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This document, which comprises an AIM admission document drawn up in accordance with the AIM Rules, has been issued in connection with the application for admission to trading of the entire issued and to be issued ordinary share capital of the Company to trading on AIM. This document contains no offer to the public within the meaning of the FSMA, the Act or otherwise. Accordingly, this document does not comprise a prospectus within the meaning of section 85 of the FSMA and has not been drawn up in accordance with the Prospectus Rules or approved by the Financial Services Authority.

Application has been made for the entire issued and to be issued ordinary share capital of the Company to be admitted to trading on AIM, a market operated by London Stock Exchange plc. It is expected that Admission will become effective and that dealings will commence in the Ordinary Shares on 16 April 2007. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on Admission in the form set out in Schedule 2 of the AIM Rules for Nominated Advisers. London Stock Exchange plc has not itself examined or approved the contents of this document.

The Directors and Proposed Directors, whose names and functions appear on page 4 of this document, and the Company accept responsibility, both collectively and individually, for the information contained in this document. To the best of the knowledge and belief of the Directors, the Proposed Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

The whole of this document should be read. An investment in the Company includes a significant degree of risk and potential investors should consider carefully the risk factors set out in Part II of this document.

Avanti Communications Group plc

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 6133927)

Admission to trading on AIM

Nominated adviser and broker

Hoare Govett Limited

Expected share capital immediately following the Demerger

<i>Authorised</i>			<i>Issued and fully paid</i>	
<i>Amount</i>	<i>Number</i>		<i>Amount</i>	<i>Number</i>
£400,000	40,000,000	Ordinary shares of 1p each	£257,085.03	25,708,503

The Ordinary Shares have not been, nor will they be, registered under the United States Securities Act of 1933, as amended ("Securities Act") or with any securities regulatory authority of any state or other jurisdiction of the United States or under the applicable securities laws of Australia, Canada, the Republic of Ireland, the Republic of South Africa or Japan. Subject to certain exceptions, the Ordinary Shares may not be offered, sold, taken up, delivered or transferred in or into the United States, Australia, Canada, the Republic of Ireland, the Republic of South Africa or Japan or to or for the account or benefit of any national, resident or citizen of Australia, Canada, the Republic of Ireland, the Republic of South Africa or Japan or any person located in the United States. This document does not constitute an offer to issue or sell, or the solicitation of an offer to subscribe for or purchase, any Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

The distribution of this document in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restriction. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Hoare Govett Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as nominated adviser and broker to the Company in connection with Admission and will not be acting for any other person or otherwise be responsible to any person for providing the protections afforded to customers of Hoare Govett Limited or for advising any other person in respect of Admission. Hoare Govett Limited's responsibilities as the Company's nominated adviser and broker under the AIM Rules are owed to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire shares in the Company in reliance on any part of this document. No representation, express or implied, is made by Hoare Govett Limited as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued).

Copies of this document will be available free of charge to the public during normal business hours on any day (Saturdays, Sundays and public holidays excepted) at the offices of Osborne Clark, One London Wall, London EC2Y 5EB from the date of this document until the date being one month after the date on which Admission takes place, which is expected to be 16 April 2007.

Forward-looking statements

This document includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “plans”, “anticipates”, “targets”, “aims”, “continues”, “projects”, “assumes”, “expects”, “intends”, “may”, “will”, “would”, or “should”, or in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding Avanti Communications’ intentions, beliefs or current expectations concerning, among other things, Avanti Communications’ result of operations, financial condition, liquidity, prospects, growth, strategies and the sectors in which Avanti Communications operates. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements, including without limitation conditions in the markets, market position of Avanti Communications, earnings, financial position, cash flows, return on capital, anticipated investments and capital expenditures, changing business or other market conditions and general economic conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described herein. Forward looking statements contained in this document based on past trends or activities should not be taken as a representation that such trends or activities will continue in the future.

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DIRECTORS, PROPOSED DIRECTORS, SECRETARY AND ADVISERS

Directors	David John Williams David James Bestwick	<i>(Chief Executive)</i> <i>(Technical Director)</i>
Proposed Directors	Frederick Edwin <u>John</u> Gedge Brackenbury Michael John Desmond Charles <u>Richard</u> Vos David <u>Alan</u> Foster William Penfold Wyatt	<i>(Non-executive Chairman)</i> <i>(Non-executive director)</i> <i>(Non-executive director)</i> <i>(Non-executive director)</i> <i>(Non-executive director)</i>
	All of whose business address is at:	
Registered and head office	74 Rivington Street London EC2A 3AY	
Company secretary	David John Williams	
Nominated adviser and broker	Hoare Govett Limited 250 Bishopsgate London EC2M 4AA	
Solicitors to the Company	Osborne Clarke Apex Plaza Forbury Road Reading RG1 1AX	
Solicitors to Hoare Govett	Norton Rose Kempson House Camomile Street London EC3A 7AN	
Reporting accountants and auditors	Kingston Smith LLP Devonshire House 60 Goswell Road London EC1M 7AD	
Principal bankers	HSBC PLC 69 Pall Mall London SW1Y 5EY	
Registrars	Neville Registrars Limited Neville House 18 Laurel Lane Halesowen West Midlands B63 3DA	

DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

“Act”	the Companies Act 1985 (as amended) and/or the Companies Act 2006 (to the extent that the same is in force);
“ACIL”	Avanti Communications Infrastructure Limited, a company incorporated under the laws of England and Wales, a subsidiary of Avanti Screenmedia prior to the Demerger;
“Active Media Capital” or “AMC”	Active Media Capital Limited, a company incorporated under the laws of England and Wales;
“Admission”	the admission of the Ordinary Shares to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules;
“AIM”	AIM, a market operated by the London Stock Exchange;
“AIM Rules”	the AIM rules for companies published by the London Stock Exchange from time to time;
“Articles”	the articles of association of the Company;
“Avanti Communications” or the “Company”	Avanti Communications Group plc which, following the Demerger, will be the holding company of the Communications Group;
“Avanti Communications Shares” or “Ordinary Shares”	ordinary shares of 1p in the share capital of Avanti Communications;
“Avanti Screenmedia”	Avanti Screenmedia Group plc, a company incorporated under the laws of England and Wales;
“Avanti Screenmedia Shares”	ordinary shares of 1p each in the capital of Avanti Screenmedia;
“Board”	the Directors and Proposed Directors;
“Combined Code”	the combined code on corporate governance published by the Financial Reporting Council from time to time;
“Communications Business”	the satellite networks business of Avanti Screenmedia and its subsidiaries prior to and following the Demerger;
“Communications Group”	the group of companies consisting of ACIL and its subsidiary undertakings, which carry on the Communications Business, including, following the Demerger, the Company;
“City Code”	the City Code on Takeovers and Mergers;
“CREST”	the relevant system (as defined in the CREST Regulations) for paperless settlement of share transfers and holding shares in uncertificated form which is administered by CRESTCo;
“CRESTCo”	CRESTCo Limited, a company incorporated under the laws of England and Wales;
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) (as amended);

“Demerger”	the demerger of ACIL and its subsidiaries on the terms of the Demerger Agreement;
“Demerger Agreement”	the conditional agreement entered into by Avanti Screenmedia and Avanti Communications relating to the Demerger, details of which are set out in paragraph 10 of Part VI;
“Demerger Shares”	the Avanti Communications Shares to be allotted and issued by Avanti Communications to Qualifying Shareholders pursuant to the Demerger;
“Directors”	the persons named as Directors on page 4 of the document;
“EMI”	enterprise management incentives, in terms of the Finance Act 2000;
“EMI Scheme”	the Avanti Communications Group plc EMI share option scheme, further details of which are set out in paragraph 8 of Part VI of this document;
“ESA”	the European Space Agency;
“European Commission” or “EC”	the executive body of the European Union;
“EU”	the European Union;
“Executive Directors”	each of David Williams and David Bestwick;
“Existing Avanti Group” or the “Group”	Avanti Screenmedia and its subsidiary undertakings up to the date of the Demerger;
“FSMA”	the Financial Services and Markets Act 2000 (as amended);
“Group Board”	the board of directors of Avanti Screenmedia prior to the Demerger;
“HMRC”	Her Majesty’s Revenue and Customs;
“Hoare Govett”	Hoare Govett Limited, the Company’s nominated adviser and broker (as defined in the AIM Rules);
“HYLAS”	the satellite that the Communications Group has commissioned and is currently under construction;
“ITU”	the International Telecommunications Union;
“London Stock Exchange”	London Stock Exchange plc;
“Non-executive Directors”	each of John Brackenbury, Mick Desmond, Richard Vos, Alan Foster and William Wyatt;
“Ofcom”	the Office of Communications, the UK’s communications regulator;
“Official List”	the Official List of the UKLA;
“Proposed Directors”	the persons named as Proposed Directors on page 4 of this document;
“Prospectus Rules”	the prospectus rules made by the Financial Services Authority pursuant to section 73A of the FSMA;

“Qualifying Shareholders”	Shareholders in Avanti Screenmedia whose names appear on the register of shareholders of Avanti Screenmedia as at 6.00 p.m. on 15 April 2007;
“Satellite Licence”	the authorisations to use radio frequencies granted to Avanti Communications Limited, a subsidiary of ACIL, by Ofcom in September 2005 which provide rights to use 3.6GHz of spectrum at Ku and Ka band at the orbital position 33.5°W;
“Screenmedia Business”	the screenmedia business of Avanti Screenmedia and its subsidiaries prior to and following the Demerger;
“Shareholder”	a holder of Ordinary Shares;
“Share Option Schemes”	the Unapproved Scheme and the EMI Scheme;
“UK”	the United Kingdom of Great Britain and Northern Ireland;
“UKLA” or “United Kingdom Listing Authority”	the Financial Services Authority, acting in its capacity as the competent authority for the purposes of Part VI of the FSMA;
“uncertificated” or “in uncertificated form”	recorded on the register of Ordinary Shares as being held in uncertificated form in CREST, entitlement to which, by virtue of the CREST Regulations, may be transferred by means of CREST;
“Unapproved Scheme”	the Avanti Communications Group plc unapproved employee share option scheme, further details of which are set out in paragraph 8 of Part VI of this document; and
“US”, “USA” or “United States”	the United States of America, each state thereof, its territories and possessions and the District of Columbia and all other areas subject to its jurisdiction.

Unless otherwise indicated, all references in this document to “pounds sterling”, “sterling”, “£”, “pence” or “p” are to the lawful currency of the United Kingdom, all references to “\$”, “US\$”, or “US dollars” are to the lawful currency of the United States and all references to “Euro”, “cent” or “€” are to the currency introduced at the start of the third stage of European economic or monetary union pursuant to the treaty establishing the European Community, as amended.

Some numerical figures included in this document have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in certain tables may not be an authentic aggregation of the figures that preceded them.

Throughout this document, where currencies have been converted, the following exchange rates have been used: £1.00 to €1.46 (being the closing mid-point spot exchange rates on 15 March 2007 as set out in the *Financial Times* on 15 March 2007, being the latest practicable date prior to publication of this document).

GLOSSARY

The following glossary of terms applies throughout this document, unless the context otherwise requires:

“bandwidth”	a measure of spectrum (frequency) use or capacity;
“band”	a frequency band;
“BSS”	broadcast satellite services;
“downlink” or “downlink band”	the satellite to earth half of a two way telecommunications satellite link. Often used to describe the receive dish end of the link;
“DNS”	domain name service;
“DSL”	digital subscriber line;
“DTH”	direct to home;
“DTU”	direct to user;
“DTV”	digital television;
“DVB”	digital video broadcasting – the European-backed project to harmonise adoption of digital video;
“DVB-RCS”	digital video broadcasting – return channel satellite;
“EPOS”	electronic point of sale;
“frequency”	the number of times that an alternating current goes through its complete cycle in one second of time. One cycle per second is also referred to as one hertz; 1,000 cycles per second, one kilohertz; 1,000,000 cycles per second, one megahertz; and 1,000,000,000 cycles per second, one gigahertz;
“FSS”	fixed satellite services;
“gigahertz” or “GHz”	one billion cycles per second. Signals operating above 3 gigahertz are known as microwaves and above 30 GHz they are known as millimetre waves. As one moves above the millimetre waves signals begin to take on the characteristics of light waves;
“HDTV”	high definition television;
“ISP”	internet service provider;
“Ka” or “Ka band”	the frequency range from 18 to 31 GHz;
“Ku” or “Ku band”	the frequency band from 10.9 to 17 GHz;
“mbps”	megabits per second;
“POPs”	points of presence;
“spectrum”	the range of electromagnetic radio frequencies used in transmission of voice, data and television;

“transponder”

a combination receiver, frequency converter, and transmitter package, physically part of a communications satellite;

“uplink” or “uplink band”

the earth station used to transmit signals to a satellite; and

“WiFi”

wireless fidelity.

EXPECTED TIMETABLE

Publication of this document and posting to Shareholders (by first class post)	16 March 2007
Admission and dealings in Avanti Communications Shares to commence on AIM	16 April 2007
CREST members accounts credited with Avanti Communications Shares	16 April 2007
Where applicable, despatch of certificates for Avanti Communications Shares	by 18 April 2007

All references to time in this document are to London times unless otherwise stated.

PART I

KEY INFORMATION

The following information should be read in conjunction with the full text of this document from which it is derived. Investors should read the whole of the document, including the risk factors set out in Part II, and not just rely on the summarised information in order to obtain a full appreciation of the Communications Group.

SUMMARY

The Communications Group currently provides satellite telecommunications services in Europe using leased satellite capacity. The Communications Group has authorisation to use 3.6GHz of spectrum at Ku and Ka band at the orbital position 33.5°W. In December 2008, it expects to take delivery for launch of its own satellite, HYLAS. HYLAS uses unique technologies to provide highly flexible and cost effective satellite capacity. As satellite spectrum is a finite resource and market demand is high, the Board expects these factors to give the Communications Group significant advantages in building a large and valuable business. In the future, the Communications Group intends to sell wholesale HYLAS capacity to telecommunications and media network operators.

The Group Board expects the Demerger and subsequent listing on AIM will enable the new board and management team to focus solely on the provision of satellite services and the launch of the HYLAS satellite. Obtaining a separate quotation will give the Communications Group an improved profile from which to build its wholesale satellite services and expand its customer base. The Board believes that the Demerger will provide greater clarity for investors.

In November 2005, the Group announced that it had been awarded a contract by ESA, worth €34 million (approximately £23 million), which would cover approximately half of the construction costs of HYLAS. This government funding was complemented by an equity fund raising of £25 million later that month which provided the initial capital to satisfy the funding commitments under the ESA contract and begin construction of HYLAS. The funding for the design and construction of HYLAS has been completed and construction started in December 2005. The Communications Group is currently finalising the necessary funding for the launch and insurance cover for HYLAS. The Board expects these remaining costs to be debt financed and is considering term sheets from two major international banks.

The Communications Group entered into contracts in June 2006 worth up to £25 million to provide HYLAS network services and satellite capacity to telecommunications capacity trading customers. Of this revenue, approximately £18 million represents options on two transponders on HYLAS which the customers may choose to exercise during 2007, approximately £5 million of design fees which were paid in June 2006 with the balance of £2 million due over the life of the satellite.

MARKETS

The Board believes that the European broadcast and fixed satellite services market is a very attractive market given its high barriers to entry, high demand for capacity and, currently, the highest average prices in the world.

Macroeconomic market factors

Barriers to entry

Satellite spectrum is a finite, highly regulated resource. There are rigorous and transparent processes in place whereby satellite operators must show compliance with ITU guidelines in seeking or maintaining licences which are administered by national agencies such as Ofcom. Following a period of industry consolidation, there are currently a limited number of other broadcast or fixed satellite services operator groups active in Europe.

Demand

European demand for satellite capacity is high by global standards. In 2005, average satellite capacity utilisation in Europe was 71 per cent. and Euroconsult consider utilisation will rise to 100 per cent. by 2015¹. Total demand for European transponders is forecast to rise by 27 per cent. from 888 in 2006 to 1,128 in 2015, creating significant growth opportunities for operators¹. However, the satellite market has considerable barriers to entry which will favour existing operators such as the Communications Group.

Pricing

Scarcity of satellite capacity means that the market price of such capacity is high and is expected to remain so in the long term. The average price per transponder in Europe in 2005 was €2.5 million and prices are considerably higher in hotspots. The Board believes that in these hotspots, there is both very little unused spectrum still available and that it is not possible to launch many new satellites into these positions to serve the large existing customer bases. Furthermore, the Board believes that in Europe, DTH television growth will crowd out other satellite applications from established satellite positions. Accordingly, the Communications Group intends to focus on selling wholesale capacity to telecommunication and media service providers in Europe who seek new availability of capacity at more competitive prices.

KEY STRENGTHS

The Board believes the Communications Group's key strengths are as follows:

- a flexible and efficient satellite system;
- low cost advantage;
- a large and growing market;
- significant barriers to entry;
- experienced management team; and
- strategic relationships.

STRATEGY

The Communications Group intends to sell wholesale HYLAS capacity to telecommunication and media network operators in Europe. This strategic plan has two distinct phases:

- (a) The first phase, which will continue during the construction phase of HYLAS, is the provision of its services via leased satellite capacity and owned infrastructure. The Communications Group has a stable and advanced technology which provides market leading service levels. In addition, it has a product suite which currently provides services to approximately 1,500 customers and it intends to grow this business aggressively following the launch of HYLAS.
- (b) The second phase is the provision of its services via HYLAS and therefore the Communications Group intends to build a large base of customers which it can migrate onto HYLAS. Furthermore, the strategy will be expanded to focus on selling wholesale bandwidth and managed services using its DVB-RCS hubs to resellers and service providers.

The Board believes that, given the supply and demand characteristics of the market, the Communications Group is likely to experience growing customer demand and can envisage the need for launches of additional satellites in the future.

SUMMARY FINANCIAL INFORMATION

The following summary of financial information relating to the Communications Group's activities for the 15 months ended 30 June 2004, the two years ended 30 June 2006 and the 6 months ended 31 December 2006 has been extracted without material adjustment from the financial information on the Communications Group set out in Part IV of this document. **In order to make a proper assessment of the financial performance of the Communications Group's business, prospective investors should read this document as a whole and not rely solely on the key or summarised information in this section.**

¹ Source: "Euroconsult, World Satellite Communications & Broadcasting Markets Survey, Ten Year Outlook, 2006".

	<i>15 months ended 30 June 2004 £'000</i>	<i>Year ended 30 June 2005 £'000</i>	<i>Year ended 30 June 2006 £'000</i>	<i>6 months ended 31 December 2006 £'000</i>
Turnover	2,772	3,672	9,720	1,539
Gross profit/(loss)	1,701	2,246	8,596	(119)
Operating profit/(loss)	856	1,040	5,748	(1,714)
Profit/(loss) on ordinary activities before taxation	812	1,052	6,258	(1,465)

In the 15 months ended 30 June 2004, the Communications Group's revenue was principally derived from consulting projects. In the year ended 30 June 2005 it made its first large broadband sales and, in September 2005, was awarded the Satellite Licence by Ofcom.

In June 2006, the Communications Group sold three transponders (representing 7.5 per cent. of HYLAS's full capacity) plus associated design services for £25 million. Two of these transponders were sold under option and the other transponder was sold outright, with £5 million of the fees taking the form of design services and contributing to revenue for the year ended 30 June 2006. A further £2 million was invoiced in June 2006 for the sale of the satellite capacity, although this has been treated as deferred income to be released over the useful economic life of the satellite once it becomes fully operational.

Losses in the six months ended 31 December 2006 reflect the absence in the period of similar satellite capacity revenues to those secured in the year ended 30 June 2006 together with lower consultancy revenues due to an unusual pattern of contract milestones in the period.

CURRENT TRADING, TRENDS AND PROSPECTS

Avanti Screenmedia announced today its interim results for the six months ended 31 December 2006. The announcement included the following comments by the chairman on the Communications Group:

"Our Communications business continues to develop and, as such, we have invested heavily in the management of our satellite procurement contract during the period. While we were able to generate a sale in connection with HYLAS capacity at the end of June 2006, future revenues from HYLAS will only be taken to profits after the launch of the satellite. We are therefore now seeking to build a large order book of revenue through the sale of long term transponder leases. The current consultancy and satellite network services sales activities are growing with significant contract wins announced during the period. However, as revenues are taken over the life of the contract, little of this income has been recognised during this half year."

"In Communications, we are finding early demand for HYLAS capacity is strong and the launch of our network services products into the market has been well received. We believe the value of our strategic assets created will be demonstrated as the team builds the order book of revenue."

The Board remains confident of the future prospects of the Communications Group.

REASONS FOR DEMERGER AND ADMISSION

In its announcement of the proposed demerger of the Communications Group on 13 December 2006, Avanti Screenmedia stated that it had recognised that the different activities, cash flow profiles and scale of the screenmedia and satellite services businesses were such that each business required focused and specialised management.

The Demerger is expected to benefit the Communications Group primarily by enabling the Board and management to focus solely on the provision of satellite services and the launch of the HYLAS satellite. The Board believes that the Demerger will provide greater clarity for investors.

FURTHER INFORMATION

Prospective investors should read the whole of this document which provides additional information on the Communications Group and not rely on summaries or individual parts only. In particular, the attention of prospective investors is drawn to Part II of this document, which contains a summary of the risk factors associated with any investment in the Avanti Communications Shares.

PART II

RISK FACTORS

In addition to all of the other information set out in this document, potential investors should carefully consider the risk factors set out below which the Board considers to be the most significant to the business of the Communications Group.

The risks and uncertainties set out below are those which the Board believes are the material risks relating to the Communications Group. If any of the circumstances identified in the risk factors were to materialise, there could be a material adverse effect on the business, financial condition, results of operations and prospects of the Communications Group. The following is not an exhaustive list of risks and does not purport to be a complete explanation of all the risks involved. Neither are the risks below intended to be presented in any order of priority. Additional risks and uncertainties not presently known to the Board, or which the Board currently considers to be immaterial, may also have a material adverse effect on the Communications Group. In such cases the price of the Avanti Communications Shares could decline, and investors may lose all or part of their investment. An investment in Avanti Communications Shares may not be suitable for all recipients of this document. Potential investors are therefore strongly recommended to consult an independent financial adviser authorised under the Financial Services and Markets Act 2000 and who specialises in advising upon the acquisition of shares and other securities before making a decision to invest.

1 RISKS RELATING TO THE COMMUNICATIONS GROUP'S OPERATIONS

Growth of the business

The ability of the Communications Group to implement its strategy in a rapidly evolving market requires effective planning and management control systems. The Board anticipates that further expansion will be required to respond to market opportunities and the potential growth in the products and services offered by the Communications Group and in its client base. These growth plans may place a significant strain on the Communications Group's management and operational, financial and personnel resources.

As such the Communications Group's future growth and prospects will depend on its ability to manage this growth and to continue to expand and improve operational, financial and management information systems on a timely basis, whilst at the same time maintaining effective cost controls.

In addition, the growth of the Communications Group will depend to a large extent on the growth in demand for its satellite services to be provided by HYLAS. If demand in satellite capacity does not develop as expected this would be likely to give rise to a material adverse change in the business of the Communications Group. In addition, if such markets grow at a high rate and the Communications Group is not able to satisfy demand either through HYLAS or additional satellites, the shortage of capacity or limited geographic coverage offered by the Communications Group may have an adverse effect on its business.

Any such circumstances could have a material adverse effect on the business, financial condition, results of operations and prospects of the Communications Group.

Competition

The Communications Group operates in a large international market, which is dominated by relatively few large operators and which is particularly capital intensive. The Communications Group may face significant competition from competitors who have greater capital and other resources than the Communications Group. There is no assurance that the Communications Group will be able to compete successfully in such a marketplace. Furthermore, the development of new, as yet unknown technologies could give rise to significant new competitors to the Communications Group.

In particular, the satellite based competitors of the Communications Group will in many cases have a wider geographic spread and potential customers of the Communications Group might find this attractive.

In addition, the Communications Group expects to compete with the operators of various terrestrial networks for many transmission related services. In many cases these services (which include broadband services) offer prices below that of satellite capacity. An increase in competition from this sector and any increase in the infrastructure undertaken by these providers could lead to price pressure for the capacity of HYLAS, and lead potential customers to seek capacity solutions which are terrestrially based (such as cable, fibre optic, radio broadcasting and standard digital broadcasting in particular).

Any such circumstances could have a material adverse effect on the business, financial condition, results of operations and prospects of the Communications Group.

Technological risk

Competitors may introduce new products or services that employ new technologies, or new industry or government or regulatory requirements, standards or practices may emerge. The future success of the Communications Group will depend on its ability to provide services which match its customer needs and which will respond to technological advances and emerging industry standards and practices on a cost effective and timely basis. Any failure by the Communications Group to manage such technological risks could have a material adverse effect on the business, financial condition, results of operations and prospects of the Communications Group.

HYLAS

The implementation of the HYLAS project entails significant technical and business risks. The HYLAS project involves the use of advanced technology while the construction and launch of the satellite is outside the day to day control of the Communications Group. Although the Communications Group has sought to minimise the inherent risks by contracting this phase of the project to an experienced supplier with a consistent track record in this field, technical failure following launch or a failure to launch the satellite successfully could put the future of the project, and the Communications Group's business, at risk. While contractual provisions oblige the contractor to compensate the Communications Group for any failure under the contractor's control and insurance is intended to compensate the Communications Group for other risks of failure, any failure to properly manage the HYLAS project and achieve its successful launch, on time and within budget, may have a material adverse effect on its business, financial condition, results of operations and prospects. In particular, pre-sales of transponder capacity of HYLAS would become cancellable by the customers (or bought on any relaunch). This could also lead to loss of reputation for the Communications Group.

The proposed launch date of HYLAS could be postponed due to a delay in construction, or it could be postponed due to a delay in the availability of a launch vehicle or a failure in its own launch. The loss of a satellite due to launch failure will usually require the launch of a new satellite, and there can be no certainty that a replacement satellite will itself have a timely launch.

Following launch, a satellite's own propulsion system will establish its desired orbital position. If HYLAS is required to use more fuel than originally planned to reach its final position, the operational life of the satellite will be reduced, and the Communications Group's ability to generate revenue would be correspondingly impaired.

Satellites are highly engineered and sensitive, and it is possible that malfunctions may occur for various reasons, resulting in either temporary disruption or a reduction in either their capacity or their useful lives. In the event that this happens there can be no certainty that the Communications Group would be able to recover compensation for loss suffered whether from the manufacturer of the satellite or through insurance. In the event that this malfunction occurs while in orbit, there can be no certainty that it will be able to provide appropriate alternative capacity for its customers' needs. This could give rise to a loss of reputation for the the Communications Group and/or a failure to enable it to retain its customer base.

The Communications Group has not yet finalised the terms on which the satellite, its launch and its “in orbit” operations will be insured, although it has retained the services of the insurance broker, Marsh, for these purposes. However, it is possible insurance cover will not be available for all foreseeable risks, or that certain types of risk will be excluded from the relevant policies. In particular, it is possible that such insurance will include limitations or exclusions relating to certain technical issues, and for interruption in activities or delays, lost revenues and lost opportunities. The Communications Group will also need to obtain third party liability insurance in respect of third party loss caused by the operation of HYLAS: there can be no certainty that this will fully cover third party loss or damage, or that such cover will be available on acceptable terms. In addition, there can be no certainty that the cost of insurance in this sector will be stable, as any increase in the incidence or cost of satellite breakdown and failure is likely to lead to higher insurance costs.

Any such circumstances could have a material adverse effect on the business, financial condition, results of operations and prospects of the Communications Group.

Regulatory risk

The Communications Group operates in a highly regulated international environment.

Changes in regulatory policy could impact on the Communications Group’s business, and it is possible that these might occur at the UK level, or in the context of the ITU or any other country in which the Communications Group operates. Any such changes might inhibit or restrict the ability of the Communications Group to carry on its business, or increase costs and/or regulatory constraints on the Communications Group. In addition, as the Communications Group develops new businesses these could also be subject to regulation which might involve additional costs, or allocation of time and resource.

The Communications Group will be subject to regulation on the content of broadcasts transmitted using HYLAS. Each member state in the EU is required to take steps to ensure that broadcasts transmitted conform to applicable legislation for broadcasts to the general public as regards content. This might require the Communications Group to suspend transmission of a particular channel. Where additional channels are being broadcast on the same transponder forming part of the same transmission, the Communications Group may not be able to comply without suspending transmission on all such channels: this might give the customer termination rights or result in compensation being paid by the Communications Group to the relevant customers. The Communications Group’s ability to continue generating revenue from HYLAS in this part of the Communications Group’s business will depend to a large extent on its ability to comply with content requirements.

Any failure to operate within the regulatory framework, or its failure to comply at any time with the terms of its satellite licences, in particular Ofcom’s ongoing compliance requirements, could have a material adverse effect on the business, financial condition, results of operations and prospects of the Communications Group.

Contractual risks

The Communications Group is exposed to the risk of failure on the satellite capacity it leases from third party operators, as there can be no guarantee that its loss would be covered either by insurance or by counter indemnity provisions.

In addition, the Communications Group operates in a market where there are a limited number of potential suppliers for additional satellites and additional satellite components, and a limited number of launch service providers able to launch satellites. This could put pressure in the future on the terms on which the Communications Group is able to carry on its business.

It is also possible that the Communications Group will have a high level of exposure to a small number of customers. There can be no certainty at this stage as to the terms on which the Communications Group will be able to contract with such customers. Customers may seek to terminate their contracts or to vary or renew them on less favourable terms to the Communications Group, or where such customers are in financial difficulties, they may be unable to pay the Communications Group. It is possible that the customer base for the Communications Group will become increasingly international

in nature, and it could therefore find itself exposed to political and financial risks associated with an international client base. The Communications Group may be exposed to adverse change in pricing, taxation or regulatory policy in these countries or political or economic instability.

Any such circumstances could have a material adverse effect on the business, financial condition, results of operations and prospects of the Communications Group.

Financing risk

The successful completion of the HYLAS project is dependent upon the Communications Group securing additional funding of approximately £35 million. The Communications Group is currently engaged in a process to raise senior debt finance to finance the purchase of a launch vehicle and ground segment equipment and obtain insurance, in line with project payment milestones. It has received term sheets from two major international banks.

A high level of indebtedness could make it difficult for the Communications Group to comply with its financing obligations, limit its ability to raise further finance if this is needed, and limit the availability of working capital to fund its operations and develop the business of the Communications Group. The ability of the Communications Group to pay interest on its debt and to repay such debt in due course will depend largely on its ability to generate cash through its operations and particularly through sales of HYLAS capacity. Any failure to meet its debt obligations may give rise to many factors which are outside the control of the Communications Group, such as the ability to raise additional capital or to restructure its debt, or to sell assets or materially reduce capital expenditure. It is possible that under these circumstances, depending upon the default provisions appertaining at the time, the Board will have limited flexibility to respond to opportunities in the sector.

If the plans or assumptions set out in the Communications Group's business plan change or prove to be inaccurate, the Communications Group may require further funding both as regards the initial HYLAS project and the launch of any additional satellites. There can be no certainty as to the availability or terms of such funding in the future.

Any such circumstances could have a material adverse effect on the business, financial condition, results of operations and prospects of the Communications Group.

Foreign exchange fluctuations

The reporting currency of the Communications Group is sterling, however, a number of the Communications Group's key contracts are denominated in Euros. Fluctuations in the value of other currencies, as compared with sterling, could result in material transaction or translation losses which could have a material adverse effect on the business, financial condition, results of operations and prospects of the Communications Group.

The Group has natural or contractual currency hedges in its costs and expenditures relating to HYLAS and the Board does not consider further hedging is warranted. However, where significant unhedged risks arise in future it will consider using appropriate currency hedging products to manage such risks.

Dependence on key personnel

The Communications Group's business plan is dependent on its core management team, the majority of which has been with the Communications Group from an early stage in its development and which has developed a strong understanding of the satellite industry. The Communications Group will seek to offer its staff competitive remuneration packages, attractive incentives including equity participation, career development opportunities and a good working environment. However, there can be no guarantee that the Communications Group will be able to retain and recruit suitable key personnel. Any failure to do so could have a material adverse effect on the business, financial condition, results of operations and prospects of the Communications Group.

2 RISKS RELATING TO TRADING OF SECURITIES

Liquidity of the Communications Group's shares and price volatility

Publicly traded securities from time to time experience significant price and volume fluctuations that may be unrelated to the operating performance of the companies that have issued them. It may be more difficult for an investor to realise his or her investment in an AIM traded company than a company whose securities are listed on the Official List of the UKLA. The trading price of the Communications Group's shares may be subject to wide fluctuations in response to a range of events and factors, such as variations in operating results, announcements of technological innovations or new products and services by the Communications Group or its competitors, changes in financial estimates and recommendations by securities analysts, the operating share price performance of other companies that investors may deem comparable to the Communications Group, the general market perception of satellite companies and news reports relating to trends in the Communications Group's markets. These fluctuations may adversely affect the trading price of the Communications Group's shares, regardless of the Communications Group's performance.

Prospective investors should be aware that the value of the Communications Group's shares could go down as well as up, and investors may therefore not recover their original investment especially as the market in the Communications Group's shares may have limited liquidity.

3 RISKS RELATING TO THE DEMERGER AND ADMISSION TO AIM

No prior trading of the Communications Group's shares

Prior to the Demerger, there has been no public trading market for Avanti Communications Shares. There can be no assurance that an active trading market for its shares will develop, or, if one does develop, that it will be sustained. If an active trading market does not develop or is not maintained, there could be a material adverse effect on the liquidity and trading price of Avanti Communications Shares.

Avanti Communications will be admitted to trading on AIM

Application has been made for the Avanti Communications Shares to be admitted to trading on AIM, a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to companies on the Official List. AIM has been in existence since June 1995 but the future success and liquidity in the market for such shares cannot be guaranteed.

Substantial future sale of Avanti Communications Shares could impact their market price

On Admission, there will be approximately 25.5 million Avanti Communications Shares in issue. The possibility of a substantial number of shares being offered for sale following Admission, could have a material adverse effect on the market prices of Avanti Communications Shares.

PART III

INFORMATION ON THE COMMUNICATIONS GROUP

INTRODUCTION

Avanti Communications Group plc is a new company formed for the purposes of the demerger of the satellite networks business carried on by the Group. The proposal to effect the Demerger was announced on 13 December 2006 following the recognition by the Group Board that its screenmedia and satellite networks businesses are very different in terms of their activities, cash flow profiles and scale.

The Communications Group currently provides satellite telecommunications services in Europe using leased satellite capacity. The Communications Group has authorisation to use 3.6GHz of spectrum at Ku and Ka band at the orbital position 33.5°W. In December 2008, it expects to take delivery for launch of its own satellite, HYLAS. HYLAS uses unique technologies to provide highly flexible and cost effective satellite capacity. As satellite spectrum is a finite resource and market demand is high, the Board expects these factors to give the Communications Group significant advantages in building a large and valuable business. In the future, the Communications Group intends to sell wholesale HYLAS capacity to telecommunications and media network operators.

The Group Board expects the Demerger and subsequent listing on AIM will enable the new board and management team to focus solely on the provision of satellite services and the launch of the HYLAS satellite. Obtaining a separate listing will give the Communications Group an improved profile from which to build its wholesale satellite services and expand its customer base. The Board believes that the Demerger will provide greater clarity for investors.

In December 2006, Avanti Screenmedia raised £5 million in an equity placing to provide working capital for both the Screenmedia Business and the Communications Business. Of this, £1.5 million will form part of the working capital of the Communications Group following completion of the Demerger.

The Company will have its head office in London.

HISTORY AND DEVELOPMENT

The original business of the Group was established in 1996 by David Bestwick to develop applications for satellite technology, initially providing consulting services to companies and government agencies in the space industry. In 2000, the Group began collaborating with AMC, a satellite services business formed by David Williams, on a first generation satellite internet project for the DTI called "Rural Internet Access". In 2002, Amba Broadband Limited, a subsidiary of AMC, was acquired by the Group and David Williams became the Group's chief executive. Screenmedia proved to be a suitable application for its satellite technology and the Group began providing business television services to retail businesses, offering alternative media advertising and marketing services. Following the acquisition of Translucis Holdings Limited and the Group's strong organic growth, Avanti Screenmedia listed on AIM in July 2004.

In September 2005, Ofcom awarded the Communications Group the Satellite Licence.

In November 2005, the Group announced that it had been awarded a contract by ESA, worth €34 million (approximately £23 million), which would cover approximately half of the construction costs of HYLAS. This government funding was complemented by an equity fund raising of £25 million later that month which provided the initial capital to satisfy the funding commitments under the ESA contract and begin construction of HYLAS. The funding for the design and construction of HYLAS has been completed and construction started in December 2005. The Communications Group is currently finalising the necessary funding for the launch and insurance cover for HYLAS. The Board expects these remaining costs to be debt financed and is considering term sheets from two major international banks.

The Communications Group entered into contracts in June 2006 worth up to £25 million to provide HYLAS network services and satellite capacity to telecommunications capacity trading customers. Of this revenue, approximately £18 million represents options on two transponders on HYLAS which the customers may

choose to exercise during 2007, approximately £5 million of design fees which were paid in June 2006 with the balance of £2 million due over the life of the satellite.

In the current year, the Communications Group has made further progress in securing contracts for broadband services.

HYLAS

HYLAS uses an advanced communications payload. The design incorporates:

- eight Ka band spot beams which provide high power bi-directional capacity suitable for high data telecommunications and HDTV; and
- a single Ku band European beam suitable for traditional video distribution and data multicast services.

HYLAS can dynamically allocate power between different beams. The Board believes this will enable the Communications Group to maximise the value of HYLAS by adapting to changing market considerations through to 2025. Traditionally, satellites have fixed beam designs, however, HYLAS will also be capable of adapting while in orbit to use a wide range of different frequencies, making it capable of being used effectively in many different orbital positions, thereby enhancing its value to the business. HYLAS is relatively inexpensive because its flexible payload allows it to extract 40 x 36 Mhz transponder equivalents from a launch mass of just 2.5 tonnes.

HYLAS will have a warranted design life of 15 years.

The beam coverage of HYLAS includes Western Europe and parts of Eastern Europe.

PRODUCTS AND SERVICES

The Communications Group provides HYLAS capacity, satellite telecommunications services and consulting services.

HYLAS capacity

The Communications Group sells transponder leases to large wholesale customers, principally telecommunication and media network operators. Transponder leases are for terms of up to 15 years and may be subdivided into smaller units of capacity.

Satellite telecommunications services

The Communications Group currently provides satellite telecommunications services including broadband internet access, corporate data networks and video contribution services. It operates a DVB-RCS hub and uplink and has a transponder lease on an existing satellite. The services provided include corporate data networks, broadband internet access and outside broadcast uplinking. The Communications Group is developing this business on the basis that it will become significantly more profitable once HYLAS is launched and the traffic is transferred onto HYLAS.

Broadband

The Communications Group provides broadband internet access in packages which are variable by maximum bandwidth, degree of sharing of bandwidth and price. It sells its broadband services either through resellers or directly to customers.

Corporate data networks

Corporate data networks provide companies with secure and dedicated communication links across a large population of users and are rapidly becoming a key service provided by the global satellite market. Satellite services are capable of providing a wide range of data rates and service qualities, and applications include secure communications, database management, video distribution, EPOS data collection and disaster recovery.

Video contribution services

The Communications Group has identified several opportunities for the provision of video contribution services, typically with customers providing outside broadcasting services which need to use the Communications Group's technology and capacity to return video to television broadcasting studios.

Consulting

The Communications Group has an established consulting business which provides technology study and development services to governments and European agencies. The consulting business is currently engaged in a number of contracts exploring new applications for satellite technology including navigation and disaster monitoring. Such studies have previously resulted in the development of new operational technology, for example, the screenmedia technology and HYLAS. The Board hopes to repeat this success in the future with other satellite projects.

REGULATION

The provision of satellite services by the Communications Group, and in particular the proposed operation of HYLAS, is subject to considerable regulation at both national and international level. In particular, the Communications Group is required to operate within the international regulatory framework of the International Telecommunications Union (ITU), and at a European level and a UK level, each of which has an impact on the implementation and operation of HYLAS. The Communications Group is required to obtain the approval of Ofcom prior to submission to the ITU of the relevant filings for a satellite system at a given orbital position. The filing will be subject to the ITU regulations which include a process of "frequency coordination" with other systems in the neighbourhood of the proposed position.

The Board is confident that it has made sufficient progress in the frequency coordination process to operate HYLAS in due course in accordance with ITU guidance.

MARKETS

The Board believes that the European broadcast and fixed satellite services market is a very attractive market given its high barriers to entry, high demand for capacity and, currently, the highest average prices in the world.

Macroeconomic market factors

Barriers to entry

Satellite spectrum is a finite, highly regulated resource. There are rigorous and transparent processes in place whereby satellite operators must show compliance with ITU guidelines in seeking or maintaining licences which are administrated by national agencies such as Ofcom. Following a period of industry consolidation, there are currently a limited number of other broadcast or fixed satellite services operator groups active in Europe.

Demand

European demand for satellite capacity is high by global standards. In 2005, average satellite capacity utilisation in Europe was 71 per cent. and Euroconsult consider utilisation will rise to 100 per cent. by 2015¹. Total demand for European transponders is forecast to rise by 27 per cent. from 888 in 2006 to 1,128 in 2015, creating significant growth opportunities for operators¹. However, the satellite market has considerable barriers to entry which will favour existing operators such as the Communications Group.

Furthermore, the Board believes that the high demand for satellite capacity already being experienced by European suppliers will be further increased by the growth of both satellite TV in Eastern Europe and HDTV. HDTV is a technical standard which provides higher picture quality and consumes up to ten times more satellite capacity than standard digital television. The HDTV market is germinal in Europe compared to the US: the US has approximately 2,000 HDTV channels compared to approximately 36 in Europe. Therefore, the Board believes that there is considerable room for expansion of HDTV channels in Europe.

¹ Source: "Euroconsult, World Satellite Communications & Broadcasting Markets Survey, Ten Year Outlook, 2006".

Pricing

Scarcity of satellite capacity means that the market price of such capacity is high and is expected to remain so in the long term. The average price per transponder in Europe in 2005 was €2.5 million per annum and prices are considerably higher in hotspots. The Board believes that in these hotspots there is both very little unused spectrum still available and that it is not possible to launch many new satellites into these positions to serve the large existing customer bases. Furthermore, the Board believes that in Europe, DTH television growth will crowd out other satellite applications from established satellite positions. Accordingly, the Communications Group intends to focus on selling wholesale capacity to telecommunication and media service providers in Europe who seek new availability of capacity at more competitive prices.

Specific market factors

The Board believes that the specific markets in which the Communications Group currently operates will offer strong opportunities once HYLAS has been launched.

Broadband services

The European Commission and ESA have undertaken a large scale study to estimate the market opportunity for satellite broadband in Europe with the specific objective of stimulating solutions to the problem of rural underprovisioning. The European Commission estimates that even by 2013, approximately 4.7 million potential subscribers (including 1.3 million businesses) will not be able to receive broadband through landlines and that satellite is the only viable alternative.

The Strand Study², conducted by the DTI in 2004, was a large scale market study to investigate the demand for satellite broadband services in Europe. Baseline estimates generated by the Strand Study show the total available market covered by the HYLAS beams is expected to sustain 3.8 million satellite broadband subscribers. The Board believes that this gives the Communications Group a significant target market which is currently almost entirely unserved.

Corporate data networks

The corporate data networks market was the fastest growing sector of the satellite market in 2005 and is forecast to grow in Western Europe by 209 per cent. by 2015³. In addition, business continuity services are key strategic concerns for most large organisations, processes and systems in place to deal with emergencies, natural disasters or terrorist situations. The Board believes that the market for these products is large and likely to continue to grow.

Video contribution

Video contribution services account for approximately 15 per cent. of global transponder capacity which breaks down into two categories: "occasional use" and "channel and distribution". The number of permanent feeds carried by satellite grew by 12 per cent. globally in 2005, with Europe being the second fastest growing market. It is expected that rapid growth in the EU accession countries is likely to lead to high demand for additional capacity particularly in view of the globalisation of news services, the increasing reliance by TV upon live sporting events, an increase in channel numbers and the development of mobile broadcasting.

COMPETITION

The Board believes that consolidation amongst existing satellite operators has reduced competition and that the tightening satellite supply side in Europe offers the Communications Group strong growth opportunities.

In Europe, there are a limited number of broadcast and fixed satellite services operators with significant coverage and commercial activities and they provide mainly Ku band services rather than Ka band. These operators include Intelsat, SES Global, Eutelsat, Telenor, Hispasat, Hellasat and Spacecom while competing in managed services are companies such as Satlynx, Arqiva, HNS and Gilat.

² Source: the Strand Definition Phase: Report on WP1200: Assess Demand, 2005.

³ Source: "Euroconsult, World Satellite Communications & Broadcasting Markets Survey, Ten Year Outlook, 2006".

KEY STRENGTHS

The Board believes that the Communications Group's key strengths are as follows:

A flexible and efficient satellite system

HYLAS is the first system in Europe to use a large number of Ka band transponders. As a result of recent improvements in enabling technologies, the use of frequencies in the Ka band significantly improves the efficiency of the satellite's power, enabling HYLAS to deliver the capacity of a large satellite from a small, relatively inexpensive satellite. HYLAS will have eight highly flexible Ka band beams and one Ku band beam enabling it to adapt to different market requirements after launch.

Low cost advantage

HYLAS is a relatively low cost satellite as a result of its innovative design features, particularly power efficiencies, together with the research and development contribution received from ESA. The Board expects that the relatively low annual "in orbit" capital cost will enable the Communications Group to compete successfully on price in this market.

A large and growing market

The European market shows signs of declining capacity despite rising demand, for example, utilisation rates of 78 per cent. in 2005 and projected 100 per cent. utilisation by 2012¹. Applications, requiring large volumes of additional bandwidth, are growing significantly such as new digital TV channels and the conversion of some channels to HDTV.

Significant barriers to entry

The Board believes that the scarcity of satellite spectrum in Europe is a significant barrier to entry and that there are no unallocated Ku band licences in commercially viable positions, thereby preventing the entry of new competitors. HYLAS is based principally on its use of Ka band.

Experienced management team

The Communications Group's management team has initiated and progressed the HYLAS project in less than five years. The team has been strengthened by the recruitment of additional and experienced expertise in commercial management, sales, procurement and engineering.

Strategic relationships

The Board believes that the Communications Group has a number of key relationships which have provided significant benefit to the business over a number of years. In particular, ESA and the DTI (through the British National Space Agency) have provided a combination of funding and technical credibility.

STRATEGY

The Communications Group intends to sell wholesale HYLAS capacity to telecommunication and media network operators in Europe. This strategic plan has two distinct phases:

- (a) The first phase, which will continue during the construction phase of HYLAS, is the provision of its services via leased satellite capacity and owned infrastructure. In addition, it has a product suite which currently provides services to approximately 1,500 customers and it intends to grow this business aggressively following the launch of HYLAS.
- (b) The second phase is the provision of its services via HYLAS and therefore the Communications Group intends to build a large base of customers which it can migrate onto HYLAS. Furthermore, the strategy will be expanded to focus on selling wholesale bandwidth and managed services using its DVB-RCS hubs to resellers and service providers.

The Board believes that, given the supply and demand characteristics of the market, the Communications Group is likely to experience growing customer demand and can envisage the need for launches of additional satellites in the future.

¹ Source: "Euroconsult, World Satellite Communications & Broadcasting Markets Survey, Ten Year Outlook, 2006".

THE BOARD, SENIOR MANAGEMENT AND EMPLOYEES

Brief biographies of the Directors, Proposed Directors and the senior managers of the Communications Group are set out below. Paragraph 5 of Part VI of this document contains further details of current and past directorships and certain other important information regarding the Directors. The Proposed Directors have all agreed to act as directors with effect from Admission.

The Company conducted a search and is at an advanced stage in identifying and negotiating terms with a potential finance director candidate and is hopeful of an appointment soon.

Directors and Proposed Directors

John Brackenbury, aged 71 – Non-executive Chairman (proposed)

Mr Brackenbury joined the board of Avanti Screenmedia in May 2004. Mr Brackenbury is a leading industrialist with over 40 years experience in the leisure and retail sector. He spent a number of years with International Distiller and Vintners Limited and was a founder director of Happy Eater Limited and a major shareholder in that business for 16 years before becoming Chairman of Pubmistress Limited, the holding company of the Pubmaster Group, at its formation in 1991. Pubmaster was sold to Punch Taverns plc for £1.2 billion in 2003.

David Williams, aged 37 – Chief Executive

Mr Williams joined the board of Avanti Screenmedia as Chief Executive (following the merger of his company, Amba Broadband Limited, with Avanti Screenmedia) in May 2002. Mr Williams founded the business of Avanti Screenmedia in partnership with David Bestwick. Prior to 2000, he was an investment banker, specialising in media and telecommunications finance at Chase Manhattan and CIBC. Mr Williams was voted Entrepreneur of the Year at the Quoted Company Awards in 2006 and is a member of the British Government's Space Advisory Council.

David Bestwick, aged 41 – Technical Director

Mr Bestwick founded the business now carried on by the Communications Group in 1996 and joined the board of Avanti Screenmedia in May 2004. Mr Bestwick graduated from the University of Leicester in 1987 with a BSc in Physics with Astrophysics. Following three years at Marconi Research Centre (MRC), Mr Bestwick joined VEGA Group PLC in 1990 where he worked on a wide range of satellite applications projects. Mr Bestwick is responsible for all new technology and project developments and also for the consulting business.

Michael Desmond, aged 48 – Non-executive Director (proposed)

Mr Desmond joined the board of Avanti Screenmedia in November 2005. Mr Desmond was, until October 2005, chief executive officer of ITV Broadcasting Limited, responsible for 80 per cent. of the turnover of the largest commercial television company in Europe. Mr Desmond spent almost his entire career to date with ITV plc and its precursor, Granada plc.

Richard Vos, aged 61 – Non-executive Director (proposed)

Mr Vos joined the board of Avanti Screenmedia in September 2006. A telecommunications and satellite professional with wide international experience, Mr Vos has gained experience over 36 years working in the industry. He is currently chairman of SatCom Group Holdings plc, non-executive director of NSSC Operations Limited and a member of the UK Government's Space Advisory Council and chairman of their Telecommunications and Navigation Advisory Board. Formerly chairman of Inmedia Communications Limited, Mr Vos also participated in the privatisation of Inmarsat Ventures PLC in 1999. Mr Vos was previously head of satellite investments for British Telecommunications plc and served as governor for the UK and Ireland on the board of INTELSAT.

Alan Foster, aged 71 – Non-executive Director (proposed)

Mr Foster joined the board of Avanti Screenmedia in May 2004. Mr Foster was a senior partner of de Zoete & Bevan for over 20 years and, on the creation of BZW Asset Management, he was appointed its deputy chairman. This company was the forerunner of Barclays Global Investors, the subsidiary of Barclays Bank PLC.

William Wyatt, aged 38 – Non-executive Director (proposed)

Mr Wyatt joined the board of Avanti Screenmedia in November 2005. Mr Wyatt worked for Close Brothers Corporate Finance before joining Caledonia Investments PLC in 1998 as project manager for Sterling Industries. He transferred to the investment team in 2000 as an investment executive and was appointed an associate director in 2002 and an executive director in April 2005.

Senior management

The Board is supported by a strong management team including the following senior managers:

Matthew O'Connor, aged 47 – Managing Director, Network Services

Mr O'Connor joined the Communications Group in 2005. Mr O'Connor has worked in the telecommunications industry for 20 years for, *inter alia*, BT Group plc and Telewest Global, Inc. He also served as managing director of the wholesale division of Telewest Global, Inc. with customers that included T Mobile (UK) Ltd, Hutchison 3G UK Limited, Cable and Wireless plc, NTL Incorporated and other telecoms resellers.

Guy Wilkinson, aged 47 – Network Operations Director

Mr Wilkinson joined the Communications Group in 2005. He is responsible for the network operations of the Communications Group's broadband business and the future implementation of the operational infrastructure for HYLAS. He has 20 years experience in the satellite television industry. Prior to joining Avanti Screenmedia, Mr Wilkinson worked at Eutelsat S.A. for ten years as head of network development initially to build the TV reception base and then to commercialise their broadband interactive services.

Dr John Paffett, aged 36 – HYLAS Project Manager

Mr Paffett joined the Communications Group in 2006. Prior to joining the Communications Group, Mr Paffett was the director of projects at Surrey Satellite Technology Limited, where he held overall responsibility for delivery of all the company's contractual commitments and was instrumental in the development of the company's geostationary, telecommunications and navigation activities. Mr Paffett holds a Ph.D. in satellite communications and spacecraft system engineering.

James Taylor, aged 35 – VP Satellite Sales

Mr Taylor joined the Communications Group this year. Prior to joining the Communications Group, Mr Taylor worked at Telenor ASA managing media sector sales before taking over, in 2002, as IP services director. In addition to transponder sales, he also launched DVB-RCS services into selected parts of Europe and the Middle East. Mr Taylor is a graduate in International Marketing and holds an MBA.

Kumar Singarajah, aged 48 – Satellite Regulatory Manager

Kumar Singarajah joined the Communications Group this year. Mr Singarajah previously worked in various senior regulatory roles at SES-Astra (Luxembourg), Inmarsat (UK), ICO Global Communications (UK) and Global Radio (Luxembourg) and, since January 2004, he has been the chairman of the European Commission initiated Satellite Action Plan Regulatory Group. He has a BSc (Hon) in Electrical Engineering from Imperial College London and a MSc in Mobile & Satellite Communications from the University of Surrey.

Graham Peters, aged 38 – Business Development Director, Consultancy

Graham Peters joined the Communications Group in 2005. Mr Peters has 17 years of experience working in the space sector and brings combined sales, business and engineering skills. Graham led the sales activity that resulted in involvement in the SISTER project which aims to exploit the communications demands required to support intelligent transportation systems. He has held engineering and sales roles at British Aerospace and VEGA Group PLC.

Employees

The Board believes that the recruitment, motivation and retention of highly skilled, high quality personnel are fundamental to its ability to continue to meet the requirements of its clients and to the Communications Group's continuing success.

On 14 March 2007, the Communications Group had a total of 37 employees.

SUMMARY FINANCIAL INFORMATION

The following summary of financial information relating to the Communications Group's activities for the 15 months ended 30 June 2004, the two years ended 30 June 2006 and the 6 months ended 31 December 2006 has been extracted without material adjustment from the financial information on the Communications Group set out in Part IV of this document. **In order to make a proper assessment of the financial performance of Communications Group's business, prospective investors should read this document as a whole and not rely solely on the key or summarised information in this section.**

	<i>15 months ended 30 June 2004 £'000</i>	<i>Year ended 30 June 2005 £'000</i>	<i>Year ended 30 June 2006 £'000</i>	<i>6 months ended 31 December 2006 £'000</i>
Turnover	2,772	3,672	9,720	1,539
Gross profit/(loss)	1,701	2,246	8,596	(119)
Operating profit/(loss)	856	1,040	5,748	(1,714)
Profit/(loss) on ordinary activities before taxation	812	1,052	6,258	(1,465)

In the 15 months ended 30 June 2004, the Communications Group's revenue was principally derived from consulting projects. In the year ended 30 June 2005 it made its first large broadband sales and, in September 2005, was awarded the Satellite Licence by Ofcom.

In June 2006, the Communications Group sold three transponders (representing 7.5 per cent. of HYLAS's full capacity) plus associated design services for £25 million. Two of these transponders were sold under option and the other transponder was sold outright, with £5 million of the fees taking the form of design services and contributing to revenue for the year ended 30 June 2006. A further £2 million was invoiced in June 2006 for the sale of the satellite capacity, although this has been treated as deferred income to be released over the useful economic life of the satellite once it becomes fully operational.

Losses in the six months ended 31 December 2006 reflect the absence in the period of similar satellite capacity revenues to those secured in the year ended 30 June 2006 together with lower consultancy revenues due to an unusual pattern of contract milestones in the period.

CURRENT TRADING, TRENDS AND PROSPECTS

Avanti Screenmedia announced today its interim results for the six months ended 31 December 2006. The announcement included the following comments by the chairman on the Communications Group:

"Our Communications business continues to develop and, as such, we have invested heavily in the management of our satellite procurement contract during the period. While we were able to generate a sale in connection with HYLAS capacity at the end of June 2006, future revenues from HYLAS will only be taken to profits after the launch of the satellite. We are therefore now seeking to build a large order book of revenue through the sale of long term transponder leases. The current consultancy and satellite network services sales activities are growing with significant contract wins announced during the period. However, as revenues are taken over the life of the contract, little of this income has been recognised during this half year."

"In Communications, we are finding early demand for HYLAS capacity is strong and the launch of our network services products into the market has been well received. We believe the value of our strategic assets created will be demonstrated as the team builds the order book of revenue."

The Board remains confident of the future prospects of the Communications Group.

The interim results of Avanti Screenmedia for the six months ended 31 December 2006 are set out in Part IV(C) of this document.

REASONS FOR THE DEMERGER AND ADMISSION

In its announcement of the proposed demerger of the Communications Group on 13 December 2006 Avanti Screenmedia stated that it had recognised that the different activities, cash flow profiles and scale of the screenmedia and satellite services businesses were such that each business required focused and specialised management.

The Demerger is expected to benefit the Communications Group primarily by enabling its Board and management to focus solely on the provision of satellite services and the launch of the HYLAS satellite. The Board believes that the Demerger will provide greater clarity for investors.

THE DEMERGER AGREEMENT

The Company entered into the Demerger Agreement with Avanti Screenmedia on 15 March 2007. Conditional upon the approval of the proposals by its shareholders, Avanti Screenmedia will declare an interim dividend to Qualifying Shareholders. This dividend is to be satisfied by the issue by the Company of Avanti Communications Shares to Qualifying Shareholders, in consideration of which Avanti Screenmedia undertook to transfer the entire issued share capital of ACIL to the Company. Following the completion of the Demerger, the Company will become the holding company of the Communications Group. The Demerger Agreement contains provisions relating to the assumption of various liabilities by Avanti Communications and Avanti Screenmedia, and is further conditional, *inter alia*, upon Admission.

Further details of the Demerger Agreement are set out in paragraph 10 of Part VI of this document.

CORPORATE GOVERNANCE

The Directors recognise the value and importance of high standards of corporate governance and intend, given the Company's size and the constitution of the Board, to comply with the main provisions of the Combined Code. The Company also proposes to follow the recommendations on corporate governance of the Quoted Companies Alliance for companies with shares traded on AIM.

With effect from Admission, the Board has established an audit committee and a remuneration committee with formally delegated responsibilities.

The remuneration committee will be chaired by Alan Foster. Its other members will be William Wyatt and John Brackenbury. The remuneration committee will review the performance of the Executive Directors and make recommendations to the Board on matters relating to their remuneration and terms of employment. The remuneration committee will also make recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any share option scheme or equity incentive scheme in operation from time to time. The remuneration and terms and conditions of appointment of the non-executive directors of the Company will be set by the Board.

The audit committee will be chaired by William Wyatt. Its other members will be John Brackenbury and Richard Vos. The audit committee will have primary responsibility for monitoring the quality of internal controls and ensuring that the financial performance of the Company is properly measured and reported on. It will receive and review reports from the Company's management and auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Communications Group. The audit committee will meet at least twice a year and will have unrestricted access to the Company's auditors.

As the Board is small, there will not be a separate nominations committee and recommendations for appointments to the Board will be considered by the Board as a whole after due evaluation.

The Board intends to comply, and procure compliance with, Rule 21 of the AIM Rules relating to dealings by directors and other applicable employees in the Company's securities and, to this end, the Company has adopted an appropriate share dealing code.

DIVIDEND POLICY

The declaration and payment by the Communications Group of any future dividends on the Ordinary Shares and the amount will depend on the results of the Communications Group's operations, its financial condition, cash requirements, future prospects, profits available for distribution and other factors deemed to be relevant at the time. However, in view of the Communications Group's early stage of development, the Board does not envisage that the Company will pay dividends until after the launch of HYLAS and intend to re-invest surplus funds in the development of the Communications Group's business.

SHARE OPTION SCHEMES

The Board believes that the success of the Communications Group will depend to a significant degree on the future performance of the management team. The Board also recognises the importance of ensuring that all employees are well motivated and identify closely with the success of the Communications Group.

Accordingly, the Company will establish the Share Option Schemes which it believes will give it sufficient flexibility to provide equity based incentives for its employees and directors. At any time the number of shares over which options may be granted under the Share Option Schemes will not exceed 12.5 per cent. of the Company's issued share capital. As the share options previously granted by Avanti Screenmedia to employees of the Communications Group (as employees of Avanti Screenmedia Group plc) will mostly lapse on the Demerger, the Company intends to grant replacement options under the Share Option Schemes shortly after the Demerger has become effective.

The Board intends in due course to make available 12.5 per cent. of the share capital of the Company to an employee benefit trust, in order to satisfy the requirement for options granted under the Share Option Schemes. The remuneration committee will also consider the adoption of a long term incentive plan for the benefit of directors and senior managers, in the expectation that any awards thereunder will be satisfied from the employee benefit trust.

Further details of the Share Option Schemes are set out in paragraph 8 of Part VI of this document.

TAXATION

Information regarding taxation in relation to Admission is set out in paragraph 9 in Part VI of this document. If you are in any doubt to your tax position you should consult your own independent financial adviser immediately.

ADMISSION, SETTLEMENT AND DEALINGS

Application has been made to the London Stock Exchange for all of the Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings will commence in the Ordinary Shares on 16 April 2007.

No temporary documents of title will be issued. All documents sent by or to a shareholder, or at his direction, will be sent through the post at the shareholder's risk. Pending the despatch of definitive share certificates, instruments of transfer will be certified against the register of members of the Company.

The Company has applied for the Ordinary Shares to be admitted to CREST and it is expected that the Ordinary Shares will be so admitted and accordingly enabled for settlement in CREST on the date of Admission. Accordingly, settlement of transactions in Ordinary Shares following Admission may take place within the CREST system if any individual Shareholder so wishes provided such person is a "system member" (as defined in the CREST Regulations) in relation to CREST.

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by certificate and transferred otherwise than by written instrument in accordance with the CREST Regulations. The Articles permit the holding of Ordinary Shares in uncertificated form in accordance with the CREST Regulations. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

FURTHER INFORMATION

Your attention is drawn to Part II of this document which contains certain risk factors relating to any investment in the Company and to Parts IV to VI of this document which contain further additional information on the Company.

PART IV
FINANCIAL INFORMATION

Section A: Accountants' report on Avanti Communications Group plc

Set out below is the full text of a report by the reporting accountants, Kingston Smith LLP, on Avanti Communications Group plc:

"The Board
Avanti Communications Group plc
74 Rivington Street
London EC2A 3AY

and

Hoare Govett Limited
250 Bishopsgate
London EC2M 4AA

16 March 2007

Dear Sirs

AVANTI COMMUNICATIONS GROUP PLC (the "Company")

Introduction

We report on the financial information set out in section A of Part IV of this document relating to the Company. This financial information has been prepared for inclusion in the admission document of Avanti Communications Group plc, of today's date (the "Admission Document") on the basis set out in Note 1 to the financial information. This report is required by paragraph (a) of Schedule Two of the AIM Rules and is given for the purpose of complying with Section 20.1 of Annex 1 to the AIM Rules and for no other purpose.

The Company

The Company was incorporated on 1 March 2007, with the registered number 6133927. The Company has not traded since incorporation.

Basis of preparation

The financial information set out in Part IV is based on the financial statements of the Company for the period from incorporation to 16 March, to which no adjustments were considered necessary.

We performed a non-statutory audit, for the purposes of the Admission Document of which this report forms a part, for the period ended 16 March 2007.

Responsibilities

The directors of Avanti Communications Group plc are responsible for preparing the financial information on the basis of preparation set out in Note 1 to the financial information and in accordance with United Kingdom generally accepted accounting standards. It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purpose of the Admission Document, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed.

We planned and performed our examination so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud, other irregularity or error.

Opinion

In our opinion the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Company as at 16 March 2007 in accordance with the basis of preparation set out in Note 1 to the financial information and in accordance with United Kingdom generally accepted accounting standards.

Declaration

For the purposes of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

BALANCE SHEET

	<i>As at</i>
	<i>16 March</i>
	<i>2007</i>
	£
Current assets	
Unpaid share capital	2
	<hr/>
Net assets	2
	<hr/> <hr/>
Capital and reserves	
Called up share capital	2
	<hr/> <hr/>

NOTES TO THE ACCOUNTS

1. Basis of preparation

The financial information has been prepared in accordance with applicable UK accounting standards. The financial information relates to Avanti Communications Group plc only. The Company has not traded since incorporation.

2. Share capital

On incorporation, the Company had authorised share capital of 100,000 £1 ordinary shares and issued two £1 ordinary shares at par.

On 15 March 2007, the authorised share capital of £100,000 was increased to £400,000 and sub-divided into 40,000,000 ordinary shares of 1p each. At the same date, the issued share capital of £2 was sub-divided into 200 ordinary shares of 1p each.

Yours faithfully

Kingston Smith LLP

Chartered Accountants & Registered Auditors

Devonshire House

60 Goswell Road

London EC1M 7AD"

Section B: Accountants' report on the Communications Group

Set out below is the full text of a report by the reporting accountants, Kingston Smith LLP, on the Communications Group:

"The Board
Avanti Communications Group plc
74 Rivington Street
London EC2A 3AY

and

Hoare Govett Limited
250 Bishopsgate
London EC2M 4AA

16 March 2007

Dear Sirs

THE COMMUNICATIONS GROUP (together the "Companies")

Introduction

We report on the financial information set out in section B of Part IV of this document relating to the Communications Group. This financial information has been prepared for inclusion in the admission document of Avanti Communications Group plc, of today's date, (the "Admission Document") on the basis of the accounting policies set out in Note 1 to the financial information. This report is required by paragraph (a) of Schedule Two of the AIM Rules and is given for the purpose of complying with Section 20.1 of Annex 1 to the AIM Rules and for no other purpose.

The Companies

The Companies were previously subsidiaries of Avanti Screenmedia Group plc, an AIM listed company. It is proposed that the Companies will be acquired by Avanti Communications Group plc immediately prior to its admission to AIM. The latest audited accounts available for the Companies are for the year ended 30 June 2006.

Basis of preparation

The financial information set out in Part IV, is based on the financial statements of the Companies for the 15 month period ended 30 June 2004 and the two years ended 30 June 2005 and 30 June 2006.

Responsibilities

The directors of Avanti Communications Group plc are responsible for preparing the financial information on the basis of preparation set out in Note 1 to the financial information and in accordance with United Kingdom generally accepted accounting standards. It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purpose of the Admission Document, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that previously recorded by us relating to the audit of the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Companies' circumstances and have been consistently applied and adequately disclosed.

We planned and performed our examination so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the information contained in our report is free from material misstatement, whether caused by fraud, other irregularity or error.

Opinion

In our opinion the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Companies as at 30 June 2006 and of its profits, cash flows and changes in equity for the periods ended then in accordance with the basis of preparation set out in Note 1 to the financial information and in accordance with United Kingdom generally accepted accounting standards.

Declaration

For the purposes of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

Kingston Smith LLP

Chartered Accountants & Registered Auditors

Devonshire House
60 Goswell Road
London EC1M 7AD

COMBINED PROFIT AND LOSS ACCOUNT

		<i>15 months ended 30 June 2004</i>	<i>Year ended 30 June 2005</i>	<i>Year ended 30 June 2006</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>	<i>£</i>
Turnover	2	2,771,981	3,671,832	9,719,928
Cost of sales		<u>(1,070,695)</u>	<u>(1,425,910)</u>	<u>(1,124,179)</u>
Gross profit		1,701,286	2,245,922	8,595,749
Administrative expenses		<u>(845,561)</u>	<u>(1,205,513)</u>	<u>(2,848,139)</u>
Operating profit	3	855,725	1,040,409	5,747,610
Interest receivable and similar income	6	5,594	79,753	578,756
Interest payable and similar charges	7	<u>(49,535)</u>	<u>(67,875)</u>	<u>(68,283)</u>
Profit on ordinary activities before taxation		811,784	1,052,287	6,258,083
Taxation	8	<u>97,867</u>	<u>82,737</u>	<u>(513,299)</u>
Profit on ordinary activities after taxation		909,651	1,135,024	5,744,784
Dividends		<u>-</u>	<u>-</u>	<u>-</u>
Retained profit transferred to reserves	16	<u>909,651</u>	<u>1,135,024</u>	<u>5,744,784</u>

CONTINUING OPERATIONS

None of the activities were acquired or discontinued during the above periods.

TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than as shown above for the above periods.

COMBINED BALANCE SHEET

	Notes	30 June 2004 £	30 June 2005 £	30 June 2006 £
Fixed assets				
Tangible assets	9	178,773	1,107,046	10,296,434
		<u>178,773</u>	<u>1,107,046</u>	<u>10,296,434</u>
Current assets				
Stock		66,800	38,181	–
Debtors	10	2,765,811	4,833,137	14,879,052
Cash at bank and in hand		215,097	559,103	11,530,814
		<u>3,047,708</u>	<u>5,430,421</u>	<u>26,409,866</u>
Creditors: amounts falling due within one year	12	(2,338,659)	(4,346,152)	(27,711,205)
Net current assets/(liabilities)		709,049	1,084,269	(1,301,339)
Total assets less current liabilities		887,822	2,191,315	8,995,095
Creditors: amounts falling due after one year	13	(173,187)	(341,556)	(887,253)
Provision for liabilities and charges	14	–	–	(513,299)
		<u>714,635</u>	<u>1,849,759</u>	<u>7,594,543</u>
Net assets		<u>714,635</u>	<u>1,849,759</u>	<u>7,594,543</u>
Capital and reserves				
Called up share capital	15	125	225	225
Share premium account	16	179,944	179,944	179,944
Profit and loss account	16	534,566	1,669,590	7,414,374
	16	<u>714,635</u>	<u>1,849,759</u>	<u>7,594,543</u>

COMBINED CASH FLOW STATEMENT

		<i>15 months ended 30 June 2004</i>	<i>Year ended 30 June 2005</i>	<i>Year ended 30 June 2006</i>
	<i>Notes</i>	<i>£</i>	<i>£</i>	<i>£</i>
Net cash outflow from operating activities	18	(267,588)	(660,463)	(2,433,352)
Returns on investments and servicing of finance				
Interest received		5,594	79,753	578,756
Interest paid		(49,535)	(67,875)	(68,283)
		<u>(43,941)</u>	<u>11,878</u>	<u>510,473</u>
Net cash (outflow)/inflow from returns on investments and servicing of finance		<u>(43,941)</u>	<u>11,878</u>	<u>510,473</u>
Taxation received		97,867	82,737	–
Capital expenditure and investment				
Payments to acquire tangible fixed assets		(96,952)	(1,129,363)	(9,654,718)
Sale of tangible fixed assets		–	30,017	–
		<u>(96,952)</u>	<u>(1,099,346)</u>	<u>(9,654,718)</u>
Net cash outflow from capital expenditure and financial investment		<u>(96,952)</u>	<u>(1,099,346)</u>	<u>(9,654,718)</u>
Net cash outflow before financing		(310,614)	(1,665,194)	(11,577,597)
Financing				
Issue of ordinary share capital		(171,166)	100	–
New loans		500,000	178,221	89,604
Movement in group creditors		(255,659)	2,176,413	22,299,009
New finance leases and hire purchase obligations		–	–	793,874
Capital element of finance lease and hire purchase payments		(1,075)	(23,204)	–
Capital element of loan repayments		(103,758)	(500,000)	–
		<u>(31,658)</u>	<u>1,831,530</u>	<u>23,182,487</u>
Net cash (outflow)/inflow from financing		<u>(31,658)</u>	<u>1,831,530</u>	<u>23,182,487</u>
(Decrease)/increase in cash		<u>(342,272)</u>	<u>166,336</u>	<u>11,604,890</u>

RECONCILIATION OF COMBINED NET CASH FLOW TO MOVEMENTS IN COMBINED NET CASH

		30 June 2004	30 June 2005	30 June 2006
	Notes	£	£	£
(Decrease)/increase in cash		(342,272)	166,336	11,604,890
Cash outflow from changes in lease and lease financing		1,075	23,204	–
Cash outflow from loan repayments		103,758	500,000	–
New loans		(500,000)	(178,221)	(89,604)
		<u>(737,439)</u>	<u>511,319</u>	<u>11,515,285</u>
New finance leases and hire purchase obligations		–	–	(793,874)
		<u>(737,439)</u>	<u>511,319</u>	<u>10,721,412</u>
Movement in net cash		(737,439)	511,319	10,721,412
Opening net cash		(281,290)	(1,018,729)	(507,410)
		<u>(1,018,729)</u>	<u>(507,410)</u>	<u>(507,410)</u>
Closing net cash	19	<u>(1,018,729)</u>	<u>(507,410)</u>	<u>10,214,002</u>

NOTES TO THE FINANCIAL INFORMATION

1. Accounting policies

Accounting policies and standards

The financial information has been prepared under the historical cost convention and in accordance with applicable UK accounting standards.

The financial information has been prepared on a going concern basis. Working capital requirements are currently funded through support from other companies in the Avanti Screenmedia Group plc. The Communications Group will manage its own working capital requirements independently following its admission to AIM and, as such, the Board of Avanti Communications Group plc consider that the going concern basis is appropriate.

Basis of preparation

All companies included within the financial information currently have the same ultimate parent company, Avanti Screenmedia Group plc and have been consolidated within that group's financial statements.

The financial information prepared in this report aggregates the financial statements of the subsidiary companies that will make up the Communications Group following the proposed demerger. This includes a holding company, Avanti Communications Infrastructure Limited and its subsidiary undertakings, Avanti Communications Limited and Avanti Space Limited, together with Avanti Broadband Limited, which is currently a subsidiary of Avanti Screenmedia Group plc and will become a subsidiary of Avanti Communications Infrastructure Limited prior to the proposed demerger. The financial information has been prepared for the 15 month period ended 30 June 2004 and the two years ended 30 June 2005 and 30 June 2006. Avanti Communications Infrastructure Limited was incorporated on 20 December 2004, although for the purposes of this aggregation, it has been assumed that this holding company existed at 30 June 2004 on the grounds of consistency.

The Board of Avanti Communications Group plc believe that during this reporting period there were overheads reported within Avanti Communications Limited that related directly to Avanti Screenmedia Group plc. Accordingly an adjustment has been made in the financial information to transfer these overheads into Avanti Screenmedia Group plc. The value of these adjustments was as follows: 2006 – £788,619; 2005 – £1,310,127; 2004 – £965,070.

Tangible fixed assets

Tangible fixed assets are depreciated on a straight line basis to estimated residual values over their expected useful lives as follows:

Computer software	25% per annum
Network assets	25% per annum
Fixtures and fittings	25% per annum
Plant and machinery	25% per annum
Motor vehicles	25% per annum
Satellite in construction	Nil

Reviews are carried out if there is any indication that impairment may have occurred, to ensure that fixed assets are not carried at above their recoverable amounts. Profit or loss on the sale or disposal of assets is charged to the profit and loss account and is calculated as the difference between the disposal proceeds and the net book value. No depreciation is provided on assets in construction until they are brought into use.

Taxation

The charge for taxation is based on the profit or loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Leased assets

Assets acquired under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Rentals under operating leases are charged to income on a straight line basis over the lease term.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. All exchange gains and losses are recognised in the profit and loss account. Assets and liabilities in foreign currencies are translated into sterling at the prevailing exchange rate ruling at the end of the financial year.

Accrued income

Accrued income arises on certain contracts and is recognised in the profit and loss account as timing differences arise between work done and the agreed invoicing dates.

Pension schemes

The employees have the option to establish their own pension scheme to which the Communications Group will match employee contributions up to a maximum amount. There is no liability to the group scheme, and there is no on-going liability to the Communications Group beyond the period that the contributions are made. The costs of such contributions are charged to the profit and loss account when incurred.

Stocks

Stocks are stated at the lower of cost and net realisable value.

2. Turnover

Turnover represents invoiced sales of services provided and goods sold, net of value added tax. The Communications Group derived the following: 2006 – £4,302,252; 2005 – £3,389,661; 2004 – £1,852,870 turnover from supplying European markets outside the United Kingdom.

In 2006, Avanti Space Limited entered into four contracts with third parties for satellite design and purchase of satellite capacity. The total amounts invoiced to these third parties during the period under review amounted to £7 million, of which £5 million related to the satellite design rights and £2 million to capacity purchase. These invoices have subsequently been paid in full after the relevant balance sheet date. In respect of the design fee, Avanti Space Limited had already completed any necessary design work by the balance sheet date. Although the satellite is not yet commercially operational, the design fees are only refundable should the satellite launch fail which the Board of Avanti Communications Group plc consider to be a remote possibility. Accordingly, the design fee has been recognised in full during the period under review.

In relation to the fees for the capacity purchase, these have been treated as deferred income as the satellite is not yet commercially operational and these fees will be recognised in subsequent accounting periods as appropriate.

3. Operating profit

	<i>15 months ended 30 June 2004 £</i>	<i>Year ended 30 June 2005 £</i>	<i>Year ended 30 June 2006 £</i>
Operating profit is arrived at after charging/(crediting):			
Depreciation on tangible assets			
Owned	66,289	142,496	438,305
Leased	14,922	44,167	27,026
Auditors' remuneration – audit	19,250	20,000	13,350
– non audit services	5,320	5,824	32,307
Rentals under operating leases	2,480	19,919	78,504
Disposal of assets losses	–	1,879	–
Foreign exchange losses\gains	5,317	19,854	(19,300)
	<u> </u>	<u> </u>	<u> </u>

4. Employees

The average number of employees, including directors, during the periods were:

	<i>15 months ended 30 June 2004 £</i>	<i>Year ended 30 June 2005 £</i>	<i>Year ended 30 June 2006 £</i>
Average number of persons employed	<u>12</u>	<u>10</u>	<u>25</u>

The aggregate remuneration of all employees comprised:

	<i>15 months ended 30 June 2004 £</i>	<i>Year ended 30 June 2005 £</i>	<i>Year ended 30 June 2006 £</i>
Wages and salaries	759,734	553,896	991,206
Employer's social security costs	82,361	61,543	174,919
Employer's pension costs	14,269	17,088	27,242
	<u>856,364</u>	<u>632,527</u>	<u>1,193,367</u>

5. Directors' emoluments

Directors' emoluments were as follows:

	<i>15 months ended 30 June 2004 £</i>	<i>Year ended 30 June 2005 £</i>	<i>Year ended 30 June 2006 £</i>
Remuneration	167,094	191,220	261,161
Pension contributions	5,906	8,063	5,040
	<u>173,000</u>	<u>199,283</u>	<u>266,201</u>

The emoluments of the highest paid director were 2004: £67,292; 2005: £73,063; 2006: £110,676, including pension contributions of 2004: £2,167; 2005: £3,552, 2006: £1,776.

Pension contributions amounting to 2004: £5,906; 2005: £8,063; 2006: £5,040 were made into personal pension schemes in respect of three directors.

6. Interest receivable and similar income

	<i>15 months ended 30 June 2004 £</i>	<i>Year ended 30 June 2005 £</i>	<i>Year ended 30 June 2006 £</i>
Bank deposit interest	5,594	79,753	578,756
	<u>5,594</u>	<u>79,753</u>	<u>578,756</u>

7. Interest payable and similar charges

	<i>15 months ended 30 June 2004 £</i>	<i>Year ended 30 June 2005 £</i>	<i>Year ended 30 June 2006 £</i>
Interest on bank overdraft and loans	45,907	66,188	58,330
Hire purchase and finance leases	3,628	1,687	9,953
	<u>49,535</u>	<u>67,875</u>	<u>68,283</u>

8. Tax on profit on ordinary activities

	<i>15 months ended 30 June 2004 £</i>	<i>Year ended 30 June 2005 £</i>	<i>Year ended 30 June 2006 £</i>
Tax credit for period	(97,867)	(82,737)	–
Deferred tax charge for period	–	–	513,299

Analysis of corporation tax credit in period:

Profit on ordinary activities multiplied by the effective tax rate of 30%	210,924	315,686	1,877,425
Disallowed expenses	–	14,308	17,575
Starting rate relief	–	(499)	–
Group relief claimed	(210,924)	(270,436)	(1,425,710)
Group relief surrendered	–	23,926	42,077
Capital allowances in excess of depreciation	–	(46,557)	(470,761)
Utilisation of tax losses brought forward	–	(93,132)	(40,606)
Trading losses carried forward	–	56,704	–
Adjustment for prior years	(97,867)	(82,737)	–
	<u>(97,867)</u>	<u>(82,737)</u>	<u>–</u>

9. Fixed assets – tangible assets

Group	Satellite in construction £	Leasehold improve- ments £	Computer software £	Network assets £	Fixtures and fittings £	Plant and machinery £	Motor vehicles £	Total £
Cost								
At 31 March 2003	–	–	1,220	91,234	24,438	116,272	30,017	263,181
Additions	–	–	27,346	7,044	16,536	46,026	–	96,952
At 30 June 2004	–	–	28,566	98,278	40,974	162,298	30,017	360,133
Additions	–	75,855	328,317	459,734	265,457	–	–	1,129,363
Disposals	–	–	–	–	–	–	(30,017)	(30,017)
At 30 June 2005	–	75,855	356,883	558,012	306,431	162,298	–	1,459,479
Additions	7,778,978	44,299	3,033	1,791,414	36,995	–	–	9,654,719
At 30 June 2006	<u>7,778,978</u>	<u>120,154</u>	<u>359,916</u>	<u>2,349,426</u>	<u>343,426</u>	<u>162,298</u>	<u>–</u>	<u>11,114,198</u>
Depreciation								
At 31 March 2003	–	–	1,194	24,153	9,356	61,268	4,178	100,149
Charge for the period	–	–	2,851	27,048	7,530	34,402	9,380	81,211
At 30 June 2004	–	–	4,045	51,201	16,886	95,670	13,558	181,360
Charge for the year	–	8,289	40,323	52,730	42,714	40,575	2,032	186,663
Disposals	–	–	–	–	–	–	(15,590)	(15,590)
At 30 June 2005	–	8,289	44,368	103,931	59,600	136,245	–	352,433
Charge for the year	–	23,919	91,827	199,384	124,148	26,053	–	465,331
At 30 June 2006	<u>–</u>	<u>32,208</u>	<u>136,195</u>	<u>303,315</u>	<u>183,748</u>	<u>162,298</u>	<u>–</u>	<u>817,764</u>
Net book value								
At 30 June 2006	<u>7,778,978</u>	<u>87,946</u>	<u>223,721</u>	<u>2,046,111</u>	<u>159,678</u>	<u>–</u>	<u>–</u>	<u>10,296,434</u>
At 30 June 2005	<u>–</u>	<u>67,566</u>	<u>312,515</u>	<u>454,081</u>	<u>246,831</u>	<u>26,053</u>	<u>–</u>	<u>1,107,046</u>
At 30 June 2004	<u>–</u>	<u>–</u>	<u>24,521</u>	<u>47,077</u>	<u>24,088</u>	<u>66,628</u>	<u>16,459</u>	<u>178,773</u>

The group held assets under finance lease agreements as follows:

	30 June 2004 £	30 June 2005 £	30 June 2006 £
Net book value	<u>44,167</u>	<u>–</u>	<u>816,243</u>
Depreciation charge for the period	<u>14,922</u>	<u>44,167</u>	<u>27,026</u>

10. Debtors

	30 June 2004 £	30 June 2005 £	30 June 2006 £
Trade debtors	642,557	1,774,727	10,568,564
Amounts owed by group undertakings	1,240,275	714,571	297,319
Other debtors	34,532	205,898	195,280
Prepayments and accrued income	848,447	2,137,941	3,817,889
	<u>2,765,811</u>	<u>4,833,137</u>	<u>14,879,052</u>

11. Bank overdraft, bank loan and finance leases

The bank overdraft and loan are currently secured by a debenture over all assets, both present and future, of the Communications Group and Avanti Screenmedia Group plc. In addition an unlimited cross guarantee has been given by all companies within both the Communications Group and Avanti Screenmedia Group plc. Finance lease obligations are secured by retention of title to the related assets.

Following the proposed demerger, the banking facilities of the Communications Group and Avanti Screenmedia Group plc will be separated. There will also be no ongoing cross guarantees between these two groups.

12. Creditors: amounts falling due within one year

	<i>30 June 2004</i>	<i>30 June 2005</i>	<i>30 June 2006</i>
	£	£	£
Bank loan and overdraft	547,287	724,957	91,778
Other loans	500,000	–	29,737
Trade creditors	249,571	914,732	447,786
Amounts owed to group undertakings	892,596	2,543,305	24,425,062
Social security and other taxes	111,657	103,533	43,328
Other creditors	8,420	19,296	365,469
Obligations under finance leases and hire purchase contracts	13,352	–	308,045
Accruals and deferred income	15,776	40,329	2,000,000
	<u>2,338,659</u>	<u>4,346,152</u>	<u>27,711,205</u>

13. Creditors: amounts falling due after one year

	<i>30 June 2004</i>	<i>30 June 2005</i>	<i>30 June 2006</i>
	£	£	£
Bank loans and overdraft	163,335	341,556	364,578
Other loans	–	–	36,845
Obligations under finance leases and hire purchase contracts	9,852	–	485,829
	<u>173,187</u>	<u>341,556</u>	<u>887,252</u>

14. Deferred taxation

	<i>30 June 2004</i>	<i>30 June 2005</i>	<i>30 June 2006</i>
	£	£	£
Accelerated capital allowances	–	–	513,299
	<u>–</u>	<u>–</u>	<u>513,299</u>

15. Share capital

	<i>30 June</i> <i>2004</i> £	<i>30 June</i> <i>2005</i> £	<i>30 June</i> <i>2006</i> £
Authorised:			
50,000,000 Ordinary shares of £0.0001 each	5,000	5,000	5,000
100 Ordinary shares of £1 each	–	100	100
	<u>5,000</u>	<u>5,100</u>	<u>5,100</u>
Allotted, called up and unpaid:			
1,255,297 Ordinary shares of £0.0001 each	125	125	125
100 Ordinary shares of £1 each	–	100	100
	<u>125</u>	<u>225</u>	<u>225</u>

Avanti Communications Infrastructure Limited, was incorporated on 20 December 2004 as the holding company to Avanti Communications Limited and Avanti Space Limited. The share capital and share premium of these two companies has therefore been eliminated on aggregation in the years ended 30 June 2005 and 2006 and, for the purposes of consistency, the same adjustment has been made for the year ended 30 June 2004.

Avanti Broadband Limited is currently wholly owned by Avanti Screenmedia Group plc. It will become part of the Communications Group immediately prior to the proposed demerger and so has been consolidated into these financial statements. However, because it is not a subsidiary of Avanti Communications Infrastructure Limited, the Company's share capital is not eliminated on consolidation.

The consolidated share capital and share premium therefore consists of that from Avanti Communications Infrastructure Limited and Avanti Broadband Limited.

16. Shareholders' funds

	<i>Share capital £</i>	<i>Share premium account £</i>	<i>Profit and loss account £</i>	<i>Total £</i>
2006				
At 30 June 2005	225	179,944	1,669,590	1,849,759
Profit in year	–	–	5,744,784	5,744,784
At 30 June 2006	<u>225</u>	<u>179,944</u>	<u>7,414,374</u>	<u>7,594,543</u>
2005				
At 30 June 2004	125	179,944	534,566	714,635
Increase in share capital	100	–	–	100
Profit in year	–	–	1,135,024	1,135,024
At 30 June 2005	<u>225</u>	<u>179,944</u>	<u>1,669,590</u>	<u>1,849,759</u>
2004				
At 31 March 2003	125	179,944	(375,085)	(195,016)
Profit in period	–	–	909,651	909,651
At 30 June 2004	<u>125</u>	<u>179,944</u>	<u>534,566</u>	<u>714,635</u>

17. Operating lease commitments

The group had annual commitments under non-cancellable operating leases as detailed below:

	<i>30 June 2004</i>		<i>30 June 2005</i>		<i>30 June 2006</i>	
	<i>Land and buildings £</i>	<i>Other £</i>	<i>Land and buildings £</i>	<i>Other £</i>	<i>Land and buildings £</i>	<i>Other £</i>
Leases which expire:						
Within one year	–	–	5,000	–	–	5,185
Within two to five years	–	3,151	–	49,150	–	141,156
After five years	71,000	–	241,170	–	241,170	–
	<u>71,000</u>	<u>3,151</u>	<u>246,170</u>	<u>49,150</u>	<u>241,170</u>	<u>146,341</u>

18. Reconciliation of operating profit to net cash flows from operating activities

	30 June 2004 £	30 June 2005 £	30 June 2006 £
Operating profit	855,725	1,040,409	5,747,610
Depreciation	81,211	171,073	465,331
Decrease/(increase) in stock	(27,762)	28,619	38,181
Increase in debtors	(1,254,269)	(2,593,030)	(10,463,167)
Increase in creditors	77,507	692,466	1,778,693
Net cash outflow from operating activities	<u>(267,588)</u>	<u>(660,463)</u>	<u>(2,433,352)</u>

19. Analysis of net funds/(debt)

	30 June 2005 £	Cash flow £	Other movements £	30 June 2006 £
Cash at bank and in hand	559,103	10,971,711	–	11,530,814
Bank overdraft	(724,957)	633,179	–	(91,778)
Loans due within one year	–	(29,737)	–	(29,737)
Loans due after one year	(341,556)	(59,867)	–	(401,423)
Finance leases and hire purchase agreements	–	(793,874)	–	(793,874)
	<u>(507,410)</u>	<u>10,721,412</u>	<u>–</u>	<u>10,214,002</u>

	30 June 2004 £	Cash flow £	Other movements £	30 June 2005 £
Cash at bank and in hand	215,097	344,006	–	559,103
Bank overdraft	(547,287)	(177,670)	–	(724,957)
Loans due within one year	(500,000)	500,000	–	–
Loans due after one year	(163,335)	(178,221)	–	(341,556)
Finance leases and hire purchase agreements	(23,204)	23,204	–	–
	<u>(1,018,729)</u>	<u>511,319</u>	<u>–</u>	<u>(507,410)</u>

	31 March 2003 £	Cash flow £	Other movements £	30 June 2004 £
Cash at bank and in hand	70,892	144,205	–	215,097
Bank overdraft	(60,810)	(486,477)	–	(547,287)
Loans due within one year	–	(500,000)	–	(500,000)
Loans due after one year	(267,093)	103,758	–	(163,335)
Finance leases and hire purchase agreements	(24,279)	1,075	–	(23,204)
	<u>(281,290)</u>	<u>(737,439)</u>	<u>–</u>	<u>(1,018,729)</u>

20. Capital commitments

At 30 June 2006, Avanti Space Limited had contracted for expenditure on the satellite project totalling €32,973,690 plus £22,484,568, of which £7,778,978 had been paid by 30 June 2006. Part of the total contract price, amounting to €19,536,120, is due to be paid directly from the European Space Agency to the satellite contractor, Astrium EADS Limited.

21. Post balance sheet event

On 9 January 2007, Avanti Screenmedia Group plc issued 1,587,301 ordinary shares of £0.01 each, at an issue price of £3.15 per share. £3.5 million of the £5 million gross proceeds were allocated to Avanti Screenmedia Group, with the remaining £1.5 million allocated to the Communications Group.”

**Section C: Interim report of Avanti Screenmedia Group plc
for the six months ended 31 December 2006**

Set out below is the full text of the unaudited interim report of Avanti Screenmedia Group plc for the six months ended 31 December 2006, as announced today:

**“AVANTI SCREENMEDIA GROUP PLC
INTERIM RESULTS
6 MONTHS TO 31 DECEMBER 2006**

Chairman’s Statement

I am pleased to present our results for the six month period ended 31 December 2006 and to be able to report further progress in the development of both Avanti’s businesses.

We decided to propose to shareholders that the demerger and admission to AIM of our Communications business take place since the two businesses are different in terms of their activities, cash flow profiles and scale. As such it became more difficult to manage the growth prospects of both businesses within one group. Both businesses are pioneering in new areas and so it is essential that they be led by focussed management teams with skills in the relevant industry areas.

I am therefore pleased to announce that Gary Truman, currently group Financial Director, has decided to remain with the Screenmedia business and that, upon completion of the proposed demerger, will work in close partnership with Stuart Chambers, the proposed new Managing Director. Under the Chairmanship of Mick Desmond, this team has then the right combination of skills to deliver its business plan. David Williams will lead the demerged Avanti Communications Group plc as previously announced, joined by current Chief Technology Officer, David Bestwick. A new finance director for Avanti Communications Group plc has been identified and, subject to completion of contracts, we expect to announce these appointments in the next few weeks.

Results

Given the proposed demerger, for the first time we have presented the results of the Screenmedia and Communications businesses separately.

Overall the Group reported a loss before tax for the period of £2.9 million of which a £1.4 million loss is attributable to the Screenmedia business. Shareholders will be aware that the Screenmedia business has erratic revenue flows, with our financial results typically dominated by the timing of just one or two large contracts for network installation. Also, consultancy did not generate the usual number of significant invoices during the period due to an unusual pattern of contract milestones. The results for the period reflected these timing factors, however, during the half year period we have also reviewed our cost base in Screenmedia and efficiency gains, as a result of maturing technology, have enabled us to reduce staff levels where appropriate.

Screenmedia

Screenmedia remains focussed on the retail and leisure sectors. Avanti’s first major success in the retail sector came during the period with a contract awarded for the first 200 SPAR stores. The SPAR Group has approximately 2,700 stores and therefore our start point was on a comparatively small scale. However, the initial results have been good and Avanti is hopeful of extending the network considerably in the next six to twelve months. Our twelve store pilot project for Woolworths has ended with encouraging results and we are hopeful of further business. Furthermore, an additional retailer, one of the very best names on the high street, commenced a pilot with Avanti in December and the initial results are encouraging, suggesting in time a larger scale roll out. For competitive reasons we are not naming this customer at this time.

We now have two of the country’s largest retailers in or beyond pilot projects and therefore the large installation contracts we are seeking are achievable. Our advertising sales business has been busy launching the SPAR proposition, amongst others, and is now also preparing for the launch of our sales campaign in relation to Premiership football in pubs in partnership with Setanta Sports. Finally, Screenmedia’s pub business is poised for another phase of growth with the imminent release of a new high end audio-visual management product called Genie 3.

Communications

Our Communications business continues to develop and, as such, we have invested heavily in the management of our satellite procurement contract during the period. While we were able to generate a sale in connection with HYLAS capacity at the end of June 2006, future revenues from HYLAS will only be taken to profits after the launch of the satellite. We are therefore now seeking to build a large order book of revenue through the sale of long term transponder leases. The current consultancy and satellite network services sales activities are growing with significant contract wins announced during the period. However, as revenues are taken over the life of the contract, little of this income has been recognised during this half year.

Outlook

The Screenmedia business now has the position it needs in the retail sector to flourish. Our retail pipeline is strong and shows that Screenmedia is, albeit later than hoped for, beginning to achieve its objectives in the retail sector and we expect significant contract wins in the future.

In Communications, we are finding early demand for HYLAS capacity is strong and the launch of our network services products into the market has been well received. We believe the value of our strategic assets created will be demonstrated as the team builds the order book of revenue.

We remain excited about the future prospects of both Screenmedia and Communications, and look forward to communicating more clearly the merits of the individual businesses after completion of the demerger.

FEJG Brackenbury, CBE
Chairman
16 March 2007

CONSOLIDATED BALANCE SHEET

at 31 December 2006

Note	Screenmedia Unaudited As at 31 December 2006 £'000	Communications Unaudited As at 31 December 2006 £'000	Total Unaudited As at 31 December 2006 £'000	Screenmedia Unaudited As at 31 December 2005 £'000	Communications Unaudited As at 31 December 2005 £'000	Total Unaudited As at 31 December 2005 £'000	Screenmedia Audited As at 30 June 2006 £'000	Communications Audited As at 30 June 2006 £'000	Total Audited As at 30 June 2006 £'000
Fixed assets									
Tangible assets	4,411	11,803	16,214	2,754	1,303	4,057	3,006	10,296	13,302
Intangible assets – goodwill	1,969	–	1,969	1,766	7	1,773	1,969	–	1,969
	6,380	11,803	18,183	4,520	1,310	5,830	4,975	10,296	15,271
Current assets									
Stocks	346	21	367	112	–	112	505	–	505
Debtors	26,538	5,555	32,093	25,329	7,856	33,185	26,005	14,879	40,884
Cash at bank and in hand	119	17,959	18,078	4,020	21,194	25,214	628	11,531	12,159
	27,003	23,535	50,538	29,461	29,050	58,511	27,138	26,410	53,548
Creditors: amounts falling due within one year	(4,703)	(28,037)	(32,740)	(2,492)	(26,057)	(28,549)	(2,310)	(27,711)	(30,021)
Net current assets	22,300	(4,502)	17,798	26,969	2,993	29,962	24,828	(1,301)	23,527
Total assets less current liabilities	28,680	7,301	35,981	31,489	4,303	35,792	29,803	8,995	38,798
Creditors: amounts falling due after more than one year	(327)	(793)	(1,120)	(512)	(411)	(923)	(154)	(887)	(1,041)
Provision for liabilities and charges	–	(513)	(513)	–	–	–	–	(513)	(513)
Net assets	28,353	5,995	34,348	30,977	3,892	34,869	29,649	7,595	37,244
Capital and reserves									
Called up share capital			229			223			228
Share premium account			31,781			31,781			31,781
Profit and loss account			2,338			2,865			5,235
Shareholders' funds			34,348			34,869			37,244

CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2006

	Screenmedia Unaudited 6 months ended 31 December 2006 £'000	Communications Unaudited 6 months ended 31 December 2006 £'000	Total Unaudited 6 months ended 31 December 2006 £'000	Screenmedia Unaudited 6 months ended 31 December 2005 £'000	Communications Unaudited 6 months ended 31 December 2005 £'000	Total Unaudited 6 months ended 31 December 2005 £'000	Screenmedia Audited year ended 30 June 2006 £'000	Communications Audited year ended 30 June 2006 £'000	Total Audited year ended 30 June 2006 £'000
Net cash inflow from operating activities	1,264	8,416	9,680	(1,077)	(1,528)	(2,605)	(3,535)	(2,433)	(5,968)
Returns on investments and servicing of finance	–	320	320	(1)	140	139	17	578	595
Interest received	(40)	(71)	(111)	(51)	(28)	(79)	(121)	(68)	(189)
Interest paid	(40)	249	209	(52)	112	60	(104)	510	405
Net cash outflow for returns on investments and servicing of finance	–	–	–	8	(8)	–	–	–	–
Capital expenditure and financial investments	(1,897)	(1,795)	(3,692)	(577)	(410)	(987)	(1,369)	(9,655)	(11,023)
Purchase of tangible fixed assets	–	–	–	–	–	–	–	–	–
Disposal of tangible fixed assets	–	–	–	–	–	–	–	–	–
Net cash (outflow)/inflow for capital expenditure and financial investment	(1,897)	(1,795)	(3,693)	(577)	(410)	(987)	(1,369)	(9,655)	(11,023)
Financing	(673)	6,870	6,197	(1,698)	(1,833)	(3,532)	(5,009)	(11,578)	(16,587)
Repayment of existing loans and overdrafts	(140)	(56)	(196)	(906)	(564)	(1,470)	(112)	–	(112)
New secured bank loans	–	–	–	–	–	–	(18)	90	72
New finance leases	–	–	–	267	–	267	289	794	1,083
Issue of ordinary share capital	–	–	–	24,404	–	24,404	24,500	–	24,500
Intercompany movement	348	(348)	–	(20,778)	20,778	–	(22,299)	22,299	–
Capital element of finance lease payments	95	(37)	58	(157)	–	(157)	(384)	–	(384)
Net cash (outflow)/inflow from financing	303	(441)	(138)	2,830	20,213	23,044	1,976	23,182	25,158
(Decrease)/increase in cash	(370)	6,429	6,059	1,132	18,380	19,512	(3,032)	11,604	8,572

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 31 December 2006

	Screenmedia		Communications		Total		Screenmedia		Communications		Total	
	Unaudited 6 months ended 31 December 2006 £'000	Unaudited 6 months ended 31 December 2006 £'000	Unaudited 6 months ended 31 December 2005 £'000	Unaudited 6 months ended 31 December 2005 £'000	Unaudited 6 months ended 31 December 2005 £'000	Unaudited 6 months ended 31 December 2005 £'000	Audited year ended 30 June 2006 £'000	Audited year ended 30 June 2006 £'000	Audited year ended 30 June 2006 £'000	Audited year ended 30 June 2006 £'000		
(a) Reconciliation of operating profit to net cash inflow from operating activities												
Operating profit	(1,393)	(1,714)	(1,938)	2,064	2,064	(3,062)	5,728	5,728	2,666			2,666
Depreciation	493	289	454	207	207	944	465	465	1,409			1,409
Amortisation of goodwill	-	-	(198)	-	-	(397)	-	-	(397)			(397)
Loss on disposal of tangible fixed assets	-	-	-	-	-	-	-	-	-			-
Decrease/(Increase) in stock	159	(21)	(41)	38	38	(434)	38	38	(396)			(396)
Decrease/(Increase) in debtors	(123)	10,082	(477)	(3,107)	(3,107)	(197)	(10,463)	(10,463)	(10,660)			(10,660)
(Decrease)/increase in creditors	2,128	(219)	1,123	(730)	(730)	(369)	1,779	1,779	1,410			1,410
Net cash inflow from operating activities	1,264	8,416	(1,077)	(1,528)	(1,528)	(3,515)	(2,453)	(2,453)	(5,968)			(5,968)

(b) Reconciliation of net cash flow to movement in net debt

Increase in cash in the period
Cash inflow/(outflow) from increase in debt
Change in net debt resulting from cash flows
Net movement in finance leases
Movement in funds/(net debt) in the period
Funds/(net debt) at start of period
Funds/(net debt) at close of period

	Total Unaudited 6 months ended 31 December 2006 £'000	Total Unaudited 6 months ended 31 December 2005 £'000	Total Audited year ended 30 June 2006 £'000
	6,059	19,512	8,572
	56	218	40
	6,115	19,730	8,612
	(58)	(267)	(699)
	6,057	19,463	7,913
	9,966	2,052	2,053
	16,023	21,515	9,966

(c) Analysis of changes in net debt

Cash at bank and in hand
Overdrafts
Debt due after one year
Debt due within one year
Finance leases
Total

Audited 1 July 2006 £'000	Cash 31 December Flow £'000	Total 31 December 2006 £'000
12,159	5,919	18,078
(140)	140	–
12,019	6,059	18,078
(122)	–	(122)
(401)	56	(345)
(1,530)	(58)	(1,588)
9,966	6,057	16,023

NOTES TO THE INTERIM REPORT

For the six months ended 31 December 2006

1. Presentation of results

The financial information contained in the interim report does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The comparative financial information for the year ended 30 June 2006 is an abridged version of the Group's published financial statements for that year which contained an unqualified audit report and which have been filed with the Registrar of Companies.

The Group announced on 13 December 2006, that it was proposing to demerge its satellite networks business. Accordingly, the Group's results and financial position have been split for all relevant periods between the Screenmedia and Communications businesses for the purposes of this report.

The composition of Avanti Communications Group (the "Communications Group") following the proposed demerger will be a holding company, Avanti Communications Group plc, and its subsidiary undertakings Avanti Communications Infrastructure Limited, Avanti Communications Limited and Avanti Space Limited, and Avanti Broadband Limited, which is currently a subsidiary of Avanti Screenmedia Group plc and will become a subsidiary of Avanti Communications Infrastructure Limited prior to the demerger. Avanti Screenmedia Group plc (the "Screenmedia Group") will comprise the remaining Group companies.

The comparative net assets for the interim period ended 31 December 2005 and the year ended 30 June 2006 agree with the published statements. However, individual balances vary because the relevant inter-company balances were fully eliminated on consolidation, but it is necessary to disclose inter-company balances between the Communications Group and Screenmedia Group for the purposes of these interim financial statements to provide users with respective financial positions of each of the Communications Group and the Screenmedia Group.

The balance sheet for each of Communications Group and the Screenmedia Group is an aggregation of the appropriate companies down to net asset level. As this is an aggregation, rather than a consolidation, shareholders' funds are not split between the two businesses.

2. Accounting policies

The interim financial statements have been prepared on the basis of the accounting policies set out in the year ended 30 June 2006 financial statements of Avanti Screenmedia Group plc.

The requirements of FRS20 will apply for the first time to the company's annual accounts for the year ended 30 June 2007 and therefore in the normal course of events there would be a profit and loss account charge attributable to these interim results for the six month period to 31 December 2006. However, in view of the uncertainties surrounding the precise terms and effect of the potential changes to the share option arrangements as part of the demerger proposals, it is not possible at this time to determine with any reasonable accuracy the quantum of any charge for the six months to 31 December 2006. Consequently, no account has been taken of FRS20 in these interim results although the audited accounts to 30 June 2007 will include the appropriate charge for the whole period.

3. Basic and diluted earnings per share

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

	<i>6 months ended 31 December 2006</i>	<i>6 months ended 31 December 2005</i>	<i>Year ended 30 June 2006</i>
Computation of basis earnings/(loss) per share			
Net profit/(loss)	(£2,897,228)	£187,870	£2,558,266
Weighted average number of shares outstanding	22,912,009	15,164,338	18,855,333
Basic (loss)/earnings per share	(12.65)p	1.24p	13.57p
Computation of diluted earnings/(loss) per share			
Net profit/(loss)	(£2,897,228)	£187,870	£2,558,266
Weighted average number of shares outstanding	25,103,244	16,477,890	20,783,106
Basic (loss)/earnings per share	(11.54)p	1.14p	12.31p

4. Reconciliation of shareholders' funds

The reconciliation of movements in shareholders' funds is as follows:

	<i>Unaudited 6 months to 31 December 2006 £'000</i>	<i>Unaudited 6 months to 31 December 2005 £'000</i>	<i>Audited year ended 30 June 2006 £'000</i>
Opening shareholders' funds	37,245	10,292	10,292
(Loss)/profit for the period	(2,897)	187	2,558
New share issues	–	24,390	24,394
Closing shareholders' funds	<u>34,348</u>	<u>34,869</u>	<u>37,244</u>

5. Post balance sheet event

On 9 January 2007, Avanti Screenmedia Group plc issued 1,587,301 Ordinary Shares of £0.01 each, at an issue price of £3.15 per share. £3.5 million of the £5 million gross proceeds were allocated to Avanti Screenmedia Group, with the remaining £1.5 million allocated to the Communications Group.

INDEPENDENT REVIEW REPORT TO AVANTI SCREENMEDIA GROUP PLC

Introduction

We have been instructed by the company to review the financial information set out in Part IV of this document and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial statements as presented for the six months ended 31 December 2006.

Kingston Smith LLP

Chartered Accountants

Devonshire House

60 Goswell Road

London EC1M 7AD

Date: 16 March 2007"

PART V

UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE COMMUNICATIONS GROUP

The following unaudited pro forma statement of net assets of the Communications Group following the Demerger and Admission has been prepared for illustrative purposes only to provide information about the impact of the Demerger on the Communications Group and because of its nature this pro forma financial information addresses a hypothetical situation and therefore, does not represent the Communications Group's actual financial position or results. This information has been prepared on the basis that Admission was effective as at 31 December 2006 and on the basis set out in the notes below:

		<i>Adjustments</i>			
	<i>Balance sheet at 31 December 2006 £'000</i>	<i>Notes 3, 4, 5</i>			
		<i>Share placing £'000</i>	<i>Inter- company transfer £'000</i>	<i>Write-off of the Screenmedia Group inter- company loans £'000</i>	<i>Pro forma £'000</i>
Fixed assets					
Tangible fixed assets	11,803	–	–	–	11,803
	11,803	–	–	–	11,803
Current assets					
Stocks	21	–	–	–	21
Debtors	5,555	–	–	–	5,555
Cash at bank and in hand	17,959	1,500	(269)	–	19,190
	23,535	1,500	(269)	–	24,766
Creditors due within one year	(28,037)	(1,500)	269	28,505	(763)
Net current liabilities	(4,502)	–	–	28,505	24,003
Total assets less current liabilities	7,301	–	–	28,505	35,806
Creditors due after more than one year	(793)	–	–	–	(793)
Provision for liabilities and charges	(513)	–	–	–	(513)
Net assets	5,995	–	–	28,505	34,500

Notes:

1. The balance sheet has been extracted without material adjustment from the interim report of Avanti Screenmedia Group plc for the six months ended 31 December 2006, as set out in Part IV of this document. The interim report analyses the balance sheet of Avanti Screenmedia Group plc between the Communications Group and the Screenmedia Group.
2. The proposed holding company, Avanti Communications Group plc, has been excluded from this pro forma statement of net assets as it was not incorporated at 31 December 2006 and has no material effect on the net assets of the Communications Group.
3. Avanti Screenmedia Group plc raised £5 million through a share placing, with the funds received on 9 January 2007. £1.5 million of these share placing funds were designated for the Communications Group and therefore transferred across immediately following receipt of the funds.
4. Following the share placing, the Communications Group made an inter-company transfer of £269,007 on 9 January 2007 to the Screenmedia Group to ensure that both groups had sufficient working capital reserves prior to the Demerger.
5. At 31 December 2006, the Communications Group owed the Screenmedia Group £27,274,029. This balance was increased to £28,505,022 following the inter-company adjustments explained in notes 3 and 4 above. It has been agreed that these amounts will be written off immediately prior to the Demerger, creating an exceptional profit in the the Communications Group.
6. Except as stated above, no account has been taken of trading or other transactions occurring since 31 December 2006.
7. The pro forma statement of net assets does not constitute financial statements within the meaning of section 240 of the Act.

Set out below is the full text of a report by the reporting accountants, Kingston Smith LLP, on Avanti Communications Group plc:

“The Directors
Avanti Communications Group plc
74 Rivington Street
London EC2A 3AY

and

Hoare Govett Limited
250 Bishopsgate
London EC2M 4AA

16 March 2007

Dear Sirs

PRO FORMA STATEMENT OF NET ASSETS

We report on the pro forma statement of net assets set out in Part V of the admission document of Avanti Communications Group plc (the “Company”) dated 16 March 2007, which has been prepared, for illustrative purposes only, to provide information about how financial information for Avanti Communications Group plc, following the proposed demerger from Avanti Screenmedia Group plc, might have been presented using the accounting policies to be adopted by Avanti Communications Group plc. This report is required by guidance issued by the London Stock Exchange with respect to the AIM market and is given for the purpose of complying with that guidance and for no other purposes.

Responsibilities

It is the responsibility of the directors of the Company to prepare the pro forma financial information in accordance with guidance issued by the London Stock Exchange.

It is our responsibility to form an opinion, as required by guidance issued by the London Stock Exchange, as to the proper compilation of the pro forma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma statement of net assets with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies to be adopted by Avanti Communications Group plc.

Opinion

In our opinion:

- (a) the pro forma statement of net assets has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies to be adopted by Avanti Communications Group plc.

Declaration

For the purposes of guidance issued by the London Stock Exchange we are responsible for this report as part of the AIM admission document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM admission document in compliance with guidance issued by the London Stock Exchange.

Yours faithfully

Kingston Smith LLP

Chartered Accountants and Registered Auditors

Devonshire House
60 Goswell Road
London EC1M 7AD”

PART VI

ADDITIONAL INFORMATION

1. The Company

- 1.1 The Company was incorporated and registered as a public limited company in England and Wales under the Act on 1 March 2007 with registered number 6133927. The Company intends to obtain a certificate to commence trading by the Registrar of Companies in England and Wales immediately upon completion of the Demerger.
- 1.2 The Company is a public limited company and accordingly the liability of its members is limited. The Company and its activities and operations are principally regulated by the Act and the regulations made thereunder.
- 1.3 The head and registered office of the Company is at 74 Rivington Street, London, EC2 3AY. The telephone number of the Company is (020) 7749 1600.

2. Share capital

- 2.1 Pursuant to the Demerger Agreement, and conditional upon the receipt of approval from its shareholders, Avanti Screenmedia will declare a dividend to its shareholders of its entire interest in ACIL, the holding company of the Communications Group. As the shares in ACIL are not, and will not become, publicly traded securities they will not be transferred directly to the shareholders but instead will be transferred to the Company. In return, the Company will issue shares to the Qualifying Shareholders in proportion to their existing shareholdings in Avanti Screenmedia. For more details see the summary of the Demerger Agreement at section 10.3 of Part VI of this document.
- 2.2 At the date of incorporation, the authorised share capital of the Company was £100,000 divided into 100,000 shares of £1 each, two of which were issued credited as fully paid to the subscribers to the Company's Memorandum of Association. Pursuant to a written resolution of the Company dated 15 March 2007, each of the issued and unissued shares of £1 each were sub-divided into 100 ordinary shares of 1p each.
- 2.3 The authorised and issued share capital of the Company, of which all of the issued shares are fully paid up, as at the date of publication of this document is as follows:

<i>Authorised</i>			<i>Issued</i>	
<i>Number</i>	<i>Amount</i>		<i>Number</i>	<i>Amount</i>
10,000,000	£100,000	Ordinary Shares	200	£2

- 2.4 The authorised and issued share capital of the Company, of which all of the issued shares will be fully paid up on or before Admission, as it is expected to be immediately following Admission, is as follows:

<i>Authorised</i>			<i>Issued</i>	
<i>Number</i>	<i>Amount</i>		<i>Number</i>	<i>Amount</i>
40,000,000	£400,000	Ordinary Shares	25,708,503	£257,085.03

(The issued share capital of the Company as at Admission as set out above has been calculated on the basis that all persons who will or might become entitled to exercise options over Avanti Screenmedia Shares prior to the Demerger Record Date exercise their options prior to such date, and receive Avanti Communications Shares in the Demerger).

- 2.5 By an option agreement dated 15 March 2007, the Company granted share options to Gary Truman, over 50,000 Ordinary Shares at an exercise price of 1p per share. The options are exercisable from the date two years following the demerger and are conditional upon Demerger. The option agreement also contains provisions where they will only be exercisable in the event where Mr. Truman remains an employee or director of Avanti Screenmedia or its group companies for a

period of two years following the Demerger, or, if he ceases to be an employee or director and he does so under circumstances where he is a "Good Leaver" (as defined in the option agreement).

Save as aforesaid, there are no other Ordinary Shares under option or agreed to be put under option, although the Board intends to make available a total of 3,213,562 Ordinary Shares (12.5 per cent. of the issued share capital of the Company following the Demerger) for the purposes of the Share Option Schemes and any other share option arrangements for the benefit of employees.

2.6 Of the balance of the authorised but unissued share capital of the Company immediately following Admission, amounting to Ordinary Shares:

- (a) 3,213,562 Ordinary Shares will be reserved for issue under the Share Option Schemes; and
- (b) 11,077,935 Ordinary Shares will remain unissued and unreserved.

2.7 Pursuant to an ordinary resolution of the Company dated 15 March 2007, the Directors are generally and unconditionally authorised pursuant to section 80 of the Act to allot relevant securities (as defined in that section) up to an aggregate nominal amount equivalent to the authorised and unissued share capital of the Company, such authority to be limited to the allotment of:

- (a) Ordinary Shares pursuant to the Demerger;
- (b) relevant securities other than pursuant to sub-paragraph (a) above, having an aggregate nominal value equal to £140,000,

such authority to expire upon the earlier of the conclusion of the next annual general meeting of the Company and the date falling fifteen months from the date of the ordinary resolution, except that the Directors can during the period make offers or arrangements which could or might require the allotment of relevant securities after the expiry of such period.

2.8 Pursuant to a special resolution of the Company dated 15 March 2007, the Directors are empowered pursuant to section 95(1) of the Act to allot equity securities (as defined in section 94(2) of the Act) of the Company for cash pursuant to the authority of the Directors under section 80 of the Act conferred by paragraph 2.7 above for the duration of such authority, and/or where such an allotment constitutes an allotment of equity securities by virtue of section 94(3A) of the Act, as if the provisions of section 89(1) of the Act did not apply to such allotment provided that this power shall be limited to:

- (a) the allotment of equity securities in connection with an invitation or offer of equity securities to the holders of ordinary shares in the capital of the Company (excluding any shares held by the Company as treasury shares (as defined in section 162A(3) of the Act)) on a fixed record date in proportion (as nearly as practicable) to their respective holdings of such shares or in accordance with the rights attached to such shares (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or as a result of legal or practical problems under the laws of, or the requirements of any regulatory body or any stock exchange in any territory or otherwise howsoever);
- (b) the allotment of equity securities pursuant to the Share Option Schemes and any Long Term Incentive Plan adopted by the Board; and
- (c) the allotment (other than pursuant to the power referred to in sub-paragraphs (a) and (b) (inclusive) above) of equity securities up to an aggregate nominal value equal to £85,000,

and the Company may, prior to the expiry of such power make any offer or agreement which requires or might require equity securities to be allotted after the expiry of such period.

2.9 The provisions of section 89(1) of the Act (to the extent not disapplied pursuant to section 95 of the Act) confer on the Shareholders certain rights of pre-emption in respect of the allotment of equity securities (as defined in section 94(2) of the Act) which are, or are to be, paid up in cash and apply to the authorised but unissued equity share capital of the Company. These provisions have been disapplied to the extent referred to in paragraph 2.8 above.

2.10 Save as mentioned in this paragraph 2:

- (a) no unissued share or loan capital of the Company or any of its subsidiaries is or will become, in connection with the Demerger, under option or is agreed conditionally or unconditionally to be put under option;
- (b) there are no shares in the capital of the Company currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived;
- (c) there are no outstanding convertible securities issued by the Company; and
- (d) no share capital or loan capital of the Company or any of its subsidiaries (other than intra-group issues by wholly-owned subsidiaries) is in issue and no such issue is proposed.

2.11 None of the Ordinary Shares have been sold or made available to the public in conjunction with the application for Admission.

2.12 Save as disclosed in this document, no commission, discounts, brokerages or other specific terms have been granted by the Company in connection with the issue or sale of any of its share or loan capital.

2.13 The Ordinary Shares are in registered form and capable of being held in uncertificated form. Application has been made to CRESTCo for the Ordinary Shares to be enabled for dealings through CREST as a participating security. No temporary documents of title will be issued. It is expected that definitive share certificates will be posted to those Shareholders who have requested the issue of Ordinary Shares in certificated form by 18 April 2007. The ISIN for the Ordinary Shares is GB00B1VCNQ84.

3. Subsidiary undertakings

Upon Admission the Company will be the holding company of the Communications Group.

The Company will, at Admission, have the following subsidiaries:

<i>Name</i>	<i>Registration number</i>	<i>Status</i>	<i>Place of incorporation</i>	<i>Percentage of voting share capital held</i>
Avanti Communications Infrastructure Limited	05316577	Active	England and Wales	100
Avanti Broadband Limited	0395887	Active	England and Wales	100
Avanti Communications Limited	03101607	Active	England and Wales	100
Avanti Space Limited	05316540	Active	England and Wales	100

4. Summary of the Memorandum and Articles of Association of the Company

4.1 Memorandum of Association

The Memorandum of Association of the Company provides that the principal objects of the Company are, *inter alia*, to carry on all or any of various businesses including general merchants and traders, cash and credit traders, manufacturers' agents and representatives, importers and exporters, manufacturers, retailers, wholesalers, buyers, sellers, distributors and shippers of, and dealing in all products, goods, wares, merchandise and produce of every description, and to carry on the business of an investment company in all its branches. The objects of the Company are set out in full in clause 3 of the Memorandum of Association.

4.2 **Articles of Association**

The Articles, which were adopted conditional on Admission by a special resolution of the Company passed on 15 March 2007, contain, *inter alia*, provisions to the following effect:

(a) *Rights attaching to Ordinary Shares*

(i) *Voting rights*

Subject to the provisions of the Act and to any rights or restrictions as to voting attached to any class of shares, at any general meeting on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative has one vote, and on a poll every member present in person or by proxy or (being a corporation) by a duly authorised representative has one vote for each share of which he is the holder. Unless the Board otherwise determines, a member of the Company shall not be entitled, in respect of any share held by him, to vote (either personally or by proxy) at any general meeting of the Company unless all amounts presently payable by him in respect of that share in the Company have been paid or credited as having been paid.

(ii) *Dividends*

Subject to the provisions of the Act and of the Articles and to any special rights attaching to any shares, the Company may by ordinary resolution declare dividends, but no such dividends shall exceed the amount recommended by the Board. All dividends shall be apportioned and paid pro rata according to the amounts paid up or credited as paid up (otherwise than in advance of calls) on the shares during any portion or portions of the period in respect of which the dividend is paid. Interim dividends may be paid provided that they appear to the Board to be justified by the profits available for distribution and the financial position of the Company. Unless otherwise provided by the rights attached to any share, no dividends in respect of a share shall bear interest. The Board may, with the prior authority of an ordinary resolution of the Company, offer the holders of Ordinary Shares the right to elect to receive Ordinary Shares credited as fully paid instead of cash in respect of all or part of any dividend. Any dividend unclaimed after a period of twelve years from the date on which the dividend became due for payment shall be forfeited and shall revert to the Company.

(iii) *Return of capital*

On a winding-up of the Company, the surplus of assets available for distribution shall be divided among the members in proportion to the amounts paid up on their respective shares at the commencement of the winding-up or, with the sanction of an extraordinary resolution of the Company, be divided amongst the members in specie in such manner as shall be determined by the liquidator.

(b) *Transfer of shares*

Save in the case of shares which have become participating securities for the purposes of the CREST Regulations, title to which may be transferred by means of a relevant system such as CREST without a written instrument, all transfers of shares must be effected by an instrument of transfer in writing in any usual form or in any other form approved by the Board. The instrument of transfer shall be executed by or on behalf of the transferor and, except in the case of fully paid shares, by or on behalf of the transferee. The Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of certificated shares unless:

- (i) it is in respect of a share which is fully paid up;
- (ii) it is in respect of a share on which the Company has no lien;
- (iii) it is in respect of only one class of share;
- (iv) it is in favour of a single transferee or not more than four joint transferees;
- (v) it is duly stamped (if required); and

- (vi) it is lodged at the registered office together with the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer,

provided that the Board may not exercise such discretion in such a way as to prevent dealing from taking place on an open and proper basis.

The Board may, in its absolute discretion and without giving any reason, refuse to register the transfer of an uncertificated share which is in favour of more than four persons jointly or in any other circumstances permitted by the CREST Regulations (subject to any relevant requirements of the London Stock Exchange).

If the Board refuses to register a transfer it must, within two months after the date on which the transfer was lodged with the Company, send notice of the refusal to the transferee.

(c) *Disclosure of interests in shares*

Part VI of the Act governs the circumstances in which a person may be required to disclose his interests in the share capital of the Company. *Inter alia*, this requires a person who is interested in three per cent. or more of the Company's issued ordinary share capital to notify his interest to the Company (and above that level, any change in such interest equal to one per cent. or more). In addition, the City Code on Takeovers and Mergers and the Rules Governing Substantial Acquisitions of Shares published by the Panel on Takeovers and Mergers contain further provisions pursuant to which a person may be required to disclose his interests in the share capital of the Company.

Pursuant to the Articles, if a member, or any other person appearing to be interested in shares held by that member, has been issued with a notice pursuant to section 793 of the Act and has failed in relation to any shares (the "default shares") to give the Company the information thereby required within the prescribed period from the date of the notice, the following sanctions shall apply:

- (i) the member shall not be entitled in respect of the default shares to be present or to vote (either in person or by representative or proxy) at any general meeting or at any separate meeting of the holders of any class of shares or on any poll or to exercise any other right conferred by membership in relation to any such meeting or poll; and
- (ii) where the default shares represent at least 0.25 per cent. in nominal value of their class:
- (A) any dividend or other money payable in respect of the shares shall be withheld by the Company which shall not have any obligation to pay interest on it and the member shall not be entitled to elect in the case of a scrip dividend to receive shares instead of that dividend; and
- (B) no transfer, other than an approved transfer as defined in the Articles pursuant to a takeover offer of the Company or a *bona fide* sale to an unconnected third party, of any shares held by the member shall be registered unless:
- the member is not himself in default as regards supplying the information required; and
 - the member proves to the satisfaction of the Board that no person in default as regards supplying such information is interested in any of the shares which are the subject of the transfer.

The above sanctions shall also apply to any shares in the Company issued in respect of the default shares (whether on capitalisation, a rights issue or otherwise).

(d) *Changes in share capital*

The Company may alter its share capital as follows:

- (i) it may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of larger amounts, cancel any shares which have not been taken or agreed to be taken by any person and sub-divide its shares or any of them into shares of smaller amounts;

- (ii) subject to any consent required by law and to any rights for the time being attached to any shares, it may by special resolution reduce its share capital, any capital redemption reserve, any share premium account or other undistributable reserve in any manner; and
 - (iii) subject to the provisions of the Act and to any rights for the time being attached to any shares it may with the sanction of a special resolution enter into any contract for the purchase of its own shares.
- (e) *Variation of rights*

Subject to the provisions of the Act and of the Articles, the special rights attached to any class of share in the Company may be varied or abrogated either with the consent in writing of the holders of not less than three quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class (but not otherwise) and may be so varied or abrogated whilst the Company is a going concern or while the Company is or is about to be in liquidation. The quorum for such separate general meeting of the holders of the shares of the class shall be at least two persons holding or representing by proxy at least one-third of the nominal amount paid up on the issued shares of the relevant class.
- (f) *General meetings*

Pursuant to the Act, an annual general meeting is required to be held every year at such time and place as may be determined by the Board. No more than fifteen months may elapse between the holding of any two successive annual general meetings. The Board may convene an extraordinary general meeting whenever it thinks fit. Extraordinary general meetings may also be convened on the requisition of members pursuant to the Act.

Pursuant to the Act, 21 clear days' notice of every annual general meeting and of every extraordinary general meeting at which it is proposed to pass a special resolution and 14 clear days' notice of every other extraordinary general meeting is required to be given. The accidental omission to give notice to, or the non-receipt of such notice by, any person entitled to receive notice of the meeting will not invalidate any resolution passed or proceeding at any such meeting.

No business may be transacted at any general meeting unless the requisite quorum is present when the meeting proceeds to business. Two persons entitled to attend and vote on the business to be transacted, each being a member present in person or a proxy for a member or a duly authorised representative of a corporation which is a member, constitutes a quorum.

With the consent of any meeting at which a quorum is present the chairman may adjourn the meeting. Notice of adjournment or of the business to be transacted at the adjourned meeting is not required unless the meeting is adjourned for fourteen days or more. No business may be transacted at any adjourned meeting other than the business which might have been transacted at the meeting from which the adjournment took place.
- (g) *Directors' interests in contracts*

Subject to the provisions of the Act and of the Articles and provided that he has disclosed to the Board the nature and extent of any interest of his, a director of the Company, notwithstanding his office:

 - (i) may be a party to or otherwise interested in any transaction or arrangement with the Company or in which the Company is otherwise interested;
 - (ii) may hold any other office or place of profit under the Company and may act in a professional capacity for the Company, on such terms as the remuneration committee may arrange;
 - (iii) may be a member of, a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by or promoting the Company or in which the Company is otherwise interested; and

- (iv) shall not, by reason of his office, be liable to account to the Company for any benefit which he derives from any such office, employment, transaction or arrangement or from any interest in any such body corporate, and no such transaction or arrangement shall be avoided on the ground of any such interest or benefit,

provided that no Director of the Company or firm in which he is interested may act as auditor to the Company or any member of the Communications Group.

Save as provided below, a Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board or any committee of the Board in respect of any contract, arrangement, transaction or any proposal whatsoever in which he has any material interest or duty which conflicts with the interests of the Company. A Director shall be entitled to vote (and be counted in the quorum) in respect of any resolution at such meeting if his duty or interest arises only because the resolution relates to one of the following matters:

- (i) the giving to him of any guarantee, security or indemnity in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- (ii) the giving to a third party of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part, either alone or jointly with others, under a guarantee or indemnity or by the giving of security;
- (iii) where the Company or any of its subsidiary undertakings is offering securities in which offer the Director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which the Director is to participate;
- (iv) relating to another company in which he and any persons connected with him do not to his knowledge hold an interest in shares (as that term is used in sections 820 to 825 of the Act) representing one per cent. or more of either any class of the equity share capital, or the voting rights, in such company;
- (v) relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates; or
- (vi) concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons including Directors.

A Director may not vote or be counted in the quorum on any resolution of the Board or committee of the Board concerning his own appointment as the holder of any office or place of profit with the Company or any company in which the Company is interested (including fixing or varying the terms of such appointment or its termination).

Where proposals are under consideration concerning the appointments (including fixing or varying the terms of the appointment) of two or more Directors, such proposals may be divided and a separate resolution considered in relation to each Director. In such case, each such Director (if not otherwise debarred from voting) is entitled to vote (and be counted in the quorum) in respect of each resolution except that resolution concerning his own appointment.

(h) *Directors*

The aggregate fees which the Directors shall be entitled to receive for their services in the office of director shall not exceed £400,000 per annum, or such other sum as may from time to time be determined by an ordinary resolution of the Company. Such sum (unless otherwise directed by the resolution of the Company by which it is approved) shall be divided among the Directors in such proportions and in such manner as the Board may determine or, in default of such determination, equally.

All of the Directors are entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by them in or about the performance of their duties as Directors. If by arrangement with the Board any Director performs any special duties or services outside his ordinary duties as a Director and not in his capacity as a holder of employment or executive office, he may be paid such reasonable additional remuneration which may be by a lump sum or by way of salary, commission, participation in profits or otherwise as the Board may determine.

(i) *Pensions and benefits*

The Board may exercise all the powers of the Company to provide pensions or other retirement or superannuation benefits and to provide death or disability benefits or other allowances or gratuities (by insurance or otherwise) for any person who is or who has at any time been a director of the Company or any subsidiary company (and for any member of his family including a spouse or former spouse or any person who is or was dependent on him). For this purpose the Board may establish, maintain, subscribe and contribute to any scheme, trust or fund and pay premiums.

(j) *Borrowing powers*

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any of its undertakings, property, assets (present or future) and uncalled capital and, subject to the provisions of the Act, to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or any third party.

5. Directors, Proposed Directors and employees

5.1 The Directors, Proposed Directors and each of their respective functions or proposed functions are set out in Part I of this document.

5.2 The business address of the Directors, Proposed Directors and the senior management team is 74 Rivington Street, London, EC2A 3AY.

5.3 Details of the length of service of each of the Directors and Proposed Directors to date in their current office are set out below:

<i>Name</i>	<i>Commencement date in office</i>
John Brackenbury	to commence upon Admission
David Williams	14 March 2007
David Bestwick	14 March 2007
Mick Desmond	to commence upon Admission
Richard Vos	to commence upon Admission
Alan Foster	to commence upon Admission
William Wyatt	to commence upon Admission

Each of the directors of the Company will be required to retire from office at the next annual general meeting of the Company, but shall each be eligible for re-appointment.

5.4 Details of any directorship that is or was in the last five years held by each of the Directors or Proposed Directors, and any partnership of which each of the Directors or Proposed Directors is or was in the last five years a member in addition to their directorships of the Company and its subsidiary undertakings are set out below:

<i>Name</i>	<i>Current directorships and partnerships</i>	<i>Previous directorships and partnerships</i>
John Brackenbury	Active Media Capital Limited Avanti Communications Limited Avanti Screenmedia Group plc Blue Chip Casinos plc Brackenbury Leisure Limited Business in Sport and Leisure Limited Casino Investments Limited Casino Management Limited Casino Projects Limited Isle of Capri Casinos Limited Springboard Charitable Trust The Bradford Foundation	Angel Realisations 6 Limited British Beer & Pub Association HCTC Limited Holsten (UK) Limited People 1st Punch Taverns (PM) Limited Punch Taverns (PMH) Limited Punch Taverns (PMST) Limited Punch Taverns Finance B Limited SFI Holdings Limited The Brewing Research Foundation Limited The Local Pub Company Limited Western Wines Limited

<i>Name</i>	<i>Current directorships and partnerships</i>	<i>Previous directorships and partnerships</i>
David Williams	Active Media Capital Limited* Avanti Broadband Limited Avanti Communications Infrastructure Limited Avanti Communications Limited Avanti Outdoor (Enterprise) Limited* Avanti Outdoor (Laurel) Limited* Avanti Outdoor Limited* Avanti Screenmedia Group plc* Avanti Screenmedia Limited* Avanti Space Limited Connect Television Limited* Fat Cat Kit Limited* Freelance Media Limited* Profound Recruitment Limited* Screen Network Limited*	Pub TV Limited Global Audition Limited Business TV Limited
David Bestwick	Avanti Broadband Limited Avanti Communications Limited Avanti Communications Infrastructure Limited Avanti Outdoor (Enterprise) Limited* Avanti Outdoor Limited* Avanti Outdoor (Laurel) Limited* Avanti Screenmedia Limited* Avanti Screenmedia Group plc* Avanti Space Limited Connect Television Limited* Fat Cat Kit Limited Freelance Media Limited* Profound Recruitment Limited* Screen Network Limited*	A1 Satcom Limited Radio M Limited
Mick Desmond	Avanti Screenmedia Group plc Channel Television Holdings Limited Digital Planet Limited ITV Network Limited Roc Limited	Carlton Broadcasting Limited Granada AV Solutions Limited Granada Television Limited Independent Television News Limited ITV Border Limited ITV Broadcasting Limited ITV Central Limited ITV Gold Limited ITV Holdings Limited ITV Meridian Limited ITV Network Limited ITV Productions Limited ITV Sales Limited ITV Sport Channel Limited ITV Wales & West Group Limited London Weekend Television Limited LWT (Holdings) Limited The Time Exchange Broadcast Services Limited TSMS 1 Limited TSMS Group Limited TSMS Limited TSMS Research Services Limited Tyne Tees Television Limited

* Resignation from this appointment will be made, conditional upon Admission.

<i>Name</i>	<i>Current directorships and partnerships</i>	<i>Previous directorships and partnerships</i>
Mick Desmond <i>(continued)</i>		United Media Sales Limited Westcountry Television Limited Yorkshire Television Limited
Richard Vos	Avanti Screenmedia Group plc NSSC Operations Limited Satcom Group Holdings plc	Airia Limited Arqiva Communications Limited Arqiva Media Limited Cheyne Place Management Company Limited Inmarsat Global Limited Inmarsat Ventures Limited Inmedia Communications Group Limited Inmedia Communications (Holdings) Limited Knightgold Limited Oceandawn Limited
Alan Foster	Active Media Capital Limited* Avanti Communications Limited Avanti Screenmedia Group plc*	None
William Wyatt	Amber Industrial Holdings plc Argo Flare Services Limited Avanti Screenmedia Group plc* Avondale (City) Limited Caledonia GP Distribution Limited Caledonia Investments plc Caledonia Land & Property Limited CIS Treasury Limited Crewkerne Investments Limited Dunchurch Lodge Stud Company Exactor Sterling Limited FB Realisations Limited Heat Exchange Industries Limited Huntley & Sparks Limited Lakers Process Engineering Limited May Acoustics Limited Melrose Resources plc Nova Capital Group Limited Omniport Holdings Limited PCC Sterling Limited Shalfleet Properties Limited St. Lawrence Properties Limited Sterling Industries plc Sterling Process Engineering Limited Terrace Hill Group plc The Amber Chemical Company Limited Thermo Engineers Limited Urquhart Engineering Company Limited	Bateman Chapman (Holdings) Limited Caledonia Industrial Limited Caledonia Industrial & Services Limited Causeway Supply and Products Limited G and G Properties (Saxelbye) Limited (dissolved) GLE Hi-Tech Seals Limited Mori Group Limited Sterling Hydraulics Limited

* Resignation from this appointment will be made, conditional upon Admission.

5.5 John Brackenbury was a director of SFI Holdings Limited and Angel Realisations 6 Limited at the date when an application was made by the boards of these companies to appoint an administrator. The administrators were appointed on 23 June 2005. The administrators progress report dated 18 January 2007 filed at Companies House indicates that it is not yet possible to determine the outcome to creditors.

5.6 Save as disclosed at paragraph 5.5 above, at the date of this document none of the Directors or Proposed Directors named in this document:

- (a) has any unspent convictions in relation to indictable offences;
- (b) has been declared bankrupt or has entered into an individual voluntary arrangement;
- (c) was a director of any company at the time of or within the twelve months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors with which such company was concerned;
- (d) was a partner in a partnership at the time of or within the twelve months preceding a compulsory liquidation, administration or partnership voluntary arrangement of such partnership;
- (e) has had his assets the subject of any receivership or was a partner in a partnership at the time of or within the twelve months preceding any assets thereof being the subject of a receivership; or
- (f) has been the subject of any public criticisms by any statutory or regulatory authority (including any recognised professional body) nor has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

5.7 Details of the number of the Communication Group's employees for each of the three financial years ended 30 June 2006 are as follows:

<i>Financial year ended</i>	<i>Average number of employees</i>
30 June 2004	12
30 June 2005	10
30 June 2006	25

5.8 As at 14 March 2007, the employees of the Company and the Communications Group were employed as follows:

Office and management	9
Technical	26
Sales and marketing	2
Total	<hr/> 37 <hr/>

6. Directors', Proposed Directors' and other interests

- 6.1 The interests of the Directors and Proposed Directors (including the interests of persons connected with them which would, if the connected person were a Director or Proposed Director, be required to be disclosed, and the existence of which is known to, or could with reasonable diligence be ascertained by that Director or Proposed Director within the meaning of section 346 of the Act) in the issued share capital of the Company which are required to be notified by each Director or Proposed Director to the Company pursuant to section 324 or 328 of the Act or are required to be entered in the register of Directors' interests referred to in section 325 of the Act (all of which, save where stated otherwise in the notes below, are beneficial interests) as at the date of this document and as they are expected to be prior to and immediately following Admission are/will be as follows:

<i>Director</i>	<i>Percentage</i>		<i>Percentage</i>	
	<i>Number of Ordinary Shares (as at the date of this document)</i>	<i>of issued Ordinary Shares (as at the date of this document)</i>	<i>Number of Ordinary Shares (as at the date of Admission)*</i>	<i>of issued Ordinary Shares (at the date of Admission)*</i>
John Brackenbury	–	–	392,659	1.53
David Williams	100	50*	1,432,021	5.57
David Bestwick	–	–	1,000,840	3.89
Mick Desmond	–	–	–	–
Richard Vos	–	–	1,900	0.01
Alan Foster	–	–	174,199	0.68
William Wyatt	–	–	4,000	0.02

* The subscriber shares are held by David Williams and Mr Gary Truman respectively.

Note: The number of shares held at Admission is calculated on the assumption that the Directors exercise all of the share options over ordinary shares in Avanti Screenmedia which they are entitled or might become entitled to exercise prior to the Demerger Record Date. This would result in David Williams holding 327,718 Avanti Communications Shares derived from the exercise of such options, David Bestwick holding 494,722 Avanti Communications Shares derived from the exercise of such options, Alan Foster holding 8,370 Avanti Communications Shares derived from the exercise of such options and John Brackenbury holding 62,863 Avanti Communications Shares derived from the exercise of such options.

- 6.2 Save as disclosed above, none of the Directors or Proposed Directors nor any member of his immediate family or any person connected with him (within the meaning of section 346 of the Act) holds or is beneficially or non-beneficially interested, directly or indirectly, in any shares or options to subscribe for, or securities convertible into, shares of the Company or any of its subsidiary undertakings.
- 6.3 In addition to the interests of the Directors and Proposed Directors set out in paragraphs 6.1 to 6.3 above, as at 14 March 2007 (being the latest practicable date prior to the publication of this document), insofar as is known to the Company, the following persons were, or will at Admission, be directly or indirectly interested (within the meaning of Part VI of the Act) in three per cent. or more of the issued share capital of the Company on the basis of their current shareholding in Avanti Screenmedia:

<i>Name</i>	<i>Percentage</i>		<i>Percentage</i>	
	<i>Number of Ordinary Shares (at the date of this document)</i>	<i>of issued Ordinary Shares (at the date of this document)</i>	<i>Number of Ordinary Shares (at the date of Admission)</i>	<i>of issued Ordinary Shares (at the date of Admission)</i>
Gary Truman	100	50	101,975	0.4
Caledonia Investments PLC	–	–	5,587,301	22.8
Hermes Pensions Management	–	–	1,804,067	7.4
Kaupthing Bank Luxembourg	–	–	1,775,000	7.2
North Atlantic Value LLP (JO Hambro (CM))	–	–	1,724,463	7.0

- 6.5 Save as disclosed above, there are no persons, so far as the Company is aware, who are or will be immediately following Admission interested, directly or indirectly, in three per cent. or more of the Company's issued share capital, nor, so far as the Company is aware, are there any persons who at the date of this document or immediately following Admission, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.
- 6.6 Save as disclosed in this document, there are no arrangements known to the Company, the operation of which may at a subsequent date result in a change in control of the Company.
- 6.7 The Company's share capital consists of one class of ordinary shares with equal voting rights (subject to the Articles). No major shareholder of the Company has any different voting rights from the other shareholders.
- 6.8 Save as disclosed in this document, no Director or Proposed Director is or has been interested in any transactions which are or were unusual in their nature or conditions or significant to the business of the Company or the Communications Group during the current or immediately preceding financial year or which were effected during any earlier financial year and remain in any respect outstanding or unperformed.
- 6.9 There are no outstanding loans or guarantees provided by the Company or the Communications Group or to or for the benefit of any of the Directors or Proposed Directors.
- 6.10 Save as disclosed in this document, there have been no related party transactions of the kind set out in the standards adopted according to the Regulation (EC) No 1606/2002 that the Company has entered into since its incorporation.
- 6.11 No Director or Proposed Director nor any member of his immediate family nor any person connected with him (within the meaning of section 346 of the Act) has a Related Financial Product (as defined in the AIM Rules) referenced to Ordinary Shares.

7. Directors' remuneration and service agreements

- 7.1 David Williams will, with effect from Admission, be employed as Chief Executive Officer pursuant to the terms of a service agreement with the Company dated 15 March 2007. The agreement is terminable by either party on not less than twelve months' written notice. Mr Williams is paid a basic annual salary of £200,000. His basic salary is subject to annual review by the remuneration committee. In addition, he is entitled to private medical insurance cover for himself and his immediate family, life insurance cover and a contribution of five per cent. of his basic salary to a personal pension plan of his choice. Mr Williams also receives an annual car allowance of £10,000. Mr Williams is subject to certain non-competition and non-solicitation covenants for a period of twelve months' following the termination of his employment upon serving or receiving notice of termination, the Company is, at its discretion, entitled to pay salary (including benefit and any pension contributions) in lieu of notice. The inclusion of benefits and pension in pay in lieu of notice is unusual. The agreement is governed by English law.
- 7.2 David Bestwick will, with effect from Admission, be employed as Chief Technical Officer pursuant to the terms of a service agreement with the Company dated 15 March 2007. The agreement is terminable by either party on not less than twelve months' written notice. After Admission, Mr Bestwick will be paid a basic annual salary of £130,000. His basic salary is subject to annual review by the remuneration committee. In addition, he is entitled to private medical insurance cover for himself and his immediate family, life insurance and a contribution of five per cent. of his basic salary to a personal pension plan of his choice. Mr Bestwick also receives an annual car allowance of £10,000. Mr Bestwick is subject to certain non-competition and non-solicitation covenants for a period of twelve months following the termination of his employment upon serving or receiving notice of termination, the Company is, at its discretion, entitled to pay salary (including benefit and any pension contributions) in lieu of notice. The inclusion of benefits and pension in pay in lieu of notice is unusual. The agreement is governed by English law.
- 7.3 Pursuant to the terms of a letter of engagement with the Company dated 15 March 2007, Michael Desmond has agreed, conditionally upon Admission, to serve as a non-executive director for an

annual fee of £25,000. This appointment is for a fixed term of one year and thereafter may be terminated by either party on three months' notice. The engagement will terminate automatically if Mr Desmond is removed from office by a resolution of the Shareholders or is not re-elected to office.

- 7.4 Pursuant to the terms of a letter of engagement with the Company dated 15 March 2007, Richard Vos has agreed, conditionally upon Admission, to serve as a non-executive director for an annual fee of £25,000 (exclusive of VAT). This appointment is for a fixed term of one year and thereafter may be terminated by either party on three months' notice. The engagement will terminate automatically if Mr Vos is removed from office by a resolution of the Shareholders or is not re-elected to office.
- 7.5 Pursuant to the terms of a letter of engagement with the Company dated 15 March 2007, Brackenbury Leisure Limited has agreed, conditionally upon Admission, to provide the services of John Brackenbury as a non-executive chairman for an annual fee of £60,000. This appointment is for a fixed term of one year and thereafter may be terminated by either party on three months' notice. The engagement will terminate automatically if Mr Brackenbury is removed from office by a resolution of the Shareholders or is not re-elected to office.
- 7.6 Pursuant to the terms of a letter of engagement with the Company dated 15 March 2007, Alan Foster has agreed, conditionally upon Admission, to serve as a non-executive director for an annual fee of £25,000. This appointment is for a fixed term of one year but and thereafter may be terminated by either party on three months' notice. The engagement terminate automatically if Mr Foster is removed from office by a resolution of the Shareholders or is not re-elected to office.
- 7.7 Pursuant to the terms of a letter of engagement with the Company dated 15 March 2007, Caledonia Investments plc has agreed, conditionally upon Admission, to provide the services of William Wyatt as a non-executive director for an annual fee of £25,000. This appointment is for a fixed term of one year and thereafter may be terminated by either party on three months' notice. The engagement will terminate automatically if Mr Wyatt is removed from office by a resolution of the Shareholders or is not re-elected to office.
- 7.8 Save as disclosed in this document there are no service agreements or agreements for the provision of services existing or proposed between the Directors and the Proposed Directors and the Company or the Communications Group.
- 7.9 On the basis of the arrangements in force at the date of this document it is estimated that the aggregate remuneration payable including pension contributions and benefits in kind granted to the Directors and Proposed Directors for the year ending 30 June 2007 (being the current financial year of the Company) will be £150,000.

8. The Share Option Schemes

8.1 Unapproved Scheme

The Unapproved Scheme was adopted by the Company on 15 March 2007

The following is a summary of the rules of the Unapproved Scheme:

(a) *Eligibility*

All employees and directors of the Communications Group, are eligible to participate at the discretion of the remuneration committee.

(b) *Grant of options*

Options may be granted by the remuneration committee normally during a period of 42 days starting on the announcement to the London Stock Exchange of the Company's interim or final results. In circumstances deemed exceptional by the remuneration committee, options may be granted outside the normal period, provided that the grant is not prohibited under the AIM Rules. Options may not be granted more than ten years after the date of adoption of the Unapproved Scheme. No consideration is payable for the grant of an option. Options granted under the Unapproved Scheme are personal to a participant and, except on his death, may not be transferred, assigned or charged.

When granting options the remuneration committee may specify objective performance targets to be satisfied before those options can be exercised.

- (c) *Exercise price*
- The exercise price of the shares under the Unapproved Scheme is required to be not less than the greater of the nominal value of an Ordinary Share and (unless the remuneration committee otherwise determines) the mid-market price for an Ordinary Share on AIM for the three dealing days immediately prior to the date of grant.
- (d) *Exercise, lapse and exchange of options*
- Options may normally be exercised in whole or in part upon the earliest satisfaction of the performance targets specified at the date of grant, provided that the option holder has remained an employee of the Company or the Communications Group, it is not later than ten years after the date of grant and the exercise is not prohibited by the AIM Rules. Options may be satisfied by the issue of Ordinary Shares or the transfer of existing Ordinary Shares.
- Options will normally lapse on cessation of employment. However, exercise is permitted for a limited period following cessation of employment for specified reasons such as redundancy, retirement or ill-health, and at the discretion of the remuneration committee. In the event of an amalgamation, takeover, demerger or winding up of the Company, options may be exercised within certain time limits. There are also provisions for the exchange of options in specified circumstances. Options immediately lapse on the tenth anniversary of the date of grant and in the event of the participant's bankruptcy.
- (e) *Limits on the issue of shares*
- No option to subscribe for Ordinary Shares may be granted pursuant to the Unapproved Scheme on any date if the number of Ordinary Shares comprised therein, when aggregated with the number of Ordinary Shares issued or remaining capable of being issued under the Unapproved Scheme or under any other employee share scheme in the previous ten years, would exceed the number of Ordinary Shares representing 12.5 per cent. of the issued share capital of the Company.
- (f) *Adjustments*
- The number of shares comprised in an option and/or exercise price may be adjusted if any reorganisation of the Company's share capital occurs, provided that the aggregate amount to be received by the option holder is not increased.
- (g) *Rights attaching to shares*
- All Ordinary Shares allotted under the Unapproved Scheme will rank *pari passu* with all other Ordinary Shares for the time being in issue, save as regards any rights arising by reference to a record date prior to the date of allotment. Application will be made for permission for any such Ordinary Shares to be admitted to trading on AIM.
- (h) *Amendments*
- The remuneration committee may at any time amend the Unapproved Scheme provided that the prior approval of the Company in general meeting is obtained for amendments to the benefit of participants. However, such prior approval will not be required in relation to any amendment which is made to comply with the provisions of any existing or proposed legislation, to take into account stock exchange or institutional guidance or where the change is of a minor nature and benefits the administration of the Unapproved Scheme.
- (i) *Income tax and national insurance*
- The participant indemnifies the Company for any income tax liability and primary class I (employee) and secondary class II (employers) national insurance liability which arises on the grant to him or exercise by him of an option.

8.2 **EMI Scheme**

The EMI Scheme was adopted by the Company on 15 March 2007.

Eligibility

All employees and full time directors of the Company and its qualifying subsidiaries are eligible, provided that they devote at least twenty five hours per week to their duties, or if less, at least 75 per cent. of their overall working time. Employees will be excluded from participating in the EMI Scheme if they have a material interest in any Communications Group company.

Grant of options

The Board may grant options within forty two days of the announcement of the Company's interim or final results. Options may be granted at other times, only where the board considers exceptional circumstances exist to justify it, subject to the grant not being prohibited under the AIM Rules. No option may be granted more than ten years after the date of adoption of the EMI Scheme. Options will be personal to the participant and (except on death) will not be transferable.

No option may be granted to a participant under the EMI Scheme where that grant would result in the aggregate market value of all unexercised options granted to that participant, either under the EMI Scheme or any other similar company share option scheme, being in excess of £100,000.

Exercise price

The exercise price of the shares under an option shall be set by the Board but shall not be less than 1p per share.

Exercise

An option will normally become exercisable following the second anniversary of the date of grant and subject to satisfaction of any performance conditions specified at the date of grant, provided that the option holder has remained an employee of the Communications Group. On cessation of employment, options lapse on the date on which notice is served by the Company or the date of termination if the employee leaves voluntarily, unless the board exercises its discretion to allow exercise of the option within the period it specifies. In the event of an amalgamation, takeover, demerger or winding up of the Company, options may be exercised within certain time limits. An option will ordinarily lapse on the option holder being declared bankrupt or on the tenth anniversary of the date of grant, whichever is first to occur. No option can be exercised at a time when the exercise would be contrary to the AIM Rules. The Company shall keep sufficient unissued shares to satisfy all options, or shall ensure that sufficient shares are available and will issue shares within thirty days of the date of exercise

Limits on the issue of shares

No option which is to be satisfied on exercise by the issue of new shares can be granted on any date if the number of shares to which it relates, when aggregated with the number of shares issued or due to be issued by virtue of options granted in the previous ten years under the EMI Scheme and any other employee share scheme operated by the Company (including the Unapproved Scheme), would exceed 12.5 per cent. of the issued share capital at that time.

Variation in share capital

The number of shares comprised in an option and/or the exercise price may be adjusted if any reorganisation of the Company's share capital occurs, provided that the aggregate amount to be received by the option holder is not increased.

Rights attaching to shares

All Ordinary Shares allotted under the EMI Scheme will rank *pari passu* with all other Ordinary Shares for the time being in issue, save as regards any rights determined by reference to a record date prior to the date of allotment. Application will be made for permission for any such Ordinary Shares to be admitted to trading on AIM.

Amendments

The plan may be amended by the board but no amendment may be made to the detriment of an option holder without that option holder's prior consent in writing. No amendment can be made to

the EMI Scheme where such amendment would cause the requirements of the EMI legislation to cease to be met or where such amendment would cause an increase in the market value of the shares the subject of an option. Amendments to, *inter alia*, the option exercise period, eligibility, EMI Scheme limits, periods and circumstances in which the option can be exercised, and the provisions relating to a change of control of the Company may only be made with the consent of the Company in general meeting.

Income tax and national insurance

Where PAYE or national insurance liabilities (primary and secondary) arise, the participant is required to make provision for payment of the amount of these liabilities to the Company before the option can be exercised. Alternative arrangements for the satisfaction of these liabilities can be made at the discretion of the Company.

9. Taxation

The following statements are intended only as a general guide current as at 14 March 2007 (being the latest practicable date prior to publication of this document) to United Kingdom tax legislation and to the current practice of the HMRC and may not apply to certain categories of shareholder, such as dealers in securities. Levels and bases of taxation are subject to change. Any person who is in any doubt as to his tax position is strongly recommended to consult his professional advisers immediately.

9.1 Stamp duty

Save in relation to depository receipt arrangements or clearance services, where special rules apply:

- (a) no charge to stamp duty or stamp duty reserve tax ("SDRT") should arise on the issue of new Ordinary Shares pursuant to the Demerger or on their registration in the names of the persons entitled thereto;
- (b) a subsequent transfer on sale of Ordinary Shares held in certificated form will ordinarily be subject to stamp duty on the instrument of transfer, ordinarily at the rate of 0.5 per cent, of the amount or value of the consideration. An agreement to purchase Ordinary Shares will lead to a charge to SDRT (at the rate of 0.5 per cent, rounded up to nearest £5 of the amount of value of the consideration) although any liability to SDRT will be cancelled or payment refunded if the instrument of transfer is duly stamped within six years of such agreement (or, where such agreement is conditional, within six years of such agreement becoming unconditional); and
- (c) special rules apply to market intermediaries, dealers and certain other persons. Transfers of shares to charities will not give rise to stamp duty if adjudicated in accordance with the relevant legislation and agreements to transfer shares to charities will not give rise to SDRT.

9.2 Dividends

The United Kingdom taxation implications relevant to the receipt of dividends on the Ordinary Shares are as follows:

There is no United Kingdom withholding tax on dividends. Individual holders of Ordinary Shares will be taxable on the total of the dividend and the related notional tax credit ("gross dividend"), which will be regarded as the top slice of the individual's income.

The tax notional credit on dividends is one-ninth of the dividend paid (or ten per cent, of the aggregate of the dividend and tax credit). For individuals, the income tax rates on dividend income are such that lower and basic rate taxpayers will have no further tax liability on a dividend receipt. Higher rate taxpayers pay tax on dividends at 32.5 per cent, so that a higher rate taxpayer receiving a dividend of £90 will be treated as having gross income of £100 (the net dividend of £90 plus a tax credit of £10) and after allowing for the tax credit of £10 will have a further £22.50 liability.

The same procedure applies for UK resident trustees of discretionary trusts.

Generally, holders of Ordinary Shares will no longer be entitled to reclaim the tax credit attaching to any dividends paid.

Subject to certain exceptions for traders in securities, a holder of Ordinary Shares which is a company resident for tax purposes in the United Kingdom and which receives a dividend will not generally have to pay corporation tax in respect of it.

UK pension funds are not entitled to reclaim any part of the tax credit associated with dividends received by them.

Shareholders resident for tax purposes outside the UK may be subject to foreign taxation on dividends received on their Ordinary Shares under the tax law of their country of residence or in respect of other transactions relating to the shares. Such shareholders will not be subject to any further UK tax on their dividends where they have no other sources of income from the UK and do not have a UK representative or, in the case of trustees, there are no UK resident beneficiaries of the trust. Entitlement to claim repayment of any part of a tax credit, however, will depend, in general, on the existence and terms of any double tax convention between the United Kingdom and the country in which the holder is resident, Non-UK resident shareholders should consult their own tax advisers concerning their tax liability on dividends received; what relief, credit or entitlement to refund of any tax credits may be available in the jurisdiction in which they are resident for tax purposes; or other taxation consequences arising from their ownership of the Ordinary Shares.

9.3 Disposal of shares

A Shareholder resident or ordinarily resident for tax purposes in the UK, who sells or otherwise disposes of his Ordinary Shares may, depending on the circumstances, incur a liability to UK tax on any capital gain realised. Corporate shareholders within the charge to UK corporation tax will be entitled to indexation allowance in respect of these Ordinary Shares up until the date of disposal. Individual shareholders resident for tax purposes in the UK who are not within the charge to corporation tax may be entitled to taper relief. The calculation for taper relief on a subsequent disposal of Ordinary Shares will depend upon the period of ownership of these Ordinary Shares.

A Shareholder who is not resident or ordinarily resident for tax purposes in the UK will not normally be liable for UK tax on capital gains realised on the disposal of his Ordinary Shares unless at the time of the disposal such Shareholder carries on a trade (which for this purpose includes a profession or vocation) in the UK through a permanent establishment, branch or agency and such Ordinary Shares have been used, held or acquired for the purposes of such permanent establishment, trade or branch or agency. A shareholder who is an individual and who ceases to be resident and ordinarily resident for tax purposes in the UK for a period of less than five years of assessment and who disposes of Ordinary Shares during that period may be or become liable to UK taxation of chargeable gains (subject to any available exemption or relief).

9.4 Business asset taper and other tax reliefs

Capital gains tax business asset taper relief applies to all holdings of shares in qualifying unquoted trading companies. A holding in the shares of the Company may qualify for business asset taper relief as well as inheritance tax business property relief. However, individuals should seek confirmation as to whether any relief is available in their own particular circumstances at the relevant time.

Persons who are not resident in the United Kingdom should consult their own tax advisers on the possible application of such provisions and on what relief or credit may be claimed for any such tax credit in the jurisdiction in which they are resident.

These comments are intended only as a general guide to the current tax position in the United Kingdom as at the date of this document. The comments assume that Ordinary Shares are held as an investment and not as an asset of a financial trade. If you are in any doubt as to your tax position, or are subject to tax in a jurisdiction other than the United Kingdom, you should consult your professional adviser.

10. Material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company and/or members of the Communications Group (i) within the period of two years immediately preceding the date of this document and which are, or may be, material or (ii) which

contain any provision under which the Company or any member of the Communications Group has an obligation or entitlement to as at the date of this document:

10.1 *Nominated Adviser and Broker Agreement*

A nominated adviser and broker agreement dated 16 March 2007 and made between (1) the Company (2) the Directors and (3) Hoare Govett pursuant to which the Company has appointed Hoare Govett to act as nominated adviser and broker to the Company for the purposes of the AIM Rules. The Company has agreed to pay Hoare Govett a fee of £50,000 plus VAT per annum, together with a reassurance as to properly incurred out of pocket expenses for its services as nominated adviser and broker under this agreement. The agreement contains certain undertakings, warranties and indemnities given by the Company and the Directors to Hoare Govett. The agreement is conditional upon Admission and, following Admission, is terminable upon two months prior written notice by either the Company or Hoare Govett.

10.2 *Flotation agreement with Hoare Govett*

A flotation agreement dated 16 March 2007 and made between (1) the Company and (2) Hoare Govett pursuant to which Hoare Govett undertakes, subject to the terms and conditions of the agreement, to the Company to provide all reasonable assistance to the Company in connection with its application for Admission.

The principal terms of the flotation agreement are as follows:

(a) *Conditions*

The flotation agreement is conditional upon certain matters being satisfied or not breached prior to Admission and may also be terminated by Hoare Govett prior to Admission upon the occurrence of certain specified events, in which case the Admission will not proceed.

In particular, the obligations of Hoare Govett under the flotation agreement are subject to, amongst other things, the following conditions:

- (i) Admission taking place not later than 8.00 a.m. on 30 April 2007;
- (ii) the passing by the shareholders of Avanti Screenmedia of a resolution approving the Demerger without material amendment at the extraordinary general meeting (and not, without the prior written consent of Hoare Govett, at any adjournment thereof);
- (iii) the Demerger Agreement (the terms of which are set out in paragraph 10.3 of this Part VI below) having been executed and remaining in full force and effect and such agreement having become unconditional in all respects (other than any condition as to Admission having occurred or this flotation agreement having become unconditional); the Demerger Agreement not being terminated, varied or rescinded (and no rights to terminate, vary or rescind the Demerger Agreement arising) and no conditions thereto being waived by the Company before Admission;
- (iv) each of the warranties given by the Company pursuant to the flotation agreement and any statement in this document not being untrue, inaccurate or misleading in any respects when made, nor becoming untrue, inaccurate or misleading in any respect by reference to the facts and circumstances existing at that time and no matter arising which might, in the opinion of Hoare Govett, be expected to give rise to a claim under the indemnity in the flotation agreement; and
- (v) in the good faith opinion of Hoare Govett, there not having occurred a material adverse change (whether or not foreseeable at the date of the flotation agreement) in, or any development reasonably likely to involve a prospective material adverse change in or affecting, the condition (financial, operational, legal or otherwise) or the earnings or business prospects of the Communications Group, whether or not arising in the ordinary course of business.

(b) *Fees and expenses*

In consideration of their services under the flotation agreement, Hoare Govett will be paid a corporate finance fee of £230,000.

The Company shall also pay certain costs and expenses of, or in connection with, the flotation agreement and associated documentation, the Admission, the preparation and printing of any documents in relation to Admission, the costs and expenses of the Registrars and the Company's and Hoare Govett's legal and other professional fees, disbursements and expenses.

(c) *Warranties, undertakings and indemnities*

The Company has given certain representations and warranties and indemnities to Hoare Govett that are customary for an agreement of this type.

(d) *Termination*

Hoare Govett may terminate the flotation agreement at any time before Admission if, amongst other things:

- (i) any of the warranties given in the flotation agreement or any statement in this document is or has become untrue, incorrect or misleading in any respect by reference to the facts and circumstances existing from time to time or any matter has arisen which might, in Hoare Govett's opinion, give rise to a claim under the indemnity given to Hoare Govett;
- (ii) there arises or is noted any new factor, mistake or inaccuracy relating to the information included in this document or any other significant new change or new matter or other information, in each case which in Hoare Govett's opinion, requires the Company to prepare a supplementary admission document;
- (iii) there has occurred any material adverse change in the financial markets in the United States, the United Kingdom or any member of the EU or the international financial markets, any outbreak or escalation of hostilities or other crisis or change, including a prospective change in national or international political, financial or economic conditions or currency exchange rates;
- (iv) trading in the Company's shares has been suspended, cancelled or limited imposed by the London Stock Exchange; or
- (v) a banking moratorium has been declared by US or UK authorities.

10.3 Demerger Agreement

The Demerger Agreement dated 15 March 2007 and made between the Company and Avanti Screenmedia pursuant to which the parties have agreed to implement the Demerger, which shall include the transfer to the Company of Avanti Screenmedia's entire shareholding in ACIL in consideration for the Company allotting to the Qualifying Shareholders the Avanti Communications Shares.

Completion of the Demerger (which is conditional upon the receipt by Avanti Screenmedia of the approval of its shareholders) will constitute the company as the holding company of the Communications Group.

Following completion of the Demerger, Avanti Screenmedia and the Company will continue to indemnify one other for any cost or liability that arose as a result of the business operations of their respective group companies prior to the Demerger. In addition, the parties will exchange mutual tax indemnities to ensure that the Communications Group and Avanti Screenmedia each pays their own tax liabilities, whether or not such liabilities arose prior to or on completion of the Demerger. In particular, in the event that stamp duty relief is not available in relation to the transfer of the shares in ACIL to Avanti Screenmedia, Avanti Screenmedia will be liable to pay stamp duty at the rate of 0.5 per cent. on the market value of the ACIL ordinary shares.

10.4 Acquisition of Avanti Broadband Limited

A sale and purchase agreement dated 15 March 2007 and made between ACIL and Avanti Screenmedia pursuant to which Avanti Screenmedia agreed to transfer its entire interest in Avanti Broadband Limited to ACIL for the book value of its investment, being £150. The purchase price has been left outstanding as an intercompany loan but will be written off prior to the Demerger.

10.5 Transitional services agreement

A transitional services agreement dated 15 March 2007 and entered between Avanti Screenmedia and the Company pursuant to which each party will provide certain services to the other from the date of completion of the Demerger. The services will be provided for the purpose of promoting the efficient interim operation of the Communications Group and the Avanti Screenmedia Group immediately following completion of the Demerger and will include, amongst other things, an obligation to grant Avanti Screenmedia a licence to occupy the premises at 74 Rivington Street, London EC2A 3AY for an initial period of three months following the date of completion of the Demerger. In addition, the Company has agreed to enter into a lease agreement with Avanti Screenmedia Limited (a subsidiary of Avanti Screenmedia) pursuant to which the Company will sublease certain equipment that Avanti Screenmedia Limited, in turn, leases from CSI Leasing UK Limited. The terms of the lease agreement which are in agreed form, will be on an arms' length basis and will include an indemnity from the Company in respect of any loss that its use of the equipment may cause to Avanti Screenmedia Limited.

11. Working capital

In the opinion of the Board having made due and careful enquiry, the working capital available to the Company and the Communications Group will be sufficient for its present requirements, that is for at least the next twelve months from the date of Admission.

12. Litigation

- 12.1 Save as disclosed at 12.2 below, neither the Company, nor any member of the Communications Group is or has been involved in any governmental, legal or arbitration proceedings which may have or have had during the last twelve months preceding the date of this document, a significant effect on the financial position or profitability of the Company and/or the Communications Group nor, so far as the Company is aware, are any such proceedings pending or threatened.
- 12.2 A claim amounting to £140,000 (plus legal costs) has been made against Avanti Broadband Limited by a former employee of that company regarding certain terms of his employment. The claim is being fully defended by Avanti Broadband Limited. If the defence is not successful, the resulting cost to Avanti Broadband Limited could have a significant effect on that company's financial position.

13. Consents

- 13.1 Hoare Govett Limited of 250 Bishopsgate, London, EC2M 4AA is authorised and regulated in the United Kingdom by the Financial Services Authority. Hoare Govett has given and has not withdrawn its written consent to the issue of this document with the inclusion of its name and the references to it in the form and context in which it appears.
- 13.2 Kingston Smith LLP, Chartered Accountants and registered auditors, of Devonshire House, 60 Goswell Road, London, EC1M 7AD, have given and have not withdrawn their written consent to the issue of this document with the inclusion of their name and their report in Part III of this document and the references to such report and their name, in the form and context in which they appear.

14. General

- 14.1 Save as described in the paragraph headed "Current trading, trends and prospects" in Part III of this document, there has been no significant change in the financial or trading position of the Company since the date of its incorporation, nor in the financial or trading position of the Communications Group since 31 December 2006, being the period for which the latest unaudited consolidated accounts of Avanti Screenmedia were published.
- 14.2 Save as disclosed in this document, no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has received, directly or indirectly, within the twelve months preceding the date of this document or entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission:

- (a) fees totalling £10,000 or more;
 - (b) securities where these have a value of £10,000 or more calculated by reference to the price of the Avanti Communications Shares on Admission; or
 - (c) any other benefit with a value of £10,000 or more at the date of Admission.
- 14.3 Information in this document which has been sourced from third parties has been accurately reproduced and so far as the Company is aware and able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 14.4 Save as disclosed in this document, the Board is unaware of any exceptional factors which have influenced the Company's activities.
- 14.5 Save as disclosed in this document, the Board is unaware of any environmental issues that may affect the Company's or the Communication Group's utilisation of its tangible fixed assets.
- 14.6 Save as disclosed in this document, the Board is unaware of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for the current financial year.
- 14.7 Save as disclosed in this document, there are no investments in progress and there are no future investments on which the Board has already made firm commitments which are significant to the Company and/or the Communications Group.
- 14.8 Save as disclosed in this document, the Board believes that the Company is not dependent on patents or licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Company's business or profitability.
- 14.9 The Company will be subject to the provisions of the City Code, including the rules regarding mandatory takeover offers set out in the City Code. Under Rule 9 of the City Code, when (i) a person acquires shares which, when taken together with shares already held by him or persons acting in concert with him (as defined in the City Code), carry 30 per cent. or more of the voting rights of a company subject to the City Code or (ii) any person who, together with persons acting in concert with him, holds not less than 30 per cent. but not more than 50 per cent. of the voting rights of a company subject to the City Code, and such person, or any person acting in concert with him, acquires additional shares which increases his percentage of the voting rights in the company, then, in either case, that person, together with the persons acting in concert with him, is normally required to make a general offer in cash, at the highest price paid by him or any person acting in concert with him for shares in the company within the preceding twelve months, for all of the remaining equity share capital of the company.
- 14.10 The Ordinary Shares will also be subject to the compulsory acquisition procedures set out in sections 428 to 430F (inclusive) of the Act. Under section 429 of the Act, where an offeror makes a takeover offer (within the meaning of Part XIII A of the Act) and receives valid acceptances in respect of, or acquires, more than 90 per cent. of the shares to which the offer relates, that offeror is entitled to compulsorily acquire the shares of any holder who has not accepted the offer on the terms of such offer.
- 14.11 Since the date of incorporation of the Company, there has been no takeover offer (within the meaning of Part XIII A of the Act) for any Ordinary Shares.
- 14.12 The current accounting reference period of the Company will end on 30 June 2007.
- 14.13 The financial information relating to the Communications Group contained in Part IV and Part V of this document does not constitute statutory accounts within the meaning of section 240 of the Act. The auditors for each of the periods ended 30 June 2004, 30 June 2005 and 30 June 2006 were Kingston Smith LLP, Chartered Accountants and registered auditors, of Devonshire House, 60 Goswell Road, London, EC1M 7AD.
- 14.14 The costs and expenses of and incidental to the Admission will amount to approximately £700,000.

15. Availability of this document

Copies of this document are available free of charge from the Company's registered office and at the offices of Osborne Clarke, One London Wall, London, EC2Y 5EB, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) and will remain available for at least one month after Admission.

Dated 16 March 2007

