

CapRock UK Limited

Report and Financial Statements

Year Ended

30 June 2011

Company Number SC145376

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CapRock UK Limited

Report and financial statements for the year ended 30 June 2011

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Directors

E Correa
A Dye (appointed 20 July 2011)
S Mikuen (appointed 20 July 2011)

Secretary and registered office

A Dye, CapRock Building, Denmore Road, Bridge of Don, Aberdeen, AB23 8JW

Company number

SC145376

Auditors

Ernst & Young LLP, Blenheim House, Fountainhall Road, Aberdeen, AB15 4DT

CapRock UK Limited

Report of the directors for the year ended 30 June 2011

The directors present their report together with the audited financial statements for the year ended 30 June 2011.

Results and dividends

The profit and loss account is set out on page 8 and shows the loss for the year.

The directors do not propose the payment of a dividend (6 months to 30 June 2010: £nil).

Principal activities and review of business

CapRock UK Limited is part of a world-wide group of companies whose parent was, until 29 September 2010, CapRock Holdings Inc. (a company registered in the state of Delaware, USA). The world-wide group provides complete managed telecommunications solutions to remote and difficult to reach regions around the world by utilising a broad range of analogue and digital technologies, including satellite, microwave and conventional two-way radio. The company and its subsidiaries provide these services to clients in the EMEA region. The company specialises in providing telecommunications services for customers in the Oil and Gas sector including oil and gas rig owners, operators and service companies.

On 30 July 2010, the company's parent company, CapRock Holdings Inc., became a wholly owned subsidiary of Harris Corporation, a corporation registered in the state of Delaware, USA and quoted on the New York Stock Exchange (symbol: HRS). On 29 September 2010, CapRock Communications Inc., the immediate parent company of CapRock UK Limited, sold its entire interest in CapRock UK Limited to Harris Systems Limited, a company registered in England and Wales, and a wholly owned subsidiary of Harris Corporation. As a consequence CapRock UK Limited and its subsidiaries are now wholly owned by Harris Systems Limited.

On 4 April 2011, Harris Corporation completed the acquisition of the Global Connectivity Services ("GCS") business from an operating unit of Schlumberger. Harris Corporation combined the former Schlumberger GCS business with the world-wide group of CapRock Communications, together with existing Harris Corporation business, to form the leading provider of managed communication services for remote and harsh environments including those in the energy, government and maritime industries. As part of the merger of the global GCS business into the Harris Corporation Group, the company acquired the trade and assets of Schlumberger Oilfields UK plc for £175.6m (\$226.8m). The purchase was funded using the proceeds from the issue of 12,402,485 £1 ordinary shares for £89.9m and a loan from Harris Corporation for £85.7m. The trading results from the acquisition of the GCS trade and assets based in the UK have been fully incorporated into these financial statements for the company.

The results for the company show a loss after taxation for the financial year of £11.28 million (6 months to 30 June 2010 as restated: profit £1.06 million) and sales of £36.04 million for the year (6 months to 30 June 2010: £10.99 million).

Prior year adjustments

During the course of the year a detailed review of the company's fixed asset register was undertaken to confirm completeness and accuracy of records. The directors identified errors in balances carried forward from previous years. As a result we have made a prior year adjustment to correct the position. We also carried out an assessment of prior years activity with affiliated entities and identified the requirement to adjust prior year results to reflect appropriate transfer pricing arrangements. Full details of both adjustments can be found in Note 25 to the financial statements.

CapRock UK Limited

Report of the directors for the year ended 30 June 2011 (*continued*)

Business environment

The market has experienced an increase in demand for the provision of highly reliable communications to companies operating in harsh environments and in hard to reach areas not serviced by traditional terrestrial infrastructure, this principally being due to a stabilisation in oil prices. The company has also seen a significant growth in its market share and the launch of new products.

With over 25 years experience, the Harris CapRock world-wide group together with GCS business recently acquired from Schlumberger is a well established provider of satellite communication services which out-perform other large competitors and is more stable than new companies trying to break into the market. Its financial strength provides the following advantages:

- Better leverage with suppliers;
- Prioritised queuing for product and support from suppliers;
- 'Scalability' to meet growing customer operations;
- Capabilities to employ needed personnel; and
- Financial resources to invest in infrastructure, equipment and technologies.

Strategy

The Harris CapRock world-wide group has four strategic initiatives, which are:

- Global growth;
- Process standardisation;
- The launch of new products;
- Employee development.

Future outlook

In 2011/12, the company aims to continue to increase its share of the energy, drilling and subsea construction markets by targeting fleet contracts that are due for renewal. It is also striving for geographical expansion through an improved model of collaboration with third party partners in countries where the company does not have its own teleport facilities.

Principal risks and uncertainties

From the perspective of the company, its principal risks and uncertainties are integrated with the principal risks of the Harris CapRock world-wide group and are not managed separately. The company's principal risk relates to a fall in price of oil and the subsequent impact on exploration activity, which would adversely affect the level of demand for the services of the company. Risks are formally reviewed by the Board of Directors and appropriate processes are put in place to monitor and mitigate these.

CapRock UK Limited

Report of the directors for the year ended 30 June 2011 (*continued*)

Key performance indicators

The company achieved significant growth in turnover in 2010/11. The Board of Directors monitor progress on the overall group strategy by reference to the following KPIs:

	Year ended 30 June 2011 £'000	6 months ended 30 June 2010 £'000
Growth in sales - year on year change in like for like sales, expressed as a percentage	5 %	2 %
Operating margin - ratio of operating profit/(loss) (excluding exceptional items) to sales, expressed as a percentage	(8)%	20 %
Return on invested capital - operating profit/(loss) (excluding exceptional items) expressed as a percentage of net assets	(3)%	17 %

The primary reason for the improved performance in like for like sales during the year ended 30 June 2011 is as a consequence of an increased demand linked to the stabilisation in oil prices.

While operating margins have declined during the year going forward the company will take advantage of and benefit from synergies associated with the integration of GCS into the company, which will in turn improve operating margins.

Going concern

The directors are of the opinion that the Company is a going concern. The net assets of the Company amounted to £92 million as at 30 June 2011.

The directors consider that the company remains in a strong financial position having received a letter of intent from Harris Corporation ("Harris") indicating that Harris will continue its financial support of the company and Harris will ensure that the company's debts are met in full as/when such debts arise. Harris Corporation and other group entities will not seek preferential payment terms over those offered to third party suppliers. Despite the interest payable on the intercompany loan from Harris Corporation, this interest can be rolled into the loan capital and does not need to be paid in cash if cash resources are not available. Accordingly, the directors are confident that the company can meet all its financial obligations, if necessary with financial assistance from Harris Corporation, as they fall due.

Directors

The directors of the company during the year were:

E Correa
P Shaper (resigned 31 May 2011)
D Tutt (resigned 17 May 2011)

The director holding office at 30 June 2011 did not hold any direct interest in the issued share capital of the company at 30 June 2011.

A Dye and S Mikuen were appointed directors on 20 July 2011.

CapRock UK Limited

Report of the directors for the year ended 30 June 2011 (*continued*)

Directors' Responsibilities Statement

The directors are responsible for preparing 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 accounting 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from the legislation in other jurisdictions.

CapRock UK Limited

Report of the directors for the year ended 30 June 2011 (*continued*)

Independent auditors

Ernst & Young LLP were appointed as independent auditors following the resignation by PricewaterhouseCoopers LLP effective 31 August 2012.

Disclosure of information to the auditors

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

- (a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- (b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the Board



Eduardo Correa
Director

21 December 2012

Independent auditor's report

To the members of CapRock UK Limited

We have audited the financial statements of CapRock UK Limited for the year ended 30 June 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2011 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

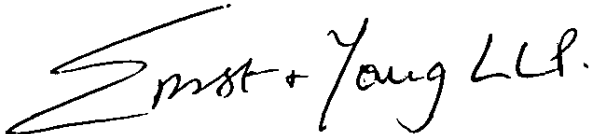
In our opinion the information given in the Report of the directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report (*continued*)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.



Kenneth MacLeod Hall (senior statutory auditor)
For and on behalf of Ernst & Young LLP, statutory auditor
Aberdeen

21, December 2012

CapRock UK Limited

Profit and loss account for the year ended 30 June 2011

		Continuing operations	Acquisitions	Total	Total
		Year ended	Year ended	Year ended	6 months ended
	Note	30 June 2011	30 June 2011	30 June 2011	30 June 2010
		£'000	£'000	£'000	As restated £'000
Turnover	2	23,043	12,998	36,041	10,986
Cost of sales		17,446	9,936	27,382	6,909
Gross profit		5,597	3,062	8,659	4,077
Administrative expenses - excluding exceptional item		8,699	3,028	11,727	2,498
Exceptional item	3	-	-	-	(316)
Administrative expenses		8,699	3,028	11,727	2,182
Operating (loss)/profit	4	(3,102)	34	(3,068)	1,895
Exceptional items	3	-	(7,533)	(7,533)	(886)
(Loss)/profit on ordinary activities before interest and other income		(3,102)	(7,499)	(10,601)	1,009
Other interest receivable and similar income	7			7	-
Interest payable and similar charges	8			(688)	-
(Loss)/profit on ordinary activities before taxation				(11,282)	1,009
Taxation on (loss)/profit on ordinary activities	9			-	50
(Loss)/profit on ordinary activities after taxation	19,20			(11,282)	1,059

All amounts relate to continuing activities.

All recognised gains and losses in the current year and prior period are included in the profit and loss account.

The notes on pages 10 to 27 form part of these financial statements.

CapRock UK Limited

Balance sheet at 30 June 2011

<i>Company number SC145376</i>	Note	30 June 2011 £'000	30 June 2011 £'000	30 June 2010 As restated £'000	30 June 2010 As restated £'000
Fixed assets					
Intangible assets	10		151,723		-
Tangible assets	11		17,272		7,251
Fixed asset investments	12		8		8
			<hr/>		<hr/>
			169,003		7,259
Current assets					
Stocks	13	5,075		2,033	
Debtors	14	26,718		13,793	
Cash at bank and in hand		7,201		331	
		<hr/>		<hr/>	
		38,994		16,157	
Creditors: amounts falling due within one year	15	29,873		10,258	
		<hr/>		<hr/>	
Net current assets			9,121		5,899
			<hr/>		<hr/>
Total assets less current liabilities			178,124		13,158
Creditors: amounts falling due after more than one year	16		86,405		-
			<hr/>		<hr/>
			91,719		13,158
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	18		13,652		1,250
Share premium account	19		77,441		-
Profit and loss account	19		626		11,908
			<hr/>		<hr/>
Shareholders' funds	20		91,719		13,158
			<hr/>		<hr/>

The financial statements were approved by the board of directors and authorised for issue on 21 December 2012.



Eduardo Correa
Director

The notes on pages 10 to 27 form part of these financial statements.

CapRock UK Limited

Notes forming part of the financial statements for the year ended 30 June 2011

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

The following principal accounting policies have been applied:

Consolidated financial statements

The financial statements contain information about CapRock UK Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company has taken advantage of the exemption conferred by section 401 of the Companies Act 2006 not to produce consolidated financial statements as it is included in non-EEA group accounts of a larger group. The company is included in the publicly available consolidated financial statements of the ultimate parent company, Harris Corporation, a corporation registered in the state of Delaware, USA and quoted on the New York Stock Exchange (symbol: HRS).

Going concern

The financial statements have been prepared under the going concern basis. The directors believe this basis to be appropriate as the parent company has provided the company with an undertaking that for at least a year from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company to allow it to continue in operational existence and to meet its liabilities as they fall due for payment. It has further undertaken that it will act to ensure that repayment is not sought for at least a year from the date of signature of these financial statements of the amounts currently made available to the company by fellow group undertakings. 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. Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Cash flow statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 'Cash Flow Statements (Revised 1996)' not to prepare a cash flow statement on the grounds that at least 90% of the voting rights in the company are controlled within the group headed by Harris Corporation and the company is included in consolidated financial statements.

Intangible fixed assets (excluding goodwill)

Developed technologies and other intangible assets are recognised when they are controlled through contractual or other legal rights, or are separable from the rest of the business, and the fair value can be reliably measured. Intangible assets are initially measured at acquisition cost or production cost, including any directly attributable costs of preparing the asset for its intended use, or (in the case of assets acquired in a business combination) at fair value as at the date of the combination.

Intangible assets that are regarded as having limited useful economic lives are amortised on a straight-line basis over those lives and reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. Intangible assets that are regarded as having indefinite useful economic lives are not amortised. These assets are reviewed for impairment at least annually or when there is an indication that the assets may be impaired. To ensure that assets are not carried at above their recoverable amounts, the impairment reviews compare the net carrying value with the recoverable amount, where the recoverable amount is the value in use. Amortisation and any impairment writedowns are charged to other administrative expenses in the profit and loss account.

CapRock UK Limited

Notes forming part of the financial statements for the year ended 30 June 2011 (*continued*)

1 Accounting policies (*continued*)

Goodwill

Goodwill arising on the acquisition of a subsidiary undertaking or the trade and assets of a business is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Positive goodwill is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life of 20 years. Impairment tests on the carrying value of goodwill are undertaken:

- at the end of the first full financial year following acquisition;
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided on all tangible fixed assets other than land and assets under the course of construction at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

Freehold property	- 45 years (improvements 15 years)
Leasehold property & improvements	- over the term of the lease
Rental equipment	- 5 years
Test equipment	- 5 years
Fixtures, fittings, tools and equipment	- 3-10 years

In accordance with FRS 11, tangible fixed assets are subject to review for impairment. Impairment is recognised when the carrying value of assets is higher than their recoverable amount (being the higher of their net realisable value and value in use). Any impairment is recognised in the profit and loss account as appropriate in the year in which it occurs.

Investments

Investments in subsidiary undertakings are shown at cost less any provision for diminution on value.

The company performs impairment reviews in respect of investments whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised, when the recoverable amount of an investment is less than its carrying amount.

Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs. Provision is made for obsolete, slow-moving or defective items where appropriate.

CapRock UK Limited

Notes forming part of the financial statements for the year ended 30 June 2011 (*continued*)

1 Accounting policies (*continued*)

Turnover/revenue recognition

Turnover represents the value of goods and services provided in the normal course of business net of trade discounts, VAT and other sales related taxes. The company provides its satellite communications services, which include the satellite equipment, pursuant to service contracts. The term of these contracts is generally one to five years, although they can run for a period of only a few months. Service contracts specify the location and type of services to be provided by the company, and the fixed monthly fee for such services. The company recognises revenue from service contracts as the services are provided.

Revenue from product sales is recognised when title passes to the customer, which is generally when the product is shipped.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. These translation differences are dealt with in the profit and loss account.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Pension costs

The company operates a defined contribution scheme for all employees. Contributions are charged to the profit and loss account as and when they fall due. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

The assets of the scheme are separately held from those of the company.

Operating leases

As Lessee:

Rental costs under operating leases are charged to the profit and loss account as incurred.

As Lessor:

Operating lease rental income arising from leased assets is recognised as turnover in the profit and loss account on a straight line basis over the period of the lease.

CapRock UK Limited

Notes forming part of the financial statements for the year ended 30 June 2011 (continued)

2 Turnover and segmental analysis

An analysis has not been included, as the directors believe that to do so would be seriously prejudicial to the interests of the company.

3 Exceptional items

	Year ended 30 June 2011 £'000	6 months ended 30 June 2010 £'000
Recognised in arriving at operating (loss)/profit:		
Reorganisation of intercompany balances	-	(316)
Recognised below operating (loss)/profit:		
Global integration costs	7,533	-
Impairment of fixed assets	-	886
	<u>7,533</u>	<u>886</u>

During the period to 30 June 2010, on acquisition by the Harris Corporation, the company in conjunction with the global group, carried out an exercise to review the intercompany positions between fellow group companies. The exceptional item relating to intercompany write back within administrative expenses for the previous period represents the reorganisation of these intercompany balances within the group.

Following the acquisition of the Global Connectivity Services (GCS) division of Schlumberger, the company was charged £7,533,284 in connection with the integration of the UK GCS business.

During the 6 months to 30 June 2010 the company performed a review of its fixed asset base. As a result the company wrote off rental equipment within fixed assets of £886,202.

4 Operating (loss)/profit

	Year ended 30 June 2011 £'000	6 months ended 30 June 2010 £'000
This is arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	2,186	870
Amortisation of goodwill	1,948	-
Amortisation of other intangible fixed assets	376	-
Auditors' remuneration - fees payable to the company's auditor for the audit of the company's annual accounts	75	41
Exchange differences	325	(170)
Rentals under operating leases:		
- Land and buildings	348	177
- Other	5,636	25
	<u>10,500</u>	<u>1,043</u>

CapRock UK Limited

Notes forming part of the financial statements
for the year ended 30 June 2011 (*continued*)

5 Employees

Staff costs (including directors) consist of:

	Year ended 30 June 2011 £'000	6 months ended 30 June 2010 £'000
Wages and salaries	7,797	2,950
Social security costs	823	403
Other pension costs	203	80
	<u>8,823</u>	<u>3,433</u>

The average number of employees (including directors) during the year/period was as follows:

	Year ended 30 June 2011 Number	6 months ended 30 June 2010 Number
Engineering	143	114
Sales	16	13
Administration	26	20
	<u>185</u>	<u>147</u>

6 Directors' remuneration

	Year ended 30 June 2011 £'000	6 months ended 30 June 2010 £'000
Directors' emoluments	112	76
Defined contribution pension scheme	4	2
	<u>116</u>	<u>78</u>

There was 1 director in the company's defined contribution pension scheme during the year (2010 - 1).

CapRock UK Limited

Notes forming part of the financial statements
for the year ended 30 June 2011 (*continued*)

7 Other interest receivable and similar income

	Year ended 30 June 2011 £'000	6 months ended 30 June 2010 £'000
Bank deposits	1	-
Loans to group companies	6	-
	<u>7</u>	<u>-</u>

8 Interest payable and similar charges

	Year ended 30 June 2011 £'000	6 months ended 30 June 2010 £'000
Loans from group companies	688	-
	<u>688</u>	<u>-</u>

CapRock UK Limited

Notes forming part of the financial statements
for the year ended 30 June 2011 (*continued*)

9 Taxation on (loss)/profit on ordinary activities

	Year ended 30 June 2011 £'000	6 months ended 30 June 2010 £'000
<i>UK Corporation tax</i>		
Current tax on loss/profit of the year/period	-	(50)

The tax assessed for the year/period is higher than/lower than the standard rate of corporation tax in the UK applied to (loss)/profit before tax. The differences are explained below:

	Year ended 30 June 2011 £'000	6 months ended 30 June 2010 As restated £'000
(Loss)/profit on ordinary activities before tax	(11,282)	1,009
(Loss)/profit on ordinary activities at the standard rate of corporation tax in the UK of 27.50% (2010 - 28.00%)	(3,103)	283
Effect of:		
Expenses not deductible for tax purposes	40	11
Accelerated capital allowances	(497)	167
Other timing differences	488	27
Adjustment to tax charge in respect of previous periods	-	(50)
Losses carried back to prior period	652	-
Tax losses carried forward	2,411	-
Group relief	9	-
Loss carried back from 2011	-	(488)
Current tax credit for the year/period	-	(50)

CapRock UK Limited

Notes forming part of the financial statements
for the year ended 30 June 2011 (*continued*)

10 Intangible fixed assets

	Developed technologies £'000	Purchased goodwill £'000	Other intangible fixed assets £'000	Total £'000
<i>Cost</i>				
Additions and at 30 June 2011	806	150,507	2,734	154,047
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Amortisation</i>				
Provided for the year and at 30 June 2011	34	1,948	342	2,324
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<i>Net book value</i>				
At 30 June 2011	772	148,559	2,392	151,723
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30 June 2010	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Details of acquisitions during the year are included in Note 21.

CapRock UK Limited

Note forming part of the financial statements
for the year ended 30 June 2011 (*continued*)

11 Tangible fixed assets

	Freehold land and buildings £'000	Leasehold property & improvements £'000	Rental fittings, tools & equipment £'000	Fixtures, fittings, tools & equipment £'000	Test equipment £'000	Assets under the course of construction £'000	Total £'000
<i>Cost</i>							
At 1 July 2010	-	204	11,121	350	2,928	2,604	17,207
Additions	1,769	1,244	5,886	68	-	3,304	12,271
Disposals	-	(131)	(7,105)	(256)	(2,479)	-	(9,971)
Transfers	-	-	2,488	-	-	(2,488)	-
At 30 June 2011	<u>1,769</u>	<u>1,317</u>	<u>12,390</u>	<u>162</u>	<u>449</u>	<u>3,420</u>	<u>19,507</u>
<i>Depreciation</i>							
At 1 July 2010 as previously stated	-	82	7,907	230	2,449	-	10,668
Prior period adjustment (Note 25)	-	-	(712)	-	-	-	(712)
At 1 July 2010 as restated	-	82	7,195	230	2,449	-	9,956
Provided for the year	8	48	1,794	70	266	-	2,186
Disposals	-	(98)	(7,103)	(236)	(2,470)	-	(9,907)
At 30 June 2011	<u>8</u>	<u>32</u>	<u>1,886</u>	<u>64</u>	<u>245</u>	<u>-</u>	<u>2,235</u>
<i>Net book value</i>							
At 30 June 2011	<u>1,761</u>	<u>1,285</u>	<u>10,504</u>	<u>98</u>	<u>204</u>	<u>3,420</u>	<u>17,272</u>
At 30 June 2010 as restated	-	122	3,926	120	479	2,604	7,251

CapRock UK Limited

Notes forming part of the financial statements for the year ended 30 June 2011 (continued)

11 Tangible fixed assets (continued)

Prior period adjustment

The opening accumulated depreciation balance as at 1 July 2010 in respect of rental equipment has been restated from £7,907,000 to £7,195,000 as a result of a detailed fixed asset verification exercise following acquisition of the company by Harris Corporation. Please see Note 25 for further details.

Impairment of rental equipment

During the 6 months to 30 June 2010 the company performed a review of its fixed asset base. As a result the company wrote off rental equipment within fixed assets of £0.9 million.

12 Fixed asset investments

	Shares in subsidiary undertakings £'000
<i>Cost</i>	
At 1 July 2010 and 30 June 2011	8

Subsidiary undertakings, associated undertakings and other investments

The principal undertakings in which the company's interest at the year end is 20% or more are as follows:

	Country of incorporation or registration	Class of share capital held	Proportion of share capital held	Nature of business
<i>Subsidiary undertakings</i>				
CapRock Communications Norway AS	Norway	Ordinary	100%	Communication services
CapRock Communications International Limited	UK	Ordinary	100%	Communication services

13 Stocks

	30 June 2011 £'000	30 June 2010 £'000
Raw materials and consumables	2,628	1,897
Work in progress	2,447	136
	<u>5,075</u>	<u>2,033</u>

There is no material difference between the replacement cost of stocks and the amounts stated above.

CapRock UK Limited

Notes forming part of the financial statements
for the year ended 30 June 2011 *(continued)*

14 Debtors

	30 June 2011 £'000	30 June 2010 As restated £'000
Amounts receivable within one year		
Trade debtors	9,750	2,813
Amounts owed by CapRock UK group undertakings	2,216	425
Amounts owed by other group undertakings	11,607	9,241
Other debtors	377	403
Prepayments and accrued income	2,225	911
	<hr/>	<hr/>
	26,175	13,793
Amounts receivable after more than one year		
Other debtors	543	-
	<hr/>	<hr/>
Total debtors	26,718	13,793
	<hr/>	<hr/>

The company has made a voluntary disclosure to HMRC regarding amounts charged to affiliated entities for services provided in prior years. As a result the Amounts owed by other group undertakings as at 30 June 2010 has been restated from £2,241,000 to £9,241,000. Refer to Note 25 for further details.

CapRock UK Limited

Notes forming part of the financial statements for the year ended 30 June 2011 (*continued*)

15 Creditors: amounts falling due within one year

	30 June 2011 £'000	30 June 2010 As restated £'000
Trade creditors	1,581	746
Amounts owed to CapRock UK group undertakings	1,678	483
Amounts owed to other group undertakings	16,004	5,835
Corporation tax	1,067	1,067
Other taxation and social security	530	270
Accruals and deferred income	9,013	1,857
	<u>29,873</u>	<u>10,258</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

The company has made a voluntary disclosure to HMRC regarding amounts charged by an affiliated entity for services provided in prior years. As a result the corporation tax liability as at 30 June 2010 has been restated from £Nil to £1,067,000. Refer to Note 25 for further details.

The opening balance for Amounts owed to other group undertakings as at 1 July 2010 has been restated from £5,123,000 to £5,835,000 as a result of a detailed fixed asset verification exercise. Refer to Note 25 for further details. There has been no impact to the profit and loss account as a result of this adjustment.

16 Creditors: amounts falling due after more than one year

	30 June 2011 £'000	30 June 2010 £'000
Amounts owed to group undertakings	86,405	-
	<u>86,405</u>	<u>-</u>

Included in creditors due after more than one year are the following amounts repayable in more than five years:

	30 June 2011 £'000	30 June 2010 £'000
Amounts owed to group undertakings	86,405	-
	<u>86,405</u>	<u>-</u>

A loan for the principal sum of £85,716,177 was made to CapRock UK Limited by its ultimate parent company Harris Corporation on 4 April 2011 with a Promissory Note agreement in place whereby CapRock UK Limited promises to repay the principal sum and interest, at an agreed rate of 3.3269% per annum on the unpaid principal amount, on 3 April 2026.

CapRock UK Limited

Notes forming part of the financial statements for the year ended 30 June 2011 (*continued*)

17 Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge amounted to £203,000 (2010 - £80,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

18 Share capital

	30 June 2011 £'000	30 June 2010 £'000
<i>Allotted, called up and fully paid</i>		
13,652,485 ordinary shares of £1 each	13,652	1,250
	<u> </u>	<u> </u>
	Ordinary shares of £1 each	
	Number	£'000
In issue at 1 July 2010	1,250,000	1,250
Issue of shares	12,402,485	12,402
	<u> </u>	<u> </u>
In issue at 30 June 2011	13,652,485	13,652
	<u> </u>	<u> </u>

On 4 April 2011, CapRock UK Limited increased its authorised share capital through the allotment of an additional 12,402,485 shares with a nominal value of £1 each. The difference between the proceeds received and the nominal value of shares issued created a share premium of £77,440,818 as detailed in Note 19.

CapRock UK Limited

Notes forming part of the financial statements
for the year ended 30 June 2011 (*continued*)

19 Reserves

	Share premium account	Profit and loss account
	£'000	As restated £'000
At 1 July 2010	-	11,908
Premium on shares issued during the year	77,441	-
Loss for the year	-	(11,282)
	<hr/>	<hr/>
At 30 June 2011	77,441	626
	<hr/>	<hr/>

As a result of the prior year adjustment detailed at Note 25 the opening profit and loss account as at 30 June 2010 has been restated from £5,975,000 to £11,908,000. Refer to Note 25 for further details.

20 Reconciliation of movements in shareholders' funds

	30 June 2011	30 June 2010
	£'000	As restated £'000
(Loss)/profit for the year/period	(11,282)	1,059
Issue of shares	12,402	-
Premium on shares issued during the year	77,441	-
	<hr/>	<hr/>
Net additions to shareholders' funds	78,561	1,059
Opening shareholders' funds	13,158	12,099
	<hr/>	<hr/>
Closing shareholders' funds	91,719	13,158
	<hr/>	<hr/>
		£'000
Opening shareholders funds at 1 January 2010 as previously stated		8,366
Adjustment in respect of prior periods (Note 25)		3,733
		<hr/>
Opening shareholders funds (as restated) at 1 January 2010		12,099
Loss for the period as previously stated		(1,141)
		<hr/>
Adjustment in respect of prior year		2,200
		<hr/>
Opening shareholders funds at 1 July 2010 as restated		13,158
		<hr/>

CapRock UK Limited

Notes forming part of the financial statements for the year ended 30 June 2011 (continued)

21 Acquisitions

Acquisition of the Global Connectivity Services division of Schlumberger

On 4 April 2011 the company acquired the Global Connectivity Services division of Schlumberger for a consideration of £175,561,000. In calculating the goodwill arising on acquisition, the fair value of the net assets of the Global Connectivity Services division of Schlumberger have been assessed and adjustments from book value have been made where necessary. These adjustments are summarised in the following table:

	Book value £'000	Revaluation of fixed assets £'000	Other adjustment £'000	Fair value £'000
Fixed assets				
Tangible	2,436	8,654	-	11,090
Intangible	31,905	-	(28,129)	3,776
	<u>34,341</u>	<u>8,654</u>	<u>(28,129)</u>	<u>14,866</u>
Current assets				
Stocks	2,425	-	-	2,425
Debtors	1,220	-	-	1,220
Cash at bank and in hand	7,217	-	-	7,217
	<u>45,203</u>	<u>8,654</u>	<u>(28,129)</u>	<u>25,728</u>
Creditors				
Due within one year	674	-	-	674
	<u>44,529</u>	<u>8,654</u>	<u>(28,129)</u>	<u>25,054</u>
Net assets				
	<u>44,529</u>	<u>8,654</u>	<u>(28,129)</u>	<u>25,054</u>
				£'000
Cash consideration				175,561
Net assets acquired				25,054
				<u>150,507</u>
Goodwill arising on acquisition (Note 10)				

The revaluation of tangible fixed assets relates to the assessed fair value of the land & buildings, rental equipment and office equipment on acquisition.

The adjustment applied above against intangible fixed assets represents the de-recognition of balances in respect of customer relationships that do not qualify as intangible fixed assets under FRS 10. These have effectively been written back increasing the value of goodwill arising on acquisition.

CapRock UK Limited

Notes forming part of the financial statements for the year ended 30 June 2011 (continued)

22 Commitments under operating leases

The company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 30 June 2011 £'000	Other 30 June 2011 £'000	Land and buildings 30 June 2010 £'000	Other 30 June 2010 £'000
Operating leases which expire:				
Within one year	4	5,582	26	6
In two to five years	32	12,582	2	17
After five years	336	1,517	256	-
	<u>372</u>	<u>19,681</u>	<u>284</u>	<u>23</u>

Commitments entered into in foreign currencies have been translated and disclosed in the above table using the prevailing exchange rate at the 30 June 2011.

23 Ultimate parent undertaking and controlling party

The company's ultimate parent undertaking and controlling party, and the parent undertaking of the smallest and largest group for which group financial statements are drawn up and of which the company is a member, is Harris Corporation, incorporated in Delaware, USA. Copies of the financial statements of Harris Corporation can be obtained from 1025 West NASA Boulevard, Melbourne, Florida 32919, USA, or viewed on Harris Corporation's website at www.harris.com

24 Related party disclosures

The company has taken advantage of the exemptions under Financial Reporting Standard 8 'Related party disclosures' from disclosing transactions with wholly-owned entities which are part of the Harris Corporation group, as the consolidated financial statements of that group are publicly available.

There are no other related party transactions.

CapRock UK Limited

Notes forming part of the financial statements for the year ended 30 June 2011 (*continued*)

25 Prior year adjustments

Fixed asset verification exercise

As a result of a detailed fixed asset verification exercise the company has restated the opening accumulated depreciation balance for rental equipment which had been transferred from other group undertakings during the course of 2010. The impact of this adjustment on the Balance Sheet as at 30 June 2010, is summarised in the table below:

	Note	2010 Original £'000	2010 Restated £'000	Movement £'000
Fixed assets				
Tangible fixed assets	11	6,539	7,251	712
Creditors: amounts falling due within one year				
Amounts owed to other group undertakings	15	5,123	5,835	712

There was no impact to the profit and loss account (either before taxation or after taxation) as a result of this adjustment.

Voluntary disclosure to HMRC

As a consequence of a review of the former Caprock Group's global transfer pricing policy the company has made a voluntary disclosure to HMRC regarding the appropriateness of amounts charged for services rendered by an affiliate in this and prior periods going back to that ended 31 December 2008. As a result of that disclosure prior period adjustments have been made to reflect what the company has been advised represents an acceptable transfer pricing policy. HMRC have raised tax assessments on the company to collect the additional tax that is estimated to be due based on that transfer pricing policy. The adjustments are the subject of ongoing discussions with HMRC which are expected to conclude in 2013.

At the conclusion of the discussion with HMRC the Global Group has confirmed that the company will be refunded for amounts then finally determined to have been overcharged in the prior periods concerned.

The impact of this adjustment on the company's Balance Sheet and Retained Earnings is summarised below:

	Note	2010 Original £'000	2010 Restated £'000	Movement £'000
Debtors				
Amounts owed by other group undertakings	14	2,241	9,241	7,000
Creditors: amounts falling due within one year				
Corporation tax	15	-	1,067	1,067
Profit and loss account				
Opening retained earnings as at 1 July 2010	19	5,975	11,908	5,933

CapRock UK Limited

Notes forming part of the financial statements
for the year ended 30 June 2011 (*continued*)

25 Prior year adjustments (continued)

The impact of this adjustment on the profit and loss account, is summarised in the table below:

	Earlier periods £'000	2010 Restated £'000	£'000
Increase in profit before tax for y/e 31/12/2008	3,000	-	
Increase in profit before tax for y/e 31/12/2009	1,800	-	
Increase in profit before tax for p/e 30/06/2010	-	2,200	
Taxation on above adjustments	(1,067)	-	
Total increase in profit after tax	3,733	2,200	5,933
Total increase in profits after tax taken to opening retained earnings as at 1 July 2010			5,933

26 Capital commitments

	30 June 2011 £'000	30 June 2010 £'000
Contracted but not provided for	2,578	-