

Company Registration No. 05208041 (England and Wales)

SATCOM GLOBAL LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

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SATCOM GLOBAL LIMITED

COMPANY INFORMATION

Directors	R A Howes I A Robinson C Leydon
Company number	05208041
Registered office	Tanners Bank North Shields Tyne & Wear NE30 1JH
Auditor	Haines Watts 17 Queens Lane Newcastle Upon Tyne NE1 1RN
Bankers	Nat West Bank plc 87 Grey Street Newcastle upon Tyne NE99 1BZ

SATCOM GLOBAL LIMITED

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SATCOM GLOBAL LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 JUNE 2019

The directors present their report and financial statements for the year ended 30 June 2019.

Fair review of the business

Satcom Global Limited (SGL) is part of the Broadband Satellite Services Limited group of companies. It is one of four major operating entities, the others being AND Group Limited (AND), Satcom Global Inc (USA) and Satcom Global Aura Limited. As part of this group SGL operates a global network that supports mission critical communications over satellite for a global customer base. SGL does not own its own satellites but provides the services under wholesale supply agreements with global satellite network operators.

Companies operating within the satellite services industry can be categorised as satellite operators, satellite service distributors and end users. Satellite operators own and operate large or small fleets of satellites capable of providing global or regional network coverage. Significant cost is involved in the construction, launch and operation of each satellite. Satellite operators tend to prefer the sale of wholesale capacity on a lease basis, allowing focus on a small number of customers providing recurring revenue streams. The operation of terrestrial infrastructure which services the end user, installation, maintenance, and technical support would typically be provided to the end user by these wholesale lease customers.

SGL is a major distributor of L-band services for the three largest mobile satellite service network operators and as such provides a critical link in the satellite industry value chain. Distribution partners such as SGL, supply and support end user customers with specific services created by the L-band satellite network operators. SGL resells equipment to end user customers, paying a wholesale rate to the L-band satellite network for the airtime used by its customers. Its ground infra-structure provides the connectivity which allows the end users to access their own corporate network or wider internet, providing controls on usage flow, content access and cost. The development of digital platforms, bandwidth hungry business applications and welfare demands have all driven growth beyond the capabilities of the traditional L-band services.

To address these needs SGL launched a global Ku band platform in 2016. These services are marketed under the "Aura" brand umbrella. The Aura network provides customers with the higher bandwidth solutions required by modern vessels at sea. Aura provides users with access to a comprehensive global system of satellites, combining wide beam satellites for coverage and narrower higher throughput beams for better efficiency and increased bandwidth capacity. We exited the financial year with a strong order book for Aura services with contracts signed and a significant backlog of vessel installations to be completed. We have seen strong growth with both existing and new customers choosing the Aura platform as their communication solution of choice.

Ku band offers higher speeds and more affordable bandwidth options for customers in maritime and land environments. The demand for the Aura network is growing as customers find their needs cannot be satisfied by the limited speeds and bandwidth capabilities of the traditional L-band technologies.

The mobile satellite service industry is segmented into land, marine and aeronautical services and within these vertical segments, provide voice, low speed data and broadband services. End users who include commercial shipping, airlines, government, defence forces, aid agencies, oil companies and NGOs may use different services across different segments

SGL offers a full range of services to the maritime industry, with secure access and global coverage. Increasingly services to the sector are being driven by the operational demands of vessel performance, or the access requirements of crew for welfare and recreational use. Land customers range from oil or mining customers in the harshest environments on earth, journalists with live broadcasting requirements and humanitarian agencies working in crisis zones. SGL has long standing partnership agreements with government departments around the world providing secure and reliable voice and data services to meet security, safety, health and education needs.

SGL customers range from dealers and large end users down to individual subscribers. They cover government, military, maritime, offshore, oil and gas exploration and humanitarian needs. These customers are supported by a network of global SGL offices which supports the following channels:

- Government - direct and indirect supply to government agencies
- Enterprise - direct supply to large customers / corporate, service provider partners for smaller users and handset customers
- Business to business - indirect channel partners including service providers, dealers, and agents
- Commercial maritime - ship owners, ship managers, offshore operators

SATCOM GLOBAL LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

SGL is deemed to be the supplier of choice in satellite communications from a diverse range of blue-chip customers around the globe.

Principal risks and Uncertainties

SGL has a structured approach to risk management. The company's activities expose it to a number of risks and uncertainties that may adversely affect business, operations, liquidity, financial position, or future performance, not all of which are wholly within its control. The Broadband Satellite Services Group takes a proactive approach to risk management. The Board is responsible for ensuring that business risks are identified quickly and that appropriate risk mitigation steps are taken in a proactive and timely manner. The Board assesses the risks with the Group's overall strategic objectives and activities in mind. The principal risks and uncertainties identified by the management are detailed below. The list is not intended to be an exhaustive analysis of all risks and uncertainties affecting the business.

1. Competition

SGL operates in a highly competitive sector and faces competition today from alternative communications technologies in our target horizontal and vertical market sectors. In the normal operation of business, there is strong competition from other service providers and satellite network operators. There is a risk that new technologies introduced by competitors may reduce demand for services or replace the technologies provided. Service providers providing VSAT services will continue to target L-band users. It is believed that the L-band product offerings distributed will remain competitive in the specific markets targeted and that the development of the Aura Ku-band network will place SGL favorably to compete with other VSAT providers.

2. Key Suppliers

Whilst SGL procures services from a number of satellite network operators it is reliant on the continuance of supply agreements to sell the services to end-users. The loss of any one of the agreements may impact on competitiveness in the market as many customers have a preference of a specified network operator for the provision of our services. L-band networks are often subject to congestion in high-traffic areas and are sold on a best effort basis with no service level agreement commitments.

3. Satellite Service Continuity

All the services provided are provisioned by third party owned satellites which are subject to significant operational risks at launch or whilst in orbit. The loss of access to any of the satellites could adversely affect the revenues, profitability, and liquidity of SGL. Any loss of connectivity would not be limited to SGL and would impact equally on all major competitors.

4. Cyber Security

SGL's networks may be vulnerable to security risks. They are designed to be robust and provide for secure transmission of confidential information. They may however in the future be vulnerable to unauthorised access, computer viruses and other security risks. SGL has implemented industry-standard security measures and are continually increasing investment in counter cyber threat tools and staff. Current evidence is that counter measures have been effective to date, as there has been no impact from previous cyber-attack events. The nature and diversity of cyber threats is constantly changing, both in sophistication and number. There is a possibility that these measures may prove inadequate in the case of future attacks and could result in system failures and delays that could have a material adverse effect on business and financial results.

5. Capacity Oversupply

Planned launches of Ku and Ka-band satellites may introduce an over-supply position to the markets, forcing prices to fall. The satellite operators are aware of this and some launches are being delayed or cancelled. Global bandwidth costs continue to decline. Technological innovation and the need for remote users to be part of the corporate network continues to drive data volumes. Crew demand on board ships drives both data volumes and the requirement for a 'bring your own device' capability onboard (BYOD). These additional volume demands will assist in offsetting the impact of any price decreases.

6. Macro-Economic Risks

Macro-Economic Risks Changes in macro-economic conditions can impact on SGL's business. This risk is offset by the long-term nature of the customer contracts held by SGL, which provide recurring monthly revenues.

SATCOM GLOBAL LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

7. Regulation

SGL is subject to regulation with respect to the resale of satellite services. In the majority of cases, the satellite network operator is responsible for obtaining the licensing required to broadcast across a defined spectrum. SGL is responsible for ensuring it holds all required licenses for the resale of satellite services in the countries in which it operates. There is a risk that in order to hold such licenses, there could be an exposure to additional costs or limitations to the ability to provide services.

8. Management & Employees

SGL needs to recruit and retain personnel capable of achieving the technological competence required. The business is dependent to a significant degree on being able to recruit and retain the number and calibre of management or employees necessary to maintain and develop the business.

9. Financing & Foreign Exchange Risk

SGL has a significant amount of debt. Whilst the directors are satisfied that the liquidity position is sufficient to meet the Company's needs for the next financial period the future cost of the debt represents a future risk.

SGL uses the US Dollar as the company's functional and reporting currency. While most of our revenues are contracted in US Dollars, a substantial portion of our operating expenses and capital expenditures are denominated in currencies other than the US Dollar. SGL does not currently hedge foreign exchange exposure in the short-term and there is a risk that in the longer-term our results of operations could be affected by US Dollar exchange rates.

The company's activities expose it to a variety of financial risks, including effects of credit and liquidity and cash flow. The company has adopted risk management policies that seek to mitigate these risks in a cost-effective manner. Financial assets that expose the company to financial risk consist primarily of trade debtors and cash. Financial liabilities that expose the company to financial risk consist principally of trade creditors and loan agreements.

10. Credit Risk

Credit risk is the loss of the value of financial assets due to counter-parties failing to meet all or part of their obligations. The company therefore performs ongoing credit evaluation of each of its major customers' financial position.

11. Liquidity Risk

Liquidity risk is the risk that the company does not have sufficient liquid assets to meet its obligations as they fall due. Liquidity is maintained at a prudent level and the company ensures that there is an adequate liquidity buffer to cover contingencies. The company maintains sufficient cash and open committed credit lines from its bankers to meet its current requirements. The directors assess the liquidity risk on a regular basis and ensures that sufficient cash is available to meet the company's needs.

12. Geo-political risks

Our business operates in a wide range of geographic areas. This exposes SGL to geo-political and strategic risks such as disruption due to war, civil unrest, security issues and government intervention. These risks exist predominantly in the Middle East, Russia and certain parts of Latin America, Africa and Asia which do not constitute a large part of our ongoing business. Not all the events are negative to the mobile satellite services business as the events themselves can cause increased demand for satellite services.

13. COVID-19 Pandemic

The impact of the Covid-19 pandemic may have an impact on the future performance of the company. The directors are taking the following steps to mitigate the risk: review of annual budgets and future cash flows in making their assessment of the company's ability to meet its financial obligations and banking covenants. Based on these assessments and the current resources available the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

SATCOM GLOBAL LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

Development and performance

There is ongoing and significant change within the maritime communications sector as shipping companies worldwide recognise that the greater capacity available from VSAT broadband networks are a strategic investment in improving business productivity and crew welfare. VSAT networks provide global broadband coverage for voice and data communications at a substantially more cost-effective rate than pay-per-use L-band services. They are central to the shipping industry, need to digitise many of their operations and processes. As a result, a consensus has emerged within shipping companies that there is a compelling need to shift to true broadband. Only VSAT broadband networks can deliver the high data speeds required by increasing communications needs, supporting a range of critical onboard applications. VSAT communications enable vessels at sea to share business and operational data in a way which cannot be supported by existing L-band offerings. Communications with suppliers, port authorities, ERP systems, video surveillance, real time operational data exchange and unlimited crew access to the internet can all be facilitated.

The Commercial Shipping market continues to see migration from narrowband to broadband connectivity, which is the main driver of revenue growth in this sub-segment. Commercial Shipping is a core part of our Maritime business where we supply a combination of VSAT, L-band, and land-based 4G/LTE networks to deliver communications across oceans and along the most difficult coastal locations in the world.

SGL launched the Aura Ku-band VSAT service in 2016. The Aura network provides maritime and enterprise customers with a managed connectivity service which brings broadband connectivity to vessels at sea and mobile land customers. The Aura managed mobility service enables any maritime vessel to roam seamlessly, anywhere in the world, providing powerful global two-way Internet connectivity for internet access, voice, monitoring and tracking capabilities so vessels, passengers and crew are always connected.

The investment in Aura provides a significant opportunity to grow both revenues and margins across our customer base. With the ability to build network architecture and add capacity when required, the solution is both scalable and future proof. Customers have access to increased throughput with unlimited data volume consumption and customisable coverage options and throughput packages. Taking ownership of the network means more flexible service terms and packages can be provided compared to those of competitors with the ability to increase bit rate in high-demand areas.

SGL and the wider Broadband Satellite Services group continually invest in improving customer services and value and optimising internal costs. This allows the group to deliver a commonality of service levels and customer experience, centralising operational tasks in our back office shared service centres. The billing, support and provisioning platforms at the heart of our network are based around proprietary technologies which enable us to provide a truly differentiated commercial offering to our customers.

Moving into the coming financial period we have a significant order book for our VSAT Aura platform which will become a major contributor to enhancing future results and organic revenue growth. Our continued development will allow us to achieve further significant cost synergies through the further integration of our various networks and platforms. We continue to see growth in data connectivity across all the market verticals we serve. We operate in multiple verticals across diversified markets all of which have substantial growth opportunities.

The Satellite Network Operators are investing heavily in HTS (High Throughput Satellite) technologies that will both improve performance and reduce the cost of delivery per MHz. Utilising these new technologies and enhancing our own platforms will enable us to meet the growing demand for managed services. Our future development work will make it possible for our customers to manage their communications and IT infrastructure on a global basis. Customers remotely able to optimise their business operations and cutting maintenance and downtime, using our advanced monitoring and reporting capabilities.

As part of the Aura service, a 24/7/365 NOC support centre has been established, providing real time customer support, advanced monitoring, and reporting services. Customers are able to access full visibility of service level indicators directly from the network.

VSAT is now driving growth in the maritime sector. Contracts are typically of 3 to 5-year duration, with recurring revenues and high customer retention levels. The growing technological demands of VSAT operations has increased the need for scale, with managed services and value-added service platforms requiring increased operational support.

SGL is well positioned to offer a comprehensive portfolio of maritime communications and value-added services and having local scale and presence in all of the key maritime markets.

SATCOM GLOBAL LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

There has been strong demand for the Aura service and several key maritime customers have been secured on 5-year supply agreements. The investment in the Aura network will also provide a much higher margin yield. The combination of selling a synthetic VSAT and L-band combination service, provides a much lower service cost than acting as a reseller of pre-bundled VSAT offerings from existing providers.

Demand for the Aura VSAT platform has continued to grow with a significant number of contracts with large vessel fleet operators having been signed since the financial year end. There is a strong installation pipeline which enables those contracts to stretch throughout the next financial year.

Key performance indicators

The management team considers several key financial and operational performance indicators to assess the performance of the business against our key strategic priorities. These include:

Sales: As a broad measure, our sales achievement measures the success of our business model and our ability to develop our customer base. Below the macro level it also provides information on all our product portfolios and the ARPU attached to each service offering.

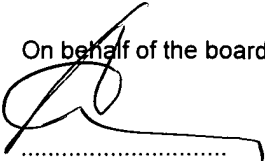
Capital Expenditure: Measures our investment in growth and development of our network and infrastructure along with equipment supplied to operational vessels as part of service bundles.

EBITDA: Measures the total group profitability before the deduction of finance costs, taxation, depreciation and amortisation.

Network Availability: Measures our network uptime against our customer service level agreement of 99.9%.

Employee Turnover: measures the number of voluntary leavers during the year as a % of the average number of employees in the year.

On behalf of the board



R A Howes

Director

25/6/20

SATCOM GLOBAL LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2019

The directors present their annual report and financial statements for the year ended 30 June 2019.

Principal activities

The principal activity of the company was that of distributing satellite communication equipment and provision of airtime.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

R A Howes
I A Robinson
C Leydon

Results and dividends

The results for the year are set out on page 11.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Auditor

The auditor, Haines Watts, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of directors' responsibilities

The directors are responsible for preparing the annual 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;
- 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.

Statement of disclosure to auditor

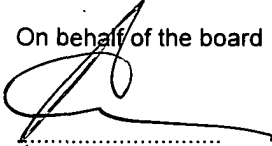
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

SATCOM GLOBAL LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

On behalf of the board



.....
R A Howes
Director

Date: 25/6/20

SATCOM GLOBAL LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SATCOM GLOBAL LIMITED

Qualified opinion

We have audited the financial statements of SatCom Global Limited (the 'company') for the year ended 30 June 2019 which comprise the profit and loss account, the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, except for the effects of the matter described in the Basis for qualified opinion section of our report, the financial statements:

- 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.

Basis for qualified opinion

Intangible assets include a billing system at a valuation of \$18m, the carrying value is based upon the directors' valuation as further explained in note 2 to the financial statements. The billing system was originally acquired on 1 November 2012 at a cost of \$8.85m, being its fair value at the date of acquisition. The billing system is not amortised. No deferred tax is provided on the valuation surplus.

Under the revaluation model, an intangible asset can be carried at a revalued amount provided that the fair value can be determined by reference to an active market. In our opinion, the billing system is unique and there is no active market for such assets. Therefore the billing system should be carried at its cost less accumulated amortisation and impairment losses. Accordingly, intangible assets and should be reduced by \$12.1m, retained profit brought forward should be reduced by \$11.7m and profit for the year should be reduced by \$0.4m.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, 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 opinion.

Material uncertainty relating to going concern

We draw attention to note 1.2 in the financial statements, which refers to the impact that the COVID-19 pandemic may have on the future performance of the company and the steps the Directors are taking to mitigate the risk. As indicated in note 1.2, both the short term and long term effects of COVID-19 on the business are unknown and, as for many businesses at this time, the Directors consider that the outlook presents challenges. The Directors have undertaken detailed planning and forecasting and continue to closely monitor the situation. However, COVID19 creates material uncertainty in the forecasting process and the going concern assessment given the difficulty in modelling and reacting to such an unprecedented event. Our opinion is not modified in respect of this matter.

SATCOM GLOBAL LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF SATCOM GLOBAL LIMITED

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine 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, the directors are 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

SATCOM GLOBAL LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF SATCOM GLOBAL LIMITED

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 that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.



Stephen Easton FCA (Senior Statutory Auditor)
for and on behalf of Haines Watts

25/6/20

**Chartered Accountants and
Statutory Auditor**

17 Queens Lane
Newcastle Upon Tyne
NE1 1RN

SATCOM GLOBAL LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 \$	2018 \$
Turnover	3	28,048,501	40,394,505
Cost of sales		(20,901,070)	(32,466,518)
Gross profit		<u>7,147,431</u>	<u>7,927,987</u>
Administrative expenses		(6,387,433)	(6,477,010)
Operating profit	4	<u>759,998</u>	<u>1,450,977</u>
Interest receivable and similar income	6	85	-
Interest payable and similar expenses	7	(557,071)	(473,713)
Profit before taxation		<u>203,012</u>	<u>977,264</u>
Tax on profit	8	-	89,350
Profit for the financial year		<u><u>203,012</u></u>	<u><u>1,066,614</u></u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

SATCOM GLOBAL LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	2019 \$	2018 \$
Profit for the year	203,012	1,066,614
Other comprehensive income	-	-
Total comprehensive income for the year	<u>203,012</u>	<u>1,066,614</u>

SATCOM GLOBAL LIMITED

BALANCE SHEET

AS AT 30 JUNE 2019

	Notes	2019		2018	
		\$	\$	\$	\$
Fixed assets					
Intangible assets	9	20,775,395		18,216,004	
Tangible assets	10	191,009		322,083	
		<u>20,966,404</u>		<u>18,538,087</u>	
Current assets					
Stocks	11	2,558,664	1,941,770		
Debtors	12	24,569,400	23,175,316		
Cash at bank and in hand		335,026	32,710		
		<u>27,463,090</u>	<u>25,149,796</u>		
Creditors: amounts falling due within one year	13	<u>(33,787,640)</u>	<u>(29,281,164)</u>		
Net current liabilities		<u>(6,324,550)</u>		<u>(4,131,368)</u>	
Total assets less current liabilities		<u>14,641,854</u>		<u>14,406,719</u>	
Creditors: amounts falling due after more than one year	14	(32,124)		-	
Provisions for liabilities	17	(686,220)		(686,221)	
Net assets		<u>13,923,510</u>		<u>13,720,498</u>	
Capital and reserves					
Called up share capital	19	100	100		
Revaluation reserve		9,150,000	9,150,000		
Profit and loss reserves		4,773,410	4,570,398		
Total equity		<u>13,923,510</u>		<u>13,720,498</u>	

The financial statements were approved by the board of directors and authorised for issue on 25/6/20 and are signed on its behalf by:


.....
R A Howes
Director

Company Registration No. 05208041

SATCOM GLOBAL LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

	Share capital	Revaluation reserve	Profit and loss reserves	Total
	\$	\$	\$	\$
Balance at 1 July 2017	100	9,150,000	3,503,784	12,653,884
Year ended 30 June 2018:				
Profit and total comprehensive income for the year	-	-	1,066,614	1,066,614
Balance at 30 June 2018	100	9,150,000	4,570,398	13,720,498
Year ended 30 June 2019:				
Profit and total comprehensive income for the year	-	-	203,012	203,012
Balance at 30 June 2019	100	9,150,000	4,773,410	13,923,510

SATCOM GLOBAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

1 Accounting policies

Company information

SatCom Global Limited is a private company limited by shares incorporated in England and Wales. The registered office is Tanners Bank, North Shields, Tyne & Wear, NE30 1JH.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in US Dollars which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest \$.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain financial instruments at fair value. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;

The financial statements of the company are consolidated in the financial statements of Broadband Satellite Services Limited. These consolidated financial statements are available from its registered office, Tanners Bank, North Shields, Tyne and Wear, NE30 1JH.

SATCOM GLOBAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

1 Accounting policies

(Continued)

1.2 Going concern

These financial statements are prepared on the going concern basis. The directors have a reasonable expectation that the company will continue in operational existence for the foreseeable future. However, the directors are aware of certain material uncertainties which may cause doubt on the company's ability to continue as a going concern.

As described in the Strategic report on page 3, as a result of the COVID-19 pandemic, the current economic environment is difficult. The directors consider that the outlook presents challenges and whilst the directors have instituted measures to preserve cash and secure additional finance, these circumstances create uncertainties over future trading results and cash flows.

On 29th November 2019, the group signed a new finance agreement with Santander. This replaced the group's existing banking facilities with Praetura and the asset finance agreement with RM Capital.

The Directors have reviewed and considered relevant information, including the annual budget and future cash flows in making their assessment of the going concern basis of preparation of the financial statements. In particular, in response to the COVID-19 pandemic, the Directors have tested their cash flow analysis to take into account the impact on their business of possible scenarios brought on by the impact of COVID-19, alongside the measures that they can take to mitigate the impact.

Based on these assessments, given the measures that could be undertaken to mitigate the current adverse conditions, and the current resources available, the Directors have concluded that the Group will continue to operate within the Banking Covenants set by Santander in December 2019.

Considering the uncertainties described above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts. Turnover is recognised to that the extent that there is a right to consideration.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.4 Research and development expenditure

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

1.5 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date if the fair value can be measured reliably.

The billing system has been included at the directors' valuation and it has not been amortised in the financial statements as it is subject to annual revaluations.

SATCOM GLOBAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

1 Accounting policies

(Continued)

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Billing system	not depreciated
Development costs	33% straight line

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant and machinery	4 years straight line
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The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.7 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.8 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.9 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.10 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

SATCOM GLOBAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

1 Accounting policies

(Continued)

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.11 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

SATCOM GLOBAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

1 Accounting policies

(Continued)

1.12 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

1.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

1.14 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

1.15 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

1.16 Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

SATCOM GLOBAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Billing system

Valuation of the billing system is calculated on a Net Present Value based on a 10-year Discounted Cash Flow model which accounts for estimated future income streams. A conservative view is taken on growth. This demonstrates that valuation of the Billing Value at \$18mn is well within the valuation demonstrated by the Discounted Cash Flow model.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2019	2018
	\$	\$
Turnover analysed by class of business		
Airtime	28,048,501	40,394,505
	<u>28,048,501</u>	<u>40,394,505</u>
	2019	2018
	\$	\$
Other significant revenue		
Interest income	85	-
	<u>85</u>	<u>-</u>
	2019	2018
	\$	\$
Turnover analysed by geographical market		
Europe, Middle East, Africa	9,926,784	14,296,220
USA	6,852,573	9,686,845
Asia	6,922,836	9,970,035
Oceania	4,346,308	6,441,405
	<u>28,048,501</u>	<u>40,394,505</u>

SATCOM GLOBAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

4 Operating profit

	2019	2018
	\$	\$
Operating profit for the year is stated after charging/(crediting):		
Exchange losses	133,613	40,348
Fees payable to the company's auditor for the audit of the company's financial statements	12,500	12,500
Depreciation of owned tangible fixed assets	8,238	17,691
Depreciation of tangible fixed assets held under finance leases	122,836	110,732
Loss on disposal of tangible fixed assets	1	-
Amortisation of intangible assets	735,305	34,064

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2019	2018
	Number	Number
Total	-	-

6 Interest receivable and similar income

	2019	2018
	\$	\$
Interest income		
Interest on bank deposits	85	-

7 Interest payable and similar expenses

	2019	2018
	\$	\$
Interest on bank overdrafts and loans	259	29
Interest on invoice finance arrangements	250,959	136,247
Interest on finance leases and hire purchase contracts	41,404	82,432
Other interest	264,449	255,005

8 Taxation

	2019	2018
	\$	\$
Current tax		
Adjustments in respect of prior periods	-	(89,350)

SATCOM GLOBAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

8 Taxation

(Continued)

The actual charge/(credit) for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2019 \$	2018 \$
Profit before taxation	203,012	977,264
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	38,572	185,680
Tax effect of expenses that are not deductible in determining taxable profit	5,313	6,006
Tax effect of utilisation of tax losses not previously recognised	-	(37,507)
Group relief	(43,885)	-
Under/(over) provided in prior years	-	(89,350)
Capital allowances in excess of depreciation	-	(151,251)
Deferred tax adjustment	-	579
Other tax adjustments	-	(3,507)
Taxation charge/(credit) for the year	-	(89,350)

9 Intangible fixed assets

	Billing system \$	Development costs \$	Total \$
Cost			
At 1 July 2018	18,000,000	250,068	18,250,068
Additions	-	153,888	153,888
Transfers	-	7,118,438	7,118,438
At 30 June 2019	18,000,000	7,522,394	25,522,394
Amortisation and impairment			
At 1 July 2018	-	34,064	34,064
Amortisation charged for the year	-	735,305	735,305
Transfers	-	3,977,630	3,977,630
At 30 June 2019	-	4,746,999	4,746,999
Carrying amount			
At 30 June 2019	18,000,000	2,775,395	20,775,395
At 30 June 2018	18,000,000	216,004	18,216,004

SATCOM GLOBAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

10 Tangible fixed assets

	Plant and machinery \$
Cost	
At 1 July 2018 and 30 June 2019	1,426,147
Depreciation and impairment	
At 1 July 2018	1,104,064
Depreciation charged in the year	131,074
At 30 June 2019	1,235,138
Carrying amount	
At 30 June 2019	191,009
At 30 June 2018	322,083

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2019 \$	2018 \$
Plant and machinery	186,037	308,874

Plant and machinery with a carrying value of \$186,037 (2018: \$308,874) have been pledged to secure hire purchase borrowings by the company.

11 Stocks

	2019 \$	2018 \$
Work in progress	403,708	6,740
Finished goods and goods for resale	2,154,956	1,935,030
	<u>2,558,664</u>	<u>1,941,770</u>

SATCOM GLOBAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

12 Debtors

	2019	2018
Amounts falling due within one year:	\$	\$
Trade debtors	2,728,653	3,351,484
Corporation tax recoverable	89,350	89,350
Amounts owed by group undertakings	20,741,141	18,179,874
Other debtors	517,198	1,140,090
Prepayments and accrued income	493,058	414,518
	<u>24,569,400</u>	<u>23,175,316</u>

13 Creditors: amounts falling due within one year

	Notes	2019	2018
		\$	\$
Obligations under finance leases	16	54,631	234,837
Other borrowings	15	-	657,102
Payments received on account		1,423	4,000
Trade creditors		11,981,150	10,718,309
Amounts owed to group undertakings		19,386,980	15,247,082
Taxation and social security		91,909	-
Other creditors		1,751,720	2,158,662
Accruals and deferred income		519,827	261,172
		<u>33,787,640</u>	<u>29,281,164</u>

14 Creditors: amounts falling due after more than one year

	Notes	2019	2018
		\$	\$
Obligations under finance leases	16	32,124	-
		<u>32,124</u>	<u>-</u>

15 Loans and overdrafts

	2019	2018
	\$	\$
Other loans	-	657,102
	<u>-</u>	<u>657,102</u>
Payable within one year	-	657,102
	<u>-</u>	<u>657,102</u>

The long-term loans are secured by fixed charges over the assets of the company.

SATCOM GLOBAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

16 Finance lease obligations

	2019	2018
	\$	\$
Future minimum lease payments due under finance leases:		
Within one year	86,755	89,980
In two to five years	-	144,857
	<u>86,755</u>	<u>234,837</u>

17 Provisions for liabilities

	Notes	2019	2018
		\$	\$
Deferred tax liabilities	18	686,220	686,221
		<u>686,220</u>	<u>686,221</u>

18 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2019	Liabilities 2018
	\$	\$
Balances:		
Accelerated capital allowances	686,220	686,221
	<u>686,220</u>	<u>686,221</u>

There were no deferred tax movements in the year.

19 Share capital

	2019	2018
	\$	\$
Ordinary share capital Issued and fully paid 100 Ordinary of £1 each	<u>100</u>	<u>100</u>

20 Events after the reporting date

On 29th November 2019, the group refinanced its borrowings and obtained a \$19m loan facility and \$2m Revolving Credit Facility with Santander which is repayable in quarterly instalments of \$1m commencing 30 June 2019. Due to the COVID-19 pandemic, the directors and Santander have agreed a repayment deferral for the first two quarters.

21 Related party transactions

SATCOM GLOBAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2019

21 Related party transactions

(Continued)

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the group.

22 Ultimate controlling party

Broadband Satellite Services Limited is regarded by the directors as being the company's ultimate parent company.

A copy of the consolidated financial statements can be obtained via the Companies House website.

The ultimate controlling party is Mr B Howes and Mr I Robinson through their shareholding in Broadband Satellite Services Limited.