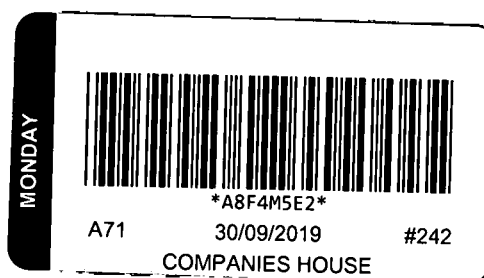


ONEWEB COMMUNICATIONS LIMITED AND SUBSIDIARIES

Consolidated Financial Statements

Registered number 10110107

31 December 2018



ONEWEB COMMUNICATIONS LIMITED AND SUBSIDIARIES

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Group Strategic Report

For the year ended 31 December 2018

The directors present the strategic report for OneWeb Communications Limited (the Company, "OWC" or together with its subsidiaries, the Group, OneWeb or OneWeb group) for the year ended 31 December 2018.

Principal Activities

The Group's principal activities are the design, development and operation of a global satellite communications network to enable universal internet access. Initially, the network will consist of a constellation of more than 600 low-earth orbit (LEO) satellites that aims to deliver high speed, low latency global connectivity to customers throughout the world. The OneWeb network is designed to go beyond the limits of existing infrastructure, enabling connectivity for remote, rural communities and schools as well as for business and industries that rely on global connectivity such as aviation, maritime and land mobility. The advanced system design and ultra-low latency will support the emerging digital economy and enable advanced mobile application needs.

OneWeb maintains spectrum positions in the Ku-band and Ka-band from the International Telecommunications Union (ITU).

Review of Business

During 2018 OneWeb completed a series of milestones toward integrating and deploying its space, ground and communications infrastructure.

OneWeb's satellites are designed and manufactured by Airbus OneWeb Satellites LLC (AOS), a joint venture between OneWeb and Airbus Defense and Space. The partnership leverages OneWeb and Airbus expertise to design and manufacture a modular, low-cost satellite at scale. Mass production began in the second quarter of 2019 in the new, state-of-the-art manufacturing facility in Exploration Park, Florida.

The Group has secured launch services to deploy its satellite constellation. Due to the compact, mass-saving design of its satellites, OneWeb plans to deploy on average over 30 satellites per launch.

OneWeb will deploy ground stations globally to support its satellite constellation service. These ground stations enable communication between the satellites and OneWeb's core network and are strategically located to ensure market access.

Key Performance Indicators:

Financial KPIs

The Group has secured approximately \$3.3 billion in equity and debt financing to date primarily from its shareholders. In 2015, The Group completed a \$500 million Series A funding round, followed by a \$1.2 billion Series B funding round in 2017 to finance the development of the system. The Group raised another \$288 million in debt financing in 2018 ahead of a \$1.25 billion debt and warrants financing round in March 2019 to fund satellite production, launch services and deployment of the ground network.

In 2018, the Group spent \$459.1 million in capital expenditures for development of its launch, satellite and ground segments (2017: \$899.8 million). Capital spending is substantially driven by long-term contractual commitments and varies from year to year.

In 2018, the Group incurred an operating loss of \$217.0 million mainly attributed to various launch contracts restructuring and termination costs (\$69.4 million) and the write-off of deferred financing fees

(\$27.5 million). Operating loss, after the impact of these one-off items increased \$41.0 million in 2018 compared to 2017, driven by an increase in new hires and expansion of the Group operations.

Nonfinancial KPIs

In 2018, OneWeb completed the design and production of its first satellites, including six satellites that were launched in the Group's inaugural launch campaign in February 2019, putting OneWeb on track to bring its ITU-licensed spectrum into use. OneWeb also began the rollout of its ground network in 2018, deploying ground stations to enable end-to-end testing of the OneWeb system. OneWeb's headcount increased to 329 over the course of 2018, largely driven by a ramp-up in activities to support the operations of the satellite network.

Principal Risks and Uncertainties

The Group faces a range of risks and uncertainties that could impact its technological and commercial objectives and strategies. The risks and uncertainties that are likely to most significantly impact the Group are summarized below.

Financing and Liquidity

OneWeb may fail to raise adequate capital to finance the deployment of its system and begin commercial operations. In addition, as the Group pursues the development of its satellite constellation and ground systems, its actual expenditures may differ from expected capital expenditures. The Group meets its day to day working capital requirements through financing secured from equity and debt financings in the aggregate amount to date of \$3.3 billion, including \$1.25 billion secured in March 2019. OneWeb expects to raise additional capital in 2019 to ensure adequate liquidity to finance anticipated costs to deploy its satellite constellation and ground systems.

Satellite Constellation and Ground Infrastructure

OneWeb's satellite constellation and ground network technology is the first of its kind and may encounter technical challenges that adversely impact the delivery of high speed, low latency broadband services globally. The satellites may not operate as intended, reducing service quality or satellite life expectancy. The network may undergo a cyber-attack or other unforeseen event that could damage the system or OneWeb's reputation at a critical juncture. To mitigate this risk, OneWeb has put in place appropriate security measures and the system continues to undergo extensive testing on all network components.

Regulatory Approvals

OneWeb may fail to effectively navigate the regulatory challenges to becoming a truly global telecommunications business. These challenges include bringing into use OneWeb's priority spectrum rights in accordance with the ITU licensing requirements; securing market access and/or landing rights in critical markets to preserve the Group's growth potential and value proposition for significant customers; addressing public concerns about management of space debris to protect the satellite constellation and OneWeb's reputation. OneWeb has worked with leading regulatory entities to secure regulatory rights and has been a leader in policy initiatives to limit space debris exposure.

Sales strategy and execution

OneWeb may fail to accurately assess the market opportunity for satellite-based broadband services and execute on its commercial strategies. If the market does materialize as expected, OneWeb may not secure sales in line with its revenue projections or rely on distributors who fail to effectively sell its services. However, OneWeb has already generated significant interest from the market and is engaged in discussions with many potential customers.

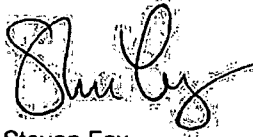
In addition, OneWeb may fail to offer user terminals at low enough prices to enable widespread consumer adoption and development of a sufficiently robust supply chain for a mass market user terminal. It also

may encounter technical delays in bringing new user terminal technologies to market in time to meet early years sales targets for critical, high-value customers. OneWeb mitigates this risk by engaging a diverse group of vendors to develop a broad portfolio of user terminals.

Competition

OneWeb may fail to maintain its first-mover advantage among proposed low earth orbit broadband satellite constellations. The size and resources of some of OneWeb's potential competitors may allow them to enter the market and compete more effectively than OneWeb. However, OneWeb expects to maintain its competitive advantage by continuing to execute on its technical, regulatory and commercial strategies.

By order of the board

A handwritten signature in black ink, appearing to read "Steven Fay", written over a horizontal line.

Steven Fay

Director

Address _____

Directors' Report

The directors present their report and the consolidated financial statements for the year ended 31 December 2018.

Results and dividends

The results of the Group for the year are set out on page 10 and are commented on within the strategic report.

The directors do not recommend the payment of a dividend (2017: \$nil).

Directors

The directors who served during the year and up to the date of this report were:

Steven Fay

Kathleen Guerere

Employees

The Group and its operating subsidiaries are nondiscriminatory employers operating employment policies that aim to eliminate unfair discrimination, harassment, victimization and bullying. The Group is committed to ensuring that all individuals are treated fairly, with respect, and are valued irrespective of disability, race, gender, health, social class, sexual preference, marital status, religion, employment status, age, nationality or ethnic origin.

The Group uses consultative procedures agreed with its staff and elected representatives with a view to ensuring that its employees are aware of the financial and economic factors that affect the Group's performance and prospects. Within the bounds of commercial confidentiality, information is disseminated to all levels of staff about matters that affect the progress of the Group and are of interest and concern to them as employees. The Group also encourages employees, where relevant, to meet on a regular basis to discuss matters affecting them.

In considering applications for employment from disabled people, the Group seeks to ensure that full and fair consideration is given to the abilities and aptitudes of the applicant against the requirements of the jobs for which he or she has applied. Employees who become temporarily or permanently disabled are given individual consideration and, where possible, equal opportunities for training, career development and promotions are given to disabled persons.

Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and Group's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any needed by the Company and the Group's auditor in connection with preparing its report and to establish that the Company and Group's auditor are aware of that information.

Other information

In March 2019, the Group entered into a Warrants Purchase Agreement ("WPA"), under which it authorized the issuance of warrants to subscribe for up to an aggregate of 6,293,333 Ordinary Shares and/or Preferred Shares to purchasers of Notes issued pursuant to the Amended and Restated Note Purchase Agreement ("A&R NPA") as described in note 9(a). As of 15 May 2019, the Company has issued 3,955,552 warrants and none of the purchasers under the A&R NPA have exercised their subscription rights with respect to warrants.

In March 2019, the Group amended two of its launch services contracts. Pursuant to these amendments, payments of \$553 million due at 31 December 2018 and the remaining payments scheduled under the contracts were revised. As a result, these payments are expected to occur in reporting years 2019 to 2020. Additionally, amendments resulted in a more flexible launch schedule reducing the expenditures remaining in firm commitments by approximately \$198 million.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

This report was approved by the board on 19 September 2019 and signed on its behalf:



Steven Fay

Director

Address _____

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law, they have elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ONEWEB COMMUNICATIONS LIMITED

Opinion

We have audited the financial statements of OneWeb Communications Limited ("the company") for the year ended 31 December 2018 which comprise the Consolidated Statements of Financial Position, Consolidated Statements of Profit or Loss and Comprehensive Loss, Consolidated Statements of Changes in Equity, Consolidated Statements of Cash Flows, Company Balance Sheet, Company Statement of Changes in Equity and related notes, including the accounting policies in note 3.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1(b) to the financial statements which indicates that further funding is required for both capital expenditure and operations through to commercial launch of the full satellite constellation. Given the inherent risks associated with raising capital which at the date of approval of the financial statements is not committed, there can be no assurance that the Group will be successful in raising additional finance. These conditions, along with the other matters explained in note 1(b), indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardized firm-wide approach in response to that uncertainty when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Other matter - prior period parent company financial statements

We note that the prior period parent company financial statements were not audited. Consequently ISAs (UK) require the auditor to state that the corresponding figures contained within these parent company financial statements are unaudited. Our opinion is not modified in respect of this matter.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



**Sarah Styant (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants

15 Canada Square
London
E14 5GL

30 September 2019

ONEWEB COMMUNICATIONS LIMITED

Consolidated Statements of Profit or Loss and Comprehensive Loss

31 December 2018 and 2017

(in thousands of U.S. Dollars)

	31 December	
	2018	2017
Revenues	\$ —	\$ —
Operating expenses (note 19)	216,496	81,254
Other income	(1,024)	(1,328)
Foreign exchange loss (gain)	1,504	(869)
Operating loss	(216,976)	(79,057)
Financing income	874	1,105
Change in fair value of derivative financial instrument	—	433
Loss before income tax	(216,102)	(77,519)
Income tax credit (note 16)	2,918	3,662
Net loss	(213,184)	(73,857)
Other comprehensive income (loss), net of income tax:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	230	102
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of post-employment benefits	(34)	112
Total other comprehensive income	196	214
Total comprehensive loss	\$ (212,988)	(73,643)
Loss attributable to:		
The owners of OneWeb Communications Limited	\$ (212,639)	(71,255)
Noncontrolling interests (note 14)	(545)	(2,602)
Net loss	\$ (213,184)	(73,857)
Total comprehensive loss attributable to:		
The owners of OneWeb Communications Limited	\$ (212,508)	(71,155)
Noncontrolling interest	(480)	(2,488)
Total comprehensive loss	\$ (212,988)	(73,643)

See accompanying notes to consolidated financial statements.

ONEWEB COMMUNICATIONS LIMITED
Consolidated Statements of Financial Position
31 December 2018 and 2017
(in thousands of U.S. Dollars)

Assets	31 December	
	2018	2017
Current assets:		
Cash and cash equivalents (note 4)	\$ 36,766	360,731
Prepayments and other current assets	10,657	6,098
Income tax receivable	2,358	2,881
Total current assets	<u>49,781</u>	<u>369,710</u>
Noncurrent assets:		
Satellite, ground, and other property and equipment (note 5)	2,375,832	1,276,913
Intangible assets (note 6)	7,953	5,062
Other noncurrent assets (note 7)	34,765	47,134
Deferred tax assets (note 16)	3,292	1,857
Total noncurrent assets	<u>2,421,842</u>	<u>1,330,966</u>
Total assets	<u>\$ 2,471,623</u>	<u>1,700,676</u>
Equity and Liabilities		
Current liabilities:		
Trade and other payables (note 8)	\$ 791,147	122,053
Provisions	6,302	—
Income tax payable	24	46
Other current liabilities	388	—
Other interest-bearing borrowings (note 9)	298,350	—
Total current liabilities	<u>1,096,211</u>	<u>122,099</u>
Noncurrent liabilities:		
Provisions	329	326
Other interest-bearing borrowings (note 9)	4,025	—
Other liabilities	5,549	4,604
Total noncurrent liabilities	<u>9,903</u>	<u>4,930</u>
Total liabilities	<u>1,106,114</u>	<u>127,029</u>
Equity:		
Share capital	—	—
Other capital reserve	1,723,024	1,723,024
Share-based compensation reserve	15,024	10,174
Other reserves	199	68
Profit and loss reserve	(378,142)	(165,503)
Equity attributable to owners of the Company	<u>1,360,105</u>	<u>1,567,763</u>
Noncontrolling interest (note 14)	5,404	5,884
Total equity	<u>1,365,509</u>	<u>1,573,647</u>
Total equity and liabilities	<u>\$ 2,471,623</u>	<u>1,700,676</u>

See accompanying notes to consolidated financial statements.

ONEWEB COMMUNICATIONS LIMITED
Consolidated Statements of Changes in Shareholders' Equity
31 December 2018 and 2017
(in thousands of U.S. Dollars)

	Share capital	Other capital reserve	Share-based compensation transactions reserve	Foreign currency translation and other reserves	Accumulated deficit	Total attributed to owners of OneWeb Communications Ltd.	Noncontrolling interest	Total equity
Balance at 1 January 2017	\$ —	465,755	6,113	(32)	(94,248)	377,588	8,372	385,960
Total comprehensive loss:								
Net loss					(71,255)	(71,255)	(2,602)	(73,857)
Post-employment benefits gain				56		56	56	112
Foreign operations currency translation				44		44	58	102
Total comprehensive loss				100	(71,255)	(71,155)	(2,488)	(73,643)
Contributions and distributions:								
Issue of ordinary shares		1,016,962				1,016,962		1,016,962
Share issue transaction costs		(1,977)				(1,977)		(1,977)
Issue of preferred shares		200,000				200,000		200,000
Conversion of convertible debt		42,284				42,284		42,284
Share-based compensation transactions, net of tax			4,061			4,061		4,061
Total contributions and distributions		1,257,269	4,061			1,261,330		1,261,330
Balance at 31 December 2017	\$ —	1,723,024	10,174	68	(165,503)	1,567,763	5,884	1,573,647
Total comprehensive loss:								
Net loss					(212,639)	(212,639)	(545)	(213,184)
Post-employment benefits loss				(17)		(17)	(17)	(34)
Foreign operations currency translation				148		148	82	230
Total comprehensive loss				131	(212,639)	(212,508)	(480)	(212,988)
Contributions and distributions:								
Share-based compensation transactions, net of tax			4,850			4,850		4,850
Total contributions and distributions			4,850			4,850		4,850
Balance at 31 December 2018	\$ —	1,723,024	15,024	199	(378,142)	1,360,105	5,404	1,365,509

See accompanying notes to consolidated financial statements.

ONEWEB COMMUNICATIONS LIMITED

Consolidated Statements of Cash Flows

31 December 2018 and 2017

(in thousands of U.S. Dollars)

	31 December	
	2018	2017
Operating activities:		
Net loss	\$ (213,184)	(73,857)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	2,273	1,155
Financial asset impairment loss	1,336	—
Loss from disposal of property, plant and equipment	41,465	—
Financing fees write off	27,524	—
Equity-settled share-based payment expense (note 15)	3,516	4,156
Gain from fair value changes of derivative	—	(433)
Tax expense	(2,918)	(3,662)
Working capital and other adjustments:		
Increase in other current and noncurrent assets	(15,216)	(10,884)
Increase in trade and other payables	10,190	4,261
Increase in other liabilities	1,539	4,034
Income taxes received (paid)	1,850	(3,086)
Net cash used in operating activities	(141,625)	(78,316)
Investing activities:		
Construction in progress additions – satellite, ground, and launch	(452,423)	(867,632)
Capitalized interest paid	(723)	(6,727)
Manufacturing facility advance payments	(5,920)	(25,425)
Purchase of office and computer equipment	(3,193)	(4,454)
Purchase of intangible assets	(3,451)	(2,991)
Purchase of other assets	—	(180)
Net cash used in investing activities	(465,710)	(907,409)
Financing activities:		
Proceeds from issuance of ordinary shares	—	1,016,020
Proceeds from issuance of preferred shares	—	200,000
Proceeds from issuance of convertible note payable	—	20,000
Proceeds from issuance of interest-bearing debt (note 9)	288,000	528,000
Repayment of interest-bearing debt (note 9)	—	(528,000)
Payments for the issuance of ordinary shares	—	(1,881)
Finance lease principal payments (note 9)	(1,137)	—
Payments for debt issuance costs (note 9)	(3,792)	—
Net cash provided by financing activities	283,071	1,234,139
Net (decrease)/increase in cash and cash equivalents	(324,264)	248,414
Effect of exchange rate changes on cash and cash equivalents	299	92
Cash and cash equivalents, beginning of year	360,731	112,225
Cash and cash equivalents, end of year	\$ 36,766	360,731
Supplemental disclosures of noncash investing and financing activities:		
Conversion of convertible notes and accrued interest into Ordinary Shares	\$ —	42,284
Share-based compensation capitalized in construction in progress (note 15)	1,334	846
Capitalized interest in construction in progress	42,191	—
Construction in progress accruals, excluding capitalized interest	643,744	16,370

See accompanying notes to consolidated financial statements.

ONEWEB COMMUNICATIONS LIMITED
Notes to Consolidated Financial Statements
31 December 2018 and 2017

(1) Corporate Information

(a) Organization

OneWeb Communications Limited (the Company, "OWC" or together with its consolidated subsidiaries, the Group, OneWeb or OneWeb group) was incorporated in England, UK, on 7 April 2016 as a private limited company under the Companies Act of 2006. The registered number is 10110107 and registered address is Asticus Building 2nd Floor, 21 Palmer Street, London, United Kingdom, SW1H 0AD. Information on the Group's subsidiaries and affiliates is presented in note 30.

OWC is a direct, wholly owned subsidiary of OneWeb Global Limited, a UK company, incorporated on 4 April 2016 as a private limited company under the Companies Act of 2006, with the same registered address as the Company.

In January 2018, OneWeb Global Limited entered into a share-for-share exchange transaction with WorldVu Satellites Limited (WorldVu), a private entity organized under the laws of Jersey, Channel Islands and previously the parent company of the Group. Simultaneously, in exchange for shares in the Company, OneWeb Global Limited contributed, transferred and assigned its acquired shares in WorldVu to the Company by entering into a stock contribution and transfer arrangement ("Transfer"). Following the Transfer, the Company became the direct parent of WorldVu and held all outstanding shares of WorldVu and OneWeb Global Limited became the ultimate parent of the Group as well as the direct parent of the Company.

(b) Going Concern

The financial statements are prepared on a going concern basis, which the directors believe to be appropriate for the reasons stated below. The Group meets its day to day working capital requirements through financing secured from investors. The Group is unable to place reliance on the financial support from its parent, OneWeb Global Limited as all financing has been secured by the Company and its subsidiaries.

For the purposes of the going concern assessment, the directors have considered whether the Group can continue its operational existence for the foreseeable future, being a period of not less than twelve months from the date of their approval of these financial statements. In March 2019, the Group successfully closed financing of an additional \$1.25 billion and negotiated payment terms of several significant contractual commitments that aligned the payment profile with service provision under these contracts. The Group expects to raise additional debt or equity financing in calendar years 2019 and 2020. Since inception, the Group has demonstrated its ability to manage its cash flows according to the level of funding available. As a result, based on the available funding, the additional financing expected to raise, and the timing and amounts of expenditures in the Group's satellite constellation, the directors believe that the Group is well placed to manage its liquidity risk for the twelve months after the approval of these financial statements.

To deploy the full satellite constellation, it is necessary for the Group to raise further financing. As the deployment of the satellite constellation will be achieved in stages, so will the financing of the full constellation. Through December 2018, the Group raised over \$2.0 billion in equity and debt financing. In March 2019, the Group raised an additional \$1.25 billion in debt and warrants financing to be disbursed throughout 2019 and expects to raise additional debt or equity financing in calendar years 2019 and 2020. If these plans are successful, the Group believes it will have sufficient liquidity to finance the anticipated costs of its first-generation satellite constellation.

ONEWEB COMMUNICATIONS LIMITED

Notes to Consolidated Financial Statements

31 December 2018 and 2017

Accordingly, the directors have a reasonable expectation that the Group has adequate financial resources to continue operational existence for the twelve-month period after the approval of these financial statements. Thus, it remains appropriate to prepare the financial statements on a going concern basis. However, the directors recognize that there is uncertainty inherent in raising capital to the extent it can support the deployment of the entire satellite constellation. This gives rise to a material uncertainty, which may cast significant doubt on the company's ability to continue as a going concern and, therefore, to continue realizing its assets and discharging its liabilities in the normal course of business. These financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

(2) Basis of Preparation

The financial statements of the Group and the Company have been prepared and approved by the directors in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and adopted by the European Union (Adopted IFRSs). The Company has elected to prepare its parent only financial statements in accordance with FRS 101. These are presented on pages 47 to 58.

The financial statements of the Group have been prepared on a historical cost basis, except for those financial assets and liabilities, for which fair value measurement is required by IFRS. The consolidated financial statements are presented in U.S. dollars and all values are rounded to the nearest thousand (\$000), except when otherwise indicated. The financial statements of the Company present information about the Company as a separate entity and not about its Group.

The share-for-share exchange between OneWeb Global Limited and WorldVu Satellites Limited and the immediate share contribution and transfer of all the outstanding shares of WorldVu Satellites Limited from OneWeb Global to the Company are deemed capital reorganization transactions ("Reorganization"). The Reorganization is accounted for as a common control transaction to effect the change in domicile of entities under common control. The group assets and liabilities before and after reorganization remained the same. Shareholders' interests and their respective absolute and relative values before and after reorganization remained unchanged. Common control transactions are exempt from IFRS 3 – *Business Combinations* and the Company has a policy choice to account for the common control transactions either under the book value or IFRS 3 – acquisition method. Once the accounting policy choice is made, the Company is required to apply it consistently. The Company elected to apply the book value or carry-over basis as the method that best presents the economic substance of the transaction. Accordingly, the assets acquired and liabilities assumed are recognized using the book values in the financial statements of WorldVu with the capital account reflecting the issued and outstanding capital of OneWeb Communications Limited. On the date of Reorganization, the consolidated financial statements of the Group include the results of the transferred entities for all periods presented, including the periods prior to the completion of the Reorganization but from the date the entities were under common control.

(3) Significant Accounting Policies

Accounting policies the Group has adopted have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of Consolidation

The accompanying consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries and any other entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity

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and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Profit or loss and each component of other comprehensive income or loss are attributed to the owners of the Company and noncontrolling interests even if this results in the noncontrolling interests having a deficit balance.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control above.

All significant intercompany assets and liabilities, equity, income and expenses and cash flows relating to transactions between members of the Group are eliminated in consolidation.

(b) Noncontrolling Interest

Noncontrolling interest (NCI) is classified as a separate component of equity in the consolidated statements of financial position and consolidated statements of changes in shareholders' equity and is initially measured at its proportionate share of the subsidiary's identifiable net assets. Subsequently, NCI is attributed with the proportionate share of subsidiary's profit or loss and proportionate share of other comprehensive profit or loss components. Net loss is subsequently adjusted to remove the noncontrolling interest to arrive at net loss attributable to the Group. Components of other comprehensive loss are also adjusted to remove the noncontrolling interest to arrive at other comprehensive loss attributed to the Group.

(c) Joint Ventures

A joint venture is a type of joint arrangement whereby the parties including the Company, have joint control based upon the contractual arrangement, that requires unanimous consent related to significant decisions of the business activities and have rights to the net assets of the arrangement.

The considerations made in determining whether significant influence or joint control are similar to those necessary to determine control over subsidiaries. Investments in joint ventures are accounted for using the equity method and are initially recognized at cost. The investment is adjusted thereafter to recognize the Company's interest of the profit or loss and other comprehensive income from the date of acquisition to the date of loss of significant influence. When the losses of a joint venture exceed the Company's interest in the joint venture, long-term interests that, in substance, form a part of the net investment in the company are decreased to zero, and no additional loss is recognized except when the Company incurs legal or constructive obligations to or makes payments on behalf of the joint venture.

(d) Critical Accounting Judgments and Estimates

In the preparation of consolidated financial statements in conformity with IFRS, management is required to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, expenses and disclosures of contingent liabilities. Estimates and judgments are continually evaluated. These estimates and underlying assumptions are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and are believed to be reasonable under the circumstances at the end of the financial periods presented. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only

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that period, or in the period of revision and future periods if the revision affects both current and future periods. Due to uncertainties inherent in making estimates, actual results could differ from those estimates. Critical accounting judgments and estimates include taxes on income (see note 19), including deferred tax assets and their recoverability, fair value measurements and the underlying valuation process (see notes 10 and 16), and evaluation of control over investees (see note 15).

(e) Satellites, Ground, Other Property and Equipment

The Group's property and equipment include costs for the design, manufacture, test and launch of a constellation of low earth orbit satellites (the Space Component), primary and backup control centers, gateways and other ground facilities (the Ground Component). The Group's satellite and ground assets comprise construction in progress.

The Space and Ground Components and other property and equipment are carried at cost, net of accumulated depreciation less any recognized impairment loss. The cost of property and equipment includes the estimated costs of dismantling and removing the asset and restoring the site on which it is located to the extent that the Group has a legal or constructive obligation as a direct consequence of acquiring or constructing the property, plant and equipment. Property and equipment under a finance lease are stated at an amount equal to the lower of their fair value or the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and less impairment losses if any.

The Group capitalizes borrowing costs directly attributable to the acquisition and construction of assets that take a substantial time to get ready for their intended use. Such costs are added to the construction costs of Space and Ground Components. Capitalized interest included as part of the asset cost will be amortized over the depreciable life of the asset after it is placed into service.

As of 31 December 2018, depreciation has not commenced on the Space and Ground Components. For all other property and equipment, depreciation is provided using the straight-line method over the estimated useful lives of the respective assets as follows:

- Furniture and computer equipment – 2 to 3 years
- Leasehold improvements and assets under finance leases – the shorter of useful lives or the lease term

Where components of property, plant and equipment have different useful lives, they are accounted for as separate class of property, plant and equipment. The estimated useful lives and depreciation methods are reviewed at the end of each reporting period and the effect of any changes in estimates are accounted for on a prospective basis.

(f) Intangible Assets

The Group classifies its intangible assets into finite and indefinite categories based upon the assessment of their useful life. An intangible asset is classified as having an indefinite useful life when, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group, based on the analysis of all relevant factors. All other intangible assets that arise from contractual or other legal rights are classified as intangible assets with finite useful lives.

Intangible assets with finite useful lives include internal-use computer software and patents. Intangible assets with finite useful lives are carried at cost less accumulated amortization and any

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recognized impairment loss. Amortization is recognized on a straight-line basis over the estimated useful lives of the respective assets. The estimated useful lives are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Intangible assets with indefinite useful lives are carried at cost less any recognized impairment loss. The Group's intangible assets with indefinite useful lives consist of spectrum and priority rights, licenses and trademarks.

An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use. Gains or losses arising from derecognition are recognized in profit or loss.

(g) Impairment of Nonfinancial Assets excluding Deferred Tax Assets

At the end of the reporting period the Group assesses whether indicators of impairment exist that would impact the recoverability of its satellites, ground and other property and equipment and intangible assets with finite useful lives. If any indicators are present, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. The recoverable amount is the higher of 1) the fair value less costs of disposal and 2) value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using an appropriate discount rate, reflecting current market assessment of time value of money and risks specific to the asset. Any impairment loss is measured as the excess of the assets' carrying amount over its recoverable value and recognized immediately in profit or loss.

Intangible assets with indefinite useful lives are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

(h) Fair Value Measurements

Except for the fair value of share-based payments, the Group determines the fair value for measurements and disclosure purposes considering the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. The Group evaluates assets and liabilities subject to fair value measurements on a recurring and nonrecurring basis to determine the appropriate level in which to classify them for each reporting period. For financial reporting purposes, fair value measurements are categorized into Level 1, 2 and 3 based on the degree to which the inputs to the fair value measurements are observable, as described below:

- Level 1, defined as observable inputs such as quoted prices in active markets for identical assets or liabilities;
- Level 2, defined as observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and
- Level 3, defined as unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own assumptions.

(i) Other Current Assets

The Group's other current assets consist mainly of prepaid rent, insurance, advances to suppliers and security deposits with a term of less than 12 months from the reporting date.

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(j) Share-Based Compensation

Equity-settled share-based payment awards to employees and others providing services to the Group are measured at the fair value of the award on the grant date. Details regarding determination of the fair value of equity-settled share-based transactions are discussed further in note 15.

The fair value determined on the grant date of the equity-settled share-based awards is recognized over the vesting period based on the Group's estimate of equity instruments that are expected to vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of revision of the original estimate, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate with a corresponding adjustment to equity.

Service and nonmarket performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be nonvesting conditions. Nonvesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

(k) Short-Term and Other Long-Term Employee Benefits

The Group recognizes a liability for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period that the related services are rendered. The Group measures the liability for short-term employee benefits at the undiscounted amount of benefits expected to be paid in exchange for the related services. The liabilities for long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be paid by the Group for services provided by employees up to the reporting date.

(l) Provisions

The Group recognizes a provision when it has a present obligation (legal or constructive) as a result of a past event, and it is probable that the Group will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation. The amount recognized is the best estimate of the consideration required to settle the obligation at the end of the reporting period, taking into consideration the risks and uncertainties surrounding the obligation. The Group measures provisions using the present value of cash flows estimated to settle the obligation, discounted at a rate that reflects risks specific to the liability.

(m) Financial Instruments

(i) Recognition and initial measurement

The Group recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument. The Group initially measures a financial asset or liability at fair value, plus for an item not measured at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

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(ii) *Classification and subsequent measurement*

Financial assets

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL. The Group's financial assets consist of Cash and cash equivalents and Other receivable classified and measured at amortized cost.

Financial assets initially measured at amortized cost are subsequently measured using the effective interest method. The amortized cost is reduced by impairment losses, if any. Interest income, foreign exchange gains and losses and any impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Financial liabilities and equity

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavorable to the company; and
- (b) where the instrument will or may be settled in the Group's own equity instruments, it is either (1) a nonderivative that includes no obligation to deliver a variable number of the Group's own equity instruments or (2) a derivative that will be settled by the Group's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issuance are classified as a financial liability.

Financial liabilities are classified as measured at amortized cost or FVTPL. The Group's financial liabilities consist of Trade payables and Other Interest-bearing borrowings classified and measured at amortized cost. These financial liabilities are initially measured at fair value and for interest bearing debt less transaction costs. Subsequently, these financial liabilities are measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss or capitalized as borrowing costs provided, they meet the recognition criteria. Any gain or loss on derecognition is recognized in profit or loss.

(n) **Leases**

At the commencement of the lease, the Group capitalizes assets associated with finance leases that transfer to the Group substantially all of the risks and benefits incidental to ownership of the leased asset at the lower of the fair value of the leased asset or present value of the minimum lease payments. Lease payments are apportioned between finance charges and a reduction in the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the consolidated statements of profit or loss and comprehensive loss. A leased asset is depreciated over the shorter of estimated useful life of the asset or the lease term.

The Group classifies leases that are not finance leases as operating leases. Operating lease payments are recognized as an operating expense on a straight-line basis over the lease term,

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except where another systematic basis is more representative of the time patterns in which economic benefits from the leased assets are consumed. Lease incentives are initially recognized as a liability and subsequently amortized to rental expense.

(o) Foreign Currency

The presentation currency of the Group is the U.S. dollar. Subsidiaries whose functional currency is a currency other than the U.S. dollar translate their assets and liabilities into U.S. dollars at the current exchange rates in effect at the end of the reporting period. The revenue and expense accounts of such subsidiaries are translated into U.S. dollars at the average exchange rates during the period. Translation adjustments are included in the foreign currency translation reserve, a separate component of equity. Gains or losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are recorded in profit or loss and classified as foreign exchange gain or loss on the consolidated statements of comprehensive income or loss.

(p) Income Taxes

Income tax expense consists of current tax and deferred tax. The current tax payable is based on a taxable profit for the year and recognized in the consolidated statements of profit or loss and comprehensive loss, except to the extent it relates to items recognized directly in equity, in which case it is recognized in equity. The current tax is calculated using the tax rates that have been enacted or substantively enacted at the balance sheet date.

The Group accounts for the deferred income taxes using the asset and liability approach, which requires the recognition of deferred tax assets and liabilities for the future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. The Group measures deferred tax assets and liabilities using enacted or substantively enacted tax rates at the balance sheet date. At the end of each reporting period, the Group assesses the likelihood that the carrying amount of deferred tax assets can be recovered and reduces them to the extent it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are generally recognized for all taxable temporary differences. However, deferred tax liabilities are not recognized for differences relating to investments in subsidiaries to the extent that the Group is able to control the reversal of the temporary difference and it is not probable that the temporary difference will not reverse in the near future.

Deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. The measurement of deferred tax assets and liabilities reflect the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The Group's policy is to comply with all enacted laws in the relevant jurisdictions in which the Group prepares its tax returns. However, tax legislation, especially as it applies to corporate taxes, is not always prescriptive and more than one interpretation of the law may be possible. In addition, tax returns in many jurisdictions are filed in arrears a year or more after the end of the accounting period to which they relate.

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The Group provides for the uncertain tax position, when it is aware of significant areas where the law is unclear and has been relied upon in a filing position of a tax return, or, in an area where different outcomes and interpretations are possible and may lead to a different result. A provision is made when, based upon the available evidence, the Group considers that it is probable that further amounts will be payable, or a recoverable tax position will be reduced, and the adjustment can be reliably estimated. The Group considers each uncertain tax treatment separately and calculates the uncertain tax position using the most likely amount method on a case by case basis.

(q) New and Amended International Financial Reporting Standards (IFRSs) Adopted by the Group

Application of new and revised IFRS are mandatorily effective for the accounting period that begins on or after 1 January 2018.

(i) IFRS 9 – Financial Instruments

In the current year, the Group has applied IFRS 9 – *Financial Instruments* (as revised July 2014) and the related consecutive amendments to other IFRSs that are effective for annual periods beginning on or after 1 January 2018. Additionally, the Group adopted consequential amendments to IFRS 7 – *Financial Instruments: Disclosures* that were applied to the disclosures for 2018 and the comparative period.

IFRS 9 introduced new requirements for the classification and measurement of financial assets and financial liabilities, impairment of financial assets and general hedge accounting. The date of initial application is 1 January 2018. Accordingly, the Group has applied the requirements of IFRS 9 to instruments that continue to be recognized at 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives.

(a) Classification and measurement of financial assets and liabilities

In assessment of financial assets and liabilities at 1 January 2018 for financial assets and liabilities classified and measured at amortized costs, the application of IFRS 9 did not have any impact on classification and measurement of the Group's financial assets and liabilities.

(b) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. To the extent it applies to the Group's financial assets, IFRS 9 requires a simplified approach for measuring of the loss allowance at an amount equal to lifetime expected credit losses (ECL) for trade receivables. The group has applied the simplified approach and recognized lifetime ECL for its trade receivable account of \$1.4 million at 31 December 2018 (2017: \$0). The Group does not have other financial assets subject to impairment assessment.

(c) Hedge accounting

The application of IFRS 9 did not impact consolidated financial statements as the Group does not have any instruments that qualify as hedge instruments that are eligible for hedge accounting.

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(ii) IFRS 15 – Revenue from Contracts with Customers

In the current year, the Group has applied IFRS 15 – *Revenue from Contracts with Customers* (as amended in April 2016), which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. The Group is expected to reach its commercial stage in 2021 and does not have any contracts with customers within the scope of IFRS 15. The application of the IFRS 15 did not have any impact on the consolidated financial statements of the Group.

(iii) IFRIC 23: Uncertainty over Income Tax Treatments on or after 1 January 2019 with Earlier Application Permitted.

IFRS 23 is to be applied to the determination of taxable profit or loss, tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over tax treatments under Income Taxes (IAS 12). An entity is required to use judgment to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty.

In determination of taxable profit or loss, tax bases, unused tax losses, unused tax credits and tax rates, an entity first must consider whether it is probable that the relevant authority will accept each tax treatment that it used or plans to use in its income tax filing.

- If the entity concludes that it is probable that a particular tax treatment is accepted, the entity has to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings.
- If the entity concludes that it is not probable that a particular tax treatment is accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better predictions of the resolution of the uncertainty.

An entity reassesses its judgments and estimates if facts and circumstances change. The Group has early adopted IFRIC 23 with no impact on the consolidated financial statements.

(r) New and Amended Accounting Standards that have been Issued but are not yet Effective and have not been Early Adopted

(i) IFRS 16 – Leases: Effective for Annual Periods Beginning on or after 1 January 2019 with Earlier Application Permitted.

The standard sets out requirements for recognizing assets and liabilities in respect of leases and will supersede the existing accounting guidance in IAS 17 – *Leases* and the related interpretations. IFRS 16 will primarily change lease accounting for lessees; lease agreements will give rise to the recognition of an asset representing the right to use the leased item and a loan obligation for future lease payables. Lease costs will be recognized in the form of depreciation of the right to use asset and interest on the lease liability. Lessee accounting under IFRS 16 will have the greatest impact in accounting for operating leases where rental charges are currently recognized on straight-line basis and no lease asset or lease loan obligation is recognized. Lessor accounting under IFRS 16 is similar to existing IAS 17 accounting.

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The Group is assessing the impact of the accounting changes that will arise under IFRS 16; however, the changes are expected to impact the consolidated income statement (being a reclassification between operating expenses and depreciation charge) and the consolidated balance sheet (the recognition of a right of use asset and lease liability).

(ii) *IAS 28 – Long-term interests in Associates and Joint Ventures Effective for Periods Beginning on or after 1 January 2019 with Earlier Application Permitted.*

The amendment clarifies that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28). The amendments apply retrospectively to annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. Specific transition provisions apply depending on whether the first-time application of the amendments coincides with that of IFRS 9. The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs

The Annual Improvements include amendments to four Standards.

IAS 12 – Income Taxes. The amendments clarify that an entity should recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

IAS 23 – Borrowing Costs. The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

IFRS 3 – Business Combinations. The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognized assets, liabilities and goodwill relating to the joint operation.

IFRS 11 – Joint Arrangements. The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not remeasure its PHI in the joint operation.

All the amendments are effective for annual periods beginning on or after 1 January 2019 and generally require prospective application. Earlier application is permitted. The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

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(4) Cash and Cash Equivalents

Cash and cash equivalents of the Group consist of the following:

	31 December	
	2018	2017
	(In thousands of U.S. dollars)	
Cash in banks	\$ 36,766	198,831
Interest rate deposits		161,900
Total cash and cash equivalents	\$ 36,766	360,731

Cash in banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the cash requirements of the Group and earn interest at the respective short-term deposit rates.

(5) Satellites, Ground and Other Property and Equipment

Satellites, ground and other property and equipment consist of the following:

	Construction in progress	Other		
	Space	Ground	property and	Total
	component	component	equipment	
	(In thousands of U.S. dollars)			
Cost:				
Balance at 1 January 2017	\$ 258,482	122,302	806	381,590
Additions	665,515	226,057	4,795	896,367
Balance at 31 December 2017	923,997	348,359	5,601	1,277,957
Additions	932,641	206,440	3,121	1,142,202
Disposals	(41,465)			(41,465)
Balance at 31 December 2018	\$ 1,815,173	554,799	8,722	2,378,694
Accumulated Depreciation:				
Balance at 1 January 2017	\$ —	—	(337)	(337)
Depreciation			(707)	(707)
Balance at 31 December 2017			(1,044)	(1,044)
Depreciation			(1,818)	(1,818)
Balance at 31 December 2018	\$ —		(2,862)	(2,862)
Carrying amounts:				
At 31 December 2017	\$ 923,997	348,359	4,557	1,276,913
At 31 December 2018	1,815,173	554,799	5,860	2,375,832

Construction in progress consists primarily of costs related to the design, development, construction and launch of the Group's satellites and ground facilities. Interest costs of \$42.9 million and \$5.8 million were capitalized during the years ended 31 December 2018 and 2017, respectively and are included in additions to Space and Ground components in the above table.

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Depreciation has not commenced on the Space Component and Ground Component as the assets have not been placed in service as of 31 December 2018.

(6) Intangible Assets

Intangible assets consist of the following:

	Software	Patents	Spectrum and priority rights, licenses and trademarks	Total
	(In thousands of U.S. dollars)			
Cost:				
Balance at 1 January 2017	\$ 1,594	373	802	2,769
Additions	1,579	393	762	2,734
Effect of movements in foreign exchange	208	—	3	211
Balance at 31 December 2017	3,381	766	1,567	5,714
Additions	2,101	618	690	3,409
Disposals	(59)	(59)	—	(118)
Effect of movements in foreign exchange	—	—	(2)	(2)
Balance at 31 December 2018	\$ 5,423	1,325	2,255	9,003
Accumulated Amortization:				
Balance at 1 January 2017	\$ (154)	(4)	—	(158)
Amortization	(456)	(5)	—	(461)
Effect of movements in foreign exchange	(33)	—	—	(33)
Balance at 31 December 2017	(643)	(9)	—	(652)
Amortization	(442)	(13)	—	(455)
Disposals	59	—	—	59
Effect of movements in foreign exchange	(2)	—	—	(2)
Balance at 31 December 2018	\$ (1,028)	(22)	—	(1,050)
Carrying amounts:				
At 31 December 2017	\$ 2,738	757	1,567	5,062
At 31 December 2018	4,395	1,303	2,255	7,953

Patents are the Group's intellectual property that cover aspects of the Group's satellite system, global communication network and devices. Patents are amortized on straight-line basis over their useful lives of between 15 and 19 years.

Spectrum and priority rights, licenses and trademarks represent the Group's rights, registrations and authorizations from the ITU and government agencies to enable the Group to conduct its business. As there is no foreseeable limit to the period over which these rights are expected to generate net cash inflows, the Group considers these assets as indefinite-lived intangible assets. However, the Group assesses whether existing and changes in facts and circumstances continue to support an indefinite useful life for these intangible assets.

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Software includes the Group's enterprise reporting system and other auxiliary reporting applications developed or purchased for its internal use, which are being amortized on a straight-line basis over estimated useful lives of 2–5 years.

(7) Other Noncurrent Assets

Other noncurrent assets of the Group consist of the following:

		31 December	
		2018	2017
		(In thousands of U.S. dollars)	
Advance payments – manufacturing facility sublease ¹	\$	31,345	25,425
Restricted cash		1,590	1,439
Deferred debt financing costs		—	19,408
Other		1,830	862
Total other assets	\$	34,765	47,134

¹ – Includes advance lease payments made after lease inception but prior to lease commencement date.

(8) Trade and Other Payables

Trade and other payables consist of the following:

		31 December	
		2018	2017
		(In thousands of U.S. dollars)	
Trade and other accounts payable	\$	703,283	99,398
Trade and other accounts payable (related parties)		183	260
Nontrade payables and accrued expenses		70,500	12,840
Accrued compensation and benefits		17,181	9,555
Total trade accounts payables and accrued expenses	\$	791,147	122,053

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(9) Other Interest-Bearing Borrowings

Other interest-bearing borrowings of the Group measured at amortized cost consist of the following:

	31 December	
	2018	2017
	(In thousands of U.S. dollars)	
Noncurrent liabilities:		
Finance lease liabilities	\$ 3,598	
Other equipment financing	427	
Total noncurrent interest bearing borrowings	\$ 4,025	
Current liabilities:		
Senior Secured Notes – due July 2019	\$ 297,543	
Finance lease liabilities	552	
Other equipment financing	255	
Total current interest bearing borrowings	\$ 298,350	

(a) Overview of Loans

(i) Senior secured Notes

In July 2018, the Company entered into a Note Purchase Agreement (2018 NPA), providing for the issuance of up to \$500 million of 13% senior secured promissory notes (2018 Notes). At 31 December 2018, OWC had issued \$288 million aggregate principal of 2018 Notes, capitalized \$11.5 million of accrued and unpaid interest and incurred \$2 million of debt issuance costs. The 2018 Notes were scheduled to mature on 11 July 2019, with accrued and unpaid interest on the 2018 Notes payable upon maturity. The Notes were secured by guarantees and share pledges from certain OneWeb group companies

On 18 March 2019, the Company entered into a new \$1.9 billion debt and warrant financing facility, the terms of which are set forth in an Amended and Restated Note Purchase Agreement, which amends and restates the 2018 NPA (A&R NPA), and a Warrant Purchase Agreement (WPA). Under the A&R NPA, OWC will issue senior secured promissory notes guaranteed by certain OneWeb group companies and secured by substantially all the Company's assets, including the shares of capital stock of certain subsidiary companies. Such promissory notes will accrue interest and/or premium payments at an aggregate rate of 12.5% per annum and mature on 18 March 2024. Under the WPA, the Company will issue warrants to purchasers of the promissory notes giving purchasers the right to subscribe for shares of the ultimate parent company, OneWeb Global Limited. See note 28 below for further details.

As of 15 May 2019, the Company issued \$1.2 billion in promissory notes pursuant to the A&R NPA. Pursuant to the WPA, the Company issued 3,955,552 warrants to subscribe for shares of OneWeb Global Limited as of the same date.

(ii) Bridge Loan

In August 2017, OWC entered into a loan agreement with SoftBank Group Capital Europe Limited (Lender), an affiliate of SoftBank, for a \$528 million aggregate principal Secured Term Loan (Bridge Loan). OWC borrowed \$528 million through a series of three drawdown requests. Interest on the outstanding balance of the Bridge Loan accrued at a fixed rate of

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4%. The Bridge Loan was secured by the conditional assignment of certain contracts and intellectual property rights of the Group. The entire principal balance of the Bridge Loan, plus accrued interest of \$3.4 million, was repaid in December 2017.

(b) Reconciliation of Liabilities Arising from Financing Activities

The below table details changes in the Group's liabilities arising from financial activities, including both cash and noncash changes. Liabilities arising from financing activities are those for which cash flows were, or cash flows will be classified in the financing activities section of the Group's consolidated statement of cash flows.

	Opening balance 1 January 2018	Financing cash flow ¹	Noncash changes Finance lease liabilities Interest accrual	Ending balance 31 December 2018
	(In thousands of U.S. dollars)			
Senior secured Notes – due July 2019	\$ —	284,208	13,335	297,543
Finance lease and other financing obligations	—	(1,137)	5,969	4,832
	\$ —	283,071	5,969	302,375

(c) Finance Lease and Other Financing Liabilities

Finance lease and other financing liabilities are payable as follows:

	31 December 2018		
	Minimum lease payments	Interest	Principal
	(In thousands of U.S. dollars)		
Less than one year	\$ 868	61	807
Between one and five years	3,303	742	2,561
More than five years	2,338	874	1,464
Total minimum finance lease and other financing payments	\$ 6,509	1,677	4,832

(10) Financial Instruments – Fair Value Measurements

At 31 December 2018 and 2017, the Group's financial instruments consisted of financial assets and liabilities measured at amortized costs. Due to the short-term nature of the current other receivable and trade payable accounts, the Group considers their carrying amounts to approximate their fair value.

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The following table summarizes the fair value and the carrying amount of debt as of 31 December 2018 and 2017:

	31 December			
	2018		2017	
	Carrying amount	Fair value	Carrying amount	Fair value
	(In thousands of U.S. dollars)			
Senior secured Notes – due July 2019	\$ 297,543	297,925		

The fair value of debt is estimated using Level 3 inputs, which are summarized below:

Fair value (in thousands)	Valuation technique	Unobservable inputs	Range		Weighted average
			Minimum	Maximum	
\$ 297,925	Present value	Market yield Estimated remaining life	13.5%	13.8% actual term to maturity	13.8%

The fair value of debt is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest on the balance sheet date.

(11) Financial Risk

Financial Risk Overview

The Group has exposure to the following risks arising from its financial assets and liabilities:

- Liquidity risk
- Credit risk
- Market risk

The Group's senior management oversees the management of these risks. The Group believes that effective risk management is important to its overall operations. Accordingly, the Group's risk management process has been designed to monitor, evaluate and manage the principal risks it assumes in conducting its activities. The Group's risk management oversight is concentrated in the areas of business management and control functions.

- Business management: It is the responsibility of the Group's management to own and manage risk, including compliance risks, inherent in or arising from the business, and to establish controls to mitigate risks and to promote a culture of compliance and control.
- Control functions: The Group's control functions, including Finance and Legal, set standards according to which the Group is expected to manage and oversee risk, including compliance with laws, regulatory requirements, policies and standards of ethical conduct. These functions establish tools, methodologies, process and oversight of controls used by the business to foster a culture of compliance and control and satisfy those standards.

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(a) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its obligations as they become due. The Group's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions.

The following tables summarize the Group's remaining contractual maturities for its nonderivative financial liabilities with agreed repayment periods. The amounts are undiscounted and include contractual principal and interest payments and exclude the impact of netting agreements.

	31 December 2018			31 December 2017		
	Up to 1 year	After 1 year	Total	Up to 1 year	After 1 year	Total
	(In thousands of U.S. dollars)					
Nonderivative financial liabilities:						
Trade and other payables	\$ (791,169)	—	(791,169)	(122,099)	—	(122,099)
Provisions	(6,302)	(607)	(6,909)	—	(643)	(643)
Other liabilities	(8)	(282)	(290)	(15)	(332)	(347)
Finance lease liabilities	(868)	(5,641)	(6,509)	—	—	—
Senior secured Notes	(320,421)	—	(320,421)	—	—	—
Total financial liabilities	\$ (1,118,768)	(6,530)	(1,125,298)	(122,114)	(975)	(123,089)

(b) Credit Risk

Credit risk is the risk that a party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is not exposed to credit risk from its operating activities, primarily for trade receivables, due to lack of commercial operations.

With respect to the credit risk relating to financial assets, such as cash and cash equivalents, this exposure relates to the potential default of the counterparty, with the maximum exposure being equal to the carrying amount of these instruments. The Group's cash and cash equivalents consist of unrestricted cash held in highly rated financial institutions. All counterparties are financial institutions which are regulated and controlled by the federal financial supervisory authorities of the associated countries. The counterparty risk portfolio is analyzed on a frequent basis. Additionally, to reduce this counterparty risk the portfolio is diversified to several counterparties ensuring a well-balanced portfolio. At times, the cash balances held in financial institutions exceed the statutory insured balances to ensure sufficient liquidity for the payments made for the Group's operations.

(c) Market Risk

Market risk includes interest rate risk and foreign currency risk, which arise in the normal course of business.

- Interest rate risk is the risk to earnings from changes in interest rates
- Foreign currency risk is the risk that the fair value or future cash flows of a financial asset or liability will fluctuate because of changes in foreign exchange rates

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(i) Interest Rate Risk

At 31 December 2018, the interest rate profile of the Group's interest-bearing financial instruments consisted of fixed rate interest Secured Senior Notes of \$297,543 (2017: \$0).

(ii) Foreign Currency Risk

Foreign currency risk is the risk that the fair value of cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to this risk is primarily related to foreign currency transactions creating liabilities denominated in foreign currencies that are not fully matched with the same functional currency assets. The Group has risk exposure to foreign currency movements primarily attributed to trade and other payables which are short-term in tenor and relate to amount owed to suppliers of satellite and other ground system equipment and services.

The Group is exposed to exchange rate risk when assets or liabilities of its individual subsidiaries are denominated in a currency other than its functional currency. The Group attempts to match its nonfunctional currency assets with its nonfunctional currency liabilities, thereby reducing foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of 31 December 2018 and 2017 were as follows:

31 December 2018					
	USD ¹	Euro	British Pound	Other	Total
	(In thousands of U.S. dollars)				
Cash and cash equivalents	\$ 1	1,145	1,786	117	3,049
Receivables and other current assets	92	6,560	1,782	138	8,572
Trade and other payables	(4,410)	(42,812)	(2,564)	115	(49,671)
Provisions	—	—	(329)	—	(329)
Net balance sheet exposure	\$ (4,317)	(35,107)	675	370	(38,379)

31 December 2017					
	USD ¹	Euro	British Pound	Other	Total
	(In thousands of U.S. dollars)				
Cash and cash equivalents	\$ 1	1,086	3,178	56	4,321
Receivables and other current assets	—	811	1,579	—	2,390
Trade and other payables	(7,497)	(28,500)	(784)	(60)	(36,841)
Provisions	—	—	(326)	—	(326)
Net balance sheet exposure	\$ (7,496)	(26,603)	3,647	(4)	(30,456)

¹ Amounts pertain to monetary assets and liabilities associated with entities whose functional currency is not the U.S. dollar

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Sensitivity Analysis

The following table details the Group's net positions sensitivity to a reasonable strengthening in percentage of the below currencies against the U.S. Dollar at 31 December 2018 and 2017 and their impact on profit or loss. This calculation assumes that the change occurred at the balance sheet date and is applied to risk exposures existing at that date. This analysis assumes that all other variables, in particular, other exchange rates and interest rates, remain constant.

		31 December	
		2018	2017
		(In thousands of U.S. dollars)	
	Strengthening		
Euro	7 %	\$ (2,032)	(1,256)
British Pound	7	47	252
Other	6%-10%	16	24
Total currency impact in profit or loss		\$ (1,969)	(1,004)

The following table details the Group's net positions sensitivity to a reasonable weakening in percentage of the following currencies against the U.S. Dollar at 31 December 2018 and 2017 and their impact on profit or loss. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date. This analysis assumes that all other variables, in particular, other exchange rates and interest rates, remain constant.

		31 December	
		2018	2017
		(In thousands of U.S. dollars)	
	Weakening		
Euro	7 %	\$ 2,032	1,256
British Pound	7	(47)	(252)
Other	6%-10%	(16)	(24)
Total currency impact in profit or loss		\$ 1,969	1,004

(12) Commitments and Contingencies

(a) Contractual Commitments

The Group has contractual purchase commitments with various vendors related to the design and developments of its first-generation constellation of satellites, communications infrastructure and ground facilities.

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The following table summarizes the total contractual commitments that are not recorded on the consolidated statements of financial position.

	31 December	
	2018	2017
	(in thousands of U.S. dollars)	
Less than a year	\$ 356,553	831,694
Between one and five years	216,402	540,926
More than five years	12,178	—
Total contractual commitments	\$ 585,133	1,372,620

In certain circumstances, the amounts and dates on which the Group is obligated to pay its contractual obligations could change.

The above totals at 31 December 2018 and 2017 include related party contractual commitments of \$0 million and \$36 million, respectively.

In April 2017, a wholly owned subsidiary of AOS (the AOS Subsidiary) entered a 20-year sublease for an area of land and a manufacturing facility, inclusive of buildings and assembly lines. The AOS Subsidiary has an option to renew the sublease for three additional consecutive five-year periods and does not have the option to purchase the leased property at the end of lease term. The lease commences upon substantial completion of the facility construction. The building was still under construction at 31 December 2018. Advance payments of \$31.3 million (2017: \$25.4 million) made to landlord through 31 December 2018 are included in *Other noncurrent assets* on the consolidated statement of financial position. Future contractual payments related to this arrangement are included in the amounts reported above.

(b) Contingencies

The Group is not aware of any contingencies other than the provisions recognized on the consolidated statement of financial position that it expects to have a material adverse impact on its business, financial results or financial condition.

(13) Operating Leases

The Group is the lessee in several operating leases, primarily leasing real estate for office or other space to conduct its operating activities. Lease terms range from one to ten years with varying renewal options. The Group does not have an option to purchase any of the leased properties at the expiry of the lease terms.

Payments recognized as expense at 31 December 2018 and 2017 were \$7.5 million and \$3.1 million respectively.

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Minimum lease payments related to noncancelable operating leases and subleases are presented below:

	31 December	
	2018	2017
	(In thousand of U.S. dollars)	
Less than a year	\$ 7,441	2,672
Between one and five years	36,934	11,348
More than five years	33,021	16,430
Total lease commitments¹	\$ 77,396	30,450

¹ – Includes all future minimum lease and sublease payments under arrangements with an original term of more than a year.

(14) Noncontrolling Interest

(a) Overview

The Group established AOS as a joint venture with Airbus DS Satnet to develop and design the Group's first generation of satellites (GEN 1). Each shareholder owns 50% of equity interest in AOS and have equal voting or similar rights. By shareholder design, the Group was the primary source of funding for AOS activities, with Airbus contributing its deep experience in satellite manufacturing and supply chain management to support the execution of the innovative constellation design. In January 2016, the Group and AOS entered into a design contract, pursuant to which, the Group is primarily responsible for the delivery of the initial design, obtaining and maintaining the necessary orbital location, frequency spectrum and other approvals and licenses to launch and operate the pilot satellites. The Group also provides a factory facility and tooling. Under the design contract arrangement, the Group bears the risks related to cost, delays, design and proper functioning of pilot satellites while purchasing all of AOS' output. The Group determined that AOS meets the criteria of a Structured Entity under IFRS 10 as voting or similar rights are not considered to be the dominant factor controlling the entity, while control is exercised through other contractual arrangements i.e. Design Contract between AOS and the Group. Accordingly, management believes that the Group has power over the relevant activities through the Design Contract, is exposed to the variability of returns from AOS and has the ability to use such power over AOS to affect its return based on the Design Contract. Therefore, it was determined that the Group has control over AOS and hence consolidates it within its consolidated financial statements.

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(b) Summarized Financial Information of AOS

Summarized financial information for AOS, before intercompany eliminations and consolidation adjustments, as of, and for the years ended 31 December 2018 and 2017, respectively, is provided below.

	<u>2018</u>	<u>2017</u>
	(In thousands of U.S. dollars)	(In thousands of U.S. dollars)
Noncontrolling interest percentage	50 %	50 %
Summarized balance sheet:		
Current assets	\$ 118,284	71,392
Current liabilities	(54,366)	(47,613)
Current net assets	<u>63,918</u>	<u>23,779</u>
Noncurrent assets	135,789	91,241
Noncurrent liabilities	(188,899)	(103,251)
Noncurrent net liabilities	<u>(53,110)</u>	<u>(12,010)</u>
Net assets	<u>\$ 10,808</u>	<u>11,769</u>
Accumulated noncontrolling interest	\$ 5,404	5,884
	<u>2018</u>	<u>2017</u>
	(In thousands of U.S. dollars)	(In thousands of U.S. dollars)
Summarized statement of comprehensive loss:		
Intercompany revenue	\$ 146,334	100,049
Loss for the period	\$ (1,045)	(6,653)
Other comprehensive gain	129	229
Total comprehensive loss	<u>\$ (916)</u>	<u>(6,424)</u>
Loss for the period allocated to noncontrolling interest	\$ (545)	(2,602)
Summarized statement of cash flows:		
Cash flows from operating activities	\$ 40,771	42,150
Cash flows used in investing activities	(43,808)	(44,521)
Net decrease in cash and cash equivalents	<u>\$ (3,037)</u>	<u>(2,371)</u>

(c) Significant Restrictions

Assets recognized as a result of consolidating AOS cannot be used to satisfy claims against the Group's general assets and cash flows of AOS are generally not available to the Company or other members of the Group. Conversely, liabilities recognized as a result of consolidating AOS do not represent additional claims on the general assets of the Company or other members of the Group, rather they represent claims against assets of AOS only.

(d) Dividends

AOS has paid no dividends through 31 December 2018.

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(15) Share-Based Payments

(a) Description of Share-Based Compensation Plans

(i) Overview

In June 2015, the Group adopted the WorldVu Satellites Limited 2015 Equity Incentive Plan (Employee Incentive Plan or EIP) in order to enhance the Company's ability to attract highly qualified personnel, to strengthen its retention capabilities, to align the interests of participants and the Shareholders and to provide long-term incentives to the Company's key employees, officers, and directors (Eligible Participants). In December 2015, the Group adopted the WorldVu Satellites Limited Consultant Equity Incentive Plan (Consultant Incentive Plan or CIP and together with the EIP, the Equity Plans) to provide equity ownership opportunities in the Group to consultants and other service providers (included in Eligible Participants) in exchange and as consideration for the provision of services to the Company. The terms and conditions of the CIP and the EIP are substantially the same. In March 2018, the Equity Plans were amended to make administrative changes, primarily related to the reorganization of the Group's legal entity structure. The EIP was renamed the "OneWeb Global Limited 2018 Equity Incentive Plan", and the CIP was renamed the "OneWeb Global Limited Consultant Equity Incentive Plan".

Under the Equity Plans, the Company may grant incentive stock options, nonqualified stock options, restricted stock awards, restricted stock units (RSUs), and other stock-based awards or any combination thereof to Eligible Participants. The compensation committee of the Board (the Committee) establishes the terms and conditions of any awards granted under the plans. The Equity Plans provide the Committee with the authority to issue in the aggregate a maximum of 417,000 Shares of the Company's capital stock. As of 31 December 2018, the number of Shares that were authorized and remained uncommitted for issuance under the Equity Plans was 176,201.

(ii) Stock Options

Options granted under the Equity Plans provide the holder of the option with the right to purchase Ordinary Shares at a price determined in accordance with the Equity Plans, which may not be less than 100% of the fair market value on the grant date of the Shares subject to the award. The Group may grant options that are immediately exercisable or that become exercisable in whole or in part based on future events. No option may be exercisable for a term ending more than ten years after it is granted.

There were no stock options granted during 2018 or 2017, and no stock options were outstanding at 31 December 2018 and 2017 respectively.

(iii) Restricted Stock Units (RSUs)

Under the Equity Plans, the Group may grant (i) RSUs, which represent the right to receive Ordinary Shares after certain vesting and delivery requirements are met and (ii) restricted stock that is forfeitable until certain vesting and delivery requirements are met, in each case pursuant to agreements setting forth terms and conditions that are consistent with the Equity Plans.

The RSUs granted to employees and consultants consist of (i) RSUs that vest over time, primarily a four-year period (Time-Based RSUs), and (ii) RSUs that vest based on satisfaction of certain performance conditions (Performance-Based RSUs). Both the Time-Based RSUs and the Performance-Based RSUs require grant recipients to provide

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service and be employed by the Group at the vesting date in order to vest in the awards. In addition to the vesting conditions, as a further condition to the delivery of Shares subject to vested RSUs, the consummation of a Corporate Transaction (which is defined as a change in control or the first underwritten public offering of Shares) must occur within nine years of the grant date, as defined in the Equity Plans. If there is no Corporate Transaction by that date, then the RSUs will expire without value. Grant recipients are not required to be employed on the consummation of a Corporate Transaction in order to receive Shares issued for vested RSUs.

(b) Valuation Models and Key Assumptions Used

The Group estimated the grant-date fair value of the Option Grant and the RSUs using a Monte Carlo simulation model. The model simulates a distribution of stock prices based on certain assumptions of stock price behavior, and management's estimates of the resulting likelihood of a Corporate Transaction. Service and nonmarket performance conditions attached to the arrangements were not considered in measuring fair value, rather, they are considered in estimating the number of options or RSUs that are expected to vest. Management's assessment of the probability of the Corporate Transaction, a nonvesting condition, was considered in measuring fair value.

The following tables list the inputs to the models used in the valuation of the RSUs for the respective years:

	<u>2018 RSUs</u>	<u>2017 RSUs</u>
Expected stock price volatility	34.4%–34.6%	35.6%–36.5%
Expected dividend yield	— %	— %
Simulation period (years)	6.0–6.2	6.2–7.0
Risk-free interest rate	2.7%–2.8%	2.1%–2.2%

1. There were no stock options granted in 2017 or 2018, therefore no valuation inputs are disclosed for those years.

Since the Group's shares are not publicly traded, expected volatility was based on the historical volatility of comparable publicly traded satellite companies. The risk-free interest rate for periods within the expected life was based on the U.S. Treasury yield curve in effect on the grant date. The Group used management's estimates to estimate the simulation period.

A Corporate Transaction was not consummated in 2018 or 2017, therefore, no shares subject to the vested stock options or RSUs were delivered aside from those discussed in the section entitled "2017 Modification of Executive RSUs" below.

(c) 2018 Modification of RSUs

In March 2018, the Company modified certain awards granted to approximately 200 employees under the EIP (the 2018 RSU Modification). Awards made under the CIP were not modified. Under the 2018 RSU Modification, vesting terms for previously unvested Time-Based RSUs were modified such that they vested earlier than previously scheduled, generally over a four-year period. Performance-based RSU awards were modified to change the performance conditions attributed to those awards. Other key provisions of the 2018 Equity Plans, including the Corporate Transaction contingency, were not modified.

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The changes in vesting terms related to the 2018 RSU Modification were applied retrospectively and resulted in approximately \$0.8 million of incremental compensation expense, which is included in the consolidated statements of comprehensive income or loss. Because the 2018 RSU Modification only affected vesting conditions, the fair value of the modified awards used in the calculation of compensation expense was not affected.

(d) Movements during the Year

The Group's RSU and stock option activity as of and for the years ending 31 December 2018 and 2017 was as follows:

	RSUs (in thousands of U.S. dollars)	Weighted average grant-date fair value per RSU (in U.S. dollars)
Nonvested at 1 January 2017	87,060	\$ 106
Granted	88,467	107
Vested	(23,941)	106
Forfeited	(14,169)	108
Nonvested at 31 December 2017	137,417	106
Granted	175,188	118
Vested	(41,725)	107
Forfeited	(114,398)	117
Nonvested at 31 December 2018	156,482	\$ 110

Total of vested but not exercisable shares at 31 December 2018 were 81,467 (2017: 39,742).

(e) Financial Statement Impacts of Share-Based Compensation Plans

The share-based payment expense recognized for services received during the respective years is as follows:

	2018 (In thousands of U.S. dollars)	2017 (In thousands of U.S. dollars)
Share-based compensation cost:		
RSUs	\$ 4,850	5,002
Total	\$ 4,850	5,002
Less share-based compensation capitalized in CIP		
RSUs	(1,334)	(846)
Total	\$ (1,334)	(846)
Share-based compensation recorded as expense		
RSUs	\$ 3,516	4,156
Total	\$ 3,516	4,156

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(16) Income Taxes

Income tax benefit related to continuing operations for each period is presented below:

Recognized in income statement:

	<u>2018</u>	<u>2017</u>
	(In thousands of U.S. dollars)	
Current tax credit:		
Current tax	\$ (1,343)	(1,964)
Total current tax credit	<u>(1,343)</u>	<u>(1,964)</u>
Deferred tax credit:		
Origination and reversal of temporary differences	<u>(1,575)</u>	<u>(1,698)</u>
Total deferred tax credit	<u>(1,575)</u>	<u>(1,698)</u>
Total income tax credit	<u>\$ (2,918)</u>	<u>(3,662)</u>

Income tax recognized in other comprehensive loss:

	<u>2018</u>	<u>2017</u>
	(In thousands of U.S. dollars)	
Research and development	\$ 140	(90)
Remeasurement of defined benefits	<u>—</u>	<u>(55)</u>
Share-based payments transactions	<u>—</u>	<u>(14)</u>
	<u>\$ 140</u>	<u>(159)</u>

Income tax recognized directly in equity:

	<u>2018</u>	<u>2017</u>
	(In thousands of U.S. dollars)	
Share-based payments transactions	\$ —	151
	<u>\$ —</u>	<u>151</u>

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Reconciliation of income tax benefit for each accounting period is presented below:

	2018	2017
	(In thousands of U. S. Dollars)	
Loss excluding taxation	\$ (216,102)	(77,519)
Tax effected amounts which are not deductible (taxable) in calculating taxable income:		
Tax using the UK corporation rate of 19% (2017: Jersey Channel Islands of 0%)	\$ (41,060)	—
Tax rates in foreign jurisdiction	20,958	162
Nondeductible tax differences	1,051	—
Research and development expenditure	571	—
Share-based payments	457	743
Temporary differences for which deferred tax assets are not recognized	32,610	4,167
Research and development concessions	(17,393)	(8,604)
Over provided in prior years	(112)	(130)
Total income tax credit	\$ (2,918)	(3,662)

Deferred income taxes reflect the impact of temporary differences between the amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws.

The movements in deferred tax assets and liabilities are offset within the same jurisdiction. The analysis of the components and movements in deferred tax assets and liabilities included in the consolidated financial position for each period is presented below:

	2018				
	Opening balance	Recognized in profit or loss	Recognized in other comprehensive loss	Recognized in equity	Closing balance
	(In thousands of U.S. dollars)				
Deferred tax assets:					
Research and development	\$ 1,857	1,575	(140)	—	3,292
Deferred tax assets	1,857	1,575	(140)	—	3,292
Deferred tax liabilities:					
Deferred tax liabilities	—	—	—	—	—
Net deferred tax assets \$	1,857	1,575	(140)	—	3,292

ONEWEB COMMUNICATIONS LIMITED
Notes to Consolidated Financial Statements
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	2017			
	Opening balance	Recognized in profit or loss	Recognized in other comprehensive loss	Recognized in equity
	(In thousands of U.S. dollars)			
Deferred tax assets:				
Accrued pension	\$ —	(55)	55	—
Share-based payments	—	137	14	(151)
Research and development	—	1,767	90	—
Deferred tax assets	—	1,849	159	(151)
Deferred tax liabilities:				
Deferred tax liabilities	—	—	—	—
Net deferred tax asset	\$ —	1,849	159	(151)
				1,857

Deductible temporary differences for which deferred tax assets have not been recognized at the end of each reporting period are presented below:

	31 December	
	2018	2017
	(In thousands of U.S. dollars)	
Temporary timing differences	\$ 6,500	2,861
Unused net operating losses	17,651	290
Unused research and development tax credit	15,184	3,454
Unused other tax credits	2	145
Total unrecognized deductible temporary differences	\$ 39,337	6,750

As of 31 December 2018, the Group had tax losses totaling \$94.8 million (2017: \$4.5 million) for which no deferred tax assets have been recognized, because it is not more likely than not that future taxable profits will be available against which the Group can use the benefits therefrom.

At 31 December 2018, the Group has not recognized any deferred tax liabilities relating to its investment in subsidiaries as the Group controls the timing of reversal of the related temporary differences and management is satisfied that they will not reverse in the foreseeable future.

Significant judgment is required in evaluating tax positions and determining the provision for income taxes. The Group establishes liabilities for tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes may be due. These liabilities are established when the Group believes that certain positions might be challenged despite its belief that its tax return positions are fully supportable. The Group adjusts these liabilities in light of changing facts and circumstances, such as the outcome of a tax audit. The provision for income taxes includes the impact of changes to these liabilities. As of 31 December 2018, the Group has unrecognized tax benefits of \$4.6 million which have been reserved against the US R&D credit carryforwards for uncertain tax positions.

ONEWEB COMMUNICATIONS LIMITED
Notes to Consolidated Financial Statements
31 December 2018 and 2017

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 19% to 18% effective 1 April 2020 was substantively enacted on 26 October 2015. An additional reduction to 17%, effective 1 April 2020 was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly.

(17) Key Management Personnel Compensation

The annual remuneration and related compensation costs of key management personnel are as follows:

	2018	2017
	(In thousands of U.S. dollars)	
Short-term benefits, including salaries	\$ 6,872	3,066
Termination benefits	2,099	—
Share-based payments	637	853
Total	\$ 9,608	3,919

In 2018, two of the Group's executives were terminated. Costs associated with these termination agreements of \$2.1 million were accrued in 2018 but not yet paid as of 31 December 2018. The Group recognized no costs for contract termination costs during 2017.

(18) Capital Management

For the purposes of the Group's capital management, capital includes net proceeds from issued shares plus borrowings.

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern in order to complete the construction of its satellite network, to launch its planned service offerings and to maintain investor and creditor confidence. To facilitate the management of its capital, the Group prepares periodic budgets and forecasts, including fundraising forecasts and analyzes them against actual operating results and capital expenditures. The Group manages its capital structure and makes adjustments to it in light of changes in economic and market conditions. To maintain or adjust the capital structure the Group may issue new shares, borrow additional capital or repay outstanding debt.

The capital structure of the Group consists of debt borrowings (as detailed in note 9) and equity (comprising issued capital, reserves, accumulated losses and noncontrolling interest), offset by cash and cash equivalents.

The Group is not subject to any externally imposed capital requirements.

ONEWEB COMMUNICATIONS LIMITED
Notes to Consolidated Financial Statements
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The following table summarizes the capital of the Group:

	31 December	
	2018	2017
	(In thousands of U.S. dollars)	
Cash and cash equivalents	\$ (36,766)	(360,731)
Debt ¹	298,350	—
Equity attributable to the owners of the Company ²	1,360,105	1,567,763
Total capital	<u>\$ 1,621,689</u>	<u>1,207,032</u>

¹ – Debt includes short-term borrowings.

² – Includes Preferred Shares.

(19) Operating Expenses

A breakdown of consolidated operating expenses by the nature of the expense to the Group for each reporting period is presented below:

	2018	2017
	(in thousands of U.S. dollars)	
Employee compensation	\$ 58,813	37,533
Professional fees	23,548	17,530
Occupancy, office and other expenses	32,746	21,590
Engineering expenses	2,183	3,446
Depreciation and amortization	2,273	1,155
Assets and contract disposals ¹	69,409	—
Financing fees write off ²	27,524	—
Total operating expenses	<u>\$ 216,496</u>	<u>81,254</u>

¹ – In 2018, the Group recorded an asset and contract disposal loss of \$69.4 million related to the partial and whole termination of two launch supplier contracts.

² – In 2018, deferred financing costs of \$27.5 million were written off as they were deemed not recoverable.

At 31 December 2018, the total full-time members of staff were 329 (2017: 224). Total employee compensation consists of the following:

	2018	2017
	(In thousands of U.S. dollars)	
Salaries and wages	\$ 48,413	29,382
Social security and other payroll taxes	3,656	1,822
Other benefits	3,228	2,173
Share-based payments	3,516	4,156
Total employee compensation	<u>\$ 58,813</u>	<u>37,533</u>

ONEWEB COMMUNICATIONS LIMITED
Notes to Consolidated Financial Statements
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(20) Auditor's Remuneration

Fees payable to the Group's auditor and its associates for the audit of the Group's consolidated financial statements and other services were:

	2018	2017
	(In thousands of U.S. dollars)	
Audit of the Group financial statements	\$ 356	315
Audit of financial statements of the Group subsidiaries	31	10
Tax compliance services	71	52
Other advisory services	306	1,448
Total auditor's remuneration	\$ 764	1,825

(21) Related Party Transactions

(a) General Description of Related Party Transactions

In the normal course of business, the Group enters into agreements with related parties that support its underlying business strategy. The Group's related parties consist of the ultimate parent company and its subsidiaries not included within these consolidated financial statements, shareholders with at least 20% voting interest in the Company and key management employees and their immediate relatives capable of exercising significant influence over the Groups' operations. Related party transactions include capital expenditures for design, development, and construction of the Group's Satellite and Ground Components, research and development expenses, consulting services, certain travel cost reimbursements, payments made on behalf of its ultimate parent and financing transactions. The satellite and ground design and development contracts require that the Group make progress and/or milestone payments during the period of the satellite system design, development, and construction. All outstanding liabilities under such contracts are reported in trade and other payables on the consolidated statements of financial position. Outstanding receivables from related parties are included in prepaid and other current assets on the consolidated statements of financial position.

Amounts due to and due from related parties as of the end of the periods presented are as follows:

	31 December	
	2018	2017
	(in thousands of U.S. dollars)	
Receivables from shareholders of the group	\$ 78	993
Receivables from group undertakings	1,780	-
Total receivables	\$ 1,858	993
Payables due to shareholders of the group	\$ (183)	(260)
Payables due to group undertakings	(1)	-
Interest-bearing debt and accrued interest	(299,544)	-
Total liabilities	\$ (299,728)	(260)

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Related party transactions included in the consolidated statements of profit or loss and comprehensive loss during the periods presented are as follows:

	2018	2017
	(in thousands of U.S. dollars)	
Operating expenses:		
Shareholders	\$ 2,071	3,290
Total expenses	\$ 2,071	3,290
Other income:		
Shareholders	\$ 901	993
Total income	\$ 901	993

(22) Events After the Reporting Period


The Group has evaluated its consolidated financial statements for events after the reporting period through 19 September 2019, the date on which the consolidated financial statements were authorized for issue. In addition to the items described within the notes, the Group determined that the following items required disclosure in the consolidated financial statements.

In March 2019, the Company amended two of its launch services contracts. Pursuant to these amendments, payments of \$553 million due at 31 December 2018 and the remaining payments schedule under the contracts were revised. As a result, these payments are expected to occur in reporting years 2019 to 2020. Additionally, amendments resulted in a more flexible launch schedule reducing the expenditures remaining in firm commitments by approximately \$198 million.

ONEWEB COMMUNICATIONS LIMITED
 Company's Statement of Financial Position
 31 December 2018 and 2017
 (In thousands of U.S. dollars)

	<u>2018</u>	<u>2017</u>
Fixed assets:		
Investments (note 24)	\$ 1,573,439	\$
Noncurrent assets	<u>1,573,439</u>	<u></u>
Current assets:		
Debtors including \$147 million (2017: \$0) due after more than one year (note 25)	\$ 283,662	\$
Cash and cash equivalents	<u>2,216</u>	<u></u>
	<u>285,878</u>	<u></u>
Current liabilities:		
Creditors amounts falling due within one year (note 26)	<u>(299,297)</u>	<u></u>
Net current liabilities	<u>(13,419)</u>	<u></u>
Total assets less current liabilities	<u>1,560,020</u>	<u></u>
Net assets	<u>1,560,020</u>	<u></u>
Capital and reserves:		
Called-up share capital	<u></u>	<u></u>
Reorganization reserve	(1,563,265)	<u></u>
Other reserves	(10,175)	<u></u>
Profit and loss account	<u>13,420</u>	<u></u>
Total capital and reserves	<u>\$ (1,560,020)</u>	<u>\$</u>

These financial statements were approved by the board of directors on 19 September 2019 and were signed on its behalf by:


 Director

Company registered number: 10110107

ONEWEB COMMUNICATIONS LIMITED
Company's Statement of Changes in Equity
31 December 2018 and 2017
(In thousands of U.S. dollars)

	<u>Called up share capital</u>	<u>Reorganization reserve</u>	<u>Profit and loss account</u>	<u>Total equity</u>
Balance at 1 January 2017	\$			
At 31 December 2017				
Loss for the period			(13,420)	(13,420)
Total comprehensive loss for the year			(13,420)	(13,420)
Transactions with owners, recorded directly in equity				
Capital reorganization reserve		1,573,440		1,573,440
Balance at 31 December 2018	\$	1,573,440	(13,420)	1,560,020

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Company's Notes

31 December 2018 and 2017

(23) Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of Preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). In preparing these financial statements, the Company applied the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (Adopted IFRSs) but made amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Under Section s408 of the Companies Act 2006, the Company is exempt from the requirement to present its own profit or loss account.

The Company started its trade operations on 2 January 2018, therefore the FRS 101 was applied as of the of trade start date.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash flow statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management; and
- The effects of new but not yet effective IFRSs

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosure:

- IFRS 2 Share Based Payments in respect of group-settled share-based payments

The Company has adopted the following IFRS in these financial statements:

IFRS 9 – Financial Instruments

In the current year, the Company has applied IFRS 9 – Financial Instruments (as revised July 2014) and the related consecutive amendments to other IFRSs that are effective for annual periods beginning on or after 1 January 2018. Additionally, the Company adopted consequential amendments to IFRS 7 – *Financial Instruments: Disclosures* that were applied to the disclosures for 2018 and to the comparative period.

IFRS 9 introduced new requirements for the classification and measurement of financial assets and financial liabilities, impairment of financial assets and general hedge accounting. The date of initial application is 1 January 2018. Accordingly, the Company has applied the requirements of IFRS 9 as of 1 January 2018, with no impact on its financial statements.

(a) Classification and measurement of financial assets and liabilities

In assessment of financial assets and liabilities at 1 January 2018 consisting of those financial assets and liabilities classified and measured at amortized costs, the application of IFRS 9 did not

ONEWEB COMMUNICATIONS LIMITED

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31 December 2018 and 2017

have any impact on classification and measurement of the Company's financial assets and liabilities.

(b) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The Company does not have any financial assets within the scope of IFRS 9, therefore the application of IFRS 9 did not have any impact on impairment assessment of its financial assets.

(c) Hedge accounting

The application of IFRS 9 did not impact Company's financial statements as the Company does not have any instruments that qualify as hedge instruments that are eligible for hedge accounting.

IFRS 15 – Revenue from Contracts with Customers

In the current year, the Company has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. The Company does not have any contracts with customers within the scope of IFRS 15. The application of the IFRS 15 did not have any impact on the financial statements of the Company.

Amendments to IFRS 2: Classification and Measurement of Share-Based Payment Transactions

In the current year, the Company applied Amendments to IFRS 2, which clarifies the following issues related to measurement and classification of share-based payments:

- In estimating the fair value of cash-settled share-based payment, accounting for the effects of vesting and nonvesting conditions should follow the same approach as for equity-settled share-based payments.
- Where tax or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of employee's tax obligation, the share-based payments has a 'net settlement feature'; therefore, such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.
- A modification of a share-based payment that changes the transaction from cash settled to equity-settled should be accounted as follows:
 - (i) The original liability is derecognized;
 - (ii) The equity-settled share-based payment is recognized at fair value on modification date of the equity instrument granted to the extent that services have been rendered up to the modification date; and
 - (iii) Any difference between the carrying amount of the liability at the modification date and the amount recognized in equity, should be recognized in profit or loss.

The Company does not have any withholding arrangements with tax authorities in relation to share-based payments or any Plan amendments that would change share-based payments from cash-settled to equity-settled; therefore, the adoption of the Amendments to IFRS 2 did not have an impact in its financial statements.

ONEWEB COMMUNICATIONS LIMITED

Company's Notes

31 December 2018 and 2017

Measurement Convention

The financial statements are prepared on the historical cost basis except those financial assets or liabilities for which fair value measurement is required by IFRS. Except when otherwise indicated, the values presented in these financial statements are presented in U.S. dollars and rounded to the nearest thousand (\$000).

Investment in Subsidiaries

The Company measures investments in subsidiaries at cost less accumulated impairment.

In January 2018, the Company became the sole shareholder and parent company of the Group through an assignment and transfer agreement pursuant of which, OneWeb Global Limited, the ultimate parent of the Company contributed its shares acquired in WorldVu Limited, the former parent company of the Group via a share-for-share exchange transaction ("Reorganization") to the Company. Following the Transfer, the Company became the direct parent of WorldVu and held all outstanding shares of WorldVu and OneWeb Global Limited became the ultimate parent of the Group as well as the direct parent of the Company.

The Company follows IAS 27 – *Separate Financial Statements*, which applies to group reorganization where a new parent entity obtains control of the original parent by issuing equity instruments in exchange for existing equity instruments of the original parent and then transferring them to a new company, the assets and liabilities of the new group and the original group are the same immediately before and after the reorganization and the owners of the original parent before the reorganization have the same absolute and relative interests in the net assets of the original group and the new group immediately before and after the reorganization.

In accordance with IAS 27, the new parent measures the carrying amount of its share of the equity items shown in the separate financial statements of the original parent at the date of the reorganization. Therefore, the Company's investment in subsidiaries is recognized and measured at the carrying value of the equity as reported on the separate financial statements of WorldVu on the date of the reorganization.

Impairment of Nonfinancial Assets

The Company follows IAS 36 – *Impairment of Assets*, while testing for impairment of its investments in subsidiaries. Accordingly, Investments in subsidiaries are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

The Company recognizes an impairment loss in profit or loss if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount and to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognized.

ONEWEB COMMUNICATIONS LIMITED

Company's Notes

31 December 2018 and 2017

Share-Based Payments

Where the Company grants shares to the employees of its subsidiaries it recognizes, in its separate financial statements, an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognized in its consolidated financial statements with the corresponding credit being recognized directly in equity. Amounts recharged to the subsidiary if any are recognized as a reduction in the cost of investment in subsidiary. If the amount recharged to the subsidiary exceeds the increase in the cost of investment, the excess is recognized as a dividend.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognized in the profit and loss account except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case it is recognized directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized.

(24) Fixed Asset – Investments

		Shares in group undertakings	
		2018	2017
Cost:			
At 1 January	\$		
Additions		<u>1,573,439</u>	<u></u>
At 31 December		1,573,439	
Net book value:			
At 31 December	\$	<u>1,573,439</u>	<u></u>

ONEWEB COMMUNICATIONS LIMITED

Company's Notes

31 December 2018 and 2017

(25) Debtors

	31 December	
	2018	2017
	(In thousands of U.S. dollars)	
Amounts owed by group undertakings	\$ 283,662	
Total debtors	283,662	
Total amounts falling due within one year	\$ 283,662	

Amounts owed by group undertakings are payable on demand and accrue no interest.

(26) Creditors: Amounts Falling Due Within One Year

	31 December	
	2018	2017
	(In thousands of U.S. dollars)	
Borrowings	\$ (297,543)	
Other creditors	(4)	
Amounts owed to group undertakings	(1,750)	
Total amounts falling due within one year	\$ (299,297)	

In July 2018, the Company entered into a Note Purchase Agreement (2018 NPA), providing for the issuance of up to \$500 million of 13% senior secured promissory notes (2018 Notes). At 31 December 2018, OWC had issued \$288 million aggregate principal of 2018 Notes, capitalized \$11.5 million of accrued and unpaid interest and incurred \$2 million of debt issuance costs. The 2018 Notes were scheduled to mature on 11 July 2019, with accrued and unpaid interest on the 2018 Notes payable upon maturity. The Notes were secured by guarantees and share pledges from certain OneWeb group companies.

Amounts owed to group undertakings are payable on demand and accrue no interest.

(27) Deferred Tax Assets

At 31 December 2018, the Company had tax losses of \$2.8 million that are available to offset against future taxable profit. A deferred tax asset has not been recognized in respect of these losses as there is uncertainty over their recoverability.

(28) Called-up Share Capital

Allotted, called and fully paid	2018		2017	
	Shares	\$000	Shares	\$000
At 1 January	1,000,000	\$	1	\$
Ordinary Shares of £0.000001 each	5,480,734		999,999	
Preferred Shares of £0.000001 each	606,061			
At 31 December	7,086,795	\$	1,000,000	\$

ONEWEB COMMUNICATIONS LIMITED

Company's Notes

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The Company's authorized, issued, and fully paid share capital consists of 6,480,734 shares of one Class of capital stock designated as Ordinary Shares with a par value £0.000001 per share (Ordinary Shares) and 606,061 of nonvoting Preferred Shares with a par value of £0.000001 per share (Preferred Shares).

The Preferred Shares rank on parity with Ordinary Shares with respect to dividend or distribution rights or rights upon the voluntary liquidation, winding up or dissolution of the Company. Each Preferred Share automatically converts into one Ordinary Share immediately prior to the occurrence of the sale of the Company, an initial public offering of capital stock of the Company or in certain situations when there are issuances of Ordinary Shares or transfers of Ordinary Shares or Preferred Shares.

(29) Remuneration of Directors

	2018	2017
	(In thousands of U.S. dollars)	
Compensation	\$ 18	
Total directors' remuneration	\$ 18	

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(30) Subsidiaries and Affiliates

The ultimate parent company of OneWeb Communications Limited is OneWeb Global Limited. Details of the Group's subsidiaries and affiliates at the end of reporting period are as follows:

Name	Principal activity	Registered agent address	Country of incorporation	% Equity interest	
				2018	2017
WorldVu Development LLC	Operating Company	701 S. Carson St., Suite 200, Carson City, NV 89701 United States	United States	100 %	100 %
1021823 B.C. Ltd	Operating Company	Victoria Corporate Records Ltd. 4529 Melrose Street Port Alberni BC V9Y 1K7 Canada	Canada	100	100
Network Access Associates Ltd.	Operating Company	Asticus Building, 2nd Floor 21 Palmer Street London, SW1H 0AD United Kingdom	United Kingdom	100	100
OneWeb Ltd.	Operating Company	SANNE, IFC 5 St. Helier, Jersey Jersey	Jersey	100	100
OneWeb Ltd (Malta)	Operating Company	SmartCity Malta, SCM 01, TMF Group (Malta) 401 Ricasoli, Kalkara, SCM 1001 Malta	Malta	100	100
OneWeb Network Access Holdings Ltd. (UK)	Holding Company	Asticus Building 2nd Floor 21 Palmer Street London, SW1H 0AD United Kingdom	United Kingdom	100	100
WorldVu JV Holdings LLC	Holding Company	BizFilings 8020 Excelsior Dr., Suite 200 Madison, WI 53717 United States	United States	100	100
Airbus OneWeb Satellites LLC ¹	Holding/Operating	CT Corporation System 1200 South Pine Island Road Plantation, FL 33324	United States	50	50

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31 December 2018 and 2017

Name	Principal activity	Registered agent address	Country of incorporation	% Equity interest	
				2018	2017
Airbus OneWeb Satellites North America LLC ²	Satellite Design and Development	Corporation Trust Center 1209 Orange Street Wilmington, Delaware, 19801	United States	50 %	50 %
Airbus OneWeb Satellites SAS ²	Satellite Design and Development	31 Rue des Cosmonautes 31402 Toulouse Cedex 4	France	50	50
Airbus OneWeb Satellites Florida LLC ²	Satellite Design and Development	CT Corporation System 1200 South Pine Island Road Plantation, Florida 33324	United States	50	n/a
OneWeb Communications S.a.r.l.	Holding Company	51 Avenue J.F. Kennedy L-1855, Luxembourg	Luxembourg	100	100
OneWeb Asia PTE. Ltd.	Operating Company	1 Marina Boulevard #28-00 Singapore, 018989	Singapore	100	100
OneWeb S.r.l.	Operating Company	Corso Vercelli 40 20145, Milan Italy	Italy	100	100
OneWeb Norway AS	Operating Company	Postboks 2334 3003 Drammen Norway	Norway	100	100
OneWeb S.A	Operating Company	Tucumán 1 Piso 4, Buenos Aires, C1049AAA Argentina	Argentina	100	100
First Tech Web Company Limited	Operating Company	28th Floor Kingdom Tower, Olaya Road P.O. Box: 230 888 Riyadh, 11321 Saudi Arabia	Saudi Arabia	100	100
OneWeb Limited Liability Company	Operating Company	Office 4, Premises 1, Floor 2, Building 1 39 Gilyarovskogo Str., 129110, Moscow, Russian Federation	Russia	60	60
WorldVu, Unipessoal Lda	Operating Company	Rua Latino Coelho, no. 13, 13-A e 13-B, 3rd floor Parish of São Sebastião da Pedreira, Municipality of Lisbon 1050-132 Lisbon, Portugal	Portugal	100	n/a

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31 December 2018 and 2017

Name	Principal activity	Registered agent address	Country of incorporation	% Equity interest	
				2018	2017
OneWeb ApS	Operating Company	c/o Deloitte Imaneq 33, 6 – 7 floor, Postbox 20 Nuuk, 3900 Greenland	Greenland	100 %	n/a
WorldVu, Australia Pty Ltd	Operating Company	TMF Corporate Services (AUST) PTY LTD, Level 16 201 Elizabeth Street Sydney NSW 2000 Australia	Australia	100	n/a
OneWeb G.K.	Operating Company	c/o DLA Piper Tokyo Partnership Meiji Seimei Kan 7F 1-1, Marunouchi 2-chome, Chiyoda-ku Tokyo, Japan	Japan	100	n/a
OneWeb Capacidade Satelital Ltda	Operating Company	Avenida Nove de Julho, 3228, sala 604, Ed. First Office Flat, Jardim Paulista City of São Paulo State of São Paulo, 01406-000 Brazil	Brazil	100	n/a
WorldVu Satellites Limited	Operating Company	IFC 5 St. Helier JE 1 1st Jersey	Jersey, Channel Islands	100	n/a

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Company's Notes

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Unless otherwise noted below, the Group's equity interest represents the voting interests of the Group in the respective subsidiary or affiliate.

- ¹ Ownership is through WorldVu JV Holdings LLC. The Group owns 50% of the equity of Airbus OneWeb Satellites LLC but consolidates 100% of this entity and its subsidiaries. See note 15 for further details.
- ² The equity interest represents the Group's ownership percentage. Entity is wholly owned by Airbus OneWeb Satellites LLC, of which the Group owns a 50% equity interest.

The Company provided a guarantee to certain subsidiaries for all outstanding liabilities at 31 December 2018, up until such liabilities are satisfied in full. Per Companies House 479C, Network Access Associates Ltd. and Network Access Holdings Ltd. claimed an exemption from financial audit for the year ended 31 December 2018.