AVANTI COMMUNICATIONS GROUP PLC

Company No: 6133927

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30TH JUNE 2008

Contents

Officers and professional advisers

Directors	
F E J G Brackenbury CBE	Chairman
D J Williams	Chief Executive
D J Bestwick	Chief Technology Officer
N A D Fox	Group Finance Director
D A Foster	Non-Executive Director
W P Wyatt	Non-Executive Director
C R Vos	Non-Executive Director
I C Taylor MBE, MP	Non-Executive Director

Secretary
N A D Fox

Registered office
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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

Continued overleaf ▶

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

John Brackenbury CBE
Chairman

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

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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

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 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

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 £'000	30 June 2007 £'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)
Increase / (decrease) in net funds	**25,293**	**(1,491)**

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

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 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

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 30 June 2008 £'000	Year ended 30 June 2007 £'000
Revenue	2,3	5,921	2,562
Cost of sales		(1,918)	(2,763)
Gross Profit		4,003	(201)
Operating expenses		(5,861)	(3,562)
Exceptional item	7	-	23,343
(Loss) / Profit from operations		(1,858)	19,580
Finance income	8	704	715
Finance expense	8	(201)	(99)
Net financing income		503	616
(Loss) / Profit before tax		(1,355)	20,196
Income tax credit	9	361	898
(Loss) / Profit for the year		(994)	21,094
Attributable to			
Equity holders of the parent		(994)	21,094
Basic and diluted (loss) / earnings per share (pence)	10	(3 60)p	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 2008 £'000	30 June 2007 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	39,742	20,036
Deferred tax assets	17	1,037	384
Total non-current assets		**40,779**	**20,420**
Current Assets			
Inventories	15	249	31
Trade and other receivables	16	8,656	5,764
Cash and cash equivalents	18	35,241	10,651
Total current assets		**44,146**	**16,446**
Total assets		**84,925**	**36,866**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	19	13,743	4,476
Provisions for other liabilities	20	86	-
Interest bearing liabilities	21	545	1,369
Total current liabilities		**14,374**	**5,845**
Non-current liabilities			
Trade and other payables	19	1,365	1,365
Provisions for other liabilities	20	129	-
Interest bearing liabilities	21	36,322	968
Total non-current liabilities		**37,816**	**2,333**
Total liabilities		**52,190**	**8,178**
Equity			
Share capital	23	277	257
Share premium	24	3,858	-
Other reserves	24	1,163	-
Retained earnings	24	27,437	28,431
Total shareholders' equity		**32,735**	**28,688**
Total liabilities and equity		**84,925**	**36,866**

Approved on behalf of the Board of Directors

20 October 2008

Company balance sheet

As at 30 June 2008

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

Approved on behalf of the Board of Directors

20 October 2008

Cash flow statements

For the year ended 30 June 2008

	Notes	Group 30 June 2008 £'000	Group 30 June 2007 £'000	Company 30 June 2008 £'000	Company 30 June 2007 £'000
Cash flow from operating activities					
(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	-
Cash (used) / generated from operations		(2,669)	32,007	(3,878)	-
Interest received		1,756	715	-	-
Interest paid		(201)	(99)	-	-
Net cash generated / (used) by operating activities		**(1,114)**	**32,623**	**(3,878)**	-
Cash flows from investing activities					
Payments for property, plant and equipment		(7,543)	(10,305)	-	-
Net cash used in investing activities		**(7,543)**	**(10,305)**	-	-
Cash flows from financing activities					
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)	-	-	-
Net cash(received from) / used in financing activities		**33,950**	**(23,809)**	**3,878**	-
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	-	-
Cash and cash equivalents at the end of the financial year	**18**	**35,241**	**9,948**	-	-

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
2007	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 July 2006	-	180	-	7,414	7,594
Profit for year	-	-	-	21,094	21,094
Intercompany movement following demerger	257	(180)	-	(77)	-
At 30 June 2007	**257**	**-**	**-**	**28,431**	**28,688**
2008					
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
At 30 June 2008	**277**	**3,858**	**1,163**	**27,437**	**32,735**

Company	Share capital	Share premium	Share based payments reserve	Profit and loss account reserves	Total reserves
2007	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At 1 July 2006	-	-	-	-	-
Profit for year	-	-	-	-	-
Intercompany movement following demerger	257	-	-	-	257
At 30 June 2007	**257**	**-**	**-**	**-**	**257**
2008					
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
At 30 June 2008	**309**	**3,858**	**93**	**(239)**	**4,021**

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, 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 2008 £'000	30 June 2007 £'000
Continuing operations		
Revenue from the sale of goods	74	23
Revenue from the rendering of services	5,847	2,539
	5,921	**2,562**

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

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 £'000	Network services £'000	Consultancy £'000	Unallocated £'000	Group total £'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 £'000	Network services £'000	Consultancy £'000	Unallocated £'000	Group total £'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 2008 £'000	30 June 2007 £'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 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	-
	55	**26**

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

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

7 Exceptional item

	30 June 2008 £'000	30 June 2007 £'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

8 Net finance income

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

9 Income tax credit

	30 June 2008 £'000	30 June 2007 £'000
Current tax		
Current tax	-	-
Total current tax	-	-
Deferred tax		
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	**(361)**	**(898)**

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 2008 £'000	30 June 2007 £'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	**(361)**	**(898)**

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 2008 pence	30 June 2007 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 2007 £'000	30 June 2006 £'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 Improvements £'000	Computer Software £'000	Network Assets £'000	Fixtures and Fittings £'000	Plant and Machinery £'000	Satellite in Construction £'000	Group Total £'000
Cost							
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)
Balance at 30 June 2008	**234**	**418**	**3,170**	**410**	**112**	**37,441**	**41,785**
Depreciation							
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)
Balance at 30 June 2008	**130**	**323**	**1,166**	**312**	**112**	**-**	**2,043**
Net Book Value							
Balance at 30 June 2008	**104**	**95**	**2,004**	**98**	**-**	**37,441**	**39,742**
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 2008 £'000	30 June 2007 £'000
Beginning of year	257	257
Capital contribution	32	-
End of year	**289**	**257**

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 2008 £'000	30 June 2007 £'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 2008 £'000	30June 2007 £'000	30 June 2008 £'000	30 June 2007 £'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	-	-
	8,656	**5,764**	**5,530**	-

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 2008 £'000	30June 2007 £'000	30 June 2008 £'000	30 June 2007 £'000
Deferred tax asset	2,775	823	121	-
Deferred tax liabilities	(1,738)	(439)	(33)	-
	1,037	**384**	**88**	-

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	**1,037**	**384**	**88**	-

17 Deferred taxation (continued)

Group

30 June 2008	Opening balance £'000	Charged to P&L £'000	Charged to equity £'000	Closing balance £'000
Tax assets				
Provisions and deferred income	-	446	-	446
Share based payment	-	243	292	535
Unused tax losses	823	971	-	1,794
Total tax assets	**823**	**1,660**	**292**	**2,775**
Tax liabilities				
Derivative financial asset	-	(33)	-	(33)
Property, plant and equipment	(439)	(1,266)	-	(1,705)
Total tax liabilities	(439)	(1,299)	-	(1,738)
Net deferred tax asset	**384**	**361**	**292**	**1,037**

30 June 2007	Opening balance £'000	Charged to P&L £'000	Charged to equity £'000	Closing balance £'000
Tax assets				
Unused tax losses	-	823	-	823
Total tax assets	**-**	**823**	**-**	**823**
Tax liabilities				
Property, plant and equipment	(514)	75	-	(439)
Total tax liabilities	(514)	75	-	(439)
Net deferred tax asset / (liability)	**(514)**	**898**	**-**	**384**

Company

30 June 2008	Opening balance £'000	Charged to P&L £'000	Charged to equity £'000	Closing balance £'000
Tax assets				
Share based payment	-	20	22	42
Unused tax losses	-	46	-	46
Total tax assets	**-**	**66**	**22**	**88**

30 June 2007	Opening balance £'000	Charged to P&L £'000	Charged to equity £'000	Closing balance £'000
Tax assets				
Share based payment	-	-	-	-
Unused tax losses				
Total tax assets	**-**	**-**	**-**	**-**

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

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

19 Trade and other payables

	Group		Company	
	30 June 2008 £'000	30June 2007 £'000	30 June 2008 £'000	30 June 2007 £'000
Current				
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	-	-
	13,743	**4,476**	**1,886**	**-**
Non-current				
Deferred income	**1,365**	**1,365**	**-**	**-**

20 Provisions for other liabilities

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

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

21 Interest bearing liabilities

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

(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**
Financial assets	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
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
	32,171	**7,267**	**4,459**	**43,897**	**12,979**	**3,436**	**-**	**16,415**
Financial liabilities	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
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)
	(43,274)	**(7,129)**	**(1,572)**	**(51,975)**	**(3,296)**	**(4,517)**	**(365)**	**(8,178)**
Net financial position	**(11,103)**	**138**	**2,887**	**(8,078)**	**9,683**	**(1,081)**	**(365)**	**8,237**

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

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

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 1 year £'000	1 to 2 years £'000	2 to 5 years £'000	Over 5 years £'000	Contractual amount £'000	Carrying amount £'000
30 June 2008						
Bank loans	-	-	-	99,453	99,453	36,172
Other loans	22	-	-	-	22	21
Finance leases	563	156	-	-	719	674
30 June 2007						
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 of shares '000	Group Ordinary shares £'000	Company Ordinary shares £'000	Group and Company Share Premium £'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)	-	-
At June 2008	**30,922**	**277**	**309**	**3,858**

The total authorised number of ordinary shares is 40 million shares (2007 40 million) at £0 01 each

24 Reserves

Group	Share premium £'000	Share based payments reserve £'000	Retained earnings £'000	Total reserves £'000
2007				
At 1 July 2006	180	-	7,414	7,594
Profit for the year	-	-	21,094	21,094
Intercompany movement	(180)	-	(77)	(257)
At 30 June 2007	-	-	**28,431**	**28,431**
2008				
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
At 30 June 2008	**3,858**	**1,163**	**27,437**	**32,458**

Company	Share premium £'000	Share based payments reserve £'000	Retained earnings £'000	Total reserves £'000
2007				
At 1 July 2006	-	-	-	-
Profit for the year	-	-	-	-
Intercompany movement	-	-	-	-
At 30 June 2007	-	-	-	-
2008				
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
At 30 June 2008	**3,858**	**93**	**(239)**	**3,712**

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

25 Share based payments (continued)

The options granted under each scheme are as follows

	Outstanding at start of year	Granted during year	Forfeited in year	Exercised during the year	Outstanding at end of year
EMI					
Number of options	-	445,197	(96,878)	(3,387)	344,932
Weighted average share price	-	£2 16	£1 89	£2 40	£2 23
Unapproved scheme					
Number of options	-	107,863	-	-	107,863
Weighted average share price	-	£1 86	-	-	£1 86
LTIP					
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
Total	**1,192,960**	**679,570**	**679,213**	**2,551,743**

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

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 £'000	30 June 2007 £'000	30 June 2008 £'000	30 June 2007 £'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)	-	-
Present value of minimum lease payments	**674**	**1,224**	**674**	**1,224**

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

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 £'000	Other £'000	Land & buildings £'000	Other £'000
Within 1 year	358	8	241	21
Within 2 years	1,337	-	965	8
After 5 years	1,389	-	1,064	-
	3,084	**8**	**2,270**	**29**

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

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

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

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 2008 £'000	30 June 2007 £'000
Management fees charged to		
Avanti Communications Limited ('ACL')	556	-
Avanti Broadband Limited ('ABL')	332	-
Avanti Space Limited ('ASL')	1,200	-
	2,088	**-**

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) 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 20060 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 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

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* (please insert the name of the Shareholder(s) in full in BLOCK CAPITALS)

of (please insert the full postal address of the Shareholder(s) in full in BLOCK CAPITALS

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)
Ordinary Resolutions					
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 William Wyatt as a Director of the Company	☐	☐	☐	☐
5	To re-elect PricewaterhouseCoopers LLP as auditors to the Company	☐	☐	☐	☐
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	☐	☐	☐	☐
7	To authorise the directors to allot relevant securities	☐	☐	☐	☐
Special Resolutions					
8	To disapply the statutory pre-emption rights in certain circumstances	☐	☐	☐	☐
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	☐	☐	☐	☐

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

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

Dated ______ Signed ______

1 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

2 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

3 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.

4 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

5 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)

6 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

7 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

8 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

9 Any alterations made to this form of proxy should be initialled

10 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

11 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

12 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