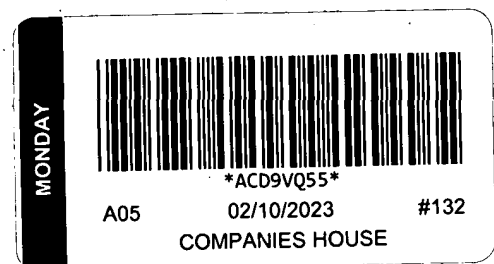


Company Registration No. 05322680

**HUGHES NETWORK SYSTEMS LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**For the year ended 31 December 2022**



**Hughes Network Systems Limited**

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**Hughes Network Systems Limited**

**OFFICERS AND PROFESSIONAL ADVISERS**

**Directors**

**D Manson**

**C Britton**

**Secretaries**

**D Manson**

**Registered office**

**Hughes House**

**Rockingham Drive**

**Linford Wood**

**Milton Keynes**

**MK14 6PD**

**Auditor**

**KPMG LLP**

**Chartered Accountants and Statutory Auditor**

**58 Clarendon Road**

**Watford, WD17 1DE**

**Banker**

**Lloyds TSB Bank plc**

**25 Gresham Street**

**London, EC2V 7HN**

**Solicitor**

**DLA Piper UK LLP**

**3 Noble Street**

**London, EC2V 7EE**

## Hughes Network Systems Limited

### **DIRECTORS' REPORT**

The directors present their report and financial statements of the company for the year ended 31 December 2022.

#### **1. Principal activities**

The company's principal activities during the year continued to be the delivery of network management services to corporate customers as well as broadband internet access by satellite sold through a network of value-added resellers.

#### **2. Going concern**

After making enquiries, the directors believe that the company will have adequate resources to continue in operational existence for the foreseeable future. The basis for this expectation is documented in Note 1 to the financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

#### **3. Directors**

The present membership of the board is set out on page 1. All directors served throughout the financial year.

#### **4. Dividends**

The directors do not recommend the payment of a dividend (2021: £nil).

#### **5. Disabled employees**

The company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

#### **6. Employee involvement**

The company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2004, as amended in March 2020. During the year, the policy of providing employees with information about the company has been continued through 'All Employee' meetings in which employees have also been encouraged to present their suggestions and views on the company's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

#### **7. Disclosure of information to the auditor**

Each of the persons who is a director at the date of approval of this report confirms that:

(1) so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware;

and

(2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

**Hughes Network Systems Limited**

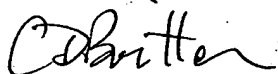
**DIRECTORS' REPORT (continued)**

**8. Re-appointment of auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

27 September 2023



C Britton  
Director  
Hughes House  
Rockingham Drive  
Linford Wood  
Milton Keynes  
MK14 6PD

## Hughes Network Systems Limited

### STRATEGIC REPORT

#### 1. Results and review of the business

The profit for the year, after taxation, is £9,000 (2021: loss of £685,000).

The company's key financial and other performance indicators performance during the year were as follows:

	2022 £'000	2021 £'000	Change %
Company Turnover	21,039	20,598	2%
Total operating loss	(131)	(860)	85%
Profit /(loss) after tax	9	(685)	101%
Shareholders' funds	694	685	1%
Current assets as % of current liabilities	105%	107%	(2%)
Average number of employees	60	56	7%

Company turnover increased slightly by 2% in the year due in part to additional ad hoc revenues generated this year. This year on year revenue growth is expected to continue after agreements to renew with existing customers, such as BP, Shell, Smiggle and Estee Lauder UK contract extensions were awarded in 2022. It is also anticipated that the business will continue to grow in 2023 with the hope of new contracts being awarded in the future.

The Company recorded an operating loss in the current year of £131,000 compared to a loss of £860,000 in the prior year, a decrease of 85%. This reduction in loss is due to the increase in revenues and a significant decrease in other operating losses from £1,132,000 to £170,000. This is predominantly due to a decrease in unrealised exchange losses of £957,000. It is anticipated that the underlying business levels will continue in 2023 and will show small net gains, with new contracts and further extensions being entered into.

Shareholders' funds increased by 1% due to the profit made in the year which has resulted in an increase in retained earnings in 2022.

The company's "quick ratio" (current assets as a percentage of current liabilities) has decreased by 2% due mainly to a greater increase in amounts owed to fellow group companies within creditors in 2022 following reduced repayments of inter-company loans.

The total average number of employees increased by 7% during the year due to an increased head count within the sales and project departments.

#### 2. Principal risks and uncertainties

The directors meet quarterly to evaluate the company's risk. The principal risks and uncertainties facing the company are broadly grouped as – exposure to foreign exchange fluctuations, credit, liquidity and employee risk.

##### Credit risk

The company's principal assets are bank balances and trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. The company has no significant concentration of credit risk.

##### Liquidity risk

Working capital requirements are funded principally from trading activities, however Group will supplement additional funding if required. The company holds no external loans.

**STRATEGIC REPORT (continued)**

Employee risk

The telecommunication industry and consequently the company is reliant on the ability, training, skills and motivation of its staff. A key risk to the business is the possibility of losing highly skilled staff, particularly amongst its technical engineers. In order to combat this, the Board ensure that employment agreement, remuneration packages and human resources policies are adequate to retain key employees.

Foreign Exchange risk

The company trades in different countries and carries out transactions across different currencies. In order to reduce exposure to foreign exchange movements, a natural hedge is created where possible by purchasing raw materials and stock in the relevant selling currency. The company also has two foreign currency accounts, which represent the main trading foreign currencies which helps reduce the impact of foreign exchange currency fluctuations.


The company has considerable financial resources together with long standing agreements with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the continued uncertain economic outlook.

**3. Future developments**

The directors aim to maintain existing management policies. Post Covid-19, the directors now consider that 2023 and subsequent years will show a positive trend from underlying continuing operations, such as network management services and Ka hardware sales to corporate customers. Additionally, the directors also believe that the company will not adversely be effected by the war in Ukraine with minimal impact to the business operations expected.

By order of the board

27 September 2023



C Britton  
Director  
Hughes House  
Rockingham Drive  
Linford Wood  
Milton Keynes  
MK14 6PD

## Hughes Network Systems Limited

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HUGHES NETWORK SYSTEMS LIMITED

## Opinion

We have audited the financial statements of Hughes Network Systems Limited ("the company") for the year ended 31 December 2022 which comprise the Profit and Loss Account, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

## Fraud and breaches of laws and regulations – ability to detect

### *Identifying and responding to risks of material misstatements due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and management meeting minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet sales targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk to revenue recognition because there are limited incentives to misstate revenue or opportunities to misstate revenue due to the nature of revenue and billing cycles in place.

We did not identify any additional fraud risks.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HUGHES NETWORK SYSTEMS LIMITED**  
**(continued)**

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included revenue and cash journals posted to unusual accounts and journals posted to rarely used trial balance codes.

*Identifying and responding to risks of material misstatement relating to compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, data protection, environmental legislation and communication regulations recognising the nature of the company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

*Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

**Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HUGHES NETWORK SYSTEMS LIMITED**  
(continued)

**Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

**Directors' responsibilities**

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

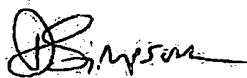
**Auditors' responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

**The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



**David Simpson (Senior Statutory Auditor)**  
for and on behalf of **KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
58 Clarendon Road  
Watford  
WD17 1DE

Date: 29 September 2023

**Hughes Network Systems Limited**

**PROFIT AND LOSS ACCOUNT**  
for the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Turnover	2	21,039	20,598
Cost of sales		<u>(15,536)</u>	<u>(15,420)</u>
Gross profit		5,503	5,178
Administrative expenses		(5,464)	(4,906)
Other operating losses	4	<u>(170)</u>	<u>(1,132)</u>
Operating loss	3	(131)	(860)
Interest receivable	5	385	412
Interest payable	6	<u>(245)</u>	<u>(226)</u>
Profit/ (loss) on ordinary activities before taxation		9	(674)
Tax on profit on ordinary activities	9	<u>-</u>	<u>(11)</u>
Profit/ (loss) on ordinary activities after taxation for the financial year		<u>9</u>	<u>(685)</u>

All activities are derived from continuing operations. There is no other comprehensive income.

The notes on pages 13 to 22 form part of these financial statements.

**Hughes Network Systems Limited**

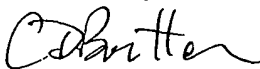
**BALANCE SHEET**

as at 31 December 2022

	Note	2022		2021	
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Tangible assets	10		70		65
<b>Current assets</b>					
Stock	11	2,282		1,699	
Debtors due within one year	12	11,204		10,500	
Cash at bank and in hand		<u>573</u>		<u>506</u>	
		14,059		12,705	
Creditors due within one year	13	<u>(13,435)</u>		<u>(11,917)</u>	
<b>Net current assets</b>			<u>624</u>		<u>788</u>
<b>Total assets less current liabilities</b>			<u>694</u>		<u>853</u>
Provisions	15				<u>(168)</u>
<b>Net assets</b>			<u>694</u>		<u>685</u>
<b>Capital and reserves</b>					
Called up share capital	14		3,500		3,500
Profit and loss account			<u>(2,806)</u>		<u>(2,815)</u>
<b>Shareholders' funds</b>			<u>694</u>		<u>685</u>

The notes on pages 13 to 22 form part of these financial statements.

The financial statements of Hughes Network Systems Limited, registered number 05322680, were approved by the Board of Directors on 27 September 2023 and signed on its behalf by



**C Britton**  
Director

**Hughes Network Systems Limited**

**STATEMENT OF CHANGES IN EQUITY**

as at 31 December 2022

	Note	Called up Share Capital £'000	Profit & Loss Account £'000	Total Equity £'000
<b>Balance 1 January 2021</b>		3,500	(2,130)	1,370
Loss for the year		-	(685)	(685)
<b>Balance 31 December 2021</b>		<u>3,500</u>	<u>(2,815)</u>	<u>685</u>
<b>Balance 1 January 2022</b>		3,500	(2,815)	685
Profit for the year		-	9	9
<b>Balance 31 December 2022</b>		<u>3,500</u>	<u>(2,806)</u>	<u>694</u>

The notes on pages 13 to 22 form part of these financial statements.

## Hughes Network Systems Limited

### NOTES TO THE ACCOUNTS

31 December 2022

#### 1. ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102"). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking, Echostar Corporation includes the Company in its consolidated financial statements. The consolidated financial statements of Echostar Corporation are prepared in accordance with US GAAP, and are available to the public and may be obtained from 100 Inverness Terrace East, Englewood, CO 80112, USA. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes;
- Key Management Personnel compensation; and
- The disclosure of related party transaction and balances with subsidiary companies.

As the consolidated financial statements of Echostar Corporation include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1;

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

##### (a) Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The company meets its day to day working capital requirements from a bank overdraft, together with operational cash flows, intercompany loan and trading balances with the group headed by EchoStar Corporation, the ultimate parent company. The directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that, in both the base and reasonably possible downsides, the company will require additional funds, through funding from its immediate parent company, Hughes Network Systems LLC ('HNS LLC'), to meet its liabilities as they fall due for that period.

The base scenario includes revenue growth reflecting the continued expansion of the company's customer base, with the downside scenarios assuming additional cost inflation and a reduction in revenue growth. Management have considered the financial performance and cash flows achieved and have applied this assumption to the downside scenario in the forecast period, Management have also considered the customer base as well as the long-standing customer agreements in place. HNS LLC has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due to the group, which at 31 December 2022 amounted to £10,482,000, during the going concern assessment period. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

**NOTES TO THE ACCOUNTS**

31 December 2022

**1. ACCOUNTING POLICIES (continued)**

**(b) Turnover and contract costs**

The company provides a worldwide digital satellite communication service.

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, rebates, VAT and other sales related taxes.

Turnover recognised in excess of amounts billed are included in debtors. Amounts billed in excess of turnover recognised are deducted from related long-term contract balances with any residual balance classified as payments on account and included in creditors.

**(c) Stocks**

Stocks comprise equipment bought for resale and is stated at the lower of cost and net realisable value.

Work in progress is stated at cost less foreseeable losses and progress payments claimed.

**(d) Taxation**

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax assets and liabilities are not discounted.

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted at the balance sheet date.

**(e) Basic financial instruments**

*Trade and other debtors/ creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

**(f) Foreign currency transactions**

Transactions expressed in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account.

**NOTES TO THE ACCOUNTS**

31 December 2022

**1. ACCOUNTING POLICIES (continued)**

**(g) Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is provided on a straight-line basis to write off the assets over their estimated useful lives. If in the opinion of the directors there has been an impairment of the carrying value of any fixed assets additional depreciation is provided.

Annual depreciation rates used are as follows:

Plant and machinery 10% - 33%

Fixture and fittings 10% - 33%

**(h) Pensions**

The group operates a defined contribution scheme. Contributions are charged against profit in the year to which they relate. The fund is separately administered from the group and the charge for the period is shown in note 8.

**(i) Operating leases**

Costs in respect of operating leases are charged on a straight line basis over the lease term.

**(j) Provisions**

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

**(k) Basic financial instruments**

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

**(l) Classification of financial instruments issued by the Company**

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

**Hughes Network Systems Limited**

**NOTES TO THE ACCOUNTS**

31 December 2022

**2. TURNOVER**

Turnover by activity:

	2022	2021
	£'000	£'000
Managed Network Services and related Hardware	19,899	19,348
Internet Business Group and related Hardware	931	834
Managed Support Services	209	416
	<u>21,039</u>	<u>20,598</u>

Turnover comprises sales to customers located in the following territories:

	2022	2021
	£'000	£'000
United Kingdom	16,264	15,972
Europe	4,766	4,618
Rest of the world	9	8
	<u>21,039</u>	<u>20,598</u>

**3. OPERATING LOSS**

The operating loss is after charging:

	2022	2021
	£'000	£'000
Depreciation		
Tangible owned fixed assets (see note 10)	147	143
Rentals under operating leases		
Land and buildings	163	163
Hire of plant and machinery	3	4
Satellites	676	593
Fees payable to the company's auditors for the		
Audit of the company's annual accounts	74	54
Taxation compliance services	13	9

**Hughes Network Systems Limited**

**NOTES TO THE ACCOUNTS**

31 December 2022

**4. OTHER OPERATING LOSSES**

	2022	2021
	£'000	£'000
Unrealised exchange losses	(309)	(1,266)
Realised exchange gains	139	134
	(170)	(1,132)

**5. INTEREST RECEIVABLE**

	2022	2021
	£'000	£'000
Interest on bank balances	9	1
Interest received on inter-company loan	376	411
	385	412

**6. INTEREST PAYABLE**

	2022	2021
	£'000	£'000
Interest payable on inter-company loan	(243)	(218)
Unwinding of discount on onerous lease provision	(2)	(8)
	(245)	(226)

**7. DIRECTORS' EMOLUMENTS**

	2022	2021
	£'000	£'000
Aggregate emoluments in respect of qualifying services	253	232
Company pension contributions to money purchase schemes	16	17
	269	249

The total emoluments figure represents one director. The Company believes that the time spent by the remaining director in relation to this company is negligible and hence the emoluments are deemed to be zero.

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 1 (2021: 1).

Emoluments disclosed above include the following amounts paid to the highest paid director:

	2022	2021
	£'000	£'000
Aggregate emoluments in respect of qualifying services	253	232
Company pension contributions to money purchase schemes	16	17
	269	249

**Hughes Network Systems Limited**

**NOTES TO THE ACCOUNTS**

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**8. STAFF COSTS**

	2022	2021
	£'000	£'000
Wages and salaries	3,919	3,567
Social security costs	502	446
Contributions to defined contribution plans	280	262
	4,701	4,275
Average number of employees	No.	No.
Management, sales and administration	26	22
Operations	34	34
	60	56

The value of the pension contributions outstanding at the end of the year was £38,000 (2021: £35,000).

**9. TAX ON PROFIT/ (LOSS) ON ORDINARY ACTIVITIES**

Tax charged in the income statement

	2022	2021
	£'000	£'000
Current taxation		
UK corporation tax	-	11
	-	11

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2021 - higher than the standard rate if tax of corporation tax in the UK) of 19% (2021: 19%).

The differences are reconciled below:

	2022	2021
	£'000	£'000
Analysis of tax charge on profit on ordinary activities		
Factors affecting tax charge for the current period		
Profit/ (loss) on ordinary activities before tax	9	(674)
	9	(674)
Tax at 19% (2021: 19%) thereon	2	(128)
Adjustments in respect of prior periods	-	11
Movement in short term timing differences	(27)	(22)
Unrecognised tax losses	25	150
Tax charge for the period	-	11

**Hughes Network Systems Limited**

**NOTES TO THE ACCOUNTS**

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**9. TAX ON LOSS ON ORDINARY ACTIVITIES (continued)**

A deferred tax asset has not been recognised in respect of timing differences relating to capital allowances and revenue losses and provisions as there is insufficient evidence that the asset will be recovered. The amount of the asset not recognised at the corporation tax rate of 25% is £8,612,000 (2021 at 19% rate: £9,077,000). The asset would be recovered if suitable taxable profits were to arise in future periods against which the asset could be offset.

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. The UK deferred tax asset as at 31 December 2022 was calculated at 25% (2021: 25%). An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly. The unrecognised deferred tax asset at 31 December 2022 has been calculated based on these rates, reflecting the expected timing of the reversal of the related timing differences (2021: 19%).

**10. TANGIBLE FIXED ASSETS**

	<i>Plant and machinery</i>	<i>Fixture and fittings</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Cost:</i>			
At 1 January 2022	7,373	229	7,602
Additions	133	19	152
Disposals	(69)	(60)	(129)
At 31 December 2022	<u>7,437</u>	<u>188</u>	<u>7,625</u>
<i>Accumulated depreciation:</i>			
At 1 January 2022	7,373	164	7,537
On disposals	(69)	(60)	(129)
Charge for the period	133	14	147
At 31 December 2022	<u>7,437</u>	<u>118</u>	<u>7,555</u>
Net book value at 31 December 2022	<u>-</u>	<u>70</u>	<u>70</u>
Net book value at 31 December 2021	<u>-</u>	<u>65</u>	<u>65</u>

**Hughes Network Systems Limited**

**NOTES TO THE ACCOUNTS**

31 December 2022

**11. STOCK**

	2022	2021
	£'000	£'000
Finished goods	1,135	1,140
Work in progress	1,147	559
	2,282	1,699

Included within finished good is £250,000 (2021: £426,000) which represents the stock obsolescence reserve provision write-down recorded during the year.

**12. DEBTORS**

	2022	2021
	£'000	£'000
Trade debtors	4,436	3,812
Amounts recoverable under contracts	333	484
Amounts due from fellow subsidiaries	6,051	5,840
Other debtors and prepayments	384	364
	11,204	10,500

Included within the amounts due from fellow subsidiaries are the following;

- £2,576,000 (2021: £2,570,000) relating to the novation of a contract liability to Hughes Network Systems Limited. The costs of the contract are recharged to the group plus a mark-up of 2% for the management of the contract,
- £1,114,000 (2021: £1,061,000) loan from EchoStar Mobile Limited which charges 5% interest and is receivable on demand, and a trading balance of £1,071,000 (2021: £550,000) which is receivable on demand,
- £512,000 (2021: £512,000) loan from Hughes Network Systems Europe Limited which is receivable on demand.
- £766,000 (2021: £1,147,000) trading balances from Hughes Network Systems GmbH and other subsidiaries £12,000 (2021: £nil) which are receivable on demand.

**13. CREDITORS - AMOUNTS DUE WITHIN ONE YEAR**

	2022	2021
	£'000	£'000
Deferred income	918	109
Trade creditors	354	195
Amounts owed to fellow group companies	10,482	9,158
Taxation and social security	196	120
Accruals	1,485	2,335
	13,435	11,917

Included within deferred income are amounts relating to Shell Poland for £391,000 (2021: £nil) and BP UK for £347,000 (2021: £98,000).

Included within the amounts owed to fellow subsidiaries is £9,989,000 (2021: £8,845,000). The loan consists of the following;

- £9,989,000 payable to EchoStar UK Holdings Limited. The loan incurs an interest of 2.5% and is payable on demand.

**Hughes Network Systems Limited**

**NOTES TO THE ACCOUNTS**

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**14. CALLED UP SHARE CAPITAL**

	2022	2021
	£'000	£'000
Allotted, issued and fully paid		
3,500,000 (2021: 3,500,000) ordinary shares of £1 each	3,500	3,500

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

**15. PROVISIONS**

	2022	2021
	£'000	£'000
Brought forward	168	379
Used in the year	(170)	(219)
Interest on unwinding the provision	2	8
Carried forward	-	168

The provision relates to an onerous contract entered into with a third party vendor who provides satellite space segment services. The discount rate applied is 3%. The contract ran until 12 October 2022 and the provision reduced gradually over the term of the contract. Subsequent to this, Hughes Network Systems Limited continues to use this service on a short term rolling monthly basis.

**16. OPERATING LEASE COMMITMENTS**

Non-cancellable operating lease rentals are payable as follows:

	<i>Land and buildings</i>	<i>Satellites</i>	<i>Total</i>	<i>Total</i>
	2022	2022	2022	2021
	£'000	£'000	£'000	£'000
Committed Lease payments:				
Less than one year	163	1,097	1,260	2,098
Within two to five years	135	80	215	1,409
	298	1,177	1,475	3,507

**Hughes Network Systems Limited**

**NOTES TO THE ACCOUNTS**

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**17. RELATED PARTY TRANSACTIONS**

Total bank guarantees outstanding at the period end amounted to £20,000 (2021: £20,000).

**18. PARENT COMPANY**

The parent undertaking of the smallest group of which the company is a member and for which group accounts are drawn up is Hughes Network Systems, LLC.

EchoStar Corporation, a company incorporated in the United States of America, is the company's ultimate controlling party, and is the parent undertaking of the largest group in which the company is consolidated. The consolidated financial statements of EchoStar Corporation are available to the public and may be obtained from:

EchoStar Corporation  
100 Inverness Terrace East  
Englewood, CO 80112  
United States of America