

LORAL SPACE & COMMUNICATIONS INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

4. Other Current Assets

Other current assets consist of (in thousands):

	December 31,	
	2019	2018
Indemnification receivable from SSL for pre-closing taxes (see Note 13)	\$ 598	\$ 2,410
Due from affiliates	186	161
Prepaid expenses	164	151
Other	374	510
	<u>\$ 1,322</u>	<u>\$ 3,232</u>

5. Investments in Affiliates

Investments in affiliates consist of (in thousands):

	December 31,	
	2019	2018
Telesat	\$ 90,184	\$ 24,574

Equity in net income (loss) of affiliates consists of (in thousands):

	Year Ended December 31,	
	2019	2018
Telesat	\$ 101,403	\$ (24,412)

Telesat

As of December 31, 2019, we held a 62.7% economic interest and a 32.6% voting interest in Telesat. We use the equity method of accounting for our majority economic interest in Telesat because we own 32.6% of the voting stock and do not exercise control by other means to satisfy the U.S. GAAP requirement for treatment as a consolidated subsidiary. We have also concluded that Telesat is not a variable interest entity for which we are the primary beneficiary. Loral's equity in net income or loss of Telesat is based on our proportionate share of Telesat's results in accordance with U.S. GAAP and in U.S. dollars. Our proportionate share of Telesat's net income or loss is based on our economic interest as our holdings consist of common stock and non-voting participating preferred shares that have all the rights of common stock with respect to dividends, return of capital and surplus distributions, but have no voting rights.

In addition to recording our share of equity in net income (loss) of Telesat, we also recorded our share of equity in other comprehensive (loss) income of Telesat of \$(35.8) million and \$22.0 million for the years ended December 31, 2019 and 2018, respectively.

In the third quarter of 2019, we recorded an out-of-period correction to decrease our investment in Telesat and increase other comprehensive loss by \$22.1 million. This non-cash adjustment was made to record the cumulative translation adjustment on our investment in Telesat from November 2007, when we first acquired our ownership interest in Telesat, to December 31, 2018. The adjustment resulted from translating our share of Telesat's equity from Canadian dollars to U.S. dollars at historical foreign exchange rates in accordance with ASC 830, *Foreign Currency Matters*, as required by ASC 323, *Investments – Equity Method and Joint Ventures*. Previously, we translated our share of Telesat's equity from Canadian dollars to U.S. dollars at current foreign exchange rates at each balance sheet date. This adjustment had no effect on our equity in net income (loss) of Telesat for any current or prior reporting period. The Company has not revised its financial statements for prior periods for this adjustment based on its belief that the effect of such adjustment is not material to the financial statements taken as a whole.