

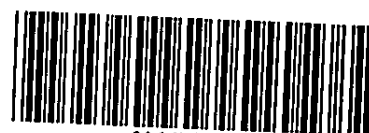
Guardian Digital Communications Holdings Limited

Registered number 6143511

Annual Report and Consolidated Financial Statements

Year ended 30 June 2011

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Guardian Digital Communications Holdings Limited
Annual Report and Consolidated Financial Statements

Year ended 30 June 2011

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Guardian Digital Communications Holdings Limited
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Year ended 30 June 2011

General Information

Directors

Leonard Peter Shore
Marc Perusat
Alain Carrier
Daniel Karl Fetter
Andreas Koettering
Richard Abel
Peter Dyer

Company secretaries

James Thomas Lavery
Stephanie Cameron-Chileshe
Rachael Davidson

Registered office

Charter Court
50 Windsor Road
Slough
Berkshire
SL1 2EJ

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

Bankers

HSBC Bank Plc
8 Canada Square
London
E14 5HQ

Guardian Digital Communications Holdings Limited
Annual Report and Consolidated Financial Statements
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Directors' Report

The Directors present their report and the audited consolidated financial statements of the Group for the year ended 30 June 2011

Corporate Structure

Guardian Digital Communications Holdings Limited ("the Company") is a private limited company incorporated, domiciled and registered in England and Wales under the number 6143511. The registered address is Charter Court, 50 Windsor Road, Slough, Berkshire SL1 2EJ. The Company was incorporated on 7 March 2007.

The Company acquired 100% of the share capital of Guardian Digital Communications Limited ("GDCL") on 20 April 2007, which on the same day acquired 100% of the share capital of Airwave Solutions Limited (or "Airwave").

Guardian Digital Communications Limited and its subsidiary undertakings, associates and joint ventures are incorporated within the consolidated financial statements contained in this report, and together with the Company are referred to as the Group.

The parent of the Company is Guardian Digital Communications Luxembourg S à r l ("GDCLux"). GDCLux is owned 50.001% by the Macquarie European Infrastructure Fund II ("MEIFII") and 49.999% by the Canadian Pension Plan Investment Board ("CPPIB"). During the year, MEIFII agreed to acquire CPPIB's holding in GDCLux. The transaction is dependent upon UK Government approval and is yet to be completed. Upon completion, MEIFII will hold 100% of GDCLux reaffirming Macquarie's long-term commitment to the Airwave business.

Principal Activities and Results

The principal activities of the Group during the year were the development and provision of Mobile Information and Communication Technology ("ICT") to Public Safety and Public Sector Organisations in the UK. These services are based around the established and open technology standard of Terrestrial Trunked Radio ("TETRA"), with network access provided through a ground-based network with approximately 3,850 base sites.

The secure digital radio network is designed to carry voice and data communications and the service offers enhanced levels of coverage across the whole of England, Wales and Scotland.

The Airwave service has been developed to withstand disaster situations when standard networks have been known to fail. This is constantly being further developed so that all voice and data communication is secure from infiltration. The Airwave network uses encryption protocols to achieve this level of security. To enable the level of service demanded by emergency and public safety users, the Airwave service is specifically built to deliver the five operational imperatives of Coverage, Responsiveness, Resilience, Security and Interoperability.

The Group also provided consulting services both in the UK and internationally with regard to designing, building, operating and maintaining public safety networks.

The consolidated results for the year are set out below and in more detail in the attached financial statements.

	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000
Total Revenue	390,299	413,227
Earnings before depreciation interest tax and amortisation ("EBITDA") ¹	207,063	192,759
Loss after tax excluding fair value movements of interest rate swaps	(43,602)	(74,397)
Comprehensive Loss after tax attributable to owners of the parent	(35,346)	(142,324)

¹ A reconciliation of operating profit to EBITDA is shown in note 3 to the financial statements.

The loss after tax of £35 million (2010: £142 million) is after non-cash items of depreciation of £108 million (2010: £104 million), amortisation of £44 million (2010: £43 million) and unrealised profit on interest rate swaps of £11 million (2010: £94 million loss) as detailed in note 3 to the financial statements.

Guardian Digital Communications Holdings Limited
Annual Report and Consolidated Financial Statements

Year ended 30 June 2011

Directors' Report (continued)

Review of the Business

Operating review

The Group continued to deliver its core network services under existing contracts in excess of contractual service levels. During the year the Group achieved final milestone acceptance under the Fire programme. The Airwave service is now fully live for all three blue light customers, Police, Ambulance and Fire, including the additional resilience (CHS and GBNR) and coverage (London Underground) programmes completed in recent years.

The Group is delivering two major programmes associated with the London Olympics, through its contracts with the Olympic Security Directorate (OSD) and the London Organising Committee for the Olympic Games (LOCOG). The OSD contract involves provision of enhanced network capabilities to the emergency services during the games, whilst the LOCOG contract involves the build of a network for use of the organising committee around the games. During the year several key network build milestones were completed and services have commenced during Olympic test events. The Group is looking forward to playing its role in London hosting a successful Olympics.

In the lead up to the games, the Group continues to develop its track record for providing an outstanding service during major events. During April's Royal Wedding, the Airwave service was in use by approximately 6000 users, across multiple organisations including Police, Ambulance and Transport for London.

Revenue for the core contracts were in line with expectations. As the core contracts are now in-life and major programmes are being delivered, year-on-year service revenues have grown and one-off implementation revenues have reduced.

Whilst the current economic climate and government budgetary pressures are contributing towards slower than anticipated new business sales and revenues including Mobile Data, the Group is confident that its products and solutions deliver efficiencies and cost savings to our customers and is positive about the opportunities expected to arise.

The acquisition of Kelvin Connect, a leading mobile data solutions provider, took place in February. Kelvin Connect Limited is now a wholly owned subsidiary of the Group. This acquisition marks the Group's ongoing commitment and confidence in our mobile data strategy. Kelvin Connect Limited's products aim to create administrative efficiencies allowing greater utilisation of Police resource.

After announcing a restructuring programme in the previous financial year, the programme has since been completed including the redundancies of approximately 15% of roles within the Group, all on a voluntary basis.

Despite the challenges arising from the current economic climate for future government spend, the Group is optimistic about its future. The Group has realistic growth expectations in the current economic climate and is seeking to increase its presence in the international market.

Financial performance for the year

Total revenue for the year was £390 million, representing a 5.5% decrease on the corresponding year, due to the recognition of one-off implementation revenues in the previous year. Service revenues have increased 5.5% as the network is now fully live for all blue-light customers. Despite the reduction in revenue, gross profit has increased by 10.9% to £127 million because margin associated with implementation revenues is less than that of service revenues.

Administrative expenses excluding exceptional items were £70 million, representing a 2.6% increase on the corresponding year, driven by an increase in amortisation expense on rights associated with the London 2012.

EBITDA was £207 million, representing a 7.4% increase from the corresponding year, driven by gross margin from higher service revenues and operational efficiencies delivered in the current year.

Guardian Digital Communications Holdings Limited
Annual Report and Consolidated Financial Statements

Year ended 30 June 2011

Directors' Report (continued)

Financial performance for the year (continued)

Net finance costs of £123 million were significantly less than the comparative year (2010 £229 million). This includes a fair value gain on interest rate swaps of £11 million in the year (2010 £94 million loss). The swaps were put in place in April 2007 when the Group acquired Airwave. The acquisition was funded by both shareholder funds and external debt of £1,500 million. The interest rate swaps were put in place as part of the Group's risk management policies to hedge the Group's interest rate exposure on the external debt, effectively fixing the interest rate at 5.496% (plus margin) until 2019, subject to early termination rights. Under International Financial Reporting Standards the Group is required to reflect the fair value of the swaps on the balance sheet. At 30 June 2011 the Group has recognised total mark-to-market losses of £257 million (2010 £269 million), being the theoretical cost to the Group of terminating the swaps. This unrealised loss has arisen as a result of the change in credit markets causing reductions in interest rates. The Directors have no current intention of terminating the swaps and realise the loss.

Interest payable on external borrowings reduced from £108 million to £106 million. The Group has fixed the interest rate on £1,500 million of external debt (HSBC Facility A), the reduction is a result of interest savings associated with the Group's basis swaps.

Financial position as at 30 June 2011

Net liabilities increased from £362 million at 30 June 2010 to £402 million at 30 June 2011. Significant movements of balance sheet components are discussed below.

The carrying value of property, plant and equipment reduced from £776 million at 30 June 2010 to £712 million at 30 June 2011 reflecting £43 million of new additions off-set by £108 million of depreciation charges. Additions during the year related to both Olympics programmes (OSD and LOCOG) as well as in-life expenditure related to the core contracts.

Total current assets increased from £86 million at 30 June 2010 to £99 million at 30 June 2011 driven by a £6 million increase in trade and other receivables, a £9 million increase in cash and cash equivalents offset by a £2 million decrease in other financial assets.

Total current liabilities increased from £247 million at 30 June 2010 to £250 million at 30 June 2011 driven by a £12 million increase in deferred income, a £1 million increase in trade and other payables and £1 million increase in borrowings offset by a £11 million reduction in provisions.

Non-current liabilities decreased from £2,722 million at 30 June 2010 to £2,668 million at 30 June 2011 reflecting an decrease of £54 million. The decrease is a result of a £19 million reduction in deferred income, a decrease in the non-current portion of interest swap liability of £14 million and a £30 million reduction in deferred income tax liabilities. These increases were offset by a reduction in borrowings of £9 million.

The Group's ability to generate cash flows continues to strengthen with the cash from operating net of investing activities of £135 million for the year (2010 £91 million). The Group's cash generation is due to steady revenue streams arising from being the secure communications provider for all three emergency services. This, combined with achieving new business opportunities from a quality portfolio of other public safety customers, should ensure that the positive cash profile is maintained over future years.

Going concern

The Directors, having reviewed the Group's liquid resources, access to committed borrowings facilities, and its future cash flow forecasts, have a reasonable expectation that the Group has adequate resources to continue as a going concern. While there are risks to the monthly profile of cash flows due to timing of working capital movements and non-contracted new business these risks are mitigated due to steady contracted cash flows and surplus headroom on banking facilities. Therefore these financial statements have been prepared on a going concern basis.

Directors' Report (continued)

Strategy / Future developments

Despite the current market climate reducing growth expectations, the focus for the Group is to continue the growth that has been attained in recent years. Following the Group's organisational restructuring, cost control and clear identification of feasible and targeted growth opportunities, the Group expects to continue to increase profitability and operating cash flows.

Within the UK, the Group is focused on providing exceptional service to all customers and expanding its services to existing and new customers. The Group will continue its successful preparation for the London 2012 Olympic Games and is looking forward to the role that it will play as an official supplier to the Games. Internationally, the Group is seeking further opportunities where it can leverage the expertise developed within the UK market, ranging from short term consulting to network build and operations, being driven in part, by partnerships and possible inorganic activity.

Employees

The Group is committed to employment and recruitment policies which follow best practice, based on equal opportunities for all employees irrespective of race, nationality, age, religion, gender, sexual orientation, marital status or caring responsibilities and offers appropriate training and career development for staff with disabilities. If members of staff become disabled the Group continues employment wherever possible and arranges retraining.

The Group is also committed to providing employees with information on matters of concern to them on a regular basis, so that the views of employees can be taken into account when making decisions that are likely to affect their interests. Communications and involvement with employees was and continues to be undertaken via several media including in-house magazines and also regular internal email updates, e-magazines, monthly teleconferences and annual events.

The redundancy programme implemented during the year has been achieved without the need for compulsory redundancies and no operational impact on our customers.

Principal risks and uncertainties

The management of the Group's business and the execution of its strategy are subject to a number of risks and uncertainties. The key risks facing the business are set out below.

Operational risk management, policies and exposure

Network failure risk

There is a risk of the Airwave network failing due to events either inside or outside of the Group's control. A serious failure would have a major impact on customers' performance and with the nature of the emergency service customer base, repercussions could be critical with possible loss of life. This would result in severe damage to the Group, its brand and reputation and has therefore been mitigated by increasing network security and resilience and putting in place robust operational procedures to enable the service to be maintained during such incidents.

Risk of timely network roll-out

The Group is currently completing the rollout of networks for use leading to and during the Olympic Games. There are risks that these programmes are delayed, due to internal, supplier or customer problems. These delays can cause lost revenue and make the Group liable to liquidated damages claims. These risks are mitigated through careful project management and by having contractual recoveries from core suppliers if delays are caused by them. Working closely with the Olympic customers is of utmost importance to the Group as delivery during the Games is critical.

Health risk

Concerns about the perceived health risks of TETRA radio technology could have a negative impact on business and tarnish the Airwave brand. However, the balance of evidence is that there are no such risks beyond those that are well-understood within the established scientific community and for which international safety guidelines have been published and implemented across the Airwave network.

Directors' Report (continued)

Operational risk management, policies and exposure (continued)

Health risk (continued)

Government and industry funded independent research programmes into potential risks of mobile communications technology, including TETRA, have so far reinforced this view. Airwave, meanwhile, follows telecommunications industry guidelines in liaising sensitively with local communities where it seeks to extend its network infrastructure.

Price risk

The Group has exposure to fluctuations in prices of electricity and other commodities that are consumed in its operational activities. The potential impact of this is reduced through the negotiation, where possible, of fixed price contracts and also offset by clauses in key customer contracts that allow for annual inflation adjustments to service fees. There is a risk that government budget cuts lead to price pressure on existing contracts and new business. The Group works closely with its customers in order to understand such risks and reviews its product offering, cost base and organisational structure in response to these risks.

Financial risk management objectives, policies and exposure

The Group's operations expose it to a variety of financial risks that include the effects of changes in credit risk, liquidity risk, foreign exchange and cash flow interest rate risk. The Group's overall risk management programme seeks to minimise potential adverse effects as noted below.

Credit risk

The Group's principal credit risks are attributable to cash and cash equivalents and trade receivables. Cash and cash equivalent credit risk is monitored on an overall basis through the application of counter party credit limits which are dependent on the long-term Credit Rating of the counter party. The Group has limited exposure to trade receivable credit risk as the majority of its customers are National Public Safety Organisations.

Liquidity risk

The Group has external debt, and is overall cash generating. External debt costs are financed from net positive cash-flows generated from operating and investing activities. The Group regularly monitors its actual and projected cash position.

For certain contractual arrangements cash is received in advance of the services being provided. This is recognised as deferred income in the balance sheet, and is released to the Consolidated Statement of Comprehensive Income over the remaining life of the contract. The cash received in advance is used to fund a proportion of the Group's capital expenditure programme.

Exchange rate risk

Management monitor exchange rate risk but as yet there is no current significant foreign currency exchange exposure. This is because more than 99% of assets and liabilities are denominated in Pounds Sterling (GBP).

Interest rate risk

The Group is not reliant on interest income but has significant borrowing costs associated with its long-term borrowing arrangements. These long-term borrowings are issued at floating interest rates. The Group manages its exposure by entering into interest rate swaps, whereby the Group settles the difference between the fixed and floating rate amounts at specified intervals. These swaps result in the group effectively paying a fixed interest rate on the majority of its external borrowings.

Capital risk

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 to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, sell assets to reduce debt or drawdown additional debt.

The Group's Capital Management Policy is to ensure the availability of an adequate supply of reasonably priced funding (and other credit lines) to meet current requirements as well as future growth anticipated under the Group's budget and strategic plan, within the constraints of debt capacity (as determined by long-term gearing targets, operational covenants and financial covenant requirements).

Directors' Report (continued)

Capital risk (continued)

The Group is funded through a mix of equity and debt, to match the maturity profile of its assets and liabilities. The funding profile was determined during the shareholder acquisition process to reflect the dynamics of the organisation and its future strategy.

The treasury function manages all funding activity for the Group and determines the optimum source of funding for each funding requirement, with the appropriate maturity, whilst ensuring maximum flexibility.

Key performance indicators

The Group has made significant progress this year on its objectives and key performance indicators. The Board monitors progress on both financial and customer satisfaction measures as set out below.

	Year ended 30 June 2011 £'000	Year ended 30 June 2010 £'000	Definition, method of calculation and analysis
Total Revenue	390,299	413,227	Revenue comprises the fair value of services and equipment provided, excludes VAT and other sales taxes and is after elimination of sales within the Group. Revenue has reduced due to one-off implementation revenues recognised in the prior year. Service revenues have increased.
EBITDA	207,063	192,759	EBITDA is calculated by adding depreciation and amortisation charges in the year to operating profit before exceptional items. The increase was due to gross margin from higher service revenues and operational efficiencies delivered in the current year.
Operating cash	148,158	92,171	Operating Cash is calculated by deducting working capital and capital expenditure movements from EBITDA in the year. It excludes exceptional cash payments. The increase resulted from the increase in EBITDA and reduction in Capital Expenditure as the Group has completed rollout of the major programmes.

The Group measures the level of service credits payable to customers as a result of incidents on the network that impact the level of service experienced. The level of service credits recognised in the year were in line with management's expectations following initiatives to address the amount of credits incurred.

The Group also undertakes annual customer satisfaction surveys for roll-out and in-life performance of the network. These were in accordance with management's expectations.

Results and proposed dividend

The consolidated loss after taxation for the year ended 30 June 2011 was £35 million (2010: £142 million).

The Directors declared dividends of £26.61 per share totalling £4.1 million during the year (2010: £241.25 per share, totalling £36.9 million). The Directors recommend the payment of a dividend of £86.22 per share totalling £13.2 million for the year ended 30 June 2011 (2010: £26.61 per share, totalling £4.1 million).

Directors' Report (continued)

Directors

The Directors who held office during the year and up to the signing date of the financial statements were as follows

Leonard Peter Shore	CPPIB	(resigned 28 June 2011, re-appointed 8 July 2011)
Martin Stephen William Stanley	MEIFII	(resigned 08 November 2010)
Marc Perusat	MEIFII	
Richard Abel	MEIFII	(appointed 22 November 2010)
Peter Dyer	MEIFII	(appointed 28 June 2011)
Graeme Francis Bevans	CPPIB	(resigned 31 July 2010)
Alain Carrier	CPPIB	
Daniel Karl Fetter	CPPIB	
Andreas Köettering	CPPIB	
Sir Stephen Wall	INDEPENDENT	(resigned 25 July 2011)

The Secretaries who held office during the year and up to date of signing the financial statements were as follows

James Thomas Lavery
Stephanie Cameron-Chileshe
Rachael Davidson

Directors' indemnities

GDCLux, (an entity with control over Airwave Solutions Limited) has granted an indemnity in the form permitted by the Qualifying Third Party Indemnity Provisions of the Companies Act 2006 to Directors of its subsidiary companies and the Directors of the Group are accordingly covered by this indemnity. This continues until such time as any relevant limitation periods for bringing claims (as defined in the indemnity) against the Director has expired, or for so long as the past Director, where relevant, remains liable for any losses (as defined in the indemnity)

Charitable contributions

The Group made donations to charities of £15,286 during the year (2010 £10,113), of which £7,936 (2010 £8,187) were donations made to match employee donations to various charities as part of the 'Give as you earn' scheme

Post balance sheet events

There were no post balance sheet events, other than the change in corporate tax rate described under note 28 to the Consolidated Financial Statements

Guardian Digital Communications Holdings Limited
Annual Report and Consolidated Financial Statements

Year ended 30 June 2011

Directors' Report (continued)

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that year. In preparing these financial statements, the directors are required to


- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

So far as each Director is aware, there is no relevant audit information of which the Group's auditors were unaware. The Directors have taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

On behalf of the Board



Peter Dyer
Director
11 October 2011

London
UK

Independent Auditors' Report to the Members of Guardian Digital Communications Holdings Limited

We have audited the consolidated financial statements of Guardian Digital Communications Holdings Limited for the year ended 30 June 2011 which comprise of the Consolidated Balance Sheet, the Consolidated Statement of Comprehensive Income, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the group financial statements

- give a true and fair view of the state of the group's affairs as at 30 June 2011 and of its loss and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

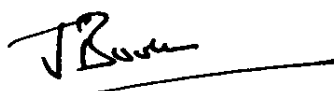
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



J Booker (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London, 13 October 2011

Guardian Digital Communications Holdings Limited
Annual Report and Consolidated Financial Statements
Year ended 30 June 2011

Consolidated Balance Sheet

	Note	2011 £'000	2010 £'000
Non-current assets			
Property, plant and equipment	8	711,994	776,302
Goodwill	9	578,190	577,291
Other intangible assets	11	1,037,843	1,074,970
Investments in subsidiaries, joint ventures and associates	10	-	626
Deferred income tax assets	17	88,695	92,168
Total non-current assets		2,416,722	2,521,357
Current assets			
Inventories	7	2,408	2,283
Trade and other receivables	6	72,331	65,848
Cash and cash equivalents	5	24,503	15,658
Other financial assets	18	-	2,186
Total current assets		99,242	85,975
Current liabilities			
Borrowings	14	(10,479)	(9,050)
Other financial liabilities	18	(65,870)	(66,269)
Trade and other payables	12	(104,041)	(103,445)
Deferred income	13	(64,103)	(51,977)
Provisions for liabilities and charges	16	(5,455)	(17,061)
Total current liabilities		(249,948)	(247,802)
Net current liabilities		(150,706)	(161,827)
Total assets less current liabilities		2,266,016	2,359,530
Non-current liabilities			
Borrowings	14	(1,979,231)	(1,969,883)
Other financial liabilities	18	(191,545)	(205,362)
Trade and other payables	12	(1,072)	-
Deferred income	13	(206,451)	(226,132)
Deferred income tax liabilities	17	(269,176)	(300,569)
Provisions for liabilities and charges	16	(20,108)	(19,731)
Total non-current liabilities		(2,667,583)	(2,721,677)
Net liabilities		(401,567)	(362,147)
Equity			
Capital and reserves attributable to Owners of the Company			
Ordinary shares	19	2	2
Share Premium		152,998	152,998
Foreign currency translation reserve		(59)	(31)
Accumulated losses		(554,508)	(515,116)
Total shareholders' equity		(401,567)	(362,147)

The above consolidated balance sheet should be read in conjunction with the accompanying notes on pages 15 to 52

The consolidated financial statements on pages 11 to 52 were authorised by the Board of Directors on 11 October 2011 and were signed on its behalf


Peter Dyer
Director
Company Registered Number 6143511

Guardian Digital Communications Holdings Limited
Annual Report and Consolidated Financial Statements
Year ended 30 June 2011

Consolidated Statement of Comprehensive Income

		2011	2010
	Note	£'000	£'000
Revenue	3 (a)	390,299	413,227
Cost of sales		(263,127)	(298,634)
Gross profit		127,172	114,593
Administrative expenses		(68,493)	(79,101)
Operating profit		58,679	35,492
Operating profit before exceptional items	3 (d)	56,712	45,900
Exceptional items	3 (c)	1,967	(10,408)
Operating profit		58,679	35,492
Finance income	3 (b)	113	96
Finance costs	3 (b)	(122,939)	(229,404)
Net finance costs		(122,826)	(229,308)
Share of loss of associate	10	(252)	(302)
Loss before Income tax		(64,399)	(194,118)
Taxation	4	29,081	51,822
Loss for the year		(35,318)	(142,296)
Other comprehensive income		-	-
Currency translation differences		(28)	(28)
Total comprehensive loss for the year		(35,346)	(142,324)
Total comprehensive loss attributable to owners of the company		(35,346)	(142,324)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes on pages 15 to 52

Guardian Digital Communications Holdings Limited
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Consolidated Statement of Changes in Equity

	Note	Ordinary Shares £'000	Share Premium £'000	Foreign Currency Translation reserve £'000	Accumulated Losses £'000	Total £'000
Balance at 1 July 2009		2	152,998	(3)	(335,885)	(182,888)
Loss for the year		-	-	-	(142,296)	(142,296)
Other comprehensive loss						
Currency translation differences		-	-	(28)	-	(28)
Total comprehensive loss		2	152,998	(28)	(142,296)	(142,324)
Transactions with owners						
Dividends paid	25	-	-	-	(36,935)	(36,935)
Balance at 30 June 2010		2	152,998	(31)	(515,116)	(362,147)
Loss for the year		-	-	-	(35,318)	(35,318)
Other comprehensive loss						
Currency translation differences		-	-	(28)	-	(28)
Total comprehensive loss		-	-	(28)	(35,318)	(35,346)
Transactions with owners						
Dividends paid	25	-	-	-	(4,074)	(4,074)
Balance at 30 June 2011		2	152,998	(59)	(554,508)	(401,567)

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes on pages 15 to 52

Guardian Digital Communications Holdings Limited
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Consolidated Statement of Cash Flows

	Note	2011 £'000	2010 £'000
Cash Flows generated from operating activities			
Loss for the year		(35,318)	(142,296)
Depreciation charges	8	107,721	104,459
Amortisation charges	11	44,314	42,704
Net finance costs	3 (b)	122,826	229,308
Share of loss of associate	10	252	302
Gain relating to business combination		(966)	-
Increase in other intangible assets	11	(2,723)	(1,815)
Increase in trade and other receivables		(3,090)	(22,439)
(Decrease)/ Increase in trade, other payables and deferred income		(7,081)	4,921
(Decrease)/ Increase in provisions for liabilities and charges		(13,673)	7,684
(Increase)/ Decrease in inventories		(683)	6,471
Decrease in tax liabilities		(29,081)	(51,940)
Net cash generated from operating activities		182,498	177,359
Cash flows from investing activities			
Purchase of property, plant and equipment		(47,417)	(86,515)
Investments in associates and subsidiaries net of cash acquired		(547)	-
Interest received from third parties	3 (b)	113	97
Net cash used in investing activities		(47,851)	(86,418)
Cash flows from financing activities			
Interest paid to third parties		(106,897)	(108,995)
Interest paid on related party loans	20(c)	(17,426)	(18,000)
Proceeds from borrowings	14	24,333	49,000
Repayment of borrowings	14	(21,711)	(13,000)
Repayment of related party loans	20(c)	-	(18,315)
Dividends paid		(4,074)	(36,935)
Net cash used in financing activities		(125,775)	(146,245)
Net increase/ (decrease) in cash and cash equivalents		8,872	(55,304)
Cash and cash equivalents at the beginning of the year	5	15,658	70,991
Exchange losses on cash		(27)	(29)
Cash and cash equivalents at the end of the year	5	24,503	15,658

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes on pages 15 to 52

Guardian Digital Communications Holdings Limited
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Notes to the Consolidated Financial Statements

1 Summary of Significant Accounting Policies

The significant policies which have been adopted in the preparation of the financial statements are stated to assist in a general understanding of these financial statements

(a) General information

The principal activities of Guardian Digital Communications Holdings Limited ('the Company'), its subsidiary, associate and joint venture undertakings (together 'the Group') are the development and provision of mobile Information and Communication Technology ("ICT") to Public Safety Organisations in Great Britain

The Company is a private limited company domiciled and registered in England and Wales. The registered address is Charter Court, 50 Windsor Road, Slough, Berkshire SL1 2EJ. The registered number of the Company is 6143511.

(b) Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), and IFRIC (International Financial Reporting Interpretations Committee) interpretations and the Companies Act 2006 applicable to Companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, as modified by the valuation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 1(z).

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

A statement on going concern is included in the Directors' Report. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and therefore can continue to adopt the going concern basis in preparing the financial statements.

While there are risks to the monthly profile of cash flows from operating activities due to the potential for delays to the delivery of programmes, these risks are partially mitigated by a matching delay in capital expenditure. The Group has a strong opening cash position with access to further committed bank facilities. Therefore these financial statements have been prepared on a going concern basis.

(c) Consolidation

i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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Notes to the Consolidated Financial Statements (continued)

1 Summary of Significant Accounting Policies (continued)

(c) Consolidation (continued)

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (see note 9). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Consolidated Statement of Comprehensive Income.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies have been applied consistently across the group.

ii) Joint Ventures and associates

A joint venture is an entity that is jointly controlled by two or more entities. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

An associate is an entity over which another entity has significant influence but not control and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies.

The Group's share of the results of joint ventures and associates is included in the Consolidated Statement of Comprehensive Income using the equity method of accounting. Investments in joint ventures and associates are carried in the Consolidated Balance Sheet at cost plus post-acquisition changes in the Group's share of the net assets of the entity, less any impairment in value.

If the Group's share of losses in a joint venture or associate equals or exceeds its investment in the joint venture or associate, the Group does not recognise further losses, unless it has incurred obligations to do so or made payments on behalf of the joint venture or associate. Unrealised gains arising from transactions with joint ventures and associates are eliminated to the extent of the Group's interest in the entity.

All group companies have 30 June as their year end. Consolidated group financial statements are prepared using uniform accounting policies for like transactions. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Guardian Digital Communications Holdings Limited
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Notes to the Consolidated Financial Statements (continued)

1 Summary of Significant Accounting Policies (continued)

(d) Property, plant and equipment

Property, plant and equipment comprise mainly network assets and are stated at historical cost less accumulated depreciation. The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation. Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation is provided on property, plant and equipment over their estimated useful lives on a straight-line basis from the date they are brought into use. The lives assigned to property, plant and equipment are:

Property, Plant and Equipment	2 to 15 years
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The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Administrative expenses' in the Consolidated Statement of Comprehensive Income. No gains or losses occurred during the year reported.

(e) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in non-current assets and is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The Company allocates goodwill to each entity acquired.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(f) Other Intangible Assets

Other intangible assets represent customer contracts and related customer relationships that are recorded at fair value on acquisition, less amortisation. These assets acquired through a business combination are capitalised separately from goodwill and are amortised on a straight line basis over a 28.7 year period, which represents management's best estimate of their economic useful life. Other intangible assets also contain marketing rights associated with the London 2012 Olympics that are recorded at cost less amortisation. The rights are amortised based on the usage of the rights over a 4 year period. Intellectual property has been acquired as part of the acquisition of Kelvin Connect Limited representing software and products recorded at fair value on acquisition and are amortised over 9.5 years on a straight line basis.

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Notes to the Consolidated Financial Statements (continued)

1 Summary of Significant Accounting Policies (continued)

(g) Impairment of non-financial assets

Assets that have an indefinite useful life (including goodwill) are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

(h) Inventories

Inventories comprise handsets, control room hardware and work in progress. This is stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method and comprises costs of purchase and costs incurred in bringing inventory to its current location and condition. Provisions are made, if necessary, for obsolete, slow-moving or defective stock.

(i) Cash and cash equivalents

Cash and cash equivalents in the Consolidated Balance Sheet and Statement of Cash Flows include cash in hand and deposits held at call with banks.

(j) Financial assets

The Group classifies its financial assets as fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise, they are classified as non-current.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet.

If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and conventional option pricing models making maximum use of observable market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment testing of trade receivables is described in note 1(k).

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Year ended 30 June 2011

Notes to the Consolidated Financial Statements (continued)

1 Summary of Significant Accounting Policies (continued)

(k) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Consolidated Statement of Comprehensive Income within administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the Consolidated Statement of Comprehensive Income.

(l) Trade and other payables

Trade payables initially are recognised at fair value and subsequently measured at amortised cost using the effective interest method.

(m) Borrowing costs

Borrowing costs are expensed as incurred except for transaction costs as described below in "n".

(n) Borrowings

Subsequent to initial recognition at fair value, net of transaction costs incurred, interest bearing liabilities are measured at amortised cost and classified as financial liabilities. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Consolidated Statement of Comprehensive Income over the year of the borrowings using the effective interest method. Transaction costs are included in the carrying amount and are charged to the Consolidated Statement of Comprehensive Income over the year of the borrowings using the effective interest method.

(o) Foreign currencies

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss in finance cost or income.

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in Pounds Sterling (GBP), which is the Company's functional and presentation currency.

(ii) Transactions and balances

Transactions denominated in foreign currencies are translated, at the exchange rate on the day the transaction occurred, to the functional currency of the entity. Monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing at the balance sheet date. Foreign exchange differences are recognised in the Consolidated Statement of Comprehensive Income. Non-monetary assets and liabilities denominated in foreign currency are translated at the foreign currency exchange rate prevailing at the dates the values were determined and differences are taken to the reserves.

Foreign exchange gains and losses on cash and cash equivalents are presented in the Consolidated Statement of Comprehensive Income as finance income or cost.

Guardian Digital Communications Holdings Limited
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Notes to the Consolidated Financial Statements (continued)

1 Summary of Significant Accounting Policies (continued)

(o) Foreign currencies (continued)

(iii) Group Companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet,
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions), and
- all resulting exchange differences are recognised as a separate component of equity

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(p) Taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Income tax relating to items recognised directly in equity is recognised in equity, not in the Consolidated Statement of Comprehensive Income.

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 assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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Notes to the Consolidated Financial Statements (continued)

1 Summary of Significant Accounting Policies (continued)

(q) Employee benefits

Pension obligations

The Group operates a defined contribution plan into which it pays contributions on behalf of employees. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due.

(r) Provisions for liabilities and charges

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost. Provisions are not recognised for future operating losses.

Provisions are made for the discounted future cost of restoration of mast sites at the date of acquisition of the site, for potential additional costs in respect of delayed contractual milestones, onerous contracts and restructuring costs.

(s) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(t) Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statement in the period in which the dividends are approved by the company's shareholders.

(u) Exceptional Items

The Group separately identifies and discloses one-off or unusual items (termed 'exceptional items'). This provides a meaningful analysis of the underlying trading results of the Group and aids readers' understanding of the impact of such items. Therefore, in the discussion of the Group's results of operations, reference is made to measurements before and after exceptional items. Exceptional items may not be comparable to similarly titled measures used by other companies.

(v) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 16. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Derivative instruments do not qualify for hedge accounting and are therefore accounted for as derivatives at fair value through the Consolidated Statement of Comprehensive Income. Changes in the fair value of any of these derivative instruments are recognised immediately in the Consolidated Statement of Comprehensive Income within 'net finance costs' (see note 3(b)).

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Notes to the Consolidated Financial Statements (continued)

1 Summary of Significant Accounting Policies (continued)

(w) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable during the ordinary course of business net of discounts and sales taxes and after elimination of sales within the Group

Revenue consisting primarily of regular fees for ongoing services, such as network access, control room services, managed terminal services and additional coverage solutions are recognised from implementation over the remaining year to which the services relate

Revenue for the sale of equipment is recognised when it is probable that the economic benefits associated with a transaction will flow to the Group and the amount of revenue and the associated costs can be measured reliably

Revenue arising from separable installation and connection services is recognised when it is earned, upon activation. Revenue from the implementation of peripheral and other equipment is recognised when all the significant risks and rewards of ownership are transferred to the buyer, which is normally the date the equipment is delivered and accepted by the customer

Revenue from long-term contractual arrangements is recognised based on the percentage of completion method. The stage of completion is estimated using an appropriate measure according to the nature of the contract. For long-term services contracts revenue is recognised on a straight line basis over the term of the contract. However, if the performance pattern is other than straight line, revenue is recognised as services are provided, usually on an output or consumption basis. For fixed price contracts, including contracts to design and build communications solutions, revenue is recognised by reference to the stage of completion, as determined by the proportion of costs incurred relative to the estimated total contract costs, or other measures of completion such as site and vehicle installation and contract milestone customer acceptance

Differences between revenue recognised and revenue billed to the customer give rise to accrued and deferred income

Interest income is recognised using the effective interest method

(x) Leases

The group leases certain equipment. Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals under operating leases are charged to the Consolidated Statement of Comprehensive Income in equal annual instalments over the periods of the leases

Lease of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in long term borrowings. The interest element of the finance costs is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term

Guardian Digital Communications Holdings Limited
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Notes to the Consolidated Financial Statements (continued)

1 Summary of Significant Accounting Policies (continued)

(y) Accounting Standards and interpretations

Certain new standards, amendments to and interpretations of existing standards have been published that are mandatory for accounting periods beginning on or after 1 July 2011 or later periods but which the Company has chosen not to early adopt. The new standards and interpretations, applicable to the Group which will be adopted by the Company as appropriate are as follows

IFRS 9, 'Financial instruments', issued in December 2009. This addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2015 but is available for early adoption. The Group is yet to assess IFRS 9's full impact.

The Group has not elected to early adopt these amendments. The Group is currently assessing the impact of these amendments and does not expect at this stage that they would significantly impact the Group's financial position.

(z) Critical accounting estimates and judgments

The preparation 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. A significant change in the facts and circumstances on which these estimates are based could have a material negative impact on the Group's earnings and financial position. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are discussed below.

(i) Property, plant and equipment and intangible assets

Accounting for property, plant and equipment and intangible assets involves the use of estimates for determining (a) the useful lives of the assets, over which they are to be depreciated or amortised, and (b) the existence and amount of any impairment. Details of property, plant and equipment are provided in note 8. Details of intangible assets, which represent customer contract and related customer relationships, are provided in note 11.

Property, plant and equipment are depreciated on a straight line basis over their estimated useful lives. When the Group estimates useful lives various factors are considered including expected technological obsolescence and the expected usage of the asset. The Group regularly reviews these asset lives and changes them as necessary to reflect the useful estimated current remaining lives in light of technological changes, future economic utilisation and the physical condition of the assets concerned. A significant change in these facts and circumstances may have a material impact on the carrying value of these assets. An increase/decrease in the useful life by 3 years would result in a decrease/increase to depreciation expense for the year of approximately £27 million.

Intangible assets were acquired through a business combination and are amortised on a straight line basis over a 28.7 year period, which represents management's best estimate of their economic useful life. An increase/decrease in the useful life by 3 years would result in a decrease/increase to annual amortisation expense of approximately £5 million.

Guardian Digital Communications Holdings Limited
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Year ended 30 June 2011

Notes to the Consolidated Financial Statements (continued)

1 Summary of Significant Accounting Policies (continued)

(z) Critical accounting estimates and judgments (continued)

(i) Property, plant and equipment and intangible assets (continued)

The recoverable amount of the asset is determined as the higher of fair value less costs to sell and the value in use. If it is not possible to determine a recoverable amount for the individual assets, the assets are assessed together in the smallest group of assets for which a reliable recoverable amount can be determined in an overall assessment.

The determination of whether the impairment of property, plant and equipment and intangibles is necessary, involves the use of estimates that include, but are not limited to, the analysis of the cause of the potential impairment in value, the timing of such potential impairment and an estimate of the amount of the impairment. The Group considers technological obsolescence, discontinuance of services and other changes in circumstances that indicate a need to perform an impairment test. A significant change in the facts and circumstances that were relied upon in making the estimates may trigger the requirement for recording an impairment and may have a material adverse impact on the operating results and financial condition of the Group.

(ii) Goodwill

Goodwill is not subject to a regular amortisation charge and is instead tested annually to determine whether any impairment has arisen. This is completed by calculating the recoverable amount of cash-generating units based on value in use. These calculations require the use of estimates and judgements to calculate expected cash flows. Management makes assumptions including, but not limited to, the discount rate to be applied, technological evolution and revenue growth rates in calculating expected cash flows. A significant change in these facts and circumstances may have a material impact on the carrying value of goodwill. Details of goodwill are provided in note 9.

(iii) Deferred tax assets and liabilities

The Group evaluates the recoverability of deferred tax assets based on estimates of future earnings. The ability to recover these taxes depends ultimately on the Group's ability to generate taxable earnings over the course of the year for which the deferred tax assets remain deductible. This analysis is based on the estimated reversal of deferred taxes as well as estimates of taxable earnings, which are sourced from internal projections and are updated to reflect the latest trends.

The appropriate classification of tax assets and liabilities depends on a series of factors including estimates as to the timing and materialisation of deferred tax assets and the forecast tax payment schedule. Actual income tax receipts and payments could differ from the estimates made by the Group as a result of changes in tax legislation or unforeseen transactions that could affect tax balances. Details of deferred tax assets and liabilities are provided in note 17.

Guardian Digital Communications Holdings Limited
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Notes to the Consolidated Financial Statements (continued)

1 Summary of Significant Accounting Policies (continued)

(z) Critical accounting estimates and judgments (continued)

(iv) Revenue recognition

Certain contractual arrangements contain significant timing differences between the date of cash receipt and the point of revenue recognition at a stage of completion. Where cash is received in advance of revenue recognition, the cash receipt is recorded as deferred income in the balance sheet and released to the Consolidated Statement of Comprehensive Income over the remaining period of the contract. Where revenue is earned in advance of an invoice being raised, revenue is recognised as accrued income in the balance sheet and released when an invoice is raised.

Management's judgement is applied to determine when a contract satisfies the above criteria and therefore a change to this criteria could have a material effect on the earnings of the Group.

(v) Provisions

Provisions are recognised when an event in the past gives rise to a current obligation for the Group, settlement of which requires an outlay that is considered probable and can be estimated reliably. The obligation may be legal or constructive, deriving from regulations, contracts, normal practices or public commitments that lead third parties to reasonably expect that the Group will assume certain responsibilities. The amount of the provision is determined based on the best estimate of the outflow of resources required to settle the obligation, taking into account all the available information.

No provision is recognised if the amount of liability cannot be estimated reliably. In this case, the relevant information is disclosed in the notes to the financial statements.

Given the uncertainties inherent in the estimates used to determine the amount of provision, actual outflows of resources may differ from the amounts recognised originally on the basis of the estimates.

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Notes to the Consolidated Financial Statements (continued)

2 Business Combinations

Acquisition of Kelvin Connect Limited

On 2 September 2008 the Group acquired 37% of the voting share capital of Kelvin Connect Limited for £1 million. On 2 February 2011 the Group acquired the remaining 63% of the voting share capital and obtained 100% control of Kelvin Connect Limited, an unlisted company based in Glasgow, specialising in the development and provision of mobile information and communication technology to Public Safety Organisations in England, Scotland and Wales.

The goodwill arising from the acquisition is attributable to anticipated future revenue streams.

		Fair value recognised on acquisition £'000
Cash		559
Contingent consideration		1,792
Total consideration transferred		2,351
Fair value of equity interest in Kelvin Connect Limited held before the business combination		1,339
Total consideration		3,690
Recognised amounts of identifiable assets acquired and liabilities assumed		
Property, plant & equipment	4	
Cash and cash equivalents	12	
Other receivables	93	
Prepayments and accrued income	9	
	118	
Trade payables	(16)	
Other payables	(49)	
Accruals	(7)	
Deferred income	(558)	
Total identifiable assets	(512)	
Intangibles on consolidation	4,464	
Deferred tax liability	(1,161)	2,791
Goodwill (note 9)		899

The following table summarises the consideration paid for Kelvin Connect Limited and the amounts of the assets acquired and liabilities assumed recognised at the acquisition date.

The total cost of the combination was £2,351,000 comprised of cash and deferred cash consideration as outlined above.

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Business Combinations (continued)

The contingent consideration arrangement requires the group to pay the former owners of Kelvin Connect Limited £2.6 million upon the achievement of specific business deliverables.

The potential undiscounted amount of all future payments that the group could be required to make under this arrangement is between £nil and £2.6 million.

The Group recognised losses of £252,000 as a result of equity accounting for its 37% equity interest in Kelvin Connect Limited held before the business combination. The loss is included in Share of loss of associate in the Consolidated Statement of Comprehensive Income for the year ending 30 June 2011.

The revenue included in the consolidated statement of comprehensive income since 2 February 2011 contributed by Kelvin Connect Limited was £238,000. Kelvin Connect Limited also contributed a loss of £821,000 over the same period.

Had Kelvin Connect Limited been consolidated from 1 July 2010, the consolidated statement of comprehensive income would show revenue of £220,000 and a loss of £1,385,000.

3 Loss for the Year

(a) The loss before income tax includes the following specific items of revenue and expense

	2011 £'000	2010 £'000
Service revenue	374,809	355,400
Implementation and other non-recurring revenue	15,490	57,827
Total Revenue	390,299	413,227

Sales of services consist of income from the development and provision of Mobile Information and Communication Technology services to Public Safety Organisations.

	Note	2011 £'000	2010 £'000
Depreciation of property, plant and equipment	8	107,721	104,459
Amortisation of other intangible assets	11	44,314	42,704
Staff costs	23	50,153	54,215
Auditors' remuneration			
- The audit of the Company's annual accounts		36	39
- The audit of accounts of the Company's subsidiaries pursuant to legislation		159	175
- Tax services		49	69
- Other services		111	91
Operating lease rentals payable			
- Operating minimum lease payments		34,276	34,728
Foreign exchange losses		37	28

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Notes to the Consolidated Financial Statements (continued)

3 Loss for the Year (continued)

(b) Net finance costs

	Note	2011 £'000	2010 £'000
Bank interest receivable		113	96
Total finance income		113	96
Fair value gains/(losses) on interest swaps		11,157	(94,304)
Interest payable to parent entities	20	(18,000)	(18,000)
Interest payable on external borrowings		(105,982)	(107,829)
Finance lease liabilities		(39)	
Provisions Unwinding of discount	16	(2,390)	(1,692)
Other finance charges*		(7,685)	(7,579)
Total other finance costs		(134,096)	(135,100)
Total finance costs		(122,939)	(229,404)
Net finance costs		(122,826)	(229,308)

* Other finance charges includes amortisation of capitalised transaction costs and unwinding of discounts relating to contingent consideration

c) Exceptional items

Exceptional items are those significant items which are separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance. During the year ended 30 June 2010 the Company announced a restructuring program including the closure of two offices and a review of its workforce with a target to reduce headcount by 140. Following union and employee consultation more than 150 positions were made redundant, all voluntarily, the majority of which left the business in August 2010. The Company recognised costs in relation to this restructuring of £10.4 million before tax comprising staff redundancy and associated costs. Revisions of the provision resulted in a £1.0 million credit to the Statement of Comprehensive Income in the year ended 30 June 2011.

The exceptional items include £0.97 million relating to unrealised gain on the revaluation of the holdings in Kelvin Connect Limited as an associate before it was fully acquired this year.

d) Earnings before interest, tax, depreciation and amortisation (EBITDA)

	Note	2011 £'000	2010 £'000
Operating profit before exceptional items		56,712	45,900
Add Depreciation	8	107,721	104,459
Add Amortisation of customer contracts and intellectual property	11	42,630	42,400
Earnings before interest, tax, depreciation and amortisation (EBITDA)		207,063	192,759

Amortisation of marketing rights is not included in the reconciliation above as this reflects management's view of EBITDA.

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Notes to the Consolidated Financial Statements (continued)

4 Taxation

	Note	2011 £'000	2010 £'000
(a) Analysis of the charge in the year			
Current tax comprises			
- Adjustment in respect of prior year		-	-
Total current tax		-	-
Deferred tax comprises			
- Origination and reversal of temporary differences		(14,195)	(51,822)
- Impact of tax change		(14,886)	-
Total deferred tax	17	(29,081)	(51,822)
Taxation		(29,081)	(51,822)

The income tax for the year is lower (2010: higher) than the standard rate of corporation tax in the UK (26%). The standard rate of Corporation Tax in the UK changed from 28% to 26% with effect from 1 April 2011. The Group does not have current tax payable therefore the applicable rate of tax for the year is 26%. The differences are reconciled as follows:

	2011 £'000	2010 £'000
(b) Loss before income tax	(64,397)	(194,118)
Loss on ordinary activities at rate of corporation tax of 26% (2010: 28%)	(16,743)	(54,353)
Factors affecting tax charge		
- Expenses not deductible for tax purposes	2,600	2,508
- Impact of tax rate change	(14,886)	-
- Gain on business combination not taxable	(251)	-
- Losses not recognised	199	23
Taxation	(29,081)	(51,822)

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Notes to the Consolidated Financial Statements (continued)

5 Cash and Cash Equivalents

	2011 £'000	2010 £'000
Cash at bank	24,503	14,593
Short term money market investments	-	1,065
	24,503	15,658

(a) Cash at bank

Cash at bank represents cash not placed on overnight deposit and is non interest bearing

(b) Short term money market investments

The short term money market investments outstanding at the period end mature overnight and is interest bearing

(c) Bank overdraft

The Group does not have an overdraft arrangement in place

Credit risk

Cash and cash equivalents credit risk is monitored on an overall basis by the treasury function through the application of counter party credit limits which are dependent on the long term credit rating of the counterparty. The credit limits are as follows

Long term rating	Counterparty limit £'000	2011	
		Balance £'000	Number of Counterparties
AAA	75,000	-	-
AA	50,000	24,503	1
A	25,000	-	-
BBB	10,000	-	-
		24,503	

Long term rating	Counterparty limit £'000	2010	
		Balance £'000	Number of Counterparties
AAA	75,000	-	-
AA	50,000	15,658	1
A	25,000	-	-
BBB	10,000	-	-
		15,658	

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Notes to the Consolidated Financial Statements (continued)

5 Cash and Cash Equivalents (continued)

The carrying value of cash and cash equivalents approximates the fair value. Cash and cash equivalents are denominated in the following currencies

	2011 £'000	2010 £'000
Pounds Sterling (GBP)	23,902	13,798
Norwegian Krone (NOK)	330	999
Euro (EUR)	271	861
	24,503	15,658

6 Trade and Other Receivables

	2011 £'000	2010 £'000
Trade receivables	37,016	28,394
Less provision for impairment of trade receivables	(117)	(27)
Trade receivables – net	36,899	28,367
Other receivables	4,702	1,607
Prepayments	26,590	18,326
Accrued income	4,140	17,548
	72,331	65,848

As at 30 June 2011 19 invoices were considered to be impaired (2010 eleven) and therefore provided for in the year. The amount of impairment recognised as an expense during the year was £90,000 (2010 £27,000) and is included in administrative expenses. The carrying amount of trade receivables at year end was in the following currencies

	2011 £'000	2010 £'000
Pounds Sterling (GBP)	36,899	28,344
Euro (EUR)	-	23
Trade receivables	36,899	28,367

The fair value of trade receivables was equal to the carrying value at year end. The Group does not hold any collateral as security.

Movements in provisions for impairment of trade receivables are as follows

	£'000
As at 1 July 2009	(152)
Receivable written off during the year as uncollectable	152
Provision for receivables impairment	(27)
At 30 June 2010	(27)
Receivable written off during the year as uncollectable	
Provision for receivables impairment	(90)
At 30 June 2011	(117)

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Notes to the Consolidated Financial Statements (continued)

6 Trade and Other Receivables (continued)

Trade receivables that are past due but not impaired are shown below

Days outstanding	2011 £'000	2010 £'000
31 to 90 days	7,116	3,364
91 to 180 days	2,545	1,254
Greater than 180 days	151	342
Provision	(117)	(27)
	9,695	4,933

The above balances relate to number of independent customers, majority of customers are Public Safety Organisations and local authorities, for whom there is no recent history of default

Trade receivables presented in the Consolidated Balance Sheet are net of allowances for doubtful receivables, estimated by the Group's management based on prior experience and their assessment of the current economic environment. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit risk is not considered significant as the majority of customers are Public Safety Organisations and local authorities.

At the balance sheet date there were no significant concentrations of credit risk, with exposure spread over a number of counter-parties and customers. The maximum exposure to credit risk is represented by the carrying amount of each class of receivable mentioned above. The Group does not hold any collateral as security.

The maximum exposure to credit risk is as shown below

	2011 £'000	2010 £'000
Trade and other receivables (excluding prepayments)	45,741	47,552
Cash and cash equivalents	24,503	15,658
	70,244	63,210

7 Inventories

	2011 £'000	2010 £'000
Handsets, hardware and work in progress	2,408	2,283

The cost of inventories recognised as an expense and included in cost of sales amounted to £4,396,000 (2010: £35,499,000)

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Notes to the Consolidated Financial Statements (continued)

8 Property, Plant and Equipment

	£'000
Cost	
As at 1 July 2009	1,262,617
Additions	81,933
As at 30 June 2010	1,344,550
Additions	43,409
Acquisitions	4
As at 30 June 2011	1,387,963
Accumulated Depreciation	
As at 1 July 2009	463,789
Charge for the year	104,459
As at 30 June 2010	568,248
Charge for the year	107,721
As at 30 June 2011	675,969
Net Book Value	
As at 1 July 2009	798,828
As at 30 June 2010	776,302
As at 30 June 2011	711,994

Depreciation has been charged to cost of sales during the year, totalling a value of £107,721,000 (2010 £104,459,230)

Property, plant and equipment includes the following amounts where the group is a lessee under a finance lease for computer equipment

	2011 £'000	2010 £'000
Cost – capitalised finance leases	2,347	-
Accumulated depreciation	(427)	-
Net book value	1,920	-

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Notes to the Consolidated Financial Statements (continued)

9 Goodwill

	Total £'000
Group cost and net book value	
As at 1 July 2009 and 30 June 2010	577,291
Additions	899
As at 30 June 2011	578,190

Goodwill has arisen from the acquisition of Airwave Solutions Limited and Kelvin Connect Limited. It has an indefinite economic useful life and is not subject to amortisation.

Impairment testing

The Group performs an annual goodwill impairment test, which is based on fair value calculations of the recoverable amount of the cash generating unit ("CGU") using the income approach.

Guardian group comprises of one CGU, Airwave Solutions Limited (ASL). ASL comprises of two CGUs, that is the cash generated by ASL as a standalone business and the cash generated by the newly acquired wholly owned subsidiary Kelvin Connect Limited. This represents the smallest identifiable group of assets that generate cash inflows that have goodwill and are largely independent of the cash inflows from other groups of assets.

A discounted cash flow analysis was prepared. This is an analysis of the unlevered cash flow projections derived from the five year plan approved by the Board. They reflect management's expectation of revenue growth, operating costs and margin for the CGUs based on past experience. Cash flows beyond the five year plan period have been extrapolated using an estimated terminal growth rate of 2%. This rate does not exceed the average long-term growth rate for the UK.

The discount rate of 8.2% applied to the unlevered cash flow projections is a market-based post-tax weighted average cost of capital for the Group, which used the equity betas of 9 comparable publicly traded companies compiled from monthly stock price data for the last 5 years.

The fair value of the CGUs have been calculated at year end and is greater than the present carrying value. As the CGU's fair value exceed the asset's carrying amount, the assets have been concluded as not impaired.

The forecasts are most sensitive to changes in projected revenue growth rates in the first five years of the forecast period. Similarly an increase in WACC by 1% or decrease in growth rate by 1.5% would result in an impairment.

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Notes to the Consolidated Financial Statements (continued)

10 Investments in Subsidiaries, Joint Ventures and Associates

Subsidiaries

	Country of incorporation	Ownership %	Type of share	Type of holding
Guardian Digital Communications Limited	UK	100%	Ordinary	Direct
Airwave Solutions Limited	UK	100%	Ordinary	Indirect
Airwave Solutions International Limited	UK	100%	Ordinary	Indirect
Airwave Solutions Norway AS	Norway	100%	Ordinary	Indirect
Airwave Solutions Deutschland GmbH	Germany	100%	Ordinary	Indirect
Kelvin Connect Limited	UK	100%	Ordinary	Indirect

During the year ended 30 June 2009, Airwave Solutions International Limited (ASIL) was incorporated. Airwave Solutions Limited acquired all of the shares on incorporation for £1 (one ordinary share). Airwave Solutions International Limited acquired all of the shares of Airwave Solutions Norway AS and Airwave Solutions Deutschland GmbH on incorporation. All these entities are included within the consolidated results.

On 2 September 2008 the group acquired 37% of the share capital of Kelvin Connect Limited for the consideration of £1,000,000. On 2 February 2011 the group acquired the remaining 63% of the voting share capital for the consideration and obtained 100% control of Kelvin Connect Limited. The acquisition has been accounted for in accordance with IFRS 3 Business Combinations (See Note 2).

All of the above entities are included within the consolidated results.

Joint Ventures

	Country of incorporation	Assets	Liabilities	Revenues	Expenses	Ownership %
	Australia	2011	A\$2 (£1)	-	-	-
Airwave Solutions Australia Pty Ltd		2010	A\$2 (£1)	-	-	50%

On 6 August 2010 the Group disposed its 50% holding in Airwave Solutions Australia Pty Ltd (ASA) for A\$1, which was acquired during the year ended 30 June 2009 for A\$1. ASA did not trade during the period of ownership.

Associates

Investment in Associates		
Kelvin Connect Limited		£'000
At 1 July 2009		928
Share of loss		(302)
At 30 June 2010		626
Share of loss to February 2011		(252)
At 2 February 2011		374
Transferred to subsidiary		(374)
At 30 June 2011		-

Total revenues for the seven months period to 2 February 2011 was £82,000 (Year ended 30 June 2010 £619,000). Share of loss for the seven months period to 2 February 2011 was £252,000 (Year ended 30 June 2010 £302,000).

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Notes to the Consolidated Financial Statements (continued)

10 Investments in Subsidiaries, Joint Ventures and Associates
(continued)

The Group's share of the results of its principal associates, all of which are unlisted, and its aggregate assets and liabilities, are as follows

	Country of Incorporation	Year	Assets £'000	Liabilities £'000	Revenues £'000	Expenses £'000	Loss £'000	Ownership %
Kelvin Connect Limited	United Kingdom	2011	-	-	-	-	-	-
		2010	235	66	229	(531)	(302)	37%

On 2 September 2008 the company acquired 37% of the share capital of Kelvin Connect Limited for the consideration of £1,000,000. On 2 February 2011 the company acquired the remaining 63% of the share capital for the consideration of £559,000 and contingent consideration of £1,792,000 and obtained 100% control of Kelvin Connect Limited. This company has been accounted under the equity method for the seven months period to 2 February 2011. The value of the investments are supported by their underlying assets.

11 Other Intangible Assets

	Customer contracts £'000	Marketing rights £'000	Intellectual Property £'000s	Total £'000
Group cost				
As at 1 July 2009	1,208,359	-	-	1,208,359
Additions		1,815		1,815
As at 30 June 2010	1,208,359	1,815	-	1,210,174
Additions	-	2,723	4,464	7,187
As at 30 June 2011	1,208,359	4,538	4,464	1,217,361
Accumulated Amortisation				
As at 1 July 2009	92,500	-	-	92,500
Charge for the year	42,400	304	-	42,704
As at 30 June 2010	134,900	304	-	135,204
Charge for the year	42,400	1,684	230	44,314
As at 30 June 2011	177,300	1,988	230	179,518
Net Book value				
As at 1 July 2009	1,115,859	-	-	1,115,859
As at 30 June 2010	1,073,459	1,511	-	1,074,970
As at 30 June 2011	1,031,059	2,550	4,234	1,037,843

Other intangible assets relate to customer contracts and related customer relationships and marketing rights. The amortisation expense for customer contracts is included within cost of sales in the Consolidated Statement of Comprehensive Income. The remaining amortisation period of customer contracts is 25 years.

The amortisation expense for marketing rights is included within administrative expenses in the Consolidated Statement of Comprehensive Income. The remaining amortisation period of the marketing rights is 2 years.

Intellectual property has been acquired as part of the acquisition of Kelvin Connect Limited representing software and products. Amortisation expense is included in costs of sales in the consolidated statement of comprehensive income. The remaining amortisation period is 9 years.

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Notes to the Consolidated Financial Statements (continued)

12 Trade and Other Payables

	Notes	2011 £'000	2010 £'000
Current			
Trade payables		14,097	22,582
Taxation and social security		1,724	1,318
Other payables		15,066	7,363
Contingent consideration		826	-
Accrued expenses		72,328	72,182
		104,041	103,445
Non Current			
Contingent consideration		1,072	-

The carrying value of trade and other payables approximate their fair value

13 Deferred Income

	2011 £'000	2010 £'000
Deferred income – current	64,103	51,977
Deferred income – non current	206,451	226,132
Total	270,554	278,109

The carrying value of deferred income approximates its fair value

14 Borrowings

	Note	Accrued return / interest 2011 £'000	2011 £'000
Secured and unsecured borrowings			
Non-current unsecured borrowings			
Eurobond – GDCLux			150,000
Loan – GDCLux			127,285
Total related party facilities			277,285
Non-current secured borrowings			
HSBC Facility A	I		1,500,000
Less capitalised transaction costs			(3,823)
HSBC Facility B	II		204,000
Finance lease liabilities	15		1,769
Total non-current borrowings			1,979,231
Current unsecured borrowings			
Eurobond – GDCLux		9,500	
Loan – GDCLux		-	9,500
Current secured borrowings			
HSBC Facility A		124	124
HSBC Facility C	III		-
Finance lease liabilities	15		855
Total current borrowings			10,479
Total interest bearing loans and borrowings			1,989,710

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Notes to the Consolidated Financial Statements (continued)

14 Borrowings (continued)

	Note	Accrued Interest 2010 £'000	2010 £ 000
Secured and unsecured borrowings			
Non-current unsecured borrowings			
Eurobond – GDCLux			150,000
Loan – GDCLux			127,285
Total related party facilities			277,285
Non-current secured borrowings			
HSBC Facility A			1,500,00
Less capitalised transaction costs			(11,402)
HSBC Facility B			204,000
Finance lease liabilities			-
Total non-current borrowings	I		1,969,883
Current unsecured borrowings			
Eurobond – GDCLux	II	8,926	
Loan – GDCLux		-	8,926
Current secured borrowings			
HSBC Facility A	15	124	124
HSBC Facility C			-
Finance lease liabilities	III		-
Total current borrowings			9,050
Total interest bearing loans and borrowings			1,978,933

Notes

The current portion of the above loans and borrowings due within 1 year is £10,479,000 (2010 £9,050,000) as disclosed in the balance sheet under current liabilities

The HSBC borrowing facilities are secured over all of the Company's assets and all of GDCL's assets including the shares held in Airwave Solutions Limited. The prior year borrowings have been restated to reflect the reclassification from unsecured to secured borrowings

i) HSBC Facility A is a £1,500 million facility, fully utilised on acquisition of Airwave Solutions Limited. The facility carries a floating rate, fixed by interest rate swaps

ii) HSBC Facility B is a £250 million capital expenditure facility. The facility carries a floating interest rate

iii) HSBC Facility C is a £50 million working capital facility. The facility carries a floating interest rate

All borrowings are denominated in Pounds Sterling (GBP)

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Notes to the Consolidated Financial Statements (continued)

15 Finance lease liabilities

	Note	2011 Total £'000	2010 Total £'000
Gross lease liabilities			
Within one year		911	-
Between 2 and 5 years		1,830	-
After 5 years		-	-
		2,741	-
Future interest		(117)	-
Present value of finance lease liabilities		2,624	-

The present value of finance lease liabilities is repayable as follows

Within one year	855	-
Between 2 and 5 years	1,769	-
After 5 years	-	-
Total lease liabilities payable after more than one year	2,624	-

The fair value of lease liabilities as at 30 June 2011 amounted to £2,624,000. The fair value is the present value of the minimum lease payments.

16 Provisions for liabilities and charges

	2011 Total £'000	2010 Total £'000
Current	5,455	17,061
Non-current	20,108	19,731
	25,563	36,792

Movement in provisions

Movements in each class of provisions are set out below

	Site Restoration £'000	Contract Delays £'000	Restructuring £'000	Onerous Contracts £'000	Total £'000
As at 1 July 2009	13,543	11,340	2,494	-	27,377
Additional provision	-	800	11,483	966	13,249
Unused amounts reversed	(39)	-	(1,075)	-	(1,114)
Unwinding of discount	1,431	115	146	-	1,692
Utilised during year	-	(3,085)	(1,327)	-	(4,412)
As at 30 June 2010	14,935	9,170	11,721	966	36,792
Additional provision	54	-	-	-	54
Unused amounts reversed	-	(858)	(1,001)	(450)	(2,309)
Unwinding of discount	2,345	45	-	-	2,390
Utilised during year	-	(527)	(10,456)	(381)	(11,364)
As at 30 June 2011	17,334	7,830	264	135	25,563

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Notes to the Consolidated Financial Statements (continued)

16 Provisions for liabilities and charges (continued)

Provisions include £17.3 million (2010: £14.9 million) in respect of mast site restoration. The Group has certain legal obligations relating to the restoration of leased property to its original condition at the end of the lease term. This obligation relates principally to mast sites. The provision is based on assumptions covering the lease term, the characteristics of the site, the expected cost of restoring the site and the period of time before the obligation is expected to be incurred. The provision is discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. The provision is expected to be utilised between 9 and 24 years. The undiscounted costs expected to be incurred over this period are £81.6 million (2010: £84.0 million).

Provisions include £7.8 million (2010: £9.2 million) in respect of delayed contractual milestone payments. In the Directors' opinion, it is considered that there will not be any significant additional costs beyond the amounts provided at 30 June 2011. The provision is expected to be utilised over the next 6 years. The undiscounted costs expected to be incurred over this period are £9.6 million (2010: £10.5 million).

Provisions include £0.26m (2010: £11.7 million) in respect of restructuring costs. During the year ended 30 June 2010 the Group announced a restructuring program including the closure of two small offices and a review of its workforce with a target to reduce headcount by 140. Following union and employee consultation more than 150 positions were made redundant, all voluntarily. The provision is expected to be utilised over the next 3 years.

Provisions include £135,000 (2010: £966,000) of costs relating to onerous contracts. The provision is expected to be utilised within 12 months and has not been discounted.

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.

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 26% (2010: 28%).

The net movements in deferred tax balances are as follows:

	2011 £'000	2010 £'000
As at 1 July	(208,401)	(260,223)
Income statement credit	29,081	51,822
Business combination	(1,161)	-
As at 30 June	(180,481)	(208,401)

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Notes to the Consolidated Financial Statements (continued)

17 Deferred Taxation (continued)

Deferred tax assets are recognised in respect of tax losses and other temporary differences giving rise to deferred tax assets when it is probable that these assets will be recovered

Deferred tax assets/ (liabilities)

	2011 £'000	2010 £'000
Depreciation in excess of capital allowances		
As at 1 July	18,057	3,943
Credit for the year	4,955	14,114
As at 30 June	23,012	18,057
 Provisions and unrealised gain and losses		
As at 1 July	74,111	48,275
Charge / credit for the year	(3,134)	25,836
Impact of tax rate change	(5,294)	-
As at 30 June	65,683	74,111
 Deferred tax on intangibles		
As at 1 July	(300,569)	(312,441)
Credit for the year	11,084	11,872
Impact of tax rate change	21,470	-
Business combination	(1,161)	-
As at 30 June	(269,176)	(300,569)
 Unused tax losses for which no deferred tax asset has been recognised	10,228	9,463
Potential tax benefit of unused tax losses	2,659	2,650
	2011 £'000	2010 £'000
Deferred tax assets		
- Deferred tax asset to be recovered after more than 12 months	72,814	75,558
- Deferred tax asset to be recovered within 12 months	15,881	16,610
Total deferred tax assets	88,695	92,168
 Deferred tax liabilities		
- Deferred tax liability to be recovered after more than 12 months	(258,003)	(288,697)
- Deferred tax liability to be recovered within 12 months	(11,173)	(11,872)
Total deferred tax liabilities	(269,176)	(300,569)
 Net deferred tax liability	(180,481)	(208,401)

Deferred tax liabilities have decreased because the Group has elected not to claim all available capital allowances during the year. Deferred tax assets have been recognised to the extent that the realisation of the related tax benefit through future capital allowance claims is probable. Unutilised tax losses may be carried forward indefinitely.

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Notes to the Consolidated Financial Statements (continued)

18 Financial Instruments

Instruments used by the Group

The Group has used derivative financial instruments in order to hedge exposure to fluctuations in interest rates in accordance with the Group's financial risk management policies

Interest rate swap contracts

In April 2007, the Group entered into a 12 year interest rate hedge such that all floating rate payments due on the £1,500 million term loan (refer to note 14) were fixed. The swap contracts entered into have structured fixed payments at levels that are static over the life of the swap. The fixed payments level is 5.496%. The swap contracts are settled on a six monthly basis.

The Group has also entered into a one year basis swap, whereby the 6 month basis on the £1,500 million debt, has been swapped to a one month basis, the net benefit to the Company was received monthly and this matured in May 2010. A new one year basis swap was entered into maturing in May 2011.

Changes in the carrying value of the derivative financial instruments are immediately recognised in the Consolidated Statement of Comprehensive Income. These are unrealised losses which reflect the financial impact if the Group were to settle the swaps at the reporting date. The Group entered into the swaps in order to fix the interest rate on the £1,500 million facility as part of its risk management policy and does not intend to realise this liability.

The notional principal amounts and periods of expiry of the Group's interest rate swap contracts are

Matunty	2011 £'000	2010 £'000
Less than 5 years	1,500,000	1,500,000
5 – 15 years	1,500,000	1,500,000

The fair values of the derivatives held at the balance sheet date, determined by reference to their market values are as follows

	2011 £'000	2010 £'000
Interest rate swap fair value asset	-	2,186
Interest rate swap fair value liability (Current)	(65,870)	(66,269)
Interest rate swap fair value liability (Non-current)	(191,545)	(205,362)
Interest rate swap fair value liability	(257,415)	(271,631)
Interest rate swaps (net)	(257,415)	(269,445)

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Notes to the Consolidated Financial Statements (continued)

18 Financial Instruments (continued)

Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below

At 30 June 2011	Loans and receivables £'000	Assets at fair value through profit or loss £'000	Total £'000
Assets as per balance sheet			
Derivative financial instruments	-	-	-
Investments	-	-	-
Trade and other receivables (excluding pre-payments)	45,741	-	45,741
Cash and cash equivalents	24,503	-	24,503
Total	70,244	-	70,244

	Liabilities at fair value through the profit and loss £'000	Other financial liabilities £'000	Total £'000
Liabilities as per balance sheet			
Borrowings	-	(1,989,710)	(1,989,710)
Derivative financial instruments	(257,415)	-	(257,415)
Trade and other payables (excluding statutory liabilities) and deferred income	-	(373,943)	(373,943)
Total	(257,415)	(2,363,653)	(2,621,068)

At 30 June 2010	Loans and receivables £'000	Assets at fair value through the profit and loss £'000	Investments held to maturity £'000	Total £'000
Assets as per balance sheet				
Derivative financial instruments	-	2,186	-	2,186
Investments	-	-	626	626
Trade and other receivables (excluding pre-payments)	47,522	-	-	47,522
Cash and cash equivalents	15,658	-	-	15,658
Total	63,180	2,186	626	65,992

	Liabilities at fair value through the profit and loss £'000	Other financial liabilities £'000	Total £'000
Liabilities as per balance sheet			
Borrowings	-	(1,978,933)	(1,978,933)
Derivative financial instruments	(271,631)	-	(271,631)
Trade and other payables (excluding statutory liabilities) and deferred income	-	(380,236)	(380,326)
Total	(271,631)	(2,359,169)	(2,630,800)

The fair value of Borrowings is £2,030 million (2010 £2,062 million) The fair values are based on forecast cash flows assuming full repayment in 2014, discounted at prevailing market rates with a credit spread of 2% based on management estimation as at 30 June 2011

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Notes to the Consolidated Financial Statements (continued)

18 Financial Instruments (continued)

Credit quality of financial assets

Credit risk is not considered material within the Group as the majority of contracts are with Public Safety Organisations. An ageing of trade receivables is contained in note 5. The credit quality of trade receivables can also be assessed with reference to the following groups

	2011 £'000	2010 £'000
Counterparties without external credit rating		
Group 1 – new customers	684	805
Group 2 – existing Public Safety Organisations customers	35,647	25,965
Group 3 – existing Local Authority customers	3	113
Group 4 – other existing customers	682	1,511
Total trade receivables	37,016	28,394
Cash at bank and short-term bank deposits		
AA	24,503	15,658
	24,503	15,658
Derivative financial assets		
AA	-	2,186
	-	2,186

The maximum exposure to credit risk is as shown below

	2011 £'000	2010 £'000
Trade and other receivables (excluding prepayments and receivables from other Group companies)	45,741	47,522
Cash and cash equivalents	24,503	15,658
	70,244	63,180

Financial risk management

Financial risk factors

The Group's operations expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments in the form of interest rate swaps to hedge certain risk exposures.

Financial risks are identified and managed by the Group's treasury function. The role of the treasury function is to identify, monitor and manage financial risk within the framework of Board approved policies and delegated authorities.

The principal financial risks of the Group and how the Group manages these risks are discussed below.

Notes to the Consolidated Financial Statements (continued)

18 Financial Instruments (continued)

(i) Market Risk

(a) Foreign exchange risk

The Group operates from UK sites and predominantly in the UK market but has some transactions denominated in currencies other than sterling. The currencies giving rise to this risk are primarily US dollars and Euros. The majority of the Group's revenues and costs are sterling based and accordingly exposure to foreign exchange risk is low. There is a reasonable natural hedge between costs and revenues.

(b) Interest rate risk

Cash and cash equivalents and the Group's borrowings are based on a mix of fixed and floating rates. A one per cent change in the base rate would result in an increase/decrease in net assets of £1,884,000 (2010: £1,383,000). This is based on floating rate arrangements that affect cash and cash equivalents and borrowings from other Group companies.

(c) Price risk

The Group has exposure to fluctuations in prices of electricity, gas and other commodities. The potential impact of this is reduced through the negotiation of fixed price contracts.

(ii) Credit Risk

The Group's principal credit risks are attributable to its cash and cash equivalents and trade receivables.

The credit risk associated with cash and cash equivalents is disclosed in note 5.

The maximum exposure to credit risk is as shown in the table on page 45.

(iii) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash. The Group aims to maintain appropriate liquidity through the daily monitoring of its actual and projected cash position.

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant, with the exception of derivative financial instruments whose carrying values are discounted.

As the amounts included in the table are the contractual undiscounted cash flows, these amounts will not reconcile to the amounts disclosed on the balance sheet for borrowings, derivative financial instruments and trade and other payables.

Borrowings in the table include principal plus floating interest rate payments on the HSBC Facility A based on current market rates.

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Notes to the Consolidated Financial Statements (continued)

18 Financial Instruments (continued)

At 30 June 2011	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 Years £'000	Total £'000
Borrowings	46,085	47,968	1,763,764	277,285	2,135,102
Derivative financial instruments	66,257	57,997	106,780	41,731	272,765
Trade payables	14,097	-	-	-	14,097
Other payables	89,291	-	-	-	89,291
	215,730	105,965	1,870,544	319,016	2,511,255

At 30 June 2010	Less than 1 year £ 000	Between 1 and 2 years £'000	Between 2 and 5 years £ 000	Over 5 Years £ 000	Total £ 000
Borrowings	36,662	47,544	1,834,547	127,285	2,046,038
Derivative financial instruments	65,771	57,834	106,143	60,366	290,114
Trade payables	22,582	-	-	-	22,582
Other payables	79,545	-	-	-	79,545
	204,560	105,378	1,940,690	187,651	2,438,279

The table below analyses the Group's derivative financial instruments, which will be settled on a gross basis, into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date

At 30 June 2011	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 Years £'000	Total £'000
Interest Rate Swaps					
Outflows	(98,741)	(82,440)	(247,545)	(238,738)	(667,464)
Inflow	32,484	24,443	140,765	197,007	394,699
	(66,257)	(57,997)	(106,780)	(41,731)	(272,765)

At 30 June 2010	Less than 1 year £ 000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 Years £ 000	Total £'000
Interest Rate Swaps					
Outflows	(97,942)	(82,666)	(246,868)	(321,855)	(749,331)
Inflow	32,171	24,832	140,725	261,489	459,217
	(65,771)	(57,834)	(106,143)	(60,366)	(290,114)

Note The specific time periods presented are based on how management monitors liquidity risks

(iv) Cash flow interest rate risk

The Group's significant interest-bearing assets include cash and cash equivalents and interest bearing loans and borrowings. See note 5 for details of cash and cash equivalents. See note 14 for details of interest rates and maturity attaching to the interest bearing borrowings and loans.

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Notes to the Consolidated Financial Statements (continued)

18 Financial Instruments (continued)

(iv) Cash flow interest rate risk (continued)

The Group's interest-rate risk arises from long-term borrowings. The Group has long-term borrowings issued at floating interest rates. For floating rate exposures, the Group partially hedges the exposure by entering into interest rate swaps, whereby the Group agrees with its counterparties to exchange at specified intervals the difference between the fixed contract rates and floating rate amounts calculated by reference to the agreed notional principal amounts.

(v) 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 to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt or drawdown additional debt.

The Group's Capital Management Policy is to ensure the availability of an adequate supply of reasonably priced funding (and other credit lines) to meet current requirements as well as future growth anticipated under the Group's budget and strategic plan, within the constraints of debt capacity (as determined by long-term gearing targets, operational covenants, and financial covenant requirements).

The Group is funded through a mix of equity and debt, to match the maturity profile of its assets and liabilities. The funding profile was determined during the shareholder acquisition process to reflect the dynamics of the organisation and its future strategy.

The Treasury function centrally manages all funding activity for the Group and determines the optimum source of funding for each funding requirement, with the appropriate maturity, whilst ensuring maximum flexibility in the covenants provided.

(vi) Fair value estimation

The fair value of the trade and other receivables, trade and other payables, short-term deposits, money market funds, cash at bank and short-term borrowings approximates to the carrying value due to the short-term or on-demand maturity of these instruments.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the prevailing market interest rate available to the Group for similar financial instruments.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Discounted future estimated cash flows using prevailing market interest rates are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

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Notes to the Consolidated Financial Statements (continued)

19 Ordinary Shares

Authorised

	2011 £	2010 £
5,000,000 Ordinary Shares of £0.01 each	50,000	50,000

Allotted, called up and fully paid

	2011 £	2010 £
153,100 Ordinary Share of £0.01 each	1,531	1,531

The Company has one class of authorised and issued share capital, comprising ordinary shares of £0.01 each. Subject to the Company's Articles of Association and applicable law, the Company's ordinary shares confer on the holder the right to receive notice of and vote at general meetings of the Company, the right to receive any surplus assets on a winding-up of the Group, and an entitlement to receive any dividend declared on ordinary shares.

20 Related Party Disclosures

The Group's parent and ultimate parent companies are disclosed in note 27.

Kelvin Connect Limited was an associate (37% holding) of the Company until 2 February 2011 when the company acquired the remaining 63% of the issued share capital of Kelvin Connect Limited making it a 100% subsidiary as disclosed in note 10.

All transactions with related parties are conducted under normal trading terms. No guarantees are given or received on the above transactions. No provisions have been made for the above amounts, nor are any of the above related party transactions recognised or considered as bad or doubtful debt.

The following transactions were carried out with related parties:

a) Purchases of goods and services

	2011 £'000	2010 £'000
Operating expenditure		
- Associates	634	440
- Entities under common control	-	-
Capital expenditure		
- Entities under common control	-	10
	634	450

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Notes to the Consolidated Financial Statements (continued)

20 Related Party Disclosures (continued)

b) Year-end balances arising from purchases of goods and services

	2011 £'000	2010 £'000
Receivables and Prepayments		
- Entities under common control	-	-
Payables		
- Entities under common control	-	-
	-	-

c) Loans and other receivables and payables

	2011 £'000	2010 £'000
Intercompany Loans		
- GDCLux		
Opening balance	(158,926)	(158,926)
Loan repayments during the year	-	-
Interest charged	(18,000)	(18,000)
Interest repaid	17,426	18,000
Closing balance	(159,500)	(158,926)
- GDCLux		
Opening balance	(127,285)	(145,600)
Loan repayments during the year	-	18,315
Closing balance	(127,285)	(127,285)

	2011 £'000	2010 £'000
Interest Rate Swaps		
- Entities with joint control or significant influence		
Interest rate swap settlements received	13,511	13,697
Interest rate swap settlements Paid	(48,556)	(50,529)
Unrealised interest rate swap liability	(117,553)	(134,722)

Related party transactions with Directors and key management are detailed in note 22

Following the acquisition of Airwave, the Company entered into an agreement to guarantee any financial claim made by the National Policing Improvement Agency, the Secretary of State for Health, the Scottish Ambulance Board or the Secretary of State for Communities and Local Government, to the extent that such a claim had not been satisfied by the Company within a prescribed period. In the event that the claim is not satisfied in full by the Company within a further prescribed period, MEIFII and FIIL have agreed to indemnify the Customers in respect of any claim, subject to a cap on liability

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Notes to the Consolidated Financial Statements (continued)

21 Pension Scheme

The Airwave Plan is a defined contribution arrangement and employer contributions are recognised as a benefit expense when they are due. The amounts charged to the Consolidated Statement of Comprehensive Income for defined contribution pension arrangements are set out below.

	2011 £'000	2010 £'000
Defined contribution – Airwave Plan	3,122	3,649
	3,122	3,649

The Group's contributions to the Airwave Plan consists of payments made under a company policy to match employee contributions into the pension plan. In June 2009 the Group commenced a salary sacrifice pension scheme to provide additional benefits for employees in retirement. Contributions under the salary sacrifice pension scheme are included above.

The amount payable at 30 June 2011, included within Trade and Other Payables on the Consolidated Balance Sheet, was £463,800 (2010: £nil).

22 Key Management and Director Compensation

The compensation of key management for the year ended 30 June 2011 was, as follows:

	2011 £'000	2010 £'000
Salaries and short-term employee benefits	3,672	2,767
Post-employment benefits	178	177
Total key management compensation	3,850	2,944

The key management compensation analysed above represents compensation earned by the Group's Management Board including one (2010: two) Director of the Group. The emoluments of the Directors who were remunerated for their services to the Group, for the year ended 30 June 2011 were as follows:

	2011 £'000	2010 £'000
Aggregate emoluments in respect of qualifying services	40	52
Total director emoluments	40	52

The emoluments of the Directors representing MEIFII and CPPIB are paid by entities related to the ultimate joint parent companies. No recharge is made to the ultimate joint parent company. Accordingly, the above details include no emoluments in respect of these Directors.

In respect of the highest paid Director:

	2011 £'000	2010 £'000
Aggregate emoluments in respect of qualifying services	40	40
Total highest paid Director emoluments	40	40

The highest paid Director did not participate in a pension scheme in respect of their qualifying services during the year.

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Notes to the Consolidated Financial Statements (continued)

23 Employees

	2011	2010
Average monthly number of full time employee equivalents (including executive Directors)		
UK & International Services	181	213
Network operations and administration	649	653
Total employees	830	866

The benefits expense incurred in respect of these employees were

	Note	2011 £'000	2010 £'000
Wages and salaries		43,394	46,241
Social security costs		3,637	4,325
Pension costs	21	3,122	3,649
Total employee benefits expense		50,153	54,215

24 Financial Commitments

Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows

	2011 £'000	2010 £'000
Within one year	28,974	28,223
Later than one year but not later than five years	89,455	89,671
Later than five years	77,263	78,519
	195,692	196,413

The Group leases various offices, vehicles and mast sites under non-cancellable operating lease agreements. These leases have various terms and renewal rights. The Group recognised lease payments of £34,276,000 in the Consolidated Statement of Comprehensive Income for year ended 30 June 2011 (2010: £34,728,000).

Other commitments

	2011 £'000	2010 £'000
Contracts placed for capital expenditure not provided for in the financial statements – property, plant and equipment	12,699	13,121

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Notes to the Consolidated Financial Statements (continued)

25 Dividends per share

The dividends paid in 2011 and 2010 were £4.1 million (£26.61 per share) and £36.9 million (£241.25 per share) respectively. The Directors recommend a payment of a dividend in respect of the year ended 30 June 2011 of £86.22 per share, amounting to a total dividend of £13.2m (2010: £26.61 per share, totalling £4.1 million). These financial statements do not reflect this dividend payable.

26 Contingent Liabilities

The Group has no contingent liabilities or guarantees on which material losses are expected.

The Group does not believe there are any pending legal proceedings which would have a material adverse effect on the financial position or results of operations of the Group.

27 Parent Company and Controlling Party

The Company's immediate parent company is Guardian Digital Communications Luxembourg S à r l ("GDCLux"). As at 30 June 2009 GDCLux was owned 50.001% by the Macquarie European Infrastructure Fund II ("MEIFI"), an unlisted fund domiciled in Luxembourg, and 49.999% by the Canadian Pension Plan Investment Board ("CPPIB"). During the year, MEIFI agreed to acquire CPPIB's holding in GDCLux. The transaction is dependent upon UK Government approval and is yet to be completed.

GDCLux is the ultimate parent undertaking and controlling party of the largest and smallest group of undertakings to consolidate these financial statements at 30 June 2011. The consolidated financial statements of GDCLux are available at its registered office of 46, Place Guillaume II, L-1648 Luxembourg.

28 Events Occurring after Balance Sheet Date

In addition to the changes in rates of Corporation tax disclosed (note 4) a number of further changes to the UK Corporation tax system were announced in the March 2011 UK Budget Statement. Legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012 is expected to be included in the Finance Act 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014. These further changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The effect of the changes expected to be enacted in the Finance Act 2011 would be to decrease the net deferred tax asset provided at the balance sheet date by £2.9m.

The proposed reductions of the main rate of corporation tax by 1% per year to 23% by 1 April 2014 are expected to be enacted separately each year. The overall effect of the further changes from 25% to 23%, if these applied to the net deferred asset balance at the balance sheet date, would be to further reduce this by £9.9m.

The effect of the changes expected to be enacted in the Finance Act 2011 would be to decrease the net deferred tax liability provided at the balance sheet date by £5.8m.

The proposed reductions of the main rate of corporation tax by 1% per year to 23% by 1 April 2014 are expected to be enacted separately each year. The overall effect of the further changes from 25% to 23%, if these applied to the net deferred liability balance at the balance sheet date, would be to further reduce this by £47.4m.

No other significant events have occurred after the balance sheet date.

Independent Auditors' Report to the members of Guardian Digital Communications Holdings Limited on the Parent Company Financial Statements

We have audited the parent company financial statements of Guardian Digital Communications Holdings Limited for the year ended 30 June 2011 which comprise the Parent Company Balance Sheet, the Parent Company Statement of Cash Flows, the Parent Company Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' Responsibilities on page 9 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Director's report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the parent company financial statements

- give a true and fair view of the state of the Company's affairs as at 30 June 2011 and of its profit cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the parent company financial statements are prepared is consistent with the parent company financial statements.

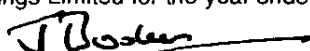
Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Other matter

We have reported separately on the Consolidated financial statements of Guardian Digital Communications Holdings Limited for the year ended 30 June 2011.



J Booker (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London, 13 October 2011

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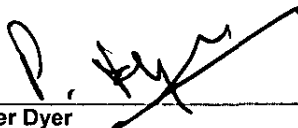
Year ended 30 June 2011

Parent Company Balance Sheet

	Note	2011 £'000	2010 £'000
Non-current assets			
Investments	32	-	-
Trade and other receivables	34	279,685	279,685
Total non-current assets		279,685	279,685
Current assets			
Trade and other receivables	34	42,385	17,897
Cash and cash equivalents	33	562	562
Total current assets		42,947	18,459
Current liabilities			
Trade and other payables	35	(8,727)	(5,001)
Total current liabilities		(8,727)	(5,001)
Net current assets		34,220	13,458
Total assets less current liabilities		313,905	293,143
Non-current liabilities			
Borrowings	36	(127,285)	(127,285)
Total non-current liabilities		(127,285)	(127,285)
Net assets		186,620	165,858
Equity			
Capital and reserves attributable to owners of the parent of the Company			
Ordinary shares	38	2	2
Share premium	38	152,998	152,998
Retained earnings		33,620	12,858
Total equity		186,620	165,858

The above Balance Sheet should be read in conjunction with the accompanying notes on pages 57 to 66

The financial statements on pages 54 to 66 were authorised by the Board of Directors on 11 October 2011 and were signed on its behalf



 Peter Dyer
 Director

Guardian Digital Communications Holdings Limited
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Parent Company Statement of Changes in Equity

	Ordinary Shares £'000	Ordinary Share Premium £'000	Retained Earnings £'000	Total £'000
Balance at 30 June 2009	2	152,998	23,571	176,571
Profit for the year and total comprehensive income	-	-	26,222	26,222
Dividends	-	-	(36,935)	(36,935)
Balance at 30 June 2010	2	152,998	12,858	165,858
Profit for the year and total comprehensive income	-	-	24,836	24,836
Dividends	-	-	(4,074)	(4,074)
Balance at 30 June 2011	2	152,998	33,620	186,620

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes on pages 57 to 66

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Parent Company Statement of Cash Flows

	Note	2011 £'000	2010 £'000
Cash generated from operating activities			
Profit from operations	30	24,836	26,222
Net finance costs		(33,564)	(36,465)
Decrease in trade and other payables		-	(222)
Increase in tax liability		3,726	-
Net cash used in operating activities		(5,002)	(10,465)
Cash flows from investing activities			
Interest received from third parties		1	1
Interest received from subsidiary undertakings	39	9,075	37,224
Loan repayments from subsidiary undertakings	39	-	28,447
Net cash from investing activities		9,076	65,672
Cash flows from financing activities			
Repayment of related party loans	39	-	(18,315)
Dividends paid		(4,074)	(36,935)
Net cash used in financing activities		(4,074)	(55,250)
Net decrease in cash and cash equivalents		-	(43)
Cash and cash equivalents at the beginning of the year	33	562	605
Cash and cash equivalents at the end of the year	33	562	562

The above Statement of Cash Flows should be read in conjunction with the accompanying notes on pages 57 to 66

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Notes to the Financial Statements

29 Summary of Significant Accounting Policies

The significant policies which have been adopted in the preparation of the financial statements are stated to assist in a general understanding of these financial statements

(a) General information

The principal activities of Guardian Digital Communications Holdings Limited ('the Company') is to invest in subsidiaries which develop and provide mobile Information and Communication Technology ("ICT") to Public Safety Organisations in Great Britain

The Company is a private limited company domiciled and registered in England and Wales. The registered address is Charter Court, 50 Windsor Road, Slough, Berkshire SL1 2EJ

The registered number of the Company is 6143511

(b) Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), and IFRIC (International Financial Reporting Interpretations Committee) interpretations applicable to Companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, as modified by financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss. As permitted by Section 408 of the Companies Act of 2006, the Company's Statement of Comprehensive Income has not been included in these financial statements.

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

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

A statement on going concern is included in the Directors' Report. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and therefore can continue to adopt the going concern basis in preparing the financial statements.

The Company has a strong opening cash position with access to further committed bank facilities. Therefore these financial statements have been prepared on a going concern basis.

(c) Investments

Investments in subsidiary undertakings are recorded at cost, which is the fair value of the consideration paid.

(d) Financial assets

The Company classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Company's loans and receivables comprise receivables and cash and cash equivalents in the balance sheet.

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Notes to the Financial Statements (continued)

29 Summary of Significant Accounting Policies (continued)

(d) Financial assets (continued)

If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and conventional option pricing models making maximum use of observable market inputs and relying as little as possible on entity-specific inputs.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

(e) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Statement of Comprehensive Income within cost of goods sold. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against cost of goods sold in the Statement of Comprehensive Income.

(f) Cash and cash equivalents

Cash and cash equivalents in the Statement of Cash Flows includes cash in hand, deposits held at call with banks and bank overdrafts.

(g) Borrowing costs

Borrowing costs are written off as incurred unless capitalised as part of qualifying assets.

(h) Borrowings

Subsequent to initial recognition at fair value, net of transaction costs incurred, interest bearing liabilities are measured at amortised cost and classified as financial liabilities. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest method. Transaction costs are included in the carrying amount and are charged to the Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

(i) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(j) Revenue recognition

Interest income is recognised on a time-proportion basis using the effective interest method.

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Notes to the Financial Statements (continued)

29 Summary of Significant Accounting Policies (continued)

(k) Accounting Standards and interpretations

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 July 2011 or later periods but which the Company has chosen not to early adopt. The new standards and interpretations, applicable to the Company, which will be adopted by the Company as appropriate are as follows:

- IFRS 9, 'Financial instruments', issued in December 2009. This addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2015 but is available for early adoption. The Group is yet to assess IFRS 9's full impact.

The Company has not elected to early adopt these amendments. The Company is currently assessing the impact of these amendments and does not expect at this stage that they would significantly impact the Company's financial position.

(l) Foreign currencies

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss in finance cost or income held at fair value through profit and loss are reported as part of the fair value gain and loss.

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in Pounds Sterling (GBP), which is the Company's functional and presentation currency.

(ii) Transactions and balances

Transactions denominated in foreign currencies are translated, at the exchange rate on the day the transaction occurred, to the functional currency of the entity. Monetary assets and liabilities denominated in foreign currencies are translated at the rates prevailing at the balance sheet date. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income. Non-monetary assets and liabilities denominated in foreign currency are translated at the foreign currency exchange rate prevailing at the dates the values were determined.

(m) Taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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Notes to the Financial Statements (continued)

29 Summary of Significant Accounting Policies (continued)

(m) Taxation (continued)

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future

Income tax relating to items recognised directly in equity is recognised in equity, not in the Statement of Comprehensive Income

(n) Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the group's financial statement in the period in which the dividends are approved by the company's shareholders

30 Statement of Comprehensive Income

As permitted by Section 408 of the Companies Act of 2006, the Company's Statement of Comprehensive Income has not been included in these financial statements. The Company's profit for the year was £24,836,000 (2010 £26,222,000)

31 Employees and Directors' Emoluments

The Company had no employees during the year ended 30 June 2011 (2010 nil). No director received emoluments in respect of services provided to the Company during the year (2010 nil).

32 Investment in Subsidiaries

Investment in subsidiaries		
Guardian Digital Communications Limited		£
At 30 June 2011		1
At 30 June 2010		1

Investments in subsidiary undertakings are holdings of 100% of the ordinary shares of UK registered companies. Details of the companies are as follows:

Name of Company	Country of Registration	Nature of Business	Total Equity at 30 June 2011 £000	Statement of Comprehensive Income for the year ended 30 June 2011 £000	Total Equity at 30 June 2010 £000	Statement of Comprehensive Income for the year ended 30 June 2010 £000
Guardian Digital Communications Limited	England and Wales	Intermediate holding company	(643,558)	(113,432)	(530,126)	(183,111)

Companies in which the Company holds indirect holdings are disclosed in note 10 of the consolidated financial statements.

Guardian Digital Communications Holdings Limited
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Year ended 30 June 2011

Notes to the Financial Statements (continued)

33 Cash and Cash Equivalents

	2011 £'000	2010 £'000
Cash at bank	562	562
	562	562

(a) Cash at bank

Cash at bank represents cash not placed on overnight deposit and is non interest bearing

Credit risk

Cash and cash equivalents credit risk is monitored on an overall basis by the treasury function through the application of counter party credit limits which are dependent on the long term credit rating of the counterparty. The credit limits of major counterparties are as follows

Long term rating	Counterparty Limit £'000	2011		2010	
		Balance £'000	No of Counterparties	Balance £'000	No of Counterparties
AAA	75,000	-		-	
AA	50,000	562	1	562	1
A	25,000	-		-	
BBB	10,000	-		-	
		562		562	

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Notes to the Financial Statements (continued)

34 Trade and Other Receivables

	2011 £'000	2010 £ 000
Amounts owed by group undertakings (non-current)	279,685	279,685
Amounts owed by group undertakings (current)	42,385	17,897
	322,070	297,582

Amounts owed by group undertakings comprise an intercompany loan to Guardian Digital Communications Limited which is repayable on demand at any time or as otherwise agreed, provided repayment does not make the borrower insolvent. The Company has classified the loan as non-current as the loan will not be recalled in the next 12 months.

Credit risk is not considered material within the Company as the majority of the balances are with other group undertakings.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Company does not hold any collateral as security. Credit risk is not considered material within the company as the majority of its balances relate to group undertakings. None of the trade and other receivables are past due and not impaired. Trade and other receivables are all denominated in Pounds Sterling (GBP).

35 Trade and Other Payables

	2011 £'000	2010 £ 000
Current		
Amounts payable to group undertakings	8,727	5,001
	8,727	5,001

The carrying value of trade and other payables approximates to its fair value.

36 Borrowings

	Note	2011 £'000	2010 £ 000
Non-Current unsecured borrowings			
Loan – GDCLux		127,285	127,285
Total Interest bearing loans and borrowings		127,285	127,285

The Company's borrowings are denominated in Pounds Sterling (GBP).

Guardian Digital Communications Holdings Limited
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Year ended 30 June 2011

Notes to the Financial Statements (continued)

37 Financial Instruments

Financial Instruments by category

The accounting policies for financial instruments have been applied to the line items below

At 30 June 2011	Loans and receivables £'000	Assets at fair value through profit or loss £'000	Total £'000
Assets as per balance sheet			
Trade and other receivables	322,070	-	322,070
Cash and cash equivalents	562	-	562
Total	322,632	-	322,632

	Liabilities at fair value through profit or loss £'000	Other financial liabilities at amortised cost £'000	Total £'000
Liabilities as per balance sheet			
Borrowings	-	(127,285)	(127,285)
Trade and other payables	-	(8,726)	(8,726)
Total	-	(136,011)	(136,011)

At 30 June 2010	Loans and receivables £'000	Assets at fair value through profit or loss £'000	Total £'000
Assets as per balance sheet			
Trade and other receivables	297,582	-	297,582
Cash and cash equivalents	562	-	562
Total	298,144	-	298,144

	Liabilities at fair value through profit or loss £'000	Other financial liabilities £'000	Total £'000
Liabilities as per balance sheet			
Borrowings	-	(127,285)	(127,285)
Trade and other payables	-	(5,001)	(5,001)
Total	-	(132,286)	(132,286)

The fair value of Trade and Other Receivables is £376,857 million (2010 £367,320 million) The fair value of Borrowings is £114,398 million (2010 £108,624 million) The fair values are based on forecast cash flows assuming full repayment in 2014, discounted at prevailing market rates with a credit spread of 2% based on management estimation as at 30 June 2011

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Notes to the Financial Statements (continued)

37 Financial Instruments (continued)

Credit quality of financial assets

The credit quality of financial assets can also be assessed with reference to the following groups

Group trade receivables	2011 £'000	2010 £'000
Loans to subsidiary undertakings		
Guardian Digital Communications Limited	322,070	297,582
Cash at bank and short-term bank deposits		
AA	562	562

The maximum exposure to credit risk is as shown below

	2011 £'000	2010 £'000
Trade and other receivables	322,070	297,582
Cash and cash equivalents	562	562
	322,632	298,144

Financial risk management policies for the Group and the Company are disclosed in note 18

38 Ordinary Shares

Authorised

	2011 £	2010 £
5,000,000 Ordinary Shares of £0.01 each	50,000	50,000

Allotted, called up and fully paid

	2011 £	2010 £
153,100 Ordinary Share of £0.01 each	1,531	1,531

The Company has one class of authorised and issued share capital, comprising ordinary shares of £0.01 each. Subject to the Company's Articles of Association and applicable law, the Company's ordinary shares confer on the holder the right to receive notice of and vote at general meetings of the Company, the right to receive any surplus assets on a winding-up of the Company, and an entitlement to receive any dividend declared on ordinary shares.

The issue of share capital in 2007 resulted in a share premium of £152,998,469.

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Notes to the Financial Statements (continued)

39 Related Party Disclosures

The Company's parent and ultimate parent companies are disclosed in note 41

The Company's immediate parent company is Guardian Digital Communications Luxembourg S à r l ("GDCLux"), incorporated in Luxembourg

Guardian Digital Communications Limited ("GDCL") is a subsidiary undertaking registered in the UK. Transactions with GDCL are disclosed below. Airwave Solutions Limited ("Airwave") is a wholly owned subsidiary of GDCL registered in the UK. There were no transactions with Airwave in the year.

All transactions with related parties are conducted under normal trading terms. No guarantees are given or received on the above transactions. No provisions have been made for the above amounts, nor are any of the above related party transactions recognised or considered as bad or doubtful debt.

The following transactions were carried out with related parties:

Loans and other receivables and payables

		2011 £'000	2010 £'000
Intercompany Loans			
- GDCLux	Opening balance	(127,285)	(145,600)
	Loan repayments during the year	-	18,315
	Closing balance	(127,285)	(127,285)
- GDCL	Opening balance	297,582	326,789
	Loan repayments during the year	-	(28,447)
	Interest charged	33,563	36,464
	Interest repaid	(9,075)	(37,224)
	Closing balance	322,070	297,582
Other Payables			
- GDCL	Opening Balance	(5,001)	(5,223)
	Consideration for tax losses	(8,727)	(10,198)
	Repayments	5,001	10,420
	Closing Balance	(8,727)	(5,001)

Following the acquisition of Guardian Digital Communications Limited and Airwave Solutions Limited ("Airwave") the Company entered into an agreement to guarantee any financial claim made by the National Policing Improvement Agency, the Secretary of State for Health, the Scottish Ambulance Board or the Secretary of State for Communities and Local Government, to the extent that such a claim had not been satisfied by Airwave within a prescribed period. In the event that the claim is not satisfied in full by the Company within a further prescribed period, MEI FIL and FIIL have agreed to indemnify the Customers in respect of any claim, subject to a cap on liability.

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Notes to the Financial Statements (continued)

40 Contingent Liabilities

The Company has no contingent liabilities or guarantees on which material losses are expected

The Company does not believe there are any pending legal proceedings which would have a material adverse effect on the financial position or results of operations of the Company

41 Parent Company and Controlling Party

The Company's immediate parent company is Guardian Digital Communications Luxembourg S à r l (GDCLux), which is the ultimate controlling party and ultimate parent undertaking of the largest and smallest group to consolidate these financial statements and is registered in Luxembourg. Copies of the GDCLux consolidated financial statements for the year ended 30 June 2011 are available from its registered office at 46, Place Guillaume II, L – 1648 Luxembourg

As at 30 June 2009 GDCLux was owned 50.001% by the Macquarie European Infrastructure Fund II ("MEIFII"), an unlisted fund domiciled in Luxembourg, and 49.999% by the Canadian Pension Plan Investment Board ("CPPIB"). During the year, MEIFII agreed to acquire CPPIB's holding in GDCLux. The transaction is dependent upon UK Government approval and is yet to be completed.

42 Events Occurring after the Balance Sheet Date

No significant events have occurred after the balance sheet date