28 September 2018

AVANTI COMMUNICATIONS GROUP PLC

Unaudited Interim Results for the twelve months ended 30 June 2018

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 twelve months ended 30 June 2018.

Highlights to 30 June

- HYLAS 4 launched successfully and now in service at 33.5W
- Balance sheet restructuring completed by equitizing the 2023 notes in April
- Revenue for the six months to June 2018 increased 23% to $29.9 million (2017: $24.3 million)
- EBITDA for the six months to June 2018 increased to $4.7 million from an EBITDA loss in 2017 of $26.2 million
- Kyle Whitehill joined as Chief Executive on 3 April 2018

Highlights post 30 June

- Successful arbitration proceedings against the Government of Indonesia and subsequent receipt of $20.1 million
- Master Distribution Agreement agreed with Comsat, gaining access to US Government
- $10 million contract signed with Viasat for HYLAS 4 capacity
- Seven-year wholesale capacity agreement signed for $84 million

Kyle Whitehill, Avanti's CEO said:

"The restructuring of the balance sheet and the launch of HYLAS 4 has given Avanti the platform for growth. This is supported by the recently announced contract wins with Comsat and Viasat and develops our Government and wholesale strategy."

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Notes to editors

Avanti connects people wherever they are – in their homes, businesses, in government and on mobiles. Through the HYLAS satellite fleet and more than 180 partners 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 in the world seek.

Avanti is the first mover in high throughput satellite data communications in EMEA. It has rights to orbital slots and Ka band spectrum in perpetuity that covers an end market of over 1.7bn people.

The Group has invested $1.2bn in a network that incorporates satellites, gateway earth stations, datacentres and a fibre ring.

Avanti has a unique Cloud based customer interface that is protected by patented technology.

The Group has three satellites in orbit and HYLAS 3 under construction.

Avanti Communications is listed in London on AIM (AVN:LSE).
www.avantiplc.com

This announcement contains Inside Information.

Overview

The six-month period ended 30 June 2018 was dominated by three key events for Avanti; the restructuring of the balance sheet, the successful launch of Hylas 4, and the arrival of Kyle Whitehill as CEO.

The restructuring was completed in April when the shareholders approved the equitisation of the 2023 notes in exchange for 92.5% of the issued share capital. In addition, we extended the maturity of the 2021 notes by one year to 2022 and reduced the coupon to 9% from 12.5% which can be paid in cash or in-kind. The result of this is a reduction in annual interest expense by approximately $90 million.

HYLAS 4 was successfully launched by Arianespace on 6 April from French Guyana. After a 90-day stop at 21.5E to bring that slot back into use, HYLAS 4 arrived at its final position at 31.5W in August and is now in service. This increases our total footprint capacity to 45 Ghz.

HYLAS 3, our co-payload condosat, has now completed TVAC testing and the EDRS-C satellite is continuing the environmental test campaign with preparation for mechanical test. We expect HYLAS 3 to launch in the middle of 2019.

Since the period end we were successful with our arbitration proceedings against the Government of Indonesia. In early August 2018, we received $20.1 million in full settlement. This enabled us to reverse the bad debt provision made in an earlier period.

With the launch of HYLAS 4, the vast majority of our capacity is now focused on Sub-Saharan Africa and the Middle East. We have concluded that we need a greater customer facing presence in the regions. We are building a hub structure with key offices in Johannesburg, Cyprus, Lagos, Nairobi and London.

In addition, we are also establishing a strategic presence in Washington, D.C. which will be purely focused on selling our Mil-Ka capacity to the US Government and related agencies.

We have concluded a unique Master Distribution Agreement with Comsat Inc, USA. They are a fully approved, long term satellite communications supplier to the US Department of Defense, US Government and other related agencies. The seven-year contract enables Avanti to immediately access these key growth markets to offer its HTS network.

In August we signed our first HYLAS 4 contract for steerable capacity. This contract is worth $10 million over two years.

We are also extending our reach into higher value segments. We now have six channels to market being consumer broadband, cellular backhaul, enterprise data networks, civil and military government, and wholesale to other satellite operators.

Outlook

The past eighteen months have been difficult for Avanti from a financial perspective. With these issues now largely behind us and with our revised strategy, engagement and branding we are firmly focused on delivering recurring core bandwidth revenue with the aim of increasing this by double digit percentage year on year.

The interest in HYLAS 4 evidenced by the initial contracts with Viasat and Comsat, gives us confidence that we will deliver solid progress in utilising the capacity of our fleet over the coming months.

Financial Review

Income Statement

Revenue increased by 23.0% to $29.9 million for the six months to 30 June 2018 from $24.3 million for the comparative period. Revenue for the twelve months to 30 June 2018 decreased by $6.6 million to $50.0 million from $56.6 million.

Costs of sale decreased by $27.2 million to $8.1 million in the 6 months to 30 June 2018 against $35.3 million in the 6 months to 30 June 2017. Cost of sale for the twelve months to 30 June 2018 decreased by $32.9 million to $26.5 million compared to $59.4 million for the comparative period. The significant decrease in both periods is largely the result of a release of $12.5 million bad debt provision relating to the Government of Indonesia arbitration ruling in June 2018, and $13.9 million bad debt expense in June 2017 for the same case.

Staff and other operating expenses for the six months were $22.4 million compared to $16.6 million for the six months to 30 June 2017 due to an end to a hiring freeze in place for the first six months of 2017. Other operating income increased from $1.4 million to $5.3 million, reflecting compensation for late delivery of the HYLAS 3 and HYLAS 4 satellites.

This resulted in EBITDA of $4.7 million for the six-month period compared to an EBITDA loss of $26.2 million primarily driven by the Government of Indonesia settlement. EBITDA adjusted for the Government of Indonesia bad debt provision and subsequent reversal for the six-month period was $7.8 million loss (2017: $12.3 million loss).

The finance expense not including exceptional items decreased by $8.6 million to $50.9 million in the six months to 30 June 2018, as a result of the debt restructuring which converted the outstanding 2023 notes to equity, and reduced the rate of interest on the PIK Toggle Notes from 12.5%/15% to 9%/9%. For more information see note 11.

Cash flow

The Group has recently signed contracts for new business in excess of $100m and obtained a commitment for an additional $34.5m of debt, which is expected to close within the next month. After closing this facility, the Group may require a modest amount of additional funding over the next year and a half, the amount of which will depend on various operating and strategic developments. Although it is never certain that funds will be available when they are needed, the Group believes it has ample ability to obtain this additional funding from multiple different sources, including but not limited to, sales of additional second lien debt and/or equity. The Group is currently reviewing its plans to raise additional capital in light of these positive material developments and has prepared these interim financial statements under a going concern basis.

For the twelve months to 30 June 2018, cash absorbed from operations was $58.6 million (2017: $4.1 million). With higher cash interest paid of $7.9 million (2017: $3.5 million), cash absorbed from operating activities was $65.1 million (2017: absorbed $7.6 million).

Capital expenditure remained steady at $65.5 million (2017: $66.5 million) reflecting the completion of HYLAS 4. With net proceeds from new bond and share issues of $114.3 million during the period, cash decreased by $21.7 million (2017: decreased $23.7 million) to $11.0 million.

Balance sheet

Total non-current assets have increased by $159.7 million from 30 June 2017, due to significant capital expenditure on HYLAS 4 and capitalisation of interest costs.

In current assets, trade and other receivables increased to $76.5 million from $60.6 million as at 30 June 2017, primarily due to a receivable from Government of Indonesia of $20.1 million. Inventories have also increased by $17.6 million to $20.2 million as a result of Spectrum held for resale.

The most significant movement in the period was the decrease in loans and other borrowings following the completion of the debt for equity swap on the Amended Existing Notes, which was partially offset by the drawdown of Super Senior debt of $118.0 million, the PIK of interest in October 2017 of $67.4 million, and the PIK of interest in April 2018 of $20.2 million.

Backlog

Our backlog comprises our customers' committed contractual expenditure under existing contracts for the sale of bandwidth, satellite services, consultancy services and equipment sales over their current terms. Backlog does not include the value arising from potential renewal beyond a contract's current term or projected revenue from framework contracts. Our backlog totalled $87 million (June 2017: $104 million). With the wholesale capacity contract announced on 24 September 2018, backlog increased to $165 million.

CONSOLIDATED UNAUDITED INCOME STATEMENT

FOR THE TWELVE MONTHS ENDED 30 JUNE 2018

	Notes	Unaudited 6 months 30-June-18 $'m	Unaudited 6 months 30-June-17 $'m	Unaudited 12 months 30-June-18 $'m	Audited 12 months 30-June-17 $'m
Revenue					
Capacity, services & equipment		*29.9*	24.3	*50.0*	*56.6*
Total revenue		**29.9**	**24.3**	**50.0**	**56.6**
Cost of sales - capacity, services & equipment (excl. satellite depreciation)	6	(8.1)	(35.3)	(26.5)	(59.4)
Staff costs		(15.3)	(9.8)	(28.6)	(19.7)
Other operating expenses		(7.1)	(6.8)	(12.8)	(12.0)
Other operating income		5.3	1.4	11.1	2.0
EBITDA		**4.7**	**(26.2)**	**(6.8)**	**(32.5)**
Depreciation and amortisation		(18.1)	(24.6)	(36.7)	(47.2)
Impairment of satellites in operation		-	(114.1)	-	(114.1)
Impairment of goodwill		-	(9.9)	-	(9.9)
Operating loss		**(13.4)**	**(174.8)**	**(43.5)**	**(203.7)**
Finance income	7	1.2	-	2.5	-
Finance expense	7	(50.9)	(59.5)	(107.7)	(93.2)
Exceptional gain on debt for equity swap	7	254.9	-	254.9	-
Exceptional gain on substantial modification of debt	7	53.8	219.2	53.8	219.2
Profit / (loss) before taxation		**245.6**	**(15.1)**	**160.0**	**(77.7)**
Income tax credit	5	22.7	12.0	22.7	12.0
Profit / (loss) for the period		**268.3**	**(3.1)**	**182.7**	**(65.7)**
Profit / (loss) attributable to:					
Equity holders of the parent	8	268.6	(4.0)	183.4	(65.2)
Non-controlling interests		(0.3)	0.9	(0.7)	(0.5)
Basic loss per share (cents)	8	30.89c	(2.64c)	35.89c	(44.74c)
Diluted loss per share (cents)	8	30.63c	(2.64c)	35.37c	(44.74c)

CONSOLIDATED UNAUDITED STATEMENT OF COMPREHENSIVE INCOME

FOR THE TWELVE MONTHS ENDED 30 JUNE 2018

	Notes	Unaudited 6 months 30-June-18 $'m	Unaudited 6 months 30-June-17 $'m	Unaudited 12 months 30-June-18 $'m	Audited 12 months 30-June-17 $'m
Profit / (loss) for the period		268.3	(3.1)	182.7	(65.7)
Other comprehensive income					
Exchange differences on translation of foreign operations and investments that may be recycled to the Income Statement:					
Foreign currency translation differences on foreign operations		(3.3)	19.4	(0.1)	3.7
Monetary items that form part of the net investment in a foreign operation		(0.6)	(9.7)	1.9	(9.7)
Total comprehensive profit / (loss) for the period		264.4	6.6	184.5	(71.7)
Attributable to:					
Equity holders of the parent		264.7	5.7	185.2	(71.2)
Non-controlling interests		(0.3)	0.9	(0.7)	(0.5)

CONSOLIDATED UNAUDITED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	Unaudited 12 months $'m	Audited 12 months $'m
ASSETS			
Non-current assets			
Property, plant and equipment		809.8	671.8
Intangible assets		8.1	9.3
Deferred tax assets	5	53.7	30.8
Total non-current assets		**871.6**	**711.9**
Current assets			
Inventories	9	20.2	2.6
Trade and other receivables	10	76.5	60.6
Cash and cash equivalents		11.0	32.7
Total current assets		**107.7**	**95.9**
Total assets		**979.3**	**807.8**
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		73.2	70.3
Loans and other borrowings	11	1.3	2.1
Total current liabilities		**74.5**	**72.4**
Non-current liabilities			
Trade and other payables		8.1	9.1
Loans and other borrowings	11	407.8	592.6
Total non-current liabilities		**415.9**	**601.7**
Total liabilities		**490.4**	**674.1**
Equity			
Share capital	12	30.6	2.7
EBT shares		(0.1)	(0.1)
Share premium		1,104.4	519.4
Retained earnings		(576.4)	(317.7)
Foreign currency translation reserve		(65.8)	(67.5)
Total parent shareholders' equity		**492.7**	**136.8**
Non-controlling interests		(3.8)	(3.1)
Total equity		**488.9**	**133.7**
Total liabilities and equity		**979.3**	**807.8**

CONSOLIDATED UNAUDITED STATEMENT OF CASHFLOWS

FOR THE TWELVE MONTHS ENDED 30 JUNE 2018

	Notes	Unaudited 12 months 30-June-18 $'m	Audited 12 months 30-June-17 $'m
Cash flow from operating activities			
Cash absorbed by operations	13	(58.6)	(4.1)
Interest paid		(7.9)	(3.5)
Interest received		1.4	-
Net cash absorbed by operating activities		(65.1)	(7.6)
Cash flows from investing activities			
Payments for property, plant and equipment		(65.5)	(66.5)
Net cash used in investing activities		(65.5)	(66.5)
Cash flows from financing activities			
Net proceeds from Super Senior debt facility		114.1	-
Net proceeds from bond issue		-	78.7
Net proceeds from share issue		0.2	0.2
Payment of finance lease liabilities		(2.0)	(3.8)
Debt restructuring costs		(3.6)	(23.2)
Net cash received from financing activities		108.7	51.9
Effects of exchange rate on the balances of cash and cash equivalents		0.2	(1.5)
Net decrease in cash and cash equivalents		(21.7)	(23.7)
Cash and cash equivalents at the beginning of the financial year		32.7	56.4
Cash and cash equivalents at the end of the financial period		11.0	32.7

CONSOLIDATED UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE TWELVE MONTHS ENDED 30 JUNE 2018

	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
As at 1 July 2016	2.5	(0.1)	515.9	(252.7)	(61.5)	(2.6)	201.5
Profit/(loss) for the period	-	-	-	(61.3)	-	(1.4)	(62.7)
Other comprehensive income	-	-	-	-	(15.7)	-	(15.7)
Issue of share capital	-	-	-	-	-	-	-
Share based payments	-	-	-	0.1	-	-	0.1
As at 31 December 2016 (Unaudited)	2.5	(0.1)	515.9	(313.9)	(77.2)	(4.0)	123.2
Profit/(loss) for the period	-	-	-	(3.9)	-	0.9	(3.0)
Other comprehensive income	-	-	-	-	9.7	-	9.7
Issue of share capital	0.2	-	3.5	-	-	-	3.7
Share based payments	-	-	-	0.1	-	-	0.1
As at 30 June 2017 (Audited)	2.7	(0.1)	519.4	(317.7)	(67.5)	(3.1)	133.7
As at 1 July 2017	2.7	(0.1)	519.4	(317.7)	(67.5)	(3.1)	133.7
Loss for the period	-	-	-	(85.2)	-	(0.4)	(85.6)
Other comprehensive income	-	-	-	-	5.6	-	5.6
Share based payments	-	-	-	0.1	-	-	0.1
As at 31 December 2017 (Unaudited)	2.7	(0.1)	519.4	(402.8)	(61.9)	(3.5)	53.8
Profit/(loss) for the period	-	-	-	268.6	-	(0.3)	268.3
Other comprehensive income	-	-	-	-	(3.9)	-	(3.9)
Issue of share capital	27.9	-	142.7	-	-	-	170.6
Transfer*	-	-	442.3	(442.3)	-	-	-
Share based payments	-	-	-	0.1	-	-	0.1
As at 30 June 2018 (Unaudited)	30.6	(0.1)	1,104.4	(576.4)	(65.8)	(3.8)	488.9

* A gain on debt for equity swap was recognised in the income statement in the 6 months to 30 June 2018 being the difference between the carrying amount of the liability extinguished, and the fair value of the equity instruments issued as consideration in the transaction. Under UK company law, the amount to be credited to share capital and share premium is based on the value of the consideration received for the issue of shares, in this case the face value of the liability. Therefore a transfer has been done between equity components.

1. General information

Avanti Communications Group plc ('the Company') is a public company incorporated and domiciled in the United Kingdom. The address of its registered office is 20 Black Friars Lane, London EC4V 6EB. The Company is listed on AIM.

On 23 May 2018 the Board approved the change of the Company's financial year end from 30 June to 31 December. Therefore the next audited financial statements will be for the 18 months to 31 December 2018. These unaudited condensed consolidated interim financial statements for the 12 months to June 2018 ("the interim financial statements") were approved for issue on 28 September 2018.

2. Basis of preparation

These interim financial statements for the 12 months ended 30 June 2018 have been prepared in accordance with IAS 34, "Interim Financial Reporting", as adopted by the EU. The interim financial statements should be read in conjunction with the annual financial statements for the year ended 30 June 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), as adopted by the EU.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 30 June 2017.

The interim financial statements have not been audited or reviewed and do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The audited statutory accounts for the year ended 30 June 2017 were approved by the Board of Directors on 27 December 2017 and have been delivered to the Registrar of Companies. The auditor's report on these accounts was not qualified, did not contain statements under section 498(2) or (3) of the Companies Act 2005 but did draw attention to a matter by way of emphasis.

3. Accounting policies

The same accounting policies, presentation and methods of computation are followed in these condensed consolidated interim financial statements as were applied in the preparation of the Group's annual financial statements for the year ended 30 June 2017.

The condensed consolidated interim financial information presented does not comply with the full disclosure requirements of all applicable IFRSs.

4. Segmental reporting

Operating segment(s) are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segment(s), has been identified as the Avanti Executive Board who make the strategic decisions.

5. Income tax – outstanding

The effective tax rate was (14.2)%, based on our current estimated effective tax rate for the full year. This is lower than the standard UK corporation tax rate of 19% principally due to the reduction in the deferred tax liability on financial instruments following the debt for equity swap that took place earlier this year. The group is forecasting only a modest increase in deferred tax assets on losses due to the disallowance of almost all of the group's finance costs under the UK's Corporate Interest Restriction ('CIR'). The CIR was implemented in the UK on 1 April 2017 and so this is the first period in which its full impact is visible.

6. Cost of sales

	Unaudited 6 months 30-June-18 $'m	Unaudited 6 months 30-June-17 $'m	Unaudited 12 months 30-June-18 $'m	Audited 12 months 30-June-17 $'m
Cost of sales	(8.1)	(35.3)	(26.5)	(59.4)
Government of Indonesia bad debt (release) / expense	(12.5)	13.9	(12.5)	13.9
Underlying cost of sales	(20.6)	(21.4)	(39.0)	(45.5)

During the year to 30 June 2017 the Group provided for debt from the Government of Indonesia and commenced arbitration proceedings, resulting in a write of off unbilled accrued income of $1.4m, and a provision against trade receivables of $16.8m comprised of a bad debt expense of $12.4m following termination of the contract post year end, the reclassification of $4.3m from deferred income to the bad debt provision related to amounts billed but for which services had not been delivered at 30 June 2017.

Following a ruling in the Group's favour as announced on 7 June 2018, this provision was released in full resulting in a credit of $12.5m to the bad debt expense and recognition of previously deferred revenue of $4.4m.

The Group received the full $20.1m outstanding payment from the Government of Indonesia post period end on 13 August 2018.

7. Net finance (expense)/income

	Unaudited 6 months 30-June-18 $'m	Unaudited 6 months 30-June-17 $'m	Unaudited 12 months 30-June-18 $'m	Audited 12 months 30-June-17 $'m
Finance income				
Interest income	1.2	-	2.5	-
Foreign exchange gain	-	-	-	-
	1.2	-	2.5	-
Finance expense				
Interest expense on borrowings and loans	(75.4)	(84.5)	(162.9)	(117.7)
Foreign exchange loss	(0.6)	(0.9)	(1.3)	0.1
Finance lease expense	(0.8)	-	(1.7)	(1.5)
Costs of refinancing	(5.8)	(7.7)	(8.6)	(22.3)
Less: interest capitalised to satellite in construction	31.7	33.6	66.8	48.2
	(50.9)	(59.5)	(107.7)	(93.2)
Exceptional gain on debt for equity swap	254.9	-	254.9	-
Exceptional gain on substantial modification of debt	53.8	219.2	53.8	219.2
Net finance (expense)/income	259.0	159.7	203.5	126.0

8. Earnings/(loss) per share

	Unaudited 6 months 30-June-18 Cents	Unaudited 6 months 30-June-17 Cents	Unaudited 12 months 30-June-18 Cents	Audited 12 months 30-June-17 Cents
Basic earnings/ (loss) per share	30.89	(2.64)	35.89	(44.74)
Diluted earnings/ (loss) per share	30.63	(2.64)	35.37	(44.74)

The calculation of basic and diluted earnings/(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.

	Unaudited 6 months 30-June-18	Unaudited 6 months 30-June-17	Unaudited 12 months 30-June-18	Audited 12 months 30-June-17
Profit / (loss) for the year attributable to equity holders of the parent Company	$268.6m	$(4.0)m	$183.4m	$(65.2)m
Weighted average number of ordinary shares for the purpose of basic earnings per share	869,344,814	151,310,199	511,008,675	145,625,369
Weighted average number of ordinary shares for the purpose of diluted earnings per share	876,850,105	158,815,490	518,513,966	145,625,369

9. Inventories

	Unaudited 12 months 30-June-18 $'m	Audited 12 months 30-June-17 $'m
Finished goods	2.5	2.5
Spectrum	17.7	0.1
	20.2	2.6

10. Trade and other receivables

	Unaudited 12 months 30-June-18 $'m	Audited 12 months 30-June-17 $'m
Trade receivables	44.0	44.3
Less provision for impairment of trade receivables	(0.7)	(21.5)
Net trade receivables	43.3	22.8
Accrued income	8.1	13.7
Prepayments	17.7	17.7
Other receivables	7.4	6.4
	76.5	60.6

11. Loans and borrowings

	Current		Non-current	
	Unaudited 12 months 30-June-18 $'m	**Audited Year ended 30-June-17 $'m**	**Unaudited 12 months 30-June-18 $'m**	**Audited 12 months 30-June-17 $'m**
Secured at amortised cost				
Super Senior Notes	-	-	115.0	-
High yield bonds - PIK Toggle Notes	-	-	282.7	287.6
High yield bonds - Amended Existing Notes	-	-	-	293.6
Finance lease liabilities	1.3	2.1	10.1	11.4
	1.3	2.1	407.8	592.6

As at 30 June 2018

Issuer	**Description of instrument**	**Notional value**	**Due**
Avanti Communications Group plc	PIK Toggle Notes	$343.7m	1 October 2022
Avanti Communications Group plc	Super Senior Notes	$118.0m	21 June 2020

As at 30 June 2017

Issuer	**Description of instrument**	**Notional value**	**Due**
Avanti Communications Group plc	Amended Existing Notes	$512.2m	1 October 2022
Avanti Communications Group plc	PIK Toggle Notes	$300.8m	1 October 2021

	Unaudited 12 months 30-June-18 $'m	**Audited 12 months 30-June-17 $'m**
High yield bonds	343.7	813.0
Super Senior notes	118.0	-
	461.7	813.0
Less:		
Unamortised credit on substantial modification	(61.0)	(218.6)
Debt issuance costs	(3.0)	(13.2)
	397.7	581.2

The Company had Notes with a nominal value of $998.3m in issue at 1 January 2018, consisting of $557.0m Amended Existing Notes, $323.3m PIK Toggle Notes, and $118.0m Super Senior Notes.

11. Loans and borrowings (continued)

Debt for Equity Swap

On 26 April 2018 the Company completed a debt for equity swap consisting of repayment of the 12%/17.5% Senior Secured Notes due 2023 of $557.0m by issuing 1,999,676,704 new ordinary shares with a nominal value of 1 pence each in Avanti Communications Group plc. The interest accrued on the Amended Existing Notes as at 25 April 2018 was settled through the issue of additional notes, and included in the debt for equity swap. $55.7m of Amended Existing Notes were issued in respect of interest due on these notes between 2 October 2017 and 1 April 2017. The fair value of the shares at the date of the Swap was 6.11 pence per share, giving total consideration of $170.4m. The carrying value of the liability at the date of the Swap was $425.3m, after issue of April PIK. The resulting gain of $254.9m has been recognised in the Income Statement as an exceptional gain on debt for equity swap.

Modification of debt

On 26 April 2018 the restructuring of the 10%/15% Senior Secured Notes due 2021 completed, and from this date the interest rate reduced from 12.5%/17.5% to 9% for both cash and PIK and their maturity was extended by one year to 2022. The interest accrued on the PIK Toggle Notes as at 25 April 2018 was settled through the issue of additional notes. $20.2m of PIK Toggle Notes were issued in respect of interest due on these notes between 2 October 2017 and 1 April 2017.

The Group performed an assessment under its accounting policies and the requirements of IAS 39 as to whether the restructuring of the terms of the PIK Toggle Notes represented a substantial modification. As the net present value of the cash flows under the original terms and the modified terms was greater than 10% different, the modification was accounted for as substantial.

As a result, on completion of the restructuring, the carrying value of the PIK Toggle Notes of $312.4m was de-recognised and the amended PIK Toggle notes with a nominal value of $343.7m were recognised on the balance sheet at the date of modification at their fair value of $258.6m. The fair value at the date of modification of $0.8 per note was obtained from the price of the first trade of the PIK Toggle Notes after modification. The gain arising on substantial modification of the PIK Toggle Notes was $53.8m which has been recognised in the Income Statement as an exceptional gain on substantial modification.

12. Share capital

	Number of ord. shares 30-June-18 '000	Unaudited 12 months 30-June-18 $'m	Number of ord. shares 30-June-17 '000	Audited 12 months 30-June-17 $'m
At 1 July	162,136	2.7	147,396	2.5
Issue of shares in exchange for settlement of liability	1,999,677	27.7	-	-
Issue of shares	1,523	0.2	14,740	0.2
	2,163,336	30.6	162,136	2.7

13. Cash absorbed by operations

	Unaudited 12 months 30-June-18 $'m	Audited 12 months 30-June-17 $'m
Profit/(loss) before taxation	160.0	(77.7)
Interest receivable	(2.5)	-
Interest payable	60.1	74.4
Amortised bond issue costs	46.3	19.0
Foreign exchange losses in operating activities	1.7	(0.1)
Depreciation and amortisation of non-current assets	36.7	47.2
Provision for doubtful debts	(12.7)	15.0
Exceptional credit on debt for equity swap	(254.9)	-
Exceptional credit on substantial modification	(53.8)	(219.2)
Share based payment expense	0.2	0.2
Impairment	-	124.0
(Increase) in stock	(17.6)	(0.8)
Increase/(decrease) in debtors	(5.5)	4.5
(Decrease)/increase in trade and other payables	(13.6)	4.4
Effects of exchange rate on the balances of working capital	(3.0)	5.0
Cash absorbed by operations	(58.6)	(4.1)

14. Post balance sheet events

After the period end on 13 August 2018 the Company received settlement of $20.1m from Government of Indonesia in respect of the successful arbitration ruling announced on 7 June 2018.