



avanti  
communication

Avanti Communications Group plc  
Annual Report and Accounts 2008



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# Officers and professional advisers

## Directors

F E J G Brackenbury CBE  
D J Williams  
D J Bestwick  
N A D Fox  
D A Foster  
W P Wyatt  
C R Vos  
I C Taylor MBE, MP

Chairman  
Chief Executive  
Chief Technology Officer  
Group Finance Director  
Non-Executive Director  
Non-Executive Director  
Non-Executive Director  
Non-Executive Director

## Secretary

N A D Fox

## Registered office

74 Rivington Street  
London  
EC2A 3AY

## Bankers

HSBC Bank Plc  
70 Pall Mall  
London  
SW1Y 5EZ

## Auditors

PricewaterhouseCoopers LLP  
1 Embankment Place  
London  
WC2N 6RH

# Chairman's statement

## Key highlights

I have great pleasure in presenting Avanti Communications Group plc's results for the year ended 30 June 2008. Our results are in line with expectations and reflect a year in which we have worked hard to prepare technically and commercially for the launch next year of our first satellite, HYLAS.

During the financial year ended June 2008, the Company has achieved a number of key milestones. We:

- completed a £32m long term debt financing - the first time a European satellite operator has raised non-recourse debt for the construction phase of its first satellite and, given capital market circumstances, a real vote of confidence in our business
- placed launch and in-orbit insurance on HYLAS which protects investors downside with a value of £89m
- secured a launch at competitive pricing for HYLAS for a window of between 31 March and 31 December 2009
- created a distribution network of eighteen partner companies around Europe to sell the HYLAS satellite broadband products with a strong new business pipeline
- secured several important contracts for our interim service using rented capacity, including a £3m project with the Scottish Government

Our efforts to build distribution for HYLAS have been fruitful this year, with eighteen partners in ten countries now committed to selling our satellite broadband services with volume commitments of between £50,000 and £9 million. I believe this is evidence of the quality of our marketing, but also a testament to the novelty and appeal of our business model as well as the considerable advantages in price and service levels bestowed by our unique technology.

It is also apparent that the market for satellite broadband is growing. As we accurately forecasted in 2005, terrestrial networks leave large populations without broadband – an estimated 24 million homes in Europe. Broadband has become an essential tool for modern life both at home and in the office, and we are fortunate to be launching the first satellite which can address this market properly.

We have assembled a team of highly energetic, creative and skilled colleagues. Amongst our sixty-three employees, twenty-seven different nationalities are represented and Avanti employees have on average 1.02 degrees per person. This vibrant and highly skilled culture is a significant advantage. Avanti is Europe's first entrepreneur-created fixed satellite services company and we have only achieved this through the diversity and quality of our workforce. I want to thank the entire team this year for the skill and energy with which they continue to drive our business forward. I also welcome Ian Taylor, MBE MP, who joined the Board as a Non-Executive Director in 2008.

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## Chairman's statement (continued)

During the year our market has grown and we have been successful in proving that we can sell our products into it. Preparations are well advanced to manage the technical and commercial launch of HYLAS in 2009 and our company continues to offer a very exciting future.

A handwritten signature in black ink, reading "J Brackenbury". The signature is written in a cursive style with a horizontal line underneath.

John Brackenbury CBE  
Chairman

*Avanti:  
broadband internet access  
anywhere in Europe*





# Chief Executive's report

## Introduction

2008 was our first full year of commercial service of our satellite broadband products which currently use old fashioned rented satellite capacity. We operate this service for two reasons: to test our systems and build our distribution channels prior to the launch of our own broadband satellite, HYLAS. With this capacity we have been able to demonstrate to our own satisfaction that the market is strong and growing and the ground components of our products (modems and software) work well in delivering customer expectations. We also dedicated a great deal of effort during the year developing and testing the back office systems which will be required to manage a rapidly growing customer base. We are therefore confident that our assumptions on our market, and our ability to exploit it with the more advanced and lower cost HYLAS capacity are correct and we feel technically and managerially ready to maximise our opportunity.

## Business overview

This has been a year of very tight focus on our core opportunity, which is selling satellite broadband in Europe. I believe that our strategy has evolved and clarified, and as a result we are more optimistic than we were a year ago about our market opportunity.


Production of the satellite is proceeding well, and we remain on schedule to launch within the previously announced window of March to December 2009. Broadband satellites (using "Ka-band" frequencies) make it possible for the first time for satellite broadband to match or exceed both the service quality and value for money of terrestrial broadband. Via our distribution partners, end users will be able to buy satellite broadband at prices from as little as €15 per month and at speeds of 8Mb. With a further development on our modems, due in 2010, HYLAS can provide speeds of up to 200 Mb showing that broadband satellites can compete head on with any technology.

Avanti serves three core customer segments for satellite broadband in Europe: Consumer, Enterprise and Wholesale. We serve these markets through distributors. We design our commercial offering to distributors to make it as easy as possible for them to enter and grow the nascent satellite broadband market. The satellite operator market in Europe has traditionally neglected satellite broadband, because both capacity and ground hardware were too expensive to grow a large market, and also the incumbent operators are focussed on selling capacity to the television market.

Our business model is therefore as radical as our technology. We have borrowed from the mobile phone industry in creating a "Virtual Network Operator" model through the use of new bespoke software as well as a more customer focussed commercial approach. Thus a small distributor, or a large telco with small satellite needs can benefit from the economics and flexibility of being a network operator without making significant capital expenditure or staffing up a large operations team. We sell in small and flexible units of capacity, and bundle the use of our network hardware and second line customer support. This is a first in the European satellite industry and in our

Continued on page 9 ►





*The SpaceX developed Merlin 1C regeneratively cooled engine undergoing test firing at the SpaceX test facility in McGregor, Texas. The Merlin 1C engine successfully launched a Falcon 1 flight in September 2008, and nine of them will power the upcoming Falcon 9 flights, slated to begin in 2009 from Cape Canaveral, Florida.*



## Chief Executive's report (continued)

first full year of service operation, we have signed up distributors in Scotland, Ireland, England, Spain, Germany, Poland, Czech Republic, Italy, Serbia and Albania. All of our distributors make commitments to minimum volumes so each contract adds to our order book. Of course some customers are already large users of satellite capacity (mainly in the less price sensitive Enterprise and Government markets) and have committed to large amounts of bandwidth in order to access the lowest possible rates.

We now have a full team at Avanti which is ready for the launch of HYLAS. In building this team, we have searched the whole world looking for talent. The satellite industry has very high barriers to entry, and one of those is the difficulty in recruiting and retaining skilled staff. I believe that the entrepreneurial culture of Avanti is very new for the satellite industry, and that attracts recruits; but also our highly diverse workforce makes for a more creative and vibrant culture and an environment where creativity flourishes.

During the year we have conducted significant new market research to support our distribution channels and prioritise our efforts. One of the conclusions we drew was that in the Consumer segment 11% of European homes cannot access terrestrial broadband and this equates to a potential market of £4bn per annum for satellite broadband. Already in the UK, broadband penetration in rural areas exceeds that of urban areas so we believe a large part of this market is available to us in the immediate term. The market we anticipated in 2004 when we first began planning HYLAS has almost doubled. It is this large un-served market which has prompted the European Commission to make €1.8bn of Structural Funds available to accelerate the deployment of rural broadband projects. Given Avanti's success in deploying government funded rural broadband projects for the EU, ESA and British national and regional governments, we are hopeful that with our new distribution partners in Europe we can win a significant amount of this business. The Enterprise market shows similar level of growth in demand for private corporate networks. In Wholesale, there are opportunities for us to distribute bulk data for terrestrial network operators. During the year it has become particularly apparent that the expansion of mobile broadband leaves many base stations, especially outside big cities unable to cope with the demand for "backhaul" connectivity from the base station to the network core. Therefore cellular backhaul is an increasingly important application for our product in the wholesale sector and we hope to announce significant progress in this market soon.

### Outlook

Our financial results for the year are in line with market expectations, and whilst they are relatively immaterial in the context of our HYLAS business plan they do reflect the availability of a nascent but flourishing satellite broadband market. We received a sceptical response in our industry four years ago but this is no longer the case. It has become axiomatic that satellite data traffic will move to Ka band and that the new economics and service quality of Ka band will grow the satellite broadband market dramatically. Broadband has become a fundamental personal and business communication tool worldwide, and we believe it is largely insensitive to



recession should one occur, especially given large scale government investment in rural broadband. We have a market which is very poorly served by limited competition and compelling technology advantages.

I am therefore highly optimistic about the market environment in which we operate and also about our readiness to exploit it. Also the success of the start up Ka band operators in the USA has pointed the way and shows that we are not trying to do anything that has not already been achieved elsewhere.

This is an exciting time to work at Avanti Communications and I look forward to reporting further progress in achieving our goals next year.

A handwritten signature in black ink, appearing to be 'David Williams', written in a cursive style.

David Williams  
Chief Executive



# Directors' report

*The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 30 June 2008.*

## Principal activities and review of the business

The principal activity of the Company is the provision of satellite broadband internet services.

Avanti Communications Group plc (ACG) was incorporated on 1 March 2007 in order to facilitate the de-merger of the satellite networks business from its previous parent. The de-merger was concluded on 15 March 2007 and ACG was admitted to AIM on 16 April 2007.

## Business review and key performance indicators

The information that fulfils the requirements of the business review can be found in the finance and operating review on pages 15 to 17, which are incorporated in this report by reference.

## Results and dividends

The results for the year ended 30 June 2008 are shown on page 27. No equity dividend was paid in the year ended 30 June 2008 (2007: £nil). No final dividend is proposed at the year end (2007: £nil). The loss for the year transferred to reserves was £994,000 (2007: profit of £21.1 million).

## Research and development

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

## Directors

The directors who served during the year were as follows:

F E J G Brackenbury CBE

D J Williams

D J Bestwick

N A D Fox

D A Foster

M J Desmond

resigned 2 May 2008

C R Vos

W P Wyatt

I C Taylor MBE, MP

appointed 16 June 2008

## Directors' share interests

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

|                         | Fully paid Ordinary Share of 1p each |              |
|-------------------------|--------------------------------------|--------------|
|                         | 30 June 2008                         | 30 June 2007 |
| F E J G Brackenbury CBE | 407,891                              | 392,659      |
| D J Williams            | 1,619,306                            | 1,432,021    |
| D J Bestwick            | 1,101,052                            | 1,000,840    |
| N A D Fox               | 50,611                               | -            |
| D A Foster              | 189,199                              | 174,199      |
| C R Vos                 | 6,030                                | 1,900        |
| W P Wyatt               | 11,200                               | 4,000        |
| I C Taylor MBE, MP      | 2,885                                | -            |

At 14 October, the Company had been notified, pursuant to the Financial Services Authority's Disclosure & Transparency Rules, of the following notifiable voting rights in the Company's issued ordinary share capital.

|                              | Direct No. | Direct % | Indirect No. | Indirect % |
|------------------------------|------------|----------|--------------|------------|
| Caledonia Investments Plc    | 6,762,845  | 21.9%    | -            | -          |
| Bedell Trustees Limited      | 3,170,850  | 10.3%    | -            | -          |
| Avenue Capital International | 2,529,412  | 8.2%     | -            | -          |
| Kaupthing Bank Luxembourg    | 1,775,000  | 5.7%     | -            | -          |
| David Williams Esq           | 1,183,333  | 3.8%     | 435,973      | 1.4%       |
| Britel Fund Nominees Limited | 1,073,934  | 3.5%     | -            | -          |
| David Bestwick Esq           | 1,000,840  | 3.2%     | 100,212      | 0.3%       |

In addition, 2.6 million shares are held under LTIP. Dividend and voting rights have been waived.

#### Policy and practice on payment of creditors

The Group's policy and practice on payment of creditors is:

- To pay all suppliers within the time limit agreed at the start of business with that supplier;
- To ensure that suppliers are aware of the terms of payment; and
- To pay in accordance with the contractual and other legal obligations whenever it is satisfied that the supplier has provided goods and services in accordance with the agreed terms and conditions.

At 30 June 2008, the Group's trade creditor days were 133 days (2007: 85 days).

#### Directors' and Officers' liability insurance

Avanti Communications Group plc maintains appropriate insurance to cover Directors' and Officers' liability for itself and its subsidiaries. At the date upon this report was approved and for the year to 30 June 2008, the Company provided an indemnity in respect of all of the Company's Directors.

#### Auditors

PricewaterhouseCoopers LLP ('PwC') were appointed as auditors during the year and have indicated their willingness to continue as auditors; accordingly a resolution to reappoint them will be proposed at the forthcoming AGM in accordance with Section 385 of the Companies Act 1985.

#### Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards as adapted by the European Union.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

Continued overleaf ►



## Directors' report (continued)

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the [avantiplc.com](http://avantiplc.com) website.

### Disclosure of information to auditor

- (a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
- (b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S234A of the Companies Act 1985.

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

**Nigel Fox**  
Secretary and Group Finance Director  
London

20 October 2008



*Test firing of two Merlin 1C engines on 18 January 2008 at the SpaceX test facility in McGregor Texas. Powered by liquid oxygen and rocket grade kerosene, the pair of Merlins produced over 181,000 pounds of thrust during the test. A total of nine Merlin 1C engines will power the Falcon 9 rocket.*



# Finance and operating review

*Revenue increased 132% to £5.92 million (2007: £2.56million) and operating loss from operations before exceptional credit\* in 2008 reduced by 51% to £1.86 million (2007: loss £3.76 million). Gross profit margins in 2008 were 68% compared to a negative margin in 2007.*

*\* exceptional credit of £23.3 million arose on the forgiveness on an inter-company debt due from the previous parent company*

## Basis of reporting

The Group financial statements in this report have been prepared in accordance with International Financial Reporting Standards (IFRS) and the associated International Financial Reporting Interpretation Council (IFRIC) interpretations each as adopted for use in the EU.

We have implemented the following standards in these financial statements.

IFRS 2 - "Share based payments". Share options and an LTIP scheme have been introduced since the last financial year end. The fair value of the options have been estimated at the time of the grants, and will be charged to the Income Statement over the vesting periods (see note 25).

IFRS 7 - "Financial Instruments: Disclosures", and the complementary amendments to IAS 1, "Presentation of financial statements - Capital Disclosures" introduces new disclosures relating to financial instruments (see note 22). This standard does not have any impact on the classification and valuation of the group's financial instruments.

## Accounting policies

The Group has reviewed its accounting policies in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and determined that they are appropriate for the Group.

## Operating performance

Revenue increased 132% to £5.92 million (2007: £2.56 million) and loss from operations before exceptional credit in 2008 reduced by 51% to £1.86 million (2007: loss £3.76 million). Gross profit margins in 2008 were 68% compared to a negative margin in 2007.

The results for the year have been impacted by two fair value adjustments as required by International Financial Reporting Standards (IFRSs) being share based payments and financial instruments.

As a result of share options issued to staff and directors during the year, £0.87 million has been recognised as share based payments expense representing the current year allocation of the fair value of share options granted, in accordance with IFRS 2 Share based payments.

A fair value book gain of £0.12 million has been recognised as a financing gain and a corresponding derivative asset, in accordance with IAS 39 "Financial Instruments: Recognition and Measurement". The gain represents the mark to market value of USD currency options outstanding at 30 June 2008 (2007: nil) and will reverse in the following year when these options mature.

The underlying loss before taxation fell by 57% to £1.36 million (2007: loss £3.15 million before exceptionals).

## Exceptional items

The group separately identifies and discloses any significant one-off or unusual items (termed "Exceptional items"). This is consistent with the way that financial performance is measured by management and we believe assists in providing a meaningful analysis of the trading results of the group.



Exceptional items may not be comparable to similarly titled measures used by other companies.

### Taxation

The tax credit of £0.36 million (2007: credit £0.90 million) represents an effective rate of 26.7% (2007: 4.5%). The group currently generates all its taxable results in the UK. Note 9 to the financial statements provide details of the tax charge.

### Earnings per share

Basic earnings per share fell to 3.60p loss per share (2007: 82.05p earnings per share). However, the underlying earnings per share for 2007 excluding the exceptional credit was 8.8p loss per share. Note 10 to the financial statements provide details of these calculations.

### Financing, cash flow and treasury

In July 2007 the Group concluded its debt financing for HYLAS with the completion of a £32 million payment-in-kind ('PIK') interest toggle bond. The interest accrues on a quarterly basis at LIBOR +10.5%. The bond has a 7 year bullet repayment with early repayment allowed from December 2009. At the same time the lead debt provider also subscribed for 2 million new ordinary shares at 200p per share. All members of the debt consortium are also equity holders in the Group.

The combination of this and earlier fundraising means that the HYLAS project is fully financed and there is sufficient headroom to protect the business from cost overruns and delays. The funding of the business is not at risk from the current turbulence in the capital markets. The cash balance was £35.2 million at 30 June 2008, with all deposits now held by HSBC.

Until HYLAS revenues are recognised, both operating and capital cash flows will be dominated by milestone payments which may cause volatility in the Group cashflows.

Continued overleaf ►

|   | 30 June 2008<br>£'000 | 30 June 2007<br>£'000 |
|---|-----------------------|-----------------------|
| (Loss) profit from operations before taxation | (1,858)               | 19,580                |
| Exceptional item in the prior year            | -                     | (23,343)              |
| Adjusted loss from operations                 | (1,858)               | (3,763)               |
| Depreciation and other non-cash movements     | 1,341                 | 564                   |
| Change in working capital and provisions      | (2,152)               | 11,863                |
| Net capital expenditure                       | (7,543)               | (10,305)              |
| Operating cashflow                            | (10,212)              | (1,641)               |
| Net interest received                         | 1,555                 | 616                   |
| Free cash flows                               | (8,657)               | (1,025)               |
| Movements in funding                          | 33,950                | (466)                 |
| <b>Increase / (decrease) in net funds</b>     | <b>25,293</b>         | <b>(1,491)</b>        |



## Finance and operating review (continued)

The principal use of funds during the year was the procurement of the HYLAS satellite, the launcher and the associated costs of setting up ground and control systems for the post launch period. The cash flows associated with this capital expenditure is determined by the final acceptance of various milestones. In the year ended 30 June 2008 capital expenditure was £20.5 million (2007: £10.3 million) of which £19.8 million (2007: £9.9 million relates to HYLAS). £13 million of the £20.5 million capital expenditure was recognised as creditors or accruals at year end.

The Group has significant US dollar and Euro currency exposures. The Group's policy is to hedge all currency transaction exposures at the time of entering into a contractual commitment. To date the Euro receivables have formed a natural hedge against euro payables to Astrium for HYLAS. US dollar payables have been hedged using options and forward contracts. The group has chosen not to adopt hedge accounting during the current or previous year.

### Environmental factors

The activities of Avanti are judged to have a low environmental impact and are not expected to give rise to any significant inherent environmental risks over the next twelve months. Avanti's HYLAS satellite will have its transmission powered by solar power. It therefore produces lower carbon emissions per customer than other forms of terrestrial telecommunications.

### Risks

Last year I identified four key risks associated with the HYLAS project:

- Raising sufficient funds for the completion of the project;
- Procurement of the launcher;
- Placing of the insurance; and
- A successful launch

I am pleased to confirm that three of these risks have now been successfully retired and that the remaining key risk is a successful launch. Our focus now is on securing sales to utilise the available capacity.

### Critical accounting policies

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

### Pipeline and backlog

We currently have an unweighted pipeline of £127 million (2007: £164 million), which when weighted by reference to the progress through the sales process and the probability of ongoing negotiations leading to a successful conclusion, is £20 million (2007: £13 million). The order book at 30 September 2008 was £21 million.

**Nigel Fox**  
Group Finance Director

20 October 2008





# Corporate governance report

## **Introduction**

*The Group is listed on AIM. Although the rules of AIM do not require the Company to comply with the Combined Code on Corporate Governance ("the Code") the Company fully supports the principles set out in the Code and will seek to comply wherever practical, given both the size and resources available to the Company. Details are provided below of how the Company applies those parts of the Code which it believes to be appropriate.*

## **The board**

The Company has appointed non-executive directors to bring an independent view to the board and to provide a balance to the executive directors. The board of directors comprises three executive directors and four non-executive directors one of whom is the chairman. Despite the fact that some of the non-executive directors have share options, the board considers that each of the non-executive directors is independent. The board meets at least six times per year and receives a board pack comprising individual reports from each of the executive directors and members of the senior management team, together with any other material deemed necessary for the board to discharge its duties. The board has responsibility for formulating, reviewing and approving the Group's strategy, budgets, major items of expenditure and acquisitions.

## **Board committees**

The Board has established three committees: audit, remuneration and nominations, all having written terms of delegated responsibilities. Each is chaired by a different non-executive director. A copy of each committee's terms of reference can be found at the Avanti website: [www.avantiplc.com](http://www.avantiplc.com)

## **Audit committee**

The audit committee consists of W Wyatt, J Brackenbury and R Vos and is chaired by W Wyatt. It meets at least twice a year and is responsible for ensuring that the appropriate financial reporting procedures are properly maintained and reported on and for meeting the auditors and reviewing their reports relating to the Group's accounts and internal control systems. The committee also receives all internal operational review reports.

## **Remuneration committee**

The remuneration committee consists of A Foster, J Brackenbury, and W Wyatt and is chaired by A Foster. It meets at least twice a year and is responsible for reviewing the performance of the executive directors and other senior executives and for determining appropriate levels of remuneration.

## **Nominations committee**

The nominations committee consists of W Wyatt, J Brackenbury and R Vos and is chaired by J Brackenbury. It meets as and when necessary and is responsible for nominating candidates for appointment as Directors to the Board, bearing in mind the need for a broad representation of skills across the Board.

## **Shareholder relations**

The Company meets with institutional shareholders and analysts as appropriate and uses its website to encourage communication with private, existing and prospective shareholders. Avanti Communications Group plc welcomes feedback from investors about its published reports and website. Please address your feedback to our investor relations team at Redleaf Communications Limited by email [info@redleafpr.com](mailto:info@redleafpr.com) or in writing to Redleaf Communications Limited, 9-13 St Andrews Street, London EC4A 3AF.

### Internal control and risk management

The Group operates a system of internal control and continues to develop and review that system in accordance with the guidance published by the Institute of Chartered Accountants in England and Wales. The internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives. The board is responsible for the system of internal control and for reviewing its effectiveness. It can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The board operates a formal process of risk assessment and reporting. Each major business unit carries out formal risk assessments annually and regularly updates those during the year. Reports on the assessments and related mitigation actions of all significant risks are provided to the board.

The Group does not have an internal audit function due to the small size of the Company's administrative function, the high level of director review and authorisation of transactions. However, the Company undertakes a programme of operational reviews designed to visit all major businesses on a regular basis. The finance director is responsible for that programme and its reporting to the audit committee.

The board recognises that an essential part of its responsibility is the effective safeguarding of assets, the proper recognition of liabilities and the accurate reporting of results. The Group has a comprehensive system for regular reporting to the board. This includes an annual planning and budgeting system with budgets approved by the board. The financial reporting system compares against budget and prior year and reconsiders its financial year forecast on a monthly basis. The board has established a formal policy of authorisation setting out matters which require its expressed approval and certain authorities delegated to the executive directors.

In compliance with AIM rules the Company has established a policy and share dealing code relating to dealing in the Company's shares by directors, employees and connected persons.

The Company maintains appropriate insurance cover in respect of legal actions against directors as well as against material loss or claims against the Group, and reviews the adequacy of cover regularly.

There were no notifiable environmental impacts at any Avanti Communications Group site during the financial year.



# Board of Directors



## **John Brackenbury CBE\*+** **Chairman**

John was founder Chairman of Pubmaster which was sold in 2003 to Punch Taverns. He is a leading industrialist with over 40 years experience in the drinks and leisure sector. He is also President of Business in Sport and Leisure Limited, a Non-Executive Director of Isle of Capri Casinos Ltd and a Director of Springboard UK.



## **David Williams** **Chief Executive**

David is a co-founder of the Company. Prior to this he spent ten years working in the City financing telecommunications projects. David was named Entrepreneur of the Year at the Quoted Company Awards in 2006.



## **Nigel Fox** **Finance Director and Secretary**

Nigel is a Chartered Accountant and has held various senior finance roles before joining Avanti Communications in 2007, including chief financial officer of Climax Group; group financial controller at ARC International; finance director of Ruberoid Building Products, and group financial controller of Ruberoid Plc.



## **David Bestwick** **Chief Technology Officer**

David is a co-founder of the Company. David graduated from the University of Leicester in 1987 with a BSc in Physics with Astrophysics. Following three years at Marconi Research Centre (MRC), he joined VEGA Group PLC in 1990 where he worked on a wide range of satellite applications projects.

\* Audit committee

+ Remuneration committee

## **Will Wyatt\*+**

### **Non Executive**

Will joined Caledonia Investments plc in 1998 and was elected to the board in 2005. He also serves as non-executive director on the boards of Melrose Resources plc, TGE Marine AG, Bristow Group Inc and Terrace Hill plc.



## **Alan Foster+**

### **Non Executive**

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



## **Richard Vos\***

### **Non Executive**

Richard is a telecommunications and satellite professional, with international experience, gained over 40 years working in the industry.

He is currently Chairman of SatCom Group Holdings plc and a Non-executive Director of NSSC Operations Ltd. He is a member of the UK Government's Space Advisory Council and Chairman of their Telecommunications & Navigation Advisory Board as well as a member of the Institute of Directors.

His previous positions included Chairman of Inmedia Communications Ltd. and of Inmarsat Ventures PLC and Head of Satellite Investments for British Telecommunications plc (BT), serving as Governor for the UK and Ireland on the Board of INTELSAT and as Chairman of the Board.



## **Ian Taylor MBE MP**

### **Non Executive**

Ian is MP for Esher and Walton, entering Parliament in 1987.

He was Minister for Science and Technology at the Department of Trade and Industry (1994-97). He now chairs the Conservative Party's Policy Task-force on Science, Technology, Engineering and Mathematics.

Ian is an officer of several all-party Parliamentary committees, including the Office of Science & Technology, EURIM (European Information Society Group), PITCOM (Information Technology Committee), APCOM (Communications), Corporate Social Responsibility and co-Chairman of the Space Committee.

Prior to entering Parliament, Ian had 18 years experience of providing corporate finance and management advice to companies in the UK, France and USA.





# Independent auditors' report to the members of Avanti Communications Group plc

We have audited the group and parent company financial statements (the "financial statements") of Avanti Communications Group plc for the year ended 30 June 2008 which comprise the Consolidated income statement, the Consolidated and Company balance sheets, the Consolidated and Company cash flow statements, the Consolidated and Company statements of changes in equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

## Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and Accounts in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities within the Directors' Report.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Chairman's Statement, the Operating and Financial Review and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.



### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit 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 statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

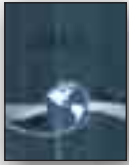
In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 30 June 2008 and of its loss and cash flows for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 30 June 2008 and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London

20 October 2008



# Drawing expertise from across the globe



**SOS Children's Villages**  
the world's largest orphan charity

*Lucy Edge, Control Segment Manager, visits an orphanage in Bangalore. David Williams, Chief Executive, comments: "Avanti encourages its employees and business partners to support the work of SOS Children's Villages, the world's largest orphan charity."*

*Avanti does not contribute corporate funds, however it is using spare capacity to provide broadband to orphanages in markets where Avanti has business.*





# Consolidated income statement

Year ended 30 June 2008

|  | Notes | Year ended<br>30 June<br>2008<br>£'000 | Year ended<br>30 June<br>2007<br>£'000 |
|--|-------|--|--|
| Revenue  | 2,3   | 5,921                                  | 2,562                                  |
| Cost of sales  |       | (1,918)                                | (2,763)                                |
| <b>Gross Profit</b>  |       | <b>4,003</b>                           | (201)                                  |
| Operating expenses   |       | (5,861)                                | (3,562)                                |
| Exceptional item   | 7     | -                                      | 23,343                                 |
| <b>(Loss) / Profit from operations</b>                       |       | <b>(1,858)</b>                         | 19,580                                 |
| Finance income   | 8     | 704                                    | 715                                    |
| Finance expense  | 8     | (201)                                  | (99)                                   |
| Net financing income   |       | 503                                    | 616                                    |
| <b>(Loss) / Profit before tax</b>                            |       | <b>(1,355)</b>                         | 20,196                                 |
| Income tax credit  | 9     | 361                                    | 898                                    |
| <b>(Loss) / Profit for the year</b>                          |       | <b>(994)</b>                           | 21,094                                 |
| Attributable to:   |       |  |  |
| <b>Equity holders of the parent</b>                          |       | <b>(994)</b>                           | 21,094                                 |
| <b>Basic and diluted (loss) / earnings per share (pence)</b> | 10    | <b>(3.60)p</b>                         | 82.05p                                 |

The notes on pages 32 to 52 form part of the financial statements.

The Company has elected to take the exemption under section 230 of the Companies Act 1985 to not present the parent company income statement.

# Consolidated balance sheet

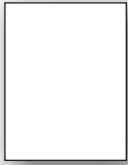
As at 30 June 2008

|                                      | Notes | 30 June<br>2008<br>£'000 | 30 June<br>2007<br>£'000 |
|--------------------------------------|-------|--------------------------|--------------------------|
| <b>ASSETS</b>                        |       |                          |                          |
| <b>Non-current assets</b>            |       |                          |                          |
| Property, plant and equipment        | 11    | 39,742                   | 20,036                   |
| Deferred tax assets                  | 17    | 1,037                    | 384                      |
| <b>Total non-current assets</b>      |       | <b>40,779</b>            | <b>20,420</b>            |
| <b>Current Assets</b>                |       |                          |                          |
| Inventories                          | 15    | 249                      | 31                       |
| Trade and other receivables          | 16    | 8,656                    | 5,764                    |
| Cash and cash equivalents            | 18    | 35,241                   | 10,651                   |
| <b>Total current assets</b>          |       | <b>44,146</b>            | <b>16,446</b>            |
| <b>Total assets</b>                  |       | <b>84,925</b>            | <b>36,866</b>            |
| <b>LIABILITIES AND EQUITY</b>        |       |                          |                          |
| <b>Current liabilities</b>           |       |                          |                          |
| Trade and other payables             | 19    | 13,743                   | 4,476                    |
| Provisions for other liabilities     | 20    | 86                       | -                        |
| Interest bearing liabilities         | 21    | 545                      | 1,369                    |
| <b>Total current liabilities</b>     |       | <b>14,374</b>            | <b>5,845</b>             |
| <b>Non-current liabilities</b>       |       |                          |                          |
| Trade and other payables             | 19    | 1,365                    | 1,365                    |
| Provisions for other liabilities     | 20    | 129                      | -                        |
| Interest bearing liabilities         | 21    | 36,322                   | 968                      |
| <b>Total non-current liabilities</b> |       | <b>37,816</b>            | <b>2,333</b>             |
| <b>Total liabilities</b>             |       | <b>52,190</b>            | <b>8,178</b>             |
| <b>Equity</b>                        |       |                          |                          |
| Share capital                        | 23    | 277                      | 257                      |
| Share premium                        | 24    | 3,858                    | -                        |
| Other reserves                       | 24    | 1,163                    | -                        |
| Retained earnings                    | 24    | 27,437                   | 28,431                   |
| <b>Total shareholders' equity</b>    |       | <b>32,735</b>            | <b>28,688</b>            |
| <b>Total liabilities and equity</b>  |       | <b>84,925</b>            | <b>36,866</b>            |



Approved on behalf of the Board of Directors

20 October 2008



# Company balance sheet

As at 30 June 2008

|                                     |       | 30 June<br>2008<br>£'000 | 30 June<br>2007<br>£'000 |
|-------------------------------------|-------|--------------------------|--------------------------|
|                                     | Notes |                          |                          |
| <b>ASSETS</b>                       |       |                          |                          |
| <b>Non-current assets</b>           |       |                          |                          |
| Deferred tax assets                 | 17    | 88                       | -                        |
| Investments                         | 13    | 289                      | 257                      |
| <b>Total non-current assets</b>     |       | <b>377</b>               | <b>257</b>               |
| <b>Current Assets</b>               |       |                          |                          |
| Trade and other receivables         | 16    | 5,530                    | -                        |
| <b>Total current assets</b>         |       | <b>5,530</b>             | <b>-</b>                 |
| <b>Total assets</b>                 |       | <b>5,907</b>             | <b>257</b>               |
| <b>LIABILITIES AND EQUITY</b>       |       |                          |                          |
| <b>Current liabilities</b>          |       |                          |                          |
| Trade and other payables            | 19    | 1,886                    | -                        |
| <b>Total current liabilities</b>    |       | <b>1,886</b>             | <b>-</b>                 |
| <b>Total liabilities</b>            |       | <b>1,886</b>             | <b>-</b>                 |
| <b>Equity</b>                       |       |                          |                          |
| Share capital                       | 23    | 309                      | 257                      |
| Share premium                       | 24    | 3,858                    | -                        |
| Other reserves                      | 24    | 93                       | -                        |
| Retained earnings                   | 24    | (239)                    | -                        |
| <b>Total shareholders' equity</b>   |       | <b>4,021</b>             | <b>257</b>               |
| <b>Total liabilities and equity</b> |       | <b>5,907</b>             | <b>257</b>               |

Approved on behalf of the Board of Directors

20 October 2008

# Cash flow statements

For the year ended 30 June 2008

|   | Notes     | Group                    |                          | Company                  |                          |
|---|-----------|--------------------------|--------------------------|--------------------------|--------------------------|
|   |           | 30 June<br>2008<br>£'000 | 30 June<br>2007<br>£'000 | 30 June<br>2008<br>£'000 | 30 June<br>2007<br>£'000 |
| <b>Cash flow from operating activities</b>                        |           |                          |                          |                          |                          |
| (Loss) / Profit from operations before taxation                   |           | (1,858)                  | 19,580                   | (425)                    | -                        |
| Net foreign exchange (gain)                                       | 4         | (589)                    | (1)                      | -                        | -                        |
| Derivative financial asset  | 4         | (119)                    | -                        | (119)                    | -                        |
| Depreciation  | 4         | 744                      | 565                      | -                        | -                        |
| Write off of fixed assets   | 4         | 31                       | -                        | -                        | -                        |
| Provision for impairment of trade debtors                         | 16        | 188                      | -                        | -                        | -                        |
| Onerous lease provision   | 20        | 215                      | -                        | -                        | -                        |
| Share based payments expense                                      | 25        | 871                      | -                        | 71                       | -                        |
|   |           | (517)                    | 20,144                   | (473)                    | -                        |
| Movement in working capital                                       |           |                          |                          |                          |                          |
| (Increase) in inventories   |           | (218)                    | (31)                     | -                        | -                        |
| (Increase) / decrease in debtors                                  |           | (1,936)                  | 7,921                    | (5,291)                  | -                        |
| Increase in trade and other payables                              |           | 2                        | 3,973                    | 1,886                    | -                        |
| <b>Cash (used) / generated from operations</b>                    |           | <b>(2,669)</b>           | <b>32,007</b>            | <b>(3,878)</b>           | <b>-</b>                 |
| Interest received   |           | 1,756                    | 715                      | -                        | -                        |
| Interest paid   |           | (201)                    | (99)                     | -                        | -                        |
| <b>Net cash generated / (used) by operating activities</b>        |           | <b>(1,114)</b>           | <b>32,623</b>            | <b>(3,878)</b>           | <b>-</b>                 |
| <b>Cash flows from investing activities</b>                       |           |                          |                          |                          |                          |
| Payments for property, plant and equipment                        |           | (7,543)                  | (10,305)                 | -                        | -                        |
| <b>Net cash used in investing activities</b>                      |           | <b>(7,543)</b>           | <b>(10,305)</b>          | <b>-</b>                 | <b>-</b>                 |
| <b>Cash flows from financing activities</b>                       |           |                          |                          |                          |                          |
| Proceeds from borrowings  |           | 32,000                   | 430                      | -                        | -                        |
| Intercompany movement - de-merger                                 |           | -                        | (24,128)                 | -                        | -                        |
| Repayment of borrowings   |           | (390)                    | (111)                    | -                        | -                        |
| Debt issue cost paid  |           | (988)                    | -                        | -                        | -                        |
| Proceeds from share issue   |           | 4,000                    | -                        | 4,000                    | -                        |
| Share issue costs   |           | (122)                    | -                        | (122)                    | -                        |
| Finance lease paid  |           | (550)                    | -                        | -                        | -                        |
| <b>Net cash(received from) / used in financing activities</b>     |           | <b>33,950</b>            | <b>(23,809)</b>          | <b>3,878</b>             | <b>-</b>                 |
| Net increase / (decrease) in cash and cash equivalents            |           | 25,293                   | (1,491)                  | -                        | -                        |
| Cash and cash equivalents at the beginning of the financial year  |           | 9,948                    | 11,439                   | -                        | -                        |
| <b>Cash and cash equivalents at the end of the financial year</b> | <b>18</b> | <b>35,241</b>            | <b>9,948</b>             | <b>-</b>                 | <b>-</b>                 |

# Statements of changes in equity

Year ended 30 June 2008

| Group                                    | Share capital | Share premium | Share based payments reserve | Profit and loss account reserves | Total reserves |
|--|---------------|---------------|------------------------------|----------------------------------|----------------|
|  | £'000         | £'000         | £'000                        | £'000                            | £'000          |
| <b>2007</b>                              |               |               |                              |                                  |                |
| At 1 July 2006                           | -             | 180           | -                            | 7,414                            | 7,594          |
| Profit for year                          | -             | -             | -                            | 21,094                           | 21,094         |
| Intercompany movement following demerger | 257           | (180)         | -                            | (77)                             | -              |
| <b>At 30 June 2007</b>                   | <b>257</b>    | <b>-</b>      | <b>-</b>                     | <b>28,431</b>                    | <b>28,688</b>  |
| <b>2008</b>                              |               |               |                              |                                  |                |
| At 1 July 2007                           | 257           | -             | -                            | 28,431                           | 28,688         |
| (Loss) for the year                      | -             | -             | -                            | (994)                            | (994)          |
| Issue of share capital                   | 52            | -             | -                            | -                                | 52             |
| EBT Treasury shares                      | (32)          | -             | -                            | -                                | (32)           |
| Premium on shares issued                 | -             | 3,858         | -                            | -                                | 3,858          |
| Share based payments                     | -             | -             | 871                          | -                                | 871            |
| Tax credit taken directly to reserves    | -             | -             | 292                          | -                                | 292            |
| <b>At 30 June 2008</b>                   | <b>277</b>    | <b>3,858</b>  | <b>1,163</b>                 | <b>27,437</b>                    | <b>32,735</b>  |
| <b>Company</b>                           |               |               |                              |                                  |                |
|  | Share capital | Share premium | Share based payments reserve | Profit and loss account reserves | Total reserves |
|  | £'000         | £'000         | £'000                        | £'000                            | £'000          |
| <b>2007</b>                              |               |               |                              |                                  |                |
| At 1 July 2006                           | -             | -             | -                            | -                                | -              |
| Profit for year                          | -             | -             | -                            | -                                | -              |
| Intercompany movement following demerger | 257           | -             | -                            | -                                | 257            |
| <b>At 30 June 2007</b>                   | <b>257</b>    | <b>-</b>      | <b>-</b>                     | <b>-</b>                         | <b>257</b>     |
| <b>2008</b>                              |               |               |                              |                                  |                |
| At 1 July 2007                           | 257           | -             | -                            | -                                | 257            |
| (Loss) for the year                      | -             | -             | -                            | (239)                            | (239)          |
| Issue of share capital                   | 20            | -             | -                            | -                                | 20             |
| Issue of shares to EBT                   | 32            | -             | -                            | -                                | 32             |
| Premium on shares issued                 | -             | 3,858         | -                            | -                                | 3,858          |
| Share based payments                     | -             | -             | 71                           | -                                | 71             |
| Tax credit taken directly to reserves    | -             | -             | 22                           | -                                | 22             |
| <b>At 30 June 2008</b>                   | <b>309</b>    | <b>3,858</b>  | <b>93</b>                    | <b>(239)</b>                     | <b>4,021</b>   |



# Notes to the accounts

Year ended 30 June 2008

## 1 Accounting Policies

### Statement of compliance

The Group financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU issued by the International Accounting Standards Board (IASB) and with those parts of the Companies Act 1985 applicable to companies preparing their accounts under IFRS.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### Basis of preparation

The financial statements have been prepared on the historical cost basis, with the exception of share based payments and financial derivatives, which are incorporated using fair value.

IFRS 2 - "Share based payments". Share options and an LTIP scheme have been introduced since the last financial year end. The fair value of the options have been estimated at the time of the grants, and will be charged to the Income Statement over the vesting periods (see note 25).

IFRS 7 - "Financial Instruments: Disclosures", and the complimentary amendments to IAS 1, "Presentation of financial statements - Capital Disclosures" introduces new disclosures relating to financial instruments (see note 22). This standard does not have any impact on the classification and valuation of the group's financial instruments.

#### *New standards and interpretations not applied*

During the year ended 30 June 2008, the International Accounting Standards Board ('IASB') and the International Financial Reporting Committee ('IFRIC') have issued the following standards and interpretations with an effective date after the date of these financial statements.

#### Effective for accounting periods beginning on or after:

#### **International Financial Reporting Standards**

|        |                                  |                |
|--------|----------------------------------|----------------|
| IFRS 2 | (as amended) Share based payment | 1 January 2009 |
| IFRS 8 | Operating Segments               | 1 January 2009 |

#### **International Financial Reporting Interpretations Committee**

|          |   |                |
|----------|---|----------------|
| IFRIC 11 | IFRS 2: Group and Treasury Share Transactions   | 1 March 2009   |
| IFRIC 12 | Service Concession Arrangements   | 1 January 2008 |
| IFRIC 13 | Customer Loyalty Programmes   | 1 July 2008    |
| IFRIC 14 | The Limit on a Defined Benefit Asset,<br>Minimum Funding Requirements and their Interaction | 1 January 2008 |

The directors do not anticipate that the adoption of any of these standards and interpretations will have a significant impact on the Group's financial statements.

#### **Critical accounting estimates and management judgement**

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



# Notes to the accounts

Year ended 30 June 2008

## 1 Accounting Policies (continued)

### Going concern

The accounts have been prepared on a going concern basis which assumes that the Group will continue in operational existence for the foreseeable future and has no intention of curtailing operations or reducing activities.

### Basis of consolidation

Where the company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The financial statements present the results of the company and its subsidiaries, including the Employee Benefit Trust ("the group") as if they formed a single entity. Intercompany transactions, balances, income and expenses are therefore eliminated in full. The results of subsidiaries acquired during the year are included in the consolidated income statement from the date of acquisition.

There are no minority interest in the net assets of the Group, and no goodwill arising on acquisition of subsidiaries.

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

### Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the group and the revenue can be reliably measured.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business net of discounts, VAT, returns and other similar allowances.

### Consultancy and space contracts

Consultancy revenues are derived from consultancy contracts. New consultancy projects are now connected with the exploitation of our satellite assets. The current space segment revenue is derived from the HYLAS ESA contract.

Where the outcome of a contract can be estimated reliably, revenues are recognised by reference to the stage of completion of the contract activity at the balance sheet date. The contracts are broken down into key milestones and work packages which are all judged individually on a percentage of completion basis in order to ascertain the completeness of an overall project. By its nature these projects require a certain element of judgement by management. Contract costs are incurred as an expense in the period they are incurred.

Accrued income represents the difference between amounts invoiced and revenues recognised on a percentage of completion basis.

### Network services

Revenue is earned by selling broadband services and bandwidth to customers over a 12 to 24 month period. Revenues also include sales of customer premises equipment recognised upon installation. All services are priced and invoiced on a monthly basis and revenue is recognised in the period in which the services are provided.

Where a customer pays a fee for exclusive rights or options over the satellite capacity, revenue is only recognised at the end of the period of exclusivity. If the fee is credited against the final capacity sale, the fee is recognised over the period of the capacity term.

### Segmental reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those segments operating in other economic environments. Income and expenses that are not directly attributable to a particular segment are allocated based on levels of senior management activity on the basis that this closely reflects the use of the Group's resources.

## 1 Accounting Policies (continued)

### Leased assets

Assets acquired under hire purchase or finance lease are capitalised in the balance sheet. Those held under hire purchase and finance lease 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.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

### Interest income and expense

Borrowing costs incurred for the construction of the HYLAS satellite asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use, in accordance with IAS 23 'Borrowing Costs'. Other borrowing costs are expensed in the Income Statement.

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

### Foreign currency

Transactions entered into by the group entities in a currency other than the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rate ruling at the balance sheet date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are similarly recognised immediately in the income statement.

The presentational currency of the Group is sterling. The functional and presentational currency of the parent and all its subsidiaries is sterling.

### Pension schemes

The employees have the option to establish their own pension scheme to which the Group will match employee contributions up to a maximum amount. There is no on-going liability to the Group beyond the period that the contributions are made. The cost of such contributions are charged to the income statement when incurred.

### Share based payments

The group operates a number of equity-settled, share based compensation plans. The fair value of these employee share option plans, representing employee services received in exchange for the grant of the options, is calculated using an option-pricing model. In accordance with IFRS 2 "Share based payment", the resulting cost is charged to the income statement over the vesting period of the options. The amount of the charge is adjusted to reflect expected and actual levels of options vesting.

### Current tax

The charge for taxation is based on taxable profits for the year. Taxable profits differ from profit as reported in the income statement because it excludes items of income and expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities based on tax rates that have been enacted or substantially enacted by the balance sheet date.

### Deferred tax

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

# Notes to the accounts

Year ended 30 June 2008

## 1 Accounting Policies (continued)

### Deferred tax (continued)

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

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

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

### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is provided so as to write off the cost or valuation of assets, other than assets under construction, over their estimated useful lives using the straight-line method.

|                       |               |                           |               |
|-----------------------|---------------|---------------------------|---------------|
| Computer software     | 25% per annum | Plant and machinery       | 25% per annum |
| Network assets        | 20% per annum | Leasehold improvements    | 25% per annum |
| Fixtures and fittings | 25% per annum | Satellite in construction | Nil           |

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Satellite in construction relate to costs directly attributable to the construction of the HYLAS satellite. These assets will be transferred to a space asset category and depreciated over the life of the satellites once they become operational and placed into service. No depreciation has been charged on these assets.

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

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

### European Space Agency (ESA) grants

ESA grants relating to property, plant and equipment are included in non-current liabilities as deferred income and are credited to the income statement on a straight line basis over the expected lives of the related assets.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

### Financial instruments

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

### Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of directly attributable issue costs.

### Trade receivables

Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method where the time value of money is material. Appropriate allowances for estimating irrecoverable amounts are recognised in the Income Statement where there is evidence that the asset is impaired. This impairment would be recognised within operating expenses.

### Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise of cash on hand and demand deposits, and other short term highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value. For the purpose of the consolidated cash flow statement, cash and cash equivalents are stated net of outstanding bank overdrafts.

### Borrowings

Interest-bearing bank loans and overdrafts are measured initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

### Trade payables

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

### Derivative financial instruments and hedge accounting

The group uses derivative financial instruments mainly to reduce exposure to foreign exchange risks. The group does not hold or issue derivative financial instruments for trading purposes. Derivatives are recognised at fair value on the date a contract is entered into and are subsequently re-measured at their fair value.

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

## 2 Revenue

|  | 30 June<br>2008<br>£'000 | 30 June<br>2007<br>£'000 |
|--|--------------------------|--------------------------|
| <b>Continuing operations</b>           |                          |                          |
| Revenue from the sale of goods         | 74                       | 23                       |
| Revenue from the rendering of services | 5,847                    | 2,539                    |
|  | <b>5,921</b>             | <b>2,562</b>             |

Turnover represents net invoiced sales of services provided and goods sold, net of value added tax. The company derived £1,570,000 (2007: £2,059,000) of its turnover from European countries outside the United Kingdom.

## 3 Segment information

Products and services within each business segment

The group's primary reporting format for reporting segment information is business segments. For management purposes the group is organised into three major operating divisions - consultancy, construction / operation of satellite and provision for satellite services.

- Space - satellite business selling Ku and Ka bandwidth on its Hylas satellite
- Network Services - the provision of data communications services by satellite
- Consultancy - the provision of telecommunication consultancy and engineering services

The segment results, assets, liabilities and capital expenditure are listed below.

Inter-segment sales are charged at amounts equal to competitive market prices for external sales of similar goods. Segment assets consists primarily of property, plant and equipment, inventories, trade and other receivable and cash and cash equivalents. Unallocated assets comprise largely of deferred tax assets.

# Notes to the accounts

Year ended 30 June 2008

### 3 Segment information (continued)

Segment liabilities comprise trade and other payables and other operating liabilities. Unallocated liabilities comprise largely of external borrowing.

Capital expenditure comprises additions to property, plant and equipment.

| 30 June 2008                 | Space<br>£'000 | Network<br>services<br>£'000 | Consultancy<br>£'000 | Unallocated<br>£'000 | Group<br>total<br>£'000 |
|------------------------------|----------------|------------------------------|----------------------|----------------------|-------------------------|
| Total segment revenue        | 3,391          | 978                          | 1,570                | -                    | 5,939                   |
| Inter-segment revenue        | -              | (18)                         | -                    | -                    | (18)                    |
| Revenue                      | 3,391          | 960                          | 1,570                | -                    | 5,921                   |
| Segment results              | 1,470          | (2,571)                      | (332)                | (425)                | (1,858)                 |
| Profit before tax            | -              | -                            | -                    | -                    | (1,355)                 |
| Income tax benefit           | -              | -                            | -                    | -                    | 361                     |
| Profit / (loss) for the year | -              | -                            | -                    | -                    | (994)                   |
| Segment assets               | 48,014         | 2,449                        | 26,303               | 8,159                | 84,925                  |
| Segment liabilities          | (11,610)       | (1,337)                      | (2,304)              | (36,939)             | (52,190)                |
| Capital expenditure          | (19,616)       | (575)                        | (122)                | (169)                | (20,482)                |
| Depreciation                 | -              | (474)                        | (270)                | -                    | (744)                   |

| 30 June 2007                 | Space<br>£'000 | Network<br>services<br>£'000 | Consultancy<br>£'000 | Unallocated<br>£'000 | Group<br>total<br>£'000 |
|------------------------------|----------------|------------------------------|----------------------|----------------------|-------------------------|
| Total segment revenue        | -              | 503                          | 2,059                | -                    | 2,562                   |
| Inter-segment revenue        | -              | -                            | -                    | -                    | -                       |
| Revenue                      | -              | 503                          | 2,059                | -                    | 2,562                   |
| Exceptional item             | 9,127          | 967                          | 12,585               | 664                  | 23,343                  |
| Segment results              | 9,127          | (335)                        | 10,124               | 664                  | 19,580                  |
| Profit before tax            | -              | -                            | -                    | -                    | 29,196                  |
| Income tax benefit           | -              | -                            | -                    | -                    | 898                     |
| Profit / (loss) for the year | -              | -                            | -                    | -                    | 21,094                  |
| Segment assets               | 24,516         | 2,217                        | 9,749                | 384                  | 36,866                  |
| Segment liabilities          | (4,165)        | (2,452)                      | (1,561)              | -                    | (8,178)                 |
| Capital expenditure          | (9,877)        | (197)                        | (231)                | -                    | (10,305)                |
| Depreciation                 | -              | (328)                        | (237)                | -                    | (565)                   |

### Secondary reporting format - geographic segments

The Group mainly operates in one geographic area, being the United Kingdom and Europe. The risk profile of the customers and assets of the group are considered to be similar across the European Union region.

#### 4 Operating expenses

Costs are presented by the nature of the expense to the Group.

|  | 30 June<br>2008<br>£'000 | 30 June<br>2007<br>£'000 |
|--|--------------------------|--------------------------|
| Depreciation of property, plant and equipment          | 744                      | 565                      |
| Write off of fixed assets                              | 31                       | -                        |
| Foreign exchange gains                                 | (589)                    | (1)                      |
| Derivatives gains                                      | (119)                    | -                        |
| Research and development costs written off as incurred | 4                        | 5                        |
| Operating lease expenses                               |                          |                          |
| - minimum lease payments                               | 320                      | 312                      |
| - sublease payments                                    | (50)                     | (50)                     |
| - onerous lease provision                              | 215                      | -                        |

#### 5 Auditors remuneration

|   |           |           |
|---|-----------|-----------|
| Fees payable to company's auditor for the audit of parent company and consolidated financial statements | 30        | 26        |
| Fees payable to the company's auditor for other non audit services:                                     |           |           |
| - The audit of company's subsidiaries pursuant to legislation   | 16        | -         |
| - Other services pursuant to legislation  | 4         | -         |
| - Tax services  | 5         | -         |
|   | <b>55</b> | <b>26</b> |

#### 6 Employee benefit costs

The average number of employees, including the Directors, during the year ended 30 June 2008 was 49 (30 June 2007: 49). The aggregate remuneration of all employees comprised:

|                             | 30 June<br>2008<br>£'000 | 30 June<br>2007<br>£'000 |
|-----------------------------|--------------------------|--------------------------|
| Wages and salaries          | 2,215                    | 2,094                    |
| Social security costs       | 239                      | 204                      |
| Pension costs               | 207                      | 48                       |
| Share based payment expense | 871                      | -                        |
|                             | <b>3,532</b>             | <b>2,346</b>             |

The remuneration of key management personnel, including the directors are disclosed in note 29.

#### 7 Exceptional item

|                                     | 30 June<br>2008<br>£'000 | 30 June<br>2007<br>£'000 |
|-------------------------------------|--------------------------|--------------------------|
| Inter-company debt repayment waived | -                        | 23,343                   |

The exceptional item in the prior year related to the write back of the inter-company loan due from Avanti Communications Group to Avanti Screenmedia Group (its previous parent). The write off had no cash flow effect.

# Notes to the accounts

Year ended 30 June 2008

## 8 Net finance income

|                                | 30 June<br>2008<br>£'000 | 30 June<br>2007<br>£'000 |
|--------------------------------|--------------------------|--------------------------|
| <i>Interest expense</i>        |                          |                          |
| Borrowings and loans           | (130)                    | (60)                     |
| Lease finance                  | (71)                     | (39)                     |
|                                | <u>(201)</u>             | <u>(99)</u>              |
| <i>Interest income</i>         |                          |                          |
| Bank deposits                  | 585                      | 715                      |
| Fair value gain on derivatives | 119                      | -                        |
|                                | <u>704</u>               | <u>715</u>               |
| Net finance income             | <u>503</u>               | <u>616</u>               |

## 9 Income tax credit

|   | 30 June<br>2008<br>£'000 | 30 June<br>2007<br>£'000 |
|---|--------------------------|--------------------------|
| <b>Current tax</b>                                |                          |                          |
| Current tax                                       | -                        | -                        |
| Total current tax                                 | <u>-</u>                 | <u>-</u>                 |
| <b>Deferred tax</b>                               |                          |                          |
| Origination and reversal of temporary differences | (404)                    | (898)                    |
| Adjustment in respect of prior periods            | 25                       | -                        |
| Impact of change in UK tax rate                   | 18                       | -                        |
| Total income tax credit                           | <u>(361)</u>             | <u>(898)</u>             |

The tax on the group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

|   | 30 June<br>2008<br>£'000 | 30 June<br>2007<br>£'000 |
|---|--------------------------|--------------------------|
| (Loss) / Profit before tax                                | (1,355)                  | 20,196                   |
| Tax charge at the corporate tax rate of 29.5% (2007: 30%) | (400)                    | 6,059                    |
| Tax effect of non-deductible expenses                     | 49                       | 18                       |
| Tax effect of non-taxable revenue                         | -                        | (7,002)                  |
| Effect of deferred tax charged for the period             | -                        | 27                       |
| Previously unrecognised tax losses                        | (53)                     | -                        |
| Adjustment in respect of prior periods                    | 25                       | -                        |
| Impact of change in UK tax rate                           | 18                       | -                        |
| Income tax credit   | <u>(361)</u>             | <u>(898)</u>             |

Deferred tax balances have been re-measured as a result of the change in the UK Corporation Tax rates from 30% to 28% effective from 1 April 2008. Deferred tax relating to temporary differences which are expected to reverse after 30 June 2008 is measured at the tax rate of 28% as these are the tax rates that will apply on reversal.



## 10 (Loss) / Earnings per share

|   | 30 June<br>2008<br>pence | 30 June<br>2007<br>pence |
|---|--------------------------|--------------------------|
| Basic and diluted (loss)/earnings per share | (3.60)                   | 82.05                    |

The calculation of basic and diluted (loss)/earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year. There is no dilution to the basic earnings per share calculation required as any adjustments would be anti-dilutive.

|   | 30 June<br>2007<br>£'000 | 30 June<br>2006<br>£'000 |
|---|--------------------------|--------------------------|
| (Loss)/profit for the year attributable to equity holders of the parent company | (994)                    | 21,094                   |

|   |            |            |
|---|------------|------------|
| Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share (all measures) | 27,587,955 | 25,708,503 |
|---|------------|------------|

## 11 Property, plant and equipment

|                                | Leasehold<br>Improvements<br>£'000 | Computer<br>Software<br>£'000 | Network<br>Assets<br>£'000 | Fixtures<br>and<br>Fittings<br>£'000 | Plant<br>and<br>Machinery<br>£'000 | Satellite in<br>Construction<br>£'000 | Group<br>Total<br>£'000 |
|--------------------------------|------------------------------------|-------------------------------|----------------------------|--------------------------------------|------------------------------------|---------------------------------------|-------------------------|
| <b>Cost</b>                    |                                    |                               |                            |                                      |                                    |                                       |                         |
| Balance at: 1 July 2006        | 120                                | 360                           | 2,350                      | 393                                  | 112                                | 7,779                                 | 11,114                  |
| Additions                      | 106                                | 14                            | 251                        | 57                                   | -                                  | 9,877                                 | 10,305                  |
| Balance at: 1 July 2007        | 226                                | 374                           | 2,601                      | 450                                  | 112                                | 17,656                                | 21,419                  |
| Additions                      | 8                                  | 44                            | 594                        | 50                                   | -                                  | 19,785                                | 20,481                  |
| Disposals                      | -                                  | -                             | (25)                       | (90)                                 | -                                  | -                                     | (115)                   |
| <b>Balance at 30 June 2008</b> | <b>234</b>                         | <b>418</b>                    | <b>3,170</b>               | <b>410</b>                           | <b>112</b>                         | <b>37,441</b>                         | <b>41,785</b>           |
| <b>Depreciation</b>            |                                    |                               |                            |                                      |                                    |                                       |                         |
| Balance at: 1 July 2006        | 32                                 | 136                           | 304                        | 234                                  | 112                                | -                                     | 818                     |
| Charge for the year            | 41                                 | 91                            | 361                        | 72                                   | -                                  | -                                     | 565                     |
| Balance at: 1 July 2007        | 73                                 | 227                           | 665                        | 306                                  | 112                                | -                                     | 1,383                   |
| Charge for the year            | 57                                 | 96                            | 516                        | 75                                   | -                                  | -                                     | 744                     |
| Disposals                      | -                                  | -                             | (15)                       | (69)                                 | -                                  | -                                     | (84)                    |
| <b>Balance at 30 June 2008</b> | <b>130</b>                         | <b>323</b>                    | <b>1,166</b>               | <b>312</b>                           | <b>112</b>                         | <b>-</b>                              | <b>2,043</b>            |
| <b>Net Book Value</b>          |                                    |                               |                            |                                      |                                    |                                       |                         |
| <b>Balance at 30 June 2008</b> | <b>104</b>                         | <b>95</b>                     | <b>2,004</b>               | <b>98</b>                            | <b>-</b>                           | <b>37,441</b>                         | <b>39,742</b>           |
| Balance at 30 June 2007        | 153                                | 147                           | 1,936                      | 144                                  | -                                  | 17,656                                | 20,036                  |

At 30 June 2008 the Group held assets under finance lease agreements with a net book value of £1,078,000 (2007: £1,424,000). Depreciation of £331,000 (2007: £225,000) has been provided on these assets.

# Notes to the accounts

Year ended 30 June 2008

## 12 Profit of the parent company

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent Company is not presented as part of these accounts. The parent company's loss after tax for the year ended 30 June 2008 amounted to £239,000 (2007: £nil).

## 13 Investments

### Company

#### Shares in subsidiary undertakings

|                      | 30 June<br>2008<br>£'000 | 30 June<br>2007<br>£'000 |
|----------------------|--------------------------|--------------------------|
| Beginning of year    | 257                      | 257                      |
| Capital contribution | 32                       | -                        |
| End of year          | <b>289</b>               | <b>257</b>               |

During the year, the Company contributed £32,000 (3,213,562 shares at £0.01 each) to the Avanti Employee Benefit Trust established in July 2007.

## 14 Subsidiaries

As at the end of the year the group and company held the following investments in subsidiary companies:

| Name of subsidiary                                   | Nature of business            |
|--|-------------------------------|
| Avanti Communications Limited                        | Telecommunication consultancy |
| Avanti Space Limited                                 | Sales of satellite bandwidth  |
| Avanti Space 2 Limited                               | Sales of satellite bandwidth  |
| Avanti Space 3 Limited                               | Sales of satellite bandwidth  |
| Avanti Launch Services Limited *                     | Management services           |
| Avanti Broadband Limited                             | Satellite broadband business  |
| Avanti Communications Infrastructure Company Limited | Holding company               |
| Avanti Caledonian Broadband Limited *                | Scottish satellite business   |
| Avanti Employee Benefit Trust *                      | Employee benefit trust        |

All the above entities were incorporated in England & Wales, except for Avanti Launch Services Limited which was incorporated in the Isle of Man. The company holds 100% ownership interest and voting power in all the above entities.

\* These entities were incorporated during the 2008 financial year.

## 15 Inventories

| Group          | 30 June | 30 June |
|----------------|---------|---------|
|                | 2008    | 2007    |
|                | £'000   | £'000   |
| Finished goods | 249     | 31      |

The cost of inventories recognised as an expense during the period was £720,000 (2007: £754,000).

## 16 Trade and other receivables

|  | Group        |              | Company      |          |
|--|--------------|--------------|--------------|----------|
|  | 30 June      | 30 June      | 30 June      | 30 June  |
|  | 2008         | 2007         | 2008         | 2007     |
|  | £'000        | £'000        | £'000        | £'000    |
| Trade receivables                                  | 245          | 407          | -            | -        |
| Less provision for impairment of trade receivables | (188)        | -            | -            | -        |
| Net trade receivables                              | 57           | 407          | -            | -        |
| Accrued income                                     | 7,508        | -            | -            | -        |
| Prepayments  | 872          | 4,526        | -            | -        |
| Amounts due from group companies                   | -            | -            | 5,411        | -        |
| Derivative asset                                   | 119          | -            | 119          | -        |
| Other receivables                                  | 100          | 831          | -            | -        |
|  | <b>8,656</b> | <b>5,764</b> | <b>5,530</b> | <b>-</b> |

For discussion of credit risk, refer to Note 22 (b).

## 17 Deferred taxation

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

| Non-current              | Group        |            | Company   |          |
|--------------------------|--------------|------------|-----------|----------|
|                          | 30 June      | 30 June    | 30 June   | 30 June  |
|                          | 2008         | 2007       | 2008      | 2007     |
|                          | £'000        | £'000      | £'000     | £'000    |
| Deferred tax asset       | 2,775        | 823        | 121       | -        |
| Deferred tax liabilities | (1,738)      | (439)      | (33)      | -        |
|                          | <b>1,037</b> | <b>384</b> | <b>88</b> | <b>-</b> |

The gross movement on the deferred income tax account is as follows:

|                                 |              |            |           |          |
|---------------------------------|--------------|------------|-----------|----------|
| Balance at 1 July               | 384          | (514)      | -         | -        |
| Income statement credit         | 361          | 898        | 66        | -        |
| Tax credited directly to equity | 292          | -          | 22        | -        |
| Balance at 30 June              | <b>1,037</b> | <b>384</b> | <b>88</b> | <b>-</b> |

# Notes to the accounts

Year ended 30 June 2008

## 17 Deferred taxation (continued)

| Group<br>30 June 2008                       | Opening<br>balance<br>£'000 | Charged<br>to P&L<br>£'000 | Charged<br>to equity<br>£'000 | Closing<br>balance<br>£'000 |
|---|-----------------------------|----------------------------|-------------------------------|-----------------------------|
| <b>Tax assets</b>                           |                             |                            |                               |                             |
| Provisions and deferred income              | -                           | 446                        | -                             | 446                         |
| Share based payment                         | -                           | 243                        | 292                           | 535                         |
| Unused tax losses                           | 823                         | 971                        | -                             | 1,794                       |
| <b>Total tax assets</b>                     | <b>823</b>                  | <b>1,660</b>               | <b>292</b>                    | <b>2,775</b>                |
| <b>Tax liabilities</b>                      |                             |                            |                               |                             |
| Derivative financial asset                  | -                           | (33)                       | -                             | (33)                        |
| Property, plant and equipment               | (439)                       | (1,266)                    | -                             | (1,705)                     |
| <b>Total tax liabilities</b>                | <b>(439)</b>                | <b>(1,299)</b>             | <b>-</b>                      | <b>(1,738)</b>              |
| <b>Net deferred tax asset</b>               | <b>384</b>                  | <b>361</b>                 | <b>292</b>                    | <b>1,037</b>                |
| <b>30 June 2007</b>                         |                             |                            |                               |                             |
|   | Opening<br>balance<br>£'000 | Charged<br>to P&L<br>£'000 | Charged<br>to equity<br>£'000 | Closing<br>balance<br>£'000 |
| <b>Tax assets</b>                           |                             |                            |                               |                             |
| Unused tax losses                           | -                           | 823                        | -                             | 823                         |
| <b>Total tax assets</b>                     | <b>-</b>                    | <b>823</b>                 | <b>-</b>                      | <b>823</b>                  |
| <b>Tax liabilities</b>                      |                             |                            |                               |                             |
| Property, plant and equipment               | (514)                       | 75                         | -                             | (439)                       |
| <b>Total tax liabilities</b>                | <b>(514)</b>                | <b>75</b>                  | <b>-</b>                      | <b>(439)</b>                |
| <b>Net deferred tax asset / (liability)</b> | <b>(514)</b>                | <b>898</b>                 | <b>-</b>                      | <b>384</b>                  |
| <b>Company</b>                              |                             |                            |                               |                             |
| <b>30 June 2008</b>                         | Opening<br>balance<br>£'000 | Charged<br>to P&L<br>£'000 | Charged<br>to equity<br>£'000 | Closing<br>balance<br>£'000 |
| <b>Tax assets</b>                           |                             |                            |                               |                             |
| Share based payment                         | -                           | 20                         | 22                            | 42                          |
| Unused tax losses                           | -                           | 46                         | -                             | 46                          |
| <b>Total tax assets</b>                     | <b>-</b>                    | <b>66</b>                  | <b>22</b>                     | <b>88</b>                   |
| <b>30 June 2007</b>                         |                             |                            |                               |                             |
|   | Opening<br>balance<br>£'000 | Charged<br>to P&L<br>£'000 | Charged<br>to equity<br>£'000 | Closing<br>balance<br>£'000 |
| <b>Tax assets</b>                           |                             |                            |                               |                             |
| Share based payment                         | -                           | -                          | -                             | -                           |
| Unused tax losses                           | -                           | -                          | -                             | -                           |
| <b>Total tax assets</b>                     | <b>-</b>                    | <b>-</b>                   | <b>-</b>                      | <b>-</b>                    |

## 18 Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents include cash in hand and at banks net of outstanding overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement can be reconciled to the related items in the balance sheet as follows:

| Group                                | 30 June       | 30 June      |
|--------------------------------------|---------------|--------------|
|                                      | 2008          | 2007         |
|                                      | £'000         | £'000        |
| Cash and bank balances               | 1,050         | 3,651        |
| Short term deposits                  | 34,191        | 7,000        |
| Bank overdraft                       | -             | (703)        |
| <b>Net cash and cash equivalents</b> | <b>35,241</b> | <b>9,948</b> |

## 19 Trade and other payables

|                                 | Group         |              | Company      |          |
|---------------------------------|---------------|--------------|--------------|----------|
|                                 | 30 June       | 30 June      | 30 June      | 30 June  |
|                                 | 2008          | 2007         | 2008         | 2007     |
| Current                         | £'000         | £'000        | £'000        | £'000    |
| Trade payables                  | 7,169         | 836          | -            | -        |
| Social security and other taxes | 99            | 79           | -            | -        |
| Other creditors                 | 1,672         | 331          | -            | -        |
| Amounts due to group companies  | -             | -            | 1,886        | -        |
| Accruals                        | 4,803         | 3,230        | -            | -        |
|                                 | <b>13,743</b> | <b>4,476</b> | <b>1,886</b> | <b>-</b> |
| <b>Non-current</b>              |               |              |              |          |
| Deferred income                 | <b>1,365</b>  | <b>1,365</b> | -            | -        |

## 20 Provisions for other liabilities

| Group                   | Current   | Non-current | Total      |
|-------------------------|-----------|-------------|------------|
|                         | £'000     | £'000       | £'000      |
| Onerous lease provision |           |             |            |
| Balance at 1 July 2007  | -         | -           | -          |
| Charged during the year | 86        | 129         | 215        |
| Balance at 30 June      | <b>86</b> | <b>129</b>  | <b>215</b> |

The onerous lease provision has been recognised as a result of the unfavourable lease agreement in relation to the Hoxton Square premises which is currently above market value. The provision is expected to be utilised in the next four years.

# Notes to the accounts

Year ended 30 June 2008

## 21 Interest bearing liabilities

| Group<br>30 June 2008            | Current         |                 | Non-current     |                 |
|----------------------------------|-----------------|-----------------|-----------------|-----------------|
|                                  | 30 June<br>2008 | 30 June<br>2007 | 30 June<br>2008 | 30 June<br>2007 |
|                                  | £'000           | £'000           | £'000           | £'000           |
| <b>Secured at amortised cost</b> |                 |                 |                 |                 |
| Bank loans                       | -               | 92              | 36,172          | 273             |
| Bank overdrafts                  | -               | 703             | -               | -               |
| Other loans                      | 21              | 24              | -               | 21              |
| Finance lease liabilities (i)    | 524             | 550             | 150             | 674             |
|                                  | <b>545</b>      | <b>1,369</b>    | <b>36,322</b>   | <b>968</b>      |

(i) Finance lease obligations are secured by retention of title to the related assets. The borrowings are on fixed interest rate debt with repayment periods not exceeding 5 years.

The company entered into a Senior Finance Term Facility Agreement on 29 July 2007 of £32 million. This money was raised for the sole purpose of funding the HYLAS satellite. The loan bears interest at LIBOR plus a margin. The debt (including interest) is not repayable until its maturity in 2014. In accordance with IAS 23 - Borrowing Costs, qualifying borrowing costs have been capitalised as part of the cost to HYLAS, recognised as Satellite in Construction in Note 11.

## 22 Financial instruments and risk management

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

All financial instruments have been measured at amortised cost, except for derivative assets recognised as fair value through the income statement. As such financial assets being cash and cash equivalents and trade and other receivables are classified as 'Loans and Receivables' and financial liabilities being trade and other payables and interest bearing liabilities have been classified as 'Other Financial Liabilities'.

### a) Market risk

#### i) Foreign exchange risk management

The Group's presentation currency is pounds sterling although some transactions are executed in non-sterling currencies, including Euros and US Dollars. The transactional amounts realised or settled are therefore subject to the effect of movements in these currencies against the pound. It is the Group's policy to manage the exposures arising using currency options. Hedge accounting is not sought for these transactions.

#### Financial instruments by currency

|                              | 30 June 2008    |                |                |                 | 30 June 2007   |                |              |                |
|------------------------------|-----------------|----------------|----------------|-----------------|----------------|----------------|--------------|----------------|
|                              | GBP             | Euro           | USD            | Total           | GBP            | Euro           | USD          | Total          |
|                              | £'000           | £'000          | £'000          | £'000           | £'000          | £'000          | £'000        | £'000          |
| <b>Financial assets</b>      |                 |                |                |                 |                |                |              |                |
| Cash and short term deposits | 30,788          | 4              | 4,449          | 35,241          | 11,319         | (668)          | -            | 10,651         |
| Trade and other receivables  | 1,383           | 7,263          | 10             | 8,656           | 1,660          | 4,104          | -            | 5,764          |
|                              | <b>32,171</b>   | <b>7,267</b>   | <b>4,459</b>   | <b>43,897</b>   | <b>12,979</b>  | <b>3,436</b>   | <b>-</b>     | <b>16,415</b>  |
| <b>Financial liabilities</b> |                 |                |                |                 |                |                |              |                |
| Trade and other payables     | (6,407)         | (7,129)        | (1,572)        | (15,108)        | (959)          | (4,517)        | (365)        | (5,841)        |
| Interest bearing liabilities | (36,867)        | -              | -              | (36,867)        | (2,337)        | -              | -            | (2,337)        |
|                              | <b>(43,274)</b> | <b>(7,129)</b> | <b>(1,572)</b> | <b>(51,975)</b> | <b>(3,296)</b> | <b>(4,517)</b> | <b>(365)</b> | <b>(8,178)</b> |
| Net financial position       | <b>(11,103)</b> | <b>138</b>     | <b>2,887</b>   | <b>(8,078)</b>  | <b>9,683</b>   | <b>(1,081)</b> | <b>(365)</b> | <b>8,237</b>   |

## 22 Financial instruments and risk management (continued)

### a) Market risk (continued)

#### i) Foreign exchange risk management (continued)

At 30 June 2008, if the Euro had weakened/strengthened against the sterling by 5% with all other variables held constant, post tax loss would have worsened by £5,000 or improved by £5,000 (2007: post tax profit would have improved by £36,000 or decreased by £40,000).

At 30 June 2008, if the US Dollar had weakened/strengthened against the sterling by 5% with all other variables held constant, post tax loss would have worsened by £99,000 or improved by £109,000 (2007: post tax profit would have increased by £12,000 or decreased by £13,000).

#### ii) Cash flow and interest rate risk

The Group only borrows in pounds sterling at floating rates of interest and does not seek to mitigate the effect of adverse movements in interest rates.

Cash and deposits earn interest at floating rates based on banks' short term treasury deposit rates. Short-term trade and other receivables are interest free.

At 30 June 2008, if interest rates were 10 basis points higher/lower, with all other variables held constant, post tax profit would have decreased/increased by £4,000 (2007: £nil).

### b) Credit risk management

The Group's principal financial assets are cash and short term deposits and trade and other receivables. The Group has no significant concentrations of credit risk. Cash and cash equivalents are deposited with high-credit quality financial institutions with a minimum rating of A+ and trade receivables are principally from well established corporations. The credit quality of major customers is assessed before trading commences taking into account its financial position, past experience and other factors.

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

|      | Not past due | 1-30 days | 31-60 days | 60+ days | Total |
|------|--------------|-----------|------------|----------|-------|
| 2008 | 6            | 1         | -          | 50       | 57    |
| 2007 | 137          | 44        | 12         | 214      | 407   |

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

|   | 30 June<br>2008<br>£'000 | 30 June<br>2007<br>£'000 |
|---|--------------------------|--------------------------|
| At 1 July 2007                              | -                        | -                        |
| Allowances made in the period               | 188                      | -                        |
| Amounts used and reversal of unused amounts | -                        | -                        |
| Bad debts written off                       | -                        | -                        |
| <b>At 30 June 2008</b>                      | <b>188</b>               | <b>-</b>                 |

The provision of £188,000 (2007: nil) have been raised against gross trade receivables of £245,000 (2007: £407,000).

# Notes to the accounts

Year ended 30 June 2008

## 22 Financial instruments and risk management (continued)

### c) Liquidity risk management

The Group has a fully drawn debt facility which provides adequate liquidity.

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

|                     | Within<br>1 year<br>£'000 | 1 to 2<br>years<br>£'000 | 2 to 5<br>years<br>£'000 | Over 5<br>years<br>£'000 | Contractual<br>amount<br>£'000 | Carrying<br>amount<br>£'000 |
|---------------------|---------------------------|--------------------------|--------------------------|--------------------------|--------------------------------|-----------------------------|
| <b>30 June 2008</b> |                           |                          |                          |                          |                                |                             |
| Bank loans          | -                         | -                        | -                        | 99,453                   | 99,453                         | 36,172                      |
| Other loans         | 22                        | -                        | -                        | -                        | 22                             | 21                          |
| Finance leases      | 563                       | 156                      | -                        | -                        | 719                            | 674                         |
| <b>30 June 2007</b> |                           |                          |                          |                          |                                |                             |
| Bank loan           | 92                        | 92                       | 170                      | 11                       | 365                            | 365                         |
| Other loans         | 30                        | 22                       | -                        | -                        | 52                             | 45                          |
| Bank overdraft      | 703                       | -                        | -                        | -                        | 703                            | 703                         |
| Finance leases      | 630                       | 563                      | 157                      | -                        | 1,350                          | 1,224                       |

The bank loan contractual amount is based on principal plus interest repayable on maturity in 2014. The interest repayable has been based on the average LIBOR for the 2008 financial year plus 10.5% margin.

### d) Fair value of financial instruments

The directors consider the carrying value of all financial assets and liabilities to be approximate to their fair values.

### e) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 20, cash and cash equivalents (note 17) and equity attributable to equity holders of the parent (Note 22 and 23), comprising ordinary share capital, share premium, other reserves and retained earnings.

## 23 Share capital - issued and fully paid

| 30 June 2008           | Number<br>of shares<br>'000 | Group<br>Ordinary<br>shares<br>£'000 | Company<br>Ordinary<br>shares<br>£'000 | Group and<br>Company<br>Share<br>Premium<br>£'000 |
|------------------------|-----------------------------|--------------------------------------|--|---|
| At 1 July 2007         | 25,709                      | 257                                  | 257                                    | -   |
| Shares issued          | 5,213                       | 52                                   | 52                                     | 3,980   |
| Less transaction costs | -                           | -                                    | -                                      | (122)   |
| Treasury shares offset | -                           | (32)                                 | -                                      | -   |
| <b>At June 2008</b>    | <b>30,922</b>               | <b>277</b>                           | <b>309</b>                             | <b>3,858</b>                                      |

The total authorised number of ordinary shares is 40 million shares (2007: 40 million) at £0.01 each.



## 24 Reserves

| Group                                 | Share premium<br>£'000 | Share based payments<br>reserve<br>£'000 | Retained earnings<br>£'000 | Total reserves<br>£'000 |
|---------------------------------------|------------------------|--|----------------------------|-------------------------|
| <b>2007</b>                           |                        |  |                            |                         |
| At 1 July 2006                        | 180                    | -  | 7,414                      | 7,594                   |
| Profit for the year                   | -                      | -  | 21,094                     | 21,094                  |
| Intercompany movement                 | (180)                  | -  | (77)                       | (257)                   |
| <b>At 30 June 2007</b>                | <b>-</b>               | <b>-</b>                                 | <b>28,431</b>              | <b>28,431</b>           |
| <b>2008</b>                           |                        |  |                            |                         |
| At 30 June 2007                       | -                      | -  | 28,431                     | 28,431                  |
| Loss for the year                     | -                      | -  | (994)                      | (994)                   |
| Premium on shares issued              | 3,858                  | -  | -                          | 3,858                   |
| Share based payments                  | -                      | 871                                      | -                          | 871                     |
| Tax credit taken directly to reserves | -                      | 292                                      | -                          | 292                     |
| <b>At 30 June 2008</b>                | <b>3,858</b>           | <b>1,163</b>                             | <b>27,437</b>              | <b>32,458</b>           |

| Company                               | Share premium<br>£'000 | Share based payments<br>reserve<br>£'000 | Retained earnings<br>£'000 | Total reserves<br>£'000 |
|---------------------------------------|------------------------|--|----------------------------|-------------------------|
| <b>2007</b>                           |                        |  |                            |                         |
| At 1 July 2006                        | -                      | -  | -                          | -                       |
| Profit for the year                   | -                      | -  | -                          | -                       |
| Intercompany movement                 | -                      | -  | -                          | -                       |
| <b>At 30 June 2007</b>                | <b>-</b>               | <b>-</b>                                 | <b>-</b>                   | <b>-</b>                |
| <b>2008</b>                           |                        |  |                            |                         |
| At 1 July 2007                        | -                      | -  | -                          | -                       |
| Loss for the year                     | -                      | -  | (239)                      | (239)                   |
| Premium on shares issued              | 3,858                  | -  | -                          | 3,858                   |
| Share based payments                  | -                      | 71                                       | -                          | 71                      |
| Tax credit taken directly to reserves | -                      | 22                                       | -                          | 22                      |
| <b>At 30 June 2008</b>                | <b>3,858</b>           | <b>93</b>                                | <b>(239)</b>               | <b>3,712</b>            |

## 25 Share-based payments

The fair value recognised over the vesting period of share options and award granted 2008 was £871,000 (2007: £nil). All share based payment plans are equity settled and details of these plans is set out below.

The Company has established three share option schemes: The Avanti Communications Group plc approved EMI scheme, the Avanti Communications Group plc Unapproved Share Option Plan and a Long Term Incentive Plan (LTIP). The 2008 charges and weighted average fair value for each of the plans above were as follows:

|                             | EMI      | Unapproved Plan | LTIP     |
|-----------------------------|----------|-----------------|----------|
| 2008 charge                 | £138,000 | £27,000         | £706,000 |
| Weighted average fair value | £2.04    | £1.06           | £0.67    |

To date all options have been granted with a strike price of 1 pence.

In July 2007 an Employee Benefit Trust (EBT) was established. The EBT has subscribed for 3,213,562 shares to satisfy the option awards of all three schemes. The EBT is managed by Bedell Trustees in Jersey. The results of the EBT has been consolidated into the Group's results.

# Notes to the accounts

Year ended 30 June 2008

## 25 Share based payments (continued)

The options granted under each scheme are as follows:

|                              | Outstanding<br>at start of<br>year | Granted<br>during<br>year | Forfeited<br>in year | Exercised<br>during<br>the year | Outstanding<br>at end of<br>year |
|------------------------------|------------------------------------|---------------------------|----------------------|---------------------------------|----------------------------------|
| <b>EMI</b>                   |                                    |                           |                      |                                 |                                  |
| Number of options            | -                                  | 445,197                   | (96,878)             | (3,387)                         | 344,932                          |
| Weighted average share price | -                                  | £2.16                     | £1.89                | £2.40                           | £2.23                            |
| <b>Unapproved scheme</b>     |                                    |                           |                      |                                 |                                  |
| Number of options            | -                                  | 107,863                   | -                    | -                               | 107,863                          |
| Weighted average share price | -                                  | £1.86                     | -                    | -                               | £1.86                            |
| <b>LTIP</b>                  |                                    |                           |                      |                                 |                                  |
| Number of options            | -                                  | 2,551,743                 | -                    | -                               | 2,551,743                        |
| Weighted average share price | -                                  | £1.45                     | -                    | -                               | £1.45                            |

1,288 of the EMI options are exercisable at 30 June 2008. No Unapproved Scheme or LTIP options are exercisable at 30 June 2008.

The exercise price of options outstanding at 30 June 2008 was £0.01 and the weighted average remaining contractual life was 4.3 years.

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

### EMI Scheme

The EMI scheme was used to issue options to staff on 24 July 2007 at an exercise price of 1p. The new options are issued for 10 years with 25% vesting at the end of years 3, 4, 5 and 6. Those staff who had previously held unvested options in the former parent company at the time of the de-merger were given a shorter vesting period for these new options. There are no performance criteria associated with these options and are exercisable as long as the option holder remains an employee of the Company.

The weighted average inputs to the Black-Scholes model are as follows:

|                                 |         |
|---------------------------------|---------|
| Share price at date of Grant    | £2.16   |
| Weighted average exercise price | £0.01   |
| Expected volatility             | 35%     |
| Expected Life                   | 4 years |
| Risk free rate                  | 5.5%    |
| Expected dividend yield         | 1%      |

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

### Unapproved Scheme

The unapproved scheme was established on 13 September 2007. The options are issued for 10 years with 25% vesting at the end of years 3,4,5 and 6. There are no performance criteria associated with these options and are exercisable as long as the option holder remains with the Company.

## 25 Share based payments (continued)

The weighted average inputs to the Black-Scholes model are as follows:

|                                 |         |
|---------------------------------|---------|
| Share price at date of Grant    | £1.86   |
| Weighted average exercise price | £0.01   |
| Expected volatility             | 35%     |
| Expected Life                   | 4 years |
| Risk free rate                  | 5.5%    |
| Expected dividend yield         | 1%      |

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

### Long Term Incentive Plan

The LTIP has been established by the Company with approval from the Remuneration Committee to reward and incentivise the Executive Directors and senior managers of the Company.

The LTIP allocations are in separate funds within the EBT and are subject to a discretionary Trust. The shares are subject to automatic revocation if certain criteria (set out below) are not met and continue to be revocable for the entire Trust period.

The allocations into the LTIP vary for each executive. The total allocation to each executive is split into three separate tranches:

#### i) The Core Tranche

This element of the grant becomes exercisable in 7 equal instalments. The first instalment was exercisable on grant and the second on 30 June 2008. The remaining 5 are yearly thereafter.

#### ii) The Exceptional Achievement Tranche

This element of the grant is only exercisable if the Market Value of a Share exceeds £5 for a consecutive period of six months before 30 June 2010.

#### iii) The Extraordinary Achievement Tranche

This element of the grant is only exercisable if the Market Value of a Share exceeds £10 for a consecutive period of six months before 30 June 2013.

|                     | Core             | Exceptional    | Extraordinary  | Total            |
|---------------------|------------------|----------------|----------------|------------------|
| Number of options:  |                  |                |                |                  |
| Executive Directors | 1,053,722        | 610,125        | 609,768        | 2,273,615        |
| Senior managers     | 139,238          | 69,445         | 69,445         | 278,128          |
| <b>Total</b>        | <b>1,192,960</b> | <b>679,570</b> | <b>679,213</b> | <b>2,551,743</b> |

The Core Tranche has been modelled using the Black-Scholes model while the Exceptional and Extraordinary Tranches have been modelled using the Monte-Carlo model, allowing for the market-based performance conditions.

The weighted average inputs to both models are as follows:

|                                 |         |
|---------------------------------|---------|
| Share price at date of Grant    | £1.45   |
| Weighted average exercise price | £0.01   |
| Expected volatility             | 35%     |
| Expected Life                   | 5 years |
| Risk free rate                  | 5.5%    |
| Expected dividend yield         | 1%      |

Expected volatility was determined by calculating the actual volatility of the Group's share price since flotation and also taking into account historic volatility of other companies within the same sector who have been listed for longer periods. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

# Notes to the accounts

Year ended 30 June 2008

## 26 Obligations under finance leases

### Leasing arrangements

Finance leases relate to capital equipment with lease terms of 5 years. The Group has the option to purchase the equipment for a nominal value at the conclusion of the lease agreement. The Group's obligations under finance leases are secured by the lessor's title to the leased assets.

### Finance lease liabilities

|  | Minimum lease payments |              | Present value of lease payments |              |
|--|------------------------|--------------|---------------------------------|--------------|
|  | 30 June 2008           | 30 June 2007 | 30 June 2008                    | 30 June 2007 |
|  | £'000                  | £'000        | £'000                           | £'000        |
| No later than one year                         | 563                    | 630          | 524                             | 550          |
| Later than 1 year not later than 5 years       | 156                    | 720          | 150                             | 674          |
|  | 719                    | 1,350        | 674                             | 1,224        |
| Less future finance charge                     | (45)                   | (126)        | -                               | -            |
| <b>Present value of minimum lease payments</b> | <b>674</b>             | <b>1,224</b> | <b>674</b>                      | <b>1,224</b> |

|  | 30 June 2008 | 30 June 2007 |
|--|--------------|--------------|
|  | £'000        | £'000        |
| Included in the financial statements as:       |              |              |
| Current borrowings                             | 524          | 550          |
| Non-current borrowings                         | 150          | 674          |
| <b>Present value of minimum lease payments</b> | <b>674</b>   | <b>1,224</b> |

## 27 Obligations under operating leases

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

|                | 30 June 2008     |          | 30 June 2007     |           |
|----------------|------------------|----------|------------------|-----------|
|                | Land & buildings | Other    | Land & buildings | Other     |
|                | £'000            | £'000    | £'000            | £'000     |
| Within 1 year  | 358              | 8        | 241              | 21        |
| Within 2 years | 1,337            | -        | 965              | 8         |
| After 5 years  | 1,389            | -        | 1,064            | -         |
|                | <b>3,084</b>     | <b>8</b> | <b>2,270</b>     | <b>29</b> |

Operating lease commitments principally relate to leased office space of the Group's head office located at 74 Rivington Street, London.

The total of future sub-lease payments expected to be received under non-cancellable sub leases at 30 June 2008 is £200,000 over 4 years (as at 30 June 2007: £250,000 over 5 years).

## 28 Capital commitments

At 30 June 2008, Avanti Space Limited had contracted for satellite expenditure totalling £67.1 million of which £28 million had been paid. Part of the total price, amounting to €19.4 million, is due to be paid directly from the European Space Agency (ESA) to the satellite contractor, Astrium EADS Limited thereby reducing the commitment due directly from the Group.

## 29 Related party transactions

### Transactions with key management personnel - Group

Key management personnel of the Group are considered to be the Executive and Non-Executive Directors and three senior executives. Details of their remuneration are set out below in aggregate for each of the categories specified in IAS 24 "Related Party Disclosures".

|   | 30 June<br>2008<br>£'000 | 30 June<br>2007<br>£'000 |
|---|--------------------------|--------------------------|
| Salaries and other short term employee benefits | 1,137                    | 203                      |
| Post employment benefits                        | 642                      | 7                        |
| Share based payments                            | 751                      | -                        |
|   | <b>2,530</b>             | <b>210</b>               |

The emoluments of the highest paid director were £968,000 (2007: £50,000), made up of:

|   | 30 June<br>2008<br>£'000 | 30 June<br>2007<br>£'000 |
|---|--------------------------|--------------------------|
| Salary  | 215                      | 41                       |
| National insurance                              | 31                       | 5                        |
| Bonus   | 30                       | -                        |
| Post employment benefits (current year)         | 165                      | 4                        |
| <b>Current year recurring emoluments</b>        | <b>441</b>               | <b>50</b>                |
| Share based payments                            | 335                      | -                        |
| Pension contributions in relation to prior year | 192                      | -                        |
| <b>Total emoluments</b>                         | <b>968</b>               | <b>50</b>                |

Pension contributions amounting to £634,000 (2007: £4,000) were made into personal pension schemes in respect of three (2007: three) of the Directors. The prior year emoluments represent amounts received from the date of appointment as directors following the demerger.

### Other related party transactions

#### Subsidiaries

Intra-group transactions are eliminated on consolidation and are not reported in the group accounts. Transactions between the company and its subsidiaries were as follows:

|                                       | 30 June<br>2008<br>£'000 | 30 June<br>2007<br>£'000 |
|---------------------------------------|--------------------------|--------------------------|
| Management fees charged to:           |                          |                          |
| Avanti Communications Limited ('ACL') | 556                      | -                        |
| Avanti Broadband Limited ('ABL')      | 332                      | -                        |
| Avanti Space Limited ('ASL')          | 1,200                    | -                        |
|                                       | <b>2,088</b>             | <b>-</b>                 |

## 30 Contingent liabilities

The group's bankers have provided guarantees totalling £7 million to certain customers in the event of a failure to operationally deploy the HYLAS satellite. The group has arranged launch and in-orbit insurance on HYLAS.

# Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company for 2008 will be held on 26 November 2008 at 10.30 am at 74 Rivington Street, London EC2A 3AY, for the following purposes:

## Ordinary business

1. To receive the accounts for the year ended 30 June 2008, together with the reports of the Directors' and Auditors' therein.
2. To re-elect Ian Taylor MP as a Director of the Company.
3. To re-elect Nigel Fox as a Director of the Company.
4. To re-elect Will Wyatt as a Director of the Company.
5. To re-elect PricewaterhouseCoopers LLP as auditors to the Company.

## Special business

6. That the authorised share capital of the Company be increased from £400,000 to £1,000,000 by the creation of 60,000,000 ordinary shares of 1 pence each ranking pari passu in all respects with the existing ordinary shares of the Company.
7. That the Directors are generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 (The "Act") (in substitution for all or such existing authorities which are hereby revoked) to allot relevant securities (as defined in section 80(2) of the Act) at such times and to such persons, on such terms and in such manner as they think fit, up to an aggregate nominal amount of £150,000, such authority to expire on 28th February 2010 or at the conclusion of the Annual General Meeting next following the date on which this resolution is passed (whichever is earlier), save that the Company may before such expiry make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if that authority had not expired.

## Special resolutions

8. That, in substitution for any equivalent authorities and powers granted to the directors prior to the passing of this resolution, the directors be and they are hereby empowered pursuant to section 95(1) of the Act to allot equity securities (as defined in section 94(2) of the Act) of the Company wholly for cash pursuant to the authority of the directors conferred by resolution 9 above, and/or where such an allotment constitutes an allotment of equity securities by virtue of section 94(3A) of the Act, as if section 89(1) of the Act did not apply to such allotment provided that the power conferred by this resolution shall be limited to:
  - (a) the allotment of equity securities in connection with an invitation or offer of equity securities to the holders of ordinary shares in the capital of the Company (excluding any shares held by the Company as treasury shares (as defined in section 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 exercise of any options granted by the Company at the date of this resolution; and
  - (c) the allotment, otherwise than pursuant to paragraph (a) above, of equity securities up to an aggregate nominal value equal to £150,000, and unless previously renewed, revoked, varied or extended, this power shall expire on the earlier of the date falling 15 months after the date of the passing of this resolution and the conclusion of the next annual general meeting of the Company except that the Company may at any time before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such an offer or agreement as if this power had not expired.
9. That the Articles of Association produced to the meeting and initialled by the Chairman of the meeting for the purposes of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.



**By Order of the Board**  
**Nigel Fox, Secretary**

Registered office:

74 Rivington Street, London EC2A 3AY

Registered number: 6133927

Dated: 20 October 2008

# Notes to notice of Annual General Meeting

## 1. Proxies

A member who is entitled to attend, speak and vote at the Annual General Meeting may appoint a proxy to attend, speak and vote instead of him. A proxy need not be a member of the Company but must attend the meeting in order to represent you. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares (so a member must have more than one share to be able to appoint more than one proxy). A Form of Proxy accompanies this document. The notes to the Form of Proxy include instructions on how to appoint the Chairman of the Annual General Meeting or another person as a proxy and how to appoint a proxy electronically or by using the CREST proxy appointment service. To be valid the Form of Proxy must reach the Company's registrar, Neville Registrars at Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA by at least 48 hours before the Annual General Meeting.

## 2. Documents on display

The following documents are available for inspection at the registered office of the Company during the usual business hours on any weekday (Saturday, Sunday or public holidays excluded) from the date of this notice until the conclusion of the Annual General Meeting and will also be available for inspection at the place of the Annual General Meeting from 10:00 a.m. on the day of the Annual General Meeting until its conclusion:

- (a) copies of the executive directors' service contracts with the Company and any of its subsidiary undertakings and letters of appointment of the non-executive directors;
- (b) a copy of the proposed new articles of association of the Company, to be adopted pursuant to resolution 9; and
- (c) the Register of Directors' Interests in the share capital of the Company.

## 3. Right to attend and vote

The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company at 10.30 a.m. on 24 November 2008 (or, if the Annual General Meeting is adjourned, 2 working days before the time fixed for the adjourned Annual General Meeting) shall be entitled to attend and vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. In each case, changes to the register of members after such time shall be disregarded in determining the rights of any person to attend or vote at the Annual General Meeting.

4. Please note that communications regarding the matters set out in this Notice of Annual General Meeting will not be accepted in electronic form, other than as specified in the accompanying Form of Proxy.
5. In order to facilitate voting by corporate representatives at the Annual General Meeting, arrangements will be put in place at the Annual General Meeting so that (a) if a corporate shareholder has appointed the chairman of the Annual General Meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the Annual General Meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (b) if more than one corporate representative for the same corporate shareholder attends the Annual General Meeting but the corporate shareholder has not appointed the chairman of the Annual General Meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives ([www.icsa.org.uk](http://www.icsa.org.uk)) for further details of this procedure. The guidance includes a sample form of appointment letter if the chairman is being appointed as described in (a) above.

## 6. New Articles of Association

It is proposed in resolution 9 to adopt new articles of association (the "New Articles") in substitution for and in order to update the Company's current articles of association (the "Current Articles") primarily to take account of changes in English company law brought about by the Companies Act 2006. The principal changes introduced in the New Articles are summarised below. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the Companies Act 2006 have not been summarised below.

### i. Articles which duplicate statutory provisions

Provisions in the Current Articles which replicate provisions contained in the Companies Act 2006 are in the main amended (to the extent that this is not already the case) to bring them into line with the Companies Act 2006. Certain examples of such provisions include provisions as to the variation of class rights, the requirement to keep accounting records and provisions regarding the period of notice required to convene general meetings. The main changes made to reflect this approach are detailed below.



# Notes to notice of Annual General Meeting

(continued)

## ii. Form of resolution

The Current Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective and that, where an extraordinary resolution is required, a special resolution is also effective. This provision is being amended as the concept of extraordinary resolutions has not been retained under the Companies Act 2006.

The Current Articles enable members to act by written resolution. Under the Companies Act 2006 public companies can no longer pass written resolutions. These provisions have therefore been removed in the New Articles.

## iii. Variation of class rights

The Current Articles contain provisions regarding the variation of class rights. The proceedings and specific quorum requirements for a meeting convened to vary class rights are contained in the Companies Act 2006. The relevant provisions have therefore been amended in the New Articles.

## iv. Convening extraordinary and annual general meetings

The provisions in the Current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being amended to conform to new provisions in the Companies Act 2006. In particular an extraordinary general meeting (now called a "general meeting" under the Companies Act 2006) to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required.

## v. Votes of members

Under the Companies Act 2006 proxies are entitled to vote on a show of hands whereas under the Current Articles proxies are only entitled to vote on a poll. The time limits for the appointment or termination of a proxy appointment have been altered by the Companies Act 2006 so that the articles cannot provide that they should be received more than 48 hours before the meeting or in the case of a poll taken more than 48 hours after the meeting, more than 24 hours before the time for the taking of a poll, with weekends and bank holidays being permitted to be excluded for this purpose. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder. Multiple corporate representatives may be appointed. The New Articles reflect all of these new provisions.

## vi. Conflicts of interest

The Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes. Under the Companies Act 2006, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The New Articles give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the New Articles should contain provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors.

## vii. Notice of board meetings

Under the Current Articles, when a director is abroad he can request that notice of directors' meetings are sent to him at a specified address and if he does not do so he is not entitled to receive notice while he is away. This provision has been removed, as modern communications mean that there may be no particular obstacle to giving notice to a director who is abroad. It has been replaced with a more general provision that a director is treated as having waived his entitlement to notice, unless he supplies the Company with the information necessary to ensure that he receives notice of a meeting before it takes place.



### **viii. Electronic and web communications**

Provisions of the Companies Act 2006 which came into force in January 2007 enable companies to communicate with members by electronic and/or website communications. The New Articles continue to allow communications to members in electronic form and, in addition, they also permit the Company to take advantage of the new provisions relating to website communications. Before the Company can communicate with a member by means of website communication, the relevant member must be asked individually by the Company to agree that the Company may send or supply documents or information to him by means of a website, and the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. The Company will notify the member (either in writing, or by other permitted means) when a relevant document or information is placed on the website and a member can always request a hard copy version of the document or information.

### **ix. Directors' indemnities and loans to fund expenditure**

The Companies Act 2006 has in some areas widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. In particular, a company that is a trustee of an occupational pension scheme can now indemnify a director against liability incurred in connection with the company's activities as trustee of the scheme. In addition, the existing exemption allowing a company to provide money for the purpose of funding a director's defence in court proceedings now expressly covers regulatory proceedings and applies to associated companies.

### **x. General**

Generally the opportunity has been taken to bring clearer language into the New Articles and in some areas to conform the language of the New Articles.

## **Introduction**

After his opening remarks, the Chairman will explain in the detail the procedures for the conduct of the meeting, particularly for asking questions. The resolutions which are set out in the Notice of Meeting will then be put to the meeting.

## **How to ask questions**

At the meeting, shareholders will be given the opportunity to ask questions. Please explain the nature of your question and give your name and address. You may be asked to wait until called upon to speak. Please remember to state your name before asking your question.

## **Time**

The doors will open at 10.00 am and the meeting will start promptly at 10.30 am.

## **Cameras, tape recorders etc.**

No cameras, video recorders, tape recorders or mobile phones will be allowed into the meeting.

## **Registration**

To ensure your entrance to the meeting is dealt with promptly, please bring your attendance card with you and register at the registration desk inside the building.

## **Shareholder information**

If you have any questions concerning your shareholding, please speak to Avanti Communications Group plc staff.

## **Important**

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

# Notes to notice of Annual General Meeting

(continued)

## Analysis of Shareholders

| Range of holdings   | Number of shares | Number of shareholders |
|---------------------|------------------|------------------------|
| Less than 10,001    | 1,535,941        | 707                    |
| 10,001 - 20,000     | 671,286          | 43                     |
| 20,001 - 50,000     | 1,396,860        | 46                     |
| 50,001 - 100,000    | 1,411,585        | 20                     |
| 100,001 - 150,000   | 803,210          | 7                      |
| 150,001 - 300,000   | 2,476,488        | 11                     |
| 300,001 - 500,000   | 2,844,374        | 7                      |
| 500,001 - 1,000,000 | 3,286,947        | 5                      |
| 1,000,001 +         | 16,495,374       | 6                      |

## Financial Calendar

|                  |   |
|------------------|---|
| 26 November 2008 | Annual General Meeting                                    |
| February 2009    | Interim results for the six months ended 31 December 2008 |
| September 2009   | Preliminary results for the year ended 30 June 2009       |

## Shareholder information

### Annual General Meeting

The Annual General Meeting will be held at 74 Rivington Street, London EC2A 3AY.

Details of the resolutions to be proposed at the Annual General Meeting are contained in the Notice of Annual General Meeting on page 53.

### Dividend

The Directors have not recommended the payment of a dividend for the year ended 30 June 2008.

### Listing

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

The share price is available from the Avanti website at [www.avanti-communications.com](http://www.avanti-communications.com) and in The Financial Times and The Times.

### Registrars

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

### Avanti's services

Information about Avanti's services can be found at [www.avantiplc.com](http://www.avantiplc.com)

# Form of proxy for Avanti Communications plc

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

For use by holders of ordinary shares of 1p each in the Company (the 'Shareholders') at the annual general meeting of the Company to be held at 74 Rivington Street, London EC2A 3AY at 10.30 am on 26 November 2008 (the 'AGM'). Please read the Notice of AGM and associated notes.

I/We\*

of

being Shareholder(s)\* entitled to attend and vote at meetings of Shareholders, hereby appoint the Chairman of the AGM †

as my/our proxy to attend, speak and vote for me/us and on my/our behalf at the AGM and at any adjournment thereof in relation to the resolutions specified in the notice of the AGM dated 20 October 2008 (the "Resolutions") and any other business (including adjournments and amendments to the Resolutions) which may properly come before the AGM or any adjournment thereof.

† If it is desired to appoint some other person to be your proxy: (i) delete 'the Chairman of the AGM'; (ii) initial the alteration; and (iii) insert the full name, title and address of the person you wish to appoint as your proxy IN BLOCK CAPITALS.

\* Delete as appropriate.

Please indicate with an 'X' in the appropriate space how you wish your proxy to vote on the Resolutions set out in the Notice..

|   | For                      | Against                  | Vote withheld (note 2)   | Discretionary (note 2)   |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| <b>Ordinary Resolutions</b>   |                          |                          |                          |                          |
| 1. To receive the accounts for the year ended 30 June 2008, together with the reports of the Directors' and Auditors' therein.  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. To re-elect Ian Taylor MP as a Director of the Company.  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. To re-elect Nigel Fox as a Director of the Company.  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. To re-elect William Wyatt as a Director of the Company.  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 5. To re-elect PricewaterhouseCoopers LLP as auditors to the Company.   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 6. To increase the authorised share capital of the Company from £400,000 to £1,000,000 by the creation of 60,000,000 ordinary shares of 1 pence each in the capital of the Company. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 7. To authorise the directors to allot relevant securities.   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| <b>Special Resolutions</b>  |                          |                          |                          |                          |
| 8. To disapply the statutory pre-emption rights in certain circumstances.   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 9. To adopt new articles of association of the Company, in substitution for, and to the exclusion of, the existing articles of association of the Company.                          | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Number of shares:  (Note 3) Class of shares:

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

Dated:  Signed:

- Only holders of ordinary shares of 1p each in the capital of the Company are entitled to attend, speak and vote at the AGM and may appoint one or more proxies to attend, speak and vote instead of them.
- Please indicate by inserting an "X" in the appropriate box how you wish your vote to be cast on the Resolutions. If you mark the box "vote withheld" it will mean that your proxy will abstain from voting and, accordingly, your vote will not be counted either for or against the relevant resolution. If you mark the box "discretionary" or fail to select any of the given options, the proxy can vote as he or she chooses or can decide not to vote at all.
- If the proxy is being appointed for less than your full entitlement, please indicate above your signature the number and class of shares in relation to which that person is authorised to act as your proxy. If left blank, your proxy will be deemed to be authorised in respect of your full entitlement.
- A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares (so a member must have more than one share to be able to appoint more than one proxy). A separate form of proxy must be deposited for each proxy appointed. Further copies of this form may be obtained by contacting Neville Registrars Limited between 9.00am and 5.00pm (London time) Monday to Friday on 0121 585 1131 from within the UK or +44 121 585 1131 if calling from outside the UK or you may photocopy this form. If you appoint multiple proxies, please indicate above your signature the number and class of shares in relation to which the person named on this form is authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned to Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA together in the same envelope. Where multiple proxies are appointed, failure to specify the number of shares to which this proxy appointment relates, or specifying a number which exceeds the number held by the member when totalled with the number specified on other proxy appointments by the same member, will render all appointments invalid.
- To be valid, this form of proxy together with any power of attorney or other authority under which it is signed or a notarially certified copy of such power or authority must reach the Company's registrars, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA by no later than 48 hours before the time of the AGM (or if the AGM is adjourned, 48 hours before the time fixed for the adjourned AGM).
- The appointment of a proxy will not preclude a member from attending the AGM and voting in person but if he or she does so this proxy appointment will terminate automatically.
- In the case of a company, this form of proxy must be executed under the common seal or signed on its behalf by an officer or attorney of the company.
- In the case of joint holders, the proxy appointment of the most senior holder will be accepted to the exclusion of any appointments by the other joint holders. For this purpose, seniority is determined by the order in which the names are stated in the register of members of the Company in respect of the joint holding.
- Any alterations made to this form of proxy should be initialled.
- A member wishing to change his or her proxy instructions should submit a new proxy appointment using the methods set out in note 4 above. A member who requires another form of proxy should contact Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA. The time limits for proxy appointments in note 5 also apply to changes to proxy instructions. Any change to proxy instructions received after that time will be disregarded. If a member submits more than one valid proxy appointment, the appointment received last before the time limit in note 3 will take precedence.
- A member wishing to revoke his or her proxy appointment should do so by sending a notice to that effect to the Company's registrars to the address set out in note 5. The revocation notice must be received by the Company's registrars by the time limit set out in note 5. Subject to note 6, any revocation notice received after this time will not have effect.
- Please note that communications regarding the matters set out in this form of proxy will not be accepted in electronic form.



THIRD FOLD AND TUCK IN

Please  
Affix  
Stamp  
Here

FIRST FOLD

**Neville Registrars Limited  
Neville House  
18 Laurel Lane  
Halesowen  
West Midlands  
B63 3DA**

SECOND FOLD





**Avanti Communications Group plc**  
74 Rivington Street  
London  
EC2A 3AY

Tel: +44 (0)20 7749 1600

[www.avantiplc.com](http://www.avantiplc.com)