

AVANTI CALEDONIAN BROADBAND LIMITED

Company number: 06580907

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010



AVANTI CALEDONIAN BROADBAND LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

Contents	Page
Officers and Professional Advisers	1
Directors' Report for the Year Ended 30 June 2010	2 - 3
Independent Auditors' Report to the Members of Avanti Caledonian Broadband Limited	4
Income Statement for the Year Ended 2010	5
Statement of Financial Position as at 30 June 2010	6
Statement of Cash Flows for the Year Ended 30 June 2010	7
Statement of Changes in Equity for the Year Ended 30 June 2010	8
Notes to the Financial Statements for the Year Ended 30 June 2010	9 - 13

AVANTI CALEDONIAN BROADBAND LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D J Williams
D J Bestwick
N A D Fox
M J O'Connor

COMPANY SECRETARY

N A D Fox

REGISTERED OFFICE

74 Rivington Street
London
EC2A 3AY

BANKERS

HSBC Bank Plc
70 Pall Mall
London
SW1Y 5EZ

INDEPENDENT AUDITORS

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

AVANTI CALEDONIAN BROADBAND LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2010

The directors have pleasure in submitting their annual report together with the audited financial statements of the company for the year ended 30 June 2010

Principal Activities

The company operates a broadband internet satellite business. The company uses technology which combines high powered DVB-RCS two way satellite receivers with Wi-Fi networking to provide fixed and roaming broadband and multimedia services.

Principal Risks and Uncertainties

The directors of Avanti Communications Group plc (the ultimate parent undertaking of the Company) (the 'group') manage the group's risks at a group level, rather than at an individual business unit level. For this reason, the Company's directors believe that a discussion of the group's risks would not be appropriate for an understanding of the development, performance or position of the Company's business. The principal risks and uncertainties of Avanti Communications Group plc, which include those of the company, are discussed on page 14 of the group's annual report, which does not form part of this report.

Key Performance Indicators ("KPIs")

The directors of Avanti Communications Group plc manage the group's operations on a group level. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company.

Results and Dividends

The results for the year ended 30 June 2010 are shown on page 5. No equity dividend was paid in the year ended 30 June 2010 (14 month period ended 30 June 2009 £nil). No final dividend is proposed at the year end (2009 £nil).

Future developments

The company is part of an overall group which has a strategy of exploiting its orbital licences by funding and launching more satellites over the next few years.

Financial instruments

For a review of the financial risk management and objectives of the group including the exposure of the group to price risk, credit risk, liquidity risk and cash flow risk, refer to note 22 of the group's annual report.

Directors' and Officers' liability insurance

The company maintains appropriate insurance to cover Directors' and Officers' liability for itself and its subsidiaries. At the date upon this report was approved and for the year to 30 June 2010, the Company provided an indemnity in respect of all of the Company's Directors.

Directors

The directors who served during the year and up to the date of signing the financial statements were as follows:

D J Williams
D J Bestwick
N A D Fox
M J O'Connor

Independent Auditors

So far as each of the directors is aware, there is no relevant information that has not been disclosed to the Company's auditors and each of the directors believes that all steps have been taken that ought to have been taken to make them aware of any relevant audit information and to establish that the Company's auditors have been made aware of that information.

AVANTI CALEDONIAN BROADBAND LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2010 (continued)

Statement of directors' responsibilities

The directors are responsible for preparing the directors' 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 financial statements in accordance with International Financial Reporting Standards (IFRS) 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 company and of the profit or loss of the company for that period. 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 IFRS as adopted by the European Union, have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Signed on behalf of the Board of Directors



Nigel Fox

Director

74 Rivington Street
London EC2A 3AY

Date 15/12/2010

AVANTI CALEDONIAN BROADBAND LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AVANTI CALEDONIAN BROADBAND LIMITED

We have audited the financial statements of Avanti Caledonian Broadband Limited for the year ended 30 June 2010 which comprise the income statement, the statement of financial position, the statement of cash flows, the 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 (IFRS) as adopted by the European Union.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors responsibilities set out on page 3, 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 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 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.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2010 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 financial statements are prepared is consistent with the 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, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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,



J Booker (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
Date 15 December 2010

AVANTI CALEDONIAN BROADBAND LIMITED

INCOME STATEMENT

For the year ended 30 June 2010

		Year ended 30 June 2010 £	14 month period ended 30 June 2009 £
	Note		
Revenue	2	1,085,215	2,674,584
Cost of sales		<u>(1,089,998)</u>	<u>(2,137,297)</u>
Gross profit		(4,783)	537,287
Operating expenses	4	<u>(837,089)</u>	<u>(889,026)</u>
Loss before income tax		(841,872)	(351,739)
Income tax credit	6	<u>201,892</u>	<u>98,342</u>
Loss for the year		<u><u>(639,980)</u></u>	<u><u>(253,397)</u></u>

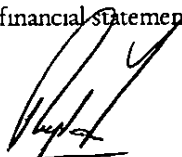
All of the company's operations are classified as continuing. There were no gains or losses in the current period other than those included in the above income statement, accordingly no statement of comprehensive income is presented.

AVANTI CALEDONIAN BROADBAND LIMITED

STATEMENT OF FINANCIAL POSITION as at 30 June 2010

	Note	2010 £	2009 £
ASSETS			
Non-current assets			
Deferred tax asset	7	201,892	-
Current Assets			
Other receivables	8	<u>98,342</u>	<u>98,342</u>
Total Assets		<u><u>300,234</u></u>	<u><u>98,342</u></u>
LIABILITIES AND EQUITY			
Current Liabilities			
Other payables	9	<u>1,193,511</u>	<u>351,639</u>
Total Liabilities		<u><u>1,193,511</u></u>	<u><u>351,639</u></u>
Equity			
Ordinary Shares	10	100	100
Accumulated loss		<u>(893,377)</u>	<u>(253,397)</u>
Total Shareholders' deficit		<u><u>(893,277)</u></u>	<u><u>(253,297)</u></u>
Total Liabilities and Equity		<u><u>300,234</u></u>	<u><u>98,342</u></u>

The financial statements of company number 06580907 were approved by the Board and signed on its behalf



Nigel Fox
Director
Date

The notes on pages 9 to 13 form part of the financial statements

AVANTI CALEDONIAN BROADBAND LIMITED

STATEMENT OF CASH FLOWS

For the year ended 30 June 2010

		Year ended 30 June 2010 £	14 month period ended 30 June 2009 £
	Note		
Cash flow from operating activities			
Loss before income tax		(841,872)	(351,739)
Movement in working capital			
Increase in other payables	9	<u>841,872</u>	<u>351,639</u>
Net cash used in operating activities		<u>-</u>	<u>(100)</u>
Cash flows from financing activities			
Proceeds from the issuance of ordinary shares	10	<u>-</u>	<u>100</u>
Net cash flows generated from financing activities		<u>-</u>	<u>100</u>
Net movement in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the financial period		<u>-</u>	<u>-</u>
Cash and cash equivalents at the end of the financial period		<u><u>-</u></u>	<u><u>-</u></u>

AVANTI CALEDONIAN BROADBAND LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2010

	Share Capital £	Retained earnings and other reserves £	Total £
2009			
At start of period	-	-	-
Shares issued	100	-	100
Loss for period	-	(253,397)	(253,397)
At 30 June 2009	100	(253,397)	(253,297)

	Ordinary	Accumulated £	Total £
2010			
At 1 July 2009	100	(253,397)	(253,297)
Shares issued	-	-	-
Loss for the year	-	(639,980)	(639,980)
At 30 June 2010	100	(893,377)	(893,277)

AVANTI CALEDONIAN BROADBAND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

1 Accounting Policies

Statement of compliance

Avanti Caledonian Broadband Limited is a company incorporated and domiciled in England and Wales

The company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union issued by the International Accounting Standards Board (IASB), and with the International Financial Reporting Committee (IFRIC), and those parts of the Companies Act 2006 applicable to companies preparing their financial statements under IFRS

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

Basis of preparation

The financial statements have been prepared on the historical cost basis.

The company is a wholly owned subsidiary of Avanti Communications Group plc whose financial statements are publicly available. Avanti Communications Group Plc has confirmed its intention to support the company to enable it to meet its liabilities as they fall due and thus it is appropriate to adopt the going concern basis in preparing these financial statements.

New standards applied during the year ended 30 June 2010

The Company has adopted IFRS 8, 'Operating Segments'. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the Chief Operating Decision Maker (the Avanti Executive Board) to allocate resources and assess performance. All resources are allocated on the basis of satellite services. As a result, the Company is disclosing one segment being satellite services.

New standards and interpretations

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 July 2009 but are not currently relevant for the Company, or have had no impact:

IFRS 3 (R) – Business Combinations

IAS 27 (R) – Consolidated and Separate Financial Statements

Amendments to various IFRSs and IASs arising from May 2008 Annual Improvements to IFRSs

Amendment to IAS 39 – Eligible hedged items

Amendment to IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations

Amendment to IFRIC 9 and IAS 39 – Embedded derivatives

Amendment to IAS 32 Financial instruments – Presentation

IFRIC 12, Service concession arrangements

IFRIC 13, Customer loyalty programmes relating to IAS 18, Revenue

IFRIC 14 The limit on a defined benefit asset, minimum funding requirements and their interaction

IFRIC 15 Agreements for the construction of real estate

IFRIC 16 Hedges of a net investment in a foreign operation

IFRIC 17 Distributions of Non cash assets to Owners

IFRIC 18 Transfers of assets from customers

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 July 2010:

Amendments to various IFRSs and IASs arising from 2010

Annual Improvements to IFRSs (effective 1 January 2010)

Amendment to IFRS 2 Share based payments group cash-settled transactions (effective 1 January 2010)

IFRS 1 First-time Adoption – Additional exemptions (effective 1 January 2010)

Amendment to IAS 32 Financial instruments – Classification of rights issues (effective 1 February 2010)

Amendment to IFRS 1 'First time adoption' – financial instrument disclosures (effective 1 July 2010)

IFRIC 19 Extinguishing financial liabilities with equity instruments (effective 1 July 2010)

The Directors do not anticipate that the adoption of any of the above standards, amendments or interpretations will have a material impact on the Company's financial statements on initial application.

AVANTI CALEDONIAN BROADBAND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 July 2010 and have not been early adopted

Amendments to various IFRSs and IASs arising from 2010
Annual Improvements to IFRSs (effective 1 January 2011)
Amendment to IAS 24 Related party disclosures (effective 1 January 2011)
Amendments to IFRIC 14 Prepayments on a minimum funding requirement (effective 1 January 2011)
Phase 1 of IFRS 9 Financial instruments classification and measurement (effective 1 January 2013)

The Company is currently assessing the impact of the standards on its results, financial position and cash flows

The Company continues to monitor the potential impact of other new standards and interpretations which may be endorsed by the European Union and require adoption by the Company in future accounting periods

Critical accounting estimates and management judgement

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

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

Income taxes

The company's income tax balance is the sum of the total current and deferred tax balances. The calculation of this, and of the company's potential liabilities or assets, necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority. The amounts recognised or disclosed are derived from the company's best estimation and judgement. However, the inherent uncertainty regarding the outcome of these means eventual realisation could differ from the accounting estimates and therefore impact the company's results and cash flows.

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Revenue recognition

The company currently earns revenue primarily from the sale of satellite broadband services to our customers. Following the launch of HYLAS 1, revenue from the sale of satellite broadband services will be the key revenue stream of the business.

Broadband satellite communications services revenues are recorded on a straight-line basis over the term of the contract concerned net of discounts, VAT and other similar allowances.

Revenues also include sales of terminals recognised upon installation when the risks and rewards of ownership have transferred to the customer.

Current tax

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

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

AVANTI CALEDONIAN BROADBAND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

Deferred tax

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis, or to realise the assets and settle the liability simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Trade receivables

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

Trade payables

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

2 Revenue

Revenue represents net invoiced sales of services provided, net of value added tax, of £1,085,215 (14 month period ended 30 June 2009 £2,674,584).

3 Auditors' remuneration

The auditors' remuneration for the current year of £1,000 (2009 £800) is borne by the ultimate parent entity Avanti Communications Group plc.

4 Operating expenses

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

30 June 2010	30 June 2009
£	£
Professional	17,182
Premises	17,553

5 Employees and key management personnel

The company did not directly have any employees in the current or prior period.

The emoluments of the directors are paid by the parent company which makes no recharge to this company. The directors are also directors of the parent company and a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Accordingly, the remuneration details disclosed below include no emoluments in respect of the directors. Their emoluments are included in the aggregate of directors' emoluments disclosed in the Annual Report of the Avanti Communications Group plc.

AVANTI CALEDONIAN BROADBAND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

6 Income tax credit

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

	2010 £	2009 £
Total current tax	-	(98,342)
Deferred Tax:		
Origination and reversal of temporary differences	(235,540)	-
Impact of change in UK tax rate	33,648	
	<u>(201,892)</u>	<u>(98,342)</u>
(a) Analysis of credit in the period		
Loss before income tax	(841,872)	(351,739)
Tax credit at corporate tax rate of 28%	(235,724)	(98,487)
Tax effect of non-deductible expenses	184	145
Effect of change in tax rate	33,648	-
Income tax Credit	<u>(201,892)</u>	<u>(98,342)</u>

7 Deferred tax

	2010 £	2009 £
Deferred tax asset	<u>201,892</u>	<u>-</u>

	Opening balance	Charged to income statement	Charged directly to equity	Closing balance
30 June 2010				
Tax assets				
Unused tax losses	-	201,892	-	201,892
Total tax assets	-	<u>201,892</u>	-	<u>201,892</u>
Net deferred tax asset / (liability)	-	<u>201,892</u>	-	<u>201,892</u>

8 Other receivables

	2010 £	2009 £
Group Relief Receivable	<u>98,342</u>	<u>98,342</u>

9 Other payables

	2010 £	2009 £
Amounts owed to group undertakings	<u>1,193,511</u>	<u>351,639</u>

10 Ordinary Shares

	2010 £	2009 £
Authorised		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Issued and unpaid		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

AVANTI CALEDONIAN BROADBAND LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

11 Ultimate parent company

The immediate parent undertaking is Avanti Broadband Limited, a company domiciled and incorporated in England and Wales. The ultimate parent undertaking is Avanti Communications Group plc, a company incorporated and registered in England and Wales. The consolidated financial statements of Avanti Communications Group plc for the year ended 30 June 2010 can be obtained from the registered office at 74 Rivington Street, London EC2A 3AY.

12 Related parties

Transactions between the company and its immediate parent Avanti Broadband Limited in the form of management fees and recharges for the year ended 30 June 2010 were as follows:

	2010 £	2009 £
Avanti Broadband Limited	<u>783,741</u>	<u>1,090,987</u>