Company registration number 05627937 (England and Wales)

ANUVU UK HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

ANUVU UK HOLDINGS LIMITED

COMPANY INFORMATION

Directors	R Everett	(Appointed 24 April 2024)
	A Horan	(Appointed 23 October 2023)
Company number	05627937	
Registered office	Anuvu UK (Regus), Jubilee House 3, The Drive Office 202b Great Warley Brentwood United Kingdom CM13 3FR	
Auditor	Azets Audit Services Limited Ashcombe Court Woolsack Way Godalming Surrey United Kingdom GU7 1LQ	

ANUVU UK HOLDINGS LIMITED

CONTENTS

STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023

The directors present the strategic report for the year ended 31 December 2023.

Principal activities
The principal activity of the company continued to be that of a holding company.

Review of the business
The Company continued to hold investments in members of the Anuvu Corp Group.

Principal risks and uncertainties
The Company is a holding company and its activities are limited, however, the performance of the direct and indirect subsidiaries impacts the Company.

Key performance indicators
The Directors have concluded there are no significant financial key performance indicators given the principal activity of the Company.

Promoting the success of the company
The Company is a holding company and the primary responsibilities are limited, however, the Directors continue to foster relationships with suppliers and customers in compliance with guidelines from the indirect and wholly owned subsidiaries to maintain high standards for business conduct and be in compliance with applicable regulations.

The Company is a holding company and the primary responsibilities are limited, however, the Directors continue to foster relationships with suppliers and customers in compliance with guidelines from the indirect and wholly owned subsidiaries to maintain high standards for business conduct and be in compliance with applicable regulations.

On behalf of the board

....
R Everett
Director

Date: 31-October-2024

The directors present their annual report and financial statements for the year ended 31 December 2023.

Results and dividends

The results for the year are set out on page 7.

Directors

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

R Everett	(Appointed 24 April 2024)
A Horan	(Appointed 23 October 2023)
C Mezger	(Resigned 15 March 2024)
K Santoro	(Resigned 5 October 2023)

Energy and carbon report

The Company has not disclosed information in respect of greenhouse gas emissions, energy consumption and energy efficiency action as its energy consumption in the United Kingdom for the year us 40,000kWh or lower.

Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of engagement with suppliers, customers and others.

Statement of disclosure to auditor

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

On behalf of the board

....

R Everett

Director

Date: 31 - October - 2024

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ANUVU UK HOLDINGS LIMITED

Opinion

We have audited the financial statements of Anuvu UK Holdings Limited (the 'company') for the year ended 31 December 2023 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

We draw attention to Note 1.2 in the financial statements, which indicates that the company incurred a net loss of $228,000 during the year ended 31 December 2023 and, as of that date, the company's current liabilities exceeded its total assets by $3,271,000. As stated in Note 1.2, these events or conditions, along with other matters as set forth in the Strategic Report on page 1, 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.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud
Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above and on the Financial Reporting Council's website, to detect material misstatements in respect of irregularities, including fraud.

We obtain and update our understanding of the entity, its activities, its control environment, and likely future developments, including in relation to the legal and regulatory framework applicable and how the entity is complying with that framework. Based on this understanding, we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. This includes consideration of the risk of acts by the entity that were contrary to applicable laws and regulations, including fraud.

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the company through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

Azets Audit Services

Debra Saunders Bsc FCA
Senior Statutory Auditor
For and on behalf of Azets Audit Services Limited

Date: 1 November 2024

Chartered Accountants
Statutory Auditor

Ashcombe Court
Woolsack Way
Godalming
Surrey
United Kingdom
GU7 1LQ

ANUVU UK HOLDINGS LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 $'000	2022 $'000
Administrative expenses		(228)	185
(Loss)/profit before taxation		(228)	185
Tax on (loss)/profit	6	-	-
(Loss)/profit for the financial year		(228)	185

The income statement has been prepared on the basis that all operations are continuing operations.

The notes on pages 10 to 17 form part of these financial statements.

ANUVU UK HOLDINGS LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

		2023		2022	
	Notes	$'000	$'000	$'000	$'000
Fixed assets					
Investments	7		742		742
Current assets		-		-	
Creditors: amounts falling due within one year	9	(4,013)		(3,785)	
Net current liabilities			(4,013)		(3,785)
Net liabilities			(3,271)		(3,043)
Capital and reserves					
Called up share capital	10		-		-
Share premium account			140,727		140,727
Profit and loss reserves			(143,998)		(143,770)
Total equity			(3,271)		(3,043)

The notes on pages 10 to 17 form part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 31-October-24 and are signed on its behalf by:

....
R Everett
Director

Company Registration No. 05627937

ANUVU UK HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

	Share capital	Share premium account	Profit and loss reserves	Total
	$'000	$'000	$'000	$'000
Balance at 1 January 2022	-	140,727	(143,955)	(3,228)
Year ended 31 December 2022:				
Profit and total comprehensive income for the year	-	-	185	185
Balance at 31 December 2022	-	140,727	(143,770)	(3,043)
Year ended 31 December 2023:				
Loss and total comprehensive income for the year	-	-	(228)	(228)
Balance at 31 December 2023	-	140,727	(143,998)	(3,271)

The notes on pages 10 to 17 form part of these financial statements.

1 Accounting policies

Company information

Anuvu UK Holdings Limited is a private company limited by shares incorporated in England and Wales. The registered office is Anuvu UK (Regus), Jubilee House, 3, The Drive, Office 202b, Great Warley, Brentwood, United Kingdom, CM13 3FR.

1.1 Accounting convention

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

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

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues: Interest income/expense and net gains/losses for financial instruments not measured at fair value; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel and transactions with wholly owned group members.

The company has taken advantage of the exemption under section 401 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Anuvu UK Holdings Limited is a wholly owned subsidiary of Anuvu Corp. and the results of Anuvu UK Holdings Limited are included in the consolidated financial statements of Anuvu Corp. which are available from Head Office, 1821 E Dyer Road, Suite 125, Santa Ana, CA 92705.

1 Accounting policies **(Continued)**

1.2 Going concern

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

The Company had net current liabilities of $3,271,000 at 31 December 2023 (2022 - $3,785,000) and reported a loss for the year of $228,000 (2022 - profit of $185,000).

Not withstanding net liabilities noted above, the directors have prepared profit and cashflow forecasts for the wider Group, inclusive of the Company's operational performance, for the period to 31 December 2025, which indicates that the business will generate positive future cash flows sufficient to meet the liabilities as they fall due for the foreseeable future. At the balance sheet date, the company as a primary holding company did not have any cash reserves. During 2023 and 2022 the Company's operating profits were primarily impacted by changes in foreign currency. The Company and wider Group do not participate in foreign currency trading or hedging activities thus the accounts are impacted by the underlying currency revaluation. The business monitors these impacts and cash costs to operate the business with support from the wider Group.

The achievement of these forecasts is reliant on the continued trade of the wider Group of which the company is part, due to the fact that the Group operates a number of central contracts from content suppliers, The forecasts are also dependent on continued financial support from the wider group including the amounts due to other group companies not being called for repayment within the forecast period. The parent company has also extended its external debt maturities to a period greater than 12 months from the date of signing. Anuvu Corp. (ultimate parent company formerly known as Global Eagle Entertainment Inc.) has indicated that at least for 12 months from the date of approval of these financial statements it will continue to make funds available as are needed by the Company.

The Company's Directors are required to assess the Company's ability to continue to adopt the going concern basis of accounting for at least 12 months from the date the financial statements are authorised for issue. As disclosed in the financial statements for previous years, the Company has been dependent on the ongoing support of its ultimate Parent and other Group companies to continue to realise its assets and to discharge its liabilities in the normal course of business. The Group has indicated their willingness to provide support to the Company as it is required over the period of 12 months from the date the financial statements are issued. The Group believes its cash balances and cash generated from operations will be sufficient to meet its working capital requirements and capital expenditure for at least the next 12 months. The Group is actively managing and optimising the cash and is mindful of the commitments that are due.

1.3 Fixed asset Investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Entities in which the company has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1 Accounting policies **(Continued)**

1.4 Cash and cash equivalents

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

1.5 Financial instruments

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

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

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

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

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

Impairment of financial assets

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

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

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

Derecognition of financial assets

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

1 Accounting policies **(Continued)**

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

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

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

Derecognition of financial liabilities

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

1.6 Equity instruments

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

1.7 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1 Accounting policies **(Continued)**

1.8 Foreign exchange

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

2 Operating (loss)/profit

	2023	2022
Operating (loss)/profit for the year is stated after charging/(crediting):	$'000	$'000
Exchange losses/(gains)	176	(221)

3 Auditor's remuneration

	2023	2022
Fees payable to the company's auditor and associates:	$'000	$'000
For audit services		
Audit of the financial statements of the company	22	21
For other services		
All other non-audit services	4	-

4 Employees

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

	2023 Number	2022 Number
Directors	2	2

5 Directors' remuneration

No remuneration was paid to the directors by the entity.

Directors' remuneration is paid by other group companies. The remuneration is deemed wholly attributable to their services in other group companies and as such the costs are not included with the profit and loss account of Anuvu UK Holdings Limited.

6 Taxation

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

	2023 $'000	2022 $'000
(Loss)/profit before taxation	(228)	185
Expected tax (credit)/charge based on the standard rate of corporation tax in the UK of 23.50% (2022: 19.00%)	(54)	35
Deferred tax assets not recognised	54	(35)
Taxation charge for the year	-	-

7 Fixed asset investments

	Notes	2023 $'000	2022 $'000
Investments in subsidiaries	8	742	742

8 Subsidiaries

Details of the company's subsidiaries at 31 December 2023 are as follows:

Name of undertaking	Registered office	% Held Direct
Global Eagle Holdings GmbH	Amerigo-Vespucci-Platz 1, c/o Fieldfisher Plog Partnerschaft von Rechtsanwälten mbH, 20457 Hamburg	100.00
Global Eagle GmbH	Amerigo-Vespucci-Platz 1, c/o Fieldfisher Plog Partnerschaft von Rechtsanwälten mbH, 20457 Hamburg	100.00
Anuvu UK Operations Limited	Jubilee House, 3, The Drive, Office 202B, Great Warley, Warley, Brentwood, CM13 3FR	100.00
Anuvu Spain Operations SL	Jose Ortega y Gasset 22-24, 5th Floor, Madrid, Spain 28006	100.00
DTI Software Inc. (indirect)	1800 McGill College Suite 1420, Montreal, QC H3A 3J6, Canada	100.00
DTI Software FZ-LLC (indirect)	DMC Bldg. 9, 2nd Floor, Office 206, Dubai Media City, P.O. Box 502367, Dubai, UAE	100.00
PMG California, Inc. (indirect)	1800 McGill College Suite 1420, Montreal, QC H3A 3J6, Canada	100.00
Emphasis Video Entertainment Limited (indirect)	31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong	100.00
navAero Avionics AB (indirect)	Forradsgatan 4, 856 33 Sundsvall	100.00
Global Eagle Entertainment Media Technology (Beijing) Co ., Ltd. (indirect)	Room 2429, Unit 2401, Floor 24, No. 56 East 4th Ring Road, Chaoyang District, Beijing, China	100.00
Fairdeal Studios Private Limited (indirect)	The Capital, 207B, 2nd Floor, G Block, C70 Bandra Kurla Compex Bandra (East), Mumbai - 400 051 Mahar	100.00
Anuvu New Zealand Operations Limited (indirect)	Level 3, Candida Building 4, 61 Constellation Drive, Mairangi Bay, 0630, NZ	100.00
Anuvu Singapore Operations Pte Ltd (indirect)	410 North Bridge Rd., Level 3, Office 308, Singapore 188726	100.00
Anuvu Netherlands Operations BV (indirect)	Kingsfordweg 151, Amsterdam 1043GR Netherlands	100.00
Anuvu Middle East Operations FZ-LLC	DMC Bldg. 9, 2nd Floor, Office 206, Dubai Media City, P.O. Box 502367, Dubai, UAE	100.00
IFE Services SA (Pty) Limited (indirect)	1st Floor Block B North Park, Black River Park, 2 Fir Street Observatory, Western Cape 7925	100.00
Le Centre de Materiel d' Education Visuelle JW Fisher Inc.	1800 McGill College Suite 1420, Montreal, QC H3A 3J6, Canada	100.00

The principal activity of the subsidiary undertakings is the provision of inflight entertainment.

Global Eagle Entertainment Pty Limited deregistered as a company on 27 March 2023.

9 Creditors: amounts falling due within one year

	2023 $'000	2022 $'000
Amounts owed to group undertakings	3,987	3,735
Accruals and deferred income	26	50
	4,013	3,785

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

10 Share capital

Ordinary share capital	**2023 Number**	**2022 Number**	**2023 $'000**	**2022 $'000**
Issued and fully paid				
Ordinary of $1 each	3	3	-	-
	3	3	-	-

11 Related party transactions

Transactions with related parties

As the Company is a wholly owned direct subsidiary of Anuvu Foreign Holdings LLC, the Company has taken advantage of the exemption contained in FRS 102 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The Group financial statements of Anuvu Corp., within which this company is included can be obtained from the address given in Note 12.

12 Ultimate controlling party

At 31 December 2023 the immediate parent company was Anuvu Foreign Holdings LLC., whilst the ultimate parent company was Anuvu Corp.

Both Anuvu Foreign Holdings LLC and Anuvu Corp. are registered in USA and copies of the group financial statements as at 31 December 2023 can be obtained from 1209 Orange St., Wilmington. DE 19801. This is the smallest and largest group for which group financial statements are prepared which include this entity.

ANUVU CORP.

Annual Financial Statements

31 December 2023

RSM

RSM US LLP

Independent Auditor's Report

Board of Directors
Anuvu Corp.

Opinion
We have audited the consolidated financial statements of Anuvu Corp. and its subsidiaries (the Company) which comprise the consolidated balance sheet as of December 31, 2023, the related consolidated statement of operations, comprehensive income (loss), stockholders' equity (deficit) and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter
As discussed in Note 2 to the financial statements, the Company has suffered recurring losses from operations. Management's evaluation of the events and conditions and management's plans to mitigate these matters are also described in Note 2. Our opinion is not modified with respect to this matter.

Other Matter
The financial statements of the Company, as of and for the year ended December 31, 2022, were audited by other auditors whose report, dated April 28, 2023 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

RSM US LLP

Denver, Colorado
June 28, 2024

ANUVU CORP.
CONSOLIDATED BALANCE SHEETS
(In thousands, except the number of shares)

		December 31, 2023		December 31, 2022
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$	8,093	$	40,169
Restricted cash		7,607		3,661
Short-term investment		—		85
Accounts receivable, net		68,977		88,531
Inventories, net		31,958		25,697
Prepaid expenses		16,403		33,663
Other current assets		15,273		14,675
TOTAL CURRENT ASSETS		148,311		206,481
Content library		4,076		1,323
Property and equipment, net		44,133		63,478
Right-of-use assets, net		10,447		13,780
Goodwill		17,084		68,257
Intangible assets, net		145,128		176,437
Deferred tax assets		1,173		2,100
Other non-current assets		12,360		14,012
TOTAL ASSETS	$	382,712	$	545,868
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Accounts payable and accrued liabilities	$	108,112	$	97,806
Deferred revenue		8,604		5,033
Current portion of long-term debt		4,752		—
Current portion of operating lease liabilities		5,021		5,423
Other current liabilities		5,725		7,301
TOTAL CURRENT LIABILITIES		132,214		115,563
Long-term debt		404,468		390,455
Long-term operating lease liabilities		6,154		9,222
Deferred tax liabilities		1,182		1,285
Other non-current liabilities		11,450		10,756
TOTAL LIABILITIES		555,468		527,281
STOCKHOLDERS' EQUITY (DEFICIT):				
Common stock, $0.001 par value; 12,100,000 shares authorized, 10,000,000 shares issued, 10,000,000 shares outstanding as of December 31, 2023 and 2022		10		10
Additional paid-in capital		218,897		218,897
Accumulated deficit		(390,870)		(199,630)
Accumulated other comprehensive loss		(793)		(690)
TOTAL STOCKHOLDERS' EQUITY		(172,756)		18,587
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	$	382,712	$	545,868

The accompanying notes are an integral part of these consolidated financial statements.

ANUVU CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands)

	Year Ended December 31, 2023	Year Ended December 31, 2022
Revenue:		
Licensing and services	$ 385,730	$ 347,613
Equipment	67,837	93,739
Total revenue	453,567	441,352
Cost of sales:		
Licensing and services	342,695	307,611
Equipment	51,235	62,679
Total cost of sales	393,930	370,290
Gross margin	59,637	71,062
Operating expenses:		
Sales and marketing	17,634	16,580
Product development	20,195	21,220
General and administrative	64,380	60,449
Amortization of intangible assets	20,822	22,042
Goodwill and long-lived asset impairment	68,243	—
Total operating expenses	191,274	120,291
Loss from operations	(131,637)	(49,229)
Other income (expense):		
Interest expense, net	(57,585)	(43,558)
Income (loss) from equity method investments	—	6,042
Income (loss) from sale of equity method investments	984	(22,084)
Other income (expense), net	1,646	(1,401)
Loss before income taxes	(186,592)	(110,230)
Income tax expense	4,648	2,090
Net loss	$ (191,240)	$ (112,320)

The accompanying notes are an integral part of these consolidated financial statements.

ANUVU CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)

	Year Ended December 31, 2023	Year Ended December 31, 2022
Net loss	$ (191,240)	$ (112,320)
Other comprehensive loss:		
Unrealized foreign currency translation adjustments	(103)	(659)
Other comprehensive loss	(103)	(659)
Comprehensive loss	$ (191,343)	$ (112,979)

The accompanying notes are an integral part of these consolidated financial statements.

ANUVU CORP.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(In thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Equity (Deficit)
Balance, January 1, 2022	10,000	10	218,897	(87,310)	(31)	131,566
Net loss	—	—	—	(112,320)	—	(112,320)
Comprehensive loss, net of tax	—	—	—	—	(659)	(659)
Balance, December 31, 2022	10,000	10	218,897	(199,630)	(690)	18,587
Net loss	—	—	—	(191,240)	—	(191,240)
Comprehensive loss, net of tax	—	—	—	—	(103)	(103)
Balance, December 31, 2023	10,000	$ 10	$ 218,897	$ (390,870)	$ (793)	$ (172,756)

The accompanying notes are an integral part of these consolidated financial statements.

ANUVU CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31, 2023	Year Ended December 31, 2022
OPERATING ACTIVITIES:		
Net loss	$ (191,240)	$ (112,320)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	52,694	69,168
Amortization of right-of-use asset	6,790	3,741
Amortization of content library	2,639	860
(Gain) loss from sale of equity method investments	(984)	22,084
Income on equity method investments	—	(6,042)
Non-cash interest expense, net	2,686	2,635
Change in fair value of equity security investments	(22)	54
Impairment of goodwill and long-lived assets	68,243	—
Loss on disposal of fixed assets	63	343
Provision for expected credit losses	13,850	458
Deferred income taxes	(103)	(2,503)
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	5,704	(11,155)
Inventories	(6,261)	5,829
Prepaid expenses	14,743	(7,025)
Other current assets	(598)	(5,303)
Content library	(5,392)	(673)
Other non-current assets	2,579	6,722
Accounts payable and accrued liabilities	21,553	40,040
Deferred revenue	3,571	(2,922)
Other liabilities	(6,622)	(2,227)
Net cash (used in) provided by operating activities	(16,107)	1,764
INVESTING ACTIVITIES:		
Purchases of property and equipment, net	(16,433)	(16,319)
Proceeds (settlements) from sale of equity method investments	(346)	35,159
Cash paid for business acquisition, net of cash acquired	—	(3,225)
Proceeds from sale of investments	107	—
Net cash (used in) provided by investing activities	(16,672)	15,615
FINANCING ACTIVITIES:		
Borrowings on Delayed Draw Term (Letter of Credit) Loan	4,752	900
Repayments on Delayed Draw Term (Letter of Credit) Loan	—	(5,164)
Repayments of related party loan	—	(3,656)
Repayments of indebtedness	—	(76)
Net cash provided by (used in) financing activities	4,752	(7,996)
Effects of exchange rate changes on cash, cash equivalents and restricted cash	(103)	(659)
Net increase (decrease) in cash, cash equivalents and restricted cash	(28,130)	8,724
Cash, cash equivalents and restricted cash as of beginning of period	43,830	35,106
Cash, cash equivalents and restricted cash as of end of period	$ 15,700	$ 43,830
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for:		
Taxes	$ 502	$ 1,808
Interest	$ 44,095	$ 27,993
SIGNIFICANT NON-CASH ACTIVITIES:		
Purchase consideration for equipment included in accounts payable	$ 81	$ 158
Conversion of PIK interest on loans to additional principal	$ 11,327	$ 12,562

The accompanying notes are an integral part of these consolidated financial statements.

Note 1. Business

Throughout these notes, Anuvu Corp. (formerly "GEE Acquisition Holdings Corp.") is referred to as "Anuvu Corp.," "Successor," "we" or "the Company." Global Eagle Entertainment Inc. is referred to as "Global Eagle" or "Predecessor."

Anuvu Corp. is a Delaware corporation headquartered in Santa Ana, California. Anuvu Corp. (together with its subsidiaries) is a leading provider of media content and satellite-based connectivity to global mobility markets across air and sea. Anuvu Corp. offers a fully integrated suite of rich media content and seamless connectivity solutions that cover the globe.

On July 22, 2020, Global Eagle and 16 of its wholly owned U.S. subsidiaries (together with Global Eagle, the "Debtors") commenced voluntary chapter 11 proceedings under chapter 11 of the United States Bankruptcy Code, (the "Bankruptcy Code") in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). The chapter 11 proceedings were jointly administered under the caption Global Eagle Entertainment Inc., et al. (the "Chapter 11 Cases"), Case No. 20-11835. Prior to the closing of the Sale (as described below), Debtors continued to operate their business as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court. On October 15, 2020, the Bankruptcy Court entered an order (the "Sale Order") approving the sale (the "Sale") of substantially all of the Debtors' assets to Anuvu Corp., pursuant to an asset purchase agreement (the "APA"), which was a new legal entity formed for the purpose of acquiring the assets of the Debtors as described in more detail, below. On March 23, 2021, the Sale closed, and accordingly, the Company's operations were no longer in the chapter 11 process.

The Company's business is comprised of two operating segments: Media Technology Services and Connectivity, with the Connectivity segment encompassing the operations of the Inflight Connectivity segment and the Maritime Energy Government Connectivity (formerly Maritime & Land Connectivity) segment.

Media Technology Services

The Media Technology Services segment selects, manages, provides lab services and distributes wholly-owned and licensed media content, video and music programming, advertising, applications and video games to the airline, maritime and other "away from home" non-theatrical markets.

Connectivity

The Connectivity segment provides its customers, including their passengers and crew, with (i) Wi-Fi connectivity via C, X, Ka and Ku-band satellite transmissions that enable access to the Internet, live television, on-demand content, shopping and travel-related information and (ii) operational solutions that allow customers to improve the management of their internal connectivity operations

Note 2. Basis of Presentation and Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements.

Basis of Presentation

Liquidity and Capital Resources

The audited consolidated financial statements have been prepared on a going concern basis of accounting, which contemplates continuity of operations, realization of assets, and satisfaction of liabilities and commitments in the normal course of business.

Liquidity and Management's Plan

Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 205-40, Presentation of Financial Statements - Going Concern, requires that an entity's management evaluate whether there are relevant conditions and events that in aggregate initially indicate that it will not be able to meet its obligations as they become due within one year after the date that the financial statements are issued, and therefore raise substantial doubt about the entity's ability to continue as a going concern. The Company has evaluated factors described below, including historical losses and negative cash flows from operations, and the Company's ability to satisfy existing debt obligations and paydown past due accounts payable over the next year, and concluded that the factors have raised substantial doubt about the company's ability to continue as a going concern.

Due to the Company's operating performance in recent years and upcoming liquidity needs combined with satisfying existing debt obligations and paydown, the Company's management identified certain conditions and potential impacts from those conditions, which, considered in the aggregate, raise substantial doubt about its ability to continue as a going concern, including:

- Inability to timely service the Company's debt within the next twelve months;
- High cost of debt and required interest payments that is not considered to be sustainable;
- Decrease in working capital, net and past due accounts payable;
- Potential inability to deliver substantially all of the financial results forecast in the fiscal 2024 budget;
- Subsequent to December 31, 2023, the inability to dispose of the Maritime, Energy and Government reporting unit.

As of December 31, 2023, the Company had $412.6 million of aggregate debt outstanding under our credit facilities. In addition, included in the debt outstanding was $4.8 million drawn under the facilities to cash collateralize required customer and vendor letters of credit outstanding. Total letters of credit represented restricted cash of $7.6 million as of December 31, 2023.

A substantial amount of the Company's cash requirements are for interest servicing debt obligations. The Company has generated operating losses in each of the years ended December 31, 2023 and 2022. Additionally, the Company has incurred net losses for each of these years and had negative cash flows from operations for the year ended December 31, 2023 primarily as a result of significant cash interest payments arising from the Company's substantial debt balance and operations. Net cash used in operations was $16.1 million for the year ended December 31, 2023 which included cash paid for interest of $44.1 million. Working capital, net decreased by $74.8 million, to $16.1 million as of December 31, 2023, compared to $90.9 million as of December 31, 2022. The Company's current forecast indicates it will reduce year over year net losses from operating activities however net losses are expected to continue primarily driven by the Company's indebtedness interest expense. As of December 31, 2023, the Company had debt maturities totaling $4.8 million, $205.0 million, and $202.8 million in 2024, 2025 and 2026, respectively.

The Company's management has plans in-place to address the substantial doubt about the Company's ability to continue as a going concern. Mitigating actions that are being implemented include:

- Restructure and amend debt with our lenders;
- Reduction of overall workforce to match revenue streams;
- Relocation of worldwide operating facilities to reduce ongoing costs;

- Renegotiation of satellite lease terms, bandwidth terminations and payment deferrals;
- Ensure receipt of the first quarter $33 million contingent payment related to the 2021 sale of our former minority interest;
- Assess and dispose of negative operating business units;
- Apply for all eligible global government and other initiatives available to businesses or employees, primarily through payroll and wage subsidies and deferrals.

In addition, the Company's management is pursuing actions to maximize cash available to meet the Company's obligations as they become due in the ordinary course of business, including (i) executing additional substantial reductions in expenses, capital expenditures and overall costs; (iii) dispose of certain business units; and (iii) restructuring debt including but not limited to extending maturity dates and extending and increasing payment-in-kind interest payments, in order to generate additional liquidity. These actions are intended to mitigate those conditions which raise substantial doubt of the Company's ability to continue as a going concern for a period within 12 months following June 28, 2024. While the Company continues to work toward completing these items and taking other actions to create additional liquidity, there is no assurance that the Company will be able to create the required liquidity. The Company's ability to meet its obligations as they become due in the ordinary course of business for the next 12 months will depend on its ability to achieve forecasted results, its ability to conserve cash, its ability to achieve sufficient cash interest savings and its ability to complete other liquidity-generating transactions. Based on achieving many of these actions subsequent to the year-end December 31, 2023, the conditions and events have been alleviated by management's plans.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned, majority-owned and controlled subsidiaries. Intercompany balances and transactions have been eliminated in consolidation. The results of acquired businesses are included in the consolidated financial statements from the date of acquisition. Any investments in affiliates over which the Company has the ability to exert significant influence but does not control and with respect to which it is not the primary beneficiary are accounted for using the equity method. As of December 31, 2023 and 2022, the Company has no such equity affiliates.

Use of Estimates

The preparation of the Company's consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue (allocated on the basis of the relative selling price of deliverables) and expenses during the reporting period. Actual results could differ materially from those estimates. On an ongoing basis, the Company evaluates its estimates compared to historical experience and trends, which form the basis for making judgments about the carrying value of assets and liabilities.

Revenue Recognition

The Company accounts for a contract with a customer when an approved contract exists, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and the collectability of substantially all of the consideration is probable. Revenue is recognized as the Company satisfies performance obligations by transferring a promised good or service to a customer (see further discussion in Note 3. Revenue Recognition).

Deferred revenue consists substantially of amounts received from customers in advance of the Company's performance service period and of fees deferred for future support services. Deferred revenue is recognized as revenue on a systematic basis that is proportionate to the period that the underlying services are rendered, which in a majority of arrangements is straight line over the remaining contractual term.

Certain of the Company's revenue contracts contains variable consideration that require management estimates. The Company's management constrains the estimates to reduce the probability of a significant revenue reversal in future periods, allocates variable consideration to the identified performance obligations and recognizes revenue in the period the services are provided. Estimates are based on historical experience, anticipated future performance, market conditions and the best judgment at the time. A significant change in one or more of these estimates could affect the estimated contract value. For example, estimates of variable revenue within certain contracts require estimation of the number of sessions or megabytes that will be purchased over the contract term and the average revenue per connectivity session, which varies based on the connectivity options available to passengers on each airline. Estimated revenue under these contracts anticipates increases in take rates over time and assumes an average revenue per session consistent with our historical experience. The estimated contract revenue may differ significantly from the initial estimates to the extent actual take rates and average revenue per session differ from the Company's historical experience.

The Company's revenue is principally derived from the following segments:

Media Technology Services

The Company curates and manages the licensing of content to the airline, maritime, and non-theatrical industries globally and provides associated services, such as technical services, delivery of digital media advertising, the encoding of video and music products, development of graphical interfaces or the provision of materials. Media Technology Services licensing revenue is principally generated through the sale or license of media content, video and music programming, applications and video games to customers in the aviation, maritime and non-theatrical markets.

Licensing Revenues

- *Film, Audio, and Television licensing* - The Company selects, procures, manages, and distributes video and audio programming, and provides similar applications to the airline, maritime and other "away from home" non-theatrical markets. The Company delivers content compatible with the Company systems as well as compatible with a multitude of third-party in-flight entertainment ("IFE") systems. The Company acquires non-theatrical licenses from major Hollywood, independent and international film and television producers and distributors, and licenses the content to airlines, maritime companies, non-theatrical customers, and other content service providers. In addition to the content licenses, the Company provides the content literature for the seat-back inflight magazine, trailers for the website, and metadata for the Inflight Entertainment systems ("IFE systems"). Revenue recognition is dependent on the nature of the customer contract. Content licenses to customers are typically categorized into usage-based or flat fee-based fee structures. For usage-based fee structures, revenue is recognized as the usage occurs. For flat-fee based structures revenue is recognized upon the available date of the license, typically at the beginning of each cycle, or straight-line over the license period.
- *Games and applications licensing* - The Company produces games customized to suit the in-flight environment. The Company acquires multi-year licenses from reputable game publishers to adapt third-party-branded games and concepts for in-flight use. The Company also licenses applications for use on airline customer's IFE systems. These applications allow airlines the ability to present information and products to its customers (i.e., passengers) such as their food and beverage menu offerings, magazine content, and flight locations. Games and applications licenses are operated under usage or flat fee-based fee structures. Revenue recognition is dependent on the nature of the customer contract. Content licenses to customers are typically categorized into usage-based or flat fee-based fee structures. For usage-based fee structures, revenue is recognized as the usage occurs. For flat fee-based structures revenue is recognized upon the available date of the license, typically at the beginning of each cycle, or straight-line over the license period.

Services Revenues

- *Advertising Services* - The Company sells airline advertisement spots to customers through the use of insertion orders which normally range between one and six months. The advertising revenue is generally based on certain agreed upon minimum guarantees in addition to variable considerations such as type of advertisement (e.g., pop-up, banner, etc.) and on which media platform. Variable consideration are estimated based on historical trend. Further, the Company acquires certain advertising distribution rights from airlines via supplier agreements that are normally revenue-share arrangements which provide the Company with exclusive distribution rights. These agreements with airlines are generally have one-to-three-year terms. Revenue is recognized over time, ratably over the term of a contract or when promised services are delivered. When the Company enters into revenue-sharing arrangements with the airlines, the Company evaluates whether it is the principal or agent. When the Company is considered the principal, the Company reports the underlying revenue on a gross basis in its consolidated statements of operations and records these revenue-sharing payments to the airline as service costs. In circumstances where the Company acts as an agent in the arrangement, the associated revenues are recorded net.

- *Lab Services* - The Company addresses a variety of technical customer needs relating to content regardless of the particular IFE system being used. Content acquired from studios and producers is normally provided to the Company in certain languages, aspect ratios, and file sizes. The Company's customers (e.g., airlines) have IFE systems requiring certain aspect ratios and file sizes. In addition, the customers' request additional languages for their global passenger base. These technical services include encoding, editing and metadata services, as well as language subtitle and dubbing services, and are generally performed in-house in the Company's technical facilities (collectively considered "Lab Services"). Lab Services are typically priced on a flat fee per month, ad hoc basis, or included in the content pricing. Revenue is recognized when the Lab Services performance obligation is complete, and the underlying content has been accepted by and is available to the customer, typically on the license available date of the respective content.
- *Ad Hoc Services* - The Company may perform additional non-recurring implementation, configuration, interactive development or other ad hoc services connected with the games and applications delivery. These services include embedding of customer logo(s) and population of content within applications (e.g., food and beverage content within the Company's eMealMenu application).

Connectivity

Aviation Services Revenue. Services revenue for Connectivity includes satellite-based Internet services and related technical and network operational support and management services and live television. The connectivity services provide airlines with the capability to provide its passengers' wireless access to the Internet, which allows passengers to web-surf, email, text, and access live television. The connectivity experience also permits passengers to enjoy inflight entertainment, such as streaming for non-live television, and movies and video-on-demand, delivered through a web-based framework for an initial "landing page." The revenue is recognized over time as control is transferred to the customer (i.e. the airline), which occurs continuously as customers receive the bandwidth/connectivity services.

Aviation Equipment Revenue. Equipment revenue is recognized when control passes to the customer, which is at the later of shipment of the equipment to the customer or obtaining the Supplemental Type Certificates ("STC"), as applicable. In determining whether an arrangement exists, the Company ensures that a binding arrangement is in place, such as a purchase order or a fully executed customer-specific agreement. The Company can objectively determine that control of a good or service has been transferred to the customer in accordance with the agreed-upon specifications in the contract, accordingly customer acceptance is a formality that does not affect the entity's determination of when the customer has obtained control of good or service. In certain cases where the Company sells its equipment to an aviation customer on a stand-alone basis, it may charge a fee for obtaining STCs from the relevant aviation regulatory body, which permits the Company's equipment to operate on certain model/type of aircraft. An STC is highly interrelated with the Connectivity services as it is often required for new equipment and/or for new types of aircrafts prior to the airlines installing the equipment. When an STC is required, it would not be sold separately as it has no value to the customer without the equipment and vice versa. As such, in such circumstances, the Company does not consider an STC separate from the equipment. To the extent that the Company contracts to charge STC fees in equipment-only sales, the Company will record these fees as revenue at the later of shipment of the equipment to the customer or obtaining the STC, as applicable.

Maritime Energy Government - The Maritime business provides satellite telecommunications services ("connectivity services") through the Company's private network that utilizes very small aperture terminal ("VSAT") satellite technology for cruise ships and ferries, commercial shipping companies, yachts, and offshore drilling platforms. The technology enables voice and data capabilities to customers with ocean-going vessels or ocean-based environments. For certain cruise ship customers, the Company also offers maritime live television services ("TV services"). The service offerings cover a wide range of end-to-end network service combinations for customers' point-to-point and point-to-multipoint telecommunications needs. These offerings range from simple connections to customized private network solutions through a network that uses "multiple channels per carrier" or "single channel per carrier" technology with bandwidth satellite capacity and fiber optic infrastructure. The business also offers teleport services through its proprietary teleports located in Germany and the US. In conjunction with the Connectivity services, the Company also provides equipment as part of the service for which the Company retains ownership of the equipment throughout the term of the service. Revenue is recognized over time in accordance with the transfer of control, which is continuously as the customer receives the bandwidth/ connectivity services. Certain of the Company's contracts involve a revenue sharing or reseller arrangement to distribute the connectivity services. The Company assesses these services under the principal versus agent criteria and determined that the Company acts in the role of an agent and accordingly records such revenues on a net basis.

Maritime Installation Revenue - To service its marine customers, the Company operates a network of field-support centers for installation and repair services. The Company has field support centers in several locations worldwide, several of which offer a spare parts inventory, a network operation center open 24/7, certified technicians, system integration and project management. These field centers provide third-party antenna and ship-based system integration, global installation support, and repair services. Revenue is recognized in accordance with the transfer of control, i.e., over-time as the installation services is provided based on labor hours incurred.

Maritime Equipment Revenue - Equipment revenue is recognized when control passes to the customer, which is generally upon shipment or arrival/ acceptance at destination depending on the contractual arrangement with the customer. Maritime equipment is generally priced as a one-time upfront payment at its standalone selling price ("SSP").

Judgment is required to determine the SSP for each distinct performance obligation under contracts where the Company provides multiple deliverables. In instances where SSP is not directly observable, such as when the Company does not sell the product or service separately, the Company determines the SSP using information that may include adjusted market assessment approach, expected cost plus margin approach, or the residual approach.

- For the *Media Technology Services business*, management sets prices for each performance obligation using an adjusted market assessment approach when entering into contracts. Contract prices reflect the SSP. As such, the Company uses the stated contract price for SSP allocation of the transaction price.
- For our *Connectivity Services*, we are able to establish SSP based on observable prices of services sold separately in comparable circumstances to similar customers. We use a single amount to estimate SSP when it has observable prices. If SSP is not directly observable, for example when pricing is highly variable, we use a range of SSP. We determine the SSP range using information that may include pricing practices or other observable inputs. We typically have more than one SSP for individual products and services due to the stratification of those products and services by customer size and geography.
- For our *Equipment Sales*, we are not able to establish SSP based on observable prices of products sold separately in comparable circumstances to similar customers, therefore the Company uses a cost plus margin approach.

Topic 606 requires the Company to estimate variable consideration. Service Level Agreement ("SLA") or service issue/outage credits that are considered variable consideration (i.e., customer credits) and require estimation including the use of historical credit levels. These credits have historically not been material in the context of the customer contracts for the Maritime or Media Technology Services businesses.

The contractual consideration used for allocation purposes includes connectivity, equipment and services, which may be based on a fixed monthly fee per aircraft, or a variable fee based on the volume of connectivity activity, or a combination of both. Examples of variable consideration within our contracts include megabyte overages and revenue sharing arrangements.

We constrain our estimates to reduce the probability of a significant revenue reversal in future periods, allocate variable consideration to the identified performance obligations and recognize revenue in the period the services are provided. Our estimates are based on historical experience, anticipated future performance, market conditions and our best judgment at the time.

A significant change in one or more of these estimates could affect our estimated contract value. For example, estimates of variable revenue within certain contracts require estimation of the number of equipment purchased or megabytes that will be purchased over the contract term and the average revenue per connectivity session, which varies based on the connectivity options available to passengers on each airline. Estimated revenue under these contracts anticipates increases in take rates over time and assumes an average revenue per session consistent with our historical experience. Our estimated contract revenue may differ significantly from our initial estimates to the extent actual take rates differ from our historical experience.

We regularly review and update our estimates and recognize adjustments under the cumulative catch-up method. Any adjustments under this method are recorded as a cumulative adjustment in the period identified and revenue for future periods is recognized using the new adjusted estimate.

Cost of Sales

Media Technology Services

Cost of sales for Media Technology Services consist primarily of the costs to license or purchase media content, direct costs to service content for aviation, maritime and other non-theatrical markets, and advertising revenue-sharing payments to its customers. Included in the cost of sales, when applicable, is amortization expense associated with the purchase of film content libraries acquired, personnel, support and occupancy costs.

Connectivity

Cost of sales for Connectivity consists primarily of equipment fees paid to third-party manufacturers, royalty expense as a result of revenue-sharing arrangements, Internet connection, satellite charges and related network operational support costs, and other platform operating expenses, including depreciation of property and equipment and internally developed software, website development costs, hardware and services used to build and operate the Connectivity platform and personnel costs relating to information technology.

Sales and Marketing

Sales and marketing expense primarily comprise of personnel costs, advertising costs, including promotional events and other brand building and product marketing expenses, corporate communications, certain professional fees, occupancy costs and travel expenses.

Advertising costs are expensed as incurred. Advertising expenses for the years ended December 31, 2023 and 2022 were not material.

Product Development

Product research and software development costs, other than certain internal-use software costs qualifying for capitalization, are expensed as incurred. Costs of computer software or websites developed or obtained for internal use that are incurred in the preliminary project and post-implementation stages are expensed as incurred. Certain costs of developing internal-use software incurred during the application and development stage, which include employee and outside consulting compensation and related expenses, costs of computer hardware and software, website development costs and costs incurred in developing additional features and functionality of the services, are capitalized. The estimated useful life of costs capitalized is evaluated for each specific project. Capitalized costs are generally amortized using the straight-line method over a three-year estimated useful life, beginning in the period in which the software is ready for its intended use. Unamortized amounts are included in Property and equipment, net, in the consolidated balance sheets.

The Company's product development expenditures are focused on developing new products and services and obtaining STC as required by the FAA for each model/type of aircraft prior to providing Connectivity services. To the extent that the Company is contracted to obtain STC, and customers reimburse these costs, the Company will record these reimbursements directly against its product development expenses.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an initial maturity of 90 days or less to be cash equivalents.

Restricted Cash

The Company maintains certain letters of credit agreements with its customers that are secured by the Company's cash for periods up to three years. As of December 31, 2023 and 2022, the Company had restricted cash of $7.6 million and $3.7 million, respectively.

Credit Losses

The Company extends credit to its customers. An allowance for doubtful accounts is maintained for estimated losses resulting from the inability of the Company's customers to make required payments. Management specifically analyzes the age of customer balances, historical bad debt experience, customer credit-worthiness and changes in customer payment terms when making estimates of the collectability of the Company's accounts receivable balances. If the Company determines that the financial condition of any of its customers has deteriorated, whether due to customer specific or general economic issues, an increase in the allowance may be made. After all attempts to collect a receivable have failed, the receivable is written off.

Inventories

Equipment inventory, which is classified as finished goods, is comprised of individual equipment parts and assemblies. The Company provides inventory write-downs based on excess and obsolete inventories determined primarily by future demand forecasts. The write-down is measured as the difference between the cost of the inventory and net realizable value, based upon assumptions about future demand; and is charged to the provision for inventory, which is a component of cost of sales. At the point of the write-down recognition, a new, lower cost basis for that inventory is established, and subsequent changes in facts and circumstances do not result in the restoration or increase in that newly established cost basis.

The Company generally is not directly responsible for warranty costs related to equipment it sells to its customers. The vendors that supply each of the individual parts, which comprise the assemblies sold by the Company to customers, are responsible for the equipment warranty directly to the customer.

Valuation of Long-Lived Assets

The Company evaluates the recoverability of its long-lived assets with finite useful lives for impairment when events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. Such trigger events or changes in circumstances may include: a significant decrease in the market price of a long-lived asset, a significant adverse change in the extent or manner in which a long-lived asset is being used, a significant adverse change in legal factors or in the business climate, including those resulting from technology advancements in the industry, the impact of competition or other factors that could affect the value of a long-lived asset, a significant adverse deterioration in the amount of revenue or cash flows the Company expects to generate from an asset group, an accumulation of costs significantly in excess of the amount originally expected for the acquisition or development of a long-lived asset, current or future operating or cash flow losses that demonstrate continuing losses associated with the use of a long-lived asset, or a current expectation that, more likely than not, a long-lived asset will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. Assets to be disposed of would be separately presented on the consolidated balance sheets and reported at the lower of their carrying amount or fair value less costs to sell, and would no longer be depreciated or amortized.

The Company performs impairment testing at the asset group level that represents the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. If events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable and the expected undiscounted future cash flows attributable to the asset group are less than the carrying amount of the asset group, an impairment loss equal to the excess of the asset's carrying value over its fair value is recorded. Fair value is determined based upon estimated discounted future cash flows. During the year ended December 31, 2023, we recognized $6.4 million related to impairments of fixed assets and $10.5 million related to intangible assets recognized as Operating costs in the consolidated statements of operations. During the year ended December 31, 2022, we recognized no impairments relating to fixed assets. Refer to Note 5. Property and Equipment, net for details.

Content Library

Content library represents minimum guaranteed amounts to acquire distribution rights. The Company capitalizes the amounts paid for the guarantees and records an asset and liability for any remaining unpaid portion of the guarantee when the film is released for exploitation. Amounts owed in excess of the capitalized minimum guarantees are expensed when revenue from exploiting the film right have fully recouped the minimum guarantee based on the contractual royalty rates. The useful life of licensed film rights within the content library corresponds to the respective period over which the film rights will be licensed. Capitalized film rights are amortized ratably over their expected revenue streams and included in cost of sales. The Company anticipates that $3.2 million of its capitalized film costs as of December 31, 2023 will be amortized within the next twelve months. As of December 31, 2023, unamortized film costs for released films were not material due to the short duration of the exploitation period (three to twelve months). Participations are accrued on an individual title basis and expensed in the proportion that the revenue is generated over the exploitation period. As of December 31, 2023, the Company expected to pay accrued participation liabilities of $6.0 million during the next 12 months. As of both December 31, 2023 and 2022, the Company's minimum guarantee liabilities, current are immaterial and are included in Accounts payable and accrued liabilities in the consolidated balance sheets.

Content library is periodically tested for impairment, but no less than annually. The marketability of the individual film right can determine the fair value of such film and whether an impairment loss is necessary. If the fair value determined based on the estimated future cash flows for an individual film right is lower than its carrying amount as of the reporting date, an impairment loss is recognized in such period. The impairment charges for the content library were $0.8 million and $0.6 million for the years ended December 31, 2023 and 2022, respectively. The accelerated costs are included in Cost of sales in the consolidated statements of operations.

Property and Equipment, net

Property and equipment is stated at cost less accumulated depreciation and impairment losses. Depreciation is recorded on a straight-line basis over the underlying assets' useful lives. The estimated useful life of technical and operating equipment is three to ten years. Leasehold improvements are amortized on the straight-line method over the shorter of the remaining lease term or estimated useful life of the asset. Buildings are depreciated on the straight-line method over 30 years. Repairs and maintenance costs are expensed as incurred.

The Company installs connectivity equipment under agreements entered into with its customers. The assets are recorded as Property and equipment, net, on the consolidated balance sheets. The Company begins depreciating the assets when they are ready for their intended use over a 5-7 year term which approximates the expected useful lives of the equipment.

Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of

We review long-lived assets to be held and used, including property and equipment, right-of-use asset ("ROU"), content library and long-lived assets to be disposed of for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable.

Recoverability of assets to be held and used is measured by comparing the carrying amount of the asset to the future undiscounted net cash flows expected to be generated by the asset. Recoverability of assets held for sale is measured by comparing the carrying amount of the assets to their estimated fair market value. If any assets are considered to be impaired, the impairment is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value. Also, we periodically reassess the useful lives of our long-lived assets to determine whether any changes are required.

Business Acquisition

The Company accounts for acquisitions of businesses using the acquisition method of accounting where the cost is allocated to the underlying net tangible and intangible assets acquired, based on their respective estimated fair values. The excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill. Determining the fair value of certain acquired assets and liabilities is subjective in nature and often involves the use of significant estimates and assumptions, including, but not limited to, the selection of appropriate valuation methodologies, projected revenue, expenses and cash flows, weighted average cost of capital, discount rates, estimates of advertiser and publisher turnover rates and estimates of terminal values. Additionally, non-controlling interests in an acquired business, if any, are recorded at their acquisition date fair values. Business acquisitions are included in the Company's consolidated financial statements as of the date of the acquisition.

Signal Mountain Networks, Inc. Acquisition

On August 8, 2022, the Company entered into a stock purchase agreement ("SPA") to acquire all of the issued and outstanding capital stock in Signal Mountain Networks, Inc. ("Signal Mountain"), a Georgia S Corp. Signal Mountain is a provider of advanced U.S. Government-focused satcom solutions. It has a long and successful track record serving U.S. Government customers with advanced satellite communications services and products. The purchase price consisted of the following: \$3.0 million paid at closing plus \$0.3 million of working capital at closing less \$0.1 million of cash acquired. In addition on August 8, 2022, Anuvu recognized \$2.7 million of additional purchase price related to a \$3.0 million contingent consideration payable. The contingent consideration is related to the renewal of a U.S. Government subcontract, and was achieved as this contract was renewed in the third quarter of 2023.

The fair values of this acquisition, as set forth below, are considered preliminary and subject to adjustment as additional information is obtained through the purchase price measurement period (a period of up to one year from the closing date). Any prospective adjustments would change the fair value allocation as of the acquisition date.

The following table summarizes the fair value of the assets and liabilities assumed in the acquisition (dollars in thousands):

	Weighted Average Useful Life (Years)[1]		Fair Value
Cash and cash equivalents		$	91
Other current assets			294
Property and equipment, net			52
Intangible assets:			
Trade names and trademarks	5.0		450
Developed technology	5.0		500
Customer relationships	8.0		1,400
Non-interest bearing liabilities			(356)
Deferred consideration liability			(2,700)
Fair value of net assets acquired (liabilities assumed)			(269)
Consideration transferred (gross cash)			3,466
Goodwill		$	3,735

(1) The average useful life in total is 6.8 years.

Goodwill and Intangible Assets

The Company performs valuations of assets acquired and liabilities assumed on each acquisition accounted for as a business combination and allocates the purchase price of each acquired business to its respective net tangible and intangible assets and liabilities. Acquired intangible assets principally consist of technology, customer relationships, backlog and trademarks. Liabilities related to intangibles principally consist of unfavorable vendor contracts. The Company determines the appropriate useful life by performing an analysis of expected cash flows based on projected financial information of the acquired businesses. Intangible assets are amortized over their estimated useful lives using the straight-line method, which approximates the pattern in which the majority of the economic benefits are expected to be consumed. Intangible liabilities are amortized into cost of sales ratably over their expected related revenue streams over their useful lives.

Goodwill represents the excess of the cost of an acquired business over the fair value of the acquired net assets. Goodwill is tested reporting unit level. The Company's reporting units are defined by key revenue streams such as Inflight Connectivity ("IFC"), Maritime Energy Government ("MEG"), and Media Technology Services ("MTS"). The Company does not amortize goodwill, and instead evaluates it for impairment at the reporting unit level annually as of November 30 of each fiscal year or when an event occurs, or circumstances change that indicates the carrying value may not be recoverable. An impairment loss will be recognized for the amount by which the reporting unit's carrying amount exceeds its fair value, not to exceed the carrying amount of goodwill in that reporting unit.

During the third quarter of 2023, as a part of our annual assessment, and as a result of continued declines in macroeconomic conditions, including but not limited to rising interest rates and inflation, tightening of debt and capital markets, assessing strategic alternatives, coupled with slower than expected return to profitability as we continue to experience normalized operations, Anuvu determined that it was more likely than not that an impairment may exist within the Inflight Connectivity and Maritime Energy and Government reporting units. Anuvu performed a quantitative goodwill impairment test for these reporting units and noted the carrying values of those reporting units exceeded their fair values. As such, an impairment of goodwill was necessary as of December 31, 2023 (refer to Note 6. Goodwill).

To determine the fair value of our reporting units and test for impairment, we utilized an income approach (discounted cash flow method), as we believe this is the most direct approach to incorporate the specific economic attributes and risk profiles of our reporting units into our valuation model. Historically we have used the market approach, however, due to the uncertainty related to COVID-19, management did use this method to assess IFC and did not use this method in assessing MEG and MTS. However, to the extent market indicators of fair value become available, we consider such market indicators as well as market participant assumptions in our discounted cash flow analysis and determination of fair value. The discounted cash flow methodology is based, to a large extent, on assumptions about future events, which may or may not occur as anticipated, and such deviations could have a significant impact on the calculated estimated fair values of our reporting units. These assumptions included the use of significant unobservable inputs, representative of a Level 3 fair value measurement (further defined in Note 16. Fair Value Measurements), and included, but were not limited to, estimates of discount rates, future growth rates and terminal values for each reporting unit.

The discounted cash flow analysis for each of our reporting units included forecasted cash flows over a three-year forecast period (2024 through 2026, with our 2024 management budget used as the basis for our projections). These forecasted cash flows took into consideration historical and recent results, and near-term prospects and management's outlook for the future. A terminal value was also calculated using a terminal value growth assumption to derive the annual cash flows after the discrete forecast period. A reporting unit specific discount rate was applied to the forecasted cash flows and terminal cash flows to determine the discounted future cash flows, or fair value, of each reporting unit. Our assessment took into consideration the changes in the projections discussed above and reflected the increased market risk surrounding the execution of those projections and adjusted our cost of capital assumptions to be in-line with recent market indicators for our company and industry. These increases in cost of capital and risk premium assumptions resulted in a significant increase in our discount rates utilized for purposes of determining our discounted cash flows and reduced the estimated fair values of our reporting units.

Investments in Equity Affiliates

On a periodic basis, the Company assesses whether there are any indicators that the value of its investments may be impaired, in accordance with ASC 323, *Investment—Equity Method and Joint Ventures*. When circumstances indicate there may have been a reduction in the value of an equity method investment, the Company evaluates the equity method investment and any advances made for impairment by estimating its ability to recover its investment from future expected cash flows. If management determines the loss in value is other than temporary, the Company recognizes an impairment charge to reflect the equity investment and any advances made at fair value.

Wireless Maritime Services, LLC ("WMS")

Anuvu owned a 49% equity interest in WMS, with the remaining 51% equity interest in WMS owned by an unaffiliated U.S. company (the "WMS third-party investor"), which was the managing member and was responsible for its day-to-day management and operations. Certain matters, including determination of capital contributions and distributions and business plan revisions, required approval of WMS's board of directors, which consisted of five voting members, three of which were appointed by the WMS third-party investor and two of which were appointed by the Company. Profits and losses for any fiscal year were allocated between the Company and the WMS third-party investor in proportion to their respective ownership interests, after giving effect to any special allocations made pursuant to the WMS operating agreement. The excess of the fair value over the underlying equity in net assets of WMS was primarily comprised of amortizable intangible assets and nonamortizable goodwill. The Company's carrying value in its investment in WMS was adjusted for contributions, distributions, and net income (loss) attributable to WMS, including the amortization of the cost basis difference associated with the amortizable intangible assets.

On October 15, 2022, Anuvu and the WMS third-party investor entered into a Membership Interest Purchase Agreement ("MIPA"), pursuant to which all the issued and outstanding limited liability company interests were sold to Maritime Wireless Corp., an unrelated third-party. At closing, Anuvu received $31.5 million in net proceeds from the sale and resulted in a loss of $22.1 million in our consolidated statements of operations for the year ended December 31, 2022. The $31.5 million net proceeds were recognized as $10.9 million cash on hand at the time of closing, $24.3 million sale proceeds, less a $3.7 million loan repayment. Pursuant to the MIPA, Anuvu deferred recognition of earnout consideration expected to be realized in the first quarter of 2024. The earnout consideration is additional consideration, not to exceed $67.0 million, to be paid if 2023 operations achieve a certain performance target, as defined in the MIPA, to be allocated among Anuvu and the WMS third-party investor based on historical membership interests.

Leases

The Company determines if an arrangement is a lease at inception. Operating leases are included in Operating lease right-of-use assets, Current operating lease liabilities, and Noncurrent operating lease liabilities in the consolidated balance sheets. Finance leases are included in Property and equipment, net, Current maturities of long-term debt, and Long-term debt less current maturities in the consolidated balance sheets.

Right-of-use assets represent the Company's right to use an underlying asset for the lease term, and lease liabilities represent the Company's obligation to make lease payments arising from the lease. The lease liability is measured as the present value of the unpaid lease payments, and the right-of-use asset value is derived from the calculation of the lease liability. Lease payments include fixed and in-substance fixed payments, variable payments based on an index or rate, reasonably certain purchase options, termination penalties, fees paid by the lessee to the owners of a special-purpose entity for restructuring the transaction, and probable amounts the lessee will owe under a residual value guarantee. Lease payments do not include (i) variable lease payments other than those that depend on an index or rate, (ii) any guarantee by the lessee of the lessor's debt, or (iii) any amount allocated to non-lease components. The Company uses its estimated incremental borrowing rate, which is derived from information available at the lease commencement date, in determining the present value of lease payments, since the Company does not know the actual implicit rates in its leases. The Company gives consideration to its recent debt issuances as well as publicly available data for instruments with similar characteristics when calculating its incremental borrowing rate. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Company combines lease and non-lease components for all asset groups. The Company's lease term includes any option to extend the lease when it is reasonably certain to be exercised based on considering all relevant economic factors.

The Company reviews the carrying value of its right-of-use assets for impairment whenever events or changes in circumstances indicate that the recorded value may not be recoverable. Recoverability of assets is measured by comparing the carrying amounts of the assets to the estimated future undiscounted cash flows, excluding financing costs. If the Company determines that an impairment exists, any related impairment loss is estimated based on fair values.

Foreign Currency Translation

The Company translates the assets and liabilities of its non-U.S.-dollar-functional-currency subsidiaries into U.S. dollars using exchange rates in effect at the end of each period. Revenue and expenses for these subsidiaries are translated using rates that approximate those in effect during the period. Gains and losses from these translations are recognized in foreign currency translation included in Accumulated other comprehensive loss in the consolidated balance sheets. The Company's subsidiaries that use the U.S. dollar as their functional currency re-measure monetary assets and liabilities at exchange rates in effect at the end of each period, and re-measure inventories, property and nonmonetary assets and liabilities at historical rates.

Income Taxes

Deferred income tax assets and liabilities are recognized for temporary differences between the financial statement carrying amounts of assets and liabilities and the amounts that are reported in the income tax returns. Deferred taxes are evaluated for realization on a jurisdictional basis. The Company records valuation allowances to reduce deferred tax assets to the amount that is more likely than not to be realized. In making this assessment, management analyzes future taxable income, reversing temporary differences and ongoing tax planning strategies. Should a change in circumstances lead to a change in judgment about the realizability of deferred tax assets in future years, the Company will adjust related valuation allowances in the period that the change in circumstances occurs, along with a corresponding increase or charge to income.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained upon examination by the taxing authorities based on the technical merits of the Company's position. The tax benefit recognized in the financial statements for a particular tax position is based on the largest benefit that is more likely than not to be realized. The amount of unrecognized tax benefits (UTBs) is adjusted as appropriate for changes in facts and circumstances, such as significant amendments to existing tax laws, new regulations or interpretations by the taxing authorities, new information obtained during a tax examination, or resolution of an examination. The Company recognizes both accrued interest and penalties associated with uncertain tax positions as a component of Income tax expense in the consolidated statements of operations.

Fair Value Measurements

The carrying amounts of the Company's cash equivalents, accounts receivable, accounts payable and accrued expenses approximate fair market value due to the short-term nature of these investments. Certain assets for the Company are recorded at their fair value, using the fair value hierarchy, on a recurring basis, and other assets and liabilities including goodwill and intangible assets are subject to measurement at fair value on a non-recurring basis if they are deemed to be impaired as a result of an impairment review.

Recently Issued Accounting Pronouncements

The Company considers the applicability and impact of all ASUs issued by the FASB. ASUs not listed below were assessed and determined to be either not applicable or expected to have minimal impact on our consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* ("ASU 2020-04"), as amended in December 2023 by ASU 2023-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848* ("ASU 2023-06"). ASU 2020-04 provides guidance to alleviate the burden in accounting for reference rate reform by allowing certain expedients and exceptions in applying GAAP to contracts, hedging relationships and other transactions impacted by reference rate reform. The provisions apply only to those transactions that reference LIBOR or another reference rate expected to be discontinued due to reference rate reform. Adoption of the provisions of ASU 2020-04 are optional and are effective from March 12, 2020 through December 31, 2024, as amended by ASU 2023-06. As of December 31, 2023, the Company has not adopted any expedients and exceptions under ASU 2020-04. The Company will continue to evaluate the impact of ASU 2020-04 on its consolidated financial statements.

In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740): Improvement to Income Tax Disclosures to enhance the transparency and decision usefulness of income tax disclosures, most notably in the tax rate reconciliation and income taxes paid. This guidance is effective for annual periods beginning after December 15, 2024. Early adoption is permitted and the amendments should be applied on a prospective basis, however, retrospective application is permitted. The Company has not adopted ASU 2023-09 as of December 31, 2023, while we are currently evaluating the impact that this guidance will have upon our consolidated financial statements and related notes.

Note 3. Revenue Recognition

The Company accounts for a contract with a customer when an approved contract exists, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and the collectability of substantially all of the consideration is probable. Revenue is recognized as the Company satisfies performance obligations by transferring a promised good or service to a customer.

Deferred revenue consists substantially of amounts received from customers in advance of the Company's performance service period and of fees deferred for future support services. Deferred revenue is recognized as revenue on a systematic basis that is proportionate to the period that the underlying services are rendered, which in a majority of arrangements is straight line over the remaining contractual term.

Our assessments regarding the timing of transfer of control and revenue recognition for our two operating segments are summarized below:

- Media Technology Services – specific to the sale and/or licensing of media content and the related technical services, such as digital delivery of media advertising, encoding of video and music products, development of graphical interfaces and provision of materials, we consider control to have transferred when: (i) the content has been delivered, and (ii) the services required under the contract have been performed. Revenue recognition is dependent on the nature of the customer contract. MTS licenses to customers are typically categorized into usage-based or flat fee based fee structures. For usage-based fee structures, revenue is recognized as the usage occurs. For flat fee based structures, revenue is recognized upon the available date of the license, typically at the beginning of each cycle, or straight-line over the license period.

- Connectivity – we provide satellite-based Internet services and related technical and network support services, as well as the physical equipment to enable connectivity.

  (i) *For Inflight Connectivity*, the revenue is recognized over time as control is transferred to the customer (*i.e.* the airline), which occurs continuously as customers receive the bandwidth services. Equipment revenue is recognized when control passes to the customer, which is at the later of shipment of the equipment to the customer or obtaining regulatory certification for the operation of such equipment, as applicable.

  (ii) *For Maritime Energy Government*, revenue is recognized over time as the customer receives the bandwidth services. Equipment revenue is recognized when control passes to the customer, which is typically from shipment of the equipment to the customer. In bandwidth arrangements where the equipment is leased, equipment revenue is determined and recognized in accordance with the assessed lease classification.

Certain of the Company's contracts involve a revenue sharing or reseller arrangement to distribute the connectivity services. The Company assesses these services under the principal versus agent criteria and determined that the Company acts in the role of an agent and accordingly records such revenues on a net basis.

The following table represents a disaggregation of the Company's revenue from contracts with customers for the years ended December 31, 2023 and 2022 (in thousands):

	Year Ended December 31, 2023	Year Ended December 31, 2022
Revenue:		
Media Technology Services		
Licensing and Services	$ 138,657	$ 118,228
Total Media Technology Services	138,657	118,228
Connectivity		
Aviation Services	132,048	124,606
Aviation Equipment	55,087	86,797
Maritime Energy Government Services	115,025	104,779
Maritime Energy Government Equipment	12,750	6,942
Total Connectivity	314,910	323,124
Total revenue	$ 453,567	$ 441,352

Contract Assets and Liabilities

Inflight Connectivity contracts involve performance obligations primarily relating to the delivery of equipment and services. Equipment is delivered upfront with payment due upon delivery. Services are rendered to the customer over time and are typically paid for upfront or as the services are delivered. Inflight Connectivity revenue is allocated based upon SSP. The primary method used to estimate the SSP is the expected cost-plus margin approach. When the SSP exceeds the revenue allocation, the revenue to which the Company is entitled is contingent on performing the ongoing connectivity services and the Company records a contract asset accordingly.

The following table summarizes the significant changes in the balance for current and non-current contract assets, included within Other current assets and Other non-current assets, respectively, in the consolidated balance sheets, during the years ended December 31, 2023 and 2022 (in thousands):

		Contract Assets
Balance as of January 1, 2022	$	10,438
Costs deferred for revenue recognized in excess of billings		2,984
Costs included in the beginning balance recognized during the period		(6,617)
Balance as of December 31, 2022	$	6,805
Costs deferred for revenue recognized in excess of billings		653
Costs included in the beginning balance recognized during the period		(3,534)
Balance as of December 31, 2023	$	3,924

Current contract assets	$	820
Non-current contract assets		3,104
Balance as of December 31, 2023	$	3,924

The Company may invoice upfront for services recognized over time or for contracts in which it has unsatisfied performance obligations. Contract payment terms are generally 30 to 45 days. When the timing of invoicing differs from the timing of revenue recognition, the Company determines its contracts to include a financing component when the contractual term is for more than a year.

The following table summarizes the significant changes in the balance for current and non-current contract liabilities, included within Deferred revenue and Deferred revenue, non-current, respectively, in the consolidated balance sheets, during the years ended December 31, 2023 and 2022 (in thousands):

		Contract Liabilities
Balance as of January 1, 2022	$	7,955
Revenue recognized including amount in contract liability balance at the beginning of the period		(10,892)
Increase due to cash received, excluding amounts recognized as revenue during the period		7,970
Balance as of December 31, 2022	$	5,033
Revenue recognized including amount in contract liability balance at the beginning of the period		(2,376)
Increase due to cash received, excluding amounts recognized as revenue during the period		5,947
Balance as of December 31, 2023	$	8,604

Deferred revenue, current	$	8,604
Deferred revenue, non-current		—
Balance as of December 31, 2023	$	8,604

As of December 31, 2023, the Company had $427.2 million of remaining performance obligations, which it also refers to as total backlog. The Company expects to recognize approximately 53% of its remaining performance obligations as revenue in 2024, approximately 35% in 2025, 4% by 2026, and the remaining balance thereafter.

$2.4 million and $10.9 million of services revenue were recognized during the years ended December 31, 2023 and 2022, respectively, and were included in the deferred revenue balances at the beginning of the respective period.

Accounts Receivable, net

The Company extends credit to its customers from time to time. The Company maintains an allowance for doubtful accounts for estimated losses resulting from its customers' inability to make required payments. Management analyzes the age of customer balances, historical bad debt experience, customer creditworthiness, estimate of our current expected credit losses, and changes in customer payment terms when making estimates of the collectability of its accounts receivable balances. If management determines that the financial condition of any of its customers has deteriorated, whether due to customer specific or general economic issues, an increase in the allowance may be made. After all attempts to collect a receivable have failed, the receivable is written off.

Accounts Receivable consists of the following (in thousands):

	December 31, 2023		December 31, 2022	
Accounts receivable, gross	$	85,883	$	93,275
Less: Allowance for doubtful accounts		(16,906)		(4,744)
Accounts receivable, net	$	68,977	$	88,531

Movements in the balance for allowance for doubtful accounts for the years ended December 31, 2023 and 2022 are as follows (in thousands):

	Year Ended December 31, 2023		Year Ended December 31, 2022	
Beginning balance	$	4,744	$	4,893
Additions charged to statements of operations		13,850		(303)
Less: Bad debt write offs		(1,821)		35
Other adjustments		133		119
Ending balance	$	16,906	$	4,744

Capitalized Contract Costs

Certain of the Company's sales incentive programs meet the requirements to be capitalized as incremental costs of obtaining a contract. The Company recognizes an asset for the incremental costs if it expects the benefit of those costs to be longer than one year and amortize those costs over the expected customer life. The Company applies a practical expedient to expense costs as incurred for costs to obtain a contract when the amortization period would have been one year or less.

Additionally, the Company capitalizes assets associated with costs incurred to fulfill a contract with a customer. For example, the Company capitalizes the costs incurred to obtain necessary STC or other customer-specific certifications for its aviation, maritime and land customers.

The following table summarizes the significant changes in the contract assets balances during the years ended December 31, 2023 and 2022 (in thousands):

	Contract Assets					
	Costs to Obtain		Costs to Fulfill		Total	
Balance as of January 1, 2022	$	38	$	5,067	$	5,105
Capitalization during the period		289		548		837
Amortization during the period		(25)		(1,191)		(1,216)
Balance as of December 31, 2022	$	302	$	4,424	$	4,726
Capitalization during the period		96		504		600
Amortization during the period		(82)		(1,642)		(1,724)
Balance as of December 31, 2023	$	316	$	3,286	$	3,602

Current and non-current contract assets are included within Other current assets and Other non-current assets, respectively, on the Company's consolidated balance sheets.

Practical Expedients, Policy Elections and Exemptions

In circumstances where shipping and handling activities occur subsequent to the transfer of control, the Company has elected to treat shipping and handling as a fulfillment activity rather than a service to the customer.

The Company has made a policy election to exclude from the measurement of the transaction price all taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction and collected by the entity from a customer (*e.g.*, sales, use, value added, and some excise taxes).

The Company applies a practical expedient to expense costs as incurred for incremental costs to obtain a contract when the amortization period would have been one year or less and did not evaluate contracts of one year or less for variable consideration.

Note 4. Leases

Our leasing operations consist of various arrangements, where we act either (i) as the lessee (primarily related to our corporate and regional offices, teleport co-location arrangements and satellite bandwidth capacity leases), or (ii) as the lessor (for our owned equipment rented to connectivity customers). The following describes the nature of our various leasing arrangements and the impact to our statement of operations for the years ended December 31, 2023 and 2022:

Real Estate Operating Leases (as a Lessee)

The Company has operating leases for office facilities throughout the United States and around the world. Upon inception of a contract, the Company evaluates if the contract, or part of the contract, contains a lease. A lease conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Leases include both a right-of-use asset and a lease liability. The right-of-use asset represents the Company's right to use the underlying asset in the lease, and it also includes prepaid lease payments. The lease liability represents the present value of the remaining lease payments discounted using the incremental borrowing rate ("IBR"). Maintenance and property tax expenses are accounted for on an accrual basis as variable lease cost. The Company has elected to separate the lease and non-lease components, if applicable.

The Company records lease expense on a straight-line basis over the lease term in general and administrative expense. Total lease expense for the years ended December 31, 2023 and 2022, was $2.9 million and $3.1 million, respectively.

The Company's leases have remaining lease terms of one year to five years as of December 31, 2023. Lease terms include renewal or termination options that the Company is reasonably certain to exercise. For leases with a term of

12 months or less, the Company has made an accounting policy election to not record a right-of-use asset and associated lease liability on its consolidated balance sheets.

For the years ended December 31, 2023 and 2022, we had no ROU impairment charges.

Teleport Co-Location Operating Leases (as a Lessee)

The Company engages certain bandwidth providers for teleport co-location services to deliver bandwidth to our network. These co-location service agreements typically include provisions for physical rack space at a third-party teleport facility. We have determined that the space provided for our equipment constitutes an operating lease.

These leases have remaining lease terms of one year to 4.8 years as of December 31, 2023. The Company records lease expense on a straight-line basis over the lease term as part of Cost of sales -- Licensing and services. Total lease cost recorded for the years ended December 31, 2023 and 2022, was \$1.5 million and \$1.3 million, respectively.

Satellite Bandwidth Operating & Finance Leases (as a Lessee)

The Company maintains agreements with satellite service providers to provide for certain satellite bandwidth capacity. The Company evaluates these arrangements for embedded leases when the Company has the right to control the use of a significant portion of the identified asset. The Company has elected to separate the lease and non-lease components.

Bandwidth Operating Lease

The Company recorded right-of-use assets and lease liabilities for certain bandwidth capacity arrangements meeting the operating lease classification. This lease has a remaining lease term of 9 months as of December 31, 2023. The Company records lease expense on a straight-line basis over the lease term as part of Cost of sales – Licensing and services. Total lease cost recorded for the years ended December 31, 2023 and 2022, was \$2.0 million and \$0.2 million, respectively.

For leases with a term of 12 months or less, the Company has made an accounting policy election to not record a right-of-use asset and associated lease liability on its consolidated balance sheets.

Equipment Held by Customers (as a Lessor)

The Company either sells or leases certain equipment (including antennas, modems and routers, among others) as part of the bandwidth service to our Maritime and Land Connectivity customers. We account for existing equipment lease transactions as operating leases. We recognize lease payments for operating leases as licensing and services revenue in our consolidated statements of operations on a straight-line basis over the lease term.

We assess new equipment lease arrangements or modifications to existing equipment lease arrangements for operating or sales-type lease classification. We recognize investments in leases for sales-type leases when the risk and rewards of ownership are not fully transferred to the customer due to our continued involvement with the equipment. We allocate the total consideration in a contract assessed with a sales-type lease using the expected cost-plus margin and residual methods for the lease and non-lease components, respectively.

The service revenues (with embedded operating equipment leases) and recognized revenues on sales-type equipment leases in which the Company acts as the lessor for the years ended December 31, 2023 and 2022 are presented in the following table (in thousands):

	Year Ended December 31, 2023	Year Ended December 31, 2022
Bandwidth service and equipment revenues[1]	$ 73,803	$ 58,884
Earned revenues on sales-type leases at commencement[2]	—	—
Total Licensing and service revenues -- Maritime and Land Connectivity	$ 73,803	$ 58,884

(1) This is presented as part of Revenues -- Licensing and services in our consolidated statements of operations, and includes the equipment lease component that is embedded in the overall bandwidth service arrangement. Since we adopted the practical expedient to not separate the lease and non-lease components as allowed with the ASC 842, *Leases*, implementation as of January 1, 2019, we will continue to classify existing embedded equipment arrangements as operating leases, to the extent unmodified.

(2) This includes the equipment lease revenues recognized at commencement date of the customer equipment arrangements classified as sales-type leases. As equipment leasing is a standard component in our connectivity business model, we present equipment revenues relating to these sales-type leases on a gross basis, and recognize a corresponding cost of sales equal to the net book value of the leased equipment. Interest income component is considered immaterial.

Supplemental Cash Flow Information, Weighted-Average Remaining Lease Term and Discount Rate

Because the rate implicit in each lease is not readily determinable, the Company uses its IBR to determine the present value of the lease payments. The following table discloses the weighted-average remaining lease term and IBR, as well as supplemental cash flow information for the year ended December 31, 2023 and 2022 (in thousands):

	Year Ended December 31, 2023	Year Ended December 31, 2022
Supplemental cash flow information:		
Cash paid for amounts included in the measurement of operating lease liabilities	$ 5,965	$ 3,173
Right-of-use-assets obtained in exchange for operating lease obligations	$ 4,710	$ 6,190
Weighted average remaining lease term -- real estate operating leases	3.74 years	3.91 years
Weighted average remaining lease term -- teleport co-location operating leases	1.57 years	7.00 years
Weighted average remaining lease term --bandwidth operating lease	1.84 years	2.00 years
Weighted average IBR -- real estate operating leases	9.67 %	10.30 %
Weighted average IBR -- teleport co-location operating leases	9.23 %	8.98 %

Annual Future Minimum Lease Payments

The following table reflects a summary of annual future minimum lease payments and the Company's lease assets as of December 31, 2023 (in thousands):

	As a Lessee				As a Lessor
	Real Estate	Teleport Co-Location	Bandwidth	Total	Equipment Held by Customers
Lease Classification	Operating	Operating[(1)]	Operating	Operating[(1)]	Sales-Type
2024	$ 3,045	$ 1,457	$ 1,317	$ 5,819	$ 180
2025	2,152	550	—	2,702	43
2026	2,024	45	—	2,069	—
2027	1,438	37	—	1,475	—
2028	784	—	—	784	—
Thereafter	—	—	—	—	—
Total future lease payments	$ 9,443	$ 2,089	$ 1,317	$ 12,849	$ 223
Less: Imputed interest	(1,494)	(151)	(29)	(1,674)	(38)
Present value of lease liabilities	$ 7,949	$ 1,938	$ 1,288	$ 11,175	
Net investment in Sales-Type Leases					$ 185

(1) Table above does not include $15.2 million of future teleport co-location lease obligations to commence in the fourth quarter of 2024.

The book value of the equipment held by customers under operating leases, which are classified as "Equipment" in Note 5. Property and Equipment, net, is as follows (in thousands):

	December 31, 2023	December 31, 2022
Equipment		
Gross balance	$ 9,060	$ 14,605
Accumulated depreciation	(6,961)	(8,217)
Net book value	$ 2,099	$ 6,388

Note 5. Property and Equipment, net

Property and equipment, net, consisted of the following (in thousands):

		December 31, 2023		December 31, 2022
Leasehold improvements	$	3,655	$	4,360
Furniture and fixtures		668		783
Equipment		52,544		93,469
Computer software		20,462		13,992
Automobiles		133		188
Buildings		4,020		4,020
Company-owned aircraft		—		393
Satellite transponders		35,277		40,682
Construction in-progress		54		166
Total property and equipment	$	116,813	$	158,053
Accumulated depreciation		(72,680)		(94,575)
Property and equipment, net	$	44,133	$	63,478

Prior to performing the goodwill impairment test for our reporting units, we evaluated the recoverability of long-lived assets of the asset group, including intangible assets. When indicators of impairment are present, we test definite lived and long-lived assets for recoverability by comparing the carrying value of an asset group to an estimate of the future undiscounted cash flows expected to result from the use and eventual disposition of the asset group. We considered the lower-than-expected operational performance and operating cash flows over a sustained period of time, and downward revisions to our cash flow forecasts for an asset group to be indicators of impairment for their long-lived assets. Based on the results of the recoverability test, we determined that the undiscounted cash flows of the asset group of the Maritime Energy and Government reporting unit did not exceed the carrying value. As such the Company recorded impairment charges on its Maritime Energy and Government reporting assets classified as property and equipment, net of $6.4 million for the year ended December 31, 2023. During the year ended December 31, 2022, the Company recognized no impairment charges. The increase in impairment charges relate to write-downs of equipment related to the continued operating losses and as a result of significant competition negatively impacting projected forecasts and recognized in goodwill and long-lived asset impairment in the Consolidated Statements of Operations.

In order to estimate the fair values of identifiable intangible assets with finite lives and other long-lived assets, we estimate the undiscounted future cash flows from those assets. The key assumptions that we use in our cash flow model are the amount and timing of estimated future cash flows to be generated by the assets over their intended useful life. Management judgment is required to estimate the amount and timing of future cash flows and the relative risk of achieving those cash flows. Further we utilized the cost and market approaches when assessing the fair-value of a particular asset class with in property and equipment, net. The market approach considers prices and information from market transactions involving comparable assets. In addition, we considered the wholesale used market as the proper market to evaluate comparable transactions.

Depreciation expense for property and equipment, including software amortization expense and amortization of assets under capital leases, for the years ended December 31, 2023 and 2022 is as follows (in thousands):

	Year Ended December 31, 2023	Year Ended December 31, 2022
Cost of sales	$ 26,635	$ 41,644
Sales and marketing	874	925
Product development	1,001	1,184
General and administrative	3,361	3,373
Total depreciation expense	$ 31,871	$ 47,126

Note 6. Goodwill

Goodwill is allocated to the Company's three reporting units. The changes in the carrying amounts of goodwill by reporting unit are as follows (in thousands):

	Inflight Connectivity	Maritime Energy Government Connectivity	Media Technology Services	Total
Balance as of January 1, 2022	$ 37,404	$ 12,468	$ 17,903	$ 67,775
Goodwill arising from acquisitions (Signal Mountain)	—	3,585	—	3,585
Fresh-start adjustments	(1,713)	(571)	(741)	(3,025)
Foreign currency translation adjustments	—	—	(78)	(78)
Balance as of December 31, 2022	$ 35,691	$ 15,482	$ 17,084	$ 68,257
Goodwill arising from acquisitions (Signal Mountain)	—	150	—	150
Impairment loss	(35,691)	(15,632)	—	(51,323)
Balance as of December 31, 2023	$ —	$ —	$ 17,084	$ 17,084
Gross carrying amount	$ —	$ —	$ 17,084	$ 17,084
Adjustments	—	—	—	—
Balance as of December 31, 2023	$ —	$ —	$ 17,084	$ 17,084

Goodwill Impairment

For the year ended December 31, 2023, the Company identified a triggering event due to continued declines from changes in macroeconomic conditions, including but not limited to rising interest rates and inflation, tightening of debt and capital markets, assessing strategic alternatives, coupled with slower than expected return to profitability impacted by increased competition and realizing cost reductions from projected capacity arrangement. Accordingly, the Company assessed the fair value of its three reporting units and recorded a goodwill impairment charge of $51.3 million related to its Aviation Connectivity and Maritime, Energy and Government reporting units. This impairment was primarily due to current year net operating loss which triggered a revised forecast for the reporting unit, due primarily to impacts of increased competition on our cruise and yacht channels, coupled with the higher-than-expected bandwidth and operating costs as a result of delays in accessing forecasted capacity arrangements. Given these indicators, the Company then determined that there was a higher degree of uncertainty in achieving its original financial projections for these unit and as such, performed a revision of its forecasted cash flows to consider these noted operating impacts and increased its discount rate, which reduced the fair value of the reporting unit. There was no additional impairment of goodwill identified by management related to the Media Technology Services reporting unit for the year ended December 31, 2023.

To determine the fair value of our reporting units and test for impairment, we utilized an income approach (discounted cash flow method), as we believe this is the most direct approach to incorporate the specific economic attributes and risk profiles of our reporting units into our valuation model. We utilized the market approach (guideline public company method) for Aviation Connectivity. However, to the extent market indicators of fair value become available, for Maritime, Energy and Government and Media Technology Services, we would consider such market indicators as well as market participant assumptions in our discounted cash flow analysis and determination of fair value. The discounted cash flow methodology is based, to a large extent, on assumptions about future events, which may or may not occur as anticipated, and such deviations could have a significant impact on the calculated estimated fair values of our reporting units. These assumptions included the use of significant unobservable inputs, representative of a Level 3 fair value measurement, and included, but were not limited to, estimates of discount rates, future growth rates and terminal values for each reporting unit.

The discounted cash flow analysis for each of our reporting units included forecasted cash flows over a four-year forecast period (2024 through 2027), with our 2024 management budget used as the basis for our projections. These forecasted cash flows took into consideration historical and recent results, and near-term prospects and management's outlook for the future. A terminal value was also calculated using a terminal value growth assumption to derive the annual cash flows after the discrete forecast period. A reporting unit specific discount rate was applied to the forecasted cash flows and terminal cash flows to determine the discounted future cash flows, or fair value, of each reporting unit. Our assessment took into consideration the changes in the projections discussed above and reflected the increased market risk surrounding the execution of those projections and adjusted our cost of capital assumptions to be in-line with recent market indicators for our company and industry. These increases in cost of capital and risk premium assumptions resulted in a significant increase in our discount rates utilized for purposes of determining our discounted cash flows and reduced the estimated fair values of our reporting units.

Note 7. Intangible Assets, net

Prior to performing the goodwill impairment test for our reporting units, we evaluated the recoverability of long-lived assets of the intangible assets. When indicators of impairment are present, we test definite lived and long-lived assets for recoverability by comparing the carrying value of an asset group to an estimate of the future undiscounted cash flows expected to result from the use and eventual disposition of the asset group. We considered the lower-than-expected operational performance and operating cash flows over a sustained period of time, and downward revisions to our cash flow forecasts for an asset group to be indicators of impairment for their long-lived assets. Based on the results of the recoverability test, we determined that the undiscounted cash flows of the asset group of the Maritime Energy and Government reporting unit did not exceed the carrying value. As such the Company recorded impairment charges on its Maritime Energy and Government reporting assets classified as intangible assets of $10.5 million for the year ended December 31, 2023. During the year ended December 31, 2022, the Company recognized no impairment charge. The impairment charges relate to write-downs of intangible assets related to the continued operating losses and as a result of significant competition negatively impacting projected forecasts and recognized in goodwill and long-lived asset impairment in the Consolidated Statements of Operations.

In order to estimate the fair values of identifiable intangible assets with finite lives, we estimate the undiscounted future cash flows from those assets. Intangible assets with finite lives evaluated were trade names, trademarks, developed technology, and customer relationships. The key assumptions that we use in our cash flow model are the amount and timing of estimated future cash flows to be generated by the assets over their intended useful life. Management judgment is required to estimate the amount and timing of future cash flows and the relative risk of achieving those cash flows. For trade names, trademarks and developed technology we utilized relief from royalty approach where we estimated the benefit of owning the intangible asset as a relief from having to pay for the use of such intangible asset. Customer relationships fair value was assessed utilizing the multi-period excess earning method, which is a form of an income approach.

The Company's finite-lived intangible assets recorded have assigned useful lives ranging from 2.9 to 15.0 years.

Intangible assets, net, consisted of the following (in thousands):

	December 31, 2023			
	Weighted Average Useful Lives	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets:				
Existing technology - software	4.2 years	$ 24,118	$ 16,037	$ 8,081
Existing technology - games	3.0 years	4,119	3,788	331
Customer relationships	14.1 years	170,964	34,923	136,041
Other	4.0 years	1,560	1,073	487
Trade names	5.0 years	200	12	188
Total		$ 200,961	$ 55,833	$ 145,128

	December 31, 2022			
	Weighted Average Useful Lives	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Intangible assets:				
Existing technology - software	4.2 years	$ 25,515	$ 11,475	$ 14,040
Existing technology - games	3.0 years	4,119	2,462	1,657
Customer relationships	14.0 years	183,160	23,710	159,450
Other	4.2 years	2,013	723	1,290
Total		$ 214,807	$ 38,370	$ 176,437

The Company expects to record amortization of the intangible assets as follows (in thousands):

Years Ending December 31,	Amount
2024	$ 19,568
2025	14,149
2026	12,214
2027	12,154
2028	12,077
Thereafter	74,966
Total	$ 145,128

The Company recorded amortization expense of $20.8 million and $22.1 million for the years ended December 31, 2023 and 2022, respectively.

Note 8. Credit Loss Reserve and Allowances

Upon adoption of ASC 326 as of January 1, 2020, the Company implemented an expected credit loss allowance methodology for accounts receivable using historical collection experience, current and future economic and market conditions, and a review of the current status of each customer's trade accounts receivables. As a part of the implementation, the Company analyzed the prior history of credit losses on accounts receivable separately for each of the two business segments MTS and Connectivity, and within each segment, separately for IFC, MEG verticals. Our business is managed between MTS and Connectivity, and therefore, it was deemed appropriate to first analyze losses separately for the two based on the nature of these segments and related customer base. Further, the Company noted that historically customers between the aviation, land and maritime groups exhibit common risk characteristics based upon the industries for which they operate in and believed a further breakdown of segments across aviation, land and maritime verticals was appropriate. The analysis resulted in the Company's history of credit losses on accounts receivable for a total of six aggregation points and determining loss rates for each based on a five-year period average.

Additionally, the Company estimates loss reserve based on the aging of the accounts receivable balances and the financial condition of customers and provides for specific allowance amounts for those customers that have a higher probability of default. We regularly monitor the collection status of accounts receivable through account reconciliation, dispute resolution, payment tracking, customer's financial condition and macroeconomic conditions. We write-off balances when determined to be uncollectible. We apply a similar methodology towards our current and non-current contract asset balances, which shares certain common risk factors with accounts receivable.

A summary of our allowances for credit losses was as follows (in thousands):

		Accounts Receivable
Balance as of January 1, 2022	$	4,893
Current-period provision for expected credit losses		(303)
Write-offs and dispositions		35
Foreign currency rate changes		119
Balance as of December 31, 2022	$	4,744
Current-period provision for expected credit losses		13,850
Write-offs and dispositions		(1,821)
Foreign currency rate changes		133
Balance as of December 31, 2023	$	16,906

Note 9. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following (in thousands):

		December 31, 2023		December 31, 2022
Accounts payable	$	57,364	$	30,529
Content license and royalties		29,120		31,301
Accrued legal settlements		866		577
Accrued payroll obligations		8,308		12,568
Accrued professional fees		869		459
Other accrued expenses		11,585		22,372
Total	$	108,112	$	97,806

Note 10. Financing Arrangements

The following table sets forth the summary of the Company's outstanding indebtedness (in thousands):

	December 31, 2023	December 31, 2022
Senior secured priority term loan, due March 23, 2025[(1)]	$ 205,000	$ 205,000
Senior secured takeback term loan, due March 23, 2026[(2)]	202,807	191,480
Delayed draw term loans (DDTL), due March 22, 2024[(3)]	4,752	—
Unamortized financing issue costs[(4)]	(3,339)	(6,025)
Total debt	$ 409,220	$ 390,455

(1) This facility is a component of the Senior Secured Priority Term Loan Credit Agreement (the "Priority Credit Agreement") entered into by the Company with the lenders on March 23, 2022. The Priority Credit Agreement provides for a $205.0 million secured term loan facility, maturing March 23, 2025. The carrying value as set forth in the above table includes principal amount outstanding $205.0 million as of December 31, 2023.

(2) This facility is a component of the Senior Secured Takeback Term Loan Credit Agreement (the "Takeback Credit Agreement") entered into by the Company with the lenders on March 23, 2022. The Takeback Credit Agreement provides for a $170.0 million secured takeback term loan facility, maturing March 23, 2026. The carrying value as set forth in the table above includes principal amount outstanding $170.0 million and approximately $32.8 million of payment-in-kind ("PIK") interest converted to principal since debt issuance as of December 31, 2023.

(3) This facility is a component of the Senior Secured Priority Term Loan Credit Agreement (the "Priority Credit Agreement") entered into by the Company with the lenders on March 23, 2022. The Priority Credit Agreement provides for a $12.5 million secured delayed draw term loan ("DDTL") facility maturing September 23, 2023. The maturity date for the DDTL was extended to February 29, 2024, and the facility was paid in full.

(4) Includes $5.8 million for the Senior Secured Priority Term Loan and $0.2 million for the Delayed draw term loans (DDTL) as of December 31, 2023, and $8.0 million for the Senior Secured Priority Term Loan and $0.2 million for the Delayed draw term loans (DDTL) as of December 31, 2022.

Exit Credit Agreement (2021 Credit Agreements)

On March 23, 2021, subsequent to the year-end December 31, 2020 and in conjunction with the Sale process and emergence from chapter 11 proceedings, Anuvu Holdings 2 LLC (a new entity) entered into a Senior Secured Priority Term Loan Credit Agreement (the "Priority Credit Agreement") with Anuvu Holdings 1 LLC, a guarantor party thereto, and certain other affiliated guarantors, Acquiom Agency Services LLC and Seaport Loan Products LLC, as Co-Administrative Agents, and the lenders party thereto. The Priority Credit Agreement provides for a $205.0 million secured term loan facility, maturing March 23, 2025, and a $12.5 million secured delayed draw term loan facility maturing September 23, 2023. As of December 31, 2023, the Company had drawn $4.7 million of the delayed draw term loan facility at a 12.5% interest rate. This facility was extended and in the first quarter of 2024 the Company paid down the $4.7 million.

Amounts outstanding under the Priority Credit Agreement accrue interest at a rate equal to (a) for the term loan facility either, at the Company's election, LIBOR plus a margin of 8.0% per annum, or base rate plus a margin of 7.0% per annum and (b) for the delayed draw term facility either, at the Company's election, LIBOR plus a margin of 7.0% per annum, or base rate plus a margin of 6.0% per annum; provided that if more than $7.5 million of delayed draw term loans have been drawn, then interest shall accrue at a rate equal to either, at the Company's election, LIBOR plus a margin of 8.0% per annum, or base rate plus a margin of 7.0% per annum. Interest is payable on the last day of the applicable interest period for any LIBOR loan, and on the last business day of each March, June, September, and December for any base rate loan. The interest rate as of December 31, 2023 was 13.5%. Prior to the maturity date, there are no periodic amortization payments.

The covenants of the Priority Credit Agreement include customary negative covenants that, among other things, restrict the Company's ability to incur secured indebtedness, grant liens and make certain acquisitions, investments, asset dispositions and restricted payments.

The Priority Credit Agreement includes customary events of default, and customary rights and remedies upon the occurrence of any event of default thereunder, including rights to accelerate the loans and terminate the commitments thereunder.

On March 23, 2021, Anuvu Holdings 2 LLC entered into a Senior Secured Takeback Term Loan Credit Agreement (the "Takeback Credit Agreement") with Anuvu Holdings 1 LLC, a guarantor party thereto, and certain other affiliated guarantors, Acquiom Agency Services LLC and Seaport Loan Products LLC, as Co-Administrative Agents, and the lenders party thereto. The Takeback Credit Agreement provides for a \$170.0 million secured takeback term loan facility, maturing March 23, 2026.

Amounts outstanding under the Takeback Credit Agreement accrue interest at a rate equal to either, at the Company's election, LIBOR plus a margin of 8.25% per annum, or base rate plus a margin of 7.25% per annum. Until March 23, 2023, up to 6.75% of the interest may be paid in kind. Interest is payable on the last day of the applicable interest period for any LIBOR loan, and on the last business day of each March, June, September, and December for any base rate loan. The interest rate as of December 31, 2023 was 13.7%. Prior to the maturity date, there are no periodic amortization payments.

The covenants of the Takeback Credit Agreement include customary negative covenants that, among other things, restrict the Company's ability to incur secured indebtedness, grant liens and make certain acquisitions, investments, asset dispositions and restricted payments.

The Takeback Credit Agreement includes customary events of default, and customary rights and remedies upon the occurrence of any event of default thereunder, including rights to accelerate the loans and terminate the commitments thereunder.

Loan Advances in lieu of Future Payouts from WMS

In April 2020, the Company entered into a demand promissory note with WMS (as an advance against future dividends that WMS may pay the Company) for approximately \$10.0 million, of which \$5.0 million was funded at the signing of the promissory note and the remaining \$5.0 million could be withdrawn at any time prior to August 31, 2020. As of December 31, 2022, in connection with the sale of WMS and pursuant to the MIPA, the Company repaid the remaining outstanding balance of \$3.0 million plus accrued interests of \$0.7 million effective October 15, 2022. There are no borrowings under this facility as of December 31, 2023 and 2022.

Note 11. Equity

Common Stock

As per the Amended and Restated Certificate of Incorporation of Anuvu Corp., the total number of shares of stock that the Corporation shall have authority to issue is 12,100,000 shares, consisting of solely 12,100,000 shares of common stock, par value USD\$0.001 per share (the "Common Stock"), of which 10,000,000 shares have been issued and were outstanding as of December 31, 2023 and 2022.

Note 12. Employee Benefit Plans

The Company has one defined contribution plan under Section 401(k) of the Internal Revenue Code ("401(k)") covering full-time domestic employees who meet certain eligibility requirements, the Anuvu Retirement Plan ("Anuvu 401(k) Plan").

Under the Anuvu 401(k) Plan, eligible employees may defer up to 100% of their eligible compensation on either a pre-tax or after-tax Roth 401(k) basis, or up to the annual maximum allowed by the Internal Revenue Service ("IRS"). The Company may, but is not obligated to, match a portion of the employee contributions up to a defined maximum in its U.S.

entities. For the years ended December 31, 2023 and 2022, the Company recognized a total expense of $1.4 million and $1.1 million, respectively.

The Company has other defined contribution plans in several of its non-U.S. entities worldwide. For the year ended December 31, 2023 and 2022, the Company recognized a total expense of $1.3 million and $1.2 million, respectively, for matching contribution for those plans.

Note 13. Income Taxes

United States and foreign loss from operations before income taxes was as follows (in thousands):

	Year Ended December 31, 2023	Year Ended December 31, 2022
United States	$ (143,972)	$ (106,221)
Foreign	(42,620)	(4,009)
Loss before income taxes	$ (186,592)	$ (110,230)

The income tax provision based on the income (loss) from operations was as follows (in thousands):

	Year Ended December 31, 2023	Year Ended December 31, 2022
Current provision:		
Federal	$ (127)	$ 677
State	59	164
Foreign	3,904	3,233
Total current provision	3,836	4,074
Deferred provision (benefit):		
Federal	(191)	(8)
State	23	(59)
Foreign	980	(1,917)
Total deferred provision (benefit)	812	(1,984)
Total income tax provision	$ 4,648	$ 2,090

The Company's effective tax rate ("ETR") differs from the statutory federal income tax rate of 21%, primarily due to foreign withholding taxes, reserves relating to uncertain tax positions, and valuation allowance on deferred tax assets.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the deferred income taxes are as follows (in thousands):

	December 31, 2023	December 31, 2022
Deferred tax assets:		
Property and equipment	$ 4,523	$ 3,357
Allowances and reserves	1,162	1,246
Accrued liabilities	1,277	2,076
Inventories	539	198
Interest expense carryover	37,926	24,616
Intangible assets	4,742	1,367
Net operating losses	41,922	27,015
Capital loss carryover	7,117	6,114
Restructuring costs	—	34
Right-of-use liability	306	886
Goodwill	7,673	—
Capitalized research and development costs	3,863	5,269
Other	2,349	1,437
Total deferred tax assets	113,399	73,615
Less: valuation allowance	(113,043)	(69,706)
Net deferred tax assets	$ 356	$ 3,909
Deferred tax liabilities:		
Right-of-use assets	$ (365)	$ (907)
Goodwill	—	(2,187)
Total deferred tax liabilities	(365)	(3,094)
Net deferred tax assets (liabilities)	$ (9)	$ 815

The Company is subject to taxation in the U.S. and various states and foreign jurisdictions. The Company is currently under audit in certain foreign tax authorities. The audits are in varying stages of completion. With certain exceptions, as of December 31, 2023, the Company's tax years from 2017 through 2023 are subject to examination by the tax authorities. The use of NOL carryforwards in future periods could trigger a review of attributes and other tax matters in years that are not otherwise subject to examination.

The Company records valuation allowances to reduce deferred tax assets to the amount that is more likely than not to be realized. In making this assessment, management analyzes future taxable income, reversing temporary differences and ongoing tax planning strategies. Should a change in circumstances lead to a change in judgment about the realizability of deferred tax assets in future years, the Company will adjust related valuation allowances in the period that the change in circumstances occurs, along with a corresponding increase or charge to income.

As of December 31, 2023, the Company has recorded a valuation allowance of $74.1 million and $38.9 million against its domestic and certain foreign deferred tax assets, respectively, due to the uncertainties over its ability to realize future taxable income in those jurisdictions. As of December 31, 2022, the valuation allowance on domestic and foreign deferred tax assets were $43.6 million and $26.1 million, respectively.

As of December 31, 2023 and 2022, the Company had federal NOL carry-forwards of $55.9 million and $38.2 million, respectively, for which current law in United States provides no expiration period. The Company had $33.9 million of federal capital loss carryover that will expire in 2028. As of December 31, 2023 and 2022, the Company had state NOL carry-forwards of $64.6 million and $53.4 million, respectively, that will expire starting in 2024. In addition, the Company had foreign NOL carry-forward from various jurisdictions of $103.3 million and $67.2 million as of December 31, 2023 and 2022, respectively, that will begin to expire in 2024. These NOLs may be used to offset future taxable income, to the extent the Company generates any taxable income, and thereby reduce or eliminate future federal income taxes otherwise payable.

Prior to the Tax Cuts and Job Act of 2017 (the "Tax Act"), U.S. taxes were not provided for on cumulative earnings of the Company's foreign subsidiaries as the Company had intended to invest the undistributed earnings indefinitely. However, as a result of the Tax Act, all of the accumulated earnings of its foreign subsidiaries were taxed for U.S. federal purposes. The Company has provisionally asserted that the $44.4 million earnings of its foreign subsidiaries will continue to be indefinitely reinvested. If in the future these earnings are repatriated to the United States, or if the Company determines that the earnings will be remitted in the foreseeable future, additional provisions for U.S. states not conforming to the federal Tax Act and foreign withholding taxes may be required. It is not practical to calculate the deferred taxes associated with these earnings because of the variability of multiple factors that would need to be assessed at the time of any assumed repatriation.

The Company assesses its income tax positions and record tax liabilities for all years subject to examination based upon management's evaluation of the facts and circumstances and information available at the reporting dates. For those income tax positions where it is more-likely-than-not, based on technical merits, that a tax benefit will be sustained upon the conclusion of an examination, we have recorded the largest amount of tax benefit having a cumulatively greater than 50% likelihood of being realized upon ultimate settlement with the applicable taxing authority, assuming that it has full knowledge of all relevant information. For those tax positions which do not meet the more-likely-than-not threshold regarding the ultimate realization of the related tax benefit, no tax benefit has been recorded in the financial statements. As of December 31, 2023 and 2022, the liability for income taxes associated with uncertain tax positions was $10.9 million and $9.3 million, respectively, is included in other non-current liabilities on the Consolidated Balance Sheet. The liability for income taxes of $10.9 million and $9.3 million as of December 31, 2023 and 2022, respectively, if recognized, would favorably affect the Company's effective tax rate.

The net increase in the liabilities during the year is primarily attributable to open tax audits and on-going appeals in India, assessments were received for underpayment of Anuvu UK Operations Limited's non-resident withholding tax for Indian Assessment Year 2017-2021. The increase was partially offset by a significant reduction in the reserves for physical establishment tax exposure where Anuvu Corp. believes it has significant assets and/or physical presence. It is reasonably possible that our unrecognized tax positions may change within the next 12 months, primarily as a result of ongoing audits. While it is possible that one or more of these examinations may be resolved in the next year, it is not anticipated that a significant impact to the unrecognized tax benefit balance will occur.

The Company's continuing practice is to recognize interest and penalties, if any, related to uncertain tax positions in income tax expense. As of December 31, 2023 and 2022, the Company had accrued $0.4 million and $1.2 million, respectively, of interest and penalties related to uncertain tax positions and presented as an income taxes liability on the balance sheet.

Note 14. Fair Value Measurements

The accounting guidance for fair value establishes a framework for measuring fair value and establishes a three-level valuation hierarchy for disclosure of fair value measurement. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- **Level 1**: Observable quoted prices in active markets for identical assets and liabilities.
- **Level 2**: Observable quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

- **Level 3**: Model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models, and similar techniques.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The assets and liabilities which are fair valued on a recurring basis are described below and contained in the following tables. In addition, on a non-recurring basis, the Company may be required to record other assets and liabilities at fair value. These non-recurring fair value adjustments involve the lower of carrying value or fair value accounting and write-downs resulting from impairment of assets.

Due to the short-term nature, carrying amounts of cash and cash equivalents, restricted cash, accounts receivable and accounts payable approximate fair value.

Nonrecurring Fair Value Measurements.

The Company evaluates its goodwill for impairment at the reporting unit level annually as of December 31 of each fiscal year or when an event occurs, or circumstances change that indicates the carrying value may not be recoverable. An impairment loss will be recognized for the amount by which the reporting unit's carrying amount exceeds its fair value, not to exceed the carrying amount of goodwill in that reporting unit. To determine the fair value of our reporting units and test for impairment, for IFC we utilized a market approach and an income approach (discounted cash flow method) and for MTS and MEG we utilized the income approach, as we believe this is the most direct approach to incorporate the specific economic attributes and risk profiles of our reporting units into our valuation model.

The Company measures its equity method investments at fair value on a nonrecurring basis, when they are deemed to be other-than-temporarily impaired, using Level 3 unobservable inputs. No impairment of equity method investment was recognized during the years ended December 31, 2023 and 2022.

The Company evaluates the recoverability of its long-lived assets with finite useful lives for impairment when events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. The Company performs impairment testing at the asset group level that represents the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities.

Note 15. Concentrations

Concentrations of Credit and Business Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash and cash equivalents and accounts receivable.

As of December 31, 2023 and 2022, cash and cash equivalents were maintained primarily with major U.S. financial institutions and foreign banks. Deposits with these institutions at times exceed the federally insured limits, which potentially subjects the Company to concentration of credit risk. The Company has not experienced any losses related to these balances and believes that there is minimal risk. Of its cash and cash equivalents as of December 31, 2023, approximately $5.8 million was held by its foreign subsidiaries. If these funds were repatriated for use in the Company's U.S. operations, the Company may be required to pay income taxes in the U.S. on the repatriated amount at the tax rates then in effect, reducing the net cash proceeds to the Company after repatriation. In the event the Company elects to repatriate any of these funds, the Company believes it has sufficient net operating losses for the foreseeable future to offset any repatriated income. As a result, the Company does not expect any such repatriation would create a tax liability in the U.S. or have a material impact on its effective tax rate.

A substantial portion of the Company's revenue is generated through arrangements with Southwest Airlines. The Company may not be successful in renewing these agreements, or if they are renewed, they may not be on terms as favorable as current agreements. The percentage of revenue generated through the customer representing more than 10% of consolidated revenue is as follows:

	Year Ended December 31, 2023	Year Ended December 31, 2022
Southwest Airlines as a percentage of total revenue	38 %	42 %
Southwest Airlines as a percentage of total accounts receivable	35 %	37 %

Note 16. Commitments and Contingencies

Movie License and Internet Protocol Television ("IPTV") Commitments

In the ordinary course of business, the Company has long-term commitments, such as license fees and guaranteed minimum payments owed to content providers. In addition, the Company has long-term arrangements with service and television providers to license and provide content and IPTV services that are subject to future guaranteed minimum payments from the Company to the licensor.

The following is a schedule of future unconditional minimum commitments under movie and IPTV arrangements as of December 31, 2023 (in thousands):

Years Ending December 31,	Amount
2024	$ 48,370
2025	8,748
2026	1,683
Total	$ 58,801

Satellite Capacity Commitments

The Company maintains agreements with satellite service providers to provide for satellite capacity. The Company expenses these satellite fees in the month the service is provided as a charge to licensing and services cost of sales. The following is a schedule of future unconditional minimum satellite costs as of December 31, 2023 (in thousands):

Years Ending December 31,	Amount
2024	$ 74,476
2025	12,012
2026	7,715
2027	7,200
2028	7,200
Thereafter	27,000
Total	$ 135,603

Other Commitments

In the normal course of business, the Company enters into future purchase commitments with some of its connectivity vendors to secure future inventory for its airline customers and the development pertaining to engineering and antenna projects.

Contingencies

The Company is subject to various legal proceedings and claims that have arisen in the ordinary course of business and that have not been fully adjudicated. The Company recorded accruals for loss contingencies when management concludes it is probable that a liability has been incurred and the amount of the related loss can be reasonably estimated. On a regular basis, the Company's management evaluates developments in legal proceedings and other matters that could cause an increase or decrease in the amount of the liability that has been accrued previously. While it is not possible to accurately predict or determine the eventual outcomes of these matters, an adverse determination in one or more of these matters could have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

From time to time, the Company may be party to various legal matters incidental to the conduct of its business. These legal matters may include speculative claims for indeterminate amounts of damages, for which the Company has not recorded any contingency accrual. Although the Company cannot predict with certainty the ultimate resolution of these speculative matters, based on its current knowledge, the Company does not believe that the outcome of any of these matters will have a material adverse effect on its financial statements

Note 17. Subsequent Events

These consolidated financial statements reflect management's evaluation of subsequent events through June 28, 2024, the date the consolidated financial statements were available to be issued.

Wireless Maritime Services, LLC

On February 29, 2024, in accordance with the MIPA executed on October 15, 2022, Anuvu received the $32.3 million earnout consideration as the buyer achieved the performance targets and recognized as Other Income from sale of equity method investments on the Consolidated Statements of Operations. The funds are reserved for certain working capital activities including restructuring related activities, interest on the credit facilities, and completing inflight connectivity or inflight entertainment growth projects.

MEG Connectivity Business Divestiture

On April 30, 2024, the Company and FMC GlobalSat, Inc. ("FMC") entered into Equity Purchase Agreement ("EPA"), whereby FMC purchased the MEG connectivity business for $1, and assumed certain customers, employee contracts, working capital, including $3 million in cash, accounts receivable, inventory accounts payable, as well as fixed assets and know-how and vendor contracts. Liabilities and certain vendor contracts purchased are not to exceed $20 million in aggregate assumed liabilities. If such amounts exceed $20 million the Company will retain those liabilities. Over 100 employees that support the MEG connectivity business will be transferred to FMC or charged out under a customary transition services agreement. The transaction excludes MEG's legacy content business and teleport infrastructure structure, which will remain with the Company to support inflight connectivity services.

Amendment to the Credit Agreement

On June 18, 2024, the Company entered into a Third Amendment to the Senior Secured Takeback Term Loan Credit Agreement and First Amendment to Security Agreement among the Company, the guarantors party thereto, the lenders party thereto and Acquiom Agency Services LLC and Seaport Loan Products LLC, as co-administrative agents, which modified the Senior Secured Takeback Term Loan Credit Agreement and First Amendment to Security Agreement with respect to the following terms:

- to refinance the aggregate amount of the Senior Secured Takeback Term Loan and enter into a Super-Priority Secured Term Loan Credit agreement dated June 18, 2024.

Super-Priority Senior Secured Term Loan Credit Agreement and Security Agreement

On June 18, 2024, the Company entered into a Super-Priority Senior Secured Term Loan Credit Agreement among the Company, the guarantors party thereto, the Senior Secured Priority Term Loan Lenders and Senior Secured Take Back Term Loan Lenders as the lenders party thereto and Acquiom Agency Services LLC and Seaport Loan Products LLC, as co-administrative agents. The Super-Priority Credit Agreement has the following key terms:

- The Senior Secured Priority Term Loan ("Senior Priority Loan" tranche) in the amount up to $205 million; and the Senior Secured Takeback Term Loan ("Senior Takeback Loan" tranche) up to and including any paid in kind accrued interest of $206.9 million are collectivity included in the refinancing and exchange pursuant the Super-Priority Security Term Loan Credit Agreement as to distinct tranches.
- Establishes a two-thirds Senior Priority Term Loan Lenders (Supermajority Lenders) can elect to interest payment in kind up to 6% per annum of interest accruing on the Senior Priority Loans. The Supermajority Lenders may elect to pay interest accruing and due on the Senior Takeback Loans by capitalizing the entire interest to the principal of the Senior Takeback Loans.
- The Senior Priority Loans maturity date was extended from March 23, 2025 to September 26, 2027 and the Senior Takeback Loans maturity date is the earliest of March 23, 2026 or at the election of lenders to extend to September 26, 2028. The election to extend the Senior Takeback Loans maturity date has not been requested of the lenders.