

Company Registration No. 05322680

HUGHES NETWORK SYSTEMS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2021



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 2021.

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.

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.

2. Directors

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

3. Dividends

The directors do not recommend the payment of a dividend (2020: £nil).

4. 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.

5. 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.

6. 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.

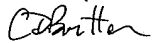
Hughes Network Systems Limited

DIRECTORS' REPORT (continued)

7. 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 29 September 2022



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 loss for the year, after taxation, is £685,000 (2020: loss of £8,722,000).

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

	2021 £'000	2020 £'000	Change %
Company Turnover	20,598	19,587	5%
Total operating loss	(860)	(8,902)	90%
Loss after tax	(685)	(8,722)	92%
Shareholders' funds	685	1,370	(50%)
Current assets as % of current liabilities	107%	113%	(6%)
Average number of employees	56	54	4%

Company turnover increased slightly by 5% in the year due in part to Shell Hungary generating a full year's revenue compared to minimal revenues earned the previous year. This year on year revenue growth is expected to continue after an agreement to renew and continue with the BP contract extension was executed in 2022. It is also anticipated that the business will continue to grow in 2022 with the hope of new contracts being awarded in the future.

The Company recorded an operating loss in the current year of £860,000 compared to a loss of £8,902,000 in the prior year, a decrease of 90%. This reduction in loss is due to the increase in revenues and a significant decrease in other operating losses from £8,528,000 to £1,132,000. This is predominantly due to an inter-company loan of £9,396,000 with Echostar Operating LLC being written off last year. It is anticipated that the underlying business levels will continue in 2022 and will show small net losses, with new contracts and further extensions being entered into.

Shareholders' funds decreased by 50% due to the loss made in the year which has resulted in a decrease in retained earnings in 2021.

The company's "quick ratio" (current assets as a percentage of current liabilities) has decreased by 6% due mainly to a greater reduction in amounts owed by fellow group companies within debtors in 2021 following repayments of inter-company loans.

The total average number of employees increased by 4% during the year.

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 Group. 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

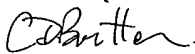
The company trades in different countries and carries out transactions across different currencies. In order to reduce exposure to foreign exchange movements, a natural hedge is created where possible by purchasing raw materials and stock in the relevant selling currency. The company also has two foreign 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. Despite the impact of Covid-19, the directors consider that 2021 and subsequent years will show a positive trend from underlying continuing operations, such as network management services and Ka hardware sales to corporate customers.

By order of the board 29 September 2022



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 2021 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 2021 and of its loss 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 and the risk of fraudulent revenue recognition, in particular the risk that revenue earned from transactions occurring towards the year-end is recorded in the wrong period and the risk that management may be in a position to make inappropriate accounting entries.

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 with specific descriptions.
- Agreeing a sample of revenue transactions and accrued income balances to supporting documentation to assess whether revenue was recorded in the correct period.

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 recognizing 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 these 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.

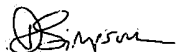
Auditors' responsibilities

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.

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 2022

Hughes Network Systems Limited

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Turnover	2	20,598	19,587
Cost of sales		<u>(15,420)</u>	<u>(15,347)</u>
Gross profit		5,178	4,240
Administrative expenses		(4,906)	(4,614)
Other operating losses	4	<u>(1,132)</u>	<u>(8,528)</u>
Operating loss	3	(860)	(8,902)
Interest receivable	5	412	427
Interest payable	6	<u>(226)</u>	<u>(247)</u>
Loss on ordinary activities before taxation		(674)	(8,722)
Tax on profit on ordinary activities	9	<u>(11)</u>	<u>-</u>
Loss on ordinary activities after taxation for the financial year		<u><u>(685)</u></u>	<u><u>(8,722)</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.

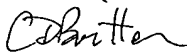
Hughes Network Systems Limited

BALANCE SHEET
as at 31 December 2021

	Note	2021		2020	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	10		65		69
Current assets					
Stock	11	1,699		1,617	
Debtors due within one year	12	10,500		12,616	
Cash at bank and in hand		506		195	
		<u>12,705</u>		<u>14,428</u>	
Creditors due within one year	13	<u>(11,917)</u>		<u>(12,748)</u>	
Net current assets			<u>788</u>		<u>1,680</u>
Total assets less current liabilities			<u>853</u>		<u>1,749</u>
Provisions	15		<u>(168)</u>		<u>(379)</u>
Net assets			<u><u>685</u></u>		<u><u>1,370</u></u>
Capital and reserves					
Called up share capital	14		3,500		3,500
Profit and loss account			<u>(2,815)</u>		<u>(2,130)</u>
Shareholders' funds			<u><u>685</u></u>		<u><u>1,370</u></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 29 Sept 2022 and signed on its behalf by



C Britton
Director

Hughes Network Systems Limited

STATEMENT OF CHANGES IN EQUITY

as at 31 December 2021

	Note	Called up Share Capital £'000	Profit & Loss Account £'000	Total Equity £'000
Balance 1 January 2020		3,500	6,592	10,092
Profit for the year		-	(8,722)	(8,722)
Balance 31 December 2020		<u>3,500</u>	<u>(2,130)</u>	<u>1,370</u>
Balance 1 January 2021		3,500	(2,130)	1,370
Loss for the year		-	(685)	(685)
Balance 31 December 2021		<u>3,500</u>	<u>(2,815)</u>	<u>685</u>

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

Hughes Network Systems Limited

NOTES TO THE ACCOUNTS

31 December 2021

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 Estate, 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) Basis of accounting and going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence despite the current year loss of £685,000 (2020: loss £8,722,000) for the year ended 31 December 2021.

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, taking account of reasonably possible downsides, the company will have sufficient funds, through its overdraft facility and in downside cases funding from its parent company, Hughes Network Systems LLC ('HNS LLC'), to meet its liabilities as they fall due for that period. 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.

Those forecasts are dependent on HNS LLC not requesting fellow group companies to seek repayment of the amounts currently due to those fellow group companies, which at 31 December 2021 amounted to £9,158,000 (2020: £9,619,000), and providing additional financial support during that period. 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 at the balance sheet date, for the period covered by the forecasts. 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.

Hughes Network Systems Limited

NOTES TO THE ACCOUNTS

31 December 2021

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, VAT and other sales related taxes.

Estimates of total contract costs and turnover are periodically reviewed and the cumulative effects of changes are recognised in the period in which they are identified.

Turnover is recognised on attaining pre-determined contract milestones. All anticipated losses are provided for in full as soon as they are foreseen.

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.

Hughes Network Systems Limited

NOTES TO THE ACCOUNTS

31 December 2021

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 2021

2. TURNOVER

Turnover by activity:

	2021	2020
	£'000	£'000
Managed Network Services	19,312	18,443
Internet Business Group	834	576
Hardware	36	60
Managed Support Services	416	508
	<u>20,598</u>	<u>19,587</u>

Turnover comprises sales to customers located in the following territories:

	2021	2020
	£'000	£'000
United Kingdom	15,972	15,053
Europe	4,618	4,526
Rest of the world	8	8
	<u>20,598</u>	<u>19,587</u>

3. OPERATING LOSS

The operating loss is after charging:

	2021	2020
	£'000	£'000
Depreciation		
Tangible owned fixed assets (see note 10)	143	117
Rentals under operating leases		
Land and buildings	163	163
Hire of plant and machinery	4	4
Satellites	593	935
Fees payable to the company's auditors for the		
Audit of the company's annual accounts	54	45
Taxation compliance services	9	9

Hughes Network Systems Limited

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31 December 2021

4. OTHER OPERATING LOSSES

	2021	2020
	£'000	£'000
Unrealised exchange (losses)/ gains	(1,266)	187
Realised exchange gains	134	681
Inter- company loan write off	-	(9,396)
	(1,132)	(8,528)

5. INTEREST RECEIVABLE

	2021	2020
	£'000	£'000
Interest on bank balances	1	13
Interest received on inter-company loan	411	414
	412	427

6. INTEREST PAYABLE

	2021	2020
	£'000	£'000
Interest payable on inter-company loan	(218)	(232)
Unwinding of discount on onerous lease provision	(8)	(15)
	(226)	(247)

7. DIRECTORS' EMOLUMENTS

	2021	2020
	£'000	£'000
Aggregate emoluments in respect of qualifying services	232	223
Company pension contributions to money purchase schemes	17	16
	249	239

The total emoluments figure represents one director. The Company believes that the time spent by the remaining directors 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 (2020: 1).

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

	2021	2020
	£'000	£'000
Aggregate emoluments in respect of qualifying services	232	223
Company pension contributions to money purchase schemes	17	16
	249	239

Hughes Network Systems Limited

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8. STAFF COSTS

	2021	2020
	£'000	£'000
Wages and salaries	3,567	3,552
Social security costs	446	409
Contributions to defined contribution plans	262	240
	4,275	4,201
Average number of employees	No.	No.
Management, sales and administration	22	20
Operations	34	34
	56	54

The value of the pension contributions outstanding at the end of the year was £35,000 (2020: £37,000).

9. TAX ON LOSS ON ORDINARY ACTIVITIES

Tax charged in the income statement

	2021	2020
	£'000	£'000
Current taxation		
UK corporation tax	11	-
	11	-

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2020 - higher than the standard rate if tax of corporation tax in the UK) of 19% (2020: 19%).

The differences are reconciled below:

	2021	2020
	£'000	£'000
Analysis of tax charge on profit on ordinary activities		
Factors affecting tax charge for the current period		
Loss on ordinary activities before tax	(674)	(8,722)
	(674)	(8,722)
Tax at 19% (2020: 19%) thereon	(128)	(1,657)
Adjustments in respect of prior periods	11	-
Depreciation for period less capital allowances	(22)	33
Movement in short term timing differences	-	(1)
Unrecognised tax losses	150	1,625
Tax charge for the period	11	-

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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 £9,077,000 (2020 at 19% rate: £8,379,000). 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 2021 was calculated at 25% (2020: 19%). 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 2021 has been calculated based on these rates, reflecting the expected timing of the reversal of the related timing differences (2020: 19%).

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 2021	7,317	237	7,554
Additions	139	-	139
Disposals	(83)	(8)	(91)
At 31 December 2021	7,373	229	7,602
 <i>Accumulated depreciation:</i>			
At 1 January 2021	7,317	168	7,485
On disposals	(83)	(8)	(91)
Charge for the period	139	4	143
At 31 December 2021	7,373	164	7,537
 Net book value at 31 December 2021	 -	 65	 65
Net book value at 31 December 2020	-	69	69

Hughes Network Systems Limited

NOTES TO THE ACCOUNTS

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11. STOCK

	2021	2020
	£'000	£'000
Finished goods	1,140	1,329
Work in progress	559	288
	1,699	1,617

Included within finished good is £426,000 (2020: £734,000) representing the amount written down to net realizable value recorded during the year.

12. DEBTORS

	2021	2020
	£'000	£'000
Trade debtors	3,812	3,982
Amounts recoverable under contracts	484	518
Amounts due from fellow subsidiaries	5,840	7,863
Other debtors and prepayments	364	253
	10,500	12,616

Included within the amounts due from fellow subsidiaries is £2,570,000 (2020: £2,563,000) 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 3% for the management of the contract.

13. CREDITORS - AMOUNTS DUE WITHIN ONE YEAR

	2021	2020
	£'000	£'000
Deferred income	109	220
Trade creditors	195	249
Amounts owed to fellow group companies	9,158	9,619
Taxation and social security	120	206
Accruals	2,335	2,454
	11,917	12,748

Included within the amounts owed to fellow subsidiaries is £8,800,000 (2020: £8,800,000). The loan consists of the following;

- £8,800,000 payable to EchoStar UK Holdings Limited. The loan incurs an interest of 2.5% and is payable on demand.

Hughes Network Systems Limited

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14. CALLED UP SHARE CAPITAL

	2021	2020
	£'000	£'000
Allotted, issued and fully paid		
3,500,000 (2020: 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

	2021	2020
	£'000	£'000
Brought forward	379	584
Used in the year	(219)	(220)
Interest on unwinding the provision	8	15
Carried forward	168	379

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 runs to 12 October 2022 and is expected to reduce gradually over the term of the contract.

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>
	2021	2021	2021	2020
	£'000	£'000	£'000	£'000
Committed Lease payments:				
Less than one year	163	1,935	2,098	2,135
Within two to five years	298	1,111	1,409	3,211
	461	3,046	3,507	5,346

Hughes Network Systems Limited

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17. RELATED PARTY TRANSACTIONS

Total bank guarantees outstanding at the period end amounted to £20,000 (2020: £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