Avanti Communications Group plc
Year end results

London – 15 September 2014. Avanti Communications Group plc (AIM: AVN, "Avanti" or "the Company"), the satellite operator, has published today its unaudited results for the year ended 30 June 2014.

Operational Highlights

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

Financial Highlights

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

Commenting, **Paul Walsh, Avanti Chairman** said:

"It has been a good twelve months for Avanti. Revenues doubled and the company generated positive EBITDA for the year. New business was signed with major international telecoms and media companies. The company succeeded in financing a new satellite on attractive terms which offers shareholders a major growth opportunity. We are building a business that can potentially generate over $700 million in revenues and over $500 million EBITDA annually if the current fleet is filled. The achievements of the year clearly show that Avanti is capable of achieving this ambitious growth in time."

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Chairman's Statement

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

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

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

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

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

Paul Walsh
Chairman

Chief Executive's Report

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

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

Customers

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

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

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

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

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

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

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

HYLAS 4 Rationale

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

1. Continuity of Capacity

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

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

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

2. Opportunities from Multinational Customers

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

3. Limited competition

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

4. Efficient financing

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

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

HYLAS 4 Financing Strategy

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

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

Other Achievements

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

Outlook

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

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

David Williams
Chief Executive

Finance and Operating Review

Reporting Currency

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

Operating Performance

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

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

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

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

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

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

Employees

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

Depreciation

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

Other Operating Income

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

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

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

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

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

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

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

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

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

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

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

Currency hedging and exchange rates

Our policy remains to hedge all currency exposures as soon as they become certain through a combination of natural offset hedging and the use of vanilla products through our relationship banks.

Balance sheet

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Global economic environment

The Global Financial system has suffered considerable turbulence and uncertainty in recent years. This turbulence has contributed to a general economic downturn in many of the countries served by Avanti. If potential customers have difficulty accessing capital to fund their business plans, this may have a negative effect on the Avanti performance, and may delay the onset of new revenue.

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

Accounting policies

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

Going Concern

The Group has available sufficient financial resources at 30 June 2014. The Group has strong backlog underpinning the business, with a significant pipeline of opportunities to give the directors a reasonable expectation that the Group has adequate resources and business demand drivers to adopt the going concern basis of accounting for the financial statements.

Nigel Fox
Group Finance Director

UNAUDITED CONSOLIDATED INCOME STATEMENT
Year ended 30 June 2014

	Notes	Year ended 30 June 2014 $'000	Year ended 30 June 2013 $'000
Revenue		65,622	32,125
Cost of sales		(86,699)	(57,973)
Satellite depreciation		*(47,339)*	*(38,456)*
Other cost of sales		*(39,360)*	*(19,517)*
Gross loss		(21,077)	(25,848)
Operating expenses		(34,886)	(28,484)
Other operating income	3	7,219	1,513
Loss from operations		(48,744)	(52,819)
Finance income		10	441
Finance expense		(38,957)	(6,506)
Net financing expense		(38,947)	(6,065)
Loss before taxation		(87,691)	(58,884)
Income tax credit	4	-	10,554
Loss for the year		(87,691)	(48,330)
Loss attributable to:			
Equity holders of the parent		(87,199)	(47,736)
Non-controlling interests		(492)	(594)
Basic loss per share (cents)	5	(81.18c)	(44.49c)

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 30 June 2014

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

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2014

	Notes	30 June 2014 $'000	30 June 2013 $'000
ASSETS			
Non-current assets			
Property, plant and equipment		610,857	613,828
Intangible assets		13,963	13,512
Deferred tax assets		21,074	18,853
Total non-current assets		645,894	646,193
Current Assets			
Inventories		1,733	4,509
Trade and other receivables		38,648	20,685
Cash and cash equivalents		195,283	58,699
Total current assets		235,664	83,893
Total assets		881,558	730,086
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		39,870	28,018
Loans and other borrowings	6	4,545	27,043
Total current liabilities		44,415	55,061
Non-current liabilities			
Trade and other payables		15,299	21,707
Loans and other borrowings	6	512,431	286,006
Total non-current liabilities		527,730	307,713
Total liabilities		572,145	362,774
Equity			
Share capital		1,799	1,799
EBT shares		90	90
Share premium		415,130	415,130
Foreign currency translation reserve		6,211	(22,902)
Retained earnings		(111,963)	(25,443)
Total parent shareholders' equity		311,267	368,674
Non-controlling interests		(1,854)	(1,362)
Total equity		309,413	367,312
Total liabilities and equity		881,558	730,086

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2014

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

UNAUDITED STATEMENT OF CHANGES IN EQUITY
Year ended 30 June 2014

	Share capital $'000	Employee benefit trust (EBT) $'000	Share premium $'000	Retained earnings $'000	Foreign currency translation reserve $'000	Non-controlling interests $'000	Total equity $'000
2013							
At 1 July 2012	1,799	90	415,130	21,709	(14,709)	(768)	423,251
Loss for the year	-	-	-	(47,736)	-	(594)	(48,330)
Other comprehensive income	-	-	-	-	(8,193)	-	(8,193)
Share based payments	-	-	-	588	-	-	588
Tax credit taken directly to reserves	-	-	-	(4)	-	-	(4)
At 30 June 2013	1,799	90	415,130	(25,443)	(22,902)	(1,362)	367,312
2014							
At 1 July 2013	1,799	90	415,130	(25,443)	(22,902)	(1,362)	367,312
Loss for the year	-	-	-	(87,199)	-	(492)	(87,691)
Other comprehensive income	-	-	-	-	29,113	-	29,113
Share based payments	-	-	-	679	-	-	679
At 30 June 2014	1,799	90	415,130	(111,963)	6,211	(1,854)	309,413

UNAUDITED NOTES TO THE PRELIMINARY ANNOUNCEMENT

1. Basis of preparation

The preliminary results for the year ended 30 June 2014 have been prepared in accordance with the accounting principles of International Financial Reporting Standards (IFRS) as adopted by the European Union and applied in accordance with the Companies Act 2006. However, this announcement does not contain sufficient information to comply with IFRS. The Group expects to publish full financial statements which will be delivered before the Company's annual general meeting on 27 November 2014. These full financial statements will be published on the Group's website at www.avantiplc.com.

The financial information set out in this preliminary announcement does not constitute the company's statutory accounts for the years ended 30 June 2014 or 2013. The financial information for 2013 is derived from the statutory accounts for 2013 which have been delivered to the registrar of companies. The auditor has reported on the 2013 accounts; their report was (i) unqualified; , (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The statutory accounts for 2014 will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the registrar of companies in due course.

This Preliminary Announcement was approved by the Board of Directors on 15 September 2014.

2. Principal accounting policies

Full disclosure of the group accounting policies can be found in the 2013 Annual Report and Accounts as presented on the Avanti plc website. These have been consistently applied throughout the 2014 financial year and the disclosures made in this statement.

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

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

Critical accounting policies

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

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

(a) Revenue recognition

The group uses the percentage-of-completion method in accounting for its consultancy and space projects. Use of the percentage-of completion method requires the group to estimate the services performed to date as a proportion of the total services to be performed.

(b) Impairment of satellites

The carrying amount of the satellites is dependent on the Group's ability to sell sufficient capacity in the satellites over their useful economic lives. In management's view, at this early stage in the life of the HYLAS 1 and 2 satellites, the sale of capacity is progressing well and in line with plans. The Group will assess impairment annually.

(c) European Space Agency ("ESA") Funding and Sale of Capacity

In April 2006 the group entered into a contract with ESA to receive funding for the build of the satellite and also giving ESA the right to use up to 10% of capacity on HYLAS 1 for a period of 3 years if the capacity is available. An assessment of the fair value of the revenues for the sale of capacity has been performed in order to account for this as a multiple element arrangement. The fair value of the capacity sales will be recognised as revenue on a straight line basis over a 3 year period. This 3 year period commenced when HYLAS 1 became operational in the year ended June 2011. Management has made its best estimate of the fair value of the revenue element of the transaction based on market prices of the capacity at the inception of the arrangement. The residual fair value represents the value of the capital grant and this will be released to cost of sales over a period of 15 years to match the useful economic life of the satellite. If the fair value of the capacity sale was altered by 10%, the impact on the revenue figure would be $575,000.

(d) Impairment of Goodwill arising as part of business combinations

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews will be undertaken annually. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment would be recognised immediately as an expense and would not subsequently be reversed.

3. Other operating income

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

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

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

4. Income tax credit

	30 June 2014 $'000	30 June 2013 $'000
Current tax		
Current year tax expense	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of temporary differences	(5,877)	(13,676)
Adjustment in respect of prior periods	3,438	2,270
Impact of change in UK tax rate	2,439	852
Total deferred tax	-	(10,554)
Total income tax credit	-	(10,554)

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

	30 June 2014 $'000	30 June 2013 $'000
Loss before tax	(87,691)	(58,884)
Tax credit at the corporate tax rate of 22.5% (2013: 23.8%)	(19,730)	(14,014)
Tax effect of non-deductible expenses	180	338
Adjustment in respect of prior periods	1,548	2,270
Effect of tax rates in foreign jurisdictions	2,662	-
Deferred tax asset write off	-	852
Impact of change in UK tax rate	2,439	-
Temporary differences for which no deferred tax has been recognised	9,580	-
Current year tax losses for which no deferred tax asset has been recognised	5,544	-
Foreign exchange translation differences	(2,223)	-
Income tax credit	-	(10,554)
Income tax credit recognised in the income statement	-	(10,554)

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

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

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 30 June 2014 has been calculated based on the rates of 20% and 21% substantively enacted at the balance sheet date.

5. Loss per share

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

The calculation of basic and diluted loss per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year.

6. Loans and other borrowings

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

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

High yield bonds

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

Issuer:	Avanti Communications Group plc
Original notional value:	$520 million
Description of instrument:	10% senior secured notes
Due:	1 October 2019

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

		30 June 2014 $'000	30 June 2013 $'000
High yield bonds		520,000	-
Add:	Issue premium (unamortised)	7,444	-
Less:	Debt issuance costs	(19,025)	-
		508,419	-

Loan balances outstanding as at 30 June 2013 related to debt financing for HYLAS 2 with US Ex-Im Bank and COFACE. These amounts were repaid during the year.

7. Cash absorbed by operations

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