16 September 2015

AVANTI COMMUNICATIONS GROUP PLC

2015 Full Year Results

Avanti Communications Group plc ("Avanti" or "the Group"), a leading provider of satellite data communications services in Europe, the Middle East and Africa, issues the following results for the financial year ending 30 June 2015.

Highlights

- Revenue up 29.9% to $85.2m (2014: $65.6m)
- Continuing business constant currency revenue up 50.4%
- Net cash at year end $122.2m (2014: $195.3m) with a pro forma cash balance of $248.5m
- Contract wins with key target customers including SENTECH, Tanzania Telecoms Company and Orange Telkom Kenya
- Top-20 Customer Bandwidth Revenue Growth 53.7%
- Year end fleet utilisation up to the 20% to 25% band (2014: 10% to 15%)
- Construction of HYLAS 4 commenced with launch on-track for early 2017
- Continuing business constant currency growth rate expected to continue into 2016

David Williams Avanti's CEO said:

'Avanti has the most advanced technology platform in our region, delivering outstanding service quality across many application areas from broadband to defence, at prices that fundamentally change market demand. Our distribution platform in existing geographies is now mature, with success in signing the largest telecoms operators in most of our key markets. Thus the achievement of our long term plan is now a matter of continued execution of the same performance, with cash flows expected to build as customer growth compounds.'

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Chairman’s statement

Avanti made good progress in 2015. Our satellites provided high performance, affordable connectivity to governments, businesses and individuals across EMEA. This changed peoples’ lives every day, supporting economic growth, business, education, healthcare and security.

We enhanced our long-term growth platform, both in terms of customer growth and infrastructure development.

Avanti reaches end users through national and international Service Providers. During 2015 we grew our distribution platform, signing over 90 new contracts with both new and existing customers.

Amongst these were a number of wins with key target customers that have national distribution in our core markets. These included SENTECH in South Africa, Tanzania Telecoms Company and Orange Telkom Kenya.

Construction of our HYLAS 4 satellite began at the beginning of the financial year and the launch remains on-track for early 2017, with HYLAS 3 scheduled to launch in the same year. HYLAS 4 will complete our planned coverage of EMEA.

Our technology platform performed to a high standard. The many proprietary and patented innovations that we have deliver a sustainable competitive advantage.

We have now invested over $1.2bn in developing a business that can meet the huge latent demand for affordable connectivity in high growth markets. Together with the investments that we will make over the next two years, this will create a company with the potential to generate over $500m of EBITDA once the fleet is filled.

During the year Alan Foster and William Wyatt stepped down from the Board. I would like to thank them for the tremendous contributions that they have made to Avanti.

I was pleased to welcome Andy Green and Charmaine Eggberry as Non-Executive Directors. I am sure that Avanti will greatly benefit from their experience as the business grows.

Finally, I would like to thank our employees, customers, suppliers and investors for their ongoing support.

CEO’s review

When we founded Avanti, we chose to design the highest quality and flexibility into our products, developing many patented innovations. This differentiates them from legacy satellite operators and mirrors the quality of service that terrestrial communications offer.

While there is still work to be done to achieve Avanti’s full potential, in many ways 2015 was a landmark year for us.

Avanti is no longer regarded as a new entrant. We are delivering excellent service for our customers using superior technology, today. Our technology platform is proven across our markets and our brand is understood and well regarded.

We have now moved from an establishment to an execution phase. We are seeing strong ongoing growth from existing customers in our established territories as the distribution base matures and we expect to see growth increase when we launch service in West Africa.

It took time to establish our brand, product and price proposition in many new markets and early customers were often specialists with high expertise and conviction, but limited marketing reach.

We are increasingly distributing our product through major telecoms companies with universal market access within their geographies. We have been selected to undertake national broadband roll out projects by government owned national telecoms operators in all of the core HYLAS 2 African markets of Kenya, Tanzania, Zimbabwe and South Africa. Similar progress in other geographies is imminent. The maturing distribution platform is now therefore materially increasing our growth rates. During 2015, our Top-20 Customer Bandwidth Revenue Growth increased 53.7%.

Yield continues to average around $2,000 per MHz per month. The efficiency of our satellites delivers major advantages in pricing, which is presented to customers denominated in $ per Mb per month. We can generate three times as many MHz per ton of satellite than is the case with even the most advanced Ku-band High Throughput Satellites ('HTS'). Furthermore we can extract double the Mb per MHz due to high spectral efficiency and our dishes are half the price of Ku band dishes.

Our $ per Mb per month prices are far lower than Ku-band competitors and we have a more compelling, higher quality, flexible and scalable offer.

Avanti also has significantly greater capacity per country than legacy operators. This is important for large telecoms customers that want scalable deployments.

We are also building the fleet. We added a further 3 GHz of incremental capacity at the end of 2015, as part of a commercial agreement with another satellite operator. This capacity is in the form of a steerable beam cluster which we are marketing as HYLAS 2-B.

HYLAS 2-B gives us coverage of a new geography unserved by the fleet and also fortuitously gives us an opportunity to bridge the gap in steerable capacity that we have due to the previously announced slippage of the European Space Agency's timetable to launch the satellite platform that will host HYLAS 3. Initial revenues are expected to arise in the second half of the current financial year.

During the year the construction of our key HYLAS 4 satellite began. It is on-track and, following our capital raise post the year end, fully financed.

To plan for the future, we have been making significant investments in our sales and marketing in preparation for the new markets that HYLAS 4 will cover. We have also been developing our ground network.

Avanti is a hugely scalable business now the core operations have been established. It is a pioneer, delivering revolutionary technology which is changing lives today, while preparing to serve new markets and new customers in 2016 and beyond.

Market overview

Satellites provide data communications and broadcasting services around the world. Satellites are used versus terrestrial infrastructure in situations where they can provide superior economics to customers or where other forms of communication are not available.

Avanti operates in the fixed data communications part of the satellite market. Avanti has pioneered the use of Ka-band technology, which enables us to service this market at a lower cost than legacy operators.

In turn, this vastly increases the addressable market for satellite data communications. Particularly in the high growth geographies where Avanti's capacity is focused, but also closer to home where Avanti can offer universal superfast broadband across Europe.

In these areas, dispersed populations and huge land areas make terrestrial communications uneconomic to deploy. For example, Africa has the same land mass as Europe, USA, China and India combined, yet a population the same as just India alone.

As a result of this low population density, fibre will not be deployed in European equivalent scale in the local loop during the lifetime of our satellites and so Africa is moving directly to wireless. In wireless technology, Ka-band HTS satellite is the best way to deliver high capacity low cost data services.

Avanti's satellites provide businesses, governments and individuals in the rapidly emerging consumer classes, the opportunity to access a high quality and resilient network at affordable prices.

We estimate that the addressable market for our HTS services across the EMEA region, defined as users who both need satellite connectivity and have the ability to pay for it, is over 1,000 Gbps and growing. Avanti's HYLAS satellite fleet will provide up to 200 Gbps of data throughput.

Avanti competes with the large established global satellite operators, that primarily use legacy technologies and other young HTS operators.

Our business model

Avanti connects people wherever they are – in their homes, businesses, in government and on mobiles. Through the HYLAS satellite fleet and more than 160 Service Providers in 118 countries, the network provides ubiquitous internet service to a quarter of the world's population. Avanti delivers the level of quality and flexibility that the most demanding telecoms customers seek.

Avanti's technology platform is made up of three operational satellites in orbit, two under construction, a further one which will come into service in the second half of 2016 and a ground segment infrastructure delivering comprehensive coverage of Europe, Middle East and Sub-Saharan Africa.

These assets are turned into a virtual network service accessible by our Service Provider customers. This is done using the Avanti Cloud, a bespoke software based control system that allows all parts of the Avanti network to be controlled and configured on-line.

Avanti has developed proprietary and patented technology which is deployed throughout its network. This technology has been developed in house by its employees, who are amongst the most experienced in the industry.

Avanti uses the high frequency Ka-band spectrum. This enables our High Throughput Satellites to transmit over ten times more data per satellite than legacy systems, significantly reducing end-user costs and creating a larger addressable market.

A combination of the efficiencies that are inherent in the use of Ka-band and Avanti's high-powered network design also make our systems significantly more efficient than the emerging Ku-band high throughput networks.

Our network can provide download speeds of up to 380Mbps and we can offer customers price reductions versus legacy Ku band systems of up to 80%.

Avanti generates revenue by charging its Service Provider customers for the use of its network. The primary revenue generating unit of sale is bandwidth, expressed in Mbps.

Like other infrastructure companies, Avanti's business model involves significant upfront capital expenditure to launch services and a largely fixed operating cost base. This is expected to result in initial cash outflows being followed by very strong cash inflows as the business grows.

Avanti's business model is differentiated from those of legacy satellite operators primarily by its use of Ka-band technology and the Avanti Cloud. The Avanti Cloud enables the sale of satellite capacity as a service, rather than as an infrastructure purchase.

The satellite industry has very high barriers to entry. These include the intellectual capital that is needed to design and run a satellite network and the requirement for orbital slots and spectrum.

The risks to Avanti's business model through technological change are low, primarily due to the very long lead times needed to develop and launch new satellite technologies.

Our strategy

Avanti's strategy is founded on the assumptions that data usage will continue to grow strongly for the foreseeable future; that terrestrial infrastructure will not satisfy demand; and that high growth markets offer the highest returns.

Avanti sells a managed service for fixed data connectivity. The go to market strategy is to sell to telecoms companies and specialist Service Providers for use in the Broadband, Enterprise, Government and Carrier Services verticals.

The Group sells mainly through direct field sales with strong engineering pre-sales support.

Key performance indicators

Avanti introduced two new performance indicators during the year in order to give investors greater insight into the progress that the business is making.

The first of these was Top-20 Customer Bandwidth Revenue Growth. This metric helps to track Avanti's growth trajectory from core service sales, excluding non-recurring items.

It is calculated by comparing the revenues from current leading customers on a last 12 month basis, to the 12 months preceding that. Revenues from this customer group were 53.7% higher in the 2015 financial year versus 2014.

The second new performance indicator was Fleet Utilisation. This metric helps to track capacity uptake and gives an indication of revenue potential when Avanti's fleet is mature. It is calculated by expressing utilised capacity as a percentage of total available capacity for the fleet of HYLAS 1 (3 GHz), HYLAS 2 (11 GHz) and Artemis (1 GHz).

Avanti's Fleet Utilisation was within the 20% to 25% band at the end of 2015, having increased from the 10% to 15% range in the prior year.

The new HYLAS 2-B capacity is expected to be deployed in the middle of the current financial year. We are now commencing marketing in West Africa for HYLAS 3 & 4 and expect contract pre-sales announcements in the current financial year.

Outlook

The continuing business growth rate, assuming constant currency, seen during 2015 is expected to continue in the new financial year. In addition to this, management expects core recurring revenue growth to again be augmented with non-recurring revenue.

Avanti has a largely fixed cash cost base. There will be a modest increase in costs in 2016 as further investments are made in sales and marketing and ground operations ahead of the launches of HYLAS 3 and HYLAS 4.

Management expects that the combination of Avanti's strong revenue growth and largely fixed cash cost base will lead to substantial operating cash flows in the medium-term.

Financial Review

Revenue

Revenue in the year increased 29.9% to $85.2m (2014: $65.6m). On a continuing business, constant currency basis, revenues grew 50.4%. Continuing business is defined as excluding discontinued European Space Agency grant revenue in the prior year, a one off sale of Artemis capacity in the prior year, exceptional sales of equipment for an infrastructure project in the prior year and the sale of spectrum in the 2015 financial year.

Revenue for the year included recurring continuing business revenues of $60.1m together with non-recurring revenues of $25.1m. The non-recurring revenues related to the sale of certain spectrum rights in perpetuity, related to geographic markets in which the Group does not seek to operate, in exchange for indefeasible rights to use a 3 GHz Ka-band payload over its estimated remaining life of 13.5 years. The revenue recognised was based on the fair value of the asset received.

Average yield remained above our target rate of $2,000 per MHz per month.

EBITDA

EBITDA (before share based payment charges) increased to $16.0m from $1.7m in 2014. This was a result of the revenue growth and the changes in cash costs outlined below.

Costs of sale decreased 3.3% to $83.8m (2014: $86.7m). This reflected the growth in the business offset by the cost associated with the exceptional sales of equipment for an infrastructure project in the prior year. Cash cost of sales (excluding depreciation) were $38.0m (2014: $39.4m).

Operating costs increased 2.3% to $35.6m (2014: $34.8m). This reflected the growth in the business, the fact that an element of the costs are largely fixed and movements in Sterling versus the US dollar.

Loss per share

Loss attributable to shareholders of $73.1m (2014: $87.2m), which included a net interest expense of $40.5m (2014: $39.0m), results in a loss per share of 61.5 cents (2014: loss per share of 81.2 cents).

Cash flow

Net cash balances at year end were $122.2m (2014: $195.3m).

EBITDA (before the share based payment charge) of $16.0m translated into $10.2m of cash absorbed from operations as a result of the receipt of an element of revenue in the form of property, plant & equipment and an increase in working capital of $1.2m.

Net proceeds from financing were $90.6m.

Balance sheet

Tangible fixed assets were $691.0m (2014: $610.8m). Additions were $151.1m, of which $96.5m related to HYLAS 4, $35.1m to HYLAS 2-B and the balance to HYLAS 3 and ground infrastructure. Total depreciation was $47.9m with movements in exchange rates decreasing total NBV by $19.7m.

Trade and other receivables decreased 8.0% to $35.5m with accrued income remaining fairly stable with a slight reduction due to timing differences around the year end.

Trade and other payables excluding accrued interest have decreased from $42.2m in 2014 to $35.7m in 2015. This is driven by a reduction in trade payables of $4.6m due to the settlement of capital expenditure related liabilities present at the 2014 year end and timing differences.

Gross debt was $528.4m (2014: $517.0m) and net debt was $406.2m (2014: $321.7m).

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

Post balance sheet events

Avanti announced on 17 August 2015 that it had raised an incremental $126.3m to complete the funding of the HYLAS 4 satellite. This comprised of a cash inflow from debt issuance of $115.0m and an equity issuance of $11.3m to give total cash proceeds of $126.3m.

As a result of this, pro-forma year end cash including the receipts from the debt and equity raises would have been $248.5m.

Insurance

Avanti maintains a full suite of insurance policies covering not only space assets, but also business interruption associated with the failure of its ground earth stations. The HYLAS 1 in orbit insurance policy was renewed in November 2014 with an insured value of $176.0m at a rate of 0.63%, and the HYLAS 2 policy was renewed in August 2015 for $306.0m at 0.51%.

Backlog

Backlog was $389.5m (2014: $430.0m). Backlog comprises our customers' committed contractual expenditure under existing contracts for the sale of bandwidth, satellite services, consultancy services and associated equipment sales over the life of their terms. The usefulness of this metric has reduced as Avanti has moved towards selling through framework contracts, under which customers start with low initial capacity commitments, but typically increase these on a regular basis. Thus the business more closely resembles a telecoms company rather than a TV broadcasting business, and so backlog does not give a full indication of expected forward revenues.

Avanti's service provider customers, under framework contracts which have no fixed term, are undertaking a significant number of new installations across EMEA every day. This is increasing the run rate of Avanti's recurring revenue growth under framework contracts on an ongoing and compounding basis. The impact of this on Avanti's expected future revenues is not captured by the backlog metric.

Consolidated Income Statement
Year ended 30 June 2015

	Notes	Year ended 30 June 2015 $'m	Year ended 30 June 2014 $'m
Revenue	3	85.2	65.6
Cost of sales		(83.8)	(86.7)
Satellite depreciation		*(45.8)*	*(47.3)*
Other cost of sales		*(38.0)*	*(39.4)*
Gross profit/(loss)		1.4	(21.1)
Operating expenses		(35.6)	(34.8)
Other operating income		1.4	7.2
Loss from operations		(32.8)	(48.7)
Net finance expense		(40.5)	(39.0)
Loss before taxation		(73.3)	(87.7)
Income tax	4	-	-
Loss for the year		(73.3)	(87.7)
Loss attributable to:			
Equity holders of the parent		(73.1)	(87.2)
Non-controlling interests		(0.2)	(0.5)
Basic loss per share (cents)	5	(61.5c)	(81.2c)
Diluted loss per share (cents)	5	(61.5c)	(81.2c)

Consolidated Statement of Comprehensive Income
Year ended 30 June 2015

	Year ended 30 June 2015 $'m	Year ended 30 June 2014 $'m
Loss for the year	(73.3)	(87.7)
Other comprehensive income		
Exchange differences on translation of foreign operations and investments that may be recycled to the Income Statement	0.1	(2.1)
Exchange differences on translation of foreign operations and investments that will not be recycled to the Income Statement	(22.7)	31.2
Total comprehensive loss for the year	(95.9)	(58.6)
Attributable to:		
Equity holders of the parent	(95.7)	(58.1)
Non-controlling interests	(0.2)	(0.5)

Consolidated Statement of Financial Position
As at 30 June 2015

	Notes	30 June 2015 $'m	30 June 2014 $'m
ASSETS			
Non-current assets			
Property, plant and equipment	6	691.0	610.8
Intangible assets		11.0	14.0
Deferred tax assets		19.5	21.1
Total non-current assets		721.5	645.9
Current Assets			
Inventories		2.6	1.7
Trade and other receivables	7	35.5	38.6
Cash and cash equivalents		122.2	195.3
Total current assets		160.3	235.6
Total assets		881.8	881.5
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		31.9	39.9
Loans and other borrowings	8	4.7	4.6
Total current liabilities		36.6	44.5
Non-current liabilities			
Trade and other payables		16.8	15.3
Loans and other borrowings	8	523.7	512.4
Total non-current liabilities		540.5	527.7
Total liabilities		577.1	572.2
Equity			
Share capital		2.4	2.0
EBT shares		(0.1)	(0.1)
Share premium		505.3	415.1
Foreign currency translation reserve		(16.4)	6.2
Retained earnings		(184.4)	(112.0)
Total parent shareholders' equity		306.8	311.2
Non-controlling interests		(2.1)	(1.9)
Total equity		304.7	309.3
Total liabilities and equity		881.8	881.5

Consolidated Statement of Cash Flows
year ended 30 June 2015

	Notes	Year ended 30 June 2015 $'m	Year ended 30 June 2014 $'m
Cash flow from operating activities			
Cash (absorbed) by operations	9	(10.2)	(13.5)
Interest paid		(52.3)	(20.4)
Net cash (absorbed) by operating activities		(62.5)	(33.9)
Cash flows from investing activities			
Payments for property, plant and equipment		(102.0)	(25.8)
Net cash used in investing activities		(102.0)	(25.8)
Cash flows from financing activities			
Proceeds from bond issue		-	530.7
Proceeds from share issue		90.6	-
Repayment of borrowings		-	(305.4)
Payment of finance lease liabilities		(5.3)	(4.2)
Proceeds from sale and leaseback		5.3	-
Loan breakage cost		-	(6.8)
Debt issuance costs		(0.1)	(20.6)
Net cash received from/(used by) financing activities		90.5	193.7
Effects of exchange rate on the balances of cash and cash equivalents		0.9	2.6
Net (decrease)/increase in cash and cash equivalents		(73.1)	136.6
Cash and cash equivalents at the beginning of the financial year		195.3	58.7
Cash and cash equivalents at the end of the financial year		122.2	195.3

Consolidated Statement of Changes in Equity
year ended 30 June 2015

	Share capital $'m	Employee benefit trust (EBT) $'m	Share premium $'m	Retained earnings $'m	Foreign currency translation reserve $'m	Non-controlling interests $'m	Total equity $'m
2014							
At 1 July 2013	2.0	(0.1)	415.1	(25.4)	(22.9)	(1.4)	367.3
Loss for the year	-	-	-	(87.2)	-	(0.5)	(87.7)
Other comprehensive income	-	-	-	-	29.1	-	29.1
Share based payments	-	-	-	0.6	-	-	0.6
At 30 June 2014	2.0	(0.1)	415.1	(112.0)	6.2	(1.9)	309.3
2015							
At 1 July 2014	2.0	(0.1)	415.1	(112.0)	6.2	(1.9)	309.3
Loss for the year	-	-	-	(73.1)	-	(0.2)	(73.3)
Other comprehensive income	-	-	-	-	(22.6)	-	(22.6)
Issue of share capital	0.4	-	90.2	-	-	-	90.6
Share based payments	-	-	-	0.7	-	-	0.7
At 30 June 2015	2.4	(0.1)	505.3	(184.4)	(16.4)	(2.1)	304.7

Notes to the preliminary statement

1. Basis of preparation

The financial information set out above does not constitute the company's statutory accounts for the years to 30 June 2015 or 2014 but is derived from those accounts. Statutory consolidated financial statements for the Group for the year ended 30 June 2014, prepared in accordance with adopted IFRS, have been delivered to the Registrar of Companies and those for 2015 will be delivered in due course. The auditors have reported on those accounts; their reports (i) were unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The financial information for the years ended 30 June 2015 and 30 June 2014 has been prepared by the directors based upon the results and position that are reflected in the consolidated financial statements of the Group.

The consolidated financial statements of Avanti Communications Group plc and its subsidiaries have been prepared in accordance with International Financial Reporting Standards as adopted by the EU as relevant to the financial statements of Avanti Communications Group plc.

2. Principal accounting policies

Full disclosure of the group accounting policies can be found in the 2014 Annual Report and Accounts as presented on the Avanti Communications Group plc website. These have been consistently applied throughout the 2015 financial year and the disclosures made in this statement.

3. Revenue

The Group currently earns revenue primarily from the sale of satellite broadband services to customers and from providing consultancy advice connected with the utilisation of the Group's space assets. On adoption of IFRS 8, 'Operating Segments', the Group concluded that the Chief Operating Decision Maker (the Avanti Executive Board) manage the business and the allocation of resources on the basis of the provision of satellite services, resulting in one segment.

Revenue generated by the Group is $85.2m (2014: $65.6m). The majority of revenue represents invoiced sales of satellite broadband services provided to external customers, revenue on space and consultancy contracts recognised on a percentage of completion basis and the sale of terminals. Of this, $25.1m (2014: $Nil) represents the sale of spectrum rights (see below) and $5.7m (2014: $6.6m) relates to the sale of terminals. Revenues from ESA representing the sale of capacity on HYLAS 1 comprise Nil% (2014: 8.3%) of total revenue.

In June 2015, the Group entered into an agreement to sell, in perpetuity, certain spectrum rights related to geographic markets in which the Group does not seek to operate. The indefeasible right to use ("IRU") a 3 GHz Ka-band payload over its estimated remaining life of 13.5 years was received in consideration. The IRU arrangement has a fixed cost payable per annum and a variable cost based on the capacity of the payload that is sold. The payload can be directed over the Group's core market of Europe, Middle East & Africa and increases the Group's current satellite capacity by approximately 20%. Revenue of $25.1m (2014: $Nil) was recognised for this non-recurring transaction related to the utilisation of the Group's space assets.

3. Revenue continued

The revenue recognised was based on the fair value of the consideration received, in this case the IRU of the Ka-band payload. The IRU has been valued on a replacement cost basis and takes into account the cost of building and launching a comparable payload with equivalent capacity and a 13.5year remaining life. The Group has used the costs that it has experienced in constructing and launching its existing satellite fleet, including those under construction, as a benchmark to reach this accounting estimate. The IRU valuation also takes into account the fixed cost payable per annum under the IRU agreement discounted at the Group's estimated cost of capital of 10%.

The Group derived $36.5m (2014: $14.7m) of its turnover from European countries outside the United Kingdom, $27.2m (2014: $35.2m) from countries outside Europe and $21.5m (2014: $15.7m) from the United Kingdom.

4. Income Tax

	30 June 2015 $'m	30 June 2014 $'m
Current tax		
Current tax expense	-	-
Overseas tax	-	-
Adjustment in respect of prior periods	-	-
Total current tax	-	-
Deferred tax		
Origination and reversal of temporary differences	1.6	(5.8)
Adjustment in respect of prior periods	(1.4)	3.4
Impact of change in UK tax rate	(0.2)	2.4
Total deferred tax	-	-
Total income tax charge	-	-

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

	30 June 2015 $'m	30 June 2014 $'m
Loss before tax	(73.3)	(87.7)
Tax credit at the UK corporation tax rate of 20.75% (2014: 22.5%)	(15.2)	(19.7)
Tax effect of non-deductible expenses	0.1	0.2
Adjustment in respect of prior periods	(1.4)	1.5
Effect of tax rates in foreign jurisdictions	(0.9)	2.7
Impact of change in UK tax rate	(0.2)	2.4
Temporary differences for which no deferred tax has been recognised	17.6	12.9
Income tax recognised in the income statement	-	-

No deferred tax asset has been recognised in respect of the year ended 30 June 2015 (30 June 2014: $nil). Whilst the group foresees utilising the deferred tax assets in future periods, it has not recognised the deferred tax asset movement in the year.

The standard rate of corporation tax in the UK fell from 21% to 20% with effect from 1 April 2015. Accordingly, the Group's profits for this accounting period are taxed at an effective rate of 20.75% (2014: 22.5%).

On 8 July 2015 the UK Government announced its intention to reduce the UK corporation tax rate to 19% with effect from 1 April 2017, and to 18% with effect from 1 April 2020. These changes were included in the draft Finance Bill 2015 published 15 July 2015. The Finance Bill 2015 has not yet been substantively enacted and so the proposed reductions have not been reflected in the balances disclosed above. It has not yet been possible to quantify the full anticipated effect of the proposed rate reduction, although the impact is not expected to be material.

5. Loss per share

	30 June 2015 cents	**30 June 2014 cents**
Basic and diluted loss per share	(61.5)	(81.2)

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

	30 June 2015 $'m	**30 June 2014 $'m**
Loss for the year attributable to equity holders of the parent Company	(73.1)	(87.2)
Weighted average number of ordinary shares for the purpose of basic earnings per share	118,975,200	107,408,900

6. Property, plant and equipment

	Leasehold improvements $'m	Network assets $'m	Fixtures and fittings $'m	Satellites in operation $'m	Satellites in construction $'m	Group total $'m
Cost						
Balance at 30 June 2013	1.8	12.7	1.6	633.3	29.8	679.2
Additions	-	-	0.6	17.3	11.0	28.9
Disposals	-	-	-	(11.2)	-	(11.2)
Foreign exchange	0.2	1.4	0.2	27.9	3.6	33.3
Balance at 30 June 2014	2.0	14.1	2.4	667.3	44.4	730.2
Additions	-	0.7	0.3	39.5	110.6	151.1
Transfer	-	-	-	5.6	(5.6)	-
Disposals	-	(0.2)	-	(1.7)	(1.4)	(3.3)
Foreign exchange	(0.2)	(1.6)	(0.1)	(19.7)	(3.4)	(25.0)
Balance at 30 June 2015	1.8	13.0	2.6	691.0	144.6	853.0
Accumulated Depreciation						
Balance at 30 June 2013	0.5	7.2	1.1	56.7	-	65.5
Charge for the year	0.3	1.5	0.3	47.3	-	49.4
Disposals	-	-	-	(2.0)	-	(2.0)
Foreign exchange	0.1	0.9	0.1	5.4	-	6.5
Balance at 30 June 2014	0.9	9.6	1.5	107.4	-	119.4
Charge for the year	0.3	1.4	0.4	45.8	-	47.9
Foreign exchange	(0.1)	(0.9)	-	(4.3)	-	(5.3)
Balance at 30 June 2015	1.1	10.1	1.9	148.9	-	162.0
Net book value						
Balance at 30 June 2015	0.7	2.9	0.7	542.1	144.6	691.0
Balance at 30 June 2014	1.1	4.5	0.9	559.9	44.4	610.8

6. Property, plant and equipment continued

Property Plant and Equipment under Finance Lease

At 30 June 2015, the Group held assets under finance lease agreements with a net book value of $46.7m (2014: $4.0m). A depreciation charge for the year of $1.3m (2014: $1.0m) has been provided on these assets.

Satellites in operation

Satellites in operation include the HYLAS 1 and 2 satellites in addition to the Artemis satellite. HYLAS 1 came into commercial service on 1 April 2011 and the associated satellite assets were depreciated from this point. HYLAS 2 came into commercial service on 1 October 2012 and all related satellite and ground station assets have been depreciated from this point. Artemis was acquired on 31 December 2013 and has been depreciated from this date.

HYLAS-2B

Satellites in operation also includes a Ka-band payload that the Group operates under an indefeasible right of use ("IRU") agreement entered into in June 2015 for the estimated remaining useful life of the payload of 13.5 years. This payload is known as HYLAS-2B and Note 3 provides more detail on the transaction through which this payload was received. The IRU agreement is accounted for as a finance lease with an NBV of $35.1m included within satellites in operation and also within the assets held under finance lease disclosure provided above.

The IRU of HYLAS-2B has initially been recognised at its fair value of $35.1m. This asset value will subsequently be depreciated over the life of the IRU agreement of 13.5 years. The IRU has been valued on a depreciated replacement cost basis. This was determined to be the most appropriate valuation technique as it has the most observable inputs into the model. Under this approach, the fair value is calculated as the cost of constructing and bringing into service an asset that could provide equivalent capacity. The fair value has been reached by aggregating the estimated fair value of the cost to build the payload, the cost of launching the payload, including insuring the launch, in addition to the cost of designing and managing the procurement of the asset. Each of the four inputs have been classified as level 2 inputs within the fair value hierarchy. The Group has obtained 3rd party quotations for some elements and applied rates known from the existing fleet of satellites for other elements.

7. Trade and other receivables

	30 June 2015 $'m	30 June 2014 $'m
Trade receivables	22.2	25.6
Less provision for impairment of trade receivables	(4.4)	(4.6)
Net trade receivables	17.8	21.0
Accrued income	10.6	9.2
Prepayments	5.5	6.0
Other receivables	1.6	2.4
	35.5	38.6

Included in the Group's trade receivables balance at 30 June 2015 is a long term receivable of $8.5M (2014: $9.4M). 19% of the original balance has already been collected, with the remainder payable in instalments due every six months commencing 30 June 2015. The receivable will be fully repaid by 30 June 2019. In addition to the instalments payable, interest is payable at 5.25% per annum.

8. Loans and borrowings

	Group current		Group Non-current	
	30 June 2015 $'m	30 June 2014 $'m	30 June 2015 $'m	30 June 2014 $'m
Secured at amortised cost				
High yield bonds	-	-	510.3	508.4
Finance lease liabilities	4.7	4.6	13.4	4.0
	4.7	4.6	523.7	512.4

High yield bonds

The Company issued 10% Senior Secured Notes of $370.0M and $150.0M on 1 October 2013 and 17 June 2014 respectively.

8. Loans and borrowings continued

Issuer	Original notional value	Description of instrument	Due
Avanti Communications Group plc	$520.0M	10% Senior Secured Notes	1 October 2019

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

	30 June 2015 $'m	30 June 2014 $'m
High yield bonds	520.0	520.0
Add: Amortised issue premium	6.0	7.4
Less: Amortised debt issuance costs	(15.7)	(19.0)
	510.3	508.4

9. Cash (absorbed by)/generated from operations

	30 June 2015 $'m	30 June 2014 $'m
Loss before taxation	(73.3)	(87.7)
Interest payable	37.7	30.2
Amortised bond issue costs	1.8	1.6
Foreign exchange losses in operating activities	1.0	(0.2)
Depreciation and amortisation of non-current assets	48.1	49.8
Provision for doubtful debts	1.0	3.3
Loan breakage costs	-	6.8
Share based payment expense	0.7	0.7
Sale of Spectrum rights (See note 3)	(25.1)	-
Decrease/(increase) in stock	(0.9)	(0.3)
(Increase)/decrease in debtors	1.6	(9.7)
(Decrease)/increase in trade and other payables	(2.8)	(8.0)
Cash (absorbed by)/generated from operations	(10.2)	(13.5)