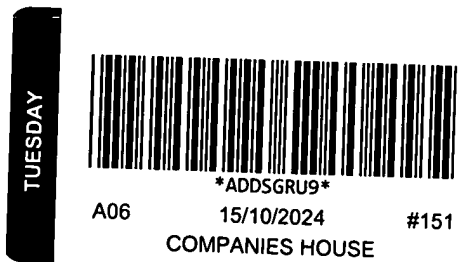


Company Registration No. 05322680

**HUGHES NETWORK SYSTEMS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
For the year ended 31 December 2023



**Hughes Network Systems Limited**

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Hughes Network Systems Limited

**OFFICERS AND PROFESSIONAL ADVISERS**

Directors

D Manson

C Britton

Secretaries

D Manson

H Evans (appointed 17 June 2024)

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 2023.

#### **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 (2022: £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.

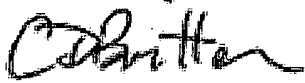
Hughes Network Systems Limited

**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



24 September 2024

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 £1,096,000 (2022: profit of £9,000).

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

	2023 £'000	2022 £'000	Change %
Company Turnover	25,545	21,039	21%
Total operating profit/ (loss)	948	(131)	824%
Profit after tax	1,096	9	12,078%
Shareholders' funds	1,790	694	158%
Current assets as % of current liabilities	112%	105%	7%
Average number of employees	67	60	12%

Company turnover significantly increased by 21% in the year due 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 The Body Shop, Shell, and Estee Lauder France with whom contract extensions were awarded in 2023 while a new contract was also entered into with Allwyn (previously Camelot). It is also anticipated that the business will continue to grow in 2024 with the hope of new contracts being awarded in the future.

The Company recorded an operating profit in the current year of £948,000 compared to a loss of £131,000 in the prior year, an increase of 824%. This is due primarily to the direct increase in revenues and a 2% increase to 28% in direct margins earned in 2023. These increases have been offset by an increase in administrative expenses of £832,000, predominantly due to an increase in staffing costs of £950,000. It is anticipated that the underlying business levels will continue to grow in 2024 and will show greater net gains, with new contracts and further extensions being entered into.

Shareholders' funds increased by 158% due to the profit made in the year which has resulted in an increase in retained earnings in 2023.

The company's "quick ratio" (current assets as a percentage of current liabilities) has increased by 7% due mainly to a greater increase in trade debtors and a significant increase in cash balances at the year end in 2023.

The total average number of employees increased by 12% during the year due to an increased head count within the project and service desk 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 financial 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.

**Hughes Network Systems Limited**

**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**

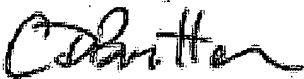
The company trades in different countries and carries out transactions across different currencies. In order to reduce exposure to foreign exchange movements, a natural hedge is created where possible by purchasing raw materials and stock in the relevant selling currency. The company also has two foreign 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. The directors consider that 2024 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 be effected by the ongoing conflict in Ukraine and the Middle East with minimal impact to the business operations expected.

By order of the board



24 September 2024

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 2023 which comprise the Profit and Loss Account and Other Comprehensive Income, 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 2023 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.

### Material uncertainty related to going concern

We draw attention to note 1 to the financial statements which indicates that EchoStar Corporation, the ultimate parent company, has Loan notes that mature on November 15 2024 and there is currently insufficient Cash on Hand and/or projected future cash flows to fund fourth quarter 2024 operations or the November 2024 debt maturity. Additionally, EchoStar Corporation's cash forecast contains estimates and assumptions, and the Directors cannot predict the timing of all cash receipts and expenditures with certainty. Variances in timing from EchoStar Corporation's estimates and assumptions may adversely impact their liquidity prior to the fourth quarter. Those events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

### Going concern basis of preparation

The directors have prepared the financial statements on the going concern basis. As stated above, they have concluded that a material uncertainty related to going concern exists.

Our conclusion based on our financial statements audit work: we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

### 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 enquiring 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.
- Considering remuneration incentive schemes and performance targets for management, directors and sales staff

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 seldom used accounts.

*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.

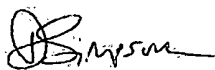
**Auditors' responsibilities**

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: 30 September 2024

**Hughes Network Systems Limited**

**PROFIT AND LOSS ACCOUNT**  
for the year ended 31 December 2023

	Note	2023 £'000	2022 £'000
Turnover	2	25,545	21,039
Cost of sales		<u>(18,372)</u>	<u>(15,536)</u>
Gross profit		7,173	5,503
Administrative expenses		(6,296)	(5,464)
Other operating gains/ (losses)	4	<u>71</u>	<u>(170)</u>
Operating profit/ (loss)	3	948	(131)
Interest receivable	5	369	385
Interest payable	6	<u>(246)</u>	<u>(245)</u>
Profit on ordinary activities before taxation		1,071	9
Tax credit on profit on ordinary activities	9	25	-
Profit on ordinary activities after taxation for the financial year		<u><u>1,096</u></u>	<u><u>9</u></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**

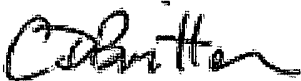
**BALANCE SHEET**

as at 31 December 2023

	Note	2023		2022	
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Tangible assets	10		42		70
<b>Current assets</b>					
Stock	11	1,295		2,282	
Debtors due within one year	12	12,914		11,204	
Cash at bank and in hand		<u>2,112</u>		<u>573</u>	
		16,321		14,059	
Creditors due within one year	13	<u>(14,573)</u>		<u>(13,435)</u>	
<b>Net current assets</b>			<u>1,748</u>		<u>624</u>
<b>Total assets less current liabilities</b>			<u>1,790</u>		<u>694</u>
Provisions	15		<u>-</u>		<u>-</u>
<b>Net assets</b>			<u>1,790</u>		<u>694</u>
<b>Capital and reserves</b>					
Called up share capital	14		3,500		3,500
Profit and loss account			<u>(1,710)</u>		<u>(2,806)</u>
Shareholders' funds			<u>1,790</u>		<u>694</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 <sup>24 September 2024</sup> and signed on its behalf by



24 September 2024

**C Britton**  
Director

Hughes Network Systems Limited

**STATEMENT OF CHANGES IN EQUITY**

as at 31 December 2023

Note	Called up Share Capital £'000	Profit & Loss Account £'000	Total Equity £'000
<b>Balance 1 January 2022</b>	3,500	(2,815)	685
Loss for the year	-	9	9
<b>Balance 31 December 2022</b>	<b>3,500</b>	<b>(2,806)</b>	<b>694</b>
<b>Balance 1 January 2023</b>	3,500	(2,806)	694
Profit for the year	-	1,096	1,096
<b>Balance 31 December 2023</b>	<b>3,500</b>	<b>(1,710)</b>	<b>1,790</b>

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

## Hughes Network Systems Limited

### NOTES TO THE ACCOUNTS

31 December 2023

#### I. 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 fellow group companies within the group headed by EchoStar Corporation the Ultimate parent company.

The directors have prepared Profit forecasts and performed a going concern assessment up until 30 September 2025 which indicates that, in both the base and reasonably possible downsides, the company will require additional funds, through funding from Hughes Network Systems, LLC, the Intermediate parent company, to meet its liabilities as they fall due during the going concern assessment period. The base scenario includes revenue growth reflecting 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 achieved up to June 2024 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.

Hughes Network Systems, 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 currently due to the group, which at 31 December 2023 amounted to £10,065,000, 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. However, the ability of Hughes Network Systems, LLC to continue to provide this support is dependent on the ultimate parent company EchoStar Corporation being able to settle its liabilities as they fall due. The Directors of EchoStar Corporation's in their latest US SEC December 2023 10K filing, Q1 and Q2 2024 10Q disclosed the existence of a substantial doubt over EchoStar Corporation's ability to continue as a going concern due to approximately \$1.983 Billion Senior Loan notes that mature on 15 November 2024. There is currently insufficient Cash on Hand and/or projected future cash flows to fund fourth quarter 2024 operations or the November 2024 debt maturity.

## Hughes Network Systems Limited

### NOTES TO THE ACCOUNTS

31 December 2023

#### 1. ACCOUNTING POLICIES (continued)

Additionally, EchoStar Corporation's cash forecast contains estimates and assumptions, and the Directors cannot predict the timing of all cash receipts and expenditures with certainty. Variances in timing from EchoStar Corporation's estimates and assumptions may adversely impact their liquidity prior to the fourth quarter. To address the capital needs, EchoStar Corporation are in active discussions with funding sources to raise additional capital and restructure the debt but cannot provide assurances that they will be successful in obtaining such new financing necessary for them to have sufficient liquidity.

Based on Hughes Network Systems, LLC's indications of its intention to support the company, the directors believe that it remains appropriate to prepare the financial statements on a going concern basis as they have concluded that the company's financial position means that this is realistic for at least a year from the date of approval of the financial statements (the going concern assessment period). However, the above circumstances indicate the existence of a material uncertainty related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern and, therefore, that the company may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

##### (b) Turnover and contract costs

Turnover represents amounts derived from the provision of goods and services, net of trade discounts, rebates, VAT and other sales related taxes. Turnover from sale of goods is recognised when ownership is passed to the customer usually on receipt of the goods or completion of installation. Turnover for services is recognised when the service has been provided. Turnover recognised in excess of amounts billed are included in debtors. Amounts billed in excess of turnover recognised are 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.

## Hughes Network Systems Limited

### NOTES TO THE ACCOUNTS

31 December 2023

#### 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 2023

#### 2. TURNOVER

Turnover by activity:

	2023	2022
	£'000	£'000
Managed Network Services and related Hardware	24,752	19,899
Internet Business Group and related Hardware	708	931
Managed Support Services	85	209
	25,545	21,039

Turnover comprises sales to customers located in the following territories:

	2023	2022
	£'000	£'000
United Kingdom	19,896	16,264
Europe	5,639	4,766
Rest of the world	10	9
	25,545	21,039

#### 3. OPERATING PROFIT/ (LOSS)

The operating loss is after charging:

	2023	2022
	£'000	£'000
Depreciation		
Tangible owned fixed assets (see note 10)	172	147
Rentals under operating leases		
Land and buildings	163	163
Hire of plant and machinery	2	3
Satellites	240	676
Fees payable to the company's auditors for the		
Audit of the company's annual accounts	78	74
Taxation compliance services	13	13

**Hughes Network Systems Limited**

**NOTES TO THE ACCOUNTS**

31 December 2023

**4. OTHER OPERATING GAINS/ (LOSSES)**

	2023	2022
	£'000	£'000
Unrealised exchange gains/ (losses)	121	(309)
Realised exchange (losses)/ gains	(50)	139
	71	(170)

**5. INTEREST RECEIVABLE**

	2023	2022
	£'000	£'000
Interest on bank balances	-	9
Interest received on inter-company loan	369	376
	369	385

**6. INTEREST PAYABLE**

	2023	2022
	£'000	£'000
Interest payable on inter-company loan	(246)	(243)
Unwinding of discount on onerous lease provision	-	(2)
	(246)	(245)

**7. DIRECTORS' EMOLUMENTS**

	2023	2022
	£'000	£'000
Aggregate emoluments in respect of qualifying services	276	253
Company pension contributions to money purchase schemes	18	16
	294	269

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 (2022: 1).

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

	2023	2022
	£'000	£'000
Aggregate emoluments in respect of qualifying services	276	253
Company pension contributions to money purchase schemes	18	16
	294	269

**Hughes Network Systems Limited**

**NOTES TO THE ACCOUNTS**

31 December 2023

**8. STAFF COSTS**

	2023	2022
	£'000	£'000
Wages and salaries	4,726	3,919
Social security costs	591	502
Contributions to defined contribution plans	334	280
	5,651	4,701
Average number of employees	No.	No.
Management, sales and administration	27	26
Operations	40	34
	67	60

The value of the pension contributions outstanding at the end of the year was £41,000 (2022: £38,000).

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

Tax charged in the income statement

	2023	2022
	£'000	£'000
<b>Current taxation</b>	£'000	£'000
UK corporation tax credit	(25)	-
	(25)	-

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2022 - higher than the standard rate if tax of corporation tax in the UK) of 23.52% (2022: 19%).

The differences are reconciled below:

	2023	2022
	£'000	£'000
Analysis of tax charge on profit on ordinary activities	2023	2022
Factors affecting tax charge for the current period	£'000	£'000
Profit/ (loss) on ordinary activities before tax	1,071	9
Tax at 23.52% (2022: 19%) thereon	252	2
Adjustments in respect of prior periods	(25)	-
Movement in short term timing differences	(38)	(27)
Unrecognised tax losses	(214)	25
Tax (credit)/ charge for the period	(25)	-

## Hughes Network Systems Limited

### NOTES TO THE ACCOUNTS

31 December 2023

#### 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 £8,326,000 (2022 at 25% rate: £8,612,000). The asset would be recovered if suitable taxable profits were to arise in future periods against which the asset could be offset.

As announced in the 2021 budget, the corporation tax rate increased from 19% to 25% with effective from 1 April 2023. This has increased the company's current tax charge accordingly (through a blended rate for the year). The unrecognised deferred tax asset has been calculated taking into account the period in which the timing differences are expected to reverse.

#### 10. TANGIBLE FIXED ASSETS

	<i>Plant and machinery</i>	<i>Fixture and fittings</i>	<i>Total</i>
<i>Cost:</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
At 1 January 2023	7,437	188	7,625
Additions	144	-	144
Disposals	(107)	-	(107)
At 31 December 2023	7,474	188	7,662
 <i>Accumulated depreciation:</i>			
At 1 January 2023	7,437	118	7,555
On disposals	(107)	-	(107)
Charge for the period	144	28	172
At 31 December 2023	7,474	146	7,620
Net book value at 31 December 2023	-	42	42
Net book value at 31 December 2022	-	70	70

**Hughes Network Systems Limited**

**NOTES TO THE ACCOUNTS**

31 December 2023

**11. STOCK**

	2023	2022
	£'000	£'000
Finished goods	1,295	1,135
Work in progress	-	1,147
	1,295	2,282

Included within finished good is £353,000 (2022: £250,000) which represents the stock obsolescence reserve provision write-down recorded during the year.

**12. DEBTORS**

	2023	2022
	£'000	£'000
Trade debtors	5,461	4,436
Amounts recoverable under contracts	550	333
Amounts due from fellow subsidiaries	6,342	6,051
Other debtors and prepayments	561	384
	12,914	11,204

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

- £2,494,000 (2022: £2,576,000) 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,
- £1,173,000 (2022: £1,114,000) loan from EchoStar Mobile Limited which charges 5% interest and is receivable on demand, and a trading balance of £1,252,000 (2022: £1,071,000) which is receivable on demand,
- £512,000 (2022: £512,000) loan from Hughes Network Systems Europe Limited which is receivable on demand.
- £911,000 (2022: £766,000) trading balances from Hughes Network Systems GmbH and other subsidiaries £nil (2022: £12,000) which are receivable on demand.

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

	2023	2022
	£'000	£'000
Deferred income	670	918
Trade creditors	1,373	354
Amounts owed to fellow group companies	10,065	10,482
Taxation and social security	194	196
Accruals	2,271	1,485
	14,573	13,435

Included within deferred income are amounts relating to Shell Poland for £284,000 (2022: £391,000), BP UK for £178,000 (2022: £347,000) and The Body Shop for £149,000 (2022: £20,000).

Included within the amounts owed to fellow subsidiaries is a loan of £9,685,000 (2022: £9,989,000). The loan consists of the following;

- £9,685,000 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

31 December 2023

#### 13. CREDITORS - AMOUNTS DUE WITHIN ONE YEAR (continued)

The Company is also able to meet its day to day working capital requirements from a currently unutilised daylight bank overdraft limit of £500,000 (2022: £500,000).

#### 14. CALLED UP SHARE CAPITAL

	2023	2022
	£'000	£'000
Allotted, issued and fully paid		
3,500,000 (2022: 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

	2023	2022
	£'000	£'000
Brought forward	-	168
Used in the year	-	(170)
Interest on unwinding the provision	-	2
Carried forward	-	-

The provision related to an onerous contract entered into with a third party vendor who provides satellite space segment services. The discount rate applied was 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>
	2023	2023	2023	2022
	£'000	£'000	£'000	£'000
Committed Lease payments:				
Less than one year	135	810	945	1,260
Within two to five years	-	153	153	215
	135	963	1,098	1,475

**Hughes Network Systems Limited**

**NOTES TO THE ACCOUNTS**

31 December 2023

**17. RELATED PARTY TRANSACTIONS**

Total bank guarantees outstanding at the period end amounted to £20,000 (2022: £20,000).

**18. PARENT COMPANY**

The companies immediate parent undertaking is Hughes Network Systems Europe Limited. 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