Avanti Communications Group plc
Annual Report and Accounts 2014

Quality. Flexibility.

CONTENTS

HIGHLIGHTS 2014

Financial highlights

- Revenues increased by 104% to $65.6 million (2013: $32.1 million)
- $430 million Backlog (2013: $445 million)
- EBITDA positive for the full year for the first time
- $195.3 million cash at year end

Operational highlights

- Success in contracting and building several cellular backhaul networks
- Success in contracting and launching broadband deployments for several large telcos
- Acquisition of ARTEMIS satellite and procurement of HYLAS 4 to create best Ka-band coverage in EMEA

WELCOME SHAREHOLDERS

We are building a business that can potentially generate over $700 million in revenues and over $500 million EBITDA annually if the current fleet is filled. The achievements of the year clearly show that Avanti is capable of achieving this ambitious growth in time.

Paul Walsh
Chairman

CHAIRMAN'S STATEMENT

AVANTI HAS ALL THE INGREDIENTS TO CONTINUE TO GROW A BUSINESS TO LARGE SCALE.

Paul Walsh
Chairman

It has been a good twelve months for Avanti. Revenues doubled and the Company generated positive EBITDA for the year. New business was signed with major international telecoms and media companies. The Company succeeded in financing a new satellite on attractive terms which offers shareholders an additional major growth opportunity.

Avanti has financed a fleet of five satellites able to serve 27% of the world's population in a region containing thirteen of the world's twenty fastest growing countries. The strong focus on Africa is unique and gives Avanti a strategic advantage.

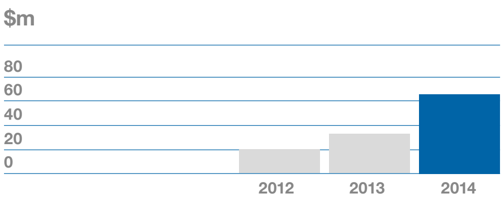
Avanti has built a network with a high level of quality and flexibility. In a data market which changes rapidly and constantly pushes the boundaries of technology, this is fundamental to winning the trust of the larger telecommunications companies. We have an encouraging roster of customers for a young company launching novel products simultaneously into over 50 countries in the last two years. This is an important achievement that points to a positive future for Avanti.

The Board took a step forward this year to complete Avanti's network in Africa with HYLAS 4, and this gives the company major advantages in a region that offers high opportunity. This completes our strategic plan for geographic coverage.

In the quality and breadth of its networks, the scale and growing quality of its customer base and in its dynamic culture which encourages innovation and good customer service, Avanti has all the ingredients to continue to grow a business to large scale. We are building a business that can potentially generate over $700 million in revenues and over $500 million EBITDA annually if the current fleet is filled. That will not happen overnight, and predicting the time taken to contract with the largest telecommunications companies is not straight forward. But the achievements of the year clearly show that Avanti is capable of achieving this ambitious growth in time.

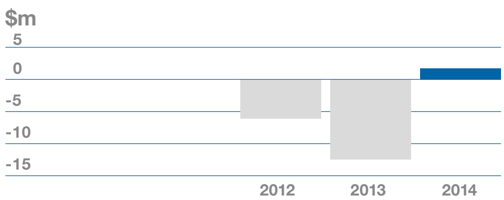
Revenue

$65.6m
+104%



EBITDA*

$1.7m



* adjusted EBITDA before the share based payment charge

CHIEF EXECUTIVE'S REVIEW

THE SIZE OF CUSTOMERS WE HAVE BEEN SIGNING AND THE SCALE OF DEPLOYMENTS THEY ARE PLANNING GIVES US CONFIDENCE.

David Williams
Chief Executive

2014 was the first full year of HYLAS 2 revenues and the first of a carefully planned five year programme to sell its extensive capacity. This helped us to increase revenues by 104% to $65.6 million and to generate EBITDA of $1.7 million (before the non-cash share based payment charge). Transitioning to EBITDA positive and signing contracts with some of the biggest telcos and media companies in our region is a powerful indicator that we have superior, well priced products and are able to sell to the most demanding customers. Over the course of the year we saw increasing numbers of large customers moving from framework contracts to fixed term capacities. The rate at which existing customers increased their contract values ("repeat rate") was an encouraging 52% and the number of days from initial enquiry to signing ("pipeline") was 98, which demonstrates that the sales cycle is shortening considerably as our products become more firmly established in the market. We signed 92 new contracts in the year. A continuation of our 99.99% SLA is a strong reason why new customers are coming to our network and existing customers are buying more.

There are two important elements to the story of our year: the growth in the customer base and the financing of HYLAS 4.

Customers

Revenue growth remains the most important focus for us. This is being achieved via a customer acquisition strategy that has been consistent and successful since the outset.

Our products have been designed to provide a cloud of data capacity that has maximum quality and flexibility, and broad coverage of EMEA, with a particular focus on Sub-Saharan Africa, which now accounts for more than 80% of our capacity. We are able to support our large telecommunications company customers in the widest possible range of applications they seek, greatly exceeding the quality and flexibility that they have seen from legacy satellite fleets. Customers access the fleet through proprietary software called Avanti OSS, and this enables them to scale and change their business with unparalleled flexibility. We have a number of patents and are pursuing others to protect our innovations.

We achieved early success in selling to specialist service providers, referred to in the industry as "VSAT providers". VSAT providers have used our product for enterprise and government networks, media services and some regional broadband deployments. Nine of the top 20 VSAT providers in our regions now buy Avanti capacity, so we know we have generated a loyal and committed customer base in this market and continue to work hard to help them to grow. As a result, much of our new business this year has been won away from legacy technology as old capacity leases matured.

CHIEF EXECUTIVE'S REVIEW CONTINUED

We have a lot of capacity to fill – a Ka-band satellite typically has around 5–10 times more available Megabits than a Ku-band satellite, per tonne, and this drives its price down to levels that are attractive to customers. In order to fill that capacity, we need to access the large scale international distribution that only major telecommunication companies and Mobile Network Operators ("MNOs") can offer. The products of interest here are broadband for consumers and SMEs, and cellular backhaul for MNOs.

We have had success this year in finally penetrating these markets. We created a world first in providing 3G backhaul to MNOs, and have also successfully deployed 4G backhaul for the UK government. With Vodafone and Smart launching our backhaul products on long term contracts, several other large MNOs now piloting the technology at an advanced stage and some proceeding to issue RFPs, this market is maturing for us.

We began deployments in the year for a number of national incumbent telco operators. Telone in Zimbabwe has grown its usage quickly, and we recently announced a contract with Orange Kenya Telecom. We also signed contracts with some of the largest alternative service providers in the regions like Wananchi, the largest media provider in East Africa, and Internet Solutions (Dimension Data) the largest pan African ISP.

The progress of large contracts from pilot, through business case evaluation to negotiation and closure, has often been slow. However, we have maintained firm discipline in our pricing model with our average price remaining above the $2,000 per MHz per month that we set in 2008 and we continue to focus on promoting our Quality and Flexibility advantages.

HYLAS 4 rationale

There were four elements in our decision to finance HYLAS 4:

1. Continuity of capacity

We have demonstrated an ability to access the large latent demand for our services through some of the contracts we signed in the year. It will take perhaps another three years for those contracts to fully saturate our in orbit capacities, but at that point we would risk becoming an ex-growth business unless we build further capacity.

One of the challenges of the space business is that it takes three to four years to design, build, launch and commission a new satellite, so it is important that we continue to look far ahead. Current rates of repeat business and new customer acquisition suggest that by 2017 there is a realistic probability that existing capacities will be substantially full. The relatively small HYLAS 3 payload we are flying on an ESA satellite gives us some ability to expand, but without expansion capacity across territories, there is a risk that the business at that point would be waiting several years for its next major growth inflection. We also need to assure our customers of continuity and security of service over the longer term.

HYLAS 4 provides the solution, with new capacity over new countries in Africa as well as new capacity over existing territories in Africa and Europe that can be used for back up and expansion. We believe that the announcement of our provision of expansion and back up capacity on HYLAS 4 has already had an impact in some new customers signing with us.

2. Opportunities from multinational customers

Almost all of our customers in Sub-Saharan Africa are multinational within that region. We conducted a survey to ask them in which countries they are active or for which they would like to see Avanti launch capacity, and designed HYLAS 4 coverage accordingly. Our fleet now covers 13 of the world's 20 fastest growing economies and 27% of the global population. The Sub-Saharan region includes 1 billion people but currently has internet penetration of just 16%. McKinsey predicts that GDP from Internet business in Africa will rise from $18 billion to $300 billion (2025), considerably outstripping the global trend of 33% CAGR in data usage. We see it as strategically important to make sure that we are in a position to capitalise on all of the demand in Sub-Saharan Africa, not just part of it. Given that this is the most exciting high growth region in the world, it is likely that our focus on Africa will remain the limit of our geographic ambition for the time being.

3. Limited competition

There is very little competition for our products because the incumbent satellite operators remain broadly conservative about moving out of their traditional TV markets and into high quality telecoms, and where they are beginning to move in a small way, they are using different business models which we believe preserves our Quality and Flexibility advantage in our target markets. This means that we have prime mover advantage. The unmet demand for data across Africa is very large and our customers want service in additional countries, therefore the opportunity to drive forward our prime mover advantage is strategically appealing.

4. Efficient financing

As a result of the bond re-financing we completed in 2013, we were able to approach the bond market for an addition to the existing facility in a very efficient way. We were also fortunate to come to the bond market at a moment in time when investors were very supportive. Finally, we were able to launch the HYLAS 4 project with no equity capital, thereby protecting shareholders from dilution.

When choosing to finance HYLAS 4, we used base case assumptions that would generate an IRR of 29%. The financing and procurement strategies were carefully designed to manage risk, match capital to liabilities and, most importantly, to maximise value for shareholders.

HYLAS 4 financing strategy

The "tap-on" bond that we issued in June is sufficient to cover our capital commitments because in procurement we achieved a limitation of liability of $81 million. Thus, if the capital markets were not open around October 2015, we could pause the project for as long as necessary. That downside protection was important in our structuring but the intention remains to complete the financing on time. As part of the tap-on, we gained consent to issue up to $125 million in additional bonds, which can therefore be done very quickly when the time is right, the only variable being the price the market will apply at the time. In order to access the third tranche of bonds of up to $125 million, we will also issue up to $100 million of Junior Capital. This is defined as any form of capital which has a maturity date beyond the bonds, does not pay cash interest and is unsecured and structurally subordinated to the bonds.

The success we achieved in procuring HYLAS 4 efficiently means that the remaining capital requirement is likely to be 10%–20% lower than originally contemplated.

Other achievements

During the year we acquired the ARTEMIS satellite and associated spectrum and concluded the first significant new sale of capacity. ARTEMIS' primary function is to communicate with other spacecraft in orbit. ARTEMIS revenues are by their nature derived from short term projects and are unpredictable, but we expect the satellite to yield a good return.

Outlook

Whilst revenue growth this year was strong, there were delays to projects from the first half that slipped into the second half of the year, and some large up front elements of both revenues and costs were therefore taken in the second half. As we grow, we expect the susceptibility of the business to the effects of one-off set up costs and our dependence on a small number of large contracts will diminish.

The size of the customers we have been signing, and the scale of the deployments they are planning, gives us confidence that utilisation will continue to grow towards our long term target during the coming year. Revenues for the first quarter are expected to be around the average of the last year, with new contracts driving into growth in subsequent quarters.

David Williams
Chief Executive

STRATEGY

We connect people wherever they are.
We serve them in their homes, businesses, government and on mobiles. We do so through more than 140 partners in 118 countries. Our network provides ubiquitous internet service to 27% of the world's population. It delivers the level of Quality and Flexibility that the most demanding telco customers in the world seek.

AVANTI SELLS DATA TELECOMMUNICATIONS PRODUCTS TO SERVICE PROVIDERS ON A WHOLESALE BASIS.

Avanti owns significant spectrum assets enabling it to operate satellites in the high frequency Ka-band. The use of the Ka-band involves frequency re-use techniques, which enables us to offer more data at lower cost than was previously possible.

Avanti has five satellites, three in orbit and two under manufacture. They serve customers across Europe, the Middle East and Africa.

Avanti pioneered the use of Ka-band in EMEA. It has also pioneered unique technical and commercial models. Avanti sells to telecoms service providers, not to end users. Telecom companies have high requirements for Quality of Service, and as a result, Avanti decided to make over 60 separate innovations (some patent protected) which in aggregate produces a very high level of quality. It is this focus on quality that has enabled us to win global firsts, such as 3G backhaul.

Avanti has also introduced new levels of flexibility to the industry, in three ways. Firstly, our proprietary software enables a service provider to set up and manage an international network with no capex and very little training. Thus, our infrastructure is "virtualised", with enormous power placed in the hands of the service provider. Secondly this software, and the hardware platforms they control are capable of enormous flexibility in adapting to different customer requirements and different applications. Thus our system can do anything from simple low cost consumer broadband through to 3G backhaul and highly encrypted mobile defence applications. This responsiveness to customer requests has become a hallmark of Avanti's service. Finally, we have changed the business model in our industry from inflexible long term transponder leases to a variety of easier contract structures, some as simple as "pay as you go". We have found the best form of marketing is helping a customer to experience our product, and making sure that commercial models remove risk and complexity, helps customers to do this. As a result, at over 140 we believe we have signed more service providers than our Ka-band competitors combined.

Independent market research* across EMEA clearly demonstrates that Avanti and the benefits of Ka-band technology are now synonymous within the industry.

Avanti is viewed as:
- **Innovative**
- **Reliable**
- **Highly competent from a technical perspective**
- **Providing highly effective customer service and sales teams**

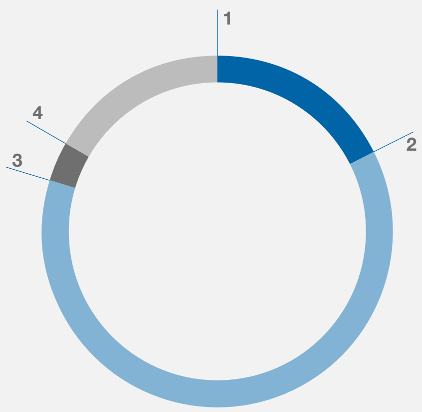
Beyond the technology, Avanti's perceived differentiators are the **quality** of its technology and its **flexibility** as opposed to a one-size fits all approach of the competition. This linked with Avanti's relative size (to that of its competitors) allows it to be nimble and better placed to meet clients' current and future needs.

All these perceptions ensure the company is well placed to capitalise on the growing demand for Ka-band across EMEA.

Millward Brown
October 2014

* undertaken in April 2014

Addressable market: potential annual revenues



1 Carrier Services	£2 billion
2 Broadband	£7.1 billion
3 Government	£0.4 billion
4 Enterprise	£1.9 billion

The addressable market for satellite data products in Avanti's region has been assessed at up to £11.4 billion per annum.

The key to accessing this demand is distribution and with over 140 customers, Avanti has already created a strong distribution network. Avanti set out to target two types of customer: the specialist VSAT service provider, and the large telco.

VSAT specialists typically serve large corporate or government customers with bespoke networks. They are highly technology literate and know their market very well. In the first round of customer acquisition, Avanti signed over 100 VSAT specialists. The customers typically work on a project by project basis, replacing legacy Ku-band technology with Avanti's more advanced products, because they offer end customers high quality at lower price. We have now penetrated this market by more than 50%, which we believe is a strong indicator of success. We have found that these customers are loyal, they like the product and show a high repeat rate, i.e. they are now routinely returning to add to capacity orders as they win more projects. But in order to fill very large amounts of capacity, Avanti needs to add major telecom brands. The products concerned are for broadband and cellular backhaul. In backhaul, a single mobile tower can consume the same bandwidth as 100 consumer broadband installations, so it is an efficient way to fill capacity. This market is now developing well for Avanti, but it achieved its world first only in 2014 so there is still much work to do. In consumer broadband, Avanti has now signed and announced several incumbent telcos as customers. In an African country, a customer who needs broadband will first contact the national telco. Thus the brand pulls demand for Avanti's product through. The breakthroughs made here this year are expected to have a major impact in the next few years in filling a great deal of capacity at low cost of sale.

Thus Avanti now has a broad group of expert customers and a growing roster of the largest telcos in its region. This distribution base should therefore support accelerating growth as customers grow their businesses and make escalating repeat orders, creating an attractive compounding business model.

There is one significant difference between the distribution model for traditional Ku-band satellites and Avanti Ka-band in terms of how it turns into order backlog. Ku-band is dominated by Direct to Home TV. In this market, TV service providers sign very long term leases over the large capacity they need to support a bouquet of dozens or hundreds of channels, and very few customers fill a satellite. In data, Avanti's customers are starting from scratch. They therefore typically begin with modest capacity commitments, and then grow their orders as their own market grows. Avanti's order backlog should therefore grow over time as its existing customers grow their business.

Avanti has been the pioneer and therefore the price setter in its markets. We decided to pursue a strategy of maintaining average prices in a tight range at a level that produces us with reasonable returns, but also provides service providers with attractive economics, and maintaining price discipline. This is working in that customers understand the price proposition, and whilst there are variations by geography and product, we maintain the average pricing that we set out at the start.

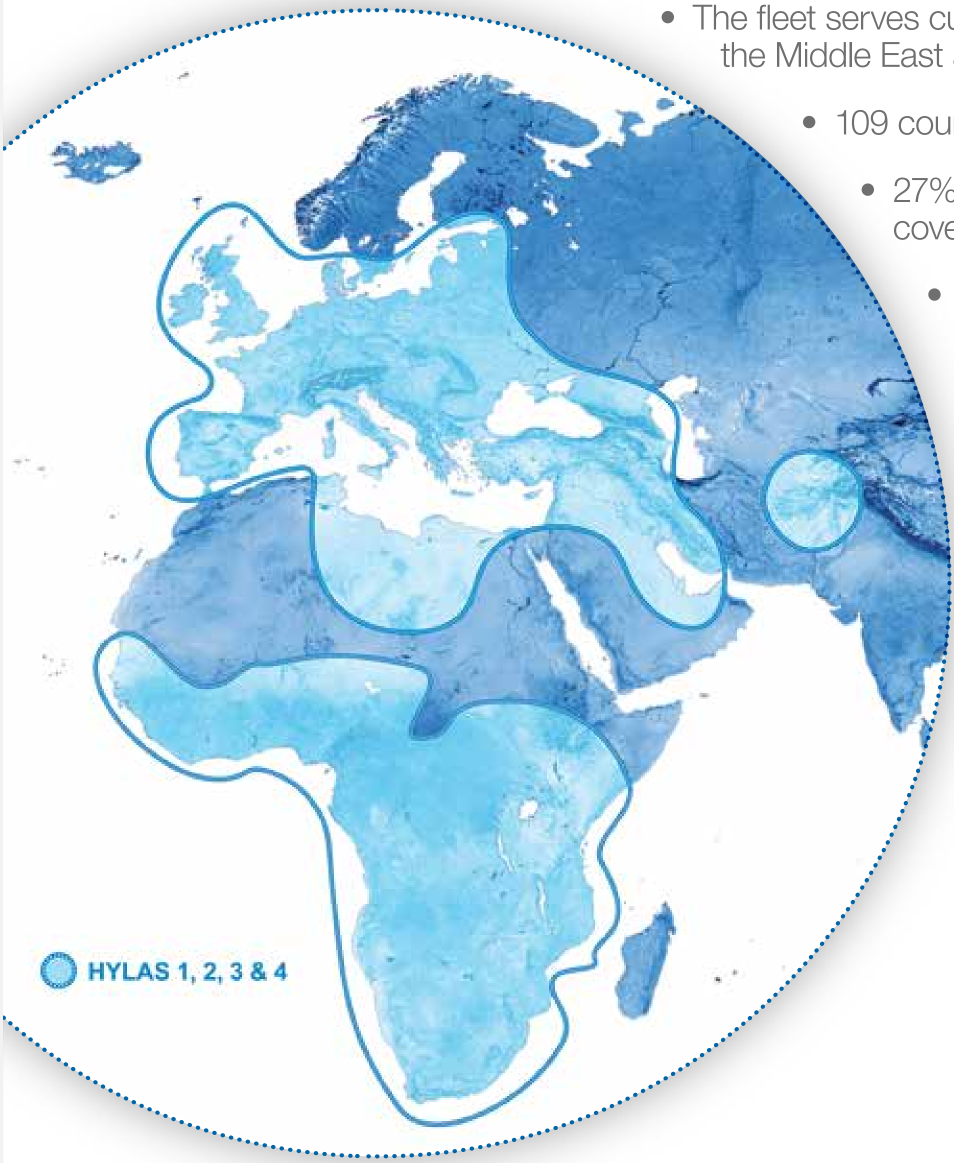
Some have talked about over capacity in Africa. We believe they mean that there is excess legacy Ku-band capacity, because in the data market it cannot compete on price or performance with Avanti's Ka-band technology.

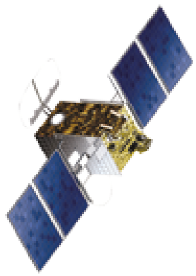
Avanti's technology, coverage, product, pricing and sales strategies have been consistent since the outset. The business plan is being delivered two years later than we expected but the strategy is good. The Company is established with a strong brand, a market beating product, stable pricing, an excellent customer base and a compounding business model. It has all the ingredients needed to grow a large scale business.

FLEET AND COVERAGE

AVANTI OWNS WORLD LEADING KA-BAND SPECTRUM ASSETS THAT CAN BE USED TO SERVE UP TO 27% OF THE WORLD'S POPULATION

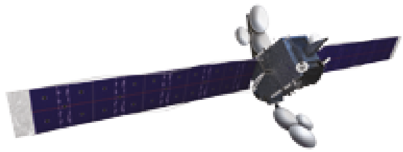
- The fleet serves customers in Europe, the Middle East and Africa
- 109 countries covered
- 27% of global population covered – 2 billion people
- 65% of the world's 20 fastest growing economies





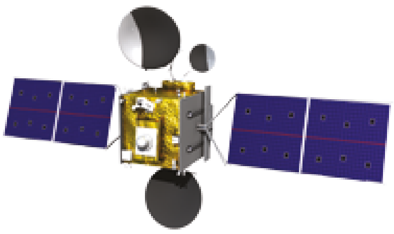
HYLAS 1

Launch date: November 2010
Footprint: Europe
Capacity (GHz): 3.0
Features: Flexible power shifting
8 Ka, 1 Ku beam



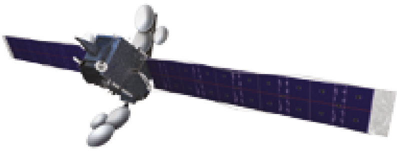
HYLAS 2

Launch date: August 2012
Footprint: EMEA
Capacity (GHz): 11.0
Features: 44 beams available
Two steerable beams



HYLAS 3

Launch date: 2016
Footprint: EMEA
Capacity (GHz): 4.0
Features: Steerable cluster
PPP with ESA



HYLAS 4

Launch date: 2017
Footprint: EMEA/South America
Capacity (GHz): 28.0
Features: 66 fixed beams
4 steerable beams

ARTEMIS

Launch date: 2001
Footprint: EMEA
Capacity (GHz): 1.0
Features: Steerable Ka beam
S-band, NAV payloads

PRODUCTS AND APPLICATIONS

Products

PURE

Raw MHz on our satellites

- Customers have exclusive use of a defined number of MHz in specific beams. Traffic is not transparent to Avanti
- Customers need to buy from us hosting, power and backhaul at the GES
- Customers can buy hub and CPE from Avanti or directly from the manufacturer
- Customers can use Avanti's OSS or the hub vendor's

CUSTOM

Managed IP service

- Customers have exclusive use of a defined number of Mb in specific beams
- Bandwidth, hub and hosting/power/backhaul are supplied by Avanti as a fully managed service, accessed by the Avanti OSS
- Customers can buy CPE either from Avanti or the manufacturer
- Installers trained and accredited by Avanti

SELECT

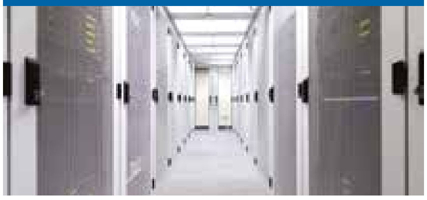
Packaged broadband

- Customers buy individual broadband user accounts, which are managed and defined by Avanti
- Accounts are "contended" i.e. share bandwidth in ratios controlled by Avanti. Accounts usually have defined speeds and monthly data throughputs
- Customers buy CPE from Avanti
- Installers trained and accredited by Avanti

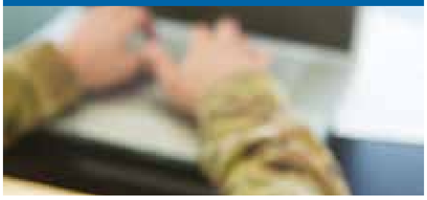
Applications

Cellular backhaul

Hosting



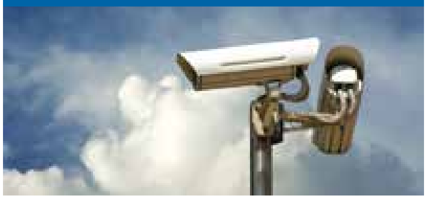
Military application



Enterprise networks

Oil and gas

Security application

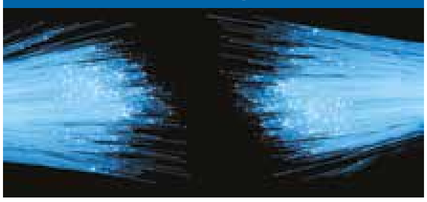


SNG

SCADA/M2M

Education

Backup



ISP/Broadband

Blue light

UNIQUE PRODUCT ADVANTAGES

AVANTI'S COMMITMENT TO QUALITY AND FLEXIBILITY HAS RESULTED IN UNIQUE PRODUCT ADVANTAGES THAT ARE NOW WELL RECOGNISED.

Quality

FULL COVERAGE
- 100% national coverage of primary countries
- Overlapping beam patterns (no in-country coverage gaps)
- Service Providers can offer truly national service with consistent quality

HIGH SPECTRAL DENSITY
- Service Providers can use the smallest possible terminals providing a cheaper, attractive and more efficient way of delivering bandwidth to 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

DIVERSE NETWORKS DELIVER RESILIENCE
- Avanti's ground network is protected from atmospheric events
- Redundant Ground Earth Station ('GES') with market beating SLAs and no atmospheric outages at gateway

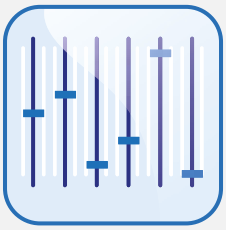
Flexibility

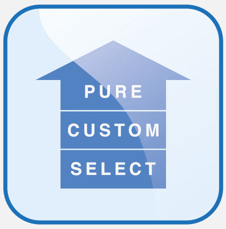
UNIQUE AVANTI OPERATIONAL SUPPORT SYSTEM (‘OSS’)

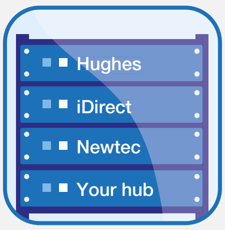
- Proprietary OSS, backed up by high levels of training and support puts Service Providers in total control, allowing them to configure and manage service as if they owned the satellite fleet

CONTRACTING FLEXIBILITY

- Three methods of operation/contract to suit Service Providers own risk appetite, technical capability and budget: raw bandwidth, managed megabit and packaged customer accounts and change between them as business evolves







MULTI-VENDOR PLATFORM

- Open architecture enabling the use of any vendor’s hub or modem to satisfy Service Providers’ preferences for vendor hardware

NICHE APPLICATIONS

- Avanti’s Cloud enables Service Providers to form their own applications using their own hardware, software and skills
- Significant research and development to date has accelerated Service Providers’ service offerings

FINANCIAL AND OPERATING REVIEW

THE HYLAS 4 PROJECT IS CAPABLE OF GENERATING AN IRR OF 29% AND A NPV OF $812 MILLION USING A DISCOUNT RATE OF 10%.

Nigel Fox
Group Finance Director

Reporting currency

During the year the Group made the decision to change its reporting currency to US Dollars following the High Yield Bond issue and cognisant that the vast majority of revenues will be denominated in US Dollars once the first two satellites approach capacity. HYLAS 3 and HYLAS 4 will also have the vast majority of their revenues denominated in US Dollars.

Operating performance

Revenue in the year increased by 104% to $65.6 million (2013: $32.1 million).

Revenue for the year included income that is non-recurring in nature. It also included project revenues that brought with it significant set up costs in the initial phase charged to costs of goods sold. One particular contract received extended payment terms as set out in note 16 of the Annual Report. Revenue for this contract has been recognised in full on the basis that the ongoing contractual and commercial relationship gives management confidence that the debt will be recoverable in full and is in line with Revenue Recognition accounting standards.

Average pricing remains above our target rate of $2,000 per MHz per month.

Costs of sale have increased year on year not only because there is a full year of operating expenditure for the ground stations associated with HYLAS 2 (only 9 months in FY 2013), but also because of the set up costs mentioned above. Finally, there were incremental sub contract costs associated with projects for which Avanti was the prime contractor.

Satellite depreciation was $47.3 million (2013: $38.5 million). The increase reflects a full years charge on HYLAS 2 and whilst the Sterling charge for HYLAS 1 remained constant, the US Dollar reported value increased by $1.9 million due to the strengthening of Sterling against our reporting currency.

Overheads in US Dollar terms increased to $34.9 million (2013: $28.5 million). At the 2013 exchange rates, overheads for the year would have been $31.2 million. Overheads are predominantly Sterling based salary costs and gateway earth station and ground network costs. In May 2013 the Company moved to larger premises in central London. Additional property costs were also incurred in Cornwall, Cyprus, Germany, South Africa and the Middle East.

Employees
Employee numbers increased to 178 at 30 June 2014 (2013: 156) with average numbers increasing to 177 from 164.

Depreciation
Depreciation is the largest single operating expense in the income statement, as the satellite assets are depreciated over their warranted lives of 15 years on a straight line basis. Satellite depreciation is charged to costs of sale and depreciation on all other assets is charged to operating expenses. The total depreciation for the year was $49.6 million (2013: $39.6 million).

Other operating income
There were three sources of other operating income in the year. Firstly, as in prior years, the Group received grant income related to specific operating activities. Secondly, during the year the Group received an ex gratia receipt of $5.3 million following a commercial settlement in relation to the HYLAS 2 procurement and, thirdly, there is a small amount of foreign exchange gain.

Interest
Net interest payable increased to $39.1 million (2013: $7.9 million) following the re-financing of the ECA debt facilities in the High Yield Market. In addition, costs associated with the High Yield issuance are held on the balance sheet and amortised through the finance charges line over the 6.5 year life of the bond in accordance with the relevant accounting standard.

Taxation
No income tax credit or deferred tax asset has been recognised in respect of the losses for the year to 30 June 2014 (30 June 2013 $10.6 million tax credit recognised). Whilst the Group foresees utilising the losses in future periods, it has taken a prudent approach and has not recognised the income tax credit or deferred tax asset in this period.

The Group already carries a significant deferred tax asset in its balance sheet, and has unclaimed capital allowances on the two satellite assets which are expected to shelter any tax liabilities for at least three years.

Loss per share
Loss attributable to shareholders is $87.2 million, resulting in a loss per share of 81.18 cents (2013: loss per share 44.49 cents).

Financing and treasury
The capital structure of the Group has changed significantly during the last 12 months. HYLAS 2 had initially been funded by the export credit agencies of France and the United States, COFACE and US Ex-Im Bank respectively. Whilst this debt was useful, it was overly restrictive in terms of the Group's growth aspirations.

In September 2013, the Group concluded its first High Yield Bond issuance by raising $370 million of senior secured notes. These notes have a coupon of 10% and mature in September 2019. Interest is payable semi-annually on 1 April and 1 October.

The proceeds of this issuance were used to repay Ex-Im Bank and COFACE together with break and issuance costs as well as putting a small amount of cash onto the balance sheet. These break costs were communicated to the market in our half year statement to 31 December 2013.

In June 2014, the Group raised a further $150 million of High Yield Bonds as a "tap" to the original issue to start work on HYLAS 4. The total project cost was budgeted at $350 million with a further bond issuance of $125 million anticipated and additional sub-ordinated funds to complete the funding. The Group has negotiated a limitation of liability in contracts with vendors capping costs at $81 million which would allow a pause in the procurement if market conditions for the remaining funding were unfavourable.

At 30 June 2014, the Group had $195.3 million (2013: $58.7 million) of cash on the balance sheet. The total debt outstanding was $508.5 million (2013: $ 305.4 million) together with $8.5 million of finance leases (2013: $7.6 million).

Insurance
The Group maintains a full suite of insurance policies covering not only space assets, but also business interruption associated with the failure of its ground earth stations. HYLAS 1 in orbit insurance policy was renewed in November 2013 with an insured value of £112 million at a rate of 0.75%, and HYLAS 2 was renewed shortly after the year end for $306 million at 0.56%.

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.

FINANCIAL AND OPERATING REVIEW CONTINUED

Balance sheet

Tangible fixed assets decreased marginally to $610.9 million (2013: $613.8 million). Additions were $28.9 million, of which $11.0 million related to HYLAS 3 and the balance on ground infrastructure. Total depreciation was $49.6 million, with the satellite depreciation charged to costs of sale and the balance to operating costs. Movements in exchange rates increased total NBV by $33.3 million.

Trade and other receivables increased from $20.7 million to $38.6 million. The largest movement is the extended payment terms over $9.4 million to a customer who has initiated an infrastructure project which is of strategic importance to Avanti in a specific region. The year-end position included significant invoices raised in mid-June and accrued income that were not payable until after 30 June. These balances have subsequently been received and the receivables balance has improved.

We have chosen to increase our provisions for doubtful debts to $4.6 million. In some regions where infrastructure has been disrupted by civil unrest, some customers have been unable to remit full amounts to settle their accounts. However, rather than terminate services and thereby lose the end customers, we have on a case by case basis, allowed services to continue. At the year-end we have provided against the outstanding amounts, although we hope to achieve some recovery against these provisions.

In addition, the accrued income balance increased to $9.2 million from $4.6 million. These balances represent contracts where we recognise revenue on a percentage of completion basis, where invoicing takes place on a periodic basis.

Trade and other payables excluding accrued interest fell from $28.0 million to $26.9 million. Similarly, accruals and deferred income in non-current assets have fallen.

Gross debt increased to $517.0 million (2013: $313.0 million) following the high yield bond issuances to re-finance the HYLAS 2 debt and to commence HYLAS 4. Cash on balance sheet at 30 June 2014 was $195.3 million (2013: $58.7 million) leaving net debt of $321.7 million (2013: $254.3 million).

	2014 $ million	2013 $ million
ECA debt	**0.0**	305.4
Bond*	**508.5**	0.0
Finance leases	**8.5**	7.6
GROSS DEBT	**517.0**	313.0
Cash	**(195.3)**	(58.7)
NET DEBT	**321.7**	254.3

* The face value of the bonds is $520 million. However the costs of issuance are netted off for disclosure purposes and will be amortised over the life of the bonds.

Cash flow

Net cash balances increased to $195.3 million (2013: $58.7 million)

The EBITDA (before the share based payment charge) of $1.7 million translated into $13.5 million of cash absorbed from operations as a result of an increase in working capital of $17.8 million. The primary reason for the increase in working capital was the extended credit terms over a $9.4 million receivable, augmented by a fall in trade payables.

Net proceeds from financing was $193.7 million following the two high yield bond issuances of $520 million and the repayments of the ECA facilities, including a break fee of $6.8 million.

Backlog

Backlog was $430.0 million (2013: $445.0 million). In the fourth quarter $26m moved from backlog to P&L. New contracts added $24m to backlog. On a net basis, these additions were offset by prudent provisions made to backlog in relation to contracts in some regions where infrastructure has been disrupted by civil unrest. Many of the relevant contracts are currently being paid, and some provisions therefore may be written back in future periods.

Backlog comprises our customers' committed contractual expenditure under existing contracts for the sale of bandwidth, satellite services, consultancy services and associated equipment sales over the life of their terms. Backlog does not include the value arising from potential renewal beyond a contract's current term or any projected revenue from framework contracts. We do include projected revenue from consultancy services provided to government customers based on the average revenue generated by these services for the last five fiscal years.

Current backlog includes one contract from a significant customer which has a break clause after year five. The value of backlog after the potential break clause is $16.0 million.

Backlog does have a mixture of companies with varying credit quality. The average credit quality has improved over the last 18 months.

Post balance sheet events

In August the Company signed procurement contracts with Orbital Sciences Corporation for the manufacture of HYLAS 4 and with Arianespace for the launch vehicle for HYLAS 4.

The satellite will be built by Orbital Sciences Corporation, who built the HYLAS 2 spacecraft, which is currently outperforming its technical specification. The satellite will deliver up to 28GHz of capacity in 66 fixed beams positioned over Africa and Europe. Some capacity provides growth for existing markets, some provides brand new coverage and we retain the flexibility to move capacity between different markets. The satellite will also have four steerable beams which could serve markets in Latin America or Africa. The system represents a continuation of Avanti's strategy to prioritise Quality and Flexibility, and to ensure that customers receive world beating services at low prices.

The satellite is scheduled for launch in the three month period ending April 2017. It will be launched by Arianespace, the World's most reliable launch agency, with whom Avanti has enjoyed a very strong relationship through the launch of its first two satellites. The cost for the satellite plus launch is below $300 million. Liability is capped at $81 million, in that Avanti can elect to pause the project with no further expenditure above that level.

The HYLAS 4 project, based on certain assumptions regarding launch date, constant pricing and fill rates is capable of generating an IRR of 29% and at NPV of $812 million using a discount rate of 10%.

Principal risks 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 Sterling and the Euro. In order to hedge the foreign currency risk we enter into forward contracts or natural hedges. These risks are assessed on a continual basis.

At 30 June 2014, if the Euro had weakened/strengthened against the US Dollar by 5% with all other variables held constant, post-tax loss would have improved by $198,597 or worsened by $198,597.

At 30 June 2014, if the Sterling had weakened/strengthened against the US Dollar by 5% with all other variables held constant, post-tax loss would have improved by $453,698 or worsened by $453,698.

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 2.54% 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 US Dollars 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 customers 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 two of the key risks to the profitability and liquidity of the business is the rate at which we can fill both satellites and the prices at which we can do that. However, the risk of bad debt is also a contributory factor.

Our in orbit satellite fleet footprint is widely spread across 88 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.

FINANCIAL AND OPERATING REVIEW CONTINUED

In terms of filling the satellites, the global economic environment will have an impact on customers' decisions. Whilst we are not aware of losing business to our satellite competition, customers are taking longer to commit to significant long term expenditures.

We have had limited bad debt experience, however, we have made prudent provisions against customers who have been slow with settlements as discussed above in the balance sheet report.

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 customers 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.

The political unrest in some of the countries in which we provide service, whilst it provides opportunities for our business when infrastructure is disrupted, sometimes makes it difficult for counterparties to make timely payments. In these circumstances, we work with our partners and provide support on a case by case basis.

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

Going concern

The Group has available sufficient financial resources at 30 June 2014. The Group has 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.

Nigel Fox
Group Finance Director

SUSTAINABILITY

Our approach to sustainability

Avanti recognises that the 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. Avanti's sustainability strategy is designed 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. All Avanti employees also have some responsibility for sustainability, whether it be in their interactions with Service Providers or making efficiencies to 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 increasingly adopt targets and metrics to measure our performance and provide our stakeholders with an overview of our sustainability as a company. By focusing on improvement, learning from our past successes and challenges, we are able to further enhance future performance. Avanti evaluates possible sustainability issues based on their relevance to our current operations and the potential future 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. By monitoring our performance in this way we will also get valuable feedback for use in the continual improvement 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

Like many companies operating in the technology industry in the UK, Avanti has concerns about current and future talent shortages in the technology and engineering sectors. This is a particular issue as the labour market becomes more fluid. To mitigate against these issues, Avanti aims to improve retention through improvements to internal communications and benefits, and a more structured development strategy. Maximising the talent pool available is at the heart of our recruitment strategy. Avanti uses plurality of recruitment methods; including utilising social media and our own database of interested candidates, harnessing our employees' networks, online advertising and building relationships with universities and other groups.

The measure of voluntary employee turnover provides insight into retention. Avanti's target for voluntary turnover (over a 12 month period) is under 15%, which we have met consistently over the last year. This level reflects the current average levels of turnover experienced in London-based commercial businesses, with an appropriate level of churn to refresh the talent base. Avanti monitors this on a monthly basis and regular feedback ensures that any potential issues are identified and dealt with.

In the UK currently only 6% of the engineering workforce is female. Of Avanti's engineering population 12% are female and we continue to actively promote the industry to young people and women through work with universities and colleges. Through encouraging diversity within our workforce, Avanti aims to better reflect the diversity of our customer base and be able to respond better to its demands.

Working with young people

Avanti aims to encourage the workforce of the future by supporting science, technology and engineering education through building links with local colleges and universities, in particular through involvement with the National Space Centre and Loughborough College, SEMTA and UKSEDs. 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. Now in its third year, the graduate scheme provides the business with a strong pipeline of committed and competent engineers.

SUSTAINABILITY
CONTINUED

Avanti key behaviours
Avanti's 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 induction and performance review processes. Avanti's key behaviours play a large role ensuring that the strong values of the Company are maintained as it grows in size. Avanti's culture is an important factor in driving quality and flexibility for customers and other stakeholders in the business.

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 talent
Robust appraisal and performance management processes are in place to ensure the Company is able to deliver quality and flexibility throughout all areas of work by identifying and developing skills and knowledge within the business and empowering employees to suggest improvements and innovation. Avanti offer development opportunities across the business in technical and management skills to ensure our workforce are ready to adapt to changes in technology and markets. Avanti is proud of its record of developing talent and promoting from within; in 2014 alone, a third of all vacancies were filled by internal promotion.

Key next steps
Avanti continue to develop and diversify our recruitment practices and grow our links with relevant university and other groups to promote engineering and the satellite industry. We also continue to review and improve our practices and policies to ensure that we remain an attractive employer and our workforce is flexible and able to adapt quickly to change and growth.

Health and safety
Avanti wants employees to work in a safe, healthy environment. To achieve this we continue to review and update our policies, procedures and practices to assess and mitigate against any risks. Avanti has a robust health and safety audit and improvement process, and encourages employees to report potential issues and suggest improvements.

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, video conferencing, 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. We also carefully monitor energy usage and waste in our head office in London, and hope to roll out this monitoring across other sites in the near future.

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.

Organisational departments

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 purpose 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, as well as regular cross company training.

Corporate social responsibility

AVANTI COMMUNICATIONS: STRENGTHENING FAMILIES IN TANZANIA AND KENYA.

From SOS Children's Villages we reach out to families in the surrounding community. Known as family strengthening programmes, our community work offers a range of support to fragile families, and helps to prevent children from ending up alone.

We believe the best place for children to develop is within a caring family environment. As well as creating SOS families in our Children's Villages, we also work to prevent families living nearby from falling apart. Each family we support is offered a package of services and a family development plan. Gradually they build their capacities and are better able to care and protect their children. We tailor services to each family's needs, with our long-term goal to empower families so they can support themselves.

Working with the wider community means we can reach beyond SOS Children's Villages and help thousands of children and their families.

In 2013, thanks to Avanti Communications' support, our work reached 2,493 slum dwellers in Nairobi and Dar-es-Salaam.

The strategic report on pages 2 to 21 was approved by the Board of Directors on 29 October 2014 and signed on its behalf by:

David Williams
Chief Executive

Nigel Fox
Group Finance Director

BOARD OF DIRECTORS

01/

02/

03/

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A STRONG AND EXPERIENCED BOARD

01/ Paul Walsh + • Δ

Chairman

Paul was appointed Chairman of Compass Group PLC in February 2014 having been a Non-Executive Director of the Company since January 2014. Previously, Paul was the CEO of Diageo plc from September 2000 to July 2013, and the Chief Operating Officer of Diageo from 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 in August 2013. Paul became Chairman of Avanti in March 2014.

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. David is responsible for all new technology and project developments.

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

06/ John Brackenbury CBE + • Δ

Non-Executive

John stepped down from Chairman of Avanti to a Non-Executive Director role in March 2014. 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 Trustee and Director of Springboard Educational Trust, Chairman of Brackenbury Leisure Ltd and Trustee and Vice President of GamCare. John is the Chairman of the Nominations Committee of Avanti Communications Group plc.

07/ Alan Foster • Δ

Non-Executive

Alan was a senior partner of deZoete & Bevan for over twenty years and, on the creation of BZW Asset Management, he was appointed Deputy Chairman. This Company was the forerunner of Barclays Global Investors.

08/ Professor Michael Walker OBE FREng †

Non-Executive

Michael Walker has spent more than 25 years in industry, the last ten years of which, until his retirement in September 2009, he was Group Research and Development Director for the Vodafone Group of companies, with the responsibility for the Group's research activities, intellectual property and technology standards worldwide. He also led technology innovation and managed engagement with start-up companies for Vodafone, and was a member of the Board of Vodafone Ventures, the venture capital arm of the Company. Michael is a Vodafone Fellow and an Executive Technical Advisor to the Company. He is chairman of the Board of the European Telecommunications Standards Institute. He holds the Vodafone Chair in Telecommunications at Royal Holloway, University of London, as a part-time professor, and is a visiting professor at the University of Surrey. He was recently appointed Head of School for Natural and Mathematical Sciences at King's College London. He was appointed an OBE in June 2009 for his services to the telecommunications industry.

09/ 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 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 September 2013. In July 2014, Richard was appointed Director of Tawsat Holdings Limited and Tawsat Limited. Both are satellite IP development and licensing companies, registered in Ireland. Richard is the Chairman of the Remuneration Committee of Avanti Communications Group plc.

10/ 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.

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.

Committees
+ Audit
• Remuneration
Δ Nomination
† Technical

CORPORATE GOVERNANCE REPORT

CHAIRMAN'S STATEMENT OF COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

Paul Walsh
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 new 2014 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 2014, 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.

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 Paul Walsh 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 on-going 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.

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 met on nine occasions during the year. The Board also maintained an open dialogue throughout the year and contact by telephone occurred whenever necessary.

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

Board attendance for the financial year 1 July 2013 to 30 June 2014

		Attended
Chairman	Paul Walsh	9/9
Executive Directors	David Williams	9/9
	David Bestwick	8/9
	Nigel Fox	9/9
	Matthew O'Connor	8/9
Non-Executive Directors	John Brackenbury	9/9
	Alan Foster	8/9
	William Wyatt	9/9
	Richard Vos	8/9
	Michael Walker	7/9
	Paul Johnson	9/9

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.

CORPORATE GOVERNANCE REPORT CONTINUED

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.

The Audit Committee

The Audit Committee is comprised of five Non-Executive Directors; Paul Johnson, Richard Vos, William Wyatt, Paul Walsh and John Brackenbury. The Committee is chaired by Paul Johnson. 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 29.

Nominations Committee

The Nominations Committee is comprised of four Non-Executive Directors; Paul Walsh, 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 30.

The 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 pages 32 to 34.

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 31.

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 2014 AGM will be held on 27 November 2014 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 71 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 2014 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.

CORPORATE GOVERNANCE REPORT CONTINUED

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 any 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 pages 32 to 34.

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, which reinforces the Group's stand against bribery or corruption of any form.

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 Chief Executive and 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 audit recommendations and the independence and objectivity of the external auditors.

During the year to 30 June 2014 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 was also provided to the Committee. Following the issue of High Yield Bonds in October 2013, the Company commenced limited quarterly reporting and the Audit Committee additionally required KPMG to carry out reviews on revenue recognition and analytical reviews of the quarterly financial statements with management.

External Auditor

Auditor objectivity and independence is safeguarded through a variety of mechanisms. To ensure the Auditor's independence, the Committee annually reviews the Company's relationship with KPMG. Following the review in 2014, 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 their independence to the Committee on a regular basis.

Non-audit services

The Company's Auditor may also be employed where, as a result of their position as Auditor, they either must, or are best placed to, perform the work in question. A formal policy is in place in relation to the provision of non-audit services by the Auditor to ensure that there is adequate protection of their 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 and details of the membership of the Committee is shown on page 23. 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 re-appointment 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.

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, including gender, 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.

This year the Technical Committee has focused its work on 3 main topics.

1. Assessing the design of the HYLAS 4 satellite to make sure it meets the Company's needs from a technological perspective;
2. Driving forward the establishment of a company-wide Quality Assurance regime;
3. Providing support to various activities associated with the development of satellite backhaul products for a range of wireless applications including 3G and 4G cellular services.

Overall the Technical Committee is pleased with the progress the Company has made in establishing a technological base well adapted for the Company's future growth.

Professor Michael Walker OBE
Non-Executive Director

REPORT OF THE REMUNERATION COMMITTEE

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 Remuneration Committee consists of R Vos (Chairman), J Brackenbury, A Foster, P Walsh and W Wyatt.

During the year, the Remuneration Committee met five times.

Remuneration policy

The Company's policy on remuneration of Directors is to attract, retain and motivate the best people, recognising the input they make to the on-going 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.

Under the Company's Long Term Incentive Plan (LTIP) which came into operation in July 2013, shares will only vest if specific targets are met after a fixed period of years after they are allocated. The targets set by the Remuneration Committee reflect the desired performance of the Company as it develops from a "start-up" to a more mature business.

The above represents no change from the Company's existing remuneration policy and no further change is anticipated in the coming year.

Remuneration 2014

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

For the year ended 30 June 2014	Salaries $	Bonus $	Other benefits $	Post employment benefits $	Total 2014 $	Total GBP £
Executive						
D J Williams	**629,094**	**286,474**	**134,338**	**–**	**1,049,906**	**631,558**
D J Bestwick	**420,726**	**210,083**	**83,228**	**52,591**	**766,628**	**461,807**
N A D Fox	**336,087**	**167,821**	**61,427**	**42,337**	**607,672**	**366,014**
M J O'Connor	**293,070**	**146,391**	**40,988**	**36,638**	**517,087**	**311,537**
Non-Executive						
P Walsh	**194,830**	**–**	**–**	**–**	**194,830**	**117,167**
F E J G Brackenbury CBE	**232,969**	**–**	**13,190**	**–**	**246,159**	**150,246**
D A Foster	**85,885**	**–**	**–**	**–**	**85,885**	**52,500**
W P Wyatt	**77,703**	**–**	**–**	**–**	**77,703**	**47,526**
M Walker	**99,007**	**–**	**–**	**–**	**99,007**	**59,912**
C R Vos	**91,981**	**–**	**–**	**–**	**91,981**	**56,250**
P R Johnson	**89,974**	**–**	**–**	**–**	**89,974**	**55,000**
Total	**2,551,326**	**810,769**	**333,171**	**131,566**	**3,826,832**	**2,309,517**

For the year ended 30 June 2013	Salaries $	Bonus $	Other benefits $	Post employment benefits $	Total 2013 $	Total GBP £
Executive						
D J Williams	513,063	–	123,671	64,133	700,867	446,697
D J Bestwick	384,724	–	71,281	43,678	499,683	318,472
N A D Fox	299,679	–	56,326	37,460	393,465	250,774
M J O'Connor	273,006	–	37,076	34,126	344,208	219,381
Non-Executive						
P Walsh	56,223	–	–	–	56,223	35,833
F E J G Brackenbury CBE	172,590	–	10,236	–	182,826	116,524
D A Foster	64,394	–	–	–	64,394	41,042
W P Wyatt	56,222	–	–	–	56,222	35,833
M Walker	58,184	–	–	–	58,184	37,083
C R Vos	64,721	–	–	–	64,721	41,250
P R Johnson	33,341	–	–	–	33,341	21,250
Total	**1,976,147**	**–**	**298,590**	**179,397**	**2,454,134**	**1,564,139**

Basic salary
Base salary is set by the Committee and reviewed annually, taking into account an individual's performance and experience measured by appraisal and market practice. The Executive Directors received a 2.5% increase for the year ended 30 June 2014. The variances above this level are attributed to movements in exchange rates between the Sterling salaries paid and US Dollar salaries reported.

Pension
The Company does not operate a specific pension scheme for the Executive Directors. The Executives are entitled to a Company contribution to their private pensions equal to 12.5% of their base salary. All Directors are entitled to participate in the Group workplace pension scheme.

Cash bonus
Bonus awards, which are not pensionable, are made to the Executive Directors based on Group financial, and individual performance. Bonus payments are only payable if the Company meets a specific target threshold. Personal performance is appraised against the 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
During the year, two Executive Directors made contributions into the Avanti SAYE schemes. Nigel Fox made monthly contributions of £250 into the November 2013 SAYE scheme and David Bestwick made monthly contributions of £250 in 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	
	30 June 2014	30 June 2013
D J Williams	**1,709,414**	1,656,901
D J Bestwick	**1,301,954**	1,297,954
F E J G Brackenbury CBE	**516,432**	430,791
D A Foster	**451,250**	396,250
P Walsh	**205,000**	130,000
M J O'Connor	**203,961**	197,091
N A D Fox	**134,580**	132,620
W P Wyatt	**35,342**	35,342
C R Vos	**21,030**	21,030
P R Johnson	**10,000**	10,000

REPORT OF THE REMUNERATION COMMITTEE CONTINUED

Directors' Long Term Incentive Plans (LTIPs)

LTIPs have been established by the Company with approval of the Remuneration Committee and with the advice and assistance of Deloitte Touche Tohmatsu Limited to reward and incentivise the executive Directors and senior managers of the Company.

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 total allocation to the executive is subject to specific performance criteria, which must be met a fixed number of years after the grant. For the awards potentially vesting in 2016, the criteria are twofold:

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

One third of an award or a proportion thereof will vest if the three-month average share price to 30 June 2016 is equal to or 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.

Current allocations are as set out below:

Outstanding allocations	Potentially Vesting 2015 No. Options	Potentially Vesting 2016 No. Options	Total
D J Williams	306,855	329,869	636,724
D J Bestwick	234,539	252,129	486,668
N A D Fox	89,907	96,731	186,638
M J O'Connor	82,089	84,552	166,641
Total	713,390	763,281	1,476,671

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 2014.

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.

The third satellite, ARTEMIS, was acquired from the European Space Agency (''ESA'') on 31 December 2013.

Business review and key performance indicators

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 2014 are shown on page 39. No equity dividend was paid in the year ended 30 June 2014 (2013 $nil). No final dividend is proposed at the year end (2013 $nil). The loss for the year transferred to the shareholder's funds was $87.2 million (2013: loss of $47.7 million). The net asset position at year end is $309.4 million (2013: $367.3 million).

Share capital

The Company did not issue any new Ordinary Shares during the year ended 30 June 2014 (2013: nil). Details of the Company's share capital are given in Note 22 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 14 to 18.

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:

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

A biography for each Director is provided on page 23. 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.

REPORT OF THE BOARD OF DIRECTORS CONTINUED

Major shareholders

At September 2014, the Company had been notified, pursuant to the Financial Conduct Authority's Disclosure and Transparency Rules, of the following notifiable voting rights in the Company's issued Ordinary Share capital.

30 September 2014

M & G Investment Management Ltd.	21,790,683
Caledonia Investments plc	13,131,632
The Capital Group Companies, Inc.	6,937,062
GIC Private Limited	5,905,492
Directors & Related	4,757,443
Solus Alternative Asset Management, L.P.	4,504,620
Hargreaves Lansdown Asset Management	4,200,826
Legal & General Investment Management Ltd.	4,194,367
Avanti Communications Group EBT	4,111,473
Barclays, Plc.	3,416,487

Policy and practice on payment of creditors

The Group and Company'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 2014, the Company had trade creditors of $208,191 (2013: nil).

Employees

The Group employed 178 people at 30 June 2014.

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 (2013: nil).

Corporate governance

The Corporate Governance Report is provided on pages 24 to 37 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 71.

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 2014, 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
Company Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each Director, 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 Strategic Report, 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 Auditor's 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 2014 set out on pages 39 to 70. 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 37, 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 2014 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 Strategic Report and 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

29 October 2014

Consolidated Income Statement
Year ended 30 June 2014

	Notes	Year ended 30 June 2014 $'000	Year ended 30 June 2013 $'000
Revenue	2	**65,622**	32,125
Cost of sales		**(86,699)**	(57,973)
Satellite depreciation		**(47,339)**	(38,456)
Other cost of sales		**(39,360)**	(19,517)
Gross loss		**(21,077)**	(25,848)
Operating expenses	3	**(34,886)**	(28,484)
Other operating income	6	**7,219**	1,513
Loss from operations		**(48,744)**	(52,819)
Finance income	7	**10**	442
Finance expense	7	**(38,957)**	(6,506)
Net financing expense		**(38,947)**	(6,064)
Loss before taxation		**(87,691)**	(58,883)
Income tax credit	8	**–**	10,553
Loss for the year		**(87,691)**	(48,330)
Loss attributable to:			
Equity holders of the parent		**(87,199)**	(47,736)
Non-controlling interests		**(492)**	(594)
Basic loss per share (cents)	9	**(81.18c)**	(44.49c)
Diluted loss per share (cents)	9	**(81.18c)**	(44.49c)

The Notes on pages 44 to 70 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income
Year ended 30 June 2014

	Year ended 30 June 2014 $'000	Year ended 30 June 2013 $'000
Loss for the year	**(87,691)**	(48,330)
Other comprehensive income		
Exchange differences on translation of foreign operations and investments that may be recycled to the income statement	**(2,122)**	(8,193)
Exchange differences on translation of foreign operations and investments that will not be recycled to the income statement	**31,235**	–
Total comprehensive loss for the year	**(58,578)**	(56,523)
Attributable to:		
Equity holders of the parent	**(58,086)**	(55,929)
Non-controlling interests	**(492)**	(594)

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.

The Notes on pages 44 to 70 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position
As at 30 June 2014

	Notes	**30 June 2014 $'000**	30 June 2013 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**610,857**	613,828
Intangible assets	12	**13,963**	13,512
Deferred tax assets	17	**21,074**	18,852
Total non-current assets		**645,894**	646,192
Current assets			
Inventories	15	**1,733**	4,510
Trade and other receivables	16	**38,648**	20,685
Cash and cash equivalents	18	**195,283**	58,699
Total current assets		**235,664**	83,894
Total assets		**881,558**	730,086
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	19	**39,870**	28,018
Loans and other borrowings	20	**4,545**	27,043
Total current liabilities		**44,415**	55,061
Non-current liabilities			
Trade and other payables	19	**15,299**	21,707
Loans and other borrowings	20	**512,431**	286,006
Total non-current liabilities		**527,730**	307,713
Total liabilities		**572,145**	362,774
Equity			
Share capital	22	**1,799**	1,799
EBT shares	22	**90**	90
Share premium	22	**415,130**	415,130
Foreign currency translation reserve		**6,211**	(22,902)
Retained earnings		**(111,963)**	(25,443)
Total parent shareholders' equity		**311,267**	368,674
Non-controlling interests		**(1,854)**	(1,362)
Total equity		**309,413**	367,312
Total liabilities and equity		**881,558**	730,086

The consolidated financial statements of company number 6133927 on pages 39 to 70 were approved by the Board of Directors on 29 October 2014 and signed on its behalf by:

Nigel Fox
Group Finance Director

Company Statement of Financial Position

As at 30 June 2014

	Notes	30 June 2014 $'000	30 June 2013 $'000
ASSETS			
Non-current assets			
Deferred tax assets	17	**497**	497
Investments	13	**148,668**	148,668
Loan receivable	16	**527,500**	–
Total non-current assets		**676,665**	149,165
Current assets			
Trade and other receivables	16	**245,543**	251,016
Total current assets		**245,543**	251,016
Total assets		**922,208**	400,181
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	19	**18,429**	108
Loans and other borrowings	20	**1,526**	365
Total current liabilities		**19,955**	473
Non-current liabilities			
Loans and other borrowings	20	**511,104**	166
Total liabilities		**531,059**	639
Equity			
Share capital	22	**1,799**	1,799
EBT shares	22	**90**	90
Share premium	22	**415,130**	415,130
Foreign currency translation reserve		**(15,902)**	(15,902)
Retained earnings		**(9,968)**	(1,575)
Total shareholders' equity		**391,149**	399,542
Total liabilities and equity		**922,208**	400,181

The consolidated financial statements of company number 6133927 on pages 39 to 70 were approved by the Board of Directors on 29 October 2014 and signed on its behalf by:

Nigel Fox
Group Finance Director

Consolidated and Company Statement of Cash Flows
Year ended 30 June 2014

	Notes	Group Year ended 30 June 2014 $'000	Group Year ended 30 June 2013 $'000	Company Year ended 30 June 2014 $'000	Company Year ended 30 June 2013 $'000
Cash flow from operating activities					
Cash (absorbed)/generated by operations	28	**(13,528)**	(16,435)	**9,618**	364
Interest paid		**(20,392)**	(7,977)	**(14,898)**	–
Interest received		**–**	–	**29,880**	–
Net cash (absorbed)/generated by operating activities		**(33,920)**	(24,412)	**24,600**	364
Cash flows from investing activities					
Payments for other financial assets and investments		**–**	–	**(527,500)**	–
Payments for property, plant and equipment		**(25,798)**	(73,783)	**–**	–
Net cash used in investing activities		**(25,798)**	(73,783)	**(527,500)**	–
Cash flows from financing activities					
Proceeds from borrowings		**10**	43,823	**–**	–
Proceeds from bond issue		**530,667**	–	**530,667**	–
Repayment of borrowings		**(305,367)**	(4,704)	**–**	–
Payment of finance lease liabilities		**(4,161)**	(537)	**(366)**	(364)
Cost of existing finance		**(6,827)**	–	**(6,827)**	–
Debt issuance costs		**(20,574)**	–	**(20,574)**	–
Net cash received from/(used by) financing activities		**193,748**	38,582	**502,900**	(364)
Effects of exchange rate on the balances of cash and cash equivalents		**2,554**	(2,107)	**–**	–
Net increase/(decrease) in cash and cash equivalents		**136,584**	(61,720)	**–**	–
Cash and cash equivalents at the beginning of the financial year		**58,699**	120,419	**–**	–
Cash and cash equivalents at the end of the financial year	18	**195,283**	58,699	**–**	–

The Notes on pages 44 to 70 are an integral part of these consolidated financial statements.

Consolidated and Company Statement of Changes in Equity
Year ended 30 June 2014

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
2013								
At 1 July 2012		1,799	90	415,130	21,709	(14,709)	(768)	423,251
Loss for the year		–	–	–	(47,736)	–	(594)	(48,330)
Other comprehensive income		–	–	–	–	(8,193)	–	(8,193)
Share based payments	23	–	–	–	588	–	–	588
Tax credit taken directly to reserves		–	–	–	(4)	–	–	(4)
At 30 June 2013		1,799	90	415,130	(25,443)	(22,902)	(1,362)	367,312
2014								
At 1 July 2013		**1,799**	**90**	**415,130**	**(25,443)**	**(22,902)**	**(1,362)**	**367,312**
Loss for the year		**–**	**–**	**–**	**(87,199)**	**–**	**(492)**	**(87,691)**
Other comprehensive income		**–**	**–**	**–**	**–**	**29,113**	**–**	**29,113**
Share based payments	23	**–**	**–**	**–**	**679**	**–**	**–**	**679**
At 30 June 2014		**1,799**	**90**	**415,130**	**(111,963)**	**6,211**	**(1,854)**	**309,413**

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
2013								
At 1 July 2012		1,799	90	415,130	(286)	(3,086)	–	413,647
Loss for the year		–	–	–	(1,294)	–	–	(1,294)
Share based payments		–	–	–	22	–	–	22
Other comprehensive income		–	–	–	–	(12,816)	–	(12,816)
Tax credit taken directly to reserves	17	–	–	–	(17)	–	–	(17)
At 30 June 2013		1,799	90	415,130	(1,575)	(15,902)	–	399,542
2014								
At 1 July 2013		**1,799**	**90**	**415,130**	**(1,575)**	**(15,902)**	**–**	**399,542**
Loss for the year		**–**	**–**	**–**	**(8,408)**	**–**	**–**	**(8,408)**
Share based payments		**–**	**–**	**–**	**15**	**–**	**–**	**15**
At 30 June 2014		**1,799**	**90**	**415,130**	**(9,968)**	**(15,902)**	**–**	**391,149**

The Notes on pages 44 to 70 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 Group 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.

The Company incurs and sources a significant majority of costs in US Dollars, and the financing is in US dollars. Having considered the aggregate effect of all relevant factors which are the main determinants of functional currency, the Directors concluded that following the first bond issue the functional currency of the Company had changed to US Dollars. Accordingly, the Directors determined that this had changed from 1 July 2013. In accordance with IAS 21 this change has been accounted for following the same methodology as detailed below for the change in the Group's presentational currency.

From 1 July 2013 the Group changed its presentational currency to US Dollars. Comparative information has been restated in US Dollars in accordance with the guidance defined in IAS 21. The 2013 financial statements and associated notes have been retranslated from Sterling to US Dollars in compliance with IAS 21 as follows:

- Assets and liabilities were translated at closing rate
- Income and expenses were translated at actual rates or appropriate averages
- Equity components were translated at historical rates
- Differences resulting from the retranslation of the opening net assets and the results for the year have been taken to reserves

The following Adopted IFRSs have been issued but have not been applied by the Group in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 27 Separate Financial Statements (2011)
- IAS 28 Investments in Associates and Joint Ventures (2011)
- Amendments to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
- Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
- Amendments to IAS 12 Income Taxes – Deferred tax: Recovery of Underlying Assets

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.

1. Accounting policies continued

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 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 amount of the satellites are 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 $575,000.

(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 is 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 consolidated 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.

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.

Notes to the Accounts continued

1. Accounting policies continued

Revenue recognition

The Group currently earns revenue primarily from the sale of satellite broadband services to customers and from providing consultancy advice connected with the exploitation of the space assets. 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 space consultancy contracts being a smaller proportion of the total revenue.

Broadband satellite communications services revenues are recorded in accordance with the contracted amounts.

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.

Revenue 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. Where Avanti is judged to be the prime partner, revenues are recognised on a gross basis in line with the risks and rewards of the contract.

Accrued income represents the excess of revenue recognised over amounts invoiced. Deferred income represents any unearned balances remaining from amounts invoiced to 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.

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.

Financial costs of debt are allocated to periods over the term of the related debt using the effective interest rate method. Issuance costs are deducted from the debt proceeds on initial recognition of the liability and are amortised and charged to the income statement as finance costs over the term of the debt.

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.

1. Accounting policies continued

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, except for foreign exchange differences on intercompany loans that are designed as quasi-equity as they are not expected to be repaid, which are recognised in other comprehensive income.

The presentational currency of the Group is US Dollars.

On consolidation, assets and liabilities of foreign undertakings are translated into US Dollars at year end exchange rates. The results of foreign undertakings are translated into US Dollars 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 on-going liability to the Group beyond the period that the contributions are made. The cost of such contributions are charged to the income statement when incurred.

Share based payments

The Group operates a number of equity settled share based 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 include any market-based performance criteria and the impact of vesting 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.

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.

Notes to the Accounts continued

1. Accounting policies continued

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. Management believes the recognised deferred tax asset will be recoverable within 3-4 years based on forecasts showing increased utilisation of the satellite fleet.

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 for capitalisation are not met the costs are expensed through the income statement.

Intangible assets

Intangible assets are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is provided so as to write off the cost 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.

1. Accounting policies continued

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 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.

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.

Notes to the Accounts continued

1. Accounting policies continued

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.

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, within intangible assets. Intangible assets are amortised over their useful life and any Goodwill is tested annually for impairment.

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 re-measured 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 $65,622,000 (2013: $32,125,000) represents 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, $16,578,000 (2013: $4,027,000) relates to the sale of terminals and other equipment. As referred to in the critical estimates and judgements, revenues from ESA representing the sale of capacity on HYLAS 1 comprise 8.3% (2013: 21.8%) of total revenue.

The Group derived $14,698,000 (2013: $6,152,000) of its turnover from European countries outside the United Kingdom, $35,252,000 (2013: $10,692,000) from countries outside Europe and $15,672,000 (2013: $15,281,000) from the United Kingdom.

3. Operating expenses

Operating expenses by function are as follows:

	30 June 2014 $'000	30 June 2013 $'000
Distribution	**4,250**	5,885
Administration	**30,636**	22,599
	34,886	28,484

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

	30 June 2014 $'000	30 June 2013 $'000
Operating expenses:		
Depreciation of property, plant and equipment	**2,238**	1,177
Amortisation of intangible assets	**225**	217
Research and development costs expensed as incurred	**42**	50
Employee benefit expense	**19,399**	15,969
Operating lease expenses	**2,582**	1,133
Cost of sales:		
Space asset depreciation	**47,339**	38,456
Release of ESA grant	**(1,505)**	(1,359)
Satellite services	**18,830**	8,002
Materials purchased	**11,299**	4,945
Sub contractors	**7,365**	3,387

4. Auditor remuneration

	30 June 2014 $'000	30 June 2013 $'000
Audit of these financial statements	**209**	173
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	**29**	24
– Audit related assurance services	**392**	–
– Taxation compliance services	**43**	27
	673	224

Notes to the Accounts continued

5. Employee benefit costs

The aggregate remuneration of all employees comprised:

	30 June 2014 $'000	30 June 2013 $'000
Wages and salaries	19,587	14,949
Social security costs	1,614	2,302
Pension costs	360	240
Share based payment expense	679	588
	22,240	18,079
Less: costs capitalised as satellite in construction	(2,841)	(2,110)
	19,399	15,969

Employee numbers

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

	30 June 2014 No. employees	30 June 2013 No. employees
Operations	49	45
Sales and marketing	47	38
Development and engineering	48	42
Administration and executive	33	39
	177	164

6. Other operating income

	30 June 2014 $'000	30 June 2013 $'000
Ex gratia receipt	5,342	–
Exchange gain/(loss) on trade receivables and payable balances	454	(353)
Other grant income	1,423	1,366
Liquidated damages	–	500
	7,219	1,513

The ex gratia receipt arose following a commercial settlement in relation to the HYLAS 2 project.

The liquidated damages in the year ended 30 June 2013 were received in relation to the late delivery of the HYLAS 2 satellite.

7. Net finance (expense)/income

	30 June 2014 $'000	30 June 2013 $'000
Finance income		
Financing exchange gain	–	413
Interest income on bank deposits	10	29
	10	442
Finance expense		
Interest expense on borrowings and loans	(39,051)	(7,942)
Fair value loss on derivatives	–	(199)
Financing exchange loss	(271)	–
Finance lease expense	(219)	(249)
Less: interest capitalised to satellite in construction	584	1,884
	(38,957)	(6,506)
Net finance expense	(38,947)	(6,064)

8. Income tax credit

	30 June 2014 $'000	30 June 2013 $'000
Current tax		
Current year tax expense	–	–
Total current tax	–	–
Deferred tax		
Origination and reversal of temporary differences	(5,877)	(13,675)
Adjustment in respect of prior periods	3,438	2,270
Impact of change in UK tax rate	2,439	852
Total deferred tax	–	(10,553)
Total income tax credit	–	(10,553)

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 2014 $'000	30 June 2013 $'000
Loss before tax	(87,691)	(58,883)
Tax credit at the corporate tax rate of 22.5% (2013: 23.8%)	(19,730)	(14,014)
Tax effect of non-deductible expenses	181	339
Adjustment in respect of prior periods	1,548	2,270
Effect of tax rates in foreign jurisdictions	2,662	–
Deferred tax asset write off	–	852
Impact of change in UK tax rate	2,439	–
Temporary differences for which no deferred tax has been recognised	9,578	–
Current year tax losses for which no deferred tax asset has been recognised	5,544	–
Foreign exchange translation differences	(2,222)	–
Income tax credit	–	(10,553)
Income tax credit recognised in the income statement	–	(10,553)

No income tax credit has been recognised in respect of the losses for the year ended 30 June 2014 (30 June 2013 $10.6m tax credit recognised). Whilst the Group foresees utilising the losses in future periods, it has taken a prudent approach and has not recognised the income tax credit in this period.

The standard rate of corporation tax in the UK changed from 23% to 21% with effect from 1 April 2014. Accordingly, the rate of 22.5% (2013: 23.8%) has been applied in the above reconciliation.

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. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 30 June 2014 has been calculated based on the rates of 20% and 21% substantively enacted at the balance sheet date.

9. Earnings/(loss) per share

	30 June 2014 cents	30 June 2013 cents
Basic and diluted loss per share	(81.18)	(44.49)

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 2014 $'000	30 June 2013 $'000
Loss for the year attributable to equity holders of the parent Company	(87,199)	(47,736)
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	107,408,907	107,306,711

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 loss of the parent company after tax for the year ended 30 June 2014 amounted to $8,408,000 (2013: $1,294,000 loss).

11. Property, plant and equipment

	Leasehold improvements $'000	Network assets $'000	Fixtures and fittings $'000	Satellites in operation $'000	Satellites in construction $'000	Motor vehicles $'000	Group total $'000
Cost							
Balance at 1 July 2012	413	16,060	1,188	233,548	360,395	88	611,692
Additions	1,472	243	424	27,265	47,224	–	76,628
Transfer	–	(3,266)	–	368,424	(365,158)	–	–
Disposals	–	(24)	–	–	–	(24)	(48)
Effect of movements in exchange rates	(58)	(430)	(45)	4,097	(12,615)	(2)	(9,053)
Balance at 30 June 2013	1,827	12,583	1,567	633,334	29,846	62	679,219
Additions	–	6	628	17,344	10,956	–	28,934
Transfer	–	–	–	–	–	–	–
Disposals	–	–	–	(11,236)	–	–	(11,236)
Effect of movements in exchange rates	218	1,449	166	27,906	3,554	8	33,301
Balance at 30 June 2014	**2,045**	**14,038**	**2,361**	**667,348**	**44,356**	**70**	**730,218**
Accumulated depreciation							
Balance at 1 July 2012	396	6,861	944	18,944	–	71	27,216
Charge for the year	72	932	157	38,456	–	16	39,633
Transfer	–	(479)	–	479	–	–	–
Disposals	–	(24)	–	–	–	(22)	(46)
Effect of movements in exchange rates	(13)	(196)	(32)	(1,168)	–	(3)	(1,412)
Balance at 30 June 2013	455	7,094	1,069	56,711	–	62	65,391
Charge for the year	388	1,513	336	47,340	–	–	49,577
Disposals	–	–	–	(1,989)	–	–	(1,989)
Effect of movements in exchange rates	70	890	129	5,285	–	8	6,382
Balance at 30 June 2014	**913**	**9,497**	**1,534**	**107,347**	**–**	**70**	**119,361**
Net book value							
Balance at 30 June 2014	**1,132**	**4,541**	**827**	**560,001**	**44,356**	**–**	**610,857**
Balance at 30 June 2013	1,372	5,489	498	576,623	29,846	–	613,828

At 30 June 2014, the Group held assets under finance lease agreements with a net book value of $3,953,856 (2013: $4,098,294). A depreciation charge for the year of $984,244 (2013: $219,219) has been provided on these assets. These assets are included in network assets.

Satellites in operation includes the HYLAS 1 and 2 satellites, and the ARTEMIS satellite. HYLAS 1 came into commercial service on 1 April 2011 and the associated satellite assets were depreciated from this point. HYLAS 2 came into commercial service on 1 October 2012 and all related satellite and ground station assets have been depreciated from this point. ARTEMIS was acquired on 31 December 2013 and has been depreciated from this date.

The satellites in construction assets of $44,356,000 now relates to HYLAS 3 and 4 design (2013: $29,846,000 in relation to HYLAS 2 and 3).

Included in the satellites in operation costs are capitalised finance costs of $57,027,000 (2013: $53,523,954) related to the HYLAS 2 satellite. The HYLAS 2 assets are located in Cyprus.

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 2012	620	285	2,181	11,822	14,908
Effect of movements in exchange rates	(19)	7	57	(490)	(445)
Balance at 30 June 2013	601	292	2,238	11,332	14,463
Effect of movements in exchange rates	–	14	109	553	676
Balance at 30 June 2014	**601**	**306**	**2,347**	**11,885**	**15,139**
Accumulated amortisation					
Balance at 1 July 2012	620	41	104	–	765
Charge for the year	–	61	156	–	217
Effect of movements in exchange rates	(19)	(3)	(9)	–	(31)
Balance at 30 June 2013	601	99	251	–	951
Charge for the year	–	63	162	–	225
Effect of movements in exchange rates	–	–	–	–	–
Balance at 30 June 2014	**601**	**162**	**413**	**–**	**1,176**
Net book value					
Balance at 30 June 2014	**–**	**144**	**1,934**	**11,885**	**13,963**
Balance at 30 June 2013	–	193	1,987	11,332	13,512

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 $12.1m of goodwill and $2.7m 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 cash-generating units for the 10 years from the reporting date to 30 June 2024 with subsequent transition to perpetuity. Year 1 of these cash flows were based on a detailed management budget and years 2 to 10 on growth assumptions that remain consistent at 9%. A perpetuity growth rate of 2% was applied to the Year 10 cash flows. 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 $306,000 are amortised on a straight-line basis over a period of five years. At the year end the NBV of the brand names is $144,000 (2013: $193,000), after charging $63,000 (2013: $61,000) of amortisation in the year.

The customer lists acquired in the course of the Filiago business combination of $2,347,000 are amortised on a straight-line basis over a period of fifteen years. At the year end the carrying amount of the customer bases is $1,934,000 (2013: $1,987,000) after charging $162,000 (2013: $156,000) of amortisation in the year.

Notes to the Accounts continued

13. Investments

Company

Shares in subsidiary undertakings

	30 June 2014 $'000	30 June 2013 $'000
Beginning of the year	**148,668**	153,428
Effect of movements in exchange rates	**–**	(4,760)
	148,668	148,668

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

A full list of the Company's subsidiaries is disclosed in Note 14.

14. Subsidiaries

As at the end of the year the Group and Company held the following investments in subsidiary companies:

Name of subsidiary	Nature of business	Place of incorporation
Avanti Communications Limited	Telecommunication consultancy	England & Wales
Avanti Space Limited	Satellite services	England & Wales
Avanti Local TV Services Limited*	Satellite services	England & Wales
Avanti Space 3 Limited*	Satellite services	England & Wales
Avanti Launch Services Limited	Management services	Isle of Man
Avanti Broadband Limited	Satellite services	England & Wales
Avanti Broadband (Ire) Limited*	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*	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
Hybeam Limited	Satellite services	England & Wales

* Company was dormant in the year ending 30 June 2014.

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. Since 1 November 2011 ("the date of control") Filiago has been 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.

15. Inventories

Group

	30 June 2014 $'000	30 June 2013 $'000
Finished goods	**1,733**	4,510

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 $11,928,905 (2013: $4,864,000).

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

16. Trade and other receivables

	Group		Company	
	30 June 2014 $'000	30 June 2013 $'000	**30 June 2014 $'000**	30 June 2013 $'000
Trade receivables	**25,583**	9,586	**913**	–
Less provision for impairment of trade receivables	**(4,566)**	(1,690)	**–**	–
Net trade receivables	**21,017**	7,896	**913**	–
Accrued income	**9,182**	4,646	**–**	–
Prepayments	**5,956**	5,534	**4,708**	1,516
Amounts due from Group companies	**–**	–	**239,672**	249,500
Other receivables	**2,493**	2,609	**250**	–
	38,648	20,685	**245,543**	251,016

For discussion of credit risk, refer to Note 21(b).

Included in the Group's trade receivables balance at 30 June 2014 is a long term receivable of $9.4m. 10% of the original balance has already been collected, with the remainder payable in nine equal instalments of $1,040,000 due every six months commencing 30 June 2015. The receivable will be fully repaid by 30 June 2019. In addition to the instalments payable, interest is payable at 5.25% per annum.

The Company has non current trade and other receivables of $527.5m relating to amounts due from a Group company. Interest is payable on this intra-Group loan at 10.5% per annum.

17. Deferred taxation

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

	Group		Company	
	30 June 2014 $'000	30 June 2013 $'000	**30 June 2014 $'000**	30 June 2013 $'000
Deferred tax assets	**30,753**	28,309	**79**	497
Deferred tax liabilities	**(9,679)**	(9,457)	**418**	–
	21,074	18,852	**497**	497
The gross movement on the deferred income tax account is as follows:				
Balance at beginning of year	**18,852**	8,778	**497**	443
Income tax recognised in the income statement	**–**	10,553	**–**	351
Loss transfer to Group company	**–**	–	**–**	(264)
Tax (credited)/charged directly to equity	**–**	(4)	**–**	(17)
Effects of movements in exchange rates	**2,222**	(475)	**–**	(16)
Balance at end of year	**21,074**	18,852	**497**	497

Notes to the Accounts continued

17. Deferred taxation continued

Group

	Opening balance $'000	Credited/(charged) to the income statement $'000	(Credited)/charged to equity $'000	Effects of movements in exchange rates $'000	Closing balance $'000
30 June 2014					
Tax assets					
Provisions and deferred income	**4,072**	**(906)**	**–**	**486**	**3,652**
Share based payment	**916**	**–**	**–**	**109**	**1,025**
Unused tax losses	**23,321**	**–**	**–**	**2,755**	**26,076**
Total tax assets	**28,309**	**(906)**	**–**	**3,350**	**30,753**
Tax liabilities					
Property, plant and equipment	**(9,457)**	**906**	**–**	**(1,128)**	**(9,679)**
Total tax liabilities	**(9,457)**	**906**	**–**	**(1,128)**	**(9,679)**
Net deferred tax asset/(liability)	**18,852**	**–**	**–**	**2,222**	**21,074**

Group

	Opening balance $'000	Credited/(charged) to the income statement $'000	(Credited)/charged to equity $'000	Effects of movements in exchange rates $'000	Closing balance $'000
30 June 2013					
Tax assets					
Provisions and deferred income	7,638	(3,433)	–	(133)	4,072
Share based payment	1,024	(74)	(4)	(30)	916
Unused tax losses	11,794	12,143	–	(616)	23,321
Total tax assets	20,456	8,636	(4)	(779)	28,309
Tax liabilities					
Property, plant and equipment	(11,678)	1,917	–	304	(9,457)
Total tax liabilities	(11,678)	1,917	–	304	(9,457)
Net deferred tax asset/(liability)	8,778	10,553	(4)	(475)	18,852

Company

	Opening balance $'000	Credited/(charged) to the income statement $'000	(Credited)/charged to equity $'000	Effects of movements in exchange rates $'000	Closing balance $'000
30 June 2014					
Tax assets					
Share based payment	**78**	**–**	**–**	**–**	**78**
Unused tax losses	**419**	**–**	**–**	**–**	**419**
Total tax assets	**497**	**–**	**–**	**–**	**497**

17. Deferred taxation continued

Company

	Opening balance $'000	Credited/(charged) to the income statement $'000	(Credited)/charged to equity $'000	Effects of movements in exchange rates $'000	Closing balance $'000
30 June 2013					
Tax assets					
Share based payment	100	(2)	(17)	(3)	78
Unused tax losses	342	90	–	(13)	419
Total tax assets	442	88	(17)	(16)	497

At 30 June 2014, none of the deferred tax asset of $30.8m (2013: $28.3m) is expected to be recovered in the next 12 months.

At 30 June 2014, none of the deferred tax liability of $9.7m (2013: $9.5m) is expected to be settled in the next 12 months.

No deferred tax asset has been recognised in respect of the losses for the year ended 30 June 2014 (30 June 2013 $10.6m tax credit recognised). Whilst the Group foresees utilising the losses in future periods, it has decided not to recognise the deferred tax asset movement in the year.

As at 30 June 2014, the total unrecognised deferred tax asset totalled $15.1m. This is made up of unused tax losses of $5.5m, and other temporary differences of $9.6m.

Management believes the recognised deferred tax asset will be recoverable within 3-4 years based on forecasts showing increased utilisation of the satellite fleet.

18. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents include cash in hand and at banks net of outstanding overdrafts.

Cash and cash equivalents at the end of the financial year are comprised as follows:

Group

	30 June 2014 $'000	30 June 2013 $'000
Cash and bank balances	**193,568**	57,172
Short-term deposits	**1,715**	1,527
Net cash and cash equivalents	**195,283**	58,699

19. Trade and other payables

	Group		Company	
	30 June 2014 $'000	30 June 2013 $'000	**30 June 2014 $'000**	30 June 2013 $'000
Current				
Trade payables	**8,485**	18,091	**5,355**	–
Social security and other taxes	**662**	484	**–**	–
Other payables	**2,121**	(245)	**–**	106
Accruals and deferred income	**28,602**	9,688	**13,074**	2
	39,870	28,018	**18,429**	108
Non-current				
Accruals and deferred income	**15,299**	21,707	**–**	–
	15,299	21,707	**–**	–

Accruals and deferred income above includes the interest accrued in the Company of $13m in relation to the $370m and $150m bonds.

Notes to the Accounts continued

20. Loans and other borrowings

	Group current		Group Non-current	
	30 June 2014 $'000	30 June 2013 $'000	**30 June 2014 $'000**	30 June 2013 $'000
Secured at amortised cost				
Bank loans	**–**	22,640	**26**	282,793
High yield bonds	**–**	–	**508,419**	–
Finance lease liabilities[i] (note 24)	**4,545**	4,403	**3,986**	3,213
	4,545	27,043	**512,431**	286,006

	Company current		Company Non-current	
	30 June 2014 $'000	30 June 2013 $'000	**30 June 2014 $'000**	30 June 2013 $'000
Secured at amortised cost				
Bank loans	**–**	–	**–**	–
High yield bonds	**–**	–	**508,418**	–
Finance lease liabilities[i] (note 24)	**1,526**	365	**2,686**	166
	1,526	365	**511,104**	166

(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.

High yield bonds

The Company issued 10% Senior Secured Notes of $370m and $150m on 1 October 2013 and 17 June 2014 respectively.

Issuer	Original notional value	Description of instrument	Due
Avanti Communications Group plc	$520m	10% Senior Secured Notes	1 October 2019

The high yield bonds are disclosed in non-current loans and borrowings as detailed below:

	30 June 2014 $'000	30 June 2013 $'000
High yield bonds	**520,000**	–
Add: Issue premium (unamortised)	**7,444**	–
Less: Debt issuance costs	**(19,026)**	–
	508,418	–

Loan balances outstanding as at 30 June 2013 related to debt financing for HYLAS 2 with US Exim bank and COFACE. These amounts were repaid during the year. Current year non-current bank loans relate predominantly to the bond issues as disclosed above.

21. Financial instruments and risk management

Group

The Group is subject to the risks arising from adverse movements in interest rates and foreign currency. 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. 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 GBP 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.

At 30 June 2014, if the Euro had weakened/strengthened against the US Dollar by 5% with all other variables held constant, post tax loss would have improved by $198,597 or worsened by $198,591 (2013: post tax profit would have improved by $404,686 or worsened by $404,686).

At 30 June 2014, if the Sterling had weakened/strengthened against the US Dollar by 5% with all other variables held constant, post tax loss would have improved by $453,698 or worsened by $453,698 (2013: post tax profit would have improved by $34,416 or worsened by $34,416).

The average volatility of rates during the year compared to the year end exchange rate was 2.34% 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+. The credit quality of major customers is assessed before trading commences taking into account its financial position, past experience and other factors.

	30 June 2014 $'000	30 June 2013 $'000
Trade receivables	**21,017**	7,896
Total	**21,017**	7,896

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

	Not past due $'000	1–30 days $'000	31–60 days $'000	60+ days $'000	Total $'000
30 June 2014	**13,698**	**2,947**	**1,228**	**3,144**	**21,017**
30 June 2013	3,283	1,485	510	2,618	7,896

Notes to the Accounts continued

21. Financial instruments and risk management continued

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

	30 June 2014 $'000	30 June 2013 $'000
At beginning of year	**1,690**	408
Allowances made in the period	**3,990**	1,291
Amounts used and reversal of unused amounts	**(1,114)**	(9)
At end of year	**4,566**	1,690

The provision of $4,566,000 (2013: $1,690,000) has been raised against gross trade receivables of $25,583,000 (2013: $9,586,000). Every major customer is assessed on an individual basis and we provide for bad debts when an impairment has been identified.

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 2014						
Bank loans	**26**	**–**	**–**	**–**	**26**	**26**
High yield bonds	**–**	**–**	**–**	**520,000**	**520,000**	**508,419**
Finance leases	**4,624**	**2,630**	**1,267**	**–**	**8,521**	**8,531**
Trade payables	**8,485**	**–**	**–**	**–**	**8,485**	**8,485**
30 June 2013						
Bank loans	36,336	45,677	215,935	60,085	358,033	305,433
Finance leases	4,599	2,115	1,171	–	7,885	7,616
Trade payables	18,091	–	–	–	18,091	18,091

Interest is payable on the high yield bonds at 10% p.a. over the five year remaining life of the bonds.

In addition, the Company has intercompany balances carried at $239.6m (2013: $249.5m). The contractual amount is equal to the carrying amount.

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 disclosed in Note 20, cash and cash equivalents disclosed in Note 18 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.

21. Financial instruments and risk management continued

e) Financial instruments by category

Group

Assets as per balance sheet	Loans and receivables $'000	Total $'000
30 June 2014		
Trade and other receivables (excl prepayments)	**32,692**	**32,692**
Cash and cash equivalents	**195,283**	**195,283**
	227,975	**227,975**
30 June 2013		
Trade and other receivables (excl prepayments)	15,151	15,151
Cash and cash equivalents	58,699	58,699
	73,850	73,850

Liabilities as per balance sheet	Other financial liabilities at amortised cost $'000	Total $'000
30 June 2014		
Borrowings (excl finance lease liabilities)	**508,445**	**508,445**
Finance lease liabilities	**8,531**	**8,531**
Trade and other payables (excl non-financial liabilities)	**54,507**	**54,507**
	571,483	**571,483**
30 June 2013		
Borrowings (excl finance lease liabilities)	305,433	305,433
Finance lease liabilities	7,616	7,616
Trade and other payables (excl non-financial liabilities)	49,678	49,678
	362,727	362,727

Company

Assets as per balance sheet	Loans and receivables $'000	Total $'000
30 June 2014		
Trade and other receivables (excl prepayments)	**240,835**	**240,835**
	240,835	**240,835**
30 June 2013		
Trade and other receivables (excl prepayments)	249,500	249,500
	249,500	249,500

Liabilities as per balance sheet	Other financial liabilities at amortised cost $'000	Total $'000
30 June 2014		
Finance lease liabilities	**4,212**	**4,212**
Trade and other payables (excl non-financial liabilities)	**18,429**	**18,429**
	22,641	**22,641**
30 June 2013		
Finance lease liabilities	531	531
Trade and other payables (excl non-financial liabilities)	108	108
	639	639

Notes to the Accounts continued

21. Financial instruments and risk management continued

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.

22. 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 2012	111,736	1,799	90	415,130
At 30 June 2013	111,736	1,799	90	415,130
At 1 July 2013	111,736	1,799	90	415,130
At 30 June 2014	**111,736**	**1,799**	**90**	**415,130**

23. Share based payments

The fair value of share options charged to the income statement in the period was $679,000 (2013: $588,000). The full fair value of these options is recognised over the vesting period for those options. All share based payment plans are equity settled and details of these plans are set out below.

The Company has established 17 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)
- Unapproved share option plan (October 2013)
- Long Term Incentive Plan (LTIP) (July 2013)
- Unapproved share option plan (May 2014)

The 2014 charges and weighted average fair value for each of the significant plans above were as follows:

	2014 charge $	2013 charge $
EMI	**2,983**	38,155
LTIP schemes	**118,806**	214,879
Unapproved schemes	**554,975**	305,031
SAYE schemes	**2,670**	30,010
	679,434	588,075

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

23. Share based payments continued

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

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

	2014 No.	2014 WAEP	2013 No.	2013 WAEP
EMI				
Outstanding at the beginning of the year	**140,394**	**£0.01**	156,201	£0.01
Granted during the year	**–**	**£0.01**	–	£0.01
Forfeited in the year	**–**	**£0.01**	–	£0.01
Exercised during the year	**(9,316)**	**£0.01**	(15,807)	£0.01
Outstanding at the end of the year	**131,078**	**£0.01**	140,394	£0.01
Unapproved schemes				
Outstanding at the beginning of the year	**442,691**	**£0.01**	563,705	£0.01
Granted during the year	**442,000**	**£0.01**	–	£0.01
Forfeited in the year	**–**	**£0.01**	–	£0.01
Exercised during the year	**–**	**£0.01**	(121,014)	£0.01
Outstanding at the end of the year	**884,691**	**£0.01**	442,691	£0.01
SAYE schemes				
Outstanding at the beginning of the year	**135,243**	**£4.10**	135,243	£4.10
Granted during the year	**–**	**£4.10**	–	£4.10
Forfeited in the year	**–**	**£4.10**	–	£4.10
Exercised during the year	**–**	**£4.10**	–	£4.10
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 2014 was £2.38 (2013: £2.99).

136,201 (2013: 102,713) of the EMI options, nil (2013: 15,000) of the unapproved 2007 scheme, and nil (2013: 50,000) of the unapproved July 2010 scheme were exercisable from 30 June 2014. 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 2014 was £0.01 (2013: £0.01) and the weighted average remaining contractual life was 5.5 years (2013: 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 are issued for 10 years with 25% vesting at the end of years 3, 4, 5 and 6. Those staff who had previously held unvested options in the former parent company at the time of the de-merger were given a shorter vesting period for these new options. There are no performance criteria associated with these options and 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

23. 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 became exercisable in 7 equal instalments. The first instalment was exercisable on grant and the second on 30 June 2008. The remaining 5 were exercisable 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 exceeded £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.

	Executive directors No.	Senior managers No.
Opening balance 2013		
Original allocations:		
Core	1,192,960	125,000
Exceptional	679,570	62,500
Extraordinary	679,213	62,500
Additional grant July 2010	400,000	–
Total allocation	2,951,743	250,000
Core vested	(1,192,960)	(71,429)
Exceptional vested	(679,570)	(62,500)
Unvested balance returned to the EBT	(1,079,213)	(62,500)
Outstanding balance 30 June 2013	–	53,571
Movements in year ended 30 June 2014:		
Core vested	–	(17,857)
Outstanding balance 30 June 2014	**–**	**35,714**

iv) The Share Award Tranche

The share award LTIP 2015 was issued 30 July 2013 for two years to 30 June 2015. 2/3rds of the award is based on revenue performance for the year ending 30 June 2015. 1/3rd of the award is based on a share price as at 30 June 2015.

A second LTIP award was issued on 14 January 2014 for two years to 30 June 2016. 2/3rds of the award is based on EBITDA performance for the year ending 30 June 2016. 1/3rd of the award is based on a share price as at 30 June 2016.

23. Share based payments continued

The total number of options issued under the awards was as follows:

	30 June 2015			30 June 2016		
	Total award No.	Two-thirds Dependent on revenue performance No.	One-third Dependent on share price No.	Total award No.	Two-thirds Dependent on EBITDA performance No.	One-third Dependent on share price No.
Executive directors	713,390	475,593	237,797	763,281	508,854	254,427
Senior managers	209,543	139,695	69,848	221,289	147,526	73,763
	922,933	615,288	307,645	984,570	656,380	328,190

Unapproved Schemes

At 30 June 2014, there were 12 unapproved schemes in place, established at various dates since 2007.

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. Two new unapproved schemes were established in year ended 30 June 2014.

Under nine of the schemes (noted below), the market value of the shares must be £10.00 or more per share for a consecutive period of six 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.

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)
- Unapproved share option plan (July 2013)
- Unapproved share option plan (May 2014)

Save as you earn (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 four-weekly basis with an option to buy shares in the Company at the end of a three-year period 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 six months from their exercise date.

Notes to the Accounts continued

24. 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 2014 $'000	30 June 2013 $'000	**30 June 2014 $'000**	30 June 2013 $'000
No later than one year	**4,624**	4,599	**4,545**	4,403
Later than 1 year no later than 5 years	**3,897**	3,286	**3,986**	3,213
	8,521	7,885	**8,531**	7,616
Less future finance charge	**10**	(269)	**–**	–
	8,531	7,616	**8,531**	7,616

	Company Minimum lease payments		Company Present value of lease payments	
	30 June 2014 $'000	30 June 2013 $'000	**30 June 2014 $'000**	30 June 2013 $'000
No later than one year	**1,526**	365	**1,526**	365
Later than 1 year no later than 5 years	**2,686**	166	**2,686**	166
	4,212	531	**4,212**	531
Less future finance charge	**–**	–	**–**	–
	4,212	531	**4,212**	531

Included in the financial statements as:

	Group		Company	
	30 June 2014 $'000	30 June 2013 $'000	**30 June 2014 $'000**	30 June 2013 $'000
Current borrowings	**4,545**	4,403	**1,526**	365
Non-current borrowings	**3,986**	3,213	**2,686**	166
Present value of minimum lease payments	**8,531**	7,616	**4,212**	531

25. Obligations under operating leases

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

	30 June 2014		30 June 2013	
	Land & Buildings $'000	**Other $'000**	Land & Buildings $'000	Other $'000
No later than one year	**2,193**	**41**	1,959	20
Later than 1 year no later than 5 years	**10,963**	**58**	9,794	–
After 5 years	**28,138**	**–**	27,097	–
	41,294	**99**	38,850	20

Operating lease commitments principally relate to leased office space of the Group's head office. During the prior 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 into a 20 year lease on the property, with annual rent of $2.0m. Other operating leases include a fleet of 5 vans.

26. Capital commitments

As at 30 June 2014 the Group has contracted but not provided for capital commitments of $52.2m (made up of CAD$9.6m and €31.7m) in relation to the procurement of Avanti's third satellite, HYLAS 3 (2013: $16.0m in relation to HYLAS 3).

27. 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 2014 $'000	30 June 2013 $'000
Salaries and other short term employee benefits	**2,884**	2,275
Bonus	**811**	–
	3,695	2,275
Payments into defined contribution schemes	**132**	179
Gain on exercise of share options	**–**	333
	3,827	2,787

Pension contributions amounting to $131,566 (2013: $173,942) were made into personal pension schemes in respect of three (2013: four) of the Directors.

No Non-Executive Directors exercised share options in the period.

The emoluments of the highest paid Director totalled $1,049,906 (2013: $700,867), made up of:

Total emoluments	30 June 2014 $'000	30 June 2013 $'000
Salaries and other short term employee benefits	**763**	637
Bonus	**286**	–
Payments into defined contribution schemes (current year)	**–**	64
Total emoluments	**1,049**	701

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 2014 $'000	30 June 2013 $'000	30 June 2014 $'000	30 June 2013 $'000
Salaries and other short term employee benefits	**3,922**	3,400	**550**	727
Bonus	**1,091**	–	**–**	–
Payments into defined contribution schemes	**114**	236	**–**	–
Share based payments	**–**	497	**–**	–
	5,127	4,133	**550**	727

Notes to the Accounts continued

27. Related party transactions and Directors' emoluments continued

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 2014 $'000	30 June 2013 $'000
Avanti Communications Limited	**1,876**	1,754
Avanti Broadband Limited	**2,928**	5,110
Avanti Space Limited	**974**	1,219
Avanti HYLAS 2 Limited	**1,307**	190
	7,085	8,273

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

	30 June 2014 $'000	30 June 2013 $'000
Avanti Communications Limited	**127,961**	142,165
Avanti Space Limited	**7,378**	5,449
Avanti Broadband Limited	**18,352**	13,330
Avanti HYLAS 2 Limited	**(1,469)**	1,106
Avanti Communications Infrastructure Limited	**87,450**	87,450
	239,672	249,500

In addition to the above related party balances at 30 June 2014, the parent Company had a loan receivable from Avanti Hylas 2 Limited of $527.5m. Interest is payable at a rate of 10.5% per annum.

Intercompany balances are unsecured and repayable on demand.

28. Cash (absorbed by)/generated from operations

	Group 30 June 2014 $'000	Company 30 June 2014 $'000	Group 30 June 2013 $'000	Company 30 June 2013 $'000
Loss before taxation	**(87,691)**	**(8,407)**	(58,884)	(1,669)
Interest receivable	**(10)**	**(29,880)**	199	202
Interest payable	**30,210**	**28,072**	–	–
Amortised bond issue costs	**1,648**	**1,648**	–	–
Foreign exchange losses in operating activities	**(245)**	**211**	–	–
Depreciation and amortisation of non-current assets	**49,803**	**–**	39,850	–
Provision for doubtful debts	**3,332**	**–**	2,553	–
Loan breakage costs	**6,827**	**6,827**	(5)	–
Onerous lease provision	**–**	**–**	588	–
Share based payment expense	**679**	**15**	–	20
(Increase)/decrease in stock	**(326)**	**–**	(3,267)	–
(Increase)/decrease in debtors	**(9,702)**	**5,474**	(4,109)	1,748
(Decrease)/increase in trade and other payables	**(8,053)**	**5,658**	6,640	63
Cash (absorbed by)/generated from operations	**(13,528)**	**9,618**	(16,435)	364

Notice of AGM

Notice is hereby given that the Annual General Meeting of the Company will be held at 9.00am on 27 November 2014 at The Bridewell Suite, Crowne Plaza London – The City, 19 New Bridge Street, London, EC4V 6DB 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 2014, together with the reports of the Directors and Auditor therein.

2. Re-election of Directors

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

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

3. Election of auditor

To re-appoint KPMG LLP as auditor of the Company.

4. 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 5 will be proposed as an ordinary resolution, and resolution 6 will be proposed as a special resolution:

5. 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 share 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 £376,455, such authority to expire on 27 May 2016 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 AGM continued

6. 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 of the Act) of the Company wholly for cash pursuant to the authority of the Directors conferred by resolution 5 above, and/or where such an allotment constitutes and 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); and

(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 £112,936 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.

By Order of the Board

Patrick Willcocks

Secretary

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

Registered Number: 6133927

29 October 2014

Notes to Notice of Annual General Meeting

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 25 November 2014 (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 for 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 25 November 2014.
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 9.00am on the day of the Annual General meeting until its conclusion.

Notes to Notice of Annual General Meeting continued

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 2014.

Resolution 2 – Re-election of Directors

These resolutions concern the re-appointment of Nigel Fox and Michael Walker who are retiring at the meeting by rotation in accordance with the Company's articles of association.

Resolution 3 – Appointment of Auditor

This resolution concerns the re-appointment of KPMG LLP as auditor until the conclusion of the next general meeting at which accounts are laid, that is the next Annual General Meeting.

Resolution 4 – Auditor's Remuneration

This resolution authorises the Directors to fix the auditor's remuneration.

Resolution 5 – 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 £376,455, representing approximately 33.33% of the nominal value of the issued ordinary share capital as at 29 October 2014, 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 6 – 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 £112,936 representing approximately 10% of the nominal value of the issued Ordinary Share capital of the Company as at 29 October 2014, 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 6 is necessary to retain flexibility, although they do not have any intention at the present time of exercising such power.

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	3,109,895	1,686
10,000 – 20,000	1,387,593	105
20,001 – 50,000	2,159,042	73
50,001 – 100,000	1,755,889	25
100,001 – 150,000	1,771,597	14
150,001 – 300,000	6,498,875	29
300,001 – 500,000	7,337,726	19
500,001 – 1,000,000	6,470,189	9
1,000,000 +	81,246,043	20

Further Notes to the Annual General Meeting continued

Financial Calendar:

- November 2014: Annual General Meeting
- November 2014: Quarterly earnings release
- February 2015: Interim results for the six months ended 31 December 2014
- May 2015: Quarterly earnings release
- September 2015: Preliminary results for the year ended 30 June 2015

Annual General Meeting:

The Annual General Meeting will be held at The Bridewell Suite, Crowne Plaza London – The City, 19 New Bridge Street, London, EC4V 6DB.

Details of the resolutions to be proposed at the Annual General Meeting are contained in the Notice of Annual General Meeting on page 71.

Dividend:

The Directors have not recommended the payment of a dividend for the year ended 30 June 2014.

Listing:

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

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

Registrars:

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

Avanti's Services:

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

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Form of Proxy
for Avanti Communications Group plc

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

Proxy form for use at the annual general meeting of Avanti Communications Group plc (the “Company”) to be held at The Bridewell Suite, Crowne Plaza London – The City, 19 New Bridge Street, London, EC4V 6DB on 27 November 2014 at 9.00 a.m. (“AGM” or “Meeting”).

I/We

of

I/We

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)

I/We

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 29 October 2014 (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 2014 (ordinary resolution)	☐	☐	☐
2.1	To re-elect Nigel Fox as a director (ordinary resolution)	☐	☐	☐
2.2	To re-elect Michael Walker as a director (ordinary resolution)	☐	☐	☐
3	To re-appoint KPMG LLP as auditors (ordinary resolution)	☐	☐	☐
4	To authorise the Directors to fix the remuneration of the auditors (ordinary resolution)	☐	☐	☐
Special Business				
5	To authorise the Directors to allot relevant securities (ordinary resolution)	☐	☐	☐
6	To enable the Directors to allot shares for cash without first offering them to existing shareholders (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 25 November 2014. 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).

Notes

Notes

Officers and Professional Advisors

Directors

P Walsh
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

F E J G Brackenbury CBE
Non-Executive Director

P R 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
1 London Wall
London
EC2Y 5EB

Registered Auditor

KPMG LLP
15 Canada Square
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Quality. Flexibility.