AVANTI COMMUNICATIONS GROUP PLC
ANNUAL REPORT AND ACCOUNTS 2016

avanti

QUALITY. FLEXIBILITY.

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CONTENTS

1. Quality
Our network mirrors the quality of service that terrestrial communications offer. We have market beating Service Level Agreements and no in-country coverage gaps.

2. Flexibility
Avanti has a unique Cloud-based customer interface that provides a single point of co-ordination and control, allowing partners to become virtual network operators without the need to deploy their own capital or expertise.

3. Innovation
We've developed proprietary and patented technology which is deployed throughout our network.

4. Very high throughput
The HYLAS fleet uses Ka-band which enables our High Throughput Satellites ("HTS") to transmit over 10 times more data per satellite than legacy systems.

5. High speed
Our network can provide download speeds of up to 380Mbps, no matter how challenging the location.

6. Affordability
Ka-band HTS services are far cheaper than traditional and HTS Ku-band systems.

HIGHLIGHTS

- Revenue of $82.8m for the full year (2015: $85.2m)
- Revenue from capacity, services & equipment up 24% to $74.5m (2015: $60.1m)
- Contract wins with key target customers including Everything Everywhere
- Cash at year end $56.4m (2015: $122.2m)
- Net debt[1] at year-end of $588.9m (2015: $406.2m)
- Loss for the year $69.2m (2015: $73.3m)
- Top-20 Customer Bandwidth Revenue Growth[2] of 50% (2015: 54%)
- Year-end fleet utilisation[2] up to the 25% to 30% band (2015: 20% to 25%)
- Pro-forma current fleet utilisation[3] was 35% to 40% (2015: 20% to 25%)

[1] Net debt comprises current and non-current loans and borrowings less cash and cash equivalents

[2] Top-20 Customer Bandwidth Revenue Growth and Year-end fleet utilisation are defined on page 6

[3] Including full pro forma impact of future contracted customer ramps on the current fleet as described on page 6

CHAIRMAN'S STATEMENT

Avanti made good progress in winning new key accounts in its Carrier and Government business, and the reduction in competition in both Europe and Africa has helped the broadband business.

As announced in July 2016, the economic backdrop for the year was challenging and both currency depreciation and credit terms impacted on the Group's working capital position. Post period end, Avanti's financial position es suffered disruption when the additional debt facilities sought were not forthcoming on suitable terms the provider of launch finance for HYLAS 4 effectively withdrew its offer of essential finance at the last minute in the aftermath of the EU referendum vote.

However, after a period of very hard work, our existing bondholders long term investors have supported the Company with commitments for the proposed refinancing transaction as announced on 20 December 2016 (the "Refinancing Transaction") which, subject to completion of a the proposed Refinancing Transaction process expected to complete in January, Avanti will have the runway it needs to launch HYLAS 4 and realise its ambition to fill its fleet.

Notwithstanding this unwelcome distraction, Avanti's business made some good progress in 2016 in developing its markets. The network continues to perform at a very high level, meaning that customers are pleased with quality of service, and the Company is able to solve customer issues and requirements to a standard that competitors are not able to meet.

The best example of this was the landmark contract win with Everything Everywhere (EE). As part of the Home Office's Emergency Services Network programme, Avanti is providing to EE satellite connectivity at almost 1,000 base stations in the UK in a seven-year contract to help deliver a ubiquitous nationwide 4G service. We believe this is the largest satellite 4G backhaul project of its kind in the world. It clearly demonstrates Avanti's pioneering service in changing the role that satellite technology plays in the telecoms market.

We have now invested over $1.2bn in developing a business that can meet the huge latent demand for affordable connectivity in high growth markets across EMEA. Africa is expected to be the fastest growing data market in the world and with the majority of its capacity dedicated to Africa, Avanti is playing an important role and has developed strong partnerships with the largest telcos in our core markets. A successful conclusion to the proposed Refinancing Transaction will provide the capital for Avanti to meet its business plan and I look forward to putting a turbulent year behind us and resuming our focus on growth.

During the year John Brackenbury and Matthew O'Connor left the board and I would like to thank them for their long years of service. I would also like to thank our employees, customers, suppliers and investors for their ongoing support.

Paul Walsh
Chairman

CHIEF EXECUTIVE'S REVIEW

Our satellites provide high performance, affordable connectivity to governments, businesses and individuals across EMEA either directly through satellite dishes installed at the user location, or by providing backhaul connectivity to mobile networks.

Avanti reaches end users through national and international Service Providers and we count many of the biggest and best telecoms network operators as core customers.

We made encouraging progress in each of our target market sectors this year.

In Broadband, we won significant new business in Europe, in deals to migrate over 15,000 end user customers away from competitor networks as well as winning new subscribers. Spain and Italy are markets that showed strong improvement in the year. The sale by a competitor of its Ka-band satellite for use in other markets resulted in new broadband customers joining our network. Prospective competition also decreased in Africa when one of two competing Ka-band satellites for West Africa failed. The launch of a new 30Mb service is also now making a positive impact on growth in the UK and Germany. In Africa, we are deploying a broadband product called ECO ("Every Child Online") which provides a very low cost broadband service, whilst also providing connectivity to schools. ECO is a wi-fi hot spot hosted by the school. Community users can use a proprietary Avanti app which works on low cost smart phones to buy, or trade, peer to peer credits which enable them to buy very small units of broadband access. We have won contracts to deploy this in over 2,500 schools and expect growth in 2017.

In Government, we had an encouraging year. Our defence business grew significantly, with several country-contract customers now signed up for sizeable secure services applications. In civil, we are providing large scale connectivity to government offices in all of our core markets in Africa. The market for connectivity in schools is expected to grow strongly and we won several national schools projects (for simple connectivity, not just ECO).

In Enterprise, our network providing digital transmission to cinemas is now in over 300 venues. We won new business in Africa to support remote mining and energy sites, and machine to machine communications – the "internet of things" – is becoming a significant market.

In Carrier Services, our contract with EE is a landmark transaction. As part of the British Government's Emergency Services Network, Avanti is providing 4G backhaul services to almost 1,000 mobile towers. Connecting a 4G network to a satellite network is highly sophisticated engineering and Avanti was the only company in Europe capable of delivering the services. It is a valuable multi year contract but also provides Avanti with a major marketing advantage around the EMEA region.

During the year our distribution strategy evolved, mainly in Broadband and Enterprise. We are seeing welcome consolidation in our distribution channels, as large service providers buy the customer bases of smaller ones. In some regions we are actively encouraging this as it generates an economy of scale benefit for Avanti in servicing fewer service providers who make larger commitments. In some cases we have, and will continue to offer Master Distribution or quasi exclusive status to Service Providers who can buy substantially all of the capacity in a beam or territory and several such deals are under negotiation.

An example of this in 2016 was the purchase by Eurona Wireless Telecom ("Eurona"), a Spanish based ISP, of the exclusive rights in perpetuity to sell capacity on any Avanti platform in Iberia specifically for use in the consumer broadband market. Eurona have a very large and well established customer base in the region and this arrangement provided them with an opportunity to strengthen their position in their local market and segment. Following this deal, Eurona have acquired one of their main regional competitors and a number of smaller players. This arrangement was the first step for Avanti in securing Eurona as a significant new partner and lays strong foundations to making significant headway in the Iberian market.

To win volume in certain markets where end-customers are highly price sensitive – such as broadband in Europe - we adjusted our prices during the year. Our products are sold as Mb or managed accounts or as fully integrated projects but we calculate the Price, or Yield, per MHz per month. Yield was in the $1,600-$1,800 band during 2016 (2015: $1,800-$2,000).

Demand is growing from an increasingly high quality customer base and a demand and supply balance is emerging.

Net working capital increased during the year with receivables increasing to $79.5m (2015: $35.5m) and payables increasing to $82.8m (2015: $31.9m). The receivables balance increased mainly as a result of contracts reaching milestones at the end of the final quarter which resulted in invoicing or revenue accruals. Of the receivables balance, $27.7m was accounted for by accrued income (2015: $10.6m), $16.4 m of which was due from investment grade counter parties, either Government customers or large corporate customers where the underlying customer is a Government.

As announced in July 2016, the economic backdrop for the year was challenging and both currency depreciation and credit terms impacted on the Group's working capital position. Post period end, Avanti's financial position suffered disruption when the additional debt facilities sought were not forthcoming on suitable termsin the aftermath of the EU referendum vote.

However, after a period of very hard work, our existing bondholders have supported the Company with commitments for the proposed refinancing transaction as announced on 20 December 2016 (the "Refinancing Transaction"). Subject to completion of the proposed Refinancing Transaction process expected to complete in January, Avanti will have the runway it needs to launch HYLAS 4 and realise its ambition to fill its fleet.

The financial uncertainty of 2016 has impacted Avanti's short term growth rate but with strong support from long term investors, on completion of the financial restructuring, we will have what we need to realise our ambitions.

Finally, our founder Director Alan Foster, who retired in 2015, passed away this year. He is greatly missed.

David Williams
Chief Executive

MARKET OVERVIEW

Satellites provide data communications and broadcasting services around the world. Satellites are used versus terrestrial infrastructure in situations where they can provide superior economics to customers or where other forms of communication are not available.

Avanti operates in the fixed data communications part of the satellite market. Avanti has pioneered the use of Ka-band technology, which enables us to service this market at a lower cost than legacy operators.

In turn, this vastly increases the addressable market for satellite data communications. Particularly in the high growth geographies where Avanti's capacity is focused, but also closer to home where Avanti can offer universal superfast broadband across Europe.

In these areas, dispersed populations and huge land areas make terrestrial communications uneconomic to deploy. For example, Africa has the same land mass as Europe, USA, China and India combined, yet a population the same as just India alone.

As a result of this low population density, fibre will not be deployed in European equivalent scale in the local loop during the lifetime of our satellites and so Africa is moving directly to wireless. In wireless technology, Ka-band HTS satellite is the best way to deliver high capacity, low cost, data services.

We estimate that the addressable market for our HTS services across the EMEA region, defined as users who both need satellite connectivity and have the ability to pay for it, is over 1,000 Gbps. Avanti's HYLAS satellite fleet will provide up to 200 Gbps of data throughput. According to Cisco, Africa and Middle East is the fastest growing data market in the World with an anticipated growth rate of 402% to 2020, and therefore Avanti is well placed to serve this growth.

KEY PERFORMANCE INDICATORS

The Top-20 Customer Bandwidth Revenue Growth metric helps to track Avanti's growth trajectory from core service sales. It is calculated by comparing the revenues from current leading customers on a last 12 month and constant currency basis, to the 12 months preceding that. Revenues from this customer group were 50% higher in the 2016 financial year ($32.4m) versus 2015 ($21.5m).

The Fleet Utilisation metric helps to track capacity uptake and gives an indication of revenue potential when Avanti's fleet is mature. It is calculated by expressing utilised capacity as a percentage of total available capacity for the fleet of HYLAS 1 (3 GHz), HYLAS 2 (11 GHz) and ARTEMIS (1 GHz). Avanti's Fleet Utilisation was within the 25% to 30% band at the end of 2016, having increased from the 20% to 25% range in 2015. Fleet utilisation would be in the 35% to 40% range when the impact of contracted capacity that customers will ramp up to over the next 12-18 months is taken into account.

Top-20 Customer Bandwidth Revenue Growth

Tracks Avanti's growth trajectory from core service sales, excluding non-recurring items

50%

2015: 54%

Fleet Utilisation

Tracks capacity uptake and gives an indication of revenue potential when Avanti's fleet is mature

25%-30%

2015: 20%-25%

OUR BUSINESS MODEL AND STRATEGY

Our business model

Avanti generates revenue from the commercial exploitation of its space and network assets. These assets include its spectrum rights, satellites, intellectual property and ground station assets.

Avanti generates revenue by charging its Service Provider customers for the use of its network and other assets. It charges in a number of ways: broadband packages, managed capacity, fully integrated project fees, raw capacity, pure spectrum and a number of other product categories and charging models to suit customer and market circumstances.

Avanti connects people wherever they are – in their homes, businesses, in government and on mobiles. Through the HYLAS satellite fleet serving service providers in 118 countries, the network provides ubiquitous internet service to a quarter of the world's population. Avanti delivers the level of quality and flexibility that the most demanding telecoms customers seek.

Avanti's technology platform is made up of three operational satellites in orbit, two under construction, a shared payload which launched service in 2016 and a ground segment infrastructure delivering comprehensive coverage of Europe, the Middle East and Sub-Saharan Africa.

These assets are turned into a virtual network service accessible by our Service Provider customers. This is done using the Avanti Cloud, a software based control system that allows all parts of the Avanti network to be controlled and configured online.

Avanti has developed proprietary and patented technology which is deployed throughout its network. This technology has been developed in house by its employees, who are amongst the most experienced in the industry.

Avanti uses the high frequency Ka-band spectrum. This enables our High Throughput Satellites to transmit over 10 times more data per satellite than legacy systems, significantly reducing end-user costs and creating a larger addressable market.

A combination of the efficiencies that are inherent in the use of Ka-band and Avanti's high-powered network design also make our systems significantly more efficient than the emerging Ku-band high throughput networks.

Our network can provide download speeds of up to 380Mbps and we can offer customers price reductions versus legacy Ku-band systems of up to 80%.

Avanti's business model is differentiated from those of legacy satellite operators primarily by its use of Ka-band technology and the Avanti Cloud. The Avanti Cloud enables the sale of satellite capacity as a service, rather than as an infrastructure purchase.

Like other infrastructure companies, Avanti's business model involves significant upfront capital expenditure to launch services and a largely fixed operating cost base. This is expected to result in initial cash outflows being followed by strong cash inflows as the business grows.

The satellite industry has very high barriers to entry. These include the intellectual capital that is needed to design and run a satellite network and the requirement for orbital slots and spectrum. Avanti believes that terrestrial wireless services are rapidly consuming all of the available spectrum globally and recent industry debates show that there is great pressure on spectrum. Thus Avanti's estate of spectrum rights should provide secure long term value to the business.

Avanti seeks to lease and sell spectrum rights to third parties where opportunities arise and to commercially exploit its satellite and ground station assets outside of the operation of its own satellites, for example through satellite interim missions, consultancy projects, engineering services, satellite control services and ground station operation services.

The risks to Avanti's business model through technological change are low, primarily due to the very long lead times needed to develop and launch new satellite technologies.

Our strategy

Avanti's strategy is founded on the assumptions that data usage will continue to grow strongly for the foreseeable future; that terrestrial infrastructure will not satisfy demand; and that high growth markets offer the highest returns.

Avanti sells a managed service for fixed data connectivity. The go to market strategy is to sell to telecoms companies and specialist Service Providers for use in the Broadband, Enterprise, Government and Carrier Services verticals.

The Group sells mainly through direct field sales with strong engineering pre-sales support.

Outlook

As described in the Chief Executive's Statement, the business suffered from financial uncertainty in 2016 slowing its growth rate but over the medium term it expects to generate constant currency continuing business growth rate[1] of at least 35% against a base of the current financial year's total revenue of $82.8m.

Avanti has a largely fixed cash cost base. There will be a modest increase in costs in 2017 as further investments are made in sales and marketing and ground operations ahead of the launches of HYLAS 3 and HYLAS 4.

Management expects that the combination of revenue growth and largely fixed cash cost base will lead to strong operating cash flows in the medium-term.

1 Constant currency continuing business growth rate is a measure which refers to revenue for the year, excluding any large, infrequently occurring items with non-USD components of revenue figures for each year in question calculated at the most recent relevant foreign exchange rate.

Going Concern and post balance sheet events

On 7 July 2016, the Company announced that it was probable that additional funding would be required in order to ensure that the Group had sufficient liquidity to complete and launch HYLAS 4 in FY17. Avanti had based its funding plan on cash to be generated from the business which had grown more slowly than expected.

On 11 July 2016, the Company announced the undertaking of a strategic review (the "Strategic Review") to consider all financial and strategic options. As part of this exercise, Avanti conducted an in-depth review of its business plan, financial position and strategic options, including various routes to strengthen the Company's balance sheet.

The output of the strategic review and the additional liquidity that is expected to be forthcoming from a proposed Refinancing Transaction has allowed the Directors to prepare the accounts on a Going Concern basis. This is explained in further detail in note 2 on page 34.

In summary, the Directors have concluded that based on the Group's expectation that the Consent Solicitation for the proposed Refinancing Transaction will be successful, in addition to the forecasts and launch of HYLAS 4, the Directors believe that the Group will be able to have sufficient liquidity and comply with the financial covenants under the amended and new Notes, and will be able to meet its obligations as they fall due, and accordingly have formed the judgement that it is appropriate to prepare the financial statements on a going concern basis. There can, however, be no certainty that the required consents will be received or that the proposed Refinancing Transaction will be successfully completed. Accordingly, successful completion of the proposed Refinancing Transaction and the substantial achievement of cash flow forecasts to enable the settlement of certain interest payments by the issue of Notes represent a material uncertainty that may cast significant doubt on the Group and the parent company's ability to continue as a going concern.

Revenue

	Year ended 30 June 2016 $'m	Year ended 30 June 2015 $'m
Revenue		
Capacity, services & equipment	**74.5**	60.1
Spectrum coordination	**–**	25.1
Sale of exclusivity rights	**8.3**	–
Total Revenue	**82.8**	85.2

Revenue in the year decreased 3% to $82.8m (2015: $85.2m). Revenue from capacity, services and equipment increased by 24% to $74.5m (2015: $60.1m). There was no revenue recognised from Spectrum co-ordination in the year (2015: $25.1m) and $8.3m from the sale of exclusivity rights (2015: $nil).

On a constant currency basis total revenue fell by less than 1% to $82.8m ($83.1m), (i.e. translating 2015 non-USD revenues at the average rate for 2016).

Costs

Cash costs increased to $77.0m (2015: $71.3m). The costs of the business are largely fixed irrespective of the amount of capacity sold on the satellites. Costs will increase when a new satellite is launched when new ground infrastructure is brought online. Most of the staff costs and other operating expenses are incurred in pounds Sterling but reported in US Dollars, which can lead to some variation from period to period.

The cost of sub-contractors required to deliver value-added services to Government customers fell from $11.4m to $7.8m as a result of the nature of projects undertaken during the year. This movement was broadly offset by an increase in costs related to the purchase of equipment for resale from $6.8m in 2015 to $13.5m in 2016 as a result of higher levels of equipment sales, for example as a result of the initial roll-out of the Group's operations with EE.

EBITDA

Earnings before interest, tax, depreciation and amortisation ("EBITDA") fell to $7.3m (2015: $15.3m) as a result of the mix of revenue and increases in other operating expenditures to $16.3 m (2015: $13.3m).

Loss

The loss for the year reduced marginally to $69.2m (2015: $73.3m). Despite positive EBITDA in both 2016 and 2015 the income statement is still materially affected by the depreciation charge, primarily from the satellites of $47.3m (2015: $47.9m) and finance charges arising from the high level of debt of $40.9m (2015: $40.5m).

With the launch of HYLAS 4 in 2017 the depreciation charge will increase. Similarly, the finance expense will also increase as the interest capitalised during construction will fall to the income statement.

Loss per share

Loss attributable to shareholders of $68.7m (2015: $73.1m), which included a net interest expense of $27.0m (2015: $40.5m), results in a loss per share of 49.27 cents (2015: loss per share of 61.5 cents).

Cash flow

Net cash outflow from operating activities during the year ended June 30, 2016 was $92.3m as compared to $62.5m during the year ended June 30, 2015. The increase of $29.8m primarily relates to changes in working capital and in particular deferred payment terms on contracts closed in the final quarter. It is also relevant that the consideration received for sale of spectrum rights in 2015 was a payload (HYLAS-2B) as opposed to cash.

Net cash used in investing activities during the year ended June 30, 2016 was $93.5m as compared with $96.7m during the year ended June 30, 2015. The decrease of $3.2m is due to lower capital milestones during the current year.

Net cash flow from financing activities during the year ended June 30, 2016 was $121.4m as compared with $85.2m during the year ended June 30, 2015. The increase of $36.2m is as a result of the proceeds from the bond and equity issues in the year ($125.7m) compared to the $90.6m raised in the prior year.

Balance sheet

Total equity fell to $201.5m (2015: $304.7m) as a result of the loss for the year of $69.2m, the issue of share capital ($10.7m) and foreign exchange losses ($45.1m) arising from the re-translation of quasi-equity intercompany balances.

Total assets increased to $942.3m (2015: $881.8m) primarily as a result of investments in satellite and ground assets.

Net working capital increased during the year with trade and other receivables increasing to $79.5m (2015: $35.5m) and trade and other payables increasing to $82.8m (2015: $31.9m). The receivables balance increased mainly as a result of contracts reaching milestones at the end of the final quarter which resulted in invoicing or revenue accruals. Of the receivables balance $27.7m was accounted for by accrued income (2015: $10.6m), $16.4m of which was due from investment grade counter parties, either Government customers or large corporate customers where the underlying customer is a Government.

Insurance

Avanti 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. The HYLAS 1in orbit insurance policy was renewed in November 2015 with an insured value of £112m and the HYLAS 2 policy was renewed in August 2015 for $306m. Artemis is insured for $30m.

Backlog

Our backlog comprises our customers' committed contractual expenditure under existing contracts for the sale of bandwidth, satellite services, consultancy services and equipment sales over their current terms. Backlog does not include the value arising from potential renewal beyond a contract's current term or projected revenue from framework contracts. We do include projected revenue from consultancy services provided to government customers at the rate of $3.3m per year, based on the average revenue generated by these services for the last five fiscal years. Our backlog totalled $290.4m as of June 30, 2016.

Our backlog by end market as of June 30, 2016 was as follows (in millions, except percentages):

End Market	Amount ($'m)	Percent
Enterprise	107.2	37%
Broadband	54.4	19%
Carrier Services	27.0	9%
Government	101.8	35%
Total	**290.4**	**100%**

Principal risks and uncertainties

The Group faces a number of risks and uncertainties that may adversely affect our business, operations, liquidity, financial position or future performance, not all of which are wholly within our control or known to us. Some such risks may currently be regarded as immaterial and could turn out to be material. We accept risk is an inherent part of doing business, and we manage the risks based on a balance of risk and reward determined through careful assessment of both the potential likelihood and impact as well as risk appetite. The Group faces a number of ongoing operational risks including credit and foreign exchange risk.

Global economy

The global economy remains fragile and it continues to be difficult to predict customer demand. Avanti is susceptible to decreased growth rates within high growth markets and/or continued economic and market downturn in developing markets. The effects could lead to a decline in demand and deteriorating financial results, which in turn could result in the Group not realising its financial targets.

Foreign exchange risk
We operate internationally and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the pound Sterling and the Euro. In order to hedge the foreign currency risk we enter into forward contracts or natural hedges as considered appropriate. These risks are assessed on a continual basis. Our reported results of operations and financial condition are affected by exchange rate fluctuations due to both transaction and translation risks.

Interest rate risk
We borrow in US Dollars and pounds Sterling 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 the direct risk of default and the risk of deterioration of creditworthiness. We believe we currently have no significant concentrations of credit risk. We assess the credit quality of major customers before trading commences, taking into account customers' financial position, past experience and other factors. Generally when a balance becomes more than 90 days past its due date, we consider 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. We manage our exposure to liquidity risk by regularly monitoring 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.

Future liquidity is also affected by the rate at which we fill the satellites and the yield achieved.

See the going concern and post balance sheet section of this financial review in addition to the going concern accounting policy in Note 2 for a discussion of the planned financial restructuring and commentary of the Group's medium term funding that this will provide on completion.

Nigel Fox
Group Finance Director

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 the following:

- 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; and
- A diverse range of talented employees with a broad range of skills and capabilities to deliver against global customer requirements.

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 of Avanti employees also have some responsibility for sustainability, whether it is in their interactions with Service Providers or making efficiencies to support our environmental aims. The effectiveness of policies and processes is monitored and reviewed on an ongoing basis and risks or opportunities are assessed and managed.

Avanti uses targets and metrics to measure our performance and to enhance future performance by learning from our past successes and challenges. 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. Priorities may change as the business develops and as we receive feedback from our stakeholders, and we therefore review these on a regular basis. For areas 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 of our policies, processes and procedures. Stakeholder engagement is important to Avanti.

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 work experience 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. Maximising the available talent pool is at the heart of our recruitment strategy and Avanti uses a diverse range of recruitment methods to achieve this; 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 at Avanti. Avanti monitors this on a monthly basis and regular feedback ensures that any potential issues are identified and dealt with. Avanti's target for voluntary turnover (over a 12 month period) is under 15%. 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.

To improve retention, Avanti has developed internal communications and benefits and implemented a more structured development strategy. These changes have had a positive impact on retention. In the UK currently only 6% of the engineering workforce is female. Avanti continues to buck this trend. Engineers make up 60% of Avanti's workforce and of those 11.6% are female.

At Avanti we continue to actively promote the industry to young people and women through work with universities and colleges and to promote fair and open recruitment and selection practices. Avanti employs people from 33 countries speaking more than 27 languages. Through encouraging diversity within our workforce, Avanti aims to reflect better the diversity of our customer base and in order 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. Avanti also offers internships and voluntary work experience placements as well as providing expert technical talks to universities. 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 fourth year, the graduate scheme provides the business with a strong pipeline of committed and competent engineers from a range of technical backgrounds.

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 in 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 that Avanti 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 offers development opportunities across the business in technical and management skills to ensure that our workforce is ready to adapt to changes in technology and markets. In the 12 months leading up to July, Avanti provided over 400 training sessions for employees and the development activity is paying off. Avanti is proud of its record of developing talent and promoting from within; in the last year, 18% of all vacancies were filled by internal promotion.

Key next steps
Avanti continues to develop and diversify its recruitment practices and grow its links with relevant universities 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 as the labour market is predicted to become more challenging, and that 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 purposes are customer facing (the partner support, deployment and logistics teams), sales and revenue generation (marketing, sales and pre-sales) 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.

The Strategic Report on pages 2 to 12 was approved by the Board of Directors on 20 December 2016 and signed on its behalf by:

David Williams
Chief Executive

Nigel Fox
Group Finance Director

BOARD OF DIRECTORS

Paul Walsh+ • ∆
Chairman

Paul Walsh is the former CEO of Diageo Plc. He is also Chairman of Compass Group, Non-Executive Director of Unilever Plc, FedEx Corporation and HSBC PLC. Paul became Chairman of Avanti in March 2014.

Paul is the Chairman of the Nominations Committee.

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.

David Bestwick†
Technical Director

David is a co-founder of the Company. He 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.

Nigel Fox
Group Finance Director

Nigel is a Fellow of the Institute of Chartered Accountants in England and Wales 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.

Nigel is responsible for all aspects of Finance and Administration of the Group.

Professor Michael Walker OBE FREng†
Non-Executive Director

Michael has spent more than 25 years in industry, the last 10 years of which, until his retirement in September 2009, he was Group Research and Development Director for the Vodafone Group of companies, with responsibility for the Group's research activities, intellectual property and technology standards worldwide.

Michael 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. He 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.

Michael was awarded an OBE in June 2009 for his services to the telecommunications industry.

Michael is the Chairman of the Technical Committee.

Richard Vos+ • †
Non-Executive Director

Richard is a telecommunications and satellite professional, with international experience, gained over 40 years working in the industry. His previous positions include Chairman of SatCom Group Holdings plc, Inmedia Communications Ltd and 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. He is a Non-Executive Director at One Horizon Group Inc. 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.

Paul Johnson+
Non-Executive Director

Paul is a Fellow of the Institute of Chartered Accountants in England and Wales. He spent 24 years as a Partner in KPMG 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's London Region and a member of KPMG's UK Markets Executive.

Paul is the Chairman of the Audit Committee.

Charmaine Eggberry†
Non-Executive Director

Charmaine is a Non-Executive Director on the Boards of GB Group plc and Blue Prism Plc, Chairperson of Buzzmove, CEO of Plan B Consulting and a Board member and trustee of The Marketing Academy.

Previously, Charmaine was Global Senior Vice President at Nokia and Managing Director & Vice President, EMEA at Research In Motion (BlackBerry). She also led Wayra, the digital accelerator, and was a Non-Executive Director of Wayra UnLtd, a joint venture between the UK Government and Telefónica.

Andy Green• ∆
Non-Executive Director

Andy is Chairman of IG Group, DockOn, Inc. and the Digital Catapult. Until 2012, he was CEO of Logica plc.

Prior to joining Logica, Andy was a Board member at BT plc. He is also co-Chair of the UK Space Leadership Council and a member of the Information Economy Council.

+ Audit
• Remuneration
∆ Nomination
† Technical

CHAIRMAN'S INTRODUCTION TO GOVERNANCE

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 of Directors (the "Board") recognises that it is accountable to shareholders for the Company'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 Company is AIM listed and therefore not required to comply with the UK Corporate Governance Code (the "Code"), the Board seeks to comply with the Code in all material respects wherever it is practical and appropriate to do so having regard to the size of the Company 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 2016, 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.

Paul Walsh
Chairman

CORPORATE GOVERNANCE REPORT

Role of the Board

The Board has a collective duty to promote the long term success of Avanti (the "Company") for its shareholders. The Board sets the Company'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 Company, 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 Company's purpose, objectives, values and key behaviours.

Composition of the Board

The Board comprises a Non-Executive Chairman, five other Non-Executive Directors and three Executive Directors. During the year, John Brackenbury retired as a Non-Executive Director and Matthew O' Connor retired as an Executive Director. 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 and the Technical Director, he is responsible for the day-to-day management of the Company. He provides leadership to the Company to successfully plan and execute the objectives 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 Company benefits from the extensive experience of the Non-Executive Directors in areas critical to the long term future success of the Company, encompassing a deep understanding of the industry, technology, corporate strategy, finance and investment. The Non-Executive Directors help the Executive Directors by contributing independent challenge and rigour to the Board's deliberations and assisting in the development of the Company's strategy. In addition, they are responsible for monitoring the performance of the Executive Directors against agreed goals and objectives. Their views are essential in overseeing the performance of the Company.

Induction and ongoing training

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

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;
- Company strategy and annual operating budget;
- Changes to the Company's capital structure;
- Changes to the Company's management and control structure;
- Major capital expenditure, acquisitions and disposals;
- Treasury policies;
- Risk management strategy;
- Company corporate governance policy; and
- Environmental, health and safety and sustainability policies.

Board meetings

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

Board attendance for the financial year 1 July 2015 to 30 June 2016		Attended
Chairman	Paul Walsh	7/7
Executive Directors	David Williams	7/7
	David Bestwick	7/7
	Nigel Fox	7/7
	Matthew O' Connor (Resigned 31 March 2016)	4/4
Non-Executive Directors	Richard Vos	6/7
	Michael Walker	6/7
	Paul Johnson	7/7
	Charmaine Eggberry	7/7
	Andy Green	7/7
	John Brackenbury (Resigned 31 March 2016)	4/4

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

In advance of each meeting, the Board is provided with 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.

Re-appointment of Directors

All Directors are required to retire every three years and may offer themselves for re-appointment, 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.

The Board is satisfied that all the Directors standing for 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 Audit Committee, the Nominations 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 roles 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 Company's advisors and management as appropriate.

Audit Committee

The Audit Committee is comprised of three Non-Executive Directors: Paul Johnson, Richard Vos and Paul Walsh. 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 page19.

Nominations Committee

The Nominations Committee is comprised of two Non-Executive Directors: Paul Walsh and Andy Green. It is chaired by Paul Walsh. For further information on the activities of the Committee please refer to page 20.

Remuneration Committee

The Remuneration Committee is comprised of three Non-Executive Directors: Richard Vos, Paul Walsh and Andy Green. 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 Company share incentive plans. In accordance with the Committee's Terms of Reference, no Director may participate in discussions relating to his or her own terms and conditions of service or remuneration.

With regard 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 22 to 24.

Technical Committee

The Technical Committee is comprised of three Non-Executive Directors, Michael Walker, Richard Vos and Charmaine Eggberry, 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 21.

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, various Directors 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 Accounts 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 Company 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 Annual General Meeting ("AGM") as a forum to meet with shareholders and to hear their views and answer their questions. The 2016 AGM will be held on 29 December 2016 at 10.00 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 has been sent to shareholders and it is also available to download on the Company's website.

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 Company'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 Company'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 Company's objectives.

The Board has reviewed the effectiveness of the system of internal control for the year ended 30 June 2016 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 Company'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 Company has a comprehensive system for regular reporting to the Board. This includes an annual planning and budgeting system with budgets approved by the Board.

The financial reporting system compares against budget and prior year, and reconsiders its financial year forecast on a monthly basis.

The Board has established a formal policy of authorisation setting out matters which require its approval and certain authorities delegated to the Executive Directors.

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

- Management responsibility and accountability: There are clearly defined management responsibilities, reporting lines and limits of authority. The Chief Executive and the Group 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 any 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. 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 22 to 24.

Bribery Act 2010

The Board performs an ongoing assessment of the risk environment and has implemented a framework to ensure that the Group trades in compliance with the UK Bribery Act 2010 and all other relevant anti-bribery and corruption legislation.

AUDIT COMMITTEE REPORT

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 Auditor.

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 Auditor.

During the year to 30 June 2016 the Audit Committee reviewed and endorsed, prior to submission to the Board, half year and full year Financial Statements, interim management statements and results announcements. It considered internal management reports and risk management updates, agreed external audit plans, received updates on management responses to audit recommendations and approved the review of accounting policies. Progress on implementation of processes to meet the requirements of the UK Bribery Act 2010 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.

Going Concern

As more fully explained in note 1 to the financial statements, in determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

In assessing the Group's ability to meet its obligations as they fall due, management prepared cash flow forecasts based on the business plan for a period in excess of 24 months. Management considered various scenarios to test the Group's resilience against operational risks including:

- Adverse movements in Sterling and Euro exchange rates against US Dollar
- Delays in the launch of HYLAS 4
- Lower yield on capacity
- Slower build in fleet / satellite utilisation

Management reported to the Committee the results of the going concern assessment, noting to the committee that the Group's Capital Structure after the planned debt facilities amendments and new money notes, together with the ability, conditional on certain cash flow forecasts, to PIK certain interest coupons, provides sufficient headroom to cushion against downside operational risks and reduces the risk of breaching the new debt covenants.

The Committee challenged management on the key assumptions used in the cash projections and sensitivities applied to arrive at a downside scenario. The Committee was satisfied that the key assumptions had been appropriately scrutinised, stress tested and were sufficiently robust. The Committee was further satisfied that the going concern disclosures in the financial statements were appropriate and that an appropriate basis of preparation of the financial statements had been arrived at. However, the need for a successful completion of the financial restructuring (announced on 20 December 2016) is conditional upon the Consent Solicitation process and this, in addition to the substantial achievement of cash flow forecasts to enable settlement of certain interest payments by the issue of Notes represent a material uncertainty about the Group's ability to continue as a going concern as explained in note 2 to the financial statements.

The auditor explained their audit procedures on management's going concern assessment and considered the Group's disclosure on the subject. On the basis of their audit work, the auditor considered that the going concern basis of preparation of the financial statement is appropriate and included an emphasis of matter in relation to the material uncertainty regarding the need for a successful completion of the financial restructuring and the substantial achievement of cash flow forecasts to enable the settlement of certain interest payments by the issue of Notes. Refer to the auditor's report on page 28 for the auditor's opinion on the going concern assumption.

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 2015, the Company concluded that it continues to have an objective and professional relationship with KPMG and that there are sufficient controls and processes in place to ensure the required level of independence. In addition, the Auditor is required to review and confirm its independence to the Committee on a regular basis.

Non-audit services

The Company's Auditor may also be employed where, as a result of its position as Auditor, it either must, or is best placed to, perform the work in question.

Paul Johnson
Audit Committee Chairman

NOMINATIONS COMMITTEE REPORT

The Nominations Committee comprises independent Non-Executive Directors. The Nominations Committee meets as and when necessary and details of the membership of the Committee are shown on page 20. 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 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 Company. 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.

Paul Walsh
Nominations Committee Chairman

TECHNICAL COMMITTEE REPORT

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; and
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, Charmaine Eggberry, David Bestwick and senior executives from within the Company.

This year the Technical Committee has focused its work on three main topics:

1. Plotting a course to enable the Company to benefit from the integration of satellite technologies with future 5G terrestrial services;
2. Overseeing the managed transition of the control of Avanti's satellite fleet to in-house operations; and
3. Providing realistic assessments of the potential competitive threat that the more speculative new satellite and terrestrial systems might actually pose.

Overall the Technical Committee is pleased with the progress the Company has made in continuing to build on its technological base which is well adapted for the Company's future growth.

Professor Michael Walker OBE FREng
Technical Committee Chairman

The Remuneration Committee comprises independent Non-Executive Directors only. The 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 Company.

The Committee consists of Richard Vos (Chairman), Paul Walsh and Andrew Green, who replaced John Brackenbury in March 2016. The Committee thanks John Brackenbury for his knowledgeable contribution over the past several years

During the year, the Remuneration Committee met four 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 ongoing success of the business. Consistent with this policy, the remuneration and benefits package awarded to Directors is intended to be competitive and comprises a mix of performance related and non-performance related elements designed to incentivise Directors in the short and longer term, and align their interests with those of shareholders. Their remuneration accordingly consists of base pay, annual bonus, Long Term Incentive Plan ("LTIP"), share options, pension contributions and other benefits such as health care.

Under the Company's LTIP which came into operation in July 2013, shares will 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 2016

The remuneration of the Directors for the year is set out below, the previous year's figures being shown for comparison. Remuneration is paid in Sterling , but reported in US Dollars, the exchange rates used being USD 1.47 in 2016 and USD 1.57 in 2015.

For the year ended 30 June 2016

	Salaries $	Bonus $	Other benefits $	Post-employment benefits $	Total 2016 $	Total GBP £
Executive						
D J Williams	639,529	–	85,156	60,581	785,266	538,865
D J Bestwick	475,242	–	57,247	88,955	621,444	424,031
N A D Fox	366,386	–	42,335	49,157	457,877	313,305
M J O'Connor (Resigned 31 March 2016)	263,771	–	26,189	26,588	316,549	215,156
Non-Executive						
F E J G Brackenbury CBE (Resigned 31 March 2016)	76,300	–	10,655	–	86,955	58,325
M Walker OBE FREng	106,174	–	–	–	106,174	72,089
P Walsh	291,295	–	–	–	291,295	198,030
C R Vos	66,769	–	–	–	66,769	46,103
P R Johnson	90,421	–	–	–	90,421	61,470
C Eggberry	73,681	–	–	1,324	75,005	50,991
A Green	73,681	–	–	–	73,681	50,091
Total	**2,523,249**	**–**	**221,582**	**226,605**	**2,971,436**	**2,028,457**

For the year ended 30 June 2015

	Salaries $	Bonus $	Other benefits $	Post employment benefits $	Total 2015 $	Total GBP £
Executive						
D J Williams	564,788	484,651	105,006	–	1,154,445	734,333
D J Bestwick	414,185	355,417	68,600	–	838,202	533,174
N A D Fox	328,707	235,678	50,514	50,120	665,019	423,013
M J O'Connor (Resigned 31 March 2016)	288,616	119,424	32,566	36,232	476,838	303,313
Non-Executive						
P Walsh	275,119	–	–	–	275,119	175,000
F E J G Brackenbury CBE (Resigned 31 March 2016)	189,161	–	12,652	–	201,813	128,372
C R Vos	86,466	–	–	–	86,466	55,000
M Walker OBE FREng	82,536	–	–	–	82,536	52,500
P R Johnson	86,466	–	–	–	86,466	55,000
C Eggberry (appointed 27 November 2014)	40,567	–	–	–	40,567	25,804
A Green (appointed 27 November 2014)	40,567	–	–	–	40,567	25,804
D A Foster (retired 31 March 2015)	62,235				62,235	39,587
W P Wyatt (retired 27 November 2014)	30,524				30,524	19,416
Total	**2,489,937**	**1,195,170**	**269,338**	**86,352**	**4,040,797**	**2,570,316**

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 no increase for the year ended 30 June 2016.

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 Group meets a specific target threshold. As this was not achieved for 2016, no bonus payments were made to the Executive Directors. Personal performance is appraised against the achievement of challenging objectives set at the start of each financial year, and is linked to the Group's strategic and operational performance.

Save As You Earn
During the year, one Executive Director made contributions into the Avanti Save As You Earn ("SAYE") schemes. Nigel Fox made monthly contributions of £250 into the November 2013 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 2016	30 June 2015
D J Williams	**1,714,848**	1,709,414
D J Bestwick	**1,301,954**	1,301,954
N A D Fox	**134,580**	134,580
M J O'Connor (Resigned 31 March 2016)	**203,961**	203,961
P Walsh	**230,000**	205,000
F E J G Brackenbury (Resigned 31 March 2016)	**516,432**	516,432
C R Vos	**21,030**	21,030
P R Johnson	**10,000**	10,000
A Green	**21,888**	–

Directors' Long Term Incentive Plans

LTIPs have been established by the Group 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 Group.

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. Currently, the criteria are twofold:

Two thirds of an award – "the Revenue Part" – or a proportion thereof will vest if specific revenue targets are achieved or bettered. Revenue will be based on the Group's audited Financial Statements for the relevant financial year. The Revenue Part will lapse to the extent it does not vest.

One third of an award – "the Share Price Part" – or a proportion thereof will vest if the three-month average share price to 30 June 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.

In 2016, the Remuneration Committee determined that the criteria for the 2016 awards had not been met and that the awards should therefore lapse. The Committee decided to review the relevance of the current LTIP scheme to the Group's longer-term ambitions prior to consideration of any further LTIP award. Accordingly, no LTIP awards have been made in 2016.

Current allocations are as set out below:

Outstanding allocations	Potentially vesting 2015	Potentially vesting 2016	Potentially vesting 2017	Potentially vesting 2018	Total
David Williams	153,427	329,869	338,116	355,022	1,176,434
David Bestwick	117,270	252,129	258,432	271,354	899,185
Nigel Fox	44,954	96,731	99,149	104,106	344,940
Total	**315,651**	**678,729**	**695,697**	**730,482**	**2,420,559**

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 2016.

Principal activities

The principal activity of the Group is the provision of communication services and it is expected to be so for the foreseeable future Avanti generates revenue from the commercial exploitation of its space and network assets. These assets include its spectrum rights, satellites, intellectual property and ground station assets.

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. ARTEMIS was acquired from the European Space Agency (''ESA'') on 31 December 2013. Two further satellites are under construction. HYLAS 3 is a payload on ESA's EDRS-C satellite and construction on HYLAS 4 commenced in August 2014. Both HYLAS 3 and HYLAS 4 are scheduled for launch in 2017.

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

Going Concern

In determining the appropriate basis for preparation of the financial statements, the Directors are required to consider if it is appropriate to adopt the going concern basis of accounting.

Full disclosure of the Directors deliberations to determine whether it is appropriate to adopt the going concern basis of accounting is provided in note 2 to the financial statements on page 34.

In summary, the Directors have concluded that based on the Group's expectation that the Consent Solicitation for a financial restructure will be successful, in addition to the forecasts and launch of HYLAS 4, the Directors believe that the Group will be able to have sufficient liquidity and comply with the financial covenants under the amended and new Notes, and will be able to meet its obligations as they fall due, and accordingly have formed the judgement that it is appropriate to prepare the financial statements on a going concern basis. There can, however, be no certainty that the required consents will be received or that the refinancing will be successfully completed. Accordingly, successful completion of the refinancing and the substantial achievement of cash flow forecasts to enable the settlement of certain interest payments by the issue of Notes represent a material uncertainty that may cast significant doubt on the Group and the parent company's ability to continue as a going concern.

Business review and key performance indicators

Avanti operates two key performance indicators in order to give investors better insight into the progress that the business is making. The first performance indicator is Top-20 Customer Bandwidth Revenue Growth, which helps to track Avanti's growth trajectory from core service sales, and is calculated by comparing the revenues from Avanti's current leading customers on a last 12 month basis, to the 12 months preceding that.

The second performance indicator is Fleet Utilisation, which helps to track satellite capacity uptake and gives an indication of revenue potential when Avanti's fleet is mature, and is calculated by dividing utilised capacity by total available capacity for the fleet of HYLAS 1 (3 GHz), HYLAS 2 (11 GHz) and ARTEMIS (1 GHz).

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

Results and dividends

The results for the year ended 30 June 2016 are shown on page 29. No equity dividend was paid in the year ended 30 June 2016 (2015: $nil). No final dividend is proposed at the year-end (2015: $nil). The loss for the year transferred to the shareholders' funds was $68.7m (2015: loss of $73.1m). The net asset position at year end is $201.5m (2015: $304.7m).

Share capital

The Company issued 3,593,000 new Ordinary Shares and 2,000,000 new Ordinary Shares into the EBT during the year ended 30 June 2016 (2015: 30,066,720 new shares). Details of the Company's share capital are given in Note 24 to the Consolidated Financial Statements.

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

A discussion of the Group's financial risk management objectives and policies and the exposure of the Group to interest rate, foreign exchange, credit and liquidity risk is included on pages 58 to 61 in Note 23 to the Consolidated Financial Statements.

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 (resigned 31 March 2016)
F E J G Brackenbury CBE (resigned 31 March 2016)
C R Vos
M Walker OBE FREng
P R Johnson
C Eggberry
A Green

REPORT OF THE BOARD OF DIRECTORS

A biography for each Director is provided on page 13. In accordance with the Company's Articles of Association, all Directors offer themselves for re-election every three 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 Company. The Board therefore recommends the re-appointment of both 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, LTIP, pension contributions and other benefits such as healthcare.

Major shareholders

At 9 December 2016, the Company had been notified, pursuant to the Financial Conduct Authority's Disclosure & Transparency Rules, of the following notifiable voting rights in the Company's issued Ordinary Share capital.

9 December 2016:

M & G Investment Management	18.56%
Solus Alternative Asset Management	16.55%
Mast Capital Management	10.06%
PAR Investment Partners	5.77%
Avanti Communications EBT	4.87%
Caledonia Investments	4.20%
Capital Group	3.29%
Directors & Employees	2.33%

Employees

The Group employed 240 people at 30 June 2016 (2015: 213 people).

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

Political donations

During the year the Company made no political donations (2015: $nil).

Corporate Governance

The Corporate Governance Report is provided on pages 14 to 18 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 was sent to shareholders on 5 December 2016.

Disclosure of information to the auditors

Each of the persons who is a Director at the date of approval of this report confirms that:

1. So far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware.

2. The Director has taken all steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to ensure that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Directors' and Officers' liability insurance

The Company 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 2016, the Company provided an indemnity in respect of all of the Company'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.

Patrick Willcocks
Company Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT, THE DIRECTORS AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, 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 keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

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.

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 2016 set out on pages 29 to 71. 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 27, 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 2016 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.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2 to the financial statements concerning the group's and the parent company's ability to continue as a going concern, in particular the successful completion of the financial restructuring (to be announced on 20 December 2016) is conditional upon the Consent Solicitation process, which is expected to commence on 21 December and will run for a maximum of twenty business days and the substantial achievement of cash flow forecasts to enable the settlement of certain interest payments by the issue of Notes. These conditions, along with the other matters explained in note 2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the group's and the parent company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and the parent company were unable to continue as a going concern.

Opinion on other matters 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
E14 5GL
20 December 2016

FINANCIAL STATEMENTS
CONSOLIDATED INCOME STATEMENT
Year ended 30 June 2016

	Notes	Year ended 30 June 2016 $'m	Year ended 30 June 2015 $'m
Revenue			
Capacity, services & equipment	4	**74.5**	60.1
Spectrum coordination[1]	4	**–**	25.1
Sale of exclusivity rights[1]	4	**8.3**	–
Total Revenue		**82.8**	85.2
Cost of sales – capacity, services & equipment (excluding satellite depreciation)		**(40.9)**	(38.0)
Staff costs	7	**(19.8)**	(20.0)
Other operating expenses	5	**(16.3)**	(13.3)
Other operating income	8	**1.5**	1.4
EBITDA[2]		**7.3**	15.3
Depreciation and amortisation		**(47.3)**	(48.1)
Operating loss		**(40.0)**	(32.8)
Finance income	9	**13.9**	–
Finance expense	9	**(40.9)**	(40.5)
Loss before taxation		**(67.0)**	(73.3)
Income tax	10	**(2.2)**	–
Loss for the year		**(69.2)**	(73.3)
Loss attributable to:			
Equity holders of the parent		**(68.7)**	(73.1)
Non-controlling interests		**(0.5)**	(0.2)
Basic loss per share (cents)	11	**(49.27c)**	(61.50c)
Diluted loss per share (cents)	11	**(49.27c)**	(61.50c)

1 There were no directly attributable costs related to the sale of spectrum rights or exclusivity rights.

2 Earnings before interest, tax, depreciation and amortisation

The Notes on pages 34 to 71 are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 30 June 2016

	Year ended 30 June 2016 $'m	Year ended 30 June 2015 $'m
Loss for the year	**(69.2)**	(73.3)
Other comprehensive income		
Exchange differences on translation of foreign operations and investments that may be recycled to the Income Statement:		
Foreign currency translation differences on foreign operations	**13.8**	0.1
Monetary items that form part of the net investment in a foreign operation	**(58.9)**	(22.7)
Total comprehensive loss for the year	**(114.3)**	(95.9)
Attributable to:		
Equity holders of the parent	**(113.8)**	(95.7)
Non-controlling interests	**(0.5)**	(0.2)

The Notes on pages 34 to 71 are an integral part of these Consolidated Financial Statements.

FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2016

	Notes	**30 June 2016 $'m**	30 June 2015 $'m
ASSETS			
Non-current assets			
Property, plant and equipment	13	**775.1**	691.0
Intangible assets	14	**10.8**	11.0
Deferred tax assets	19	**18.6**	19.5
Total non-current assets		**804.5**	721.5
Current Assets			
Inventories	17	**1.9**	2.6
Trade and other receivables	18	**79.5**	35.5
Cash and cash equivalents	20	**56.4**	122.2
Total current assets		**137.8**	160.3
Total assets		**942.3**	881.8
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	21	**82.8**	31.9
Loans and other borrowings	22	**3.3**	4.7
Total current liabilities		**86.1**	36.6
Non-current liabilities			
Trade and other payables	21	**12.7**	16.8
Loans and other borrowings	22	**642.0**	523.7
Total non-current liabilities		**654.7**	540.5
Total liabilities		**740.8**	577.1
Equity			
Share capital	24	**2.5**	2.4
EBT shares	24	**(0.1)**	(0.1)
Share premium	24	**515.9**	505.3
Retained earnings		**(252.7)**	(184.4)
Foreign currency translation reserve		**(61.5)**	(16.4)
Total parent shareholders' equity		**204.1**	306.8
Non-controlling interests		**(2.6)**	(2.1)
Total equity		**201.5**	304.7
Total liabilities and equity		**942.3**	881.8

The Financial Statements of company number 6133927 on pages 29 to 71 were approved by the Board of Directors on 20 December 2016 and signed on its behalf by:

Nigel Fox
Group Finance Director

COMPANY STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	30 June 2016 $'m	30 June 2015 $'m
ASSETS			
Non-current assets			
Investments	15	**148.7**	148.7
Loan receivable	18	**642.5**	917.6
Deferred tax assets	19	**0.5**	0.5
Total non-current assets		**791.7**	1,066.8
Current Assets			
Trade and other receivables	18	**390.7**	93.3
Total current assets		**390.7**	93.3
Total assets		**1,182.4**	1,160.1
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	21	**46.2**	154.8
Loans and other borrowings	22	**2.8**	2.7
Total current liabilities		**49.0**	157.5
Non-current liabilities			
Loans and other borrowings	22	**632.2**	514.3
Total liabilities		**681.2**	671.8
Equity			
Share capital	24	**2.5**	2.4
EBT shares	24	**(0.1)**	(0.1)
Share premium	24	**515.9**	505.3
Retained earnings		**(1.2)**	(3.4)
Foreign currency translation reserve		**(15.9)**	(15.9)
Total shareholders' equity		**501.2**	488.3
Total liabilities and equity		**1,182.4**	1,160.1

The financial statements of company number 6133927 on pages 29 to 71 were approved by the Board of Directors on 20 December 2016 and signed on its behalf by:

Nigel Fox
Group Finance Director

CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS

Year ended 30 June 2016

	Notes	Group		Company	
		Year ended 30 June 2016 $'m	Year ended 30 June 2015 $'m	**Year ended 30 June 2016 $'m**	Year ended 30 June 2015 $'m
Cash flow from operating activities					
Cash (absorbed)/generated by operations	30	**(31.8)**	(10.2)	**(121.1)**	(93.0)
Interest paid		**(60.5)**	(52.3)	**(60.5)**	(52.3)
Interest received		**–**	–	**63.0**	55.6
Net cash (absorbed)/generated by operating activities		**(92.3)**	(62.5)	**(118.6)**	(89.7)
Cash flows from investing activities					
Payments for other financial assets and investments		**–**	–	**(5.0)**	(3.4)
Payments for property, plant and equipment		**(95.7)**	(102.0)	**–**	–
Proceeds from sale and leaseback		**2.2**	5.3	**2.2**	5.3
Net cash used in investing activities		**(93.5)**	(96.7)	**(2.8)**	(3.4)
Cash flows from financing activities					
Proceeds from bond issue		**115.0**	–	**115.0**	–
Proceeds from share issue		**10.7**	90.6	**10.7**	90.6
Payment of finance lease liabilities		**(4.1)**	(5.3)	**(4.1)**	(2.7)
Debt issuance costs		**(0.2)**	(0.1)	**(0.2)**	(0.1)
Net cash received from financing activities		**121.4**	85.2	**123.6**	93.1
Effects of exchange rate on the balances of cash and cash equivalents		**(1.4)**	0.9	**–**	–
Net (decrease)/increase in cash and cash equivalents		**(65.8)**	(73.1)	**–**	–
Cash and cash equivalents at the beginning of the financial year		**122.2**	195.3	**–**	–
Cash and cash equivalents at the end of the financial year	20	**56.4**	122.2	**–**	–

The Notes on pages 34 to 71 are an integral part of these Consolidated Financial Statements.

FINANCIAL STATEMENTS
CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY
Year ended 30 June 2016

Consolidated

	Notes	Share capital $'m	Employee benefit trust (EBT) $'m	Share premium $'m	Retained earnings $'m	Foreign currency translation reserve $'m	Non-controlling interests $'m	Total equity $'m
2015								
At 1 July 2014		2.0	(0.1)	415.1	(112.0)	6.2	(1.9)	309.3
Loss for the year		–	–	–	(73.1)	–	(0.2)	(73.3)
Other comprehensive income		–	–	–	–	(22.6)	–	(22.6)
Issue of share capital		0.4		90.2				90.6
Share based payments	25	–	–	–	0.7	–	–	0.7
At 30 June 2015		2.4	(0.1)	505.3	(184.4)	(16.4)	(2.1)	304.7
2016								
At 1 July 2015		**2.4**	**(0.1)**	**505.3**	**(184.4)**	**(16.4)**	**(2.1)**	**304.7**
Loss for the year		**–**	**–**	**–**	**(68.7)**	**–**	**(0.5)**	**(69.2)**
EBT issue		**–**	**–**	**–**	**–**	**–**	**–**	**–**
Other comprehensive income		**–**	**–**	**–**	**–**	**(45.1)**	**–**	**(45.1)**
Issue of share capital		**0.1**	**–**	**10.6**	**–**	**–**	**–**	**10.7**
Share based payments	25	**–**	**–**	**–**	**0.4**	**–**	**–**	**0.4**
At 30 June 2016		**2.5**	**(0.1)**	**515.9**	**(252.7)**	**(61.5)**	**(2.6)**	**201.5**

Company

	Notes	Share capital $'m	Employee benefit trust (EBT) $'m	Share premium $'m	Retained earnings $'m	Foreign currency translation reserve $'m	Total equity $'m
2015							
At 1 July 2014		2.0	(0.1)	415.1	(3.1)	(15.9)	398.0
Loss for the year		–	–	–	(0.3)	–	(0.3)
Issue of share capital		0.4	–	90.2	–	–	90.6
Share based payments	25	–	–	–	–	–	–
At 30 June 2015		2.4	(0.1)	505.3	(3.4)	(15.9)	488.3
2016							
At 1 July 2015		**2.4**	**(0.1)**	**505.3**	**(3.4)**	**(15.9)**	**488.3**
Profit for the year		**–**	**–**	**–**	**1.8**	**–**	**1.8**
Issue of share capital		**0.1**	**–**	**10.6**	**–**	**–**	**10.7**
Share based payments	25	**–**	**–**	**–**	**0.4**	**–**	**0.4**
At 30 June 2016		**2.5**	**(0.1)**	**515.9**	**(1.2)**	**(15.9)**	**501.2**

1. General information

The consolidated financial statements of Avanti Communications Group plc (the 'Group') for the year ended 30 June 2016 were authorised for issue in accordance with a resolution of the directors on 20 December 2016.

Avanti Communications Group plc (the 'Company' or together with its subsidiaries, the 'Group') is a company incorporated in the United Kingdom and domiciled in England and Wales. The address of its registered office is Cobham House, 20 Black Friars Lane, London, EC4V 6EB. The nature of the Group's operations and its principal activities are set out in the revenue recognition accounting policy in note 2.

The Company is a public limited company, which is listed on the Alternative Investment Market ("AIM") and trades under the ticker "AVN.L" on the London Stock Exchange.

2. Principal accounting policies

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 Group and Company Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by
the EU ("IFRSs"), International Financial Reporting Interpretations Committee Interpretations, and the Companies Act 2006 applicable to companies preparing their accounts under IFRS. The financial statements have been prepared under the historical cost convention except for certain financial instruments that have been measured at fair value, as described later in these accounting policies.

The Group has chosen to amend the presentation of the Consolidated Income Statement in the 2016 year-end Financial Statements. These changes have been applied to the 2015 comparatives and include showing revenue categories separately on the face of the Income Statement when such presentation is relevant to an understanding to the Group's financial performance. In addition costs of sale and operating expenditure have been presented together with the removal of the gross profit sub-total and addition of a line item showing earnings before interest, taxation, depreciation and amortisation ("EBITDA"). Depreciation and amortisation of non-current assets are shown separately after the EBITDA sub-total which, given the relatively fixed costs of the business, we believe provides more useful information to the readers of the Financial Statements.

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.

Going concern

The financial statements have been prepared on a going concern basis. In reaching their assessment, the Directors have considered a period extending at least 12 months from the date of approval of these financial statements. This assessment has focused on the status of the financial restructuring announced by the Group on 20 December as well as those factors considered on an annual basis such as forecast trading performance of the Group for the foreseeable future, key assumptions, sensitivities and available cash balances and facilities. As at the date of approval of these financial statements, the successful completion of the financial restructuring is conditional upon the Consent Solicitation process and while the Directors believe that this process will be completed successfully, there remains a material uncertainty until the remaining consents have been received.

On 7 July 2016, the Company announced that it was probable that additional funding would be required in order to ensure that the Group had sufficient liquidity to complete and launch HYLAS 4 in the 2017 financial year. Avanti had based its funding plan on cash to be generated from the business which had grown more slowly than expected. On 11 July 2016, the Company announced the undertaking of a strategic review (the "Strategic Review") to consider all financial and strategic options. As part of this exercise, Avanti conducted an in-depth review of its business plan, financial position and strategic options, including various routes to strengthen the Company's balance sheet.

On 17 October 2016, the Company announced the result of a successful consent solicitation process ("September Consent Solicitation") as the first step in its two-phase funding strategy. The Company received consents from holders of 89.5% of its Senior Secured Notes to permit paying the interest due on 1 October 2016 in respect of consenting holders' Senior Secured Notes in the form of additional Senior Secured Notes on the same terms as the existing Senior Secured Notes in lieu of cash. In order to further support the strategic review process, the Company also entered into binding agreements with certain suppliers to defer approximately $39m of capital expenditure payments relating to HYLAS 4 to the third quarter of the fiscal year ending 30 June 2017.

2. Principal accounting policies continued

Going concern continued

Following completion of the September Consent Solicitation, the Company continued negotiations with the manufacturer of HYLAS 4, Orbital Sciences ("Orbital"), and its largest holders of Senior Secured Notes regarding phase 2 of the funding strategy. The second phase of the planned restructuring of the Company's outstanding indebtedness is to seek a long-term solution to its working capital needs and to ensure that the Company can continue to operate as a going concern in the future. The major components of the planned restructuring which provide the Group with substantial additional liquidity are:

1. New Money Notes - Issue of up to $132.5m of Senior Secured Notes in three tranches by the Company to provide additional funds for the Group. $82.5m will be issued on closing of the restructuring with the ability to issue a further $15m on 30 June 2017 and $35m on 30 November 2017.
2. Amended Existing Notes - Amendments to the Existing notes, which are described in more detail in Note 31, which include capitalising (i.e settling through the issue of further Notes rather than cash) the April 2017 coupon and the ability to capitalise the October 2017 coupon for the $685m of Amended Existing Notes conditional on certain cash forecast targets. In addition the amendments allow for the ability to capitalise the April 2018 coupon for approximately $485m of the Amended Existing Notes conditional on certain cash forecast targets and extended maturity dates which range between October 2021 and October 2022.

The restructuring, which is described in more detail in note 31, culminated on 20 December 2016 when a Restructuring Agreement was signed by the Company with a group of its largest holders of Senior Secured Notes ("Initial Consenting Creditors"). The Company and the Initial Consenting Creditors, representing approximately 73% of the aggregate principal amount of the existing Senior Secured Notes ("Existing Notes"), entered into the Restructuring Agreement on 20 December 2016 pursuant to which the Initial Consenting Creditors contractually agreed to approve the Existing Notes restructuring by delivering Consents in connection with the Solicitation, tendering their Existing Notes in the Exchange Offer and voting in favour of the Scheme.

The Company and the Initial Consenting Creditors also entered into the Backstop Purchase Agreement on 20 December 2016 pursuant to which the Initial Consenting Creditors committed to fund up to the entirety of the New Money Offer, subject to reduction for the level of pro rata participation by the remaining Existing Note holders that elect to participate in the New Money Offer.

The Consent Solicitation is expected to commence on 21 December 2016 and will run for a maximum of 20 business days. This process will result in one of the three following outcomes:

1. Receipt of consents from note holders equating to at least 90% of the Existing Notes by number and value. This will result in the terms of the restructuring being approved and applied to 100% of the Existing Notes. The Initial Consenting Creditors are contractually committed to providing their consents and equate to 73% of the Existing Notes.
2. Receipt of consents greater than or equal to 75% but less than 90%. In this case, the consenting Existing Noteholders will enter into a Scheme of Arrangement with the Company whereby they agree to the terms of the restructuring being applied to their Existing Notes. In addition, with 75% or more acceptance, the $132.5m new money component of the restructuring and the restructured notes would be approved. The terms of the non-consenting Existing Note holders would remain unchanged.
3. Consents will be received amounting to less than 75% of the Existing Noteholders. This is considered extremely unlikely given that the Initial Consenting Creditors are contractually committed to providing their consents and equate to 73% of the Existing Notes. In this scenario, the restructuring would fail and the Group would need to successfully complete an alternative restructuring or raise new money in order to have sufficient resources to continue in operational existence for the foreseeable future.

Following the signing of the Restructuring Agreement, which is the platform for a successful Consent Solicitation and which will in turn complete the Group's funding strategy, and in order to prepare and approve these Financial Statements, the Directors have assessed forecast future cash flows for the foreseeable future. In assessing the Group's ability to meet its obligations as they fall due, management prepared cash flow forecasts based on the business plan for a period in excess of 24 months. Management considered various downside scenarios to test the Group's resilience against operational risks including:

- Adverse movements in Sterling and Euro exchange rates against US Dollar
- Delays in the launch of HYLAS 4
- Lower yield on capacity
- Slower build in fleet/ satellite utilisation

Management concluded that the Group's Capital Structure after the planned debt facilities amendments and new money notes, together with the ability to PIK certain interest coupons, conditional on certain cash flow forecasts, provides sufficient headroom to cushion against downside operational risks and reduces the risk of breaching the new debt covenants.

2. Principal accounting policies continued

Going concern continued

In summary, the Directors have concluded that, based on the group's expectation that the Consent Solicitation for a financial restructure will be successful, in addition to the forecasts and launch of HYLAS 4, the Directors believe that the Group will be able to have sufficient liquidity and comply with the financial covenants under the amended and new Notes, and will be able to meet its obligations as they fall due, and accordingly have formed the judgement that it is appropriate to prepare the financial statements on a going concern basis. There can, however, be no certainty that the required consents will be received or that the refinancing will be successfully completed. Accordingly, successful completion of the refinancing and the substantial achievement of cash flow forecasts to enable settlement of certain interest payments by the issue of Notes represent a material uncertainty that may cast significant doubt on the group and the parent company's ability to continue as a going concern. The group and the parent company may, therefore, be unable to continue realising their assets and discharging their liabilities in the normal course of business, but the financial statements do not include any adjustments that would result if the going concern basis of preparation is inappropriate.

Basis of accounting

The consolidated financial statements are presented in US Dollars, the functional currency of the Company and most of the Group's subsidiaries. The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the year. Although these estimates are based on management's best estimate of the amount, event or actions, the actual results ultimately may differ from these estimates. Further discussion on these estimates and assumptions are disclosed in note 3.

Accounting policy changes

New and amended accounting standards adopted by the Group

There are no new IFRS or IFRIC Interpretations that are effective for this financial year that have had a material impact on the Group.

New and amended accounting standards that have been issued but are not yet effective and have not been early adopted

IFRS 15 'Revenue from contracts with customers' will be effective for periods beginning on or after 1 January 2018. The standard sets out the requirements for recognising revenue from contracts with customers, and will supersede the current revenue recognition guidance including IAS 18 'Revenue', IAS 11 'Construction Contracts' and the related interpretations. IFRS 15 will require the Group to apportion revenue earned from contracts to each deliverable that qualifies as a 'performance obligation'. The transaction price receivable from customers must be allocated to each performance obligation on a relative stand-alone selling price basis, based on a five-step model. The Group is currently assessing the impact of this standard on the financial statements.

IFRS 16 'Leases' will be effective for periods beginning on or after 1 January 2019, subject to endorsement by the EU. The standard sets out requirements for recognising assets and liabilities in respect of leases, and will supersede the existing accounting guidance in IAS 17 'Leases' and the related interpretations. IFRS 16 will require the Group, where it is the lessee, to recognise assets and liabilities for most leases, however there is little change to IAS 17 where the Group is the lessor. The Group is currently assessing the impact of this standard on the financial statements.

IFRS 9 'Financial Instruments' will be effective for periods beginning on or after 1 January 2018, subject to endorsement by the EU. The standard will impact the classification and measurement of financial instruments and will supersede IAS 39 'Financial Instruments: Recognition and Measurement'. While the Group has not finalised its assessment of this standard, it does not expect the changes to have a material impact on the financial statements. There are no other IFRS or IFRIC Interpretations that are not yet effective that would be expected to have a material impact on the Group.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its controlled undertaking ("subsidiaries"), after the elimination of all material inter-company transactions. Subsidiaries are consolidated from the date the Company obtains control until such time as control ceases. Acquisitions of subsidiaries are accounted for using the purchase method of accounting. The financial statements of subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. For details regarding the subsidiaries included in the consolidated financial statements see Note 16.

Non-controlling interests in the net assets of consolidated subsidiaries which consist of the amounts of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination, are not material to the Group's financial statements.

2. Principal accounting policies continued

Business combinations

Business combinations are accounted for using the acquisition method. When the Group acquires a business, it identifies the assets and liabilities of the acquiree at the date of acquisition and measures them at fair value. Only separately identifiable intangible assets are recognised.

Consideration is the fair value at the acquisition date of the assets transferred and liabilities incurred in acquiring the business. Acquisition-related costs are expensed as incurred and included in operating costs.

Goodwill is initially measured at cost as the difference between the fair value of the consideration for the acquisition and fair value of the net identifiable assets acquired, including any intangible assets other than goodwill. If the assessment of goodwill results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the income statement. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (CGUs) that are expected to benefit from the business combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

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.

Revenue recognition

Business Model

The Group's business model is the commercial exploitation of its space assets, namely its spectrum rights, satellites, intellectual property and ground station assets. The Group generates its revenues from the commercialisation of these assets either directly or through the Group's extensive partner base using product categories and charging models to suit customer and market circumstances.

This gives rise to the following primary revenue streams:

- Capacity - Sale of satellite broadband packages and capacity to customers
- Services - Sale of services in addition to satellite broadband capacity, typically to Government customers
- Equipment - Sale of terminals and other satellite communications equipment
- Spectrum coordination - Sale and leasing of spectrum rights
- Exclusivity rights – Sale of exclusivity rights across a region or product type

Additional product categories and charging models which generate revenue include, and are not limited to, satellite interim missions, consultancy projects, engineering services, satellite control services and ground station operation services.

Capacity, Services & Equipment

Revenue for satellite broadband communications services are recognised for Avanti's three main products as follows:

- Pure – Raw bandwidth – Customers have exclusive use of a defined number of MHz in specific beams – The proportion of the total contract value recognised as revenue in a period equates to the proportion of the total contracted capacity provided in that period.
- Custom – Managed IP service – Customers have exclusive use of a defined number of Mb in specific beams – The proportion of the total contract value recognised as revenue in a period equates to the proportion of the total contracted capacity provided in that period.
- Select – Packaged broadband – Customers buy individual broadband user accounts, which are managed and defined by Avanti – Revenues are recognised in the period that the service is delivered based on the number of user accounts and contracted prices per account.

Capacity revenue includes the sale of transponders in addition to the sale of indefeasible rights of use where the revenue recognition criteria are met.

Revenue from services sold as a fully integrated package with satellite capacity, consultancy and other services contracts connected with the utilisation of the Group's space assets are recognised by reference to the stage of completion of the contract activity at the reporting date.

2. Principal accounting policies continued

Revenue recognition continued

Capacity, Services & Equipment continued

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.

Revenue from the sale of terminals and other satellite communication equipment is recognised when the risks and rewards of ownership have transferred to the customer.

Spectrum Coordination

Revenue from spectrum co-ordination agreements is typically recognised on a straight-line basis over the period where spectrum is leased or immediately where the Group sells spectrum assets in perpetuity.

Exclusivity Rights

Revenue from the sale of exclusive distribution rights across a region or product type for a fixed term are recognised over the period of the agreement. Revenue from the sale of exclusive distribution rights in perpetuity are recognised immediately where the revenue recognition criteria are met. Specifically that the sale is for a fixed, non-refundable fee under a non-cancellable agreement and there is no significant further managerial involvement required.

Policies Applicable to All Revenue Streams

The Group offers certain products and services as part of multiple deliverable arrangements. Multi-deliverable arrangements are divided into separate units of accounting provided: 1) the deliverable has a stand-alone value to the customer if it is sold separately, and 2) the fair value of the item can be objectively and reliably determined. Consideration for these items is measured and allocated to each separate unit based on their relative fair values or using the fair value of the undelivered components (residual value method) and the relevant revenue recognition policies are applied to them.

Where goods or services are provided in exchange for dissimilar goods or services, the revenue is measured at the fair value of the goods or services received where these can be reliably measured, otherwise at the fair value of the goods or services given up, adjusted by the amount of cash or cash equivalents received.

The Group discloses the amount of each significant category of revenue recognised during the year in a note to the Financial Statements.

The Group presents revenue from a given transaction or revenue stream separately on the face of the Income Statement when such presentation is relevant to an understanding of the Group's financial performance. Factors including the nature and function of items of revenue are considered in determining the appropriate presentation.

Accrued income represents the excess of revenue recognised over amounts invoiced. Deferred income represents any unearned balances remaining from amounts received from customers pursuant to prepaid contracts.

Indefeasible rights of use

Where the Group enters into an arrangement which constitutes an indefeasible right of use (“IRU”), the arrangement is reviewed to establish whether the IRU is a lease, a service contract or a sale of goods. Whether an arrangement contains a lease is assessed by considering whether the provision of a service depends on the use of one or more specific assets and whether the agreement conveys a right to use those assets.

Once it has been determined that an IRU is or contains a lease, then the arrangement is accounted for in accordance with the leased assets accounting policy.

2. Principal accounting policies continued

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.

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

Foreign currency

Transactions entered into by the Group entities in a currency other than the currency of the primary economic environment in which it operates (the “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rate ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the Income Statement.

The presentational currency of the Group is 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 participate in the Group’s defined contribution pension scheme or to establish their own pension scheme to which the Group will match employee contributions up to a maximum amount. There is no ongoing liability to the Group beyond the period that the contributions are made. The costs of such contributions are charged to the Income Statement when incurred.

2. Principal accounting policies continued

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 straight line 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 profit differs 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.

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 differences can be utilised.

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

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

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

2. Principal accounting policies continued

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 straight line 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. Property, plant and equipment is depreciated using the straight line method based on the following useful lives:

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.

Satellites in construction assets relate to costs (including employee related costs) directly attributable to the construction of the HYLAS satellites. Once the satellites become operational and placed into service, the assets are transferred to a space asset category and depreciated over the life of the satellites.

Where the conditions are not met the costs are expensed through the Income Statement.

Intangible assets

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

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

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

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

Impairment of non-financial assets

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

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

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

2. Principal accounting policies continued

Impairment of non-financial assets continued

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.

For the purpose of impairment testing of goodwill, goodwill is allocated to a group of CGUs (being subsidiaries acquired in each acquisition). Such group of CGUs represent the lowest level within the Group for which the goodwill is monitored for internal management purposes.

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 indicators of impairment on an annual 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.

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.

Appropriate allowances for estimated irrecoverable amounts are recognised as expenses when there is objective evidence that trade receivables are impaired.

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position are comprised of cash in 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.

2. Principal accounting policies continued

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 amortised cost.

Derivative financial instruments

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

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

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

Segment reporting

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

3. Critical accounting estimates and management judgement

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

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

(a) Revenue recognition

The Group uses the percentage of completion method in accounting for its Government services 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. The Group assesses the level of completion at the balance sheet date by reference to a combination of time or cost incurred to date compared to the forecast total required to deliver each service and project.

Should the service completion take substantially more or less time to complete post year-end, then the revenue recognised in the current and future financial period would in hindsight be misstated.

The estimates and judgements made by management in accounting for the sale of exclusivity rights in the current year and the sale of spectrum rights in the comparative financial year are disclosed in Note 4 and Note 13.

(b) HYLAS 1 satellite impairment review

The carrying amount of HYLAS 1 of $118.5m is dependent on the Group's ability to sell sufficient capacity on the satellite over its remaining useful economic life. Management remains confident that cash flows from existing customers in addition to growth in cash flows from existing customers and sales to new customers will continue to underpin the carrying value of the satellite. As a result the HYLAS 1 impairment review showed that no impairment was required as at 30 June 2016. The estimates and judgements made by management in undertaking this impairment review are disclosed in Note 13.

3. Critical accounting estimates and management judgement continued

(c) Filiago goodwill impairment review

Goodwill with a carrying value at 30 June 2016 of $9.7m on the balance sheet relates to the Filiago business combination. The goodwill on acquisition of Filiago is not subject to amortisation and so is required to be reviewed annually for impairment. Filiago's forecast cash flows, which have been supplemented by the HYLAS-2B payload coming on-line in Q2 of FY17, continue to support the carrying value of goodwill. The estimates and judgements made by management in undertaking this impairment review are disclosed in Note 14.

(d) Deferred tax

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference is made to the latest available profit forecasts. Where the temporary differences are related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits.

Recognition therefore involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. Significant items on which the Group has exercised accounting judgement include recognition of deferred tax assets in respect of losses and accelerated capital allowances in the United Kingdom.

The amounts recognised in the consolidated financial statements in respect of each matter are derived from the Group's best estimation and judgement as described above. However the inherent uncertainty regarding the outcome of these items means eventual resolution could differ from the accounting estimates and therefore impact the Group's results and cash flows. See note 19 to the consolidated financial statements.

(e) Trade and other receivables

The Group has trade and other receivables of $79.5m (2015: $35.5m) on the balance sheet at the year-end date. The receivables balance increased mainly as a result of contracts reaching milestones at the end of the final quarter which resulted in invoicing or revenue accruals. Of the receivables balance, $27.7m was accounted for by accrued income (2015: $10.6m), $16.4 m of which was due from investment grade counter parties, either Government customers or large corporate customers where the underlying customer is a Government. Management made an estimate of the recoverability of all trade and other receivables in preparing the year-end financial results which could differ from the accounting estimates and therefore impact the Group's results and cash flows.

4. Revenue

As stated in Note 2, the Group generates its revenues from the commercial exploitation of its space assets, namely its spectrum rights, satellites, intellectual property and ground station assets. These revenues include, inter alia, the sale of satellite broadband capacity, the sale of services, typically to Government customers, the sale of terminals and other satellite communications equipment and the sale and leasing of spectrum rights.

The Avanti Executive Board, which is the chief operating decision-maker in the Group's corporate governance structure, manage the business and the allocation of resources on the basis of the utilisation of its space assets, resulting in one segment. Revenue generated for the year was as follows:

	30 June 2016 $'m	30 June 2015 $'m
Capacity, services & equipment revenue	**74.5**	60.1
Spectrum coordination	**–**	25.1
Exclusivity rights	**8.3**	–
Total revenue	**82.8**	85.2

The majority of total revenue for the year represents the sale of satellite broadband capacity, related services and the sale of terminals and other satellite communications equipment to external customers. Of this $13.2m (2015: $5.7m) relates to the sale of terminals and other satellite communications equipment.

4. Revenue continued

Sale of exclusivity rights

$8.3m was recognised during the financial year from the sale of exclusivity rights.

During the financial year, the Group entered into an agreement with Eurona Wireless Telekom SA ("Eurona"), a Spanish based Internet Service Provider, under which Eurona were sold the exclusive rights in perpetuity to the provision of services to the consumer broadband market in Spain and Portugal ("Iberia") from any existing or future Avanti Satellite.

Eurona are required to pay a fixed, non-refundable fee of €7.5m ($8.3m) under a non-cancellable agreement in consideration for the rights. As a result, Eurona have sole rights to sell capacity directed over Iberia on any Avanti satellite for use in delivering service to the consumer broadband market.

The exclusivity right does not convey or include any satellite capacity, which must be purchased separately.

At the same time, Eurona entered into an agreement to purchase substantial initial capacity over Iberia with a value of €17.2m over a 10 year period. The provision of capacity commenced in the 2017 financial year and as a result no capacity revenue was recognised in these financial statements. The sale of €2.5m of satellite communications equipment was recognised during the financial year and is included within revenue from the sale of capacity, services and equipment.

The agreement with Eurona was assessed under the Group's accounting policy for multiple deliverable arrangements. An assessment was made over whether the sale of exclusivity rights, capacity and equipment represented separate units of account. This assessment concluded that each component was separable on the basis that each deliverable has stand-alone value to Eurona and the fair-value of the item can be objectively and reliably determined.

The fair value of the undelivered components (residual value method) was used to assess the fair value of the exclusivity rights. This assessment led to the conclusion that there was no material difference between the contractual value of $8.3m (€7.5m) and the fair value of the exclusivity component.

Spectrum revenue

In June 2015, the Group entered into an agreement to sell, in perpetuity, certain spectrum rights related to geographic markets in which the Group does not seek to operate. The indefeasible right to use ("IRU") a 3 GHz Ka-band payload over its estimated remaining life of 13 years was received in consideration. The IRU arrangement has a fixed cost payable per annum and a variable cost based on the capacity of the payload that is sold. The payload can be directed over the Group's core market of Europe, the Middle East and Africa and increased the Group's current satellite capacity by approximately 20%. Revenue of $Nil (2015: $25.1m) was recognised for this transaction related to the utilisation of the Group's space assets.

The revenue recognised was based on the fair value of the consideration received, in this case the IRU of the Ka-band payload. The IRU was valued on a replacement cost basis which took into account the cost of building and launching a comparable payload with equivalent capacity and a 13 year remaining life. The Group used the costs that it has experienced in constructing and launching its existing satellite fleet, including those under construction, as a benchmark to reach this accounting estimate. The IRU valuation also takes into account the fixed cost payable per annum under the IRU agreement discounted at the Group's estimated cost of capital of 10%.

The Group derived $19.9m (2015: $36.5m) of its turnover from European countries outside the United Kingdom, $39.7m (2015: $27.2m) from countries outside Europe and $23.2m (2015: $21.5m) from the United Kingdom.

5. Operating expenses
Loss from operations for the year is stated after charging the following:

	30 June 2016 $'m	30 June 2015 $'m
Cost of sales:		
Recognition of ESA grant income	**(1.2)**	(1.4)
Satellite services	**15.4**	13.4
Materials purchased	**13.5**	6.8
Sub-contractors	**7.8**	11.4
Operating expenses:		
Employee benefit expense	**19.8**	20.0
Operating lease expenses	**2.3**	2.3
Depreciation and amortisation:		
Space asset depreciation	**45.1**	45.8
Depreciation of property, plant and equipment	**2.0**	2.1
Amortisation of intangible assets	**0.2**	0.2

6. Auditor remuneration
Remuneration payable to the Group's auditor, KPMG LLP and its associates in the year is analysed below:

	30 June 2016 $'m	30 June 2015 $'m
Audit fees:		
Annual audit of the Company	**0.2**	0.2
Annual audit of subsidiary companies	**–**	–
Total audit fees	**0.2**	0.2
Audit related assurance services	**–**	–
Total audit and audit-related fees	**0.2**	0.2
Tax compliance services	**–**	–
Total non-audit services	**–**	–
Total auditor's remuneration	**0.2**	0.2

7. Employee benefit costs

The aggregate remuneration of all employees comprised:

	30 June 2016 $'m	30 June 2015 $'m
Wages and salaries	**20.9**	20.8
Social security costs	**2.4**	2.0
Pension costs	**0.6**	0.5
Share based payment expense	**0.4**	0.7
	24.3	24.0
Less: costs capitalised as satellite in construction	**(4.5)**	(4.0)
	19.8	20.0

Employee numbers

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

	30 June 2016 No. employees	30 June 2015 No. employees
Operations	**56**	49
Sales and marketing	**71**	58
Development and engineering	**64**	50
Administration and executive	**42**	35
	233	192

8. Other operating income

	30 June 2016 $'m	30 June 2015 $'m
Other grant income	**1.5**	1.4

Other grant income relates to a Regional Growth Fund grant linked to capital expenditure and job creation/safeguarding targets in the South West of the UK and is recognised on a straight line basis over 6 years.

9. Finance income and expense

	30 June 2016 $'m	30 June 2015 $'m
Finance income		
Foreign exchange gain	**13.9**	–
	13.9	–
Finance expense		
Interest expense on loans and other borrowings	**(67.4)**	(54.4)
Foreign exchange loss	**–**	(1.0)
Finance lease expense	**(1.8)**	(0.1)
Less: interest capitalised to satellite in construction	**28.3**	15.0
	(40.9)	(40.5)
Net finance expense	**(27.0)**	(40.5)

10. Income tax charge

	30 June 2016 $'m	30 June 2015 $'m
Current tax		
Current tax expense	–	–
Overseas tax	0.1	–
Adjustment in respect of prior periods	0.1	–
Total current tax	0.2	–
Deferred tax		
Origination and reversal of temporary differences	(4.2)	1.6
Adjustment in respect of prior periods	4.1	(1.4)
Impact of change in UK tax rate	2.1	(0.2)
Total deferred tax	2.0	–
Total income tax	2.2	–

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 2016 $'m	30 June 2015 $'m
Loss before tax	(67.2)	(73.3)
Tax credit at the UK corporation tax rate of 20.00% (2015: 20.75%)	(13.4)	(15.2)
Tax effect of non-deductible expenses	–	0.1
Adjustment in respect of prior periods	4.2	(1.4)
Effect of tax rates in foreign jurisdictions	1.0	(0.9)
Impact of change in UK tax rate	2.1	(0.2)
Temporary differences for which no deferred tax asset has been recognised	14.1	17.6
Recognition of previously unrecognised temporary differences	(5.8)	–
Income tax charge recognised in the Income Statement	2.2	–

The standard rate of corporation tax in the UK fell from 21% to 20% with effect from 1 April 2015. Accordingly, the Group's profits for this accounting period are taxed at an effective rate of 20% (2015: 20.75%).

The income tax charge of $2.2m (2015: nil) equates to an effective tax rate of (3)% (2015: 0%). This effective rate differs from the standard rate of corporation tax of 20% due to a number of items shown above. The rate is primarily driven by the Group not recognising a credit in respect of tax losses arising in the year due to the unpredictability of future profit streams against which these losses can be offset.

Factors that may affect future tax charges

Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 16 March 2016. The change announced is to reduce the main rate to 17% from 1 April 2020. Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 18% from 1 April 2020 had already been substantially enacted on 26 October 2015. As the change to 17% had not been substantively enacted at the balance sheet date its effect is not included in these financial statements. The deferred tax balance as at the year-end has been recognised at 18% (2015: 20%).

Tax losses

At the balance sheet date the Group has unrecognised deferred tax assets of $37.2m (2015: $30.9m) available for offset against future profits. A deferred tax asset has been recognised in respect of $28.1m (2015: $30.5m). No deferred tax asset has been recognised in respect of the remaining losses and other temporary differences due to the unpredictability of future profit streams against which these losses could be offset. Under present tax legislation, these losses and other temporary differences may be carried forward indefinitely. In the future when these assets are recognised there will be a positive impact to the Group's effective tax rate.

11. Loss per share

	30 June 2016 cents	30 June 2015 cents
Basic and diluted loss per share	**(49.27)**	(61.50)

The calculation of basic and diluted 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 2016	30 June 2015
Loss for the year attributable to equity holders of the parent Company	**$(68.7)m**	$(73.1)m
Weighted average number of ordinary shares for the purpose of basic earnings per share	**139,428,427**	118,975,177

12. 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 profit of the parent Company after tax for the year ended 30 June 2016 amounted to $1.8m (2015: $0.3m loss).

13. Property, plant and equipment

	Leasehold improvement $'m	Network assets $'m	Fixtures and fittings $'m	Satellites in operation $'m	Satellites in construction $'m	Group total $'m
Cost						
Balance at 30 June 2014	2.0	14.1	2.4	667.3	44.4	730.2
Additions	–	0.7	0.3	39.5	110.6	151.1
Transfer	–	–	–	5.6	(5.6)	–
Disposals	–	(0.2)	–	(1.7)	(1.4)	(3.3)
Effect of movements in exchange rates	(0.2)	(1.6)	(0.1)	(19.7)	(3.4)	(25.0)
Balance at 30 June 2015	1.8	13.0	2.6	691.0	144.6	853.0
Additions	–	2.8	0.4	0.5	167.2	170.9
Disposals	–	–	–	0.2	(8.0)	(7.8)
Effect of movements in exchange rates	(0.2)	(3.1)	(0.4)	(34.7)	(7.1)	(45.5)
Balance at 30 June 2016	**1.6**	**12.7**	**2.6**	**657.0**	**296.7**	**970.6**
Accumulated depreciation						
Balance at 30 June 2014	0.9	9.6	1.5	107.4	–	119.4
Charge for the year	0.3	1.4	0.4	45.8	–	47.9
Disposals	–	–	–	–	–	–
Effect of movements in exchange rates	(0.1)	(0.9)	–	(4.3)	–	(5.3)
Balance at 30 June 2015	1.1	10.1	1.9	148.9	–	162.0
Charge for the year	0.3	1.4	0.4	45.1	–	47.2
Disposals	–	–	–	–	–	–
Effect of movements in exchange rates	(0.2)	(2.1)	(0.3)	(11.1)	–	(13.7)
Balance at 30 June 2016	**1.2**	**9.4**	**2.0**	**182.9**	**–**	**195.5**
Net book value						
Balance at 30 June 2016	**0.4**	**3.3**	**0.6**	**474.1**	**296.7**	**775.1**
Balance at 30 June 2015	0.7	2.9	0.7	542.1	144.6	691.0

13. Property, plant and equipment continued

Property, plant and equipment under finance lease

At 30 June 2016, the Group held assets under finance lease agreements with a net book value of $47.8m (2015: $46.7m). A depreciation charge for the year of $1.7m (2015: $1.3m) has been provided on these assets. These assets are included in satellites in operation and network assets.

Satellites in operation

Satellites in operation include the following:

- HYLAS 1 – Came into service on 1 April 2011
- HYLAS 2 – Came into service on 1 October 2012
- HYLAS 2B – Payload received as consideration on 24 June 2015 and came into service on 7 November 2016
- ARTEMIS – Acquired on 31 December 2013

All 4 satellites and their related ground infrastructure have been depreciated from the date that they came into operational service.

HYLAS-2B

Satellites in operation includes a Ka-band payload that the Group operates under an indefeasible right of use (“IRU”) agreement entered into in June 2015 for the estimated remaining useful life of the payload of 13.5 years. This payload is known as HYLAS-2B and Note 4 provides more detail on the transaction through which this payload was received. The IRU agreement is accounted for as a finance lease and a Net Book Value (“NBV”) of $35.1m is included within satellites in operation and also within the assets held under finance lease disclosure provided above.

The IRU of HYLAS-2B was initially recognised at its fair value of $35.1m. This asset value will subsequently be depreciated over the life of the IRU agreement from the date it commences operational service. The IRU was valued on a depreciated replacement cost basis. This was determined to be the most appropriate valuation technique as it had the most observable inputs into the model. Under this approach, the fair value was calculated as the cost of constructing and bringing into service an asset that could provide equivalent capacity. The fair value was reached by aggregating the estimated fair value of the cost to build the payload and the cost of launching the payload, including insuring the launch, in addition to the cost of designing and managing the procurement of the asset. Each of the four inputs have been classified as level 2 inputs within the fair value hierarchy. The Group obtained third party quotations for some elements and applied rates known from the existing fleet of satellites for other elements.

Satellite in construction

The satellites in construction assets of $296.7m relate to HYLAS 3 and HYLAS 4 (2015: $144.6m in relation to HYLAS 3 and HYLAS 4).

Capitalised finance costs

Included in the satellites in operation and satellites in construction are capitalised finance costs of $97.4m (2015: $72.0m) related to the HYLAS 2 and HYLAS 4 satellites.

HYLAS 1 satellite impairment review

HYLAS 1 is a 3 GHz Ka-band High Throughput Satellite that came into operational service on 1 April 2011. An impairment review was conducted and disclosed in the prior year as a result of growth in revenues being slower than forecast.

Significant and long term new business was won during FY16 on HYLAS 1. Nevertheless, an impairment review was conducted on the HYLAS 1 satellite and associated network infrastructure (“HYLAS 1”), together representing the cash-generating unit ("CGU"), at 30 June 2016 to update this assessment. The review showed that the carrying value of the assets is supported and therefore no impairment has been recorded.

The recoverable amount of the CGU is determined using value in use, which is calculated by using the discounted cash flow method. This method considers the forecast cash flows of the HYLAS 1 satellite and associated network infrastructure over the remaining useful economic life of the CGU of 11 years.

13. Property, plant and equipment continued

HYLAS 1 satellite impairment review continued

Estimates of future cash flows originate from the detailed budget for the year to 30 June 2017 as reviewed and approved by the Board. Forecasts for the subsequent periods assume a ramp-up of satellite capacity sold over the remaining useful life of the CGU, derived from a combination of contractual ramps, development of existing customer relationships, and a modest underlying growth assumption in utilisation in addition to those factors of approximately 1.5% per annum. When the ramps with signed contracts mature over the coming 12-18 months, the HYLAS 1 satellite will be approximately 60% utilised. Further growth from new and existing customers is expected in addition to this and has been included within the forecast cash flows. The present value of cash flows is calculated by discounting the cash flow at 10%.

The estimate of future cash flows resulted in significant headroom over the carrying value of the CGU. Sensitivity analysis was carried out by management over assumptions made in the impairment model relating to yield, growth in utilisation and the discount factor applied. It was identified that, all other assumptions being consistent, headroom would be eliminated by a:

- 70% increase in discount factor applied; or
- 40% decrease in forecast yield ($/MHz per month); or
- scenario in which uncontracted capacity is sold at a significantly slower rate than forecast.

The above scenarios are not considered likely and the risks that they represent are considered to have been appropriately included in the impairment review.

There are no indicators of impairment for any other assets within Property, plant and equipment. As a part of management's assessment of the presence of any indicators of impairment, consideration was given to the current market capitalisation of the Group in addition to the financial restructuring process underway to support the construction of HYLAS 4. Management noted that the estimated enterprise value of the Group was well in excess of the carrying value of its assets and that the current value of the equity represented by the market capitalisation differed from the enterprise value, primarily due to the debt funding on the Group balance sheet in addition to a risk element that would be present until the restructuring is completed.

14. Intangible assets

	Computer software $'m	Brand name $'m	Customer lists $'m	Goodwill $'m	Group total $'m
Cost					
Balance at 30 June 2014	0.6	0.3	2.3	12.0	15.2
Effect of movements in exchange rates	–	(0.1)	(0.4)	(2.3)	(2.8)
Balance at 30 June 2015	0.6	0.2	1.9	9.7	12.4
Effect of movements in exchange rates	–	–	–	–	–
Balance at 30 June 2016	**0.6**	**0.2**	**1.9**	**9.7**	**12.4**
Accumulated amortisation					
Balance at 30 June 2014	0.6	0.2	0.4	–	1.2
Charge for the year	–	–	0.2	–	0.2
Balance at 30 June 2015	0.6	0.2	0.6	–	1.4
Charge for the year	–	–	0.2	–	0.2
Balance at 30 June 2016	**0.6**	**0.2**	**0.8**	**–**	**1.6**
Net book value					
Balance at 30 June 2016	**–**	**–**	**1.1**	**9.7**	**10.8**
Balance at 30 June 2015	–	–	1.3	9.7	11.0

The goodwill and intangible assets arose from the Group obtaining control of Filiago GmbH & Co ("Filiago") on 1 November 2011 and resulted in the initial recognition of $12.1m of goodwill and $2.7m of intangible assets, representing the Filiago brand name and customer lists. Filiago is a German based Internet Service Provider specialising in the sale of satellite broadband services to consumer and enterprise customers.

The Filiago operation is considered a Cash Generating Unit ("CGU").

14. Intangible assets continued

The Filiago goodwill is not subject to amortisation and so is required to be reviewed annually for impairment. Filiago's goodwill impairment review showed that no impairment was required as at 30 June 2016.

The recoverable amount of the Filiago CGU was determined using the value in use approach. The value in use was estimated by preparing a discounted cash flow forecast for Filiago over a six year period with a terminal value forecast into perpetuity after that period. Forecast cash flows originate from the detailed budget for the year to 31 December 2016, as reviewed and approved by the Board.

Underlying the forecast cash flow is revenue growth as a result of Avanti's HYLAS-2B payload coming into operational service in Q2 FY17. This launch has transformed Filiago's product offering through the availability of a coherent territory wide solution to enterprise and residential users in Germany and improved quality of service. The launch also offers Filiago dedicated coverage over large portions of new territories including Poland & Austria. With an existing brand presence it is expected the Filiago business will deliver strong and consistent growth for the foreseeable future.

Sensitivity analysis was carried out by management over assumptions, with revenue growth and the extent to which Filiago's operating base could be absorbed into the Avanti business being the two key variables. While management do not consider there is a significant risk to the achievement of revenue targets, the sensitivity considered was that if revenues only grew by 3% over the forecast period as a result of inflation on a steady end user base and Filiago's operating base was largely absorbed into the Avanti business then there would be €5.9m of headroom over the carrying value of goodwill at 30 June 2016.

The present value of the forecast cash flows was calculated using the Group's estimated pre-tax cost of capital of approximately 12.5% and is not considered to have a significant impact on the impairment conclusions.

The brand names acquired in the course of the Filiago business combination of $0.3m are amortised on a straight line basis over a period of five years. At the year end the NBV of the brand names is $Nil (2015: $0.03m), after charging $0.03m (2015: $0.06m) of amortisation in the year.

The customer lists acquired in the course of the Filiago business combination of $2.4m are amortised on a straight line basis over a period of 15 years. At the year end the carrying amount of the customer lists is $1.1m (2014: $1.3m) after charging $0.2m (2015: $0.2m) of amortisation in the year.

15. Investments

Company

Shares in subsidiary undertakings

	30 June 2016 $'m	30 June 2015 $'m
Beginning and end of the year	**148.7**	148.7

The Directors believe that the carrying value of the investments is supported by the underlying net assets recorded on the balance sheet of those subsidiaries, the value of spectrum rights that have no corresponding balance sheet asset and the future forecast cash flows of those subsidiaries.

A full list of the Company's subsidiaries is disclosed in Note 16.

16. 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	Satellite services	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
Avanti Turkey Uydu Telekomunikasyon Limited Sirketi	Satellite services	Turkey
Avanti Communications South Africa Pty Limited	Satellite services	South Africa
Hybeam Limited	Satellite services	England & Wales
Avanti Communications Kenya Limited	Satellite services	Kenya
Avanti Communications Africa Infrastructure Limited	Holding company	England & Wales
Avanti Communications Africa 1 Infrastructure Limited	Holding company	England & Wales
Avanti Communications Africa 2 Infrastructure Limited	Holding company	England & Wales
Avanti Satellite Communications Services CC Limited	Satellite services	Nigeria

* Company was dormant in the year ending 30 June 2016.

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

On 1 November 2011 (the "date of control") the Group took effective control of Filiago by enhancing the security over its loans with Filiago. The terms of the enhanced security gave the Group power over Avanti through Board control, continued exposure to variable returns of the loans provided to Filiago and the ability for Avanti to use its power over Filiago to affect the Group's returns.

Since 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.

17. Inventories
Group

	30 June 2016 $'m	30 June 2015 $'m
Finished goods	**1.9**	2.6

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 $13.5m (2015: $6.8m).

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

18. Trade and other receivables

	Group		Company	
	30 June 2016 $'m	30 June 2015 $'m	30 June 2016 $'m	30 June 2015 $'m
Trade receivables	**45.8**	22.2	**0.1**	–
Less provision for impairment of trade receivables	**(6.5)**	(4.4)	**–**	–
Net trade receivables	**39.3**	17.8	**0.1**	–
Accrued income	**27.7**	10.6	**–**	–
Prepayments	**10.3**	5.5	**5.2**	7.5
Amounts due from Group companies	**–**	–	**385.4**	85.6
Other receivables	**2.2**	1.6	**–**	0.3
	79.5	35.5	**390.7**	93.3

Net trade receivables and accrued income increased mainly as a result of contracts reaching milestones at the end of the final quarter which resulted in invoicing or revenue accruals. Of the accrued income balance of $27.7m, $16.4m was due from investment grade customers who are either Government's or very well established corporations whose underlying customer is a government. The credit terms associated with the components within accrued income are largely consistent to the Group's trade receivables which are in the range of 30 to 90 days.

Included in the Group's trade receivables balance at 30 June 2016 is a long term receivable of $7.2m (2015: $8.5m). 31% of the original balance has already been collected, with the remainder payable in instalments due every three months such that the receivable will be fully repaid by 30 June 2019. In addition to the instalments payable, interest is payable at 5.25% per annum.

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

The Company has non-current trade and other receivables of $642.5.m (2015: $917.6m) relating to amounts due from Group companies.

The Directors believe that the carrying value of the intercompany balances is supported by the underlying net assets recorded on the balance sheet of those subsidiaries, the value of spectrum rights that have no corresponding balance sheet asset and the future forecast cash flows of those subsidiaries.

19. Deferred taxation

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

	Group		Company	
	30 June 2016 $'m	30 June 2015 $'m	**30 June 2016 $'m**	30 June 2015 $'m
Deferred tax assets	**28.0**	30.5	**0.5**	0.5
Deferred tax liabilities	**(9.4)**	(11.0)	**–**	–
	18.6	19.5	**0.5**	0.5
The gross movement on the deferred income tax account is as follows:				
Balance at beginning of year	**19.5**	21.1	**0.5**	0.5
Income tax recognised in the income statement	**(1.9)**	–	**–**	–
Tax (credited)/charged directly to equity	**–**	–	**–**	–
Effects of movements in exchange rates	**1.0**	(1.6)	**–**	–
Balance at end of year	**18.6**	19.5	**0.5**	0.5

Group

	Opening balance $'m	**Credited/ (charged) to the Income Statement $'m**	**(Credited)/ charged to equity $'m**	**Effects of movements in exchange rates $'m**	**Closing balance $'m**
30 June 2016					
Tax assets					
Unused tax losses	**25.7**	**3.0**	**–**	**(2.8)**	**25.9**
Provisions and deferred income	**3.7**	**(1.0)**	**–**	**(0.6)**	**2.1**
Share based payment	**1.1**	**(1.2)**	**–**	**0.1**	**–**
Total tax assets	**30.5**	**0.8**	**–**	**(3.3)**	**28.0**
Tax liabilities					
Property, plant and equipment	**(11.0)**	**(2.7)**	**–**	**4.3**	**(9.4)**
Total tax liabilities	**(11.0)**	**(2.7)**	**–**	**4.3**	**(9.4)**
Net deferred tax asset	**19.5**	**(1.9)**	**–**	**1.0**	**18.6**

Group

	Opening balance $'m	Credited/ (charged) to the Income Statement $'m	(Credited)/ charged to equity $'m	Effects of movements in exchange rates $'m	Closing balance $'m
30 June 2015					
Tax assets					
Unused tax losses	26.1	1.6	–	(2.0)	25.7
Provisions and deferred income	3.7	–	–	0.1	3.8
Share based payment	1.0	–	–	–	1.0
Total tax assets	30.8	1.6	–	(1.9)	30.5
Tax liabilities					
Property, plant and equipment	(9.7)	(1.6)	–	0.3	(11.0)
Total tax liabilities	(9.7)	(1.6)	–	0.3	(11.0)
Net deferred tax asset	21.1	–	–	(1.6)	19.5

19. Deferred taxation continued

Company

	Opening balance $'m	Credited/ (charged) to the Income Statement $'m	(Credited)/ charged to equity $'m	Effects of movements in exchange rates $'m	Closing balance $'m
30 June 2016					
Tax assets					
Share based payment	**0.1**	**–**	**–**	**–**	**0.1**
Unused tax losses	**0.4**	**–**	**–**	**–**	**0.4**
Total tax assets	**0.5**	**–**	**–**	**–**	**0.5**

Company

	Opening balance $'m	Credited/ (charged) to the Income Statement $'m	(Credited)/ charged to equity $'m	Effects of movements in exchange rates $'m	Closing balance $'m
30 June 2015					
Tax assets					
Share based payment	0.1	–	–	–	0.1
Unused tax losses	0.4	–	–	–	0.4
Total tax assets	0.5	–	–	–	0.5

At 30 June 2016:

- none of the deferred tax asset of $28.0m (2015: $30.5m) is expected to be recovered in the next 12 months
- none of the deferred tax liability of $9.4m (2015: $11.0m) is expected to be settled in the next 12 months
- the total unrecognised deferred tax asset totalled $37.2m (2015: $30.9m). This is made up of unused tax losses of $37.2m (2015: $24.9m) and other temporary differences of $Nil (2015: $6.0m).

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference is made to the latest available profit forecasts. Where the temporary differences are related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits.

Recognition therefore involves judgement regarding the future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised.

Significant items on which the Group has exercised accounting judgement include recognition of deferred tax assets in respect of losses and accelerated capital allowances in the United Kingdom.

The amounts recognised in the consolidated financial statements in respect of each matter are derived from the Group's best estimation and judgement as described above. The inherent uncertainty regarding the outcome of these items means eventual resolution could differ from the accounting estimates and therefore impact the Group's results and cash flows. The nature of the evidence supporting the recognition of the deferred tax asset included contracted revenue that will be recognised in future periods, revenue from new business signed in FY17, forecast revenue in future periods from opportunities in the pipeline and taxable temporary differences of an appropriate type that reverse in an appropriate period,

20. Cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the Statement of Financial Position and the Cash Flow Statement is shown in the table below. The Group has no bank overdrafts.

Group

	30 June 2016 $'m	30 June 2015 $'m
Cash and bank balances	**55.0**	120.6
Short-term deposits	**1.4**	1.6
Net cash and cash equivalents	**56.4**	122.2

21. Trade and other payables

	Group		Company	
	30 June 2016 $'m	30 June 2015 $'m	30 June 2016 $'m	30 June 2015 $'m
Current				
Trade payables	**49.5**	3.9	**0.1**	–
Social security and other taxes	**0.7**	0.7	**–**	–
Other payables	**3.8**	1.1	**–**	–
Accruals	**22.0**	23.5	**16.2**	13.1
Deferred income	**6.8**	2.7	**–**	-
Amounts due to Group companies	**–**	–	**29.9**	141.8
	82.8	31.9	**46.2**	154.8
Non-current				
Deferred income	**12.7**	16.8	**–**	–
	12.7	16.8	**–**	–

Accruals above include the interest accrued in the Company of $16.1m (2015: $13.0m) in relation to the High Yield Bonds. See Note 22 Loans & Borrowings for further details.

22. Loans and other borrowings

	Group current		Group non-current	
	30 June 2016 $'m	30 June 2015 $'m	30 June 2016 $'m	30 June 2015 $'m
Secured at amortised cost				
High yield bonds	**–**	–	**629.5**	510.3
Finance lease liabilities[i]	**3.3**	4.7	**12.5**	13.4
	3.3	4.7	**642.0**	523.7

	Company current		Company non-current	
	30 June 2016 $'m	30 June 2015 $'m	30 June 2016 $'m	30 June 2015 $'m
Secured at amortised cost				
High yield bonds	**–**	–	**629.5**	510.3
Finance lease liabilities[i]	**2.8**	2.7	**2.7**	4.0
	2.8	2.7	**632.2**	514.3

[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 between 3 and 13.5 years. See Note 26 for more details.

22. Loans and other borrowings continued

High yield bonds

The Company issued 10% Senior Secured Notes of $370.0m, $150.0m and $125.0m on 1 October 2013, 17 June 2014 and 17 August 2015 respectively.

Issuer	Original notional value	Description of instrument	Due
Avanti Communications Group plc	$645.0M	10% Senior Secured Notes	1 October 2019

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

	30 June 2016 $'m	30 June 2015 $'m
High yield bonds	**645.0**	520.0
Add: Amortised issue premium	**4.6**	6.0
Less: Amortised issue discount	**(7.8)**	–
Less: Amortised debt issuance costs	**(12.3)**	(15.7)
	629.5	510.3

The fair value of the High Yield Bonds, which are listed on the Irish Stock Exchange (Level 1 in the fair value hierarchy), at 30 June 2016 was $0.75 for each bond with a face value of $1(2015: $0.95). See Note 31 for details of a restructuring of the existing Senior Secured Notes after the balance sheet date and the issue of new Senior Secured Notes.

23. Financial instruments and risk management

Group

The Group's principal financial instruments comprise High Yield Bonds, finance leases and cash and short-term deposits. The main purpose of these financial instruments is to provide finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and payables which arise directly from operations.

The Group is subject to the risks arising from adverse movements in interest rates and foreign currency. Credit risk and liquidity risk also arise from the Group's financial instruments. 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 & 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 mitigate the foreign currency risk the Group monitors the level to which natural hedges occur and continually reviews the need to enter into forward contracts in order to mitigate any material forecast exposure.

At 30 June 2016, if the Euro had weakened/strengthened against the US Dollar by 5% with all other variables held constant, post tax loss would have worsened by $0.4m or improved by $0.4m (2015: post tax loss would have worsened by $0.4m or improved by $0.4m).

At 30 June 2016, if Sterling had weakened/strengthened against the US Dollar by 5% with all other variables held constant, post tax loss would have improved by $0.7m or worsened by $0.7m (2015: post tax loss would have improved by $0.8m or worsened by $0.8m).

The Group has a presentational currency of US Dollars. Whilst a number of companies within the Group have a functional currency that is also US Dollars, certain trading subsidiaries have a functional currency of Sterling or Euro's. As a result, the Group experiences translation foreign exchange risk of assets and liabilities of non US Dollar subsidiaries on consolidation in addition to the translation of US Dollar inter-company loans to non US Dollar functional currency subsidiaries that are accounted for as akin to equity. These two factors drive the foreign exchange movements disclosed in the Consolidated Statement of Other Comprehensive Income.

The average volatility of rates during the year compared to the year-end exchange rate was 5.2% and therefore management believes that a 5% sensitivity rate provides a reasonable basis upon which to assess expected changes in foreign exchange rates.

23. Financial instruments and risk management continued
Group continued
a) Market risk continued
ii) Interest Risk Management
The Group borrows in pounds Sterling and 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. Cash and cash equivalents are deposited with high-credit quality financial institutions with a minimum rating of A+. The Group has no significant concentrations of credit risk. Trade receivables are principally from Government customers and well established corporations. The increase in trade receivables at 30 June 2016 is due to contracts reaching milestones at the end of the final quarter which resulted in invoicing to such Government customers and well established corporations. The credit quality of major customers is assessed before trading commences taking into account its financial position, past experience and other factors.

	30 June 2016 $'m	30 June 2015 $'m
Trade receivables	**39.3**	17.8
Total	**39.3**	17.8

The ageing of trade receivables and other financial assets which have not been impaired was as follows:

	Not past due $'m	1-30 days $'m	31-60 days $'m	60+ days $'m	Total $'m
30 June 2016	**29.5**	**5.4**	**1.0**	**3.4**	**39.3**
30 June 2015	12.7	1.7	0.7	2.7	17.8

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

	30 June 2016 $'m	30 June 2015 $'m
At 1 July 2015	**4.4**	4.6
Allowances made in the period	**2.4**	1.7
Amounts used and reversal of unused amounts	**(0.3)**	(1.9)
At 30 June 2016	**6.5**	4.4

The provision of $6.5m (2015: $4.4m) has been raised against gross trade receivables of $45.8m (2015: $22.2m). Every major customer is assessed on an individual basis and we provide for bad debts when an impairment has been identified.

In addition to trade receivables, the year-end balance sheet includes $27.7m of accrued income (2015: $10.6m). $16.4m of accrued income was due from investment grade counter parties, either Government customers or large corporate customers where the underlying customer is a Government. The credit terms associated with the components within accrued income are largely consistent to the Group's trade receivables which are in the range of 30 to 90 days.

23. Financial instruments and risk management continued

Group continued

c) Liquidity risk management

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. We manage our exposure to liquidity risk by regularly monitoring 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.

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

	Within 1 year $'m	1-2 years $'m	2-5 years $'m	5+ years $'m	Contractual amount $'m	Carrying amount $'m
30 June 2016						
High yield bonds	**–**	**–**	**645.0**	**–**	**645.0**	**629.5**
Finance leases	**4.7**	**3.3**	**6.9**	**11.6**	**26.5**	**15.8**
Trade payables	**49.5**	**–**	**–**	**–**	**49.5**	**49.5**
30 June 2015						
High yield bonds	–	–	520.0	–	520.0	510.3
Finance leases	5.8	4.6	7.0	12.4	29.8	18.1
Trade payables	3.9	–	–	–	3.9	3.9

Interest is payable on the high yield bonds at 10% per annum over the three year remaining life of the bonds. See Note 31 for a post year-end financial restructuring which has extended the maturity of the high yield bonds.

In addition, the Company has net intercompany receivables carried at $355.4m (2015: net receivables carried at $861.4m). The contractual amount is 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 borrowings (Note 22), cash and cash equivalents (Note 20) 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.

e) Financial instruments by category

Group

Assets as per balance sheet	Loans and receivables $'m	Total $'m
30 June 2016		
Trade and other receivables (excl prepayments)	**69.2**	**69.2**
Cash and cash equivalents	**56.4**	**56.4**
	125.6	**125.6**
30 June 2015		
Trade and other receivables (excl prepayments)	30.0	30.0
Cash and cash equivalents	122.2	122.2
	152.2	152.2

23. Financial instruments and risk management continued

Group continued

e) Financial instruments by category continued

Liabilities as per balance sheet	Other financial liabilities at amortised cost $'m	Total $'m
30 June 2016		
Borrowings (excl finance lease liabilities)	**629.5**	**629.5**
Finance lease liabilities	**15.8**	**15.8**
Trade and other payables (excl non-financial liabilities)	**94.9**	**94.9**
	740.2	**740.2**
30 June 2015		
Borrowings (excl finance lease liabilities)	510.3	510.3
Finance lease liabilities	18.1	18.1
Trade and other payables (excl non-financial liabilities)	48.0	48.0
	576.4	576.4

Company

Assets as per balance sheet	Loans and receivables $'m	Total $'m
30 June 2016		
Trade and other receivables (excl prepayments)	**385.5**	**385.5**
	385.5	**385.5**
30 June 2015		
Trade and other receivables (excl prepayments)	85.8	85.8
	85.8	85.8

Liabilities as per balance sheet	Other financial liabilities at amortised cost $'m	Total $'m
30 June 2016		
Borrowings (excl finance lease liabilities)	**629.5**	**629.5**
Finance lease liabilities	**5.5**	**5.5**
Trade and other payables (excl non-financial liabilities)	**46.2**	**46.2**
	681.2	**681.2**
30 June 2015		
Borrowings (excl finance lease liabilities)	510.3	510.3
Finance lease liabilities	6.7	6.7
Trade and other payables (excl non-financial liabilities)	154.8	154.8
	671.8	671.8

The Group has no financial instruments carried at fair value through profit or loss. All financial liabilities are carried at amortised cost and all loans and 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.

Company

Overall interest rate risk, foreign exchange risk, market risk, credit risk and liquidity risk are managed on a Group wide basis. Any derivatives, of which there are none at 30 June 2016 (2015: None) 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.

24. Share capital – issued and fully paid

	Number of shares '000	Group and Company ordinary Shares $'m	EBT shares $'m	Group and company share premium $'m
At 1 July 2015	141,803	2.4	(0.1)	505.3
Shares issued	3,593	0.1	–	10.6
Issue of treasury shares to EBT	2,000	–	–	–
At 30 June 2016	**147,396**	**2.5**	**(0.1)**	**515.9**

On 18 August 2015, the Group issued 3,592,781 of ordinary shares at £2.01 per share. On 16 October 2015, the Group issued 2,000,000 shares to the EBT at £0.01 per share.

25. Share based payments

The fair value of share based payments charged to the Income Statement in the period was $0.5m (2015: $0.7m). The full fair value of these share based payments are recognised over their respective vesting periods. All share based payment plans are equity settled and details of these plans are set out below.

The Company has established 18 share based payment 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)
- 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)
- Long Term Incentive Plan ("LTIP") (July 2013)
- Unapproved share option plan (October 2013)
- Save As You Earn scheme ("SAYE") (November 2013)
- Unapproved share option plan (May 2014)
- Unapproved share option plan (May 2015)

The 2016 charges for each of the significant plans above were as follows:

	2016 charge $'m	2015 charge $'m
LTIP schemes	**–**	0.1
Unapproved schemes	**0.4**	0.6
	0.4	0.7

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 2011 is £3.09, and £2.10 on the SAYE scheme 2013.

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

25. Share based payments continued

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

	2016 No.	2016 WAEP	2015 No.	2015 WAEP
EMI				
Outstanding at the beginning of the year	**126,344**	**£0.01**	131,078	£0.01
Granted during the year	**–**	**–**	–	–
Forfeited in the year	**–**	**–**	(2,066)	£0.01
Exercised during the year	**(8,000)**	**£0.01**	(2,668)	£0.01
Outstanding at the end of the year	**118,344**	**£0.01**	126,344	£0.01
Unapproved schemes				
Outstanding at the beginning of the year	**1,218,162**	**£0.01**	884,691	£0.01
Granted during the year	**11,000**	**£0.01**	445,000	£0.01
Forfeited in the year	**(91,000)**	**£0.01**	(111,529)	£0.01
Exercised during the year	**(91,000)**	**£0.01**	–	–
Cancelled in the year	**–**	**–**	(485,162)	£0.01
Reissued in the year	**–**	**–**	485,162	£0.01
Outstanding at the end of the year	**1,047,162**	**£0.01**	1,218,162	£0.01
SAYE schemes				
Outstanding at the beginning of the year	**96,015**	**£2.10**	209,669	£2.70
Granted during the year	**–**	**–**	–	–
Forfeited in the year	**–**	**–**	(113,654)	£3.09
Exercised during the year	**–**	**–**	–	–
Outstanding at the end of the year	**96,015**	**£2.10**	96,015	£2.10

The weighted average share price for the year ended 30 June 2016 was £1.56 (2015: £2.24). 118,344 (2015: 126,344) of the EMI options were exercisable at 30 June 2016.

The exercise price of the share based payments outstanding at 30 June 2016 was £0.01 and the weighted average remaining contractual life was 8.5 years (2015: 9.4 years).

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

EMI Scheme

The EMI scheme was used to issue share based payments to staff on 24 July 2007 at an exercise price of 1p. The new share based payments were issued for 10 years with 25% vesting at the end of years 3, 4, 5 and 6. Those staff who had previously held unvested share based payments in the former parent Company at the time of the de-merger were given a shorter vesting period for these new share based payments. 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
Fair Value	£2.04
Expected volatility	35%
Weighted average exercise price	£0.01
Expected life	4 years
Expected dividend yield	1%
Risk-free interest free	5.5%

25. Share based payments continued

EMI Scheme continued

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

Long Term Incentive Plan

The LTIP 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 remaining allocation to each executive falls into the following tranches:

i) The Core Tranche

This element of the grant became exercisable in seven equal instalments. The first instalment was exercisable on grant and the second on 30 June 2008. The remaining five 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 £5.00 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 £10.00 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 were returned to the EBT.

	Executive directors No.	Senior managers No.
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)	(107,143)
Exceptional vested	(679,570)	(62,500)
Unvested balance returned to the EBT	(1,079,213)	(62,500)
Outstanding balance 30 June 2015	–	17,857
Movements in year ended 30 June 2016:		
Core vested	–	(17,857)
Outstanding balance at 30 June 2016	**–**	**–**

25. Share based payments continued
Long Term Incentive Plan continued
iv) The Share Award Tranche
The share award LTIP 2015 was issued 30 July 2013 to 30 June 2015. Two-thirds of the award was based on revenue performance for the year ending 30 June 2015. One-third of the award was based on the share price as at 30 June 2015.

In 2015, the Remuneration Committee determined that 50% of the 2015 award should be made but that, in the longer term interests of the Company, vesting should be made subject to the achievement of an additional criterion that the share price should remain at or above a certain level for three consecutive months. This amended award shall lapse if this is not achieved by 30 June 2020.

A second LTIP award was issued on 14 January 2014 to 30 June 2016. As consistent with the earlier LTIP, two-thirds of the award is based on revenue performance for the year ending 30 June 2016. Therefore there is no charge relating to that part of the LTIP. One-third of the award is based on the share price as at 30 June 2016. The revenue performance and share price criteria were not met as at 30 June 2016. However, the Remuneration Committee determined that, in the longer term interests of the Company, the award should remain extant but vesting should be made subject to the achievement of an additional criterion that the share price should remain at or above a certain level for three consecutive months. This amended award shall lapse if this is not achieved by 30 June 2020.

A third LTIP award was issued on 5 November 2014 to 30 June 2017. As consistent with the earlier LTIP awards, two-thirds of the award is based on revenue performance for the year ending 30 June 2017. Therefore there is no charge relating to that part of the LTIP. One-third of the award is based on the share price as at 30 June 2017.

A fourth LTIP award was issued on 9 October 2015 to 30 June 2018. As consistent with the earlier LTIP awards, two-thirds of the award is based on revenue performance for the year ending 30 June 2018. Therefore there is no charge relating to that part of LTIP. One-third of the award is based on a share price as at 30 June 2018.

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

	30 June 2015	30 June 2016		
	Amended award	Total award	Two-thirds	One-third
	Dependent on share price		Dependent on revenue performance	Dependent on share price
Executive directors	315,651	678,729	452,486	226,243
Senior managers	104,773	221,289	147,526	73,763
	420,424	900,018	600,012	300,006

	30 June 2017			30 June 2018		
	Total award	Two-thirds	One-third	Total award	Two-thirds	One-third
		Dependent on revenue performance	Dependent on share price		Dependent on revenue performance	Dependent on share price
Executive directors	695,697	463,798	231,899	730,482	486,988	243,494
Senior managers	304,877	203,251	101,626	318,097	212,065	106,032
	1,000,574	667,049	333,525	1,048,579	699,053	349,526

25. Share based payments continued

Unapproved Schemes

At 30 June 2016, there were 13 unapproved schemes in place, established at various dates since 2007.

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

Prior to 1 May 2015, nine of the schemes (noted below) required the market value of the shares to be £10.00 or more per share for a consecutive period of six months in order for the vesting conditions to be met. On 1 May 2016, the remaining options in these schemes were cancelled, and reissued where the option holder continued to be employed by the Group. The reissued options require the market value of the shares to be £5.00 or more per share for a consecutive period of six months in order for the vesting conditions to be met. Other terms remained the same.

Unapproved schemes reissued with £5.00 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)

In addition, one new unapproved scheme was established in the year ended 30 June 2015, also with £5.00 share price vesting criteria:

- Unapproved share option plan (May 2015)

For all other schemes, there are no performance criteria and the options are exercisable as long as the time vesting criteria are met and the option holder remains with the company.

Save as you earn (“SAYE”) schemes

The SAYE schemes were established in November 2011 and November 2013 and were open to all employees of the Company at the time.

SAYE is an HMRC approved all employee savings-related share option scheme under which employees save up to a limit of £250.00 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.

26. Obligations under finance leases

Leasing arrangements

Finance leases relate to capital equipment with typical lease terms of three to five 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.

Also included under finance leases is the 13.5 year IRU agreement described in Note 4. The IRU was assessed as constituting a lease on the basis that:

- the Ka-band payload that the Group has the right to use is judged as being a specific, identifiable and physically separate asset that is not capable of substitution under the agreement
- the Group has the right to direct others how to operate the asset
- the Group has obtained all of the asset's output

The lease was assessed as a finance lease on the basis that the lease transfers substantially all the risks and rewards incidental to ownership, including:

- Avanti have full control over the commercialisation of the payload.
- Avanti carry substantially all of the risk associated with lack of sales from the payload
- Avanti carry all of the risk associated with any deterioration, including complete failure, of the payload's performance over the lease term

Further supporting the conclusion that the lease is a finance lease is the fact that the lease is for the remainder of the assets useful economic life.

The minimum lease payments comprise the annual fixed costs payable over the life of the IRU agreement. The minimum lease payments exclude the variable cost payable per month based on the capacity of the payload that is sold as this is considered to be a contingent payment. The variable cost is expensed within cost of sales in the period that it relates to.

The present value of the minimum lease payments in relation to this agreement and included below is $10.5m of which $0.4m is current and $10.1m is non-current.

Finance lease liabilities

	Group Minimum lease payments		Group Present value of lease payments	
	30 June 2016 $'m	30 June 2015 $'m	**30 June 2016 $'m**	30 June 2015 $'m
No later than 1 year	**4.7**	5.8	**3.3**	4.7
Later than 1 year no later than 5 years	**10.2**	11.6	**5.4**	7.3
Later than 5 years	**11.6**	12.4	**7.1**	6.1
	26.5	29.8	**15.8**	18.1
Less future finance charge	**(10.7)**	(11.7)	**–**	–
	15.8	18.1	**15.8**	18.1

	Company Minimum lease payments		Company Present value of lease payments	
	30 June 2016 $'m	30 June 2015 $'m	**30 June 2016 $'m**	30 June 2015 $'m
No later than 1 year	**3.1**	3.0	**2.8**	2.7
Later than 1 year no later than 5 years	**3.8**	5.4	**2.7**	4.0
	6.9	8.4	**5.5**	6.7
Less future finance charge	**(1.4)**	(1.7)	**–**	–
	5.5	6.7	**5.5**	6.7

26. Obligations under finance leases continued
Finance lease liabilities continued

Included in the Financial Statements as:

	Group		Company	
	30 June 2016 $'m	30 June 2015 $'m	**30 June 2016 $'m**	30 June 2015 $'m
Current borrowings	**3.3**	4.7	**2.8**	2.7
Non-current borrowings	**12.5**	13.4	**2.7**	4.0
Present value of minimum lease payments	**15.8**	18.1	**5.5**	6.7

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

	30 June 2016	30 June 2015
	Land & Buildings $'m	Land & Buildings $'m
No later than one year	**1.8**	2.0
Later than 1 year no later than 5 years	**6.9**	10.1
After 5 years	**20.4**	23.9
	29.1	36.0

Operating lease commitments principally relate to leased office space of the Group's head office. The Group entered in a 20 year lease on the property on 6 May 2013, with annual rent of $1.7m.

28. Capital commitments
As at 30 June 2016 the Group has contracted but not provided for capital commitments of $42.7m in relation to the procurement of HYLAS 3 (2015: $45.2m) and $82.3m in relation to the procurement of HYLAS 4 (2015: $nil). As at 30 June 2015, the Group had not been contractually committed to any future payments related to the construction of HYLAS 4.

29. Related party transactions and directors' emoluments
Transactions with Directors
Details of the Directors' remuneration are set out below in aggregate for each of the categories specified in the Companies Act 2006.

	30 June 2016 $'m	30 June 2015 $'m
Salaries and other short term employee benefits	**2.7**	2.8
Bonus	**–**	1.2
	2.7	4.0
Payments into defined contribution schemes	**0.2**	0.1
	2.9	4.1

Pension contributions amounting to $0.2m (2015: $0.1m) were made into personal pension schemes in respect of four (2015: two) of the Directors.

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

29. Related party transactions and directors' emoluments continued

Transactions with Directors continued

The emoluments of the highest paid Director totalled $0.8m (2015: $1.2m), made up of:

Total emoluments	30 June 2016 $'m	30 June 2015 $'m
Salaries and other short term employee benefits	0.7	0.7
Bonus	–	0.5
Payments into defined contribution schemes	0.1	–
Total emoluments	0.8	1.2

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 Board (executive and non-executive), the general counsel, the head of regulatory, and the managing director of the Government division.

	Group		Company	
Total emoluments	30 June 2016 $'m	30 June 2015 $'m	30 June 2016 $'m	30 June 2015 $'m
Salaries and other short term employee benefits	3.1	4.0	0.4	0.6
Bonus	0.1	1.8	–	–
Payments into defined contribution schemes	0.3	0.1	–	–
	3.5	5.9	0.4	0.6

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 2016 $'m	30 June 2015 $'m
Avanti Communications Limited	2.9	3.1
Avanti Broadband Limited	4.6	3.6
Avanti Space Limited	1.6	1.3
Avanti HYLAS 2 Limited	1.9	1.8
	11.0	9.8

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

	30 June 2016 $'m	30 June 2015 $'m
Avanti Communications Limited	–	52.8
Avanti Space Limited	9.6	19.6
Avanti Broadband Limited	–	6.5
Avanti HYLAS 2 Limited	612.6	782.4
Avanti Communications Infrastructure Limited	375.8	–
	998.0	861.4

Intercompany balances are unsecured and repayable on demand.

30. Cash absorbed by operations

	Group 30 June 2016 $'m	Group 30 June 2015 $'m	**Company 30 June 2016 $'m**	Company 30 June 2015 $'m
(Loss)/profit before taxation	**(67.2)**	(73.3)	**1.7**	(0.3)
Interest receivable	**–**	–	**(67.7)**	(55.6)
Interest payable	**38.8**	37.7	**63.2**	52.3
Amortised bond issue costs	**2.4**	1.8	**2.4**	2.1
Foreign exchange loss/(gain)	**(13.6)**	1.0	**(1.5)**	(0.5)
Depreciation and amortisation of non-current assets	**47.3**	48.1	**–**	–
Provision for doubtful debts	**1.5**	1.0	**–**	–
Share based payment expense	**0.4**	0.7	**0.4**	0.7
Sale of Spectrum rights (Note 2)	**–**	(25.1)	**–**	–
Decrease in stock	**0.6**	(0.9)	**–**	–
Decrease/(increase) in debtors	**(50.9)**	1.6	**(0.1)**	(96.0)
(Decrease)/increase in trade and other payables	**10.6**	(2.8)	**(119.5)**	4.9
Effects of exchange rate on the balances of working capital	**(1.5)**	–	**–**	
Cash absorbed by operations	**(31.8)**	(10.2)	**(121.1)**	(93.0)

31. Post balance sheet events

As described in the going concern accounting policy in Note 2, on 7 July 2016, the Company announced that it was probable that additional funding would be required in order to ensure that the Group had sufficient liquidity to complete and launch HYLAS 4 in the 2017 financial year. Avanti had based its funding plan on cash to be generated from the business which had grown more slowly than expected. On 11 July 2016, the Company announced the undertaking of a strategic review (the "Strategic Review") to consider all financial and strategic options. As part of this exercise, Avanti conducted an in-depth review of its business plan, financial position and strategic options, including various routes to strengthen the Company's balance sheet.

On 17 October 2016, the Company announced the result of a successful consent solicitation process ("September Consent Solicitation") as the first step in its two-phase funding strategy. The Company received consents from holders of 89.5% of its Senior Secured Notes to permit paying the interest due on 1 October 2016 in respect of consenting holders' Senior Secured Notes in the form of additional Senior Secured Notes on the same terms as the existing Senior Secured Notes in lieu of cash. The cash coupon of $3.4m was paid to the 10.5% of holders from whom consent was not received in October 2016. In order to further support the strategic review process, the Company also entered into binding agreements with certain suppliers to defer approximately $39m of capital expenditure payments relating to HYLAS 4 to the third quarter of the fiscal year ending 30 June 2017.

Following completion of the September Consent Solicitation, the Company continued negotiations with the manufacturer of HYLAS 4, Orbital Sciences ("Orbital"), and its largest holders of Senior Secured Notes regarding phase 2 of the funding strategy. The second phase was a restructuring of the Company's outstanding indebtedness in order to seek a long-term solution to its working capital needs and to ensure that the Company could continue to operate as a going concern in the future.

The restructuring drew towards its conclusion on 20 December 2016 when a Restructuring Agreement was signed by the Company with a group of its largest holders of Senior Secured Notes ("Initial Consenting Creditors"). The Company and the Initial Consenting Creditors, representing approximately 73% of the aggregate principal amount of the existing Senior Secured Notes ("Existing Notes"), entered into the Restructuring Agreement on 20 December 2016 pursuant to which the Initial Consenting Creditors contractually agreed to approve the Existing Notes restructuring by delivering Consents in connection with the Solicitation, tendering their Existing Notes in the Exchange Offer and voting in favour of the Scheme.

The Company and the Initial Consenting Creditors also entered into the Backstop Purchase Agreement on 20 December 2016 pursuant to which the Initial Consenting Creditors committed to fund up to the entirety of the New Money Offer, subject to reduction for the level of pro rata participation by the remaining Existing Note holders that elect to participate in the New Money Offer.

The major components of the restructuring, which will provide the Group with substantial additional liquidity, are:

1. New Money Notes - Issue of up to $132.5m of Senior Secured Notes in three tranches by the Company to provide additional funds for the Group. $82.5m will be issued on closing of the restructuring with the ability to issue a further $15m on 30 June 2017 and $35m on 30 November 2017.
2. Amended Existing Notes - Amendments to the Existing notes which include capitalising the April 2017 coupon and the ability to capitalise the October 2017 coupon for the $685m of Amended Existing Notes based on certain cash forecast targets. In addition the amendments allow for the ability to capitalise the April 2018 coupon for approximately $485m of the Amended Existing Notes based on certain cash forecast targets and extended maturity dates which range between October 2021 and October 2022.