and equipment	**772**	1,389
Amortisation of intangible assets	**138**	95
Research and development costs written off as incurred	**32**	16
Employee benefit expense	**10,178**	7,287
Operating lease expenses:		
– Minimum lease payments	**722**	619
– Sublease payments received	**–**	(50)
– Onerous lease provision utilised	**–**	(30)
Cost of sales:		
Space asset depreciation	**24,603**	9,831
Release of ESA grant	**(866)**	(858)
Satellite services	**5,100**	3,176
Materials purchased	**3,152**	2,472
Sub contractors	**2,159**	–

4 Auditor remuneration

The Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) (Amendment) Regulations 2011 is mandatory for periods starting on/after 1 October 2011. The comparatives in respect of the disclosures of Auditor Remuneration have been restated accordingly.

	30 June 2013 £'000	30 June 2012 (restated) £'000
Audit of these financial statements	**110**	150
Disclosures below are based on amounts receivable in respect of other services to the company and its subsidiaries:		
Amounts receivable by the company's auditor and its associates in respect of:		
– Audit of financial statements of subsidiaries of the company	**15**	20
– Taxation compliance services	**17**	31
– All other services	**–**	48
	142	249

5 Employee benefit costs

The aggregate remuneration of all employees comprised:

	30 June 2013 £'000	30 June 2012 £'000
Wages and salaries	**9,528**	8,448
Social security costs	**1,467**	1,080
Pension costs	**153**	172
Share based payment expense	**375**	634
	11,523	10,334
Less: costs capitalised as satellite in construction	**(1,345)**	(3,047)
	10,178	7,287

Notes to the accounts *continued*

5 Employee benefit costs *continued*

Employee numbers

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

	30 June 2013 No. employees	30 June 2012 No. employees
Operations	**45**	33
Sales and marketing	**38**	29
Development and engineering	**42**	39
Administration and executive	**39**	31
	164	132

6 Other operating income

	30 June 2013 £'000	30 June 2012 £'000
Exchange (loss)/gain on trade receivables and payable balances	**(225)**	84
Other grant income	**869**	654
Liquidated damages	**309**	–
Arbitration settlement	**–**	1,821
	953	2,559

The arbitration settlement in the year ended 30 June 2012 of £1,821,462 included interest of £25,299.

7 Net finance (expense)/income

	30 June 2013 £'000	30 June 2012 £'000
Finance income		
Fair value gain on derivatives	**–**	213
Financing exchange gain	**263**	–
Interest income on bank deposits	**18**	241
	281	454
Finance expense		
Interest expense on borrowings and loans	**(5,124)**	(4,017)
Fair value loss on derivatives	**(127)**	–
Financing exchange loss	**–**	(514)
Finance lease expense	**(159)**	(179)
Less: interest capitalised to satellite in construction	**1,238**	4,008
	(4,172)	(702)
Net finance expense	**(3,891)**	(248)

8 Income tax credit

	30 June 2013 £'000	30 June 2012 £'000
Current tax		
Adjustment in respect of prior periods	**–**	–
Total current tax	**–**	–
Deferred tax		
Origination and reversal of temporary differences	**(8,795)**	(3,840)
Adjustment in respect of prior periods	**1,447**	246
Deferred tax asset write off	**–**	649
Impact of change in UK tax rate	**543**	823
Total deferred tax	**(6,805)**	(2,122)
Total income tax credit	**(6,805)**	(2,122)

The tax on the Group's loss 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 2013 £'000	30 June 2012 £'000
Loss before tax	**(37,632)**	(16,007)
Tax credit at the corporate tax rate of 23.8% (2012: 25.5%)	**(8,956)**	(4,082)
Tax effect of non-deductible expenses	**161**	242
Adjustment in respect of prior periods	**1,447**	246
Deferred tax asset write off	**–**	649
Impact of change in UK tax rate	**543**	823
Income tax credit	**(6,805)**	(2,122)

The standard rate of corporation tax in the UK changed from 24% to 23% with effect from 1 April 2013. Accordingly, the Group's profits for this accounting period are taxed at an effective rate of 23.8% (2012: 25.5%).

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. It has not yet been possible to quantify the full anticipated effect of the announced further 2% rate reduction, although this will further reduce the Group's future current tax charge and reduce the Group's deferred tax asset accordingly.

9 Earnings/(loss) per share

	30 June 2013 pence	30 June 2012 pence
Basic and diluted loss per share	**(28.37)**	(14.86)

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

	30 June 2013 £'000	30 June 2012 £'000
Loss for the year attributable to equity holders of the parent Company	**(30,438)**	(13,400)
Weighted average number of ordinary shares for the purpose of basic earnings per share	**107,306,711**	90,138,692

Notes to the accounts *continued*

10 Profit of the parent Company

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent Company is not presented as part of these accounts. The parent Company's loss after tax for the year ended 30 June 2013 amounted to £840,000 (2012: £480,000 loss).

11 Property, plant and equipment

	Leasehold improvements £'000	Network assets £'000	Fixtures and fittings £'000	Satellite in operation £'000	Satellite in construction £'000	Motor vehicles £'000	Group total £'000
Cost							
Balance at 1 July 2011	263	6,545	670	148,730	165,309	95	321,612
Additions	–	935	87	2,745	64,242	–	68,009
Additions acquired through business combinations	–	547	–	–	–	–	547
Transfer	–	2,202	–	(2,202)	–	–	–
Disposals	–	–	–	(516)	–	(39)	(555)
Balance at 1 July 2012	263	10,229	757	148,757	229,551	56	389,613
Additions	938	155	270	17,377	30,098	–	48,838
Transfer	–	(2,147)	–	242,177	(240,030)	–	–
Disposals	–	(15)	–	–	–	(15)	(30)
Effect of movements in exchange rates	–	49	3	8,000	–	–	8,052
Balance at 30 June 2013	**1,201**	**8,271**	**1,030**	**416,311**	**19,619**	**41**	**446,473**
Accumulated Depreciation							
Balance at 1 July 2011	244	3,099	509	2,311	–	59	6,222
Charge for the year	9	1,271	92	9,831	–	17	11,220
Disposals	–	–	–	(76)	–	(31)	(107)
Balance at 1 July 2012	253	4,370	601	12,066	–	45	17,335
Charge for the year	46	616	100	24,603	–	10	25,375
Transfer	–	(315)	–	315	–	–	–
Disposals	–	(15)	–	–	–	(14)	(29)
Effect of movements in exchange rates	–	7	2	294	–	–	303
Balance at 30 June 2013	**299**	**4,663**	**703**	**37,278**	**–**	**41**	**42,984**
Net book value							
Balance at 30 June 2013	**902**	**3,608**	**327**	**379,033**	**19,619**	**–**	**403,489**
Balance at 30 June 2012	10	5,859	156	136,691	229,551	11	372,278

At 30 June 2013, the Group held assets under finance lease agreements with a net book value of £2,693,942 (2012: £1,845,631). A depreciation charge for the year of £139,719 (2012: £250,344) has been provided on these assets. These assets are included in network assets.

Satellites in operation includes both the HYLAS 1 and 2 satellites. HYLAS 2 came into commercial service on 1 October 2012 and all related satellite and ground station assets have been depreciated from this point. HYLAS 1 came into commercial service on 1 April 2011 and the associated satellite assets were depreciated from this point.

The satellite in construction assets of £19,619,000 now relate to HYLAS 3/4 design, the prior year included HYLAS 2 (2012: £229,551,000).

Included in the satellite in operation costs are capitalised finance costs of £35,813,037 (2012: £28,728,753) related to the HYLAS 2 satellite. The finance costs on HYLAS 2 will average 5.5% over the lifetime of the facilities (2012: HYLAS 2 average 5.5%). The HYLAS 2 assets are located in Cyprus.

The lenders of the HYLAS 2 loan facility (note 22) have a fixed and floating charge over all the assets of the Group.

Impairment reviews were conducted on the satellites in operation. The carrying value of the assets are supported and thus there is no impairment loss recorded. A sensitivity analysis was carried out by management and is not considered to have a significant impact on the impairment conclusions.

12 Intangible assets

	Computer software £'000	Brand name £'000	Customer lists £'000	Goodwill £'000	Group total £'000
Cost					
Balance at 1 July 2011	395	–	–	–	395
Additions acquired through business combinations	–	181	1,389	7,530	9,100
Balance at 1 July 2012	395	181	1,389	7,530	9,495
Effect of movements in exchange rates	–	11	82	(81)	12
Balance at 30 June 2013	**395**	**192**	**1,471**	**7,449**	**9,507**
Accumulated amortisation					
Balance at 1 July 2011	392	–	–	–	392
Charge for the year	3	26	66	–	95
Balance at 1 July 2012	395	26	66	–	487
Charge for the year	–	39	99	–	138
Balance at 30 June 2013	**395**	**65**	**165**	**–**	**625**
Net book value					
Balance at 30 June 2013	**–**	**127**	**1,306**	**7,449**	**8,882**
Balance at 30 June 2012	–	155	1,323	7,530	9,008

The additions of goodwill and intangible assets were generated from the Group obtaining control of Filiago GmbH & Co ("Filiago"), located in Germany, on 1 November 2011, and resulted in the recognition of £7.5 million of goodwill and £1.7 million of intangible assets, representing the Filiago brand name and customer lists. The intangibles acquired with obtaining control of Filiago represent the cash-generating unit.

As set out in IAS 36 Impairment of Assets, a cash-generating unit is the smallest identifiable group of assets that generate cash inflows from continuing use that are largely independent of the cash flows from other assets or groups of assets. For the purpose of impairment testing of goodwill, goodwill is allocated to a group of cash-generating units (being subsidiaries acquired in each acquisition). Such group of cash generating units represent the lowest level within the Group for which the goodwill is monitored for internal management purposes.

The recoverable amount of the cash-generating units is determined using value-in-use, which is calculated by using the discounted cash flow method. This method considered the cash flows of the subsidiaries (cash-generating units) for the 10 years from acquisition ending 30 June 2021 with subsequent transition to perpetuity. For the years following the detailed planning period, the assumed continual growth of 4% for the operation to perpetuity was used which complied with general expectations for the business. The present value of cash flows is calculated by discounting the cash flow by pre-tax interest rate of approximately 14.6%.

The brand names acquired in the course of the Filiago business combination of £181,000 are amortised on a straight-line basis over a period of five years. At the year end the NBV of the brand names is £127,000 (2012: £155,000), after charging £39,000 (2012: £26,000) of amortisation in the year.

The customer lists acquired in the course of the Filiago business combination of £1,389,000 are amortised on a straight-line basis over a period of 15 years. At the year end the carrying amount of the customer bases is £1,306,000 (2012: £1,323,000) after charging £99,000 (2012: £66,000) of amortisation in the year.

The lenders of the HYLAS 2 loan facility (note 22) have a fixed and floating charge over all the assets of the Group.

Notes to the accounts *continued*

13 Business combinations

On 1 November 2011 the Group took effective control of Filiago GmbH & Co ("Filiago") by enhancing the security over its loans with Filiago. From 1 November 2011 ("the date of control") Filiago has been accounted for as a subsidiary in the consolidated financial statements because of the control held but, because the Group has not purchased any equity shares in the company, a 100% non-controlling interest is recognised on the statement of financial position removing the impact of achieving control from shareholders' funds.

Filiago is a broadband reseller and has multiple distributors in several countries as well as a large direct customer base. The fair value of net assets acquired, identifiable intangibles assets and the operating results of Filiago are included in the consolidated financial statements since achieving control. During the year Filiago contributed to the group's results with revenue of £1.5 million (2012: £1.1 million), and a loss of £0.4 million (2012: £0.5 million). The loss of £0.4 million is removed from shareholders' funds as a non-controlling interest.

The following table summarises the consideration paid for Filiago, the fair value of the assets acquired, and liabilities assumed.

	1 November 2011 Fair Value £'000
Property, plant and equipment	547
Trade and other receivables	229
Cash and cash equivalents	2
Trade and other payables	(1,541)
Net liabilities acquired	(763)
Goodwill	7,530
Intangibles	1,681
Total cost of control	8,448

The above goodwill and intangibles have been reduced by amortisation and foreign exchange revaluations totalling £126k (2012: £203k) in the year.

Identified as part of this consideration are intangible assets valued at £1.7 million. These intangible assets are made up of the valuation of the existing customer lists as well as the trade name.

Goodwill of £7.5 million was recognised on acquisition, this represents future economic benefits of the arrangement.

14 Investments

Company

Shares in subsidiary undertakings

	30 June 2013 £'000	30 June 2012 £'000
Beginning of the year	**97,725**	84,728
Equity investments in Avanti HYLAS 2 Limited	**–**	12,973
Investment in Avanti Communications Germany GmbH	**–**	24
	97,725	97,725

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 15.

15 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	Place of incorporation
Avanti Communications Limited	Telecommunication consultancy	England & Wales
Avanti Space Limited	Satellite services	England & Wales
Avanti Local TV Services Limited[1]	Satellite services	England & Wales
Avanti Space 3 Limited[1]	Satellite services	England & Wales
Avanti Launch Services Limited	Management services	Isle of Man
Avanti Broadband Limited	Satellite services	England & Wales
Avanti Broadband (Ire) Limited[1]	Satellite services	England & Wales
Avanti HYLAS 2 Limited	Satellite services	England & Wales
Avanti HYLAS 2 Launch Services Limited	Management services	Isle of Man
Avanti Communications Infrastructure Limited[1]	Holding company	England & Wales
Avanti Employee Benefit Trust	Employee benefit trust	England & Wales
Avanti HYLAS 2 Cyprus Limited	Satellite services	Cyprus
Avanti HYLAS Services Limited	Project management services	Cyprus
Avanti Communications Marketing Services Limited	Sales and marketing	England & Wales
Avanti Communications Germany GmbH	Satellite services	Germany
Avanti Communications Sweden AB	Satellite services	Sweden

1 Company was dormant in the year ending 30 June 2013.

The Company holds 100% ownership interest and voting power in all the above entities.

On 1 November 2011 the Group took effective control of Filiago GmbH & Co ("Filiago") by enhancing the security over its loans with Filiago. From 1 November 2011 ("the date of control") Filiago is accounted for as a subsidiary in the consolidated financial statements because of the control now held but, because the Group has not purchased any equity shares in the Company, a 100% non-controlling interest is recognised on the statement of financial position removing the impact of achieving control from shareholders' funds.

On 18 October 2012 the ordinary shares of Avanti Caledonian Broadband Limited and Avanti (NI) Limited were transferred to Alphasat Communications Limited.

16 Inventories

Group	**30 June 2013 at cost £'000**	30 June 2012 at cost £'000
Finished goods	**2,963**	881

Finished goods represent customer premises equipment which includes dishes, modems and outdoor unit transceivers.

The cost of inventories recognised as an expense during the period was £3,100,000 (2012: £2,472,000).

There have been no write-downs of inventory during the year.

Notes to the accounts *continued*

17 Trade and other receivables

	Group		Company	
	30 June 2013 £'000	30 June 2012 £'000	**30 June 2013 £'000**	30 June 2012 £'000
Trade receivables	**6,301**	1,441	**–**	139
Less provision for impairment of trade receivables	**(1,111)**	(268)	**–**	–
Net trade receivables	**5,190**	1,173	**–**	139
Accrued income	**3,054**	5,967	**–**	–
Prepayments	**3,638**	3,456	**828**	644
Amounts due from Group companies	**–**	–	**164,173**	165,163
Other receivables	**1,715**	2,879	**–**	–
	13,597	13,475	**165,001**	165,946

For discussion of credit risk, refer to Note 23(b).

18 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:

	Group		Company	
	30 June 2013 £'000	30 June 2012 £'000	**30 June 2013 £'000**	30 June 2012 £'000
Deferred tax assets	**18,609**	13,029	**327**	282
Deferred tax liabilities	**(6,216)**	(7,438)	**–**	–
	12,393	5,591	**327**	282
The gross movement on the deferred income tax account is as follows:				
Balance at 1 July 2012	**5,591**	3,386	**282**	191
Income tax recognised in the income statement	**6,805**	2,122	**224**	100
Loss transfer to Group company	**–**	–	**(168)**	–
Tax (credited)/charged directly to equity	**(3)**	83	**(11)**	(9)
Balance at 30 June 2013	**12,393**	5,591	**327**	282

Group	**Opening balance £'000**	**Credited/ (charged) to the income statement £'000**	**(Credited)/ charged to equity £'000**	**Closing balance £'000**
30 June 2013				
Tax assets				
Provisions and deferred income	**4,865**	**(2,188)**	**–**	**2,677**
Share based payment	**652**	**(47)**	**(3)**	**602**
Unused tax losses	**7,512**	**7,818**	**–**	**15,330**
Total tax assets	**13,029**	**5,583**	**(3)**	**18,609**
Tax liabilities				
Property, plant and equipment	**(7,438)**	**1,222**	**–**	**(6,216)**
Total tax liabilities	**(7,438)**	**1,222**	**–**	**(6,216)**
Net deferred tax asset/(liability)	**5,591**	**6,805**	**(3)**	**12,393**

18 Deferred taxation *continued*

Group	Opening balance £'000	Credited/ (charged) to the income statement £'000	(Credited)/ charged to equity £'000	Closing balance £'000
30 June 2012				
Tax assets				
Provisions and deferred income	6,603	(1,738)	–	4,865
Share based payment	505	56	91	652
Unused tax losses	7,550	(30)	(8)	7,512
Total tax assets	14,658	(1,712)	83	13,029
Tax liabilities				
Property, plant and equipment	(11,272)	3,834	–	(7,438)
Total tax liabilities	(11,272)	3,834	–	(7,438)
Net deferred tax asset/(liability)	3,386	2,122	83	5,591

Company	**Opening balance £'000**	**Credited/ (charged) to the income statement £'000**	**(Credited)/ charged to equity £'000**	**Closing balance £'000**
30 June 2013				
Tax assets				
Share based payment	**64**	**(1)**	**(11)**	**52**
Unused tax losses	**218**	**57**	**–**	**275**
Total tax assets	**282**	**56**	**(11)**	**327**

Company	Opening balance £'000	Credited/ (charged) to the income statement £'000	(Credited)/ charged to equity £'000	Closing balance £'000
30 June 2012				
Tax assets				
Share based payment	67	6	(9)	64
Unused tax losses	124	94	–	218
Total tax assets	191	100	(9)	282

At 30 June 2013, none of the deferred tax asset of £18.6 million (2012: £13.0 million) is expected to be recovered in the next 12 months.

At 30 June 2013, none of the deferred tax liability of £6.2 million (2012: £7.4 million) is expected to be settled in the next 12 months.

Deferred tax assets have been recognised despite recurring losses as the Group has strong expectations of future profits from communication services provided by the HYLAS 1 and HYLAS 2 satellites.

Notes to the accounts *continued*

19 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 2013 £'000**	30 June 2012 £'000
Cash and bank balances	**37,581**	39,699
Short-term deposits	**1,004**	37,001
Net cash and cash equivalents	**38,585**	76,700

20 Trade and other payables

	Group		Company	
	30 June 2013 £'000	30 June 2012 £'000	**30 June 2013 £'000**	30 June 2012 £'000
Current				
Trade payables	**11,892**	6,686	**–**	–
Social security and other taxes	**318**	271	**–**	–
Other payables	**(161)**	1,267	**70**	23
Accruals and deferred income	**6,368**	9,933	**1**	8
	18,417	18,157	**71**	31
Non-current				
Accruals and deferred income	**14,269**	15,347	**–**	–
	14,269	15,347	**–**	–
The ESA grant is included in deferred income. The activity for the year is as follows:				
Current	**4,277**	5,358	**–**	–
Non-current	**10,726**	15,347	**–**	–
	15,003	20,705	**–**	–

21 Provisions for other liabilities

Group	Current £'000	Total £'000
Onerous lease provision		
Balance at 1 July 2012	3	3
Released during the year	(3)	(3)
Balance at 30 June 2013	**–**	**–**

The final release by the Group to the onerous lease provison was in July 2012.

The Company does not have any provisions (2012: £nil).

22 Loans and other borrowings

	Group Current		Group Non-current	
	30 June 2013 £'000	30 June 2012 £'000	**30 June 2013 £'000**	30 June 2012 £'000
Secured at amortised cost				
Bank loans	**14,882**	2,645	**185,889**	166,975
Finance lease liabilities (i) (note 26)	**2,894**	2,322	**2,112**	3,026
	17,776	4,967	**188,001**	170,001

	Company Current		Company Non-current	
	30 June 2013 £'000	30 June 2012 £'000	**30 June 2013 £'000**	30 June 2012 £'000
Secured at amortised cost				
Finance lease liabilities (i) (note 26)	**240**	232	**109**	349
	240	232	**109**	349

(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.

In December 2009 the Group announced that it had agreed debt financing for Hylas 2 with US Exim bank and COFACE. The total drawdown in this agreement is $328.2 million at an interest rate of 5.5%.

This borrowing is repayable over a period of 7 years from December 2012 and the lenders have a charge over the assets of the Company.

The Company has to meet certain covenant criteria which is reported to the bank every 6 months.

In accordance with IAS 23 – Borrowing Costs, qualifying borrowing costs have been capitalised as part of the cost to HYLAS 2, recognised as Satellite in Construction in Note 11.

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.

Consistent with covenant requirements in relation to the HYLAS 2 loan facility, the Group monitors capital on the basis of net tangible worth of certain subsidiary companies and debt service coverage ratios of the Group and certain subsidiary companies.

23 Financial instruments and risk management

Group

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

All financial instruments have been measured at amortised cost, except for derivative assets recognised as derivatives used for hedging. 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 operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and the Euro. In order to hedge the foreign currency risk the Group enters into forward contracts or natural hedges. These risks are assessed on a continual basis.

Notes to the accounts *continued*

23 Financial instruments and risk management *continued*

The procurement of our second satellite HYLAS 2 has transactions mainly executed in US Dollars. This is hedged naturally against the corresponding financing loan denominated in US Dollars. These items are held in a US Dollar denominated company and both are translated into the Group accounts at the year end exchange rate.

At 30 June 2013, if the Euro had weakened/strengthened against the Sterling by 5% with all other variables held constant, post tax loss would have improved by £253,346 or worsened by £280,114 (2012: post tax loss would have improved by £108,390 or worsened by £119,799).

At 30 June 2013, if the US Dollar had weakened/strengthened against the Sterling by 5% with all other variables held constant, post tax loss would have improved by £83,489 or worsened by £92,278 (2012: post tax loss would have improved by £62,744 or worsened by £69,348). The US Dollar cash reserves and US Dollar loan are held in a US Dollar denominated company and are revalued through reserves upon consolidation.

The average volatility of rates during the year compared to the year end exchange rate was 3.55% and therefore Management believes that a 5% sensitivity rate provides a reasonable basis upon which to assess expected changes in foreign exchange rates.

ii) Interest Risk Management

The Group borrows in US Dollars at fixed rates of interest and does not seek to mitigate the effect of adverse movements in interest rates. Cash and deposits earn interest at fixed 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 other financial assets. 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.

	30 June 2013 £'000
Trade receivables	**5,190**
Other financial assets	**–**
Total	**5,190**

	30 June 2012 £'000
Trade receivables	1,173
Other financial assets	–
Total	1,173

The ageing of trade receivables and other financial assets 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 2013	**2,158**	**976**	**335**	**1,721**	**5,190**
30 June 2012	701	162	183	127	1,173

23 Financial instruments and risk management *continued*

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

	30 June 2013 £'000	30 June 2012 £'000
At 1 July 2012	**268**	53
Allowances made in the period	**849**	317
Amounts used and reversal of unused amounts	**(6)**	(102)
At 30 June 2013	**1,111**	268

The provision of £1,111,000 (2012: £268,000) has been raised against gross trade receivables of £6,301,000 (2012: £1,441,000). Every major customer is assessed on an individual basis and we provide for bad debts when an impairment has been identified. Generally when the balance becomes more than 60 days past its due date it is considered that the amount will not be fully recoverable.

c) Liquidity risk management

The Group's exposure to liquidity risk management is minimised due to the prudent monitoring of all of the Group's 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 2013						
Bank loans	**23,885**	**30,025**	**141,941**	**39,496**	**235,347**	**200,771**
Finance leases	**3,023**	**1,390**	**770**	**–**	**5,183**	**5,006**
Trade payables	**11,892**	**–**	**–**	**–**	**11,892**	**11,892**
30 June 2012						
Bank loans	10,274	19,821	99,828	75,607	205,530	169,620
Finance leases	2,476	2,305	805	–	5,586	5,348
Trade payables	6,686	–	–	–	6,686	6,686

The table below summarises the derivatives as at 30 June 2013 and 2012 into relevant maturity groupings:

	Notional principal £'000	Within 1 year £'000	1 to 2 years £'000	Derivative fair value asset £'000	Derivative fair value liability £'000
30 June 2013					
Foreign currency forward contracts	**–**	**–**	**–**	**–**	**–**
30 June 2012					
Foreign currency forward contracts	2,447	2,447	–	129	–

All derivatives are held in the Company.

In addition, the Company has intercompany balances carried at £161.2 million (2012: £146.3 million). The contractual amount is equal to the carrying amount.

Notes to the accounts *continued*

23 Financial instruments and risk management *continued*

d) 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 (Note 22), cash and cash equivalents (Note 19) and equity attributable to equity holders of the parent, comprising ordinary share capital, share premium, other reserves and retained earnings.

We endeavour to maximise earnings and minimise risk through an appropriate balance of debt and equity.

As well as the debt outlined in Note 22, the Group has a total debt facility of US$328.2 million (2012: US$328.2 million) in relation to Hylas 2 expenditure and is fully funded in this respect.

e) Financial instruments by category

Group Assets as per balance sheet	Loans and receivables £'000	Assets at fair value through the profit and loss £'000	Derivatives used for hedging £'000	Available for sale £'000	Total £'000
30 June 2013					
Trade and other receivables (excl prepayments)	**9,959**	**–**	**–**	**–**	**9,959**
Cash and cash equivalents	**38,585**	**–**	**–**	**–**	**38,585**
	48,544	**–**	**–**	**–**	**48,544**
30 June 2012					
Derivative financial instruments	–	–	129	–	129
Trade and other receivables (excl prepayments)	10,019	–	–	–	10,019
Cash and cash equivalents	76,700	–	–	–	76,700
	86,719	–	129	–	86,848

Liabilities as per balance sheet	Liabilities at fair value through the profit and loss £'000	Derivatives used for hedging £'000	Other financial liabilities at amortised cost £'000	Total £'000
30 June 2013				
Borrowings (excl finance lease liabilities)	**–**	**–**	**200,771**	**200,771**
Finance lease liabilities	**–**	**–**	**5,006**	**5,006**
Trade and other payables (excl non-financial liabilities)	**–**	**–**	**32,368**	**32,368**
	–	**–**	**238,145**	**238,145**
30 June 2012				
Borrowings (excl finance lease liabilities)	–	–	169,620	169,620
Finance lease liabilities	–	–	5,348	5,348
Trade and other payables (excl non-financial liabilities)	–	–	33,233	33,233
	–	–	208,201	208,201

23 Financial instruments and risk management *continued*

Company Assets as per balance sheet	Loans and receivables £'000	Assets at fair value through the profit and loss £'000	Derivatives used for hedging £'000	Available for sale £'000	Total £'000
30 June 2013					
Trade and other receivables (excl prepayments)	**164,173**	**–**	**–**	**–**	**164,173**
	164,173	**–**	**–**	**–**	**164,173**
30 June 2012					
Derivative financial instruments	–	–	129	–	129
Trade and other receivables (excl prepayments)	165,302	–	–	–	165,302
	165,302	–	129	–	165,431

Liabilities as per balance sheet	Liabilities at fair value through the profit and loss £'000	Derivatives used for hedging £'000	Other financial liabilities at amortised cost £'000	Total £'000
30 June 2013				
Finance lease liabilities	**–**	**–**	**349**	**349**
Trade and other payables (excl non-financial liabilities)	**–**	**–**	**71**	**71**
	–	**–**	**420**	**420**
30 June 2012				
Finance lease liabilities	–	–	581	581
Trade and other payables (excl non-financial liabilities)	–	–	31	31
	–	–	612	612

Financial instruments and risk management – Company

The Company does not have a material exposure to interest rate risk and foreign exchange risk.

Overall market risk, credit risk and liquidity risk are managed on a Group wide basis. Derivatives are measured at fair value and intercompany balances and accruals are measured at amortised cost. All intercompany balances are repayable on demand and accruals and derivatives mature in less than 1 year.

There is no provision for impairment against any of the Company's financial assets.

Notes to the accounts *continued*

24 Share capital – issued and fully paid

	Number of shares '000	Group and Company ordinary shares £'000	EBT shares £'000	Group and company share premium £'000
At 1 July 2011	84,951	802	47	188,678
Shares issued	26,785	268	–	74,732
Less transaction costs	–	–	–	(1,091)
At 30 June 2012	111,736	1,070	47	262,319
At 1 July 2012	111,736	1,070	47	262,319
At 30 June 2013	**111,736**	**1,070**	**47**	**262,319**

In the previous financial year, the Group issued 26,785,714 shares at £2.80 per share.

25 Share based payments

The fair value of share options charged to the income statement in the period was £374,809 (2012: £630,523). 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 14 share option schemes:

- Enterprise Management Incentives scheme (EMI)
- Long Term Incentive Plan (LTIP)
- Unapproved share option plan (2007)
- Unapproved share option plan (March 2010)
- Unapproved share option plan (July 2010)
- Unapproved share option plan (October 2010)
- Unapproved share option plan (April 2011)
- Save As You Earn scheme (SAYE) (July 2010)
- Unapproved share option plan (July 2011)
- Unapproved share option plan (October 2011)
- Unapproved share option plan (October 2011) – key management personnel
- Save As You Earn scheme (SAYE) (November 2011)
- Unapproved share option plan (March 2012)
- Unapproved share option plan (April 2012)

The 2013 charges and weighted average fair value for each of the plans above were as follows:

	2013 charge £	2012 charge £
EMI	**24,318**	54,465
LTIP schemes	**136,953**	247,845
Unapproved schemes	**194,411**	305,839
SAYE schemes	**19,127**	22,374
	374,809	630,523

To date all options (with exception of the SAYE scheme) have been granted with a strike price of 1p. The strike price on the SAYE scheme 2010 is £4.70, and on the SAYE scheme 2011 is £3.09.

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

25 Share based payments *continued*

The table below sets out the number and weighted average exercise prices (WAEP) of, and movements in, the share options schemes during the year:

	2013 No.	2013 WAEP	2012 No.	2012 WAEP
EMI				
Outstanding at the beginning of the year	**156,201**	**£0.01**	184,815	£0.01
Granted during the year	**–**	**£0.01**	–	£0.01
Forfeited in the year	**–**	**£0.01**	(2,644)	£0.01
Exercised during the year	**(15,807)**	**£0.01**	(25,970)	£0.01
Outstanding at the end of the year	**140,394**	**£0.01**	156,201	£0.01
Unapproved schemes				
Outstanding at the beginning of the year	**563,705**	**£0.01**	594,421	£0.01
Granted during the year	**–**	**£0.01**	–	£0.01
Forfeited in the year	**–**	**£0.01**	–	£0.01
Exercised during the year	**(121,014)**	**£0.01**	(30,716)	£0.01
Outstanding at the end of the year	**442,691**	**£0.01**	563,705	£0.01
SAYE schemes				
Outstanding at the beginning of the year	**135,243**	**£4.10**	58,954	£4.70
Granted during the year	**–**	**£4.10**	81,594	£3.90
Forfeited in the year	**–**	**£4.10**	(5,305)	£3.90
Exercised during the year	**–**	**£4.10**	–	£3.90
Outstanding at the end of the year	**135,243**	**£4.10**	135,243	£4.10

The weighted average share price for the year ended 30 June 2012 was £2.99 (2012: £2.98).

102,713 (2012: 80,040) of the EMI options, 15,000 (2012: 30,715) of the unapproved 2007 scheme, and 50,000 (2012: 33,333) of the unapproved July 2010 scheme were exercisable from 30 June 2013. With exception of the LTIP shares issued to senior management, all outstanding LTIP shares were returned to the EBT.

The exercise price of options outstanding at 30 June 2013 was £0.01 and the weighted average remaining contractual life was 6.7 years.

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

EMI Scheme

The EMI scheme was used to issue options to staff on 24 July 2007 at an exercise price of 1p. The new options were 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 demerger were given a shorter vesting period for these new options. There are no performance criteria associated with these options and they 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
Expected volatility	35%
Weighted average exercise price	£0.01
Expected life	4 years
Expected dividend yield	1%
Risk-free interest free	5.5%

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

Notes to the accounts *continued*

25 Share based payments *continued*

Long Term Incentive Plan

The LTIP was 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.

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 2010. 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. The benchmark for this tranche of LTIP was satisfied in November 2010.

iii) The Extraordinary Achievement Tranche

This element of the grant was only exercisable if the Market Value of a Share exceeds £10 for a consecutive period of six months before 30 June 2013. At 30 June 2013, the criteria of the extraordinary achievement tranche had not been met, therefore the outstanding shares have been returned to the EBT.

	2013 No. options Executive directors	**2013 No. options Senior managers**	2012 No. options Executive directors	2012 No. options Senior managers
Original allocations:				
Core	**1,192,960**	**125,000**	1,192,960	125,000
Exceptional	**679,570**	**62,500**	679,570	62,500
Extraordinary	**679,213**	**62,500**	679,213	62,500
Additional grant July 2010	**400,000**	**–**	400,000	–
Total allocation	**2,951,743**	**250,000**	2,951,743	250,000
Core vested	**(1,192,960)**	**(71,429)**	(1,022,537)	(53,571)
Exceptional vested	**(679,570)**	**(62,500)**	(679,570)	(62,500)
Unvested balance returned to the EBT	**(1,079,213)**	**(62,500)**	–	–
Outstanding balance 30 June 2013	**–**	**53,571**	1,249,636	133,929

Unapproved schemes

At 30 June 2013, there were 10 unapproved schemes in place, established at various dates since 2007. No new schemes were established in the year ended 30 June 2013.

Under each scheme, the options are issued for 10 years with 25% or 33% vesting at the end of years 3, 4, 5 and 6.

Under 7 of the schemes (noted overleaf), the market value of the shares must be £10.00 or more per share for a consecutive period of 6 months in order for the vesting conditions to be met. For all other schemes, there are no performance criteria and the options are exercisable as long as the option holder remains with the company.

25 Share based payments *continued*

Unapproved schemes with £10.00 share price vesting criteria:

– Unapproved share option plan (March 2010)
– Unapproved share option plan (October 2010)
– Unapproved share option plan (April 2011)
– Unapproved share option plan (July 2011)
– Unapproved share option plan (October 2011)
– Unapproved share option plan (March 2012)
– Unapproved share option plan (April 2012)

SAYE schemes

The save as you earn schemes were established in July 2010 and November 2011 and were open to all employees of the company at the time.

Save as you earn is an HMRC approved all employee savings-related share option scheme under which employees save up to a limit of £250 on a 4-weekly basis with an option to buy shares in the company at the end of a 3-year at a discount of up to 20% of the market value on the grant date. Options are not subject to performance conditions. All options are exercisable from three years from the date of grant. All options expire 6 months from their exercise date.

26 Obligations under finance leases

Leasing arrangements

Finance leases relate to capital equipment with lease terms of 3–5 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

	Group Minimum lease payments		Group Present value of lease payments	
	30 June 2013 £'000	30 June 2012 £'000	**30 June 2013 £'000**	30 June 2012 £'000
No later than 1 year	**3,023**	2,476	**2,894**	2,322
Later than 1 year no later than 5 years	**2,160**	3,110	**2,112**	3,026
	5,183	5,586	**5,006**	5,348
Less future finance charge	**(177)**	(238)	**–**	–
	5,006	5,348	**5,006**	5,348

	Company Minimum lease payments		Company Present value of lease payments	
	30 June 2013 £'000	30 June 2012 £'000	**30 June 2013 £'000**	30 June 2012 £'000
No later than 1 year	**240**	232	**240**	232
Later than 1 year no later than 5 years	**109**	349	**109**	349
	349	581	**349**	581
Less future finance charge	**–**	–	**–**	–
	349	581	**349**	581

Notes to the accounts *continued*

26 Obligations under finance leases *continued*

Included in the financial statements as:

	Group		Company	
	30 June 2013 £'000	30 June 2012 £'000	**30 June 2013 £'000**	30 June 2012 £'000
Current borrowings	**2,894**	2,322	**240**	232
Non-current borrowings	**2,112**	3,026	**109**	349
Present value of minimum lease payments	**5,006**	5,348	**349**	581

During the year the Group entered into a 3 year sale and leaseback agreement with Lombard Technology Services Limited for network equipment with a fair value of £2.3 million. There was no profit or loss on the transaction as the sale was conducted at the fair value of the assets.

27 Obligations under operating leases

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

	30 June 2013		30 June 2012	
	Land & Buildings £'000	**Other £'000**	Land & Buildings £'000	Other £'000
No later than 1 year	**1,288**	**13**	265	18
Later than 1 year no later than 5 years	**6,438**	**–**	794	13
After 5 years	**17,812**	**–**	331	–
	25,538	**13**	1,390	31

Operating lease commitments principally relate to leased office space of the Group's head office. During the year the Group exited from its lease commitments at 74 Rivington Street, London and relocated its head office to Cobham House, 20 Black Friars Lane, London on 6 May 2013. The Group entered in a 20 year lease on the property, with annual rent of £1.3 million. Other operating leases include a fleet of 4 vans.

28 Capital commitments

As at 30 June 2013 the Group has contracted but not provided for capital commitments of £10.5 million (2012: £12.0 million). This amount relates to the procurement of Avanti's third satellite, Hylas 3, as well as some small commitments remaining on Hylas 2.

29 Related party transactions and Directors' emoluments

Transactions with Directors

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

	30 June 2013 £'000	30 June 2012 £'000
Salaries and other short term employee benefits	**1,450**	1,435
Bonus	**–**	766
	1,450	2,201
Payments into defined contribution schemes	**114**	109
Gain on exercise of share options	**219**	60
	1,783	2,370

Pension contributions amounting to £114,338 (2012: £108,546) were made into personal pension schemes in respect of 4 (2011: 4) of the Directors.

Three non-executive directors exercised share options in the period.

29 Related party transactions and Directors' emoluments *continued*

The emoluments of the highest paid Director totalled £446,696 (2012 £749,693) made up of:

Total emoluments	30 June 2013 £'000	30 June 2012 £'000
Salaries and other short term employee benefits	**406**	396
Bonus	**–**	314
Payments into defined contribution schemes (current year)	**41**	39
Total emoluments	**447**	749

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".

Key management personnel are considered to be the executive board, the general counsel, the head of regulatory, and the managing director of the consulting division.

	Group		Company	
Total emoluments	30 June 2013 £'000	30 June 2012 £'000	30 June 2013 £'000	30 June 2012 £'000
Salaries and other short term employee benefits	**2,235**	1,972	**478**	432
Bonus	**–**	1,094	**–**	–
Payments into defined contribution schemes	**155**	236	**–**	–
Share based payments	**327**	389	**–**	27
	2,717	3,691	**478**	459

Other related party transactions

Subsidiaries

Intra-group transactions are eliminated on consolidation and are not reported in the Group accounts. The Company charged the following management fees to its subsidiaries:

	30 June 2013 £'000	30 June 2012 £'000
Avanti Communications Limited	**1,153**	635
Avanti Broadband Limited	**3,359**	2,258
Avanti Space Limited	**801**	325
Avanti (NI) Limited	**–**	131
Avanti Caledonian Broadband Limited	**–**	271
Avanti HYLAS 2 Limited	**125**	767
	5,438	4,387

The parent Company had the following intercompany balances outstanding at the year end:

	30 June 2013 £'000	30 June 2012 £'000
Avanti Communications Limited	**93,450**	98,894
Avanti Space Limited	**3,582**	2,781
Avanti Broadband Limited	**8,762**	5,402
Avanti HYLAS 2 Limited	**727**	602
Avanti Communications Infrastructure Limited	**57,484**	57,484
	164,005	165,163

Intercompany balances are unsecured and repayable on demand.

Notes to the accounts *continued*

30 Cash (absorbed by)/generated from operations

	Group 30 June 2013 £'000	**Company 30 June 2013 £'000**	Group 30 June 2012 £'000	Company 30 June 2012 £'000
Loss before taxation	**(37,632)**	**(1,064)**	(16,007)	(580)
Derivative valuation	**129**	**129**	(213)	(213)
Interest receivable	**–**	**–**	(207)	–
Foreign exchange losses in operating activities	**–**	**–**	563	–
Depreciation and amortisation of non-current assets	**25,512**	**–**	10,457	–
Provision for doubtful debts and accrued income	**1,679**	**–**	230	–
Onerous lease provision	**(3)**	**–**	(30)	–
Share based payment expense	**375**	**13**	631	27
(Gain)/Loss on disposal of fixed assets	**–**	**–**	(2)	–
Movement in working capital:				
(Decrease)/increase in stock	**(2,082)**	**–**	404	–
(Increase)/decrease in debtors	**(2,619)**	**1,114**	(5,802)	(59,990)
Increase/(decrease) in trade and other payables	**2,781**	**40**	(2,338)	(157)
Cash (absorbed by)/generated from operations	**(11,860)**	**232**	(12,314)	(60,913)

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at 9.00am on 14 November 2013 at Jefferies International, Vintners Place, 68 Upper Thames Street, London EC4V 3BJ for the following purposes:

Ordinary business

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

1. Report and accounts

To receive the audited annual accounts for the year ended 30 June 2013, together with the reports of the Directors and Auditors therein.

2. Re-election of directors

2.1 To re-elect John Brackenbury as a Director of the Company who retires by rotation in accordance with the Company's Articles of Association.

2.2 To re-elect David Williams as a Director of the Company who retires by rotation in accordance with the Company's Articles of Association.

2.3 To re-elect Alan Foster as a Director of the Company who retires by rotation in accordance with the Company's Articles of Association.

3. Election of director

To appoint Paul Johnson as a Director of the Company, who having been appointed since the last Annual General Meeting, offers himself for election in accordance with the Company's articles of association.

4. Appointment of auditors

To appoint KPMG LLP as auditors of the Company.

5. Auditor's remuneration

To authorise the Directors to determine the remuneration of the auditors.

Special Business

To consider, and if thought fit, to pass the following resolutions, of which resolution 6 will be proposed as an ordinary resolution, and resolutions 7 and 8 will be proposed as special resolutions:

6. Directors' authority to allot shares

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 person, on such terms and in such manner as they think fit, up to an aggregate nominal amount of £372,456, such authority to expire on 14 May 2015 or at the conclusion of the Annual General Meeting following the date on which this resolution is passed (whichever is the earlier), save that the Company may before such expiry make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if that authority had not expired.

Notice of Annual General Meeting *continued*

7. Directors' power to issue shares for cash

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 conferred by resolution 6 above, and/or where such an allotment constitutes an allotment of equity securities by virtue of section 560(2) of the Act, as if section 561(1) of the Act did not apply to such allotment provided that the power conferred by this resolution shall be limited to:

(a) the allotment of equity securities in connection with an invitation or offer of equity securities to the holders of ordinary shares in the capital of the Company (excluding any shares held by the Company as treasury shares (as defined in section 724(5) of the Act)) on a fixed record date in proportion (as nearly as practicable) to their respective holdings of such shares or in accordance with the rights attached to such shares (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or as a result of legal or practical problems under the laws of, or the requirements of any regulatory body or any stock exchange in any territory or otherwise howsoever);

(b) the allotment of equity securities pursuant to the exercise of any options granted by the Company at the date of this resolution; and

the allotment, otherwise than pursuant to paragraphs (a) and (b) above, of equity securities up to an aggregate nominal value equal to £55,868 and unless previously renewed, revoked, varied or extended, this power shall expire on the earlier of the date falling 18 months after the date of the passing of this resolution and the conclusion of the next Annual General Meeting of the Company except that the Company may at any time before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if this power had not expired.

8. Reduction of capital

That the balance standing to the credit of the share premium account of the Company be reduced by cancelling £100 million of such balance.

By Order of the Board

Patrick Willcocks
Secretary
Registered Office: Cobham House, 20 Black Friars Lane, London EC4V 6EB

Registered Number: 6133927

10 September 2013

Notes:

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulation 2001 (as amended), only those members registered in the register of members of the Company at 6.00pm on 12 November 2013 (or if the Annual General Meeting is adjourned, 48 hours 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 the 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.

2. If you wish to attend the Annual General Meeting in person and 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.

3. 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 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 proxy need not be a member of the Company but must attend the Annual General Meeting in order to represent you. A proxy must vote in accordance with any instructions given by the member by who the proxy is appointed. Appointing a proxy will not prevent a member from attending in person and voting at the Annual General Meeting will terminate the proxy appointment). A proxy form is enclosed. The notes to the proxy form include instructions on how to appoint the Chairman of the Annual General Meeting or another person as proxy. You can only appoint a proxy using the procedures set out in these notes and in the notes to the proxy form.

4. To be valid, a proxy form, and the original or duly certified copy of the power of attorney or other authority (if any) under which it is signed or authenticated should reach the Company's registrar, Neville Registrars at Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA, by no later than 9.00am on 12 November 2013.

5. The notes to the proxy form include instructions on how to appoint a proxy by using the CREST proxy appointment service. You may not use any electronic address provided either in this Notice of Annual General Meeting or in any related documents (including the proxy form) to communicate with the Company for any purposes other than those expressly stated.

6. In the case of joint holders of shares, the vote of the first named in the register of members who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of other joint holders.

7. 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 Notes 3 to 5 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.

8. 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 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 8.45am on the day of the Annual General Meeting until its conclusion.

Notes to Notice of Annual General Meeting

Resolution 1 – Report and Accounts

All companies are required by law to lay their annual accounts and reports before a general meeting of the Company, together with the Directors' report and auditor's report on the accounts. At the Annual General Meeting, the Directors will present these documents to the shareholders for the financial year ended 30 June 2013.

Resolution 2 – Re-election of Directors

These resolutions concern the re-appointment of John Brackenbury, David Williams, and Alan Foster who are retiring at the meeting by rotation in accordance with the Company's articles of association.

Resolution 3 – Election of Director

This resolution concerns the election of Paul Johnson as a Director of the Company. Paul Johnson was appointed by the Board on 16 January 2013 as a non-executive Director. Paul Johnson is required by the Company's Articles of Association to offer himself for re-election at the annual general meeting following his appointment. Paul Johnson's biography is set out on page 27.

Resolution 4 – Appointment of Auditors

This resolution concerns the appointment of KPMG LLP as auditors in place of PriceWaterhouseCoopers LLP as auditors until the conclusion of the next general meeting at which accounts are laid, that is the next Annual General Meeting.

Resolution 5 – Auditors' remuneration

This resolution authorises the directors to fix the auditors' remuneration.

Resolution 6 – Director's Authority to Allot Shares

This resolution grants the Directors authority to allot shares in the capital of the Company and other relevant securities up to an aggregate value of £372,456, representing approximately 33.33% of the nominal value of the issued ordinary share capital as at 10 September 2013, being the latest practicable date before publication of this notice. The Directors do not have any present intention of exercising the authorities conferred by this resolution but they consider it desirable that the specified amount of authorised but unissued share capital is available for issue so that they can more readily take advantage of possible opportunities. Unless revoked, varied or extended, this authority will expire at the conclusion of the next Annual General Meeting of the Company or the date falling 18 months from the passing of this resolution, whichever is the earlier.

Resolution 7 – Director's Power to Issue Shares for Cash

This resolution authorises the Directors in certain circumstances to allot equity shares for cash other than in accordance with the statutory pre-emption rights (which require the company to offer all allotments for cash first to existing shareholders in proportion to their holdings). The relevant circumstances are either where the allotment takes place in connection with a rights issue or the allotment is limited to a maximum nominal amount of £55,868 representing approximately 5% of the nominal value of the issued ordinary share capital of the Company as at 10 September 2013, being the latest practicable before publication of this notice. Unless revoked, varied or extended, this authority will expire at the conclusion of the next AGM of the Company or 18 months after the passing of the resolution, whichever is the earlier. The Directors consider that the power proposed to be granted by resolution 7 is necessary to retain flexibility, although they do not have any intention at the present time of exercising such power.

Resolution 8 – Reduction of capital

The Company is also seeking the approval of shareholders to undertake a reduction of capital. As at 30 June 2013, the Company had an accumulated deficit on its profit and loss account of £22,778,000. Until such time as this deficit has been eliminated, the Company will not have distributable reserves and would therefore be unable to pay dividends (or make any other similar return of value) to its shareholders.

The Company (as at 30 June 2013) had an amount of £262,319,000 standing to the credit of its share premium account. The Company is now seeking the approval of shareholders (by special resolution) to reduce the capital of the Company by cancelling the amount of £100,000,000 standing to the credit of its share premium account (the "Reduction of Capital") subject to subsequent confirmation by the Court, as permitted by the Companies Act 2006. Subject to the special resolution being approved, the Board intends to make an application to the Court for confirmation of the Reduction of Capital. Upon the Reduction of Capital becoming effective, the reserve arising as a result will be utilised to eliminate the accumulated deficit on the Company's profit and loss account and, subject to the protection of creditors, the balance arising will be credited to the Company's profit and loss account thus eliminating the current deficit. Prior to confirming the Reduction of Capital, the Court will need to be satisfied that the interests of the Company's creditors are adequately protected. The precise form of creditor protection which may be required will be a question for the Court: these may include seeking the consent of creditors to the cancellation or the provision by the Company of an undertaking to deposit a sum of money into a blocked account created for the purpose of discharging creditors of the Company or to create a special reserve in the company's accounts for the benefit of creditors. The Company intends to give such undertakings as the Court requires and its lawyers advise is appropriate in the circumstances.

If the resolution is passed it is expected that the cancellation would become effective during the course of the current financial year and would not be reflected in the accounts of the Company until it becomes effective.

The Board considers that the proposed Reduction of Capital is in the best interests of shareholders and unanimously recommends that shareholders vote in favour of the special resolution to approve the reduction.

Further Notes to the Annual General Meeting

Introduction
After his opening remarks, the Chairman will explain in 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 8.30am and the meeting will start promptly at 9.00am.

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.

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

Analysis of Shareholders

Range of Holdings	Number of Shares	Number of Shareholders
Less than 10,001	3,877,652	2,066
10,001–20,000	1,416,038	96
20,001–50,000	1,948,301	64
50,001–100,000	2,083,112	29
100,001–150,000	1,712,153	14
150,001–300,000	5,237,133	23
300,001–500,000	6,699,010	18
500,001–1,000,000	8,168,551	12
1,000,001 +	80,594,899	18

Further Notes to the Annual General Meeting *continued*

Financial Calendar
- November 2013: Annual General Meeting
- February 2014: Interim results for the six months ended 31 December 2013
- September 2014: Preliminary results for the year ended 30 June 2013

Annual General Meeting
The Annual General Meeting will be held at Jefferies International, Vintners Place, 68 Upper Thames Street, London EC4V 3BJ.

Details of the resolutions to be proposed at the Annual General Meeting are contained in the Notice of Annual General Meeting on page 81.

Dividend
The Directors have not recommended the payment of a dividend for the year ended 30 June 2013.

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

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

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

Avanti's Services
Information about Avanti's services can be found at www.avantiplc.com.

Tear along perforation

Form of Proxy
for Avanti Communications Group plc

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

Proxy form for use at the annual general meeting of Avanti Communications Group plc (the "Company") to be held at Jefferies International, Vintners Place, 68 Upper Thames Street, London EC4V 3BJ on 14 November 2013 at 9.00 a.m. ("AGM" or "Meeting").

I/We

of

being a member/members of the Company entitled to receive notice, attend and vote at general meetings of the Company, hereby appoint the Chairman of the Meeting (Note 1)

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 AGM dated 10 September 2013 (the "Resolutions" and the "Notice" respectively) and any other business (including adjournments and amendments to the Resolutions) which may properly come before the Meeting or any adjournment thereof.

I/We direct my/our proxy to vote as follows in respect of the Resolutions (Note 2):

	Ordinary Business	For	Against	Vote Withheld (Note 2)
1	To receive the report and accounts for the year ended 30 June 2013 (ordinary resolution)			
2.1	To re-elect John Brackenbury as a director (ordinary resolution)			
2.2	To re-elect David Williams as a director (ordinary resolution)			
2.3	To re-elect Alan Foster as a director (ordinary resolution)			
3	To elect Paul Johnson as a director (ordinary resolution)			
4	To appoint KPMG LLP as auditors (ordinary resolution)			
5	To authorise the Directors to fix the remuneration of the auditors (ordinary resolution)			
	Special Business			
6	To authorise the Directors to allot relevant securities (ordinary resolution)			
7	To enable the Directors to allot shares for cash without first offering them to existing shareholders (special resolution)			
8	To reduce the balance standing to the balance of the share premium account by cancelling £100 million of such balance (special resolution)			

(Note 3) Number of shares in relation to which proxy is authorised to act:

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

☐ This proxy appointment is signed on behalf of the member under power of attorney or other authority (Notes 5 and 6)

Signed

Dated

Form of proxy notes

1 A member who is entitled to attend, speak and vote 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 AGM in order to represent you. A member wishing to appoint someone other than the Chairman of the Meeting as his or her proxy should insert that person's name in the space provided in substitution for the reference to "the Chairman of the Meeting" (and delete that reference) and initial the alteration.

2 Please indicate by inserting an "X" in the appropriate box how you wish your vote to be cast on the Resolutions. Your proxy must vote in accordance with any instructions given by you. If you mark the box "vote withheld" it will mean that your proxy will abstain from voting. A "vote withheld" is not a vote in law and will not be counted in the calculation of the proportion of the votes "For" and "Against" a resolution. If you 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 in relation to less than your full voting entitlement, please indicate on the line provided the number 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 voting entitlement or, if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account.

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 proxy form must be deposited for each proxy appointed. Further copies of this form may be obtained from 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 on the line provided the number of shares in relation to which the person named on this form is authorised to act as your proxy, and also indicate by ticking the box provided that the proxy instruction is one of multiple instructions being given. All forms must be signed and returned to Neville Registrars Limited, the Company's registrars, at the address below, 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 the appointments invalid.

5 To be valid, this proxy form, and the original or duly certified copy of the power of attorney or other authority (if any) under which it is signed or authenticated, must be received by post or (during normal business hours only) by hand at the offices of the Company's registrars, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA by 9.00 a.m. on 12 November 2013. Alternatively, a member may appoint a proxy or proxies by using the CREST proxy appointment service, by following the procedure set out in Note 11 below. You can only appoint a proxy using the procedures set out in these Notes and in the notes to the Notice.

6 An individual member or his attorney must sign this form. If the member is a company, this proxy form must be executed under the company's common seal or signed on the company's behalf by a duly authorised officer or attorney of the company, stating their capacity (e.g. director, secretary).

7 The appointment of a proxy will not preclude a member from attending the Meeting and voting in person. If the member appointing the proxy does so attend and vote, any proxy appointment will terminate automatically.

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 A member wishing to change his or her proxy instructions should submit a new proxy appointment using the methods set out, and by the time limit specified, in Note 5. Any changes to proxy instructions received after that time will be disregarded. A member who requires another form should contact 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. Subject to Note 4, if a member submits more than one valid proxy appointment, the appointment received last before the time limit in Note 5 will take precedence.

10 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 or electronically by means of the facilities described in Note 11 below. The revocation notice must be received by Neville Registrars Limited by the time limit set out in Note 5. Any revocation notice received after this time will not have effect.

11 CREST members who wish to appoint a proxy or proxies through the CREST proxy appointment service may do so for the Meeting (and any adjournment thereof) by following the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members (and those CREST members who have appointed a voting service provider) should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("Euroclear") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message (regardless of whether it relates to the appointment of a proxy, the revocation of a proxy appointment or to an amendment to the instruction given to a previously appointed proxy) must, in order to be valid, be transmitted so as to be received by Neville Registrars Limited (ID 7RA11) by the latest time(s) for receipt of proxy appointments specified in Note 5 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Neville Registrars Limited is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members (and, where applicable, their CREST sponsors or voting service providers) should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members (and, where applicable, their CREST sponsors or voting service providers) are referred, in particular, to those sections of the CREST Manual (available at www.euroclear.com/CREST) concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).

Officers and Professional Advisors

Directors

F E J G Brackenbury CBE
Chairman

D J Williams
Chief Executive

D J Bestwick
Technical Director

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

M Walker OBE
Non-Executive Director

P Walsh
Non-Executive Director

P Johnson
Non-Executive Director

Secretary

P Willcocks

Registered Office

Cobham House
20 Black Friars Lane
London
EC4V 6EB

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

KPMG LLP
15 Canada Square
London
E14 5GL

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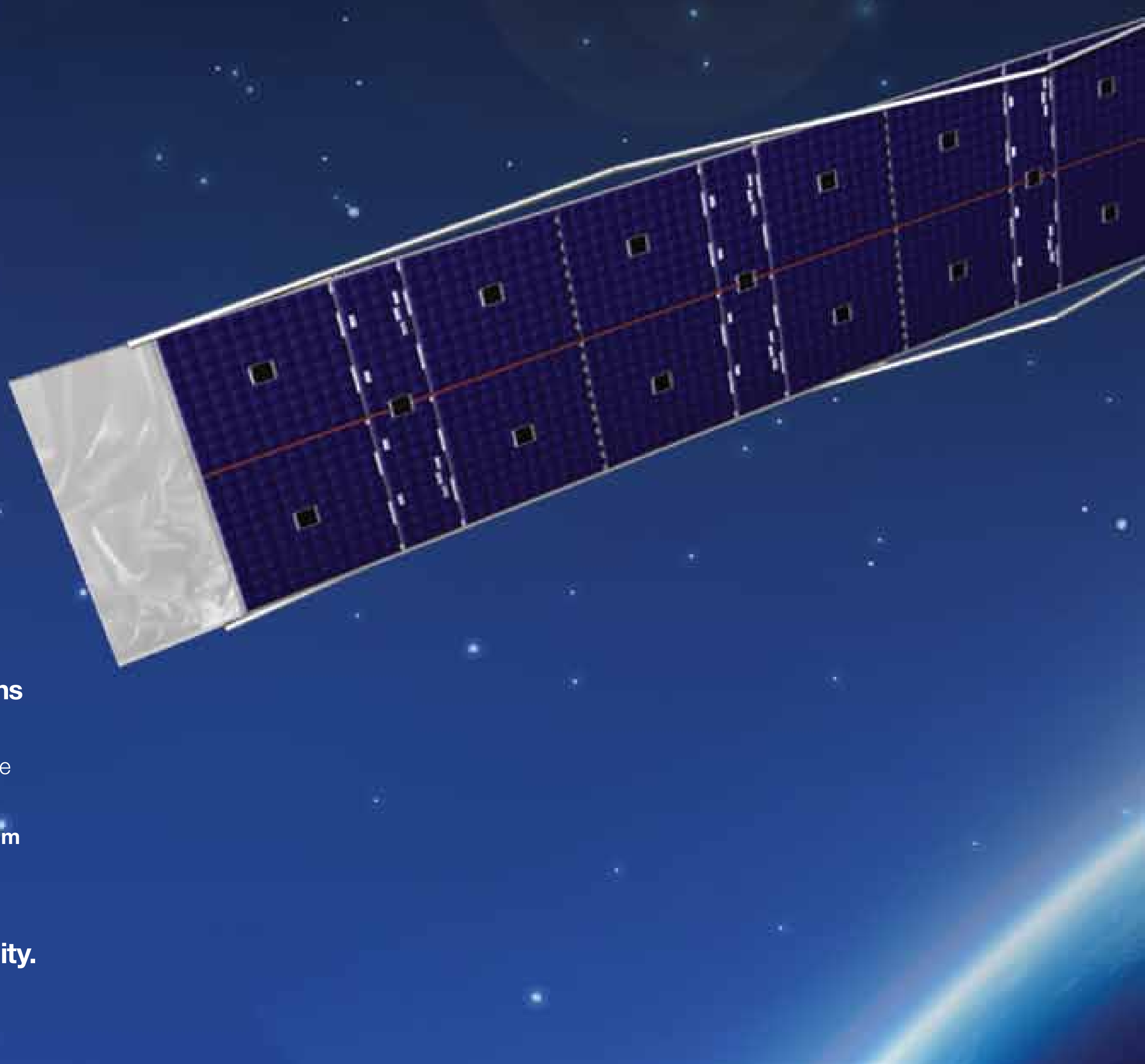

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www.avantiplc.com

Quality. Flexibility.