AVANTI COMMUNICATIONS GROUP PLC
ANNUAL REPORT AND ACCOUNTS 2017

QUALITY. FLEXIBILITY.

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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 $56.6m for the full year (2016: $82.8m)
- Significant provision against receivable from the Government of Indonesia
- Impairment charges against HYLAS 1, HYLAS 2, and Filiago
- Finance restructuring plan launched to equitise all of the 2023 notes, and to reduce the interest rate on the 2021 notes.
- Cash at the year end of $32.7m (2016: $56.4m)
- Net debt[1] at the year end of $562.0m (2016: $588.9m)
- David Williams, CEO, steps down shortly after the year end.

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

CHAIRMAN'S STATEMENT

In the first half of the financial year, Avanti's financial position suffered disruption when the additional debt facilities sought were not forthcoming on suitable terms. After a period of very hard work, our existing bondholders and long term investors supported the Company through a refinancing transaction that provided $242million of additional liquidity through a mixture of new money and interest deferrals.

The disruption of the first six months of the year led to a lengthening of the sales cycle as our customers and potential customers waited for the refinancing and strategic review to be completed. Following the completion of the transaction, some confidence did return to the customer base, but the lag in the sales cycle has taken some time to reverse, meaning that our revenues for the year were significantly lower than initially expected.

Nevertheless, Avanti did win some significant business towards the end of the year. The award of a new 3 year contract worth up to $21 million to deploy several hundred services to government sites across Africa with an existing government customer strengthens our business with governments across our target markets. Furthermore, the SaT5G (Satellite and Terrestrial network for 5G) project has started well. This project will research, develop and validate key technologies required to enable the plug-and-play integration of satellite communications into 5G networks. The project will trial and assess these through live testbed demonstrations across Europe

Shortly after the year end David Williams, Chief Executive and co-founder, left the business. Alan Harper, who at the time was a non-executive director of the Company, agreed to take up the role of interim Chief Executive. Alan has 25 years of experience in European and African telecoms markets. He has worked at Vodafone as Group Strategy Director and more recently founded and ran Eaton Towers, which served most of the major telco that are a key part of the strategy for expansion at Avanti. Alan is focussed on rebuilding the sales momentum of the business and ensuring that the Group has a go to market strategy that is fit for the current market. The search for a full time replacement is underway and we hope to make an announcement shortly.

As recently announced, the Board has launched a restructuring of the Company's balance sheet. The restructuring is aimed at correcting the capital structure that has developed given recent trading and will provide the platform for success over the medium-term. It is proposed to issue new shares to repay all of the 2023 notes which would reduce the Group's debt by in excess of $500m. This is subject to the agreement of the shareholders at a General Meeting to be held in early 2018. In addition, the Board has agreed with our Bondholders, subject to necessary consents, to reduce the interest rate on the 2021 notes to 9% with the ability to pay cash or roll up the interest as appropriate. The combined impact of these two developments will reduce the Group's annual interest charge by approximately 70%. I hope that you see fit to support this initiative which will give Avanti a significantly strengthened balance sheet and remove a significant impediment to sales growth.

I would also like to thank our employees, customers, suppliers and investors for their ongoing support.

Paul Walsh
Chairman

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.

Trading

Trading in the first half of the year was slower than hoped for primarily as a result of the uncertainty associated with the strategic review which the Company initiated in July 2016.

This uncertainty manifested itself in lower than normal levels of pipeline conversion and an extension in the sales cycle. Of the high probability pipeline that existed at 30 June 2016, 30% was signed by 31 December 2016 compared to historic conversion rates of over 60%. Since the conclusion of the strategic review and the successful provision of additional financing, we won some significant new business and believe that the pipeline conversion rate should now accelerate.

In late December 2016 we received significant new tender awards and signed contracts in the wi-fi and cellular backhaul markets and in government networks. We also picked up new customers for broadband in Europe, spurred by our launch of new 40Mb platforms – the highest speed satellite broadband in Europe.

In the second half of the year we saw some confidence return to our customer base and secured some excellent contract wins across all four markets of Broadband, Government, Enterprise and Backhaul. A few notable examples are:

Satellite and Terrestrial Network for 5G (SaT5G). This project will research, develop and validate key technologies required to enable the plug-and-play integration of satellite communications into 5G networks. The project will trial and assess these through live testbed demonstrations across Europe. The goal of the project is to deliver the seamless, and economically viable, integration of satellite into 5G networks to ensure ubiquitous 5G access everywhere. The project has identified a range of primary research areas to address the integration of satellite into 5G networks, which include extending 5G security to satellite and multicast for content distribution. Each research area will deliver outputs and benefits in relation to 5G ecosystem stakeholders. Live demonstrations and validations will take place at the testbeds for the project which are located in the UK, Germany and Finland. The project will also drive standardisation, mainly in 3GPP and ETSI, contributing to the definition of the 5G system and integration of satellite communications.

The ERDF contract, which was signed in August 2016, will support the deployment of 40Mbps broadband services to rural businesses across Cornwall and Isles of Scilly. Services are available through Avanti's certified service providers, Bentley Walker and SSW. The service will provide the highest satellite broadband speeds available in Europe via Avanti's Ka-band HYLAS 1 and HYLAS 2 satellites to Cornish businesses, no matter how rural the location.

In March, the Company announced a partnership with leading international telecommunications company Millicom, to bring broadband connectivity to consumer, enterprise and government applications. This will include the deployment of the Avanti ECO initiative across Sub-Saharan Africa, which will provide ECO Wi-Fi services to schools and communities, addressing the digital divide in the region. By combining Avanti's world leading satellite technology with the market reach expertise from Millicom, the partnership will additionally commission a new Gateway Earth Station (GES) in Senegal.

Pricing

As we reported at the end of the last financial year in order to win volume in certain markets where end-customers are highly price sensitive, such as broadband in Europe, we have adjusted our prices. 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. Global pricing for satellite capacity is falling in many markets, although each region is different.

Our average price per MHz in the last 12 months across the fleet was $1,400.

Satellite assets

You will note from the financial statements that we have impaired the carrying value of HYLAS 1 and HYLAS 2.

HYLAS 1 is 7 years old now and its cost per MHz is high in comparison to the new generation of High Throughput Satellites. The finite life of the satellite combined with falling capacity prices resulted in an accounting impairment of $53.3m. HYLAS 1 remains an integral part of the Avanti fleet, is forecast to generate good EBITDA and cash flows, and continues to serve some important customers in Western Europe.

In addition we have impaired HYLAS 2 by $60.8m, once again reflecting falling capacity prices and the finite life of the satellite. This impairment effectively eliminates previously capitalised financing costs leaving the carrying value close to the Net Book Value of the procured asset cost. HYLAS 2 is expected to generate strong EBITDA and cash flows as revenues grow over the largely fixed operating costs of the business.

The 3GHz 'HYLAS 2-B' satellite payload that joined the fleet in 2015 came online in the period with coverage over France, Germany, Poland and the Baltic Sea. The addition of this new capacity, which increases available capacity from 14GHz to 17GHz means the utilisation metric has been re-based. The amended fleet utilisation is in the 30-35% band (June 2016 re-based: 25-30% band).

The tactical 4 GHz HYLAS 3 is a hosted payload flying on board a European Space Agency ('ESA') satellite, for which the ESA is presently declaring a late-2018 launch which could slip further. We are disappointed in the performance of the manufacturer of this system and are considering all options.

The construction of Avanti's key 28GHz HYLAS 4 satellite is at an advanced stage but has experienced some delays in the factory. The spacecraft is now expected to be delivered in January 2018 with a launch in March 2018. HYLAS 4 will complete Avanti's coverage of EMEA. This will materially enhance the Group's revenue generation potential, largely within the existing fixed cost base. The efficient procurement of HYLAS 4 will bring the overall fleet cost per MHz down significantly, mitigating some of the effects of falling global prices for satellite bandwidth.

In November 2017, we successfully re-orbited Artemis.

Working Capital

The Company had to make a significant provision against a government receivable at the end of the year. Avanti had contracted with the Government of Indonesia (GoI) to lease capacity on its Artemis satellite to support GoI's need to bring into use and maintain its orbital slot at 123 degrees East. The total contract value was in excess of $30 million. Avanti performed all of its obligations under the contract and had extended payment deadlines for GoI to assist with administrative delays. However, having received in excess of $12m in the earlier stages of the contract, Avanti received no payments for over a year. As a result, Avanti terminated the contract and has initiated arbitration proceedings in London. The outstanding amount at 30 June was $16.8 million and has been fully provided in these accounts. GoI has not disputed that the amounts are due and payable. Avanti is confident that the arbitration panel will rule in the Group's favour and has provided for the debt at the year end until the uncertainty related to the arbitration and particularly enforcing the Group's expectation of the arbitration panel's ruling has been sufficiently reduced.

Outlook

HYLAS 4 is due for launch in March 2018 with a target of being in orbital position ready for service at the start of the next financial year. We are in discussion with a number of current and new distributors to sign up master partnership distribution agreements with Avanti to market this new capacity which is largely over sub Saharan Africa countries.

Alan Harper
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 mobile data market in the World increasing 12-fold over the 5 years to 2021, 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 15% lower in the 2017 financial year ($24.6m) versus 2016 ($28.4m). The decrease is as a result of the effect of the strategic review on new business, falling capacity prices and the impact of the termination of a small number of partners with a poor payment record.

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), HYLAS 2B (3GHz) and ARTEMIS (1 GHz).. The addition of HYLAS-2B in the current year increases available capacity from 15GHz to 18 GHz and as a result the utilisation metric has been re-based. The amended fleet utilisation is in the 30-35% band (June 2016 re-based: 25-30% band).

Fleet Utilisation

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

30%-35%

2016: 25%-30%

Top-20 Customer Bandwidth Revenue Growth

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

-15%

2016: 50%

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 charges its service provider customers for the use of its network and other assets 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 two operational satellites and one hosted payload in orbit, two satellites under construction, and a ground segment infrastructure delivering comprehensive coverage of Europe, the Middle East and Sub-Saharan Africa.

These assets, along with the associated spectrum rights, 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

The Group has performed a review of its go to market strategy post year end. Avanti is well positioned in the attractive High Throughput Services market with a strategy to pursue a focussed B2B channel push strategy to become the satellite wholesale partner of choice to its target customers.

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's end user application segments, which remain unchanged, are:

- Commercial Mobility
- Enterprise Data – including cellular backhaul
- Government & Military
- Broadband Access

Avanti's focus is on developing deep relationships with a small number of large key channel partners in the following three distribution channels:

- Satellite Operators
- Major Mobile / Telecom Carriers
- Major Satellite Resellers, Integrators and ISPs

Outlook

During the last 18 months, Avanti has taken steps to address the appropriateness of its balance sheet given the current levels of trading experienced in the recent periods and the capital commitments required to launch HYLAS 4.

As reported last year, Avanti entered a period of strategic review in July 2016. As a result the majority of the interest due on 1 October 2016 was rolled into the principal of the outstanding loan notes.

In January 2017, the Company announced that it had reached agreement with its major bondholders to provide additional financing of up to $242 million through new money and the ability to payment-in-kind (‘PIK’) coupons on both the 2021 and the 2023 notes. We were also pleased at that point to welcome onto the Board Craig Chobor, Michael Leitner and Peter Reed as representatives of key stakeholders.

This new facility also paved the way to add a super senior facility at the top of the security structure. In July 2017 HPS provided an additional $100 million of financing at an annual rate of 7.5% with a maturity of June 2020. After the drawdown of the HPS funds in July 2017 the gross debt of the Company was $926.5 million, as set out in the table below:

	Maturity		Interest Rate	Face Value	Book Value
		Cash (%)	PIK (%)	$ millions	$ millions
Super Senior	June 2020	7.5	n/a	100.0	95.8
2021 notes	October 2021	10.0	15.0	300.8	287.6
2023 notes	October 2023	12.0	17.5	512.2	293.6
Finance lease	Various	various	n/a	13.5	13.5
TOTAL				926.5	689.5

In December 2017, the Board announced that subject to the agreement of the bondholders and of the shareholders at a General Meeting in early 2018, the entirety of the 2023 notes will be repaid by issuing new ordinary shares in Avanti Communications Group plc (“debt for equity swap”). In addition, subject to agreement from the 2021 bondholders, the maturity of these notes will be extended by 12 months to October 2022 and the interest rate reduced to 9% for both cash and PIK.

Income Statement

As previously mentioned on page 3 the strategic review caused some disruption to the business in the six months to December 2016 which included a significant lengthening of the sales cycle. This has taken some months to reverse and has had a direct impact on the revenue recognised in the year to June 2017. As a consequence, we have reported revenue of $56.6 million down from $82.8 million in 2016.

As a result of the significant provision made against the Government of Indonesia debt, total operating costs rose from $75.5 million in 2016 to $89.1 million. Excluding this provision of $13.9 million, costs fell by 0.4%.

Staff costs fell slightly to $23.6 million (2016: $24.3 million) of which $3.9 million (2016: $4.5 million) was capitalised as costs relating to staff working on the construction of HYLAS 3 and HYLAS 4. See note 7 on page 54.

We have taken impairment charges through the income statement as described in the balance sheet section below and more fully described in notes 13 and 14 on pages 58 and 61.

As a result of the financial restructuring in January 2017, there was a substantial modification to the 2023 notes. Therefore we have recorded the liability on the balance sheet at the market value immediately after the restructuring had been completed. The carrying value of the 2023 notes was reduced from $481.6 million to $245.6 million with the difference being credited to the income statement (note 9), along with accelerated amortisation of previously capitalised bond costs of $16.8m.

Tax

There was a tax credit of $12.0m to the income statement (2016: $2.2m charge). The credit primarily arose from the recognition of deferred tax on losses (credit $15.6m) offset by the impact of changes in the UK tax rate on the deferred tax balances largely driven by future HYLAS 4 profits (charge $3.3m).

Corporate Interest Restrictions

With effect from April 1st 2017, the tax deductibility of interest costs will broadly be restricted to 30% of ‘UK Tax EBITDA’ (a new measure based on taxable profit). Disallowed interest is carried forward indefinitely, but will only become deductible if interest costs fall below 30% of UK Tax EBITDA in a future period.

Group forecasts currently assume the Group will not increase its debt from the current (post debt for equity swap) level. This results in the disallowed interest arising in the next few years becoming deductible in the future, supporting the recognition of a deferred tax asset on that disallowed interest ($0.4m at 30 June 2017).

However, if the Group increases its indebtedness (e.g. to finance future missions) interest costs may never fall beneath 30% of UK Tax EBITDA. As a result the disallowed interest costs would become permanently lost.

Changes to Loss Utilisation Rules

With effect from 1 April 2017, restrictions have been introduced in the UK on the use of brought forward losses, which broadly limit the use of brought forward losses to 50% for taxable profits above £5m. This will result in a slower utilisation of those losses.

Loss for the year

The loss for the year was $65.7 million (2016: $69.2 million) resulting in a basic loss per share of 44.7 cents (2016: loss 49.3 cents).

Balance Sheet

Impairments

Each year the Group considers the carrying value of its assets and looks for indications of impairment. Falling market prices for satellite services have reduced the ability of future cash generation to make-up for the slower than expected revenue generation in the earlier years of HYLAS 1 and HYLAS 2. With the satellites having a finite life the Group has concluded that it would be appropriate to impair the carrying value of HYLAS 1 and HYLAS 2. With a construction cost of $190.3 million and a carrying value of $117.2 million, HYLAS 1 has a historic cost of $541 per MHz per month. With a construction cost of $389.8 million and a carrying value of $287.6 million, HYLAS 2 has a historic cost of $381 per MHz per month. Using current selling prices and anticipated fill rates together with a discount rate of 10.4% the Company has concluded that more appropriate carrying values are $58.1 million and $234.8 million respectively. As a result an impairment charge of $114.1 million was made at the year end.

In addition, Filiago has not achieved the targets set in the recent past. The Group has decided to make significant changes to the way that business is managed. However, until those changes deliver the required targets the Group has decided to impair the carrying value by $9.9 million.

Artemis

The Artemis satellite was re-orbited from its position at 123E in November 2017. This ends the life of the former ESA spacecraft that was launched in July 2001.

Receivables

Receivables at 30 June were $60.6 million (2016: $79.5 million).

After the year end, in November 2017, the Group reluctantly terminated a contract with the MOD of Indonesia for persistent non-payment and has initiated arbitration proceedings in London. Given the materiality of the outstanding amounts at the year-end ($16.8 million) the Directors deemed it appropriate to make a full provision for the outstanding amounts in these accounts. Revenue was recognised on this contract during the year on the basis that regular dialogue with the Government of Indonesia was undertaken, formal commitments to pay were received and the debt remains undisputed. Avanti is confident that the arbitration panel will rule in the Group's favour and has provided for the debt at the year end until the uncertainty related to enforcing the arbitration panel's expected ruling has been sufficiently reduced.

During the year we terminated a contract with Qsat in Ireland for consistent non-payment. Avanti had the right in its contract to"step-in" and moved the majority of customers to one of our UK based service providers. As a result we made provisions of $0.7 million and $2.5 million against receivables and accrued income respectively associated with the Qsat contracts.

High yield debt

As described above, the 2023 notes were amended in a consent solicitation process during December 2016 and January 2017. Under the relevant accounting standards, the modification of the terms were deemed to be substantial. As a result the original bonds are required to be de-recognised and the new bonds recorded at market value at that date. In the period after the modification was ratified through the consent solicitation process, the bonds traded down to 51 cents /$1. The consequence was that the carrying value of this tranche of debt was reduced to $245.6 million with the resulting credit of $219.2 million recognised in the income statement as an Exceptional gain on substantial modification of debt. The carrying value of the debt will accrete up to the face value over the maturity of the bonds, giving rise to a higher finance expense than would otherwise be recorded.

Cash flow

Net cash outflow from operating activities during the year ended June 30, 2017 was $4.1 million as compared to an outflow of $31.8 million during the year ended June 30, 2016.

Interest paid was $3.5 million (2016: $60.5 million), the significant decrease being due to the coupon payments due on debt being settled through the issue of additional notes rather than the payment of cash.

Capital expenditure fell from $95.7 million in 2016 to $66.5 million in 2017.

Additional financing net of restructuring costs brought in $51.9 million compared to $123.6 million raised in 2016.

Exchange losses accounted for net cash outflow of $1.5 million leaving cash at the year-end of $32.7 million (2016: $56.4 million).

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 1 and 2 in orbit insurance policies were renewed in November 2017 with an insured value of £112m and $306m respectively.

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. Our backlog totalled $103.9m as of June 30, 2017.

Due to political and economic difficulties in some of the regions we operate, a number of the contracts signed with partners in the early years of operations are proving to be impaired. We have chosen to remove these from backlog whilst at the same time working with those partners to find more appropriate terms on which to continue to work. In addition the definition of backlog no longer includes the run rate of consultancy projects.

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.

There are significant trade receivables with customers operating in the African and Middle East regions.These businesses are often operating in immature emerging markets for satellite communication services and may have cashflow difficulties due to the market and geopolitical environment in which they operate.

Continued uncertainty regarding the terms of the UK's exit from the EU may have some effect on our ability to attract suitable UK based staff.

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 mitigate the foreign currency risk, the Group monitors the level at which natural hedges occur and continually reviews the need to enter into forward contracts in order to mitigate any material forecast exposure. 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 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.

Launch of HYLAS 4
At this time the launch of HYLAS 4, the most advanced and efficient spacecraft of the Avanti fleet, is critical. Whilst the risk of launch failure is historically very low when using the Arianespace 5 launch vehicle, and the spacecraft is insured for $325 million, any failure would significantly impact the business model. A replacement vehicle would take approximately 30 months to procure.

Post balance sheet events
In July 2017 the Company drew down $100 million of the super senior facility agreed in June 2017.

In November 2017 the Group terminated its contract with MOD of Indonesia and made provisions against the year-end debt of $16.8 million.

In December 2017 the Company announced that it had reached agreement with the majority of its bondholders and significant equity shareholders to repay the 2023 notes by issuing new shares in Avanti Communication Group plc. In addition the 2021 notes will extend their maturity by one year and the interest rate will be reduced to 9% for both cash and PIK (previously 12%). This remains subject to a formal consent solicitation process with the bondholders and a shareholder vote to be held in early 2018.

Going Concern

As fully described in note 2 on pages 40 to 42, these accounts have been prepared on a going concern basis.

In arriving at the conclusion, the Board of Directors were pleased to announce on 13 December 2017 that it proposed to convert the entire 2023 notes into equity, whilst at the same time extending the maturity to the 2021 notes by 12 months and reducing the cash and PIK coupons to 9%. These changes require the formal consent of both the debt holders and the shareholders. With a significant proportion of both parties signatories to the restructuring agreement and lock-up letters, the directors are confident that the restructuring will proceed.

The Directors have concluded that, based on the group's expectation that the Consent Solicitation for a financial restructure will be successful, together with the planned additional fund raise and substantial achievement of cash flow forecasts, the Directors believe that the Group will be able to have sufficient liquidity and will be able to meet its obligations as they fall due. The Directors have accordingly 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, planned fund raise and the substantial achievement of cash flow forecasts 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.

Nigel Fox
Group Finance Director

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 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.

We use 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 a programme to increase employee engagement. This change has 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 its workforce, Avanti aims to reflect better the diversity of its customer base 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 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 ecommerce 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. Reducing 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 3 to 13 was approved by the Board of Directors on 27 December 2017 and signed on its behalf by:

Alan Harper
Chief Executive

Nigel Fox
Group Finance Director

BOARD OF DIRECTORS

Paul Walsh• ∆
Chairman
Paul is the former CEO of Diageo Plc. He is also Chairman of Compass Group and Chime Communications and a Non-Executive Director of FedEx Corporation and RM2. Paul became Chairman of Avanti in March 2014. Paul is Chairman of the Nominations Committee and a member of the Remuneration Committee.

Alan Harper
Interim Chief Executive
Alan is interim Chief Executive Officer of Avanti. Alan is also Chairman of Azuri Technologies, Chairman and Non-Executive Director at Gigabit Fibre, a Non-Executive Director at MTN, and is a leading figure in the mobile network industry for both the UK and Africa. Alan co-founded Eaton Towers in 2008, a leading telecom tower company and held the position of Chief Executive Officer until early 2015. Operational since 2010, Eaton Towers has established over 5,000 towers across seven African countries, and serves major mobile operators such as Airtel, MTN, Orange, Tigo, Vodacom and Vodafone. Prior to founding Eaton Towers, Alan spent 12 years at Vodafone Group PLC in various roles including MD of Vodafone Ltd and as the Group Strategy Director, focusing notably on growth in emerging markets.

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 Chartered Accountant and has held various senior finance roles before joining Avanti 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.

Andy Green+• ∆
Senior Independent Director / Non-Executive Director
Andy is chairman of IG Group and the Digital Catapult. He was a non-executive director on the Board of ARM Holdings plc and the CBI and, until 2012, Andy was CEO of Logica plc. Prior to joining Logica, Andy was a Board member at BT plc. Andy also is co-chair of the UK Space Leadership Council and Vice Chair of the Disasters and Emergencies Committee. Andy is Chairman of the Remuneration Committee and a member of the Audit Committee and the Nominations 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. Paul is the Chairman of the Audit Committee.

Richard Mastoloni+
Non-Executive Director
Richard Mastoloni is an experienced senior executive working in the satellite industry for the past 20 years. From 1997 until 2013, Richard was Senior Vice President and Treasurer at Loral Space & Communications Inc., a multi-billion dollar US based satellite telecommunications company which owned the fourth largest satellites services company, Telesat Canada, as well as one of the largest satellite manufacturers, Space Systems Loral. Prior to Loral, he was a senior banker for JP Morgan Securities.

Craig Chobor+
Non-Executive Director
Craig Chobor is a Managing Director and Director of Research at Solus Alternative Asset Management. Criag joined Solus at its inception in July 2007 and is currently Director of Research as well as the analyst responsible for the telecommunications, media and technology space. Over the last 19 years, he has been directly involved in transactions and restructurings for some of the largest TMT companies. Prior to his current position at Solus, Craig was part of the CDO and hedge fund teams at Stanfield Capital Partners covering a variety of industries including retail, cable, euro cable, printing, publishing, television, radio, media, wireless, and satellite telecommunication. Prior to Stanfield, he was a Senior Associate in the Emerging Markets Group at Scudder Kemper Investments. Craig holds the Chartered Financial Analyst designation and is a member of the New York Society of Securities Analysts and the Association of Investment Management and Research. In connection with his role at Solus, he currently also serves as a board member for TerreStar Corp., Nextwave Holdco LLC, Panavision Corp and FiberTower..

Peter Reed•
Non-Executive Director
Peter A. Reed is the Chief Investment Officer of Great Elm Capital Management, Inc. (GECM), President and Chief Executive Officer of Great Elm Capital Corp. (GECC) and Chief Executive Officer of Great Elm Capital Group, Inc. (GEC). Peter is Chairman of the Board of GECC and serves on the board of directors of GEC. Prior to joining GECM, Peter was a Portfolio Manager and Partner at a Boston-based registered investment adviser from 2004 to 2017. From 2002 to 2004, Peter was an investment banking analyst at Brown, Gibbons, Lang & Company where he worked on mergers and acquisitions, in-court and out-of-court financial restructurings, and debt and equity private placements for middle market companies.

Michael Leitner•
Non-Executive Director
Michael is a Managing Partner of Tennenbaum Capital Partners, LLC and a member of its Management Committee. Prior to joining TCP in 2005, he served as Senior Vice President of Corporate Development for WilTel Communications, and before that as President and Chief Executive Officer of GlobeNet Communications, leading the company through a successful turnaround and sale. Previously, Michael was Vice President of Corporate Development of 360networks and additionally developed and managed the Company's global colocation services business. Prior to 360 networks, he served as Senior Director of Corporate Development for Microsoft Corporation, managing corporate investments and acquisitions in the telecommunications, media, managed services, and business applications software sectors. Prior to Microsoft, he was a Vice President in the M&A group at Merrill Lynch. Mr. Leitner currently serves as a Director on the boards of Globecomm Systems, Integra Telecom and Core Media. Mr Leitner has an M.B.A. from the University of Michigan and a B.A. in Economics from the University of California at Los Angeles
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Christopher McLaughlin
Non-Executive Director
Chris McLaughlin is a FTSE-experienced, corporate and government marketing and communications specialist. He has an extensive background within new and emerging technology sectors. Joining Inmarsat plc in March 2004, prior to the successful 2005 IPO, Chris was a member of the senior executive management team and Chief Marketing Officer until January 2017. He was responsible for all global government, reputational, CSR, marketing, brand and sponsorship activity at the company. Chris has wide experience in emerging markets and demanding regulatory environments. Producer and host of multiple global partner events, he was also responsible for the technology-proving, Volvo Ocean Race sponsorship from 2005, which continues. He has held similar international roles at Philip Morris International, Visa International, ITV, the BBC and worked in the Private Equity environment, acquiring and operating cable television groups in Europe.

+ Audit committee
• Remuneration committee
Δ Nomination committee

GOVERNANCE
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 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 2017, 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, the Audit Committee Report, and the Remuneration Report detail how the Company has applied the main principles of the Code..

Paul Walsh
Chairman

Role of the Board

The Board has a collective duty to promote the long term success of 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 currently comprises a Non-Executive Chairman, seven other Non-Executive Directors and three Executive Directors. During the financial year, Richard Vos, Michael Walker and Charmaine Eggberry stepped down as Non-Executive Directors and Richard Mastoloni, Craig Chobor, Peter Reed, Michael Leitner and Alan Harper were appointed as Non-Executive Directors. On 1 September 2017, after the financial year end, Christopher McLaughlin was appointed as a Non-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.

The Chief Executive is supported by the Finance Director and the Technical Director and 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. On 10 August 2017, David Williams resigned as Chief Executive and was replaced by Alan Harper as interim Chief Executive.

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 Directors 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 financial year. During the Strategic Review between July and December 2016, the Board also convened weekly telephonic meetings to discuss M&A, restructuring and other related matters. These weekly telephonic meetings are not recorded below. The Directors additionally maintained an open dialogue throughout the year and contact by telephone occurred whenever necessary.

Board attendance for the financial year 1 July 2016 to 30 June 2017		Attended
Chairman	Paul Walsh	7/7
Executive Directors	David Williams (Resigned 10/08/2017)	7/7
	David Bestwick	7/7
	Nigel Fox	7/7
Non-Executive Directors	Andrew Green	6/7
	Paul Johnson	7/7
	Richard Mastoloni (Appointed 20/12/16)	3/3
	Craig Chobor (Appointed 27/01/17)	3/3
	Peter Reed (Appointed 27/01/17)	3/3
	Michael Leitner (Appointed 27/01/17)	3/3
	Alan Harper (Appointed 17/03/17)	2/2
	Michael Walker (Stepped down 27/01/17)	4/4
	Richard Vos (Stepped down 27/01/17)	4/4
	Charmaine Eggberry (Stepped down 27/01/17)	2/4

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. Whenever a Director is a related party or interested in a particular transaction being considered by the Board, the Chairman will ensure that the relevant Director will recuse himself/herself from any decisions made in relation to that transaction.

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

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

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

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.

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 and the Remuneration 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 four Non-Executive Directors: Paul Johnson, Andy Green, Craig Chobor and Richard Mastoloni. 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 UK Corporate Governance Code. Further information on the activities of the Committee is set out in the Audit Committee Report on pages 21 to 22.

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 23.

Remuneration Committee

The Remuneration Committee is comprised of four Non-Executive Directors: Paul Walsh, Andy Green, Peter Reed and Michael Leitner. It is chaired by Andy Green.

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 24 to 26.

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 2017 AGM was held at 9.00 am on 13 December 2017. A further General Meeting will be convened in early 2018 to lay the Annual Report and Accounts before shareholders and approve the re-election and remuneration of the Company's auditors.

Shareholders are encouraged to attend the AGM and General Meetings 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. Notices of all AGMs and General Meetings are sent to shareholders and are 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 in order to achieve the Company's objectives.

The Board has reviewed the effectiveness of the system of internal control for the year ended 30 June 2017 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 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 Company 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 Company 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.

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 24 to 26.

Bribery Act 2010

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

Modern Slavery Act 2015

The Company has taken, and is continuing to take, steps to ensure that modern slavery is not taking place within its business or supply chain. A zero tolerance approach to any form of modern slavery has been implemented and the Company is fully committed to acting ethically, transparently and with integrity in all business dealings.

The Company's commitment to conducting business in an ethical and transparent manner is reflected in several of its policies, including its Anti-bribery Policy, Code of Conduct, New Supplier Selection Policy and Supplier Policy. These policies not only set the values expected of the Company's own staff but also the behaviours and values required in the Company's supply chain.

To ensure all service providers comply with these values, the Company undertakes due diligence on all new and existing suppliers. In addition, the Company contracts on the basis that these organisations have in place similar policies to its own, ensuring no part of their business operations contradicts the Company's ethics.

AUDIT COMMITTEE REPORT

Three of the four members of the Audit Committee are independent Non-Executive Directors and the majority have significant, recent and relevant financial experience. 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 Chairman, Chief Executive Officer, Group Finance Director and deputy CFO. 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 the 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 2017 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. The Audit Committee also reviewed the progress on the Company's preparations for GDPR with the Company's General Counsel.

Significant accounting matters

During 2017, the Audit Committee considered the significant accounting matters described below. In addressing these issues the Committee considered the appropriateness of management's accounting estimates and key judgements, outlined in note 3 to the consolidated financial statements. The Committee discussed these with the external auditor during the year and, where appropriate, details of how they have been addressed are provided in the Independent Auditors' Report on pages 31 to 34.

1. **Recoverability of trade receivables and accrued income**
   The group has a significant level of trade receivables and accrued income, including balances that may prove challenging to recover due to the market and geopolitical environment in which our customers operate. Management's consideration of whether or not to provide against amounts due from customers reflects a key judgement.

2. **Impairment of space assets (HYLAS 1 and HYLAS 2)**
   The group assesses its space assets for impairment by reviewing forecast performance over the remaining life of the assets in order to estimate the recoverable amounts. There is an inherent uncertainty involved in forecasting and discounting the future cash flows on which this impairment assessment is based.

3. **Revenue recognition on multi-element arrangements**
   Where the group enters into multi element contracts, judgement is required in determining the relative fair value of the delivered and undelivered elements on the contract.

4. **Revenue recognition on Government services contracts**
   The group enters into fixed price contracts with customers, and recognises revenue based on a stage of completion calculation. The subjective inputs into the stage of completion calculation rely on management judgement.

5. **Recoverability of deferred tax assets**
   The group has significant deferred tax assets. In determining whether deferred tax assets are or are not recognised, management are required to estimate future taxable profits. There is an inherent uncertainty involved in forecasting future performance of the business.

6. **Recoverability of parent company's investments in and receivables due from subsidiaries**
   The carrying amount of the parent company's investments in and receivables due from subsidiaries is significant. There is a risk that these amounts may not recoverable due to the performance of subsidiary entities. There is an inherent uncertainty involved in forecasting and discounting the future cash flows on which this impairment assessment is based.

Going Concern

As more fully explained in note 2 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 obligation as they fall due, management prepared cash flow forecasts based on the business plan for a period of 12 months. Management considered various downside scenarios to test the Group's resilience against operational risk including:

- Slower build in fleet/satellite utilisation
- Planned revenue from exploitation of spectrum rights and satellite interim missions doesn't materialise

However, were those downside scenarios to materialise, Management would take mitigating actions, notably the ability to PIK interest payable in October 2018 on the 2021 Notes. Management therefore concluded that the Group's Capital Structure after the planned financial restructuring comprising of the debt for equity swap, and amendment to the economic terms of the PIK Toggle Notes, together with the planned additional fund raise and the substantial achievement of cash flow forecasts, provides sufficient headroom to cushion against downside operational risks.

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 13 December 2017) is conditional upon the Scheme of Arrangement and Consent Solicitation processes in addition to certain shareholder resolutions and this, in addition to the completion of a minimum fund raise of $30m following the completion of the aforementioned restructuring and the substantial achievement of cash flow forecasts 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, a minimum fund raise of $30m following the completion of the aforementioned 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 pages 31 to 34 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 2016, 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.

Conclusion

Following its review, the Committee was of the opinion that the 2017 Annual Report and Accounts is representative of the year and presents a fair, balanced and understandable overview, providing the necessary information for shareholders to assess the Group's position, performance, business model and strategy.

Paul Johnson
Audit Committee Chairman

NOMINATIONS COMMITTEE REPORT

The Nominations Committee comprises independent Non-Executive Directors. It meets as and when necessary and details of the membership of the Committee are shown on pages 14 to 15.
The 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, and its principal responsibility is to ensure that the Board comprises individuals with the most appropriate balance of experience, skills and knowledge to help and support the Company strategy.

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.

The Nominations Committee gives full consideration to succession planning in the course of its work, taking into account the challenges and opportunities facing the Company, how to take account of diversity and what skills and expertise are needed on the Board and from senior management in the future. As a result, job specifications, search processes and selection criteria are focused on appointing candidates who not only meet criteria for the role but who can also offer different perspectives.

In the financial year to 30 June 2017, the Committee, in consultation with a number of the other Non-Executive Directors, met a number of times and was heavily involved in the appointment of the new Directors to the Board

Paul Walsh
Nominations 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 Andrew Green (Chairman) (who replaced Richard Vos in January 2017) Paul Walsh, Peter Reed (appointed in January 2017) and Michael Leitner (appointed in January 2017).

The Committee thanks Richard Vos 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.

Remuneration 2017

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 1.27 in 2017 and USD 1.47 in 2016.

For the year ended 30 June 2017

	Salaries $	Bonus $	Other benefits $	Post-employment benefits $	Total 2017 $	Total GBP £
Executive						
D J Williams (Resigned 10 August 2017)	582,975	119,786	55,635	52,630	811,026	638,499
D J Bestwick	418,382	87,845	53,018	43,922	603,167	474,857
NAD Fox (Stepped down 27 January 2017, Re-appointed 12 September 2017)	201,736*	70,173	23,175	25,301	320,385	252,231
Non-Executive						
P Walsh	251,538	–	–	–	251,538	198,029
A Green	90,810	–	–	–	90,810	71,492
P R Johnson	78,078	–	–	–	78,078	61,469
R Mastoloni (Appointed 20 December 2016)	30,265**	–	–	–	30,265	23,827
A Harper (Appointed 17 March 2017)	18,972**	–	–	–	18,972	14,936
CR Vos (Resigned 27 January 2017)	64,387	–	–	–	64,387	50,690
M Walker (Resigned 27 January 2017)	64,387	–	–	–	64,387	50,690
C Eggberry (Resigned 27 January 2017)	101,293***	–	–	667	101,960	80,270
Total	**1,902,823**	**277,804**	**131,828**	**122,520**	**2,434,975**	**1,916,989**

* Nigel Fox's salary reflects the period 1 July 2016 to 27 January 2017 only
** Where directors have been appointed in the year the salary disclosed relates to the period from the date of appointment
*** Charmaine Eggberry's salary reflects a longer notice period

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	457,878	313,305
M J O'Connor (Resigned 31 March 2016)	263,771	–	26,189	26,588	316,548	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**	**2,028,456**

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 did not receive a base salary increase for the year ended 30 June 2017.

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 generally only payable if the Group meets a specific target threshold. This threshold his was not achieved for 2017 but certain ex gratia payments were made in February 2017 to the Executive Directors in recognition of their work in completing the financial restructuring. 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.

Directors' share interests

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

	Fully paid Ordinary Shares of 1p each	
	30 June 2017	30 June 2016
D J Williams	**1,714,848**	1,714,848
D J Bestwick	**1,301,954**	1,301,954
N A D Fox	**134,580**	134,580
P Walsh	**230,000**	230,000
P R Johnson	**10,000**	10,000
A Green	**21,888**	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 in the relevant financial year 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 2017, the Remuneration Committee determined that the criteria for the 2017 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 cnsideration of any further LTIP awards. No LTIP awards were made in 2017.

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**

Andrew Green
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 2017.

Principal activities

The principal activity of the Group is the commercial exploitation of its space and network assets. These assets include its spectrum rights, satellites, intellectual property and ground station assets. Avanti charges its service provider customers for the use of its network and other assets 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.

The services are principally provided via Ka-band satellites.

Avanti had three satellites (HYLAS 1, HYLAS 2 and ARTEMIS) and one hosted payload (HYLAS 2B) in-orbit during the year. A further two satellites are under construction (HYLAS 3 and HYLAS 4). The ARTEMIS satellite was re-orbited post year-end on 15 December 2017. HYLAS 3 is a payload on ESA's EDRS-C satellite and is scheduled for launch before the end of calendar 2018. Construction of HYLAS 4 commenced in August 2014 and the satellite is scheduled for launch in March 2018.

A review of the Group's business and developments during the year is included in the Chairman's Statement, the Chief Executive's Review and 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 40.

In summary, the Directors have concluded that based on the Group's expectation that the Consent Solicitation and UK Scheme of Arrangement processes for the financial restructuring described in note 2 will be successful, that a minimum fund raise of $30m is completed following the completion of the aforementioned restructuring and the substantial achievement of cash flow forecasts, that the Group will be able to have sufficient liquidity 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 or schemes will be received or approved or that the refinancing will be successfully completed. Accordingly, the factors listed above represent a material uncertainty that may cast significant doubt on the Group and the Company's ability to continue as a going concern.

Business review and key performance indicators

Avanti operates two 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, excluding non-recurring items, 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 capacity uptake and gives an indication of revenue potential when Avanti's fleet is mature, and is calculated by dividing average utilised capacity by total available capacity for the fleet.

A review of the Group's business and developments during the year, including these KPIs, 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 2017 are shown on page 35. No equity dividend was paid in the year ended 30 June 2017 (2016: $nil). No final dividend is proposed at the year-end (2016: $nil). The loss for the year transferred to shareholders' funds was $65.2m (2016: loss of $68.7m). The net asset position at year end is $133.7m (2016: $201.5m).

Share capital

The Company issued 14,739,599 new Ordinary Shares during the year ended 30 June 2017 (2016: 5,593,000 new shares). Details of the Company's share capital are given in Note 25 to the Consolidated Financial Statements.

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

A discussion of the Company's financial risk management objectives and policies and the exposure of the Company to interest rate, foreign exchange, credit and liquidity risk is included on pages 72 to 74 in Note 24 to the Consolidated Financial Statements.

Research and development

The Company 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 Bestwick
NAD Fox (stepped down 27 January 2017 and was re-appointed 12 September 2017)
A Green
P R Johnson
R Mastoloni (appointed 20 December 2016)
C Chobor (appointed 27 January 2017)
P Reed (appointed 27 January 2017)
M Leitner (appointed 27 January 2017)
A Harper (appointed 17 March 2017)
D J Williams (resigned 10 August 2017)
C Eggberry (resigned 27 January 2017)
C R Vos (resigned 27 January 2017)
M Walker OBE FREng (resigned 27 January 2017)

A biography for each Director is provided on pages 14 and 15. 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.

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 30 September 2017, 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 21 December 2017:

M & G Investment Management	16.87%
Solus Alternative Asset Management	15.88%
Mast Capital Management	11.95%
Avanti Communications EBT	4.29%
Caledonia Investments	3.82%

Employees

The Company employed 254 people at 30 June 2017 (2016: 240 people).

Employees are key to the Company'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 (2016: $nil).

Corporate Governance

The Corporate Governance Report is provided on pages 17 to 20 and includes reports from the Board's Audit, Nominations and Remuneration Committees.

Notice of Annual General Meeting

The notice of the Company's AGM was sent to shareholders on 20 November 2017.

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 he ought to have taken as a Director in order to make him 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 2017, 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 AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the Group and parent Company 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 International Financial Reporting Standards as adopted by the EU (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, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

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.

Alan Harper
Chief Executive

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF AVANTI COMMUNICATIONS GROUP PLC

1. Our opinion is unmodified

We have audited the financial statements of Avanti Communications Group plc ("the Company") for the year ended 30 June 2017 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, consolidated Statement of Cash Flows and Consolidated Statement of Changes in Equity and the related notes, including the accounting policies in note 2.

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 2017 and of the Group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

2. Material uncertainty related to going concern

We draw attention to note 2 to the financial statements which indicates that the Group's and the parent company's ability to continue as a going concern is dependent upon the successful completion of the financial restructuring announced on 13 December 2017 (that is itself conditional upon the Consent Solicitation and Scheme of Arrangement process, which requires approval of existing debt and equity holders), the negotiation of an additional fund raise of $30m following the completion of the aforementioned restructuring, and the substantial achievement of cash flow forecasts. These events and conditions, along with the other matters explained in note 2 to the financial statements, constitute a material uncertainty that may cast significant doubt on the Group's and the parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The risk – Disclosure quality

Clear and full disclosure of the of the facts and the directors' rationale for the use of the going concern basis of preparation, including that there is a related material uncertainty, is a key financial statement disclosure. Auditing standards require such matters to be reported as a key audit matter.

Our response

Our procedures included:

- Assessing transparency: Assessing the going concern disclosure for clarity, including that there is disclosure of a material uncertainty by:
- reviewing refinancing documentation including level of initial consenting investors to corroborate financing situation; and
- evaluating assumptions used in forecast models, in particular those relating to forecast revenue and cash collection; and
- evaluating track record of assumptions, including forecast revenue, versus actual results; and
- assessing reasonably possible downside scenarios that would result in the cash flow falling such that the headroom against available facilities reduced to nil.

3. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. Going concern is a significant key audit matter and is described in section 2 above. We summarise below the other key audit matters in arriving at our audit opinion above, together with our key audit procedures to address the matters. All of the key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

Group: Recoverability of trade receivables and accrued income

Net trade receivables $22.8 million; 2016: $5.5 million

Accrued income $13.7 million; 2016: $17.2 million

Refer to page 21 (Audit Committee Report), page 49 (accounting policy) and page 64 - 65 (financial disclosures).

The risk - Subjective estimate

There are significant trade receivables and accrued income balances with customers operating in the African and Middle East regions.

These businesses are often operating in immature emerging markets for satellite communication services and may have cashflow difficulties due to the market and geopolitical environment in which they operate.

Our response

Our procedures included:

- Historical comparisons: evaluating the directors' assumptions behind the provision against trade receivables with reference to historical track record with the same or similar customers and our own knowledge of recent bad debts and cash collection; and
- Tests of details: assessing bad debt provisions against aged receivables and accrued income balances analysis and cash receipts subsequent to year end; and
- Assessing transparency: assessing the adequacy of the group's disclosures about the level of provision.

Group: Impairment of space assets (HYLAS 1 and HYLAS 2)

Carrying value of HYLAS 1 $58.1 million; 2016: $130.4 million and impairment $53.3 million; 2016: nil

Carrying value of HYLAS 2 $234.8 million; 2016: $310.9 million and impairment $60.8 million; 2016: nil

Refer to page 21 (Audit Committee Report), page 47 - 48 (accounting policy) and page 59 - 60 (financial disclosures).

The risk - Forecast-based valuation

Given the lack of track record and ongoing challenges around fleet utilisation, and falling market prices for Ka band services, there is a risk of impairment of certain space assets (HYLAS 1 and HYLAS 2 assets).

The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows.

Our response

Our procedures included:

- Our experience: evaluating assumptions used, in particular those relating to the Group's forecast revenue growth specific to each asset; and
- Historical comparisons: evaluating track record of assumptions used, such as forecast revenue, versus actual results; and
- Benchmarking assumptions: comparing the group's assumptions to externally derived data in relation to key inputs such as cost inflation and discount rates; and
- Sensitivity analysis: considering reasonably possible changes in assumptions including forecast revenue and discount rate including, and their impact on the outcome of the impairment assessment; and
- Assessing transparency: assessing whether the group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the carrying value of the space assets.

Group: Revenue recognition on multi-element arrangements

Total revenue (excluding Government services contracts) $39.8 million; 2016: $66.1 million

Refer to page 21 (Audit Committee Report), page 44 (accounting policy) and page 50 and 52 (financial disclosures).

The risk - Subjective estimate

The group enters into multi element contracts. There is judgement involved in allocating the total consideration under the contract to each element of the contract using their relative fair values. That judgement is particularly important when some elements have been delivered and revenue recognised at the balance sheet date and other elements will only be delivered in future periods.

Our response

Our procedures included:

- Our expertise: Inspecting contracts contributing the highest levels of revenue and critically assessing the fair value of delivered or undelivered elements, such as future bandwidth or free of charge equipment; and
- Tests of details: Assessing the appropriateness of the Directors' judgements in determining the fair value of each element of the selected contracts by reference to standalone selling prices, or bandwidth capacity renewal rates; and
- Assessing transparency: Assessing the adequacy of the Group's disclosures in respect of the judgements and estimates made in accounting for multi element revenue arrangements.

Group: Revenue recognition on Government services contracts

$16.8 million; 2016: $16.7 million

Total revenue is $56.6 million; 2016: $82.8 million

Refer to page 21 (Audit Committee Report), page 44 (accounting policy) and page 50 and 52 (financial disclosures).

The risk - Subjective estimate

The group enters into fixed price contracts with customers. There is judgement involved in determining the subjective inputs into the stage of completion calculation.

Our response

Our procedures included:

- Historical comparison: evaluating the track record of assumptions such as forecast costs to complete versus actual performance; and
- Personnel interviews: corroborating judgments on forecast costs to complete through discussions with management including project level staff; and
- Test of details: corroborating percentage of completion to customer acceptance by reference to payment received; and

- Assessing transparency: assessing the adequacy of the Group's disclosures in respect of assessing stage of completion as a significant judgement.

Group: Recoverability of deferred tax assets
$66.0 million; 2016: $28.0 million

Refer to page 21 (Audit Committee Report), page 47 (accounting policy) and page 66 (financial disclosures).

The risk - Forecast-based valuation
The group has significant deferred tax assets. There is inherent uncertainty involved in forecasting future taxable profits, which determines the extent to which deferred tax assets are or are not recognised.

Our response
Our procedures included:

- Our experience: evaluating assumptions used, in particular those relating to forecast revenue and useful economic life of the Group's assets; and
- Historical comparisons: evaluating track record of assumptions, such as forecast revenue versus actual results; and
- Sensitivity analysis: performing sensitivity analysis on the forecast revenue assumption noted above, paying particular attention to reasonably possible changes in assumptions that could have a material impact on the deferred tax asset recorded ; and
- Our tax expertise: use of our own tax specialists to assist us in assessing the recoverability of the tax losses against the forecast future taxable profits, taking into account the group's tax position, the timing of forecast taxable profits, and our knowledge and experience of the application of relevant tax legislation; and
- Assessing transparency: assessing the adequacy of the group's disclosures in respect of the nature of the evidence to support the deferred tax asset recognised.

Parent: Recoverability of investments in and receivables due from subsidiaries
Recoverability of investments in subsidiaries $148.7 million; 2016: $148.7 million

Receivables due from subsidiaries $747.1 million; 2016: $998.0 million; Impairment $400 million; 2016: nil

Refer to page 21 (Audit Committee Report), page 48 - 49 (accounting policy) and page 62 and 85 (financial disclosures).

The risk - Forecast-based valuation
The carrying amount of the parent company's investments in and receivables due from subsidiaries is significant and at risk of not being recoverable due to the ongoing challenges around fleet utilisation, and falling market prices for Ka band services.

The estimated recoverable amount of these balances is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows.

The recoverable amount of these investments is related to and determined in a similar way to the recoverable amount of the space assets, being discounted cash flows generated by the asset of the subsidiary.

Our response
Our procedures included:

- Our experience: evaluating assumptions used, in particular those relating to forecast revenue growth specific to each asset; and
- Historical comparisons: evaluating track record of assumptions, such as forecast revenue versus actual results; and
- Benchmarking assumptions: comparing the group's assumptions to externally derived data in relation to key inputs such as cost inflation and discount rates; and
- Sensitivity analysis: considering reasonably possible changes in assumptions including forecast revenue and discount rate including, and their impact on the outcome of the impairment assessment; and
- Assessing transparency: assessing whether the group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of the parent's investment in and receivables from subsidiaries.

4. Our application of materiality and an overview of the scope of our audit
Materiality for the group financial statements as a whole was set at $8m, determined with reference to a benchmark of total assets, of which it represents 1%.

Materiality for the parent company financial statements as a whole was set at $3m, determined with reference to a benchmark of company total assets, of which it represents 2%.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding $0.4m, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 16 reporting components, we subjected six to full scope audits for group purposes.

The components within the scope of our work accounted for 95% of total group revenue, 94% of group loss before tax and 97% of total group assets.

The remaining 5% of total group revenue, 6% of group loss before tax and 3% of total group assets is represented by 10 reporting components, none of which individually represented more than 4% of any of total group revenue, group loss before tax or total group assets. For these residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The Group team approved the component materialities, which ranged from \$0.3m to \$6.7m, having regard to the mix of size and risk profile of the Group across the components. The work on all components was performed by the Group team, including the audit of the parent company.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required 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.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 30, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8. The purpose of our audit work and to whom we owe our responsibilities

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.

Tudor Aw
(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
27 December 2017

CONSOLIDATED INCOME STATEMENT

Year ended 30 June 2017

	Notes	Year ended 30 June 2017 $'m	Year ended 30 June 2016 $'m
Revenue			
Capacity, services and equipment	4	**56.6**	74.5
Sale of exclusivity rights*	4	**–**	8.3
Total Revenue		**56.6**	82.8
Cost of sales - capacity, services and equipment (excluding satellite depreciation)		**(59.4)**	(40.9)
Staff costs	7	**(19.7)**	(19.8)
Other operating expenses	5	**(12.0)**	(16.3)
Other operating income	8	**2.0**	1.5
EBITDA**		**(32.5)**	7.3
Depreciation and amortisation	5	**(47.2)**	(47.3)
Impairment of satellites in operation	5	**(114.1)**	–
Impairment of goodwill	5	**(9.9)**	–
Operating loss		**(203.7)**	(40.0)
Finance income	9	**–**	13.9
Finance expense	9	**(93.2)**	(40.9)
Exceptional gain on substantial modification of debt	9	**219.2**	–
Loss before taxation		**(77.7)**	(67.0)
Income tax	10	**12.0**	(2.2)
Loss for the year		**(65.7)**	(69.2)
Loss attributable to:			
Equity holders of the parent		**(65.2)**	(68.7)
Non-controlling interests		**(0.5)**	(0.5)
Basic loss per share (cents)	11	**(44.74c)**	(49.27c)
Diluted loss per share (cents)	11	**(44.74c)**	(49.27c)

* There were no directly attributable costs related to the sale of exclusivity rights.
** Earnings before interest, tax, depreciation, amortisation, and impairment of non-current assets.
The Notes on pages 40 to 86 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 June 2017

	Year ended 30 June 2017 $'m	Year ended 30 June 2016 $'m
Loss for the year	**(65.7)**	(69.2)
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	**3.7**	13.8
Monetary items that form part of the net investment in a foreign operation	**(9.7)**	(58.9)
Total comprehensive loss for the year	**(71.7)**	(114.3)
Attributable to:		
Equity holders of the parent	**(71.2)**	(113.8)
Non-controlling interests	**(0.5)**	(0.5)

The Notes on pages 40 to 86 are an integral part of these consolidated financial statements..

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	**30 June 2017 $'m**	30 June 2016 $'m
ASSETS			
Non-current assets			
Property, plant and equipment	13	**671.8**	775.1
Intangible assets	14	**9.3**	10.8
Deferred tax assets	20	**30.8**	18.6
Total non-current assets		**711.9**	804.5
Current Assets			
Inventories	18	**2.6**	1.9
Trade and other receivables	19	**60.6**	79.5
Cash and cash equivalents	21	**32.7**	56.4
Total current assets		**95.9**	137.8
Total assets		**807.8**	942.3
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	22	**70.3**	82.8
Loans and other borrowings	23	**2.1**	3.3
Total current liabilities		**72.4**	86.1
Non-current liabilities			
Trade and other payables	22	**9.1**	12.7
Loans and other borrowings	23	**592.6**	642.0
Total non-current liabilities		**601.7**	654.7
Total liabilities		**674.1**	740.8
Equity			
Share capital	25	**2.7**	2.5
EBT shares	25	**(0.1)**	(0.1)
Share premium	25	**519.4**	515.9
Retained earnings		**(317.7)**	(252.7)
Foreign currency translation reserve		**(67.5)**	(61.5)
Total parent shareholders' equity		**136.8**	204.1
Non-controlling interests		**(3.1)**	(2.6)
Total equity		**133.7**	201.5
Total liabilities and equity		**807.8**	942.3

The financial statements of company number 6133927 on pages 35 to 86 were approved by the Board of Directors on 27 December 2017 and signed on its behalf by:

Nigel Fox
Group Finance Director

COMPANY STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Notes	30 June 2017 $'m	30 June 2016 $'m
ASSETS			
Non-current assets			
Investments	16	**148.7**	148.7
Loan receivable	19	**663.0**	642.5
Deferred tax assets	20	**–**	0.5
Total non-current assets		**811.7**	791.7
Current Assets			
Trade and other receivables	19	**164.1**	390.7
Cash and cash equivalents	21	**0.9**	–
Total current assets		**165.0**	390.7
Total assets		**976.7**	1,182.4
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	22	**110.9**	46.2
Loans and other borrowings	23	**1.4**	2.8
Total current liabilities		**112.3**	49.0
Non-current liabilities			
Loans and other borrowings	23	**582.9**	632.2
Deferred tax liabilities	20	**35.2**	–
Total non-current liabilities		**618.1**	632.2
Total liabilities		**730.4**	681.2
Equity			
Share capital	25	**2.7**	2.5
EBT shares	25	**(0.1)**	(0.1)
Share premium	25	**519.4**	515.9
Retained earnings		**(259.8)**	(1.2)
Foreign currency translation reserve		**(15.9)**	(15.9)
Total shareholders' equity		**246.3**	501.2
Total liabilities and equity		**976.7**	1,182.4

The financial statements of company number 6133927 on pages 35 to 86 were approved by the Board of Directors on 27 December 2017 and signed on its behalf by:

Nigel Fox
Group Finance Director

CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOWS

Year ended 30 June 2017

	Notes	Group Year ended 30 June 2017 $'m	Group Year ended 30 June 2016 $'m	Company Year ended 30 June 2017 $'m	Company Year ended 30 June 2016 $'m
Cash flow from operating activities					
Cash absorbed by operations	31	**(4.1)**	(31.8)	**(48.7)**	(121.1)
Interest paid		**(3.5)**	(60.5)	**(3.4)**	(60.5)
Interest received		**–**	–	**–**	63.0
Net cash absorbed by operating activities		**(7.6)**	(92.3)	**(52.1)**	(118.6)
Cash flows from investing activities					
Payments for other financial assets and investments		**–**	–	**–**	(5.0)
Payments for property, plant and equipment		**(66.5)**	(95.7)	**–**	–
Proceeds from sale and leaseback		**–**	2.2	**–**	2.2
Net cash used in investing activities		**(66.5)**	(93.5)	**–**	(2.8)
Cash flows from financing activities					
Net proceeds from bond issue		**78.7**	114.8	**78.7**	114.8
Net proceeds from share issue		**0.2**	10.7	**0.2**	10.7
Payment of finance lease liabilities		**(3.8)**	(4.1)	**(2.7)**	(4.1)
Debt restructuring costs		**(23.2)**	–	**(23.2)**	–
Net cash received from financing activities		**51.9**	121.4	**53.0**	121.4
Effects of exchange rate on the balances of cash and cash equivalents		**(1.5)**	(1.4)	**–**	–
Net decrease in cash and cash equivalents		**(23.7)**	(65.8)	**0.9**	–
Cash and cash equivalents at the beginning of the financial year		**56.4**	122.2	**–**	–
Cash and cash equivalents at the end of the financial year	21	**32.7**	56.4	**0.9**	–

The Notes on pages 40 to 86 are an integral part of these consolidated financial statements.

CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2017

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
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)
Other comprehensive income		–	–	–	–	(45.1)	–	(45.1)
Issue of share capital		0.1	–	10.6	–	–	–	10.7
Share based payments	26	–	–	–	0.4	–	–	0.4
At 30 June 2016		2.5	(0.1)	515.9	(252.7)	(61.5)	(2.6)	201.5
2017								
At 1 July 2016		**2.5**	**(0.1)**	**515.9**	**(252.7)**	**(61.5)**	**(2.6)**	**201.5**
Loss for the year		**–**	**–**	**–**	**(65.2)**	**–**	**(0.5)**	**(65.7)**
Other comprehensive income		**–**	**–**	**–**	**–**	**(6.0)**	**–**	**(6.0)**
Issue of share capital		**0.2**	**–**	**3.5**	**–**	**–**	**–**	**3.7**
Share based payments	26	**–**	**–**	**–**	**0.2**	**–**	**–**	**0.2**
At 30 June 2017		**2.7**	**(0.1)**	**519.4**	**(317.7)**	**(67.5)**	**(3.1)**	**133.7**

Company

	Notes	Share capital $'m	Employee benefit trust (EBT) $'m	Share premium $'m	Retained earnings $'m	Foreign currency translation reserve $'m	Total equity $'m
2016							
At 1 July 2015		2.4	(0.1)	505.3	(3.4)	(15.9)	488.3
Profit/ (loss) for the year		–	–	–	1.7	–	1.7
Issue of share capital		0.1	–	10.6	–	–	10.7
Share based payments	26	–	–	–	0.5	–	0.5
At 30 June 2016		2.5	(0.1)	515.9	(1.2)	(15.9)	501.2
2017							
At 1 July 2016		**2.5**	**(0.1)**	**515.9**	**(1.2)**	**(15.9)**	**501.2**
Profit/ (loss) for the year		**–**	**–**	**–**	**(258.8)**	**–**	**(258.8)**
Issue of share capital		**0.2**	**–**	**3.5**	**–**	**–**	**3.7**
Share based payments	26	**–**	**–**	**–**	**0.2**	**–**	**0.2**
At 30 June 2017		**2.7**	**(0.1)**	**519.4**	**(259.8)**	**(15.9)**	**246.3**

1. General information

The consolidated financial statements of Avanti Communications Group plc (the 'Group') for the year ended 30 June 2017 were authorised for issue in accordance with a resolution of the Directors on 27 December 2017.

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 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 financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ('IFRS'), 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 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 13 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 and Scheme of Arrangement processes described further below and while the Directors believe that these processes will be completed successfully, there remains a material uncertainty until the remaining consents and approvals have been received.

As described in Note 23, the Group has the following debt instruments, excluding finance leases, as at the date of approval of the financial statements:

Instrument	Nominal Value	Lien	Due
Super Senior Facility	$118.0m*	1st lien	21 June 2020
PIK Toggle Notes	$323.0m	2nd lien	1 October 2021
Amended Existing Notes	$557.0m	3rd lien	1 October 2022

* $118m was drawn down from the super senior facility post year-end.

The financial restructuring announced on 13 December comprised the following components which are described in further detail below:

1. Debt for equity Swap - Exchange of all of the Amended Existing Notes for ordinary share capital of the Company
2. Amendment to the economic terms of the PIK Toggle Notes

The restructuring, which is described in Note 32, culminated on 13 December 2017 when a Lock-Up & Restructuring Agreement was signed by the Company with a group of its largest holders of PIK Toggle Notes, Amended Existing Notes and ordinary share capital ('Initial Consenting Investors'). The Company and the Initial Consenting Investors, representing approximately:

- 62% of the aggregate principal amount of the existing PIK Toggle Notes
- 55% of the aggregate principal amount of the existing Amended Existing Notes and
- 34% of the ordinary share capital

2. Principal Accounting Policies continued

Going concern continued

The Group entered into the Restructuring Agreement on 13 December 2017 pursuant to which the Initial Consenting Investors contractually agreed to:

- approve the Amended Existing Notes restructuring by voting in favour of the Scheme, tendering their Amended Existing Notes in the exchange offer and voting in favour of the related shareholder resolutions;
- approve the PIK Toggle Notes restructuring by delivering Consents in connection with the Solicitation, or approvals in connect with the scheme of arrangement.

1. Repayment of the Amended Existing Notes

The exchange of all of the Amended Existing Notes for 92.5% of Avanti's enlarged outstanding share capital. This debt for equity swap will involve the settlement of the 3rd lien debt with a nominal value of $557.0m and accrued interest of approximately $22.4m through the issue of approximately 2.0 billion ordinary shares of 1p each in the Company. The holders of the current Amended Existing Notes will hold 92.5% of the Company's enlarged share capital following completion of this restructuring.

The debt for equity swap approval will be sought under an English law scheme of arrangement (the 'Scheme') which requires approval from 75% of the holders of the Amended Existing Notes.

The Scheme of Arrangement will commence in early January 2018 and the process will last for approximately 6-8 weeks. This process will result in one of the two following outcomes:

1. Receipt of consents from note holders equating to at least 75% 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 Amended Existing Notes. The Initial Consenting Investors are contractually committed to providing their consents and equate to 55% of the Existing Notes.
2. Consents will be received amounting to less than 75% of the Existing Noteholders. This is considered unlikely given that the Initial Consenting Investors are contractually committed to providing their consents and equate to 55% 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.

2. Amendment to economic terms of the 2021 Notes

The amendment to the terms of the 2nd lien as follows:

- extend the final maturity date from October 1, 2021 to October 1, 2022;
- change the interest rate payable on the 2021 Notes from 10% Cash / 15% PIK to 9% Cash / 9% PIK for all remaining interest periods commencing October 1, 2017;
- eliminate the step up in interest payable on the 2021 Notes if the relevant minimum consolidated LTM EBITDA threshold is not met;
- eliminate the Maintenance of Minimum Consolidated LTM EBITDA covenant contained in the indenture governing the 2021 Notes;
- require interest payments on the 2021 Notes for all remaining interest periods commencing October 1, 2017 (but excluding the final interest payment) to be made in cash so long as Avanti has sufficient cash, pro forma, to satisfy the applicable interest coupon, the next cash interest payment due on the Super Senior Debt and any necessary working capital requirements (i.e. 'Pay If You Can' Interest).

The amendment to the economic terms of the PIK Toggle Notes will be sought under a Consent Solicitation process. Under the terms of the PIK Toggle Notes Indenture, consent to the changes is required from holders of 90% of the PIK Toggle Notes. Should approval not be received from 90% or more of the PIK Toggle Note holders, an English law scheme of arrangement will be prepared which requires approval from 75% of the holders of the PIK Toggle Notes.

The Consent Solicitation will commence in early January 2018 and will last for a maximum of 10 business days. This process will result in one of the following outcomes:

1. Receipt of consents from note holders equating to at least 90% of the 2021 Notes by number and value. This will result in the terms of the restructuring being approved and applied to 100% of the 2021 Notes. The Initial Consenting Investors are contractually committed to providing their consents and equate to 62% of the Existing Notes.
2. Receipt of consents will be received amounting to less than 90% of the Existing Noteholders. In this scenario, an English law scheme of arrangement would commence, seeking approval via an alternative mechanism for the amendment to the economic terms of the PIK Toggle Notes. The Scheme of Arrangement would run for approximately 6-8 weeks and would result in one of the two following outcomes:

2. Principal Accounting Policies continued

2. Amendment to economic terms of the 2021 Notes continued

3. Receipt of consents from note holders equating to at least 75% 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 Amended Existing Notes. The Initial Consenting Investors are contractually committed to providing their consents and equate to 62% of the Existing Notes.
4. Consents will be received amounting to less than 75% of the Existing Noteholders. This is considered unlikely given that the Initial Consenting Investors are contractually committed to providing their consents and equate to 62% 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.

In addition to the consents required from the holders of the Amended Existing Notes to have their notes converted into ordinary share capital, the holders of the Company's ordinary share capital pre-reorganisation also need to approve three shareholder resolutions in order for the debt for equity swap to be successfully completed:

1. An ordinary resolution to approve the issue of approximately 2.0 billion new ordinary shares of 1p each in the Company. This resolution requires greater than 50% of votes cast to be passed.
2. A special resolution to disapply pre-emption rights with respect to the issue of these shares. This resolution requires greater than 75% of votes cast to be passed.
3. A resolution for the waiver of rights of independent shareholders to receive a mandatory takeover offer from one of the Initial Consenting Investors who will hold in excess of 30% of the ordinary share capital of the Company following the proposed restructuring. This resolution requires greater than 50% of votes cast by independent shareholders to be passed.

Should any of these shareholder resolutions not be passed, the restructuring of the Amended Existing Notes 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. The Initial Consenting Investors hold 34% of the ordinary share capital in the Company and are committed to voting in favour of these resolutions.

Additional fund raise

Following and contingent upon completion of the restructuring, an additional fund raising will be completed in the form of equity, new PIK Toggle Notes or a combination of both instruments. The minimum value is likely to be $30.0m but may be adjusted dependent on demand. The directors of the Company have received assurances from members of the Initial Consenting Investors that they will participate in the additional fund raising. Should this additional fund raising not be completed successfully, the Group would need to raise cash through another route such as an alternative fund raising or asset sale in order to have sufficient resources to continue in operational existence for the foreseeable future.

Following the signing of the Lock-Up & Restructuring Agreement, which is the platform for a successful financial restructuring, and in order to prepare and approve these Financial Statements, the Directors have assessed forecast future cash flows for the foreseeable future, being a period of at least a year following the approval of the accounts. In assessing the Group's ability to meet its obligation as they fall due, management prepared cash flow forecasts based on the business plan for a period of 12 months. Management considered various downside scenarios to test the Group's resilience against operational risk including:

- Slower build in fleet/satellite utilisation
- Planned revenue from exploitation of spectrum rights and satellite interim missions doesn't materialise

However, were those downside scenarios to materialise, Management would take mitigating actions, notably the ability to PIK interest payable in October 2018 on the 2021 Notes. Management therefore concluded that the Group's Capital Structure after the planned financial restructuring comprising of the debt for equity swap, and amendment to the economic terms of the PIK Toggle Notes, together with the planned additional fund raise and the substantial achievement of cash flow forecasts, provides sufficient headroom to cushion against downside operational risks.

Management concluded that the Group's Capital Structure after the planned financial restructuring comprised of the debt for equity swap, and amendment to the economic terms of the PIK Toggle Notes, together with the planned additional fund raise and the substantial achievement of cash flow forecasts, provides sufficient headroom to cushion against downside operational risks.

2. Principal Accounting Policies continued

2. Amendment to economic terms of the 2021 Notes 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, together with the planned additional fund raise and substantial achievement of cash flow forecasts, the Directors believe that the Group will be able to have sufficient liquidity and will be able to meet its obligations as they fall due. The Directors have accordingly 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, planned fund raise and the substantial achievement of cash flow forecasts 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' was issued in May 2014 and subsequent amendments, 'Clarifications to IFRS15', were issued in April 2016. IFRS 15, as amended, and 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' was issued in January 2016 and 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' was issued in July 2014 and will be effective for periods beginning on or after 1 January 2018. 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 undertakings ('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 (17).

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.

The Group generates its revenues primarily from:

- Capacity - Sale of satellite broadband packages and capacity to customers
- Spectrum - Sale and leasing of spectrum rights
- Services - Sale of services in addition to satellite broadband capacity, typically to Government customers
- Equipment - Sale of terminals and other satellite communications equipment
- 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, the sale of exclusive distribution rights, consultancy projects, engineering services, satellite control services and ground station operation services.

Capacity, services and equipment

Revenue for satellite broadband communications services is 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 thetotal 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 in which 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. 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 their 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.

2. Principal Accounting Policies continued

Revenue recognition continued

Spectrum co-ordination

Revenue from spectrum co-ordination agreements is typically recognised on a straight-line basis over the period where spectrum is leased and 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 multi-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 its relative fair value and the relevant revenue recognition policy is applied to it.

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, the arrangement is accounted for in accordance with the leased assets accounting policy.

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.

2. Principal Accounting Policies continued

Foreign currency

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

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.

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.

2. Principal Accounting Policies continued

Deferred tax

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

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.

2. Principal Accounting Policies continued

Intangible assets

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

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

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

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

Impairment of non-financial assets

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

Impairment of non-financial assets continued

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

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

An impairment loss is recognised in the Income Statement whenever the carrying amount of an asset exceeds its recoverable amount.

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

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

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 indicators of impairment on an annual basis when events or changes in circumstances indicate that the carrying amount may not be fully recoverable.

Investments in subsidiaries are stated at cost less provision for impairment, and reviewed for indicators of impairment on an annual basis.

If such indicators exist and an impairment review is required, the impairment review comprises a comparison of the carrying amount of the investment 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 investment could be disposed of. Value in use is calculated by discounting the expected future cash flows obtainable as a result of the investment's continued use, including those resulting from its ultimate disposal, at a market based discount rate on a pre-tax basis.

An impairment loss is recognised in the Income Statement whenever the carrying amount of an investment exceeds its recoverable amount.

2. Principal Accounting Policies continued

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 cost of sales.

Appropriate allowances for estimated irrecoverable amounts are recognised as an expense 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.

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.

Where a substantial modification to the terms of existing debt has taken place, the original debt is de-recognised and ‘new’ debt recoreded at market value at the date of modification. The difference is taken to the income statement.

Trade payables

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

2. Principal Accounting Policies continued

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

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

(a) Revenue recognition

The Group uses the percentage of completion method in accounting for its 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, the revenue recognised in the current and future financial period would in hindsight be misstated.

The group also enters into multi-element contracts where there is judgement involved in determining the relative fair value of the delivered and undelivered elements on the contract. The Group assess relative fair value by reference to standalone selling prices, and bandwidth capacity renewal rates.

(b) Trade receivables and accrued income

The Group has trade receivables and accrued income, net of provisions, totalling $42.9m at the balance sheet date. The directors have assessed the recoverability of each balance, including those where contractually agreed deferred payment terms are in place, in reaching the year end position.

Should a material unprovided trade receivable or accrued income amount not be recovered, a material adjustment to the trade receivable balance and bad debt expense would arise in a future financial period.

The Group has provided for amounts due from the Government of Indonesia totalling $16.8m at the financial year end. Avanti contracted with the Government of Indonesia (GoI) to provide services on its Artemis satellite and performed all of its obligations under that contract. After an extended period of time in which payment of the outstanding invoices had not been received, the Group terminated the contract and initiated arbitration proceedings in London. The outstanding amount is $16.8m and has been fully provided for in these accounts. GoI has not disputed that the amounts are due and payable. Avanti is confident that the arbitration panel will rule in the Group's favour and has provided for the debt at the year end until the uncertainty related to enforcing the arbitration panel's expected ruling has been sufficiently reduced or eliminated.

Should the Group be successful in attempts to collect the outstanding amounts, a material adjustment to the bad debt provision and expense will be required in a future financial period.

Further disclosure can be found in Note18.

3. Critical accounting estimates and management judgement continued

(c) HYLAS 1 satellite impairment review

The Group has recognised an impairment charge against the carrying amount of HYLAS 1 of $53.3m in the current financial year. As is more fully disclosed in Note 13, the impairment charge is an estimate that is based on the Group's discounted cash flow forecast for the HYLAS 1 asset. Should the yield, capacity ramp-up, satellite life and factors behind the discount rate in future financial periods materially diverge from the assumptions made in this assessment, the impairment recognised in the current financial year may be materially in excess of what was required or a further impairment charge may be required in a future financial period.

(d) HYLAS 2 satellite impairment review

The Group has recognised an impairment charge against the carrying amount of HYLAS 1 of $60.8m in the current financial year. As is more fully disclosed in Note 13, the impairment charge is an estimate that is based on the Group's discounted cash flow forecast for the HYLAS 2 asset. Should the yield, capacity ramp-up, satellite life and factors behind the discount rate in future financial periods materially diverge from the assumptions made in this assessment, the impairment recognised in the current financial year may be materially in excess of what was required or a further impairment charge may be required in a future financial period.

(e) Filiago goodwill impairment review

The Group has recognised an impairment charge against the carrying amount of the Filiago goodwill of $9.9m in the current financial year. As is more fully disclosed in Note 14, the impairment charge is an estimate that is based on the Group's discounted cash flow forecast for the Filiago cash generating unit. Should the revenue and operating margins generated by the Filiago business in future financial periods materially diverge from the assumptions made in this assessment, the impairment recognised in the current financial year may be materially in excess of what was required. The maximum additional impairment charge that may be required in a future financial period is immaterial at $1.6m.

(f) Deferred tax

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 recognition of deferred tax assets, particularly in respect of tax losses, is based upon whether management judge that it is more likely than not that there will be sufficient and suitable taxable profits in the relevant legal entity or tax group against which to utilise the assets in the future.

Judgement is required when determining probable future taxable profits. In assessing the level of future taxable profits reference is made to the latest available profit forecasts. Changes in the estimates which underpin those profit forecasts could have an impact on the amount of future taxable profits and could have a significant impact on the period over which the deferred tax assets would be recovered and consequently the extent to which they should be recognised.

The nature of the evidence supporting the recognition of the deferred tax assets included contracted revenue that will be recognised in future periods, revenue from new business signed in FY18, forecast revenue in future periods from opportunities in the pipeline (including modest expectations in relation to future capacity sales on HYLAS 4) and taxable temporary differences of an appropriate type that reverse in an appropriate period.

(g) Recoverability of parent company investments in and receivables from subsidiary undertakings

The Company has recognised a provision against the carrying amount of receivables from group entities of $400.0m in the current financial year.

The estimated recoverable amount of these balances is an estimate determined in a similar way to the recoverable amount of the space assets, being discounted discounted value of the assets of the subsidiary. Should the yield, capacity ramp-up, satellite life and factors behind the discount rate in future financial periods materially diverge from the assumptions made in this assessment, the impairment recognised in the current financial year may be materially in excess of what was required or a further impairment charge may be required in a future financial period.

4. Revenue

As stated in Note 2, the Group generates its revenues from the utilisation of its space assets, namely its spectrum rights and satellites. These revenues include the sale of satellite broadband services, the sale and leasing of spectrum rights, the sale of services, typically to Government customers, and the sale of terminals and other satellite communications equipment.

The Avanti Executive Board, which is the chief operating decision-maker in the Group's corporate governance structure, manages 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 2017 $'m	30 June 2016 $'m
Capacity, services and equipment revenue	**56.6**	74.5
Exclusivity rights	**–**	8.3
Total revenue	**56.6**	82.8

The majority of total revenue for the year represents the sale of satellite broadband capacity and related services provided to external customers and the sale of terminals and other satellite communications equipment. Of this, $5.3m (2016: $13.2m) relates to the sale of terminals and other satellite communications equipment.

The Group derived $11.1m (2016: $19.9m) of its turnover from European countries outside the United Kingdom, $25.3m (2016: $39.7m) from countries outside Europe and $20.2m (2016: $23.2m) from the United Kingdom.

Sale of exclusivity rights

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

During the year ended 30 June 2016, 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 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 revenue has been recognised within the sale of capacity, services and equipment. The sale of €2.5m of satellite communications equipment was recognised during the prior financial year and a further €1.5m was recognised in the current year under a modification to the original agreement.

The agreement with Eurona was assessed under the Group's accounting policy for multi-deliverable arrangements. An assessment was made as to 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 and equipment recorded in the prior year, and the equipment recorded in the current year. 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 components, and of the contractual value and fair value of the equipment components.

5. Operating expenses

Operating expenses by function are as follows:

	30 June 2017 $'m	30 June 2016 $'m
Distribution	**3.7**	6.7
Administration	**28.0**	31.5
	31.7	38.2

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

	30 June 2017 $'m	30 June 2016 $'m
Cost of sales:		
Recognition of ESA grant income	**(1.2)**	(1.2)
Satellite services	**21.1**	15.4
Materials purchased	**7.9**	13.5
Sub contractors	**10.3**	7.8
Bad debt expense (Note 19)	**19.1**	2.7
Operating expenses:		
Employee benefit expense	**19.7**	19.8
Operating lease expenses	**2.1**	2.3
Depreciation and amortisation:		
Space asset depreciation	**45.3**	45.1
Depreciation of property, plant and equipment	**0.7**	2.0
Amortisation of intangible assets	**1.2**	0.2
Impairment:		
Impairment of satellites in operation [Note 13]	**114.1**	–
Impairment of goodwill [Note 14]	**9.9**	–

6. Auditor remuneration

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

	30 June 2017 $'m	30 June 2016 $'m
Audit fees:		
Annual audit of the Company	0.2	0.2
Annual audit of subsidiary companies	–	–
Total audit fees	0.2	0.2
Transactions services	0.1	–
Total audit and audit-related fees	0.3	0.2
Tax compliance services	–	–
Total non-audit services	–	–
Total auditor's remuneration	0.3	0.2

7. Employee benefit costs

The aggregate remuneration of all employees comprised:

	30 June 2017 $'m	30 June 2016 $'m
Wages and salaries	20.6	20.9
Social security costs	2.2	2.4
Pension costs	0.6	0.6
Share based payment expense	0.2	0.4
	23.6	24.3
Less: costs capitalised as satellite in construction	(3.9)	(4.5)
	19.7	19.8

Employee numbers

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

	30 June 2017	30 June 2016
	No. employees	No. employees
Operations	82	81
Sales and marketing	73	73
Development and engineering	26	25
Administration and executive	50	54
	231	233

8. Other operating income

	30 June 2017 $'m	30 June 2016 $'m
Other grant income	**2.0**	1.5

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. Net finance expense

	30 June 2017 $'m	30 June 2016 $'m
Finance income		
Foreign exchange gain	**–**	13.9
	–	13.9
Finance expense		
Interest expense on loans and other borrowings	**(117.7)**	(67.4)
Foreign exchange loss	**0.1**	–
Finance lease expense	**(1.5)**	(1.8)
Costs of refinancing	**(22.3)**	–
Less: interest capitalised to satellite in construction	**48.2**	28.3
	(93.2)	(40.9)
Exceptional gain on substantial modification of debt	**219.2**	–
Net finance income/(expense)	**126.0**	(27.0)

The exceptional gain on substantial modification of debt arose from a component of the financial restructuring completed by the Group on 27 January 2017. See Note 23 for disclosure of the financial restructuring and the specific modification that gave rise to the exception gain on substantial modification of debt.

10. Income tax charge

	30 June 2017 $'m	30 June 2016 $'m
Current tax		
Current tax expense	–	–
Overseas tax	–	0.1
Adjustment in respect of prior periods	0.2	0.1
Total current tax	0.2	0.2
Deferred tax		
Origination and reversal of temporary differences	(15.9)	(4.2)
Adjustment in respect of prior periods	0.4	4.1
Impact of change in UK tax rate	3.3	2.1
Total deferred tax	(12.2)	2.0
Total income tax (credit)/charge	(12.0)	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 2017 $'m	30 June 2016 $'m
Loss before tax	(77.7)	(67.2)
Tax (credit) at the UK corporation tax rate of 19.75% (2016: 20%)	(15.3)	(13.4)
Tax effect of non-deductible expenses	13.1	–
Adjustment in respect of prior periods	0.5	4.2
Effect of tax rates in foreign jurisdictions	–	1.0
Impact of change in UK tax rate	3.3	2.1
Temporary differences for which no deferred tax has been recognised	2.4	14.1
Recognition of previously unrecognised temporary differences	(30.3)	(5.8)
Derecognition of previously recognised temporary differences	14.3	–
Income tax (credit)/charge	(12.0)	2.2
Income tax (credit)/charge recognised in the income statement	(12.0)	2.2

The standard rate of corporation tax in the UK fell from 20% to 19% with effect from 1 April 2017. Accordingly, the Group's profits for this accounting period are taxed at an effective rate of 19.75% (2016: 20.0%).

The income tax credit of $12.0m (2016: $2.2m charge) equates to an effective tax rate of 15% (2015: (3%)). This effective rate is lower than the effective rate of tax of 19.75% due to a number of items shown above. The rate is primarily driven by the Group recognising a credit in respect of tax losses arising in prior years as a result of forecast profit streams (in particular related to HYLAS 4) against which these losses can be offset, and expenses that are not deductible for tax purposes.

10. Income tax charge continued

Factors that may affect future tax charges

Changes to reduce the UK corporation tax rate to 19% from 1 April 2017 and to 17% from 1 April 2020 were substantially enacted on 15 September 2016. The deferred tax balance as at the year end has been recognised at 17% (2016: 18%) which materially reflects the rate for the period in which the deferred tax assets and liabilities are expected to reverse.

Tax losses

At the balance sheet date the Group has unrecognised deferred tax assets of $29.5m (2016: $37.2m) available for offset against future profits. A deferred tax asset has been recognised in respect of $64.3m (2016: $28.0m). No deferred tax asset has been recognised in respect of the remaining losses and other temporary differences on the basis that their future economic benefit is uncertain.

Under present tax legislation, these losses and other temporary differences may be carried forward indefinitely. In the future if these assets are recognised there will be a positive impact to the Group's effective tax rate. Conversely, if revenues generated by HYLAS 4 fall materially short of expectations there will be a negative impact to the Group's effective tax rate.

In the UK, with effect from 1 April 2017, only 50% of profits above $5m may be offset by losses brought forwards. This will slow the rate at which the deferred tax asset on losses can be utilised, and hence will result in the Group paying cash tax in the UK earlier than would otherwise be the case.

11. Loss per share

	30 June 2017 cents	30 June 2016 cents
Basic loss per share	**(44.74)**	(49.27)
Diluted loss per share	**(44.74)**	(49.27)

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 2017	30 June 2016
Loss for the year attributable to equity holders of the parent Company	**$(65.2)m**	$(68.7)m
Weighted average number of ordinary shares for the purpose of basic earnings per share	**145,625,369**	139,428,427
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**145,625,369**	139,428,427

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 loss after tax of the parent Company for the year ended 30 June 2017 amounted to $258.8m (2016: $1.8m profit).

13. Property, plant and equipment

	Leasehold improvements $'m	Network assets $'m	Fixtures and fittings $'m	Satellites in operation $'m	Satellites in construction $'m	Group total $'m
Cost						
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
Additions	–	3.0	0.1	1.4	64.0	68.5
Reclassification*	–	(1.1)	–	(5.8)	–	(6.9)
Effect of movements in exchange rates	0.1	1.4	–	(7.6)	(1.2)	(7.3)
Balance at 30 June 2017	1.7	16.0	2.7	645.0	359.5	1,024.9
Accumulated depreciation and impairment						
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
Charge for the year	0.4	2.2	0.3	43.1	–	46.0
Reclassification*	–	(0.6)	–	(0.2)	–	(0.8)
Impairment	–	–	–	114.1	–	114.1
Effect of movements in exchange rates	(0.1)	0.7	–	(2.3)	–	(1.7)
Balance at 30 June 2017	1.5	11.7	2.3	337.6	–	353.1
Net book value						
Balance at 30 June 2017	0.2	4.3	0.4	307.4	359.5	671.8
Balance at 30 June 2016	0.4	3.3	0.6	474.1	296.7	775.1

* Reclassifications relate to the reclassification of satellite control software between tangible and intangible assets.

Property, plant and equipment under finance lease

At 30 June 2017, the Group held assets under finance lease agreements with a net book value of $39.8m (2016: $47.8m). A depreciation charge for the year of $2.3m (2016: $1.7m) has been provided on these assets. These assets are included in 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 - Indefeasible right to the use of a payload received as consideration on 24 June 2015 and came into service on 7 November 2016
- ARTEMIS - Acquired on 31 December 2013

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

Satellite in construction

The satellites in construction assets of $359.5m relate to HYLAS 3 and HYLAS 4 (2016: $296.7m 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 $145.7m (2016: $97.4m) related to the HYLAS 2 and HYLAS 4 satellites.

13. Property, plant and equipment continued

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. Each year the Group consider the carrying value of its assets and looks for indications of impairment. An impairment review was conducted for the HYLAS 1 satellite and associated network infrastructure ('HYLAS 1'), at 30 June 2017 as a result of growth in revenues being slower than forecast.

With falling market prices for Ka-band services reducing the ability of future cash generation to make-up for the slower than expected revenue generation in the earlier years of HYLAS 1, the review showed that an impairment of $53.3m was required to bring the the carrying value of HYLAS 1 to $58.1m.

The recoverable amount of HYLAS 1 was 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 asset of approximately 9.5 years.

Estimates of future cash flows originate from the detailed budget for the year to 30 June 2018 as reviewed and approved by the Board.

Forecasts for the subsequent periods are driven by the following key assumptions:

1. Capacity ramp - The discounted cash flow forecast assumes a ramp up in capacity utilisation of 8% per year to full utilisation at the end of FY24, from a combination of contractual ramps, development of existing customer relationships and new business development
2. Yield - price per unit of capacity - The discounted cash flow forecast makes assumptions about the price per unit of capacity which is driven by both market conditions and the efficiency of data throughput which varies due to a number of factors such as customer type and hardware platform
3. Satellite life - The discounted cash flow forecast is prepared over the estimated remaining useful economic life of the asset
4. Discount rate - The present value of the cash flows is calculated by using a pre-tax discount rate of 10.4% derived using the Group's incremental cost of borrowing

Sensitivity analysis was carried out by management over the assumptions made in the impairment model relating to yield, growth in utilisation and the discount factor applied. This sensitivity analysis was performed as a part of the impairment exercise in order to provide insight into the sensitivity of the impairment charge to changes in these key assumptions.

- a 10% decrease in the forecast yield on the uncontracted capacity over the life of the cash flow forecast would increase the impairment charge by $3.7m. A 10% increase in the forecast yield would have an equivalent impact in decreasing the impairment charge.
- a scenario in which the ramp-up of the currently unutilised capacity occurs at 80% of the forecast growth would increase the impairment charge by $7.4m.
- a 1% increase in discount factor applied would increase the impairment charge by $2.7m

The position adopted in the HYLAS 1 impairment review represent management's best estimate of the forecasts and assumptions.

HYLAS 2 satellite impairment review

HYLAS 2 is an 11 Ghz Ka-band High Throughput Satellite that came into operational service on 1 October 2012. Each year the Group considers the carrying value of its assets and looks for indications of impairment. An impairment review was conducted for the HYLAS 2 satellite and associated network infrastructure ('HYLAS 2'), at 30 June 2017 as a result of growth in revenues being slower than forecast.

With falling market prices for Ka-band services reducing the ability of future cash generation to make-up for the slower than expected revenue generation in the earlier years of HYLAS 2, the review showed that an impairment of $60.8m was required to bring the carrying value of HYLAS 2 to $234.8m.

The recoverable amount of HYLAS 2 was 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 2 satellite and associated network infrastructure over the remaining useful economic life of the asset of approximately 10.5 years.

Estimates of future cash flows originate from the detailed budget for the year to 30 June 2018 as reviewed and approved by the Board. Forecasts for the subsequent periods are driven by the following key assumptions:

1. Capacity sold - The discounted cash flow forecast assumes a ramp up in capacity utilisation of 12% per year to the end of FY23, with modest incremental growth thereafter, from a combination of contractual ramps, development of existing customer relationships and new business development

2. Yield - price per unit of capacity - The discounted cash flow forecast makes assumptions about the price per unit of capacity which is driven by both market conditions and the efficiency of data throughput which varies due to a number of factors such as customer type and hardware platform
3. Satellite life - The discounted cash flow forecast is prepared over the estimated remaining useful economic life of the asset
4. Discount rate - The present value of the cash flows is calculated by using a pre-tax discount rate of 10.4% derived using the Group's incremental cost of borrowing

Sensitivity analysis was carried out by management over the assumptions made in the impairment model relating to yield, growth in utilisation and the discount factor applied. This sensitivity analysis was performed as a part of the impairment exercise in order to provide insight into the sensitivity of the impairment charge to changes in these key assumptions.

- a 10% decrease in the forecast yield on the uncontracted capacity over the life of the cash flow forecast would increase the impairment charge by $19.3m. A 10% increase in the forecast yield would have an equivalent impact in decreasing the impairment charge.
- a scenario in which the ramp-up of the currently unutilised capacity occurs at 80% of the forecast growth would increase the impairment charge by $38.5m.
- a 1% increase in discount factor applied would increase the impairment charge by $13.4m.

The position adopted in the HYLAS 2 impairment review represent management's best estimate of the forecasts and assumptions.

Impairment of other assets

There are no indicators of impairment for any other assets within Property, plant and equipment.

HYLAS-2B

Satellites in operation also 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 $33.4m is included within satellites in operation and also within the assets held under finance lease disclosure provided above.

14. Intangible assets

	Computer software $'m	Brand name $'m	Customer lists $'m	Goodwill $'m	Group total $'m
Cost					
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
Additions	3.0	–	–	–	3.0
Reclassification*	6.9	–	–	–	6.9
Effect of movements in exchange rates	–	–	0.1	0.3	0.4
Balance at 30 June 2017	10.5	0.2	2.0	10.0	22.7
Accumulated amortisation and impairment					
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
Charge for the year	1.1	–	0.1	–	1.2
Reclassification*	0.8	–	–	–	0.8
Impairment	–	–	–	9.9	9.9
Effect of movements in exchange rates	–	–	(0.1)	–	(0.1)
Balance at 30 June 2017	2.5	0.2	0.8	9.9	13.4
Net book value					
Balance at 30 June 2017	8.0	–	1.2	0.1	9.3
Balance at 30 June 2016	–	–	1.1	9.7	10.8

* Reclassifications relate to the reclassification of satellite control software between tangible and intangible assets.

Filiago impairment review

The goodwill, customer lists and brand name intangibles arose from the Group obtaining control of Filiago GmbH & Co ('Filiago') on 1 November 2011. 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').

The Filiago goodwill is not subject to amortisation and so is required to be reviewed annually for impairment. Filiago's goodwill impairment review performed for the 30 June 2017 year end showed that an impairment of all of the goodwill was required. The impairment review also showed that the present value of the forecast cash flows supported the customer list intangible of $1.2m on the balance sheet at the year end.

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 five year period with a terminal value forecast into perpetuity after that period.

Underlying the forecast cashflow is the position that Filiago's current management team have not been successful at achieving revenue targets that have been set for recent financial years. Whilst the business has been capable of maintaining a largely steady state, it has not been able to capitalise on the significant advantage it has been bestowed as a result of Avanti's HYLAS-2B payload coming into operational service early in FY17. As a result, the Group has decided to make significant changes to the way that the company is managed. However, when preparing the current year's impairment review, the Group has used forecast's based on what it is confident can be delivered, given the actual performance in recent years.

The discounted cash flow forecast assumes a revenue growth rate of 5% per annum over the 5 year forecast period with a 2% growth rate applied in the terminal value calculation. Management consider that the 5% growth rate is modest based on the commercial advantages that Filiago has as a result of access to the HYLAS 2-B platform; namely the fastest consumer satellite broadband speeds in Europe, pan-Germany coverage and access to capacity in a market where supply is limited.

14. Intangible assets continued

Filiago Impairment review continued

Sensitivity analysis was carried out by management over the revenue growth assumptions. An increase in the growth rate to 10% from the third year of the forecast period, predicated on the new management team delivering stronger performance, would reduce the impairment charge by $2.2m. A forecast which assumes flat revenue growth during the 5 year forecast period would result in an increase in the impairment charge of $1.6m such that the Filiago intangible assets were fully impaired. Management do not consider that no growth during the forecast period is an appropriate assumption based on the commercial and market advantages Filiago has at its disposal. Similarly, in preparing this impairment review, management is exercising caution in forecasting future growth rates given the failure of the business to deliver these in recent years. Management also noted that the variance in the impairment charges under the sensitivity analysis were not material to the Group's depreciation, amortisation and impairment charge nor its profit before tax.

The present value of the forecast cash flows was calculated using the Group's estimated pre-tax cost of capital of approximately 10.5% 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 have been fully amortised. The customer lists acquired 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 $1.2m (2016: $1.1m) after charging $0.1m (2016: $0.1m) of amortisation in the year.

15. Impairment

Group

Impairment of satellites in operation	30 June 2017 $'m	30 June 2016 $'m
HYLAS 1	**53.3**	–
HYLAS 2	**60.8**	–
	114.1	–

Impairment of goodwill	30 June 2017 $'m	30 June 2016 $'m
Filiago	**9.9**	–
	9.9	–

A detailed description of the assumptions and method used to carry out the impairment reviews are in Note 13 and Note 14.

16. Investments

Company

Shares in subsidiary undertakings

	30 June 2017 $'m	30 June 2016 $'m
Beginning and end of the year	**148.7**	148.7
	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 17.

17. 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	Address
Avanti Communications Limited	Satellite services and consultancy	England & Wales	Cobham House, 20 Black Friars Lane, London, EC4V 6EB
Avanti Space Limited	Satellite services	England & Wales	Cobham House, 20 Black Friars Lane, London, EC4V 6EB
Avanti Local TV Services Limited*	Satellite services	England & Wales	Cobham House, 20 Black Friars Lane, London, EC4V 6EB
Avanti Space 3 Limited*	Satellite services	England & Wales	Cobham House, 20 Black Friars Lane, London, EC4V 6EB
Avanti Launch Services Limited	Management services	Isle of Man	First Floor, Millennium House, Victoria Road, Douglas, Isle of Man IM2 4RW
Avanti Broadband Limited	Satellite services	England & Wales	Cobham House, 20 Black Friars Lane, London, EC4V 6EB
Avanti Broadband (Ire) Limited*	Satellite services	England & Wales	Cobham House, 20 Black Friars Lane, London, EC4V 6EB
Avanti HYLAS 2 Limited	Satellite services	England & Wales	Cobham House, 20 Black Friars Lane, London, EC4V 6EB
Avanti HYLAS 2 Launch Services Limited	Management services	Isle of Man	First Floor, Millennium House, Victoria Road, Douglas, Isle of Man IM2 4RW
Avanti Communications Infrastructure Limited*	Holding company	England & Wales	Cobham House, 20 Black Friars Lane, London, EC4V 6EB
Avanti Employee Benefit Trust	Employee benefit trust	England & Wales	Cobham House, 20 Black Friars Lane, London, EC4V 6EB
Avanti HYLAS 2 Cyprus Limited	Satellite services	Cyprus	Cobham House, 20 Black Friars Lane, London, EC4V 6EB
Avanti HYLAS Services Limited	Project management services	Cyprus	6th Floor, Lophitis Business Centre II, 237, 28 October St., CY-3035 Limassol Cyprus
Avanti Communications Marketing Services Limited	Sales and marketing	England & Wales	Cobham House, 20 Black Friars Lane, London, EC4V 6EB
Avanti Communications Germany GmbH	Satellite services	Germany	c/o Osborne Clarke, Innere Kanalstraße 15, 50823 Köln, Germany
Avanti Communications Sweden AB	Satellite services	Sweden	c/o Hellstrom Law, Kungsgatan 33, Box 7305, 103 90 Stockholm Sweden
Avanti Turkey Uydu Telekomunikasyon Limited Sirketi	Sales and marketing	Turkey	Büyükdere Cad. No: 127 Astoria A Kule, Kat: 8/9/10 34394 Esentepe, Şişli
Avanti Communications South Africa Pty Limited	Sales and marketing	South Africa	Building A, Wedgefield Office Park, 17 Muswell Road, South Bryanston, Gauteng 2012, South Africa
Hybeam Limited	Satellite services	England & Wales	Cobham House, 20 Black Friars Lane, London, EC4V 6EB
Avanti Communications Kenya Limited	Sales and marketing	Kenya	Africa Registrars, Ground Floor, Kenya-Re Towers, Upperhill, Off Ragati Road, PO Box 1243-00100, Nairobi, Kenya
Avanti Communications Africa Infrastructure Limited*	Holding company	England & Wales	Cobham House, 20 Black Friars Lane, London, EC4V 6EB
Avanti Communications Africa Infrastructure 1 Limited*	Holding company	England & Wales	Cobham House, 20 Black Friars Lane, London, EC4V 6EB
Avanti Communications Africa Infrastructure 2 Limited*	Holding company	England & Wales	Cobham House, 20 Black Friars Lane, London, EC4V 6EB
Avanti Satellite Communications Services CC Limited	Sales and marketing	Nigeria	c/o Udo Udoma & Belo-Osagie, St. Nicholas House (10th and 13th Floors), Catholic Mission Street, Lagos, Nigeria
Avanti Communications Tanzania Limited	Sales and marketing	Tanzania	Plot No. 18, Rukwa Street, P.O. Box 38192, Dar Es Salaam

* Company was dormant in the year ending 30 June 2017

17. Subsidiaries continued
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 ithe Statement of Financial Position.

18. Inventories

Group

	30 June 2017 $'m	30 June 2016 $'m
Finished goods	**2.5**	1.9
Spectrum	**0.1**	–
	2.6	1.9

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 $7.9m (2016: $13.5m).

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

19. Trade and other receivables

	Group		Company	
	30 June 2017 $'m	30 June 2016 $'m	30 June 2017 $'m	30 June 2016 $'m
Trade receivables	**44.3**	45.8	**5.5**	0.1
Less provision for impairment of trade receivables	**(21.5)**	(6.5)	**–**	–
Net trade receivables	**22.8**	39.3	**5.5**	0.1
Accrued income	**13.7**	27.7	**17.2**	–
Prepayments	**17.7**	10.3	**4.0**	5.2
Amounts due from Group companies	**–**	–	**132.6**	385.4
Other receivables	**6.4**	2.2	**4.8**	–
	60.6	79.5	**164.1**	390.7

19. Trade and other receivables continued

Net trade receivables and accrued income have decreased mainly as a result of a significant provision made against a government receivable, described below, in addition to the comparative balance being high due to contracts reaching milestones at the end of the final quarter of that financial year which resulted in invoicing or revenue accruals. Of the accrued income balance $9.6m (2016: $16.4m) was due from investment grade customers who are either Governments or very well established corporations whose underlying customer is a government. The credit terms associated with the components within accrued income are largely consistent with the Group's trade receivables which are in the range of 30 to 90 days.

Government of Indonesia

The provision for impairment of trade receivables includes $16.8m (2016: Nil) related to a full provision for the receivable due from the Government of Indonesia ('GoI') at the end of the year. This provision comprised a bad debt expense of $12.4m and following termination of the contract post year end, the reclassification of $4.4m from deferred income to the bad debt provision related to amounts billed but for which services had not been delivered at 30 June 2017.

Avanti had contracted with the Government of Indonesia (GoI) to provide services on its Artemis satellite related to GoI's need to firstly bring into use, and secondly to maintain its orbital slot at 123 degrees east. The total contract value was in excess of $30 million. Avanti performed all of its obligations under the contract and had extended payment deadlines for GoI to assist with administrative delays. However, after no payments had been received for a significant period of time, Avanti terminated the contract and has initiated arbitration proceedings in London. The outstanding amount is $16.8m and has been fully provided in these accounts. GoI has not disputed that the amounts are due and payable. Avanti is confident that the arbitration panel will rule in the Group's favour and has provided for the debt at the year end until the uncertainty related to enforcing the arbitration panel's ruling has been sufficiently reduced.

Long Term Receivables

Included in the Group's trade receivables balance at 30 June 2017 are two contractual long term receivables:

- $4.4m (2016: $7.2m) related to an agreement where the outstanding debt is payable in quarterly instalments ending on 30 June 2019. 63% of the original balance has already been collected as at the date of approval of this Annual Report. In addition to the instalments payable, interest is payable at 5.25% per annum.
- €10.15m (2016: €10.5m) related to an agreement where the outstanding debt is payable in quarterly instalments over periods ranging from 3-5 years. 27% of the original balance has already been collected as at the date of approval of this Annual Report. In addition to the instalments payable, interest is payable at rates ranging between 3.5% and 5.25% per annum.

For discussion of credit risk, refer to Note 24(b).

Company Receivables

The Company has non-current trade and other receivables of $663.0m (2016: $642.5m) relating to amounts due from Group companies classified as loans receivable. The Company has current trade and other receivables of £5.5m relating to amounts due from Group companies.

In light of the impairment of HYLAS 1 and HYLAS 2 assets during the year, the Directors have reviewed intercompany receivables owed to the Company and as at 30 June 2017. Based on the underlying net assets recorded on the balance sheet of each subsidiary, the value of spectrum rights that have no corresponding balance sheet asset and the future forecast cash flows of those subsidiaries, the Directors have made a provision against $400.0m of intercompany receivables. The remaining carrying value of the outstanding debt of $741.6m (Note 30) is believed to be supported by the underlying assets of the subsidiaries.

The provision against intercompany receivables is an estimate which is based on the difference between the book value of the receivables and the forecast net present value of the cash flows that the business will generate from assets held by the subsidiaries. The sensitivities referred to in the Property, plant and equipment note (Note 13) give an indication of how upward or downward changes in the forecast performance of the HYLAS 1 and HYLAS 2 assets would impact the impairment assessment. Those sensitivities also apply to the provision for intercompany receivables. In addition, the assessment also notably includes HYLAS 4 cash flows forecast for a period of 19 years following that satellite coming into service. Sensitivity analysis was carried out by management over the assumptions made in the HYLAS 4 forecasts relating to yield and growth in utilisation, with the following sensitivities identified:

- a 10% decrease in the forecast yield over the life of the cash flow forecast would increase the provision by $57.7m.
- a scenario in which the ramp-up of the capacity occurs at 80% of the forecast growth would increase the provision by $126.7m.

20. Deferred taxation

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

	Group		Company	
	30 June 2017 $'m	30 June 2016 $'m	**30 June 2017 $'m**	30 June 2016 $'m
Deferred tax assets	**66.0**	28.0	**–**	0.5
Deferred tax liabilities	**(35.2)**	(9.4)	**(35.2)**	–
	30.8	18.6	**(35.2)**	0.5
The net movement on the deferred income tax account is as follows:				
Balance at 1 July 2016	**18.6**	19.5	**0.5**	0.5
Income tax recognised in the income statement	**12.2**	(1.9)	**(35.5)**	–
Effects of movements in exchange rates	**–**	1.0	**(0.2)**	–
Balance at 30 June 2017	**30.8**	18.6	**(35.2)**	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 2017					
Tax assets					
Unused tax losses	25.9	29.1	–	(0.8)	54.2
Property, plant and equipment	(9.4)	18.7	–	0.8	10.1
Provisions and deferred income	2.1	(0.2)	–	(0.2)	1.7
Share based payment	–	(0.1)	–	0.1	–
Total tax assets	**18.6**	**47.5**	**–**	**(0.1)**	**66.0**
Tax liabilities					
Financial instruments[1]	–	(35.2)	–	**–**	(35.2)
Total tax liabilities	**–**	**(35.2)**	**–**	**–**	**(35.2)**
Net deferred tax asset/(liability)	**18.6**	**12.3**	**–**	**(0.1)**	**30.8**

[1] The credit recognised in the income statement on the modification of the terms of the 10% Senior Secured Notes did not give rise to an immediate tax charge but as a result the subsequent amortisation of this amount will not be deductible for tax purposes. A taxable temporary difference of $35.2m (2016: NIL) has therefore been recognised and is included above. The deferred tax liability is expected to reverse in the year ended 30 June 2018 once the recently announced debt for equity swap has concluded.

20. Deferred taxation continued

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/(liability)	19.5	(1.9)	–	1.0	18.6

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 2017					
Tax assets					
Share-based payment	0.1	(0.1)	–	–	–
Unused tax losses	0.4	(0.4)	–	–	–
Total tax assets	**0.5**	**(0.5)**	**–**	**–**	**–**
Tax liabilities					
Financial instruments[1]	–	(35.0)	–	(0.2)	(35.2)
Total tax liabilities	**–**	**(35.0)**	**–**	**(0.2)**	**(35.2)**
Net deferred tax asset/(liability)	**0.5**	**(35.5)**	**–**	**(0.2)**	**(35.2)**

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
Net deferred tax asset/(liability)	0.5	–	–	–	0.5

At 30 June 2017:

- $0.5m (2016: nil) of the deferred tax asset of $64.2m (2016: $28.0m) is expected to be recovered in the next 12 months
- $35.1m (2016: nil) of the deferred tax liability of $35.2m (2016: $9.4m) is expected to be settled in the next 12 months
- the unrecognised deferred tax asset totalled $29.5m (2016: $37.2m). This is made up of unused tax losses of $27.8m (2016: $37.2m) and decellerated capital allowances of $1.7m (2016: $Nil).

20. Deferred taxation continued

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 FY18, forecast revenue in future periods from opportunities in the pipeline (including modest expectations in relation to future capacity sales on HYLAS 4) and taxable temporary differences of an appropriate type that reverse in an appropriate period.

21. 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		Company	
	30 June 2017 $'m	30 June 2016 $'m	**30 June 2017 $'m**	30 June 2016 $'m
Cash and bank balances	**31.4**	55.0	**0.9**	–
Short-term deposits	**1.3**	1.4	**–**	–
Net cash and cash equivalents	**32.7**	56.4	**0.9**	–

22. Trade and other payables

	Group		Company	
	30 June 2017 $'m	30 June 2016 $'m	**30 June 2017 $'m**	30 June 2016 $'m
Current				
Trade payables	**9.9**	49.5	**1.1**	0.1
Social security and other taxes	**0.5**	0.7	**–**	–
Other payables	**7.2**	3.8	**–**	–
Accruals	**42.1**	22.0	**55.9**	16.2
Deferred income	**10.6**	6.8	**–**	
Amounts due to Group companies	**–**	–	**54.0**	29.9
	70.3	82.8	**111.0**	46.2
Non-current				
Deferred income	**9.1**	12.7	**–**	–
	9.1	12.7	**–**	–

Accruals and deferred income above includes the interest accrued in the Company of $33.9m (2016: $16.1m) in relation to loans and borrowings. See note 23 Loans and other borrowings for further details.

23. Loans and other borrowings

	Group current		Group non-current	
	30 June 2017 $'m	30 June 2016 $'m	**30 June 2017 $'m**	30 June 2016 $'m
Amortised cost				
High Yield Bonds - Original notes	**–**	–	**–**	629.5
High Yield Bonds - Amended Existing Notes	**–**	–	**293.6**	–
High Yield Bonds - PIK Toggle Notes	**–**	–	**287.6**	–
Finance lease liabilities (i) (note 27)	**2.1**	3.3	**11.4**	12.5
	2.1	3.3	**592.6**	642.0

	Company current		Company non-current	
	30 June 2017 $'m	30 June 2016 $'m	**30 June 2017 $'m**	30 June 2016 $'m
Amortised cost				
High Yield Bonds - Original notes	**–**	–	**–**	629.5
High Yield Bonds - Amended Existing Notes	**–**	–	**293.6**	–
High Yield Bonds - PIK Toggle Notes	**–**	–	**287.6**	–
Finance lease liabilities (i) (note 27)	**1.4**	2.8	**1.7**	2.7
	1.4	2.8	**582.9**	632.2

(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.

High yield bonds

October 2016 Coupon Capitalisation

The Company had 10% Senior Secured Notes ('Original Notes') with a nominal value of $645.0m in issue at the beginning of the year. On 17 October 2016, the Company announced the result of a successful consent solicitation process. 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. As a result, additional Senior Secured Notes with a nominal value of $40.4m were were issued in lieu of $28.9m of the cash coupon due on that date. A cash coupon of $3.4m was paid to the 10.5% of holders from whom consent was not received in October 2016.

January 2017 Senior Secured Notes Restructuring

On 23 January 2017, the Group completed a financial restructuring which, inter alia, modified the Senior Secured Notes with a nominal value of $685.4m in issue at that date into two tranches of Notes as follows:

- $203.8m of the Original Notes were converted into $203.8m of 10%/15% Senior Secured Notes ('PIK Toggle Notes')
- $481.6m of the Original Notes were converted into $481.6m of 12%/17.5% Senior Secured Notes ('Amended Existing Notes')

In addition $6.5m of additional PIK Toggle Notes were issued on completion of the restructuring to settle the accrued interest on the proportion of Original Notes that were converted into PIK Toggle Notes. The accrued interest at the restructuring date on the proportion of the Original Notes that were converted into Amended Existing Notes was settled on 1 April 2017 as described below under the heading April 2017 Coupon.

23. Loans and other borrowings continued

PIK Toggle Notes

The PIK Toggle Notes included the following primary modifications to the terms of the Original Notes:

- the ability to PIK the April 2017 and October 2017 coupon payments, subject to a minimum cash threshold metric
- an extension of the maturity date from 1 October 2019 to 1 October 2021
- the introduction of a Margin Increase mechanism which could see the cash coupon rate of 10% and the PIK rate of 15% increase by a maximum of 2.5% in two steps of 1.25%, dependent on the Group's performance against EBITDA targets

The Group performed an assessment under its accounting policies and the requirements of IAS 39 as to whether the restructuring of the terms of the Original Notes into PIK Toggle Notes represented a substantial modification. As the net present value of the cash flows under the original terms and the modified terms was less than 10% different, the modification was accounted for as non-substantial.

As a result, the existing debt converted of $203.8m remained on the balance sheet at its current carrying value. The debt will be accreted up to its final redemption value over the extended term to maturity using an amended Effective Interest Rate.

Amended Existing Notes

The Amended Existing Notes included the following primary modifications to the terms of the Original Notes:

- an increase in the cash coupon from 10% to 12%
- the ability to PIK the April 2017, October 2017 and April 2018 coupon payments, subject to a minimum cash threshold metric
- an extension of the maturity date from 1 October 2019 to 1 October 2022
- the introduction of a Margin Increase mechanism which could see the cash coupon rate of 10% and the PIK rate of 15% increase by a maximum of 2.5% in two steps of 1.25%, dependent on the Group's performance against EBITDA targets

The Group performed an assessment under its accounting policies and the requirements of IAS 39 as to whether the restructuring of the terms of the Original Notes into Amended Existing Notes represented a substantial modification. As the net present value of the cash flows under the original terms and the modified terms was greater than 10% different, the modification was accounted for as substantial.

As a result, on completion of the restructuring, the carrying value of the Original Notes converted into Amended Existing Notes of $481.6m was de-recognised and the Amended Existing Notes with a nominal value of $481.6m were recognised on the balance sheet at the date of modification at their fair value of $245.6m. The fair value at the date of modification of $0.51 per note was obtained from the price of the first trade in the Amended Existing Notes after modification. The gain arising on substantial modification of $219.2m (Note 9) comprises the $236.0m difference between the derecognised financial liability and fair value of the new financial liability in addition to $16.8m of unamortised costs of issues and discounts related to the substantially modified Original Notes.

New Money

As a part of the same restructuring completed on 23 January 2017, the Group issued new PIK Toggle Notes with a nominal value of $82.5m with a 3% discount.

April 2017 Coupon

The April 2017 coupon payments due on the PIK Toggle Notes and Amended Existing Notes were both settled through the issue of additional notes rather than the payment of cash. $7.9m of PIK Toggle Notes were issued in respect of interest due on these notes between 23 January 2017 and 1 April 2017. $30.6m of Amended Existing Notes were issued in respect of interest due on these notes between 2 October 2016 and 1 April 2017. The interest accrued as at 23 January 2017 on the portion of the Original Notes converted into PIK Toggle Notes was settled through the issue of $6.5m of additional PIK Toggle Notes on the date that the restructuring was completed.

23. Loans and other borrowings continued

New Money continued

30 June 2017

Issuer	Original notional value	Description of instrument	Due
Avanti Communications Group plc	$512.2m	Amended Existing Notes	1 October 2022
Avanti Communications Group plc	$300.8m	PIK Toggle Notes	1 October 2021

30 June 2016

Issuer	Original notional value	Description of instrument	Due
Avanti Communications Group plc	$645m	10% Senior Secured Notes	1 October 2019

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

	30 June 2017 $'m	30 June 2016 $'m
High yield bonds	**813.0**	645.0
Add: Unamortised issue premium	**–**	4.6
Less: Unamortised credit on substantial modification	**(218.6)**	–
Less: Unamortised issue discount	**(13.2)**	(7.8)
Less: Unamortised debt issuance costs	**–**	(12.3)
	581.2	629.5

24. Financial instruments and risk management

Group

The Group's principal financial instruments comprise Bonds, finance leases, and cash and short-term deposits. The main purpose of these financial instruments is to provide finance for the Group' 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'.

24. Financial instruments and risk management continued

Group continued

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 at 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 2017, 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 $0.8m or improved by $0.8m (2016: post tax loss would have worsened by $0.4m or improved by $0.4m).

At 30 June 2017, if Sterling had weakened/strengthened against the US Dollar by 5% with all other variables held constant, post tax loss would have worsened by $0.3m or improved by $0.3m (2016: post tax loss would have improved by $0.7m or worsened by $0.7m).

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. 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 of 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 3.46% and therefore management believes that a 5% sensitivity rate provides a reasonable basis upon which to assess expected changes in foreign exchange rates.

ii) Interest risk management

The Group borrows in 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 the 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+. Trade receivables are principally from Government customers and well established corporations. The credit quality of major customers is assessed before trading commences taking into account their financial position, past experience and other factors.

24. Financial instruments and risk management continued
Group continued
b) Credit risk management continued

	30 June 2017 $'m	30 June 2016 $'m
Trade receivables	**28.8**	39.3
Total	**28.8**	39.3

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 2017	**23.6**	**10.4**	**0.5**	**9.9**	**44.3**
30 June 2016	29.5	5.4	1.0	3.4	39.3

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

	30 June 2017 $'m	30 June 2016 $'m
At 1 July 2016	**6.5**	4.4
Allowances made in the period	**19.1**	2.4
Amounts used and reversal of unused amounts	**(4.1)**	(0.3)
At 30 June 2017	**21.5**	6.5

The provision of $21.5m (2016: $6.5m) has been raised against gross trade receivables of $44.3m (2016: $45.8m). 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 $13.7m accrued income (2016: $27.7m). $9.6m (2016: $16.4m) of accrued income was due from investment grade counter parties 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.

c) Liquidity risk management
Liquidity risk is the risk that the Group may have difficulty in obtaining funds in order to be able to meet both its day-to-day operating requirements and its debt servicing obligations. The Group manages its exposure to liquidity risk by regular monitoring of its 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 2017						
High yield bonds	**–**	**–**	**300.8**	**512.2**	**813.0**	**581.2**
Finance leases	**3.2**	**2.5**	**5.7**	**10.1**	**21.6**	**13.5**
Trade payables	**9.9**	**–**	**–**	**–**	**9.9**	**9.9**
30 June 2016						
High yield bonds	–	–	645.0	–	645.0	629.6
Finance leases	4.7	3.3	6.9	11.6	26.5	16.1
Trade payables	49.5	–	–	–	49.5	49.5

24. Financial instruments and risk management continued
Group continued
c) Liquidity risk management continued
Interest is payable on the high yield bonds at 7.5%-17.5% per annum over the three year remaining life of the bonds.

In addition, the Company has net intercompany receivables carried at $382.6m (2016: net receivables carried at $355.5m). 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 23), cash and cash equivalents (Note 21) and equity attributable to equity holders of the parent, comprising Ordinary Share capital, share premium, other reserves and retained earnings 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 2017		
Trade and other receivables (excl prepayments)	**42.8**	**42.8**
Cash and cash equivalents	**32.7**	**32.7**
	75.5	**75.5**
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

24. 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 2017		
Borrowings (excl finance lease liabilities)	**581.2**	**581.2**
Finance lease liabilities	**13.5**	**13.5**
Trade and other payables (excl non-financial liabilities)	**59.7**	**59.7**
	654.4	**654.4**
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

Company

Assets as per balance sheet	Loans and receivables $'m	Total $'m
30 June 2017		
Trade and other receivables (excl prepayments)	**160.1**	**160.1**
Cash and cash equivalents	**0.9**	**0.9**
	161.0	**161.0**
30 June 2016		
Trade and other receivables (excl prepayments)	385.5	385.5
	385.5	385.5

Liabilities as per balance sheet	Other financial liabilities at amortised cost $'m	Total $'m
30 June 2017		
Borrowings (excl finance lease liabilities)	**581.2**	**581.2**
Finance lease liabilities	**3.1**	**3.1**
Trade and other payables (excl non-financial liabilities)	**57.0**	**57.0**
	641.3	**641.3**
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

24. Financial instruments and risk management continued
Group continued
e) Financial instruments by category continued

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 (2016: 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 a $400.0m provision for impairment against the Company's receiveables due from subsidiaries.

25. Share capital – issued and fully paid

	Number of shares '000	Group and Company ordinary Shares £0.01 per share $'m	EBT shares $'m	Group and company share premium $'m
At 1 July 2016	147,396	2.5	(0.1)	515.9
Shares issued	14,740	0.2	–	3.5
Issue of treasury shares to EBT	–	–	–	–
At 30 June 2017	162,136	2.7	(0.1)	519.4

On 9 February 2017, the Group issued 14,739,599 shares at £0.20 per share. As at 30 June 2017, 967,106 shares were unpaid up, and were subsequently settled on 17 August 2017

26. Share based payments

The fair value of share based payments charged to the Income Statement in the period was $0.2m (2016: $0.5m). The full fair value of these share based payments is recognised over their respective vesting period. 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:

	2017 charge $'m	2016 charge $'m
LTIP schemes	**–**	–
Unapproved schemes	**0.2**	0.4
	0.2	0.4

To date all share based payments (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.

26. 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:

	2017 No.	2017 WAEP	2016 No.	2016 WAEP
EMI				
Outstanding at the beginning of the year	118,344	£0.01	126,344	£0.01
Granted during the year	–	–	–	–
Forfeited in the year	–	–	–	–
Exercised during the year	(11,000)	–	(8,000)	£0.01
Outstanding at the end of the year	107,344	£0.01	118,344	£0.01
Unapproved schemes				
Outstanding at the beginning of the year	1,047,162	£0.01	1,218,162	£0.01
Granted during the year	–	–	11,000	£0.01
Forfeited in the year	(363,850)	–	(91,000)	£0.01
Exercised during the year	(18,000)	–	(91,000)	£0.01
Cancelled in the year	–	–	–	–
Reissued in the year	–	–	–	–
Outstanding at the end of the year	665,312	£0.01	1,047,162	£0.01
SAYE schemes				
Outstanding at the beginning of the year	96,015	£2.1	96,015	£2.10
Granted during the year	–	–	–	–
Forfeited in the year	–	–	–	–
Exercised during the year	–	–	–	–
Outstanding at the end of the year	96015	£2.1	96,015	£2.10

The weighted average share price for the year ended 30 June 2017 was £0.22 (2016: £1.56). 118,344 (2016: 118,344) of the EMI options were exercisable at 30 June 2017.

The exercise price of the share based payments outstanding at 30 June 2017 was £0.01 and the weighted average remaining contractual life was 7.5 years (2016: 8.5 years).

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

26. Share based payments continued

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 associatedperformance 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 rate	5.5%

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

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.

26. Share based payments continued
(iii) The Extraordinary Achievement Tranche continued

	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)	(125,000)
Exceptional vested	(679,570)	(62,500)
Unvested balance returned to the EBT	(1,079,213)	(62,500)
Outstanding balance at 30 June 2016 and 2017	–	–

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. 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. The revenue performance and share price criteria were not met as at 30 June 2017. 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 fourth LTIP award was issued on 9 October 2015 to 30 June 2018. 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.

No LTIP award was made in the financial year ending 30 June 2017.

26. Share based payments continued

iv) The Share Award Tranche continued

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

Unapproved Schemes

At 30 June 2017, 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)
- 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.

27. 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 2.

The present value of the minimum lease payments in relation to this agreement and included below is $10.0m of which $0.5m is current and $9.5m is non-current.

Finance lease liabilities

	Group		Group Present value of lease payments	
	30 June 2017 $'m	30 June 2016 $'m	**30 June 2017 $'m**	30 June 2016 $'m
No later than 1 year	**3.3**	4.7	**2.1**	3.3
Later than 1 year no later than 5 years	**8.4**	10.2	**4.2**	5.4
Later than 5 years	**10.1**	11.6	**7.2**	7.1
	21.8	26.5	**13.5**	15.8
Less future finance charge	**(8.3)**	(10.7)	**–**	–
	13.5	15.8	**13.5**	15.8

	Company		Company Present value	
	30 June 2017 $'m	30 June 2016 $'m	**30 June 2017 $'m**	30 June 2016 $'m
No later than 1 year	**1.6**	3.1	**1.4**	2.8
Later than 1 year no later than 5 years	**2.0**	3.8	**1.7**	2.7
	3.6	6.9	**3.1**	5.5
Less future finance charge	**(0.5)**	(1.4)	**–**	–
	3.1	5.5	**3.1**	5.5

Included in the Financial Statements as:

	Group		Company	
	30 June 2017 $'m	30 June 2016 $'m	**30 June 2017 $'m**	30 June 2016 $'m
Current borrowings	**2.1**	3.3	**1.4**	2.8
Non-current borrowings	**11.4**	12.5	**1.7**	2.7
Present value of minimum lease payments	**13.5**	15.8	**3.1**	5.5

28. Obligations under operating leases

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

	30 June 2017 Land & Buildings $'m	30 June 2017 Equipment $'m	30 June 2017 Total $'m	30 June 2016 Land & Buildings $'m
No later than one year	**1.7**	**0.1**	**1.8**	1.8
Later than 1 year no later than 5 years	**6.7**	**–**	**6.7**	6.9
After 5 years	**18.1**	**–**	**18.1**	20.4
	26.5	**0.1**	**26.6**	29.1

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.

29. Capital commitments

As at 30 June 2017 the Group has contracted but not provided for capital commitments of $43.6m in relation to the procurement of HYLAS3 (2016: $42.7m) and $77.0m in relation to the procurement of HYLAS 4 (2016: $82.3m).

30. 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 2017 $'m	30 June 2016 $'m
Salaries and other short term employee benefits	**2.0**	2.7
Bonus	**0.3**	–
	2.3	2.7
Payments into defined contribution schemes	**0.1**	0.2
	2.4	2.9

Pension contributions amounting to $0.1m (2016: $0.2m) were made into personal pension schemes in respect of three (2016: four) of the Directors.

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

The emoluments of the highest paid Director totalled $0.9m (2016: $0.8m), made up of:

Total emoluments	30 June 2017 $'m	30 June 2016 $'m
Salaries and other short term employee benefits	**0.7**	0.7
Bonus	**0.1**	–
Payments into defined contribution schemes	**0.1**	0.1
Total emoluments	**0.9**	0.8

30. Related party transactions and directors' emoluments continued

Transactions with Directors and key management personnel – Group and Company

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

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

	Group		Company	
Total emoluments	**30 June 2017 $'m**	30 June 2016 $'m	**30 June 2017 $'m**	30 June 2016 $'m
Salaries and other short term employee benefits	**3.0**	3.1	**–**	0.4
Bonus	**0.6**	0.1	**–**	–
Payments into defined contribution schemes	**0.2**	0.3	**–**	–
	3.8	3.5	**–**	0.4

Other related party transactions

Of the non-executive directors, Craig Chobor is a Managing Director of Solus Alternative Asset Management ("Solus"), Michael Leitner is a managing partner of Tennenbaum Capital Partners ("Tennenbaum"), and Peter Reed is Chief Investment Officer at Great Elm Capital Management ("Great Elm"). Each of those funds were significant holders of Avanti's High Yield Bonds during the reporting period and at the year end. Solus is also a major shareholder of the Company's Ordinary Share capital. These non-executive directors were appointed as directors on 27 January 2017 immediately following the successful completion of a debt restructuring. The Company considers that the directors became related parties from the date of their appointment as directors. The terms of the debt restructuring that immediately preceded the directors appointment was completed on the same terms for all holders of the same class of notes.

During the period from 27 January 2017 up to the balance sheet date, transactions with these related parties related to accrued interest of $27.1m, $7.8m, and $6.0m for Solus, Tennenbaum, and Great Elm Capital respectively on the outstanding loan notes on terms consistent with the contractual terms of the notes and as a result consistent with all other holders of the same class of Notes. On 1 April 2017, the accrued interest on the 2021 Notes and the 2023 Notes of $18.5m, $5.3m, and $4.1m owed to Solus, Tennenbaum, and Great Elm Capital respectively was settled through the issue of additional loan notes. There was $16.2m, $4.7m, and $3.6m accrued interest payable to Solus, Tennenbaum, and Great Elm Capital respectively at 30 June 2017, included within accruals.

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 2017 $'m	30 June 2016 $'m
Avanti Communications Limited	**5.9**	2.9
Avanti Broadband Limited	**3.1**	4.6
Avanti Space Limited	**1.6**	1.6
Avanti HYLAS 2 Cyprus Limited	**4.7**	–
Avanti HYLAS 2 Limited	**1.9**	1.9
	17.2	11.0

30. Related party transactions and directors' emoluments continued

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

	30 June 2017 $'m	30 June 2016 $'m
Avanti Space Limited	**0.4**	9.6
Avanti Turkey Uydu Telekomunikasyon Limited	**16.7**	–
Avanti HYLAS 2 Limited	**609.0**	612.6
Avanti Communications Infrastructure Limited	**115.5**	375.8
	741.6	998.0

Intercompany balances are unsecured and repayable on demand. The above is stated net of a provision against intercompany receivables of $400.0m which was made in the year.

The parent Company had the following trade intercompany balances outstanding at the year end included within trade and other receivables:

	30 June 2017 $'m	30 June 2016 $'m
Avanti Communications Limited	**0.4**	–
Avanti Broadband Limited	**3.5**	–
Avanti Space Limited	**0.1**	–
Avanti HYLAS 2 Cyprus Limited	**1.4**	–
Avanti Communications Marketing Services Limited	**0.1**	–
	5.5	–

31. Cash (absorbed by)/generated from operations

	Group 30 June 2017 $'m	Group 30 June 2016 $'m	Company 30 June 2017 $'m	Company 30 June 2016 $'m
Profit/ (Loss) before taxation	**(77.7)**	(67.2)	**178.5**	1.7
Interest receivable	**–**	–	**(99.1)**	(67.7)
Interest payable	**74.4**	38.8	**118.7**	63.2
Amortised bond issue costs	**19.0**	2.2	**19.0**	2.4
Foreign exchange loss/(gain)	**(0.1)**	(13.6)	**0.1**	(1.5)
Depreciation and amortisation of non-current assets	**47.2**	47.3	**–**	–
Provision for doubtful debts	**15.0**	1.5	**–**	–
Exceptional credit on substantial modification	**(219.2)**	–	**(219.2)**	–
Share based payment expense	**0.2**	0.4	**0.2**	0.4
Impairment	**124.0**	–	**–**	–
(Increase)/decrease in stock	**(0.8)**	0.6	**–**	–
Decrease/(increase) in debtors	**(95.5)**	(50.9)	**(47.1)**	(0.1)
(Decrease)/increase in trade and other payables	**104.4**	10.6	**0.6**	(119.5)
Effects of exchange rate on the balances of working capital	**5.0**	(1.5)	**–**	–
Cash absorbed by operations	**(4.1)**	(31.8)	**(48.7)**	(121.1)

32. Post balance sheet events

In July 2017 the Company drew down $100 million of the three-year super senior facility agreed in June 2017 which has an interest rate of 7.5%.

In November 2017 the Group terminated its contract with MOD of Indonesia and made provisions against the year-end debt of $16.8 million.

As described in the going concern accounting policy in Note 2, on 13 December 2017, the Company announced that it had reached agreement with noteholders representing approximately 62% of its outstanding 2021 Notes and 55% of its outstanding 2023 Notes (together, the "Majority Holders") and shareholders representing 34% of its existing issued share capital to implement a restructuring of the Group's indebtedness.

The restructuring consists of repayment of the outstanding 12%/17.5% Senior Secured Notes due 2023 of $557 million by issuing approximately 2.0 billion new ordinary shares of 1 pence each in Avanti Communication Group plc which will represent approximately 92.5% of the Company's issued ordinary share capital. This remains subject to approval by the Group's shareholders in addition to a consent solicitation process, and UK Scheme of Arrangement process if needed, which will be completed in January and February 2018.

In addition the terms of the 10%/15% Senior Secured Notes due 2021 will be revised such that the interest rate will be reduced to 9% for both cash and PIK and their maturity will be extended by one year to 2022. This remains subject to a formal UK Scheme of Arrangement process with the bondholders.