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UltiSat Europe A/S

Storstrømsvej 9, 6715 Esbjerg

Company reg. no. 32 09 37 79

Annual report

1 January - 31 December 2019

The annual report was submitted and approved by the general meeting on the 6 October 2020.

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Dale Wesley Gray
Managing Director

Notes:
- To ensure the greatest possible applicability of this document, IAS/IFRS English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Contents

Management's report

Today, the board of directors and the managing director have presented the annual report of UltiSat Europe A/S for the financial year 1 January - 31 December 2019.

The annual report has been presented in accordance with the Danish Financial Statements Act.

We consider the accounting policies appropriate and, in our opinion, the financial statements provide a fair presentation of the company's assets, equity and liabilities, and financial position at 31 December 2019 and of the company's results of activities in the financial year 1 January – 31 December 2019.

We are of the opinion that the management commentary presents a fair account of the issues dealt with.

We recommend that the annual report be approved by the general meeting.

Esbjerg, 6 October 2020

Managing Director

Dale Wesley Gray

Board of directors

Dominic Thomas Edward Gyngell Ryan Wesley King Emma Claire Lawson

Independent auditor's report

To the shareholders of UltiSat Europe A/S

Adverse opinion

We have audited the financial statements of UltiSat Europe A/S for the financial year 1 January - 31 December 2019, which comprise accounting policies, income statement, statement of financial position, statement of changes in equity and notes. The financial statements have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, due to the significance of the matter described in the paragraph "Basis for adverse opinion", the financial statements do not give a true and fair view of the company's assets, equity and liabilities, and financial position at 31 December 2019, nor of the profit of operations for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for adverse opinion

As per April 23, 2020, Speedcast International Ltd the ultimate parent company, together with, amongst others filed Chapter 11 of the Bankruptcy Code with the United States Bankruptcy Court for the Southern District of Texas. Since these Chapter 11 petitions, Speedcast International Limited has been in negotiations with investors in regards to a refunding of the group. These negotions has not been concluded on the date of signing the annual report. Based on those funds, combined with its existing cash flows, management believe that this will help ensure it is able to meet its ongoing commitments and continue as a going concern. However the company has not been able to provide sufficient assurance and evidence that it is able to meet is obligation and in this respect we have made and adverse opinion related to going concern.

As a result of the the ultimate parent company's bankruptcy proceedings (chapter 11) intercompany receivables are currently not beeing paid by group companies. At 31 December 2019, the company is due DKK 7,901,020 from related parties, these related parties are included within the Chapter 11 filing and as such there is an element of uncertainty to the recoverability. The company has not been able to provide sufficient assurance and evidence of the valuation of the receivables and in this respect we have made and adverse opinion related to intercompany receivables.

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the section “Auditor’s responsibilities for the audit of the financial statements”. We are independent of the company in accordance with international ethical requirements for auditors (IESBA’s Code of Ethics), and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Other matter

During the year, the company changed its financial system. Due to challenges with access rights to the old system, the company does not have access to a small part of the company's bookkeeping. As a consequence, the company has not complied with the Danish Accounting Act, and management may be liable to potential fines arising from this.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that provide a fair view in accordance with the Danish Financial Statements Act. Management is also responsible for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for 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 management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

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 an auditor’s report including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing, and the additional requirements applicable in Denmark, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with international standards on auditing, and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's preparation of the financial statements using the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists arising from events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and contents of the financial statements, including disclosures in notes, and whether the financial statements reflect the underlying transactions and events in a manner that presents a fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we express no assurance opinion thereon.

In connection with our audit of the financial statements, it is our responsibility to read the management commentary and to consider whether the management commentary is materially inconsistent with the financial statements or the evidence obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Independent auditor's report

As evident from the paragraph "Basis for adverse opinion", our opinion on the financial statements is modified due to material uncertainty related to going concern and valuation of intercompany recievables. We found that, for the same reason, the management commentary contains material misstatements in relation to the amounts and other elements affected by the uncertainty related to going concern and valuation of receivables.

Copenhagen, 6 October 2020

Grant Thornton
State Authorised Public Accountants
Company reg. no. 34 20 99 36

Kim Kjellberg
State Authorised Public Accountant
mne29452

Company information

The company	UltiSat Europe A/S Storstrømsvej 9 6715 Esbjerg	
	Phone	+45 45 27 70 00
	Company reg. no.	32 09 37 79
	Established:	7 April 2009
	Domicile:	Esbjerg
	Financial year:	1 January - 31 December 11th financial year
Board of directors	Dominic Thomas Edward Gyngell Ryan Wesley King Emma Claire Lawson	
Managing Director	Dale Wesley Gray	
Auditors	Grant Thornton, Statsautoriseret Revisionspartnerselskab Stockholmsgade 45 2100 København Ø	

Management commentary

The principal activities of the company

The company's purpose is to operate in the field of telecommunications including the use of terrestrial infrastructure and satellites and to provide professional and other related services.

Uncertainties about recognition or measurement

As a result of the the ultimate parent company's bankruptcy proceedings (chapter 11) intercompany receivables are currently not being paid by group companies as mentioned in note 1. These related parties are included within the Chapter 11 filing and as such there is an element of uncertainty to the recoverability. The amounts remain due in full.

Development in activities and financial matters

The gross profit for the year totals DKK 13.009.000 against DKK 18.120.000 last year. Income or loss from ordinary activities after tax totals DKK -1.893.000 against DKK 6.568.000 last year. Income before tax from ordinary activities totals DKK 348.605 against DKK 8.639.832 last year. Management considers the profit before tax for the year as expected. The loss after tax is the result of prior year deferred tax asset being adjusted.

As mentioned in note 1 Speedcast International Ltd the ultimate parent company, together with other group companies filed Chapter 11 of the Bankruptcy Code with the United States Bankruptcy Court for the Southern District of Texas as per April 23, 2020. Since these Chapter 11 petitions, Speedcast International Limited has been in negotiations with investors in regards to a refunding of the group. These negotions have not been concluded on the date of signing the annual report. Based on expected funds from these negotiations combined with its existing cash flows, management believe that this will help ensure it is able to meet its ongoing commitments and continue as a going concern.

Expected developments

Activity within the business has reduced and in response the company’s local office has been closed and the number of employees reduced to 1.

Events occurring after the end of the financial year

As mentioned in note 1 the company has removed all assets and closed down the site in Denmark in 2020, and subsequently reduced staff and activity to a minimum within the company. As a result all non-current assets have been written down to nil as at 31 December 2019.

The annual report for UltiSat Europe A/S has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

Recognition and measurement in general

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, writedowns for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the company and the value of the liability can be reliably measured.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting date.

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of transaction. Exchange rate differences arising between the rate at the date of transaction and the rate at the date of payment are recognised in the income statement as an item under net financials.

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

Income statement

Gross profit

Gross profit comprises the revenue, changes in inventories of finished goods, and work in progress, work performed for own account and capitalised, other operating income, and external costs.

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Recognition of revenue is exclusive of VAT and taxes and less any discounts relating directly to sales.

Cost of sales comprises costs concerning purchase of raw materials and consumables less discounts and changes in inventories.

Other external costs comprise costs incurred for distribution, sales, advertising, administration, premises, loss on receivables, and operational leasing costs.

Staff costs

Staff costs include salaries and wages, including holiday allowances, pensions, and other social security costs, etc., for staff members. Staff costs are less government reimbursements.

Depreciation, amortisation, and writedown for impairment

Depreciation, amortisation, and writedown for impairment comprise depreciation on, amortisation of, and writedown for impairment of intangible and tangible assets, respectively.

Other operating costs

Other operating costs comprise items of secondary nature as regards the principal activities of the enterprise, including losses on the disposal of intangible and tangible assets.

Financial income and expenses

Financial income and expenses comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the income statement with the amounts concerning the financial year.

Interest and other costs concerning loans to finance the production of intangible assets and property, plant, and equipment, and relating to production periods are not recognised in the cost of non-current assets.

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

Statement of financial position

Property, plant, and equipment

Other property, plant, and equipment are measured at cost less accrued depreciation and writedown for impairment.

The depreciable amount is cost less any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the carrying amount, the depreciation is discontinued.

The cost comprises acquisition cost and costs directly associated with the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately when the useful lives of each individual components differ.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life and the residual value of the individual assets:

	Useful life	Residual value
Plant and machinery	5-10 years	0-20 %
Other fixtures and fittings, tools and equipment	3-5 years	0-20 %

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Leases

Leases are regarded as operating leases. Payments in connection with operating leases and other lease agreements are recognised in the income statement for the term of the contract. The company's total liabilities concerning operating leases and lease agreements are recognised under contingencies, etc.

Impairment loss relating to non-current assets

The carrying amount of both intangible and tangible assets as well as equity investments in subsidiaries and associates are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation, respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets, respectively. Writedown for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount is equal to the value of the net selling price or the value in use, whichever is higher. The value in use is determined as the present value of the expected net cash flow derived from the use of the asset or group of assets.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist. Impairment relating to goodwill is not reversed.

Leasehold improvements

Leasehold improvements are measured at cost less accrued depreciations. Depreciation is done on a straightline basis over the estimated useful life of the asset, which is set at 5 years.

Inventories

Inventories are measured at cost on the basis of weighted measured average prices. In cases when the net realisable value is lower than the cost, the latter is written down for impairment to this lower value.

Inventories are measured at cost according to the FIFO method. In cases when the net realisable value of the inventories is lower than the cost, the latter is written down for impairment to this lower value.

The net realisable value for inventories is recognised as the market price less costs of completion and selling costs. The net realisable value is determined with due consideration of negotiability, obsolescence, and the development of expected market prices.

Receivables

Receivables are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, they are written down for impairment to the net realisable value.

Prepayments and accrued income

Prepayments and accrued income recognised under assets comprise incurred costs concerning the following financial year.

Cash on hand and demand deposits

Cash on hand and demand deposits comprise cash at bank and on hand.

Income tax and deferred tax

Current tax receivables and tax liabilities are recognised in the statement of financial position with the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivables and tax liabilities are offset to the extent that a legal right of set-off exists and the items are expected to be settled net or simultaneously.

Deferred tax is tax on all temporary differences in the carrying amount and tax base of assets and liabilities measured on the basis of the planned application of the asset and disposal of the liability, respectively.

Deferred tax assets, including the tax value of tax losses eligible for carryforward, are recognised at their expected realisable value, either by settlement against tax of future earnings or by setoff in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisation value.

Deferred tax is measured on the basis of the tax rules and tax rates of applicable legislation at the reporting date and prevailing when the deferred tax is expected to be released as current tax.

Other provisions

Provisions comprise expected costs of warranty commitments, loss on work in progress, restructuring, etc. Provisions are recognised when the company has a legal or actual commitment resulting from a previously occurred event and when it is probable that the settlement of the liability will result in consumption of the financial resources of the company.

If the settlement of the commitment is expected to take place in some remote future, provisions are measured at the net realisable value or at fair value.

Liabilities other than provisions

Other liabilities other than provisions are measured at amortised cost which usually corresponds to the nominal value.

Income statement 1 January - 31 December

All amounts in DKK.

Note		2019	2018
	Gross profit	**13.009.007**	**18.120.472**
4	Staff costs	-7.685.873	-6.899.952
	Depreciation and impairment of property, land, and equipment	-4.269.577	-3.615.325
	Impairment of current assets exceeding usual impairment	-375.724	0
	Other operating costs	-34.467	0
	Operating profit	**643.366**	**7.605.195**
	Other financial income	867.001	1.908.897
5	Other financial costs	-1.161.762	-874.260
	Pre-tax net profit	**348.605**	**8.639.832**
6	Tax on net profit or loss for the year	-2.241.550	-2.071.488
	Loss from ordinary activities after tax	**-1.892.945**	**6.568.344**
	Net profit or loss for the year	**-1.892.945**	**6.568.344**
	Proposed appropriation of net profit:		
	Extraordinary dividend adopted during the financial year	0	18.825.076
	Allocated from retained earnings	-1.892.945	-12.256.732
	Total allocations and transfers	**-1.892.945**	**6.568.344**

Statement of financial position at 31 December

All amounts in DKK.

Note	Assets	2019	2018
	Non-current assets		
7	Plant and machinery	0	1.821.388
8	Other fixtures and fittings, tools and equipment	0	2.369.275
9	Leasehold improvements	0	78.941
	Total property, plant, and equipment	0	4.269.604
	Total non-current assets	**0**	**4.269.604**
	Current assets		
	Raw materials and consumables	0	375.724
	Total inventories	0	375.724
	Trade receivables	529.041	246.050
	Receivables from group enterprises	7.901.020	1.228.393
	Deferred tax assets	0	2.055.500
	Other receivables	2.159.994	4.388.681
	Prepayments and accrued income	638.596	1.066.938
	Total receivables	11.228.651	8.985.562
	Cash on hand and demand deposits	653.533	773.677
	Total current assets	**11.882.184**	**10.134.963**
	Total assets	**11.882.184**	**14.404.567**

Statement of financial position at 31 December

All amounts in DKK.

Note	Equity and liabilities	2019	2018
	Equity		
	Contributed capital	9.605.300	9.605.300
	Retained earnings	-1.226.893	666.053
	Total equity	**8.378.407**	**10.271.353**
	Provisions		
	Other provisions	0	1.700.000
	Total provisions	**0**	**1.700.000**
	Liabilities other than provisions		
	Trade payables	738.374	636.914
	Income tax payable	254.781	502.731
	Other payables	2.510.622	1.293.569
	Total short term liabilities other than provisions	3.503.777	2.433.214
	Total liabilities other than provisions	**3.503.777**	**2.433.214**
	Total equity and liabilities	**11.882.184**	**14.404.567**

1 Uncertainties concerning the enterprise's ability to continue as a going concern
2 Uncertainties concerning recognition and measurement
3 Subsequent events
10 Contingencies
11 Related parties

Statement of changes in equity

All amounts in DKK.

	Contributed capital	Retained earnings	Total
Equity 1 January 2019	9.605.300	666.053	10.271.353
Retained earnings for the year	0	-1.892.945	-1.892.945
	9.605.300	**-1.226.892**	**8.378.408**

Notes

All amounts in DKK.

1. Uncertainties concerning the enterprise's ability to continue as a going concern

As per April 23 2020, Speedcast International Ltd the ultimate parent company, together with other group companies filed Chapter 11 of the Bankruptcy Code with the United States Bankruptcy Court for the Southern District of Texas. Since these Chapter 11 petitions, Speedcast International Limited have been in negotiations with investors in regards to new investment and refinance of the group. These negotiations have not been concluded on the date of signing the annual report. Based on expected funds from these negotiations combined with its existing cash flows, management believe that this will help ensure the company is able to meet its ongoing commitments and continue as a going concern.

2. Uncertainties concerning recognition and measurement

As a result of the the ultimate parent company's bankruptcy proceedings (chapter 11) intercompany receivables are currently not beeing paid by group companies. At 31 December 2019, the company is due DKK 7,901,020 from related parties, these related parties are included within the Chapter 11 filing and as such there is an element of uncertainty to the recoverability. The amounts remain due in full.

3. Subsequent events

Acording to plan the company has removed all assets and closed down the site in Denmark in 2020, and subsequently reduced staff and activity to a minimum within the company. As a result all non-current assets have been written down to nil as at 31 December 2019.

4. Staff costs

Salaries and wages	7.143.602	6.254.215
Pension costs	526.493	586.088
Other costs for social security	15.778	59.649
	7.685.873	**6.899.952**
Average number of employees	7	9

5. Other financial costs

Other financial costs	1.161.762	874.260
	1.161.762	**874.260**

Notes

All amounts in DKK.

		2019	2018
6.	**Tax on net profit or loss for the year**		
	Tax on net profit or loss for the year	171.974	2.425.478
	Adjustment of deferred tax for the year	2.055.500	-353.990
	Adjustment of tax for previous years	14.076	0
		2.241.550	**2.071.488**
7.	**Plant and machinery**		
	Cost 1 January 2019	11.944.032	11.944.032
	Cost 31 December 2019	**11.944.032**	**11.944.032**
	Depreciation and writedown 1 January 2019	-10.122.644	-8.937.640
	Amortisation and depreciation for the year	-1.821.388	-1.185.004
	Depreciation and writedown 31 December 2019	**-11.944.032**	**-10.122.644**
	Carrying amount, 31 December 2019	**0**	**1.821.388**
8.	**Other fixtures and fittings, tools and equipment**		
	Cost 1 January 2019	27.564.762	27.566.292
	Additions during the year	0	20.243
	Disposals during the year	0	-21.773
	Cost 31 December 2019	**27.564.762**	**27.564.762**
	Amortisation and writedown 1 January 2019	-25.195.487	-22.960.919
	Amortisation and depreciation for the year	-2.369.275	-2.256.341
	Depreciation, amortisation and impairment loss for the year, assets disposed of	0	21.773
	Amortisation and writedown 31 December 2019	**-27.564.762**	**-25.195.487**
	Carrying amount, 31 December 2019	**0**	**2.369.275**

Notes

All amounts in DKK.

		31/12 2019	31/12 2018
9.	**Leasehold improvements**		
	Cost 1 January 2019	1.872.342	1.872.342
	Cost 31 December 2019	**1.872.342**	**1.872.342**
	Depreciation and writedown 1 January 2019	-1.793.401	-1.619.421
	Amortisation and depreciation for the year	-78.941	-173.980
	Depreciation and writedown 31 December 2019	**-1.872.342**	**-1.793.401**
	Carrying amount, 31 December 2019	**0**	**78.941**

10. Contingencies

Contingent liabilities

	DKK in thousands
Lease liabilities	122
Rent liabilities	414
Total contingent liabilities	**536**

11. Related parties

Consolidated financial statements

The company is included in the consolidated financial statements of Speedcast International Limited, Botany NSW, Australia for 2018. For 2019 no consolidation has been prepared due to chapter 11 proceedings.