Inmarsat Group Limited
(Registered Number: 4886115)

Annual Report and Financial Statements
For the year ended 31 December 2017

INMARSAT GROUP LIMITED
STRATEGIC REPORT

for the year ended 31 December 2017

Principal Activities

Inmarsat Group Limited (the 'Company' or together with its subsidiaries, the 'Group') is the leading provider of global mobile satellite communications services ("MSS"), providing data and voice connectivity to end-users worldwide, with over 30 years of experience in designing, launching and operating satellite-based networks. The Company has an in-orbit fleet of thirteen owned and operated satellites in geostationary orbit. This includes eight satellites on our L-band platform, four satellites on our Ka-band platform and one satellite on our S-band platform. In addition to our established L-band satellite services business, in December 2015 we brought GX into commercial service. GX offers seamless global coverage and delivers Ka-band satellite services with broadband speeds of up to 50 Mbps for users in the Government, Maritime, Enterprise and Aviation sectors. Our fourth GX satellite was launched in 2017. The Inmarsat-6 satellites, comprised of two dual payload (L-band and Ka-band) satellites are on track to be launched at the start of the next decade and ensure the re-orientation of our L-band capabilities towards new growth opportunities.

Key financial and other performance indicators

The Group's key financial and other performance indicators during the year were as follows:

($ in millions)	2017	2016	Change
Revenue	1,400.2	1,329.0	5.4%
Operating profit	321.5	447.0	-28.1%
Profit after tax	195.2	319.1	-38.8%
Net assets	1,521.3	1,565.3	-3.1%
Average number of employees	1,852.0	1,762.0	5.2%

2017 Group Revenue increased $71.2m (5.4%) to $1,400.2m driven by growth in Aviation and Government business units of 36.7% and 11% respectively. Aviation growth has been driven by In-Flight Connectivity ("IFC") installation revenues, with 194 aircraft now installed with Global Xpress ("GX") terminals (2016: 20) and another year of strong growth in our Core businesses in Business & General Aviation ("BGA") and Safety & Operational Services ("SOS"). Government growth is attributable to new contract wins more than offsetting the pressures of on-going budgetary constraints and low operational tempo in our customer base. Ligado revenue increased by 6.1% to $126.7m.

Operating profit decreased by $125.5m (28.1%) driven by one-off restructuring costs of $19.9m and an increase in depreciation and amortisation of $57.3m as a result of the I-5 F4 and S-Band satellites coming into commercial service in the fourth quarter of 2017.

The tax charge for the year was $49.1m, a decrease of $17.1m (2016: $66.2m). This is mainly driven by the decrease in profit. The effective tax rate for 2017 was 20.1% (2016: 17.2%) compared to an average statutory rate for the UK for 2017 of 19.25% (2016: 20%). The effective tax rate is impacted by the revaluation of US related deferred tax assets as a result of a reduction in the US corporation tax rate from 35% to 21%, which was substantively enacted in Q4 2017.

Profit after tax was $195.2m, compared to $319.1m in 2016 which is driven by the fall in operating profit.

Alternative Performance Measures

In response to the Guidelines on Alternative Performance Measures (APMs) issued by the European Securities and Markets Authority (ESMA), we have provided additional information on the APMs used by the Group including definitions in the Glossary of Terms on page 48.

Principal risks and uncertainties

The Group faces a number of risks and uncertainties that may adversely affect our business, operations, liquidity, financial position or future performance, not all of which are wholly within our control. Although many of the risks and uncertainties influencing our performance are macroeconomic and likely to affect the performance of businesses generally, others are particular to our operations in mobile satellite services.

- Failure to expand into the broadband market - We may fail to optimally assess our market, technological changes, customer requirements, capacity needs and competitors' strategy and therefore not target market opportunities. We may fail to effectively address the significant changes going on in the industry, e.g. price and capacity, plus a greater focus on digital enablement. We may develop next generation broadband services that will not meet these market opportunities or fail to meet customer requirements or capacity needs, or these developments could have delays or cost overruns impacting on our market position, revenue or returns on investment. We may fail to roll out new services including migrating existing customers. Competitors may launch disruptive technology.

- Failure to at least maintain our existing L-band business - We may not be able to maintain our market share of L-band business or we may fail to keep up with the business needs or requirements of our customers. The L-band business currently makes up a large portion of our revenue stream and is vital to the continued growth of the business. We may fail to optimally assess our market, technological changes, customer requirements, capacity needs and competitors' strategy and therefore not target market opportunities. We may fail to roll out new services including migrating existing customers, which could be due to upgrade costs, or our developments could have delays or cost overruns. Our competitors may provide better products to the market and at more competitive prices.

- Failure to successfully seize the Aviation passenger connectivity opportunity - We may fail to optimally assess our market, technological changes, customer requirements, capacity needs and competitors' strategy to exploit the aviation in-flight connectivity ('IFC') market opportunity. We may fail to develop a competitive technology roadmap, competitive pricing, obtain applicable licence or fail to deliver on or have delays in our contracts. Our competitors may provide better products to the market sooner than us and at more competitive prices. Our access to the market may be restricted by regulatory and capacity issues. The risk has increased during 2017 due competitive pressure, contract delivery risks and market access regulatory risks.

- Failure to maintain and grow our Maritime business - We may not be able to grow our existing levels of revenue in the maritime industry through either competitor pressure, further decline in the overall maritime sector or our inability to identify adequate opportunities in the maritime market. The Maritime business currently makes up a large portion of our revenue stream and is vital to the continued growth of the business. We may fail to optimally assess our market, technological changes, customer requirements, capacity needs and competitors' strategy and to exploit market opportunities. We may lose our Global Maritime Distress and Safety System (GMDSS) authorisation or a competitor may get authorisation. We may fail to roll out new services including migrating existing customers.

- Failure to deliver the Solutions strategy - We are aiming to implement a new solutions-based strategy rather than being a product-only based solution. We may fail to correctly assess market needs. There is a risk that the transition to offer solutions and digital services may fail, be further delayed, not meet market needs, have scalability issues, have cost overruns or not go smoothly.
- Failure of satellites or networks - We face risks when we launch our satellites and while they are in operation. There are only a few companies who provide services to build and launch satellites and if they encounter problems, our launch may be delayed or fail. Our satellites, our control of them or our network may fail technically or be sabotaged. Our network may not be able to cope with the demand from users. Our network may suffer a cyberattack that damages our service offering and reputation. Elements of our ground network may fail or be damaged, which may affect our ability to provide services to our partners and customers. The risk has decreased during 2017 due to the two successful satellite launches, improved ground network resilience and continued successful cooperation between our space engineering team and satellite manufacturers.
- Failure of critical customers and/or distribution channel - We rely on our distribution channel for part of our revenue and they might not sell our services effectively or competitively. We have critical GX and FX contracts which require careful management to ensure successful execution. We may not meet customer needs with some declining legacy products. Relying on some critical customers may increase our financial exposure if they fail to make payments for our services. We provide our services to many government organisations around the world which may have conflicting requirements, and our revenue may be affected by governments' reduction in spending and their other political priorities. We may lose customers due to poor quality service delivery or operations, or fail to keep up with the business needs of our customers. We may fail to roll out new services including migrating existing customers. A competitor may buy a critical customer or partner. We may encounter delays in bringing new products and services to market. Our inability to directly control our Retail Company or Business Unit specialising in US Government contracts, may restrict our business activities.
- Failure of critical suppliers - We rely on a limited number of third party suppliers and partners in the production of our satellites, launch providers' systems, terminals and products and we may have limited control over availability, quality and delivery of these goods. A satellite manufacturer or a supplier to the satellite manufacturer, may fail or have serious damage to a production facility that delays the delivery of our satellite. A satellite launch provider may additionally have a launch failure which affects the timing of our planned launches. A competitor may buy a critical supplier or partner. A critical supplier may fail financially or one of their systems may fail.
- Security risk - We may suffer damage to satellites, networks, information/data, systems, processes and our services to customers as a result of malicious or flawed code, unauthorised access, service denial ransom/coercion, or security compromise. There is also a significant risk of aggregated minor risks having an impact on service delivery. Data or IP could be stolen. This could also have consequential impact on reputation, business plans and operations, and future revenue from risk averse customers/markets. The risk has increased during 2017 due to the continuously increasing external threat. We have made considerable progress and continue to invest to further reduce the constantly evolving risks.
- Spectrum, orbital slots and market access risk - We rely on radio spectrum, which has historically been allocated without charge, to provide our services. We must agree how it is used in coordination with other satellite operators and need to coordinate its ongoing availability. We may not be able to coordinate usage in the future and/or may be charged for the spectrum which could affect our ability to provide services. Channel consolidation may drive down prices and ARPU. We require orbital slots to place our satellites in the correct position to provide adequate coverage and deliver our services. We may not be able to obtain adequate orbital slots or we may miss deadlines to bring orbital slots into use. Given the nature of the satellite business it is important to have access to all areas of the globe and provide coverage world-wide. This requires licensing from multiple national authorities. We may not be able to gain these licenses for various reasons. Market access may not be allowed in certain countries which restricts our services being offered.
- Failure to effectively operationally deliver products and services - We may fail to keep up with the developing business needs of our customers. We may fail in developing products and services that match their needs or encounter delays in bringing new products and services to market. We may not be able to take to market our products and services for various reasons such as network/satellite issues, capacity constraints and/or technological difficulties which would impact our ability to generate revenues. Products may become obsolete. We may fail in our internal processes leading to violations of regulations, for example financial reporting requirements. An export control violation may affect service delivery. The risk has decreased in 2017 due to systematic work with improving and documenting existing processes, as well as implementing robust new systems and processes.
- Risk to people, skills, location and working environment - We may fail to hire skilled people or adequately improve skills to maintain and grow our business, or to deliver our strategy. We may lose highly technical and specialist employees who have very specific skill sets that are vital to the business. We may lose knowledge with employees and consultants that leave the company. Brexit negotiations outcomes could impact EU citizens working in London and UK citizens in Europe. We may lose employee engagement and motivation. We may suffer a terrorist attack or a natural disaster on one of our network or office locations. The risk has decreased during 2017 due to the implementation of the People strategy.
- Geo-political risk - Downturns in the economy of a country and/or world economy, or closure of capital markets could impact our business and strategy. We could fail to comply with applicable international legislation and international reporting requirements. Armed conflicts as well as a low oil price may have large effects on world trade and consequently on our business, strategy and currency exchange rates. We do a large amount of business with governments across the globe including the US Government. Major political policy changes and decisions, such as sanctions and Brexit, may impact our business. Brexit negotiations outcomes could impact EU citizens working in London and UK citizens in Europe. We may suffer a terrorist attack or a natural disaster on one of our network or office locations. Our staff and their families may suffer a local epidemic or global pandemic.

Future developments
The Group are targeting mid-single digit percentage revenue growth (excluding Ligado) on average over the next five years, with EBITDA and cash flow generation (both excluding Ligado) expected to improve steadily as a result of the combined impact of this growing revenue base, an improved revenue mix, tightly managed overhead costs and new, lower cost, satellite technologies being implemented that are expected to drive a meaningful moderation in annual infrastructure capex over the medium-term.

The Company is part of the Inmarsat plc group, and more details about future developments are incorporated within the Business Overviews and Strategic Report of the Inmarsat plc 2017 annual report.

Post balance sheet events
Since the balance sheet date there have been no significant events which would require disclosure in the 31 December 2017 Annual Report.

By order of the Board

ALISON HORROCKS FCIS

Company Secretary
14 March 2018

INMARSAT GROUP LIMITED
DIRECTORS' REPORT

for the year ended 31 December 2017

The Directors submit their report and the audited financial statements for Inmarsat Group Limited (the 'Company' or together with its subsidiaries, the 'Group') for the year ended 31 December 2017. Details of future developments and post balance sheet events and included in the strategic report page 2.

Directors and their interests

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows:

- Tony Bates
- Alison Horrocks
- Rupert Pearce
- Andrew Sukawaty

No Directors had during the year or at the end of the year any material interested in any contract of significance to the Company's business.

Principal activities

The Company is a member of the Inmarsat plc group, providing services to other companies in the Inmarsat plc group.

The Directors do not envisage any change to the nature of the business in the foreseeable future.

Results and dividends

The Group's results for the financial year are shown in the Consolidated Income Statement on page 8.

During 2017, the Company paid dividends of $95m for the 2017 interim dividend and $185m for the 2016 final dividend. During 2016, the Company paid $85.2 for the 2016 interim dividend and $143.3 for the 2015 final dividend.

No final dividend for the year ended 31 December 2017 has been declared or paid.

Research and development

The Group continues to invest in new services and technology necessary to support its activities through research and development programmes.

Going concern

In determining whether the Company's financial statements can be prepared on a going concern basis the Directors have considered all the factors likely to affect its future development, performance and its financial position including the matters disclosed in the Strategic Report and Directors' Report. The Company is part of the Inmarsat plc group (the 'plc Group') and the going concern review completed at the date of signing of the plc Group accounts is set out within the Inmarsat plc 2017 annual report which does not form part of this report. The going concern of the Company is dependent on the going concern of the plc Group. Additionally, the Company is reliant on the plc Group's financing facilities.

At the date of signing of these financial statements the Directors have considered all the factors impacting the Company's and plc Group's business, including downside sensitivities. The Directors therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Company's financial statements.

Financial risk management

Details of the financial risk management objectives and policies of the Group, including exposure of the entity to market risk, credit risk, liquidity risk and cash flow risk are given in notes 3 and 29 to the financial statements.

Employees

To support our vision, we have developed a three-year Diversity and Inclusion plan with actions at multiple stages of the employee life cycle from attraction to recruitment to development, and there are a number of initiatives focused on 'life at Inmarsat' – creating and maintaining an engaging and inspiring place to work.

When recruiting, we value diversity in its broadest definition and work to provide opportunities for all, including for disabled employees by reviewing the requirements of their working environment to accommodate practical changes as far as possible to allow them to continue in their daily work routine. If such changes were unrealistic to implement, we would review alternative employment options for the individual within the Group. We do not tolerate discrimination in any form – race, gender, age, culture, nationality and disability – against our employees, either from other employees or third parties.

We have established policies which address key corporate objectives in the management of employee relations, communications and employee involvement, training and personal development and equal opportunities.

We have elected employee forums in the UK and Batam in Indonesia, a Works Council in the Netherlands and an Enterprise Agreement in Perth, Australia. These groups enable two-way open communications between employees and the Executive Management Team, in a trust based environment listening and taking into consideration the views of employees. In the UK, the Staff Forum is an elected body constituted in accordance with prevailing legislation to provide the formal means of consultation on contractual matters, as and when required. In other countries, these bodies are constituted according to local requirements.

The Inmarsat plc Board receives an annual update on health and safety activity across the Group. Rupert Pearce, CEO, has been identified as having responsibility for health and safety issues within the Group and one of his 2018 objectives relates to ensuring there are appropriate health and safety measures in operation across the Group. We have a dedicated Health and Safety Manager who is located in our London headquarters office and our subsidiary operations have identified managers responsible for health and safety. Our goal is to encourage strong leadership in championing the importance of, and a common-sense approach to health and safety in the workplace. We recognise the need to provide a safe working environment for our employees, contractors and any visitors. During the year we introduced a global policy on Electromagnetic Fields ('EMF') and there is active EMF monitoring across the Inmarsat plc group. We believe our 'healthy wellbeing programme' has a positive impact on staff productivity and effectiveness of the business; the programme aims to improve the general health and wellbeing of the working-age population and support staff with health conditions.

We have identified five continuing health and safety priorities based on business activities and the potential harm to staff:

- DSE (display screen equipment) related ill health (musculoskeletal disorders)
- Working at height
- Work related stress
- Manual handling
- Lone working

We provide training and awareness materials to staff providing them with information on how to deal with these specific areas of work.

Directors' indemnity

Each of the Directors benefit from an indemnity given by the Company under its Articles of Association. This indemnity is in respect of liabilities incurred by the Director in the execution and discharge of his or its duties.

In addition, each of the Directors who is an individual benefits from an indemnity given by another Group undertaking, Inmarsat plc. This indemnity is in respect of liabilities arising out of third party proceedings to which the Director is a party by reason of his engagement in the business of the Company.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statement for each financial year. Under that law the Directors have prepared the financial statements in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union. 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, IAS 1 required the Directors to:

- properly select and apply accounting policies;
- present information, including accounting policies in a manner that provided relevant, reliable and comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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 for taking reasonable steps for the prevention and detection of fraud and other irregularities

Disclosure of information to auditors

As far as each of the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware and the Directors have taken all the steps that ought to have been taken to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

Deloitte LLP are deemed to be re-appointed in accordance with an elective resolution made under section 386 of the Companies Act 1985 which continues in force under the Companies Act 2006.

The Company is not required to hold Annual General Meetings. Subject to the receipt of any objections as provided under section 485 Companies Act 2006 Deloitte are deemed re-appointed in accordance with section 485 Companies Act 2006.

This report has been prepared taking advantage of the small companies' exemption in accordance with section 415A of the Companies Act 2006.

By order of the Board

ALISON HORROCKS FCIS

Company Secretary
14 March 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INMARSAT GROUP LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2017 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Inmarsat Group Limited (the 'parent company') and its subsidiaries (the 'group') which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 35.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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 group and the parent 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

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

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

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

We have nothing to report in respect of these matters.

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 group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

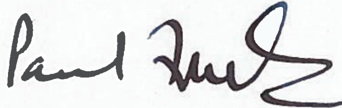
In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.



Paul Franek, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
14 March 2018

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2017

($ in millions)	Note	2017	2016
Revenues		1,400.2	1,329.0
Employee benefit costs	7	(283.8)	(260.4)
Network and satellite operations costs		(192.8)	(168.6)
Other operating costs		(221.3)	(147.3)
Own work capitalised		49.1	42.0
Total net operating costs		(648.8)	(534.3)
Adjusted EBITDA[1]		751.4	794.7
Restructuring charge	7	(19.9)	-
EBITDA[1]		731.5	794.7
Depreciation and amortisation	6	(406.7)	(349.4)
Gain on disposal	6	-	0.5
Impairment loss	6	(7.3)	(1.2)
Share of profit of associates	15	4.0	2.4
Operating profit		321.5	447.0
Financing income	9	6.7	4.8
Financing cost	9	(83.9)	(66.5)
Net financing costs	9	(77.2)	(61.7)
Profit before tax		244.3	385.3
Taxation charge	10	(49.1)	(66.2)
Profit for the year		195.2	319.1
Attributable to:			
› Equity holders		194.6	318.5
› Non-controlling interest[2]		0.6	0.6

1 These represent APMs. Please refer to the Glossary of Terms for the definition and reconciliation.

2 Non-controlling interest relates to the Group's 51% shareholding in Inmarsat Solutions ehf

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2017

($ in millions)	Note	2017	2016
Profit for the year		195.2	319.1
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to the income statement:			
Foreign exchange translation differences		–	0.1
Net gain/(loss) on cash flow hedges	26	15.6	(24.3)
Tax credited directly to equity	10	–	0.1
Items that will not be reclassified subsequently to the income statement:			
Remeasurement of the defined benefit asset and post-employment benefits	27	12.7	(13.4)
Tax credited/(charged) directly to equity	10	(2.9)	2.6
Other comprehensive income/(loss), net of tax		25.4	(34.9)
Total comprehensive income, net of tax		220.6	284.2
Attributable to:			
Equity holders		220.0	283.6
Non-controlling interest		0.6	0.6

CONSOLIDATED BALANCE SHEET

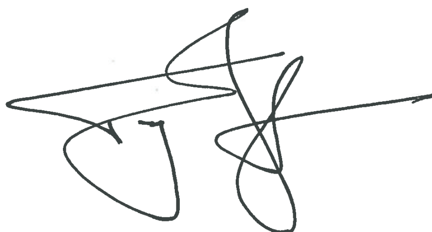
As of 31 December 2017

($ in millions)	Note	2017	2016
Assets			
Non-current assets			
Property, plant and equipment	13	3,239.3	2,971.4
Intangible assets	14	788.9	796.4
Investments	15	16.2	13.2
Other receivables	17	23.9	11.7
Deferred tax assets	22	35.6	38.6
Derivative financial instruments	30	0.3	0.1
		4,104.2	3,831.4
Current assets			
Cash and cash equivalents	16	143.2	259.7
Short-term deposits[1]		342.0	395.0
Trade and other receivables	17	346.6	326.0
Inventories	18	33.9	34.3
Current tax assets	22	13.8	8.5
Derivative financial instruments	30	1.2	1.7
Restricted cash	23	2.3	2.3
		883.0	1,027.5
Total assets		4,987.2	4,858.9
Liabilities			
Current liabilities			
Borrowings	19	563.6	459.7
Trade and other payables	20	572.7	497.1
Provisions	21	16.2	1.9
Current tax liabilities	22	148.7	144.5
Derivative financial instruments	30	7.9	5.9
		1,309.1	1,109.1
Non-current liabilities			
Borrowings	19	1,884.9	1,906.5
Other payables	20	25.0	41.5
Provisions	21	9.7	2.8
Deferred tax liabilities	22	235.1	208.3
Derivative financial instruments	30	2.1	20.1
		2,156.8	2,179.2
Total liabilities		3,465.9	3,288.3
Net assets		1,521.3	1,570.6
Shareholders' equity			
Ordinary shares	24	0.4	0.4
Share premium		677.4	677.4
Other reserves		423.8	396.9
Retained earnings		419.1	495.3
Equity attributable to shareholders		1,520.7	1,570.0
Non-controlling interest		0.6	0.6
Total equity		1,521.3	1,570.6

1 Short-term deposits are cash held on deposit with a maturity at acquisition of between three and 12 months

The consolidated financial statements of the Group on pages 8 to 12 were approved by the Board of Directors on 14 March 2018 and were signed on its behalf by:

TONY BATES
DIRECTOR



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

($ in millions)	Ordinary share capital	Share premium account	Share option reserve	Cash flow hedge reserve[1]	Other	Capital contribution reserve	Retained earnings	Non-controlling interest[2]	Total
Balance at 1 January 2016	0.4	677.4	81.6	0.9	(0.5)	327.8	429.0	0.6	1,517.2
Share options charge	–	–	11.1	–	–	-	-	–	11.1
Dividends paid	–	–	–	–	–	-	(241.2)	(0.6)	(241.8)
Comprehensive income:									
Profit for the year	–	–	–	–	–	-	318.5	0.6	319.1
Other comprehensive loss – before tax	–	–	–	(24.3)	0.2	-	(13.4)	–	(37.5)
Other comprehensive loss – tax	–	–	–	0.1	–		2.4	–	2.5
Balance at 31 December 2016	0.4	677.4	92.7	(23.3)	(0.3)	327.8	495.3	0.6	1,570.6
Share options charge	–	–	11.3	–	–		(0.5)	–	10.8
Dividends paid	–	–	–	–	–		(280.0)	(0.6)	(280.6)
Comprehensive income:									
Profit for the year	–	–	–	–	–		194.5	0.6	195.1
Other comprehensive loss – before tax	–	–	–	15.6	–		12.7	–	28.3
Other comprehensive loss – tax	–	–	–	–	–		(2.9)	–	(2.9)
Balance at 31 December 2017	0.4	677.4	104.0	(7.7)	(0.3)	327.8	419.1	0.6	1,521.3

1 Refer to note 26 for a reconciliation of this account

2 Non-controlling interest ('NCI') refers to the Group's 51% shareholding in Inmarsat Solutions ehf

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2017

($ in millions)	Note	2017	2016
Cash flow from operating activities			
Cash generated from operations	23	764.3	785.1
Interest received		5.5	1.0
Tax paid		(19.8)	(35.6)
Net cash inflow from operating activities		750.0	750.5
Cash flow from investing activities			
Purchase of property, plant and equipment		(438.9)	(302.9)
Additions to intangible assets		(110.7)	(68.0)
Own work capitalised		(49.1)	(42.0)
Short-term cash deposits with maturity greater than three months		53.1	(395.0)
Investment in financial asset	15	(1.1)	-
Net cash (used in) investing activities		(546.7)	(807.9)
Cash flow from financing activities			
Dividends paid		(280.0)	(228.5)
Proceeds from issue of long-term borrowings[1]		–	400.0
Repayment of EIB Facility		–	(132.2)
Drawdown of Ex-Im Facilities		78.4	-
Repayment of Ex-Im Bank Facilities		(80.8)	(80.8)
Interest paid		(95.0)	(83.6)
Arrangement costs of financing		(1.1)	(11.3)
Related Party Financing		63.0	278.2
Other financing activities		(1.9)	1.8
Net cash (used in)/ generated from financing activities		(317.4)	143.6
Foreign exchange adjustment		(2.2)	0.1
Net (decrease)/ increase in cash and cash equivalents		(116.3)	86.3
Cash and cash equivalents			
At the beginning of the year		259.2	172.9
Net (decrease)/increase in cash and cash equivalents		(116.3)	86.3
At the end of the year (net of bank overdrafts)		142.9	259.2
Comprising:			
Cash at bank and in hand	16	108.2	48.4
Short-term deposits	16	377.0	606.3
Cash reclassified to short-term investments	16	(342.0)	(395.0)
Bank overdrafts	19	(0.3)	(0.5)
Net cash and cash equivalents at the end of the year		142.9	259.2

1 Gross issuance proceeds from the Senior Notes due 2024

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Inmarsat Group Limited (the 'Company' or, together with its subsidiaries, the 'Group') is a company incorporated in the United Kingdom and domiciled in England and Wales. The address of its registered office is 99 City Road, London EC1Y 1AX, United Kingdom.

The Company's parent undertaking is Inmarsat Holdings Limited and ultimate controlling party is Inmarsat plc, both incorporated in the United Kingdom and registered in England and Wales. The largest and smallest groups into which the results of the Company are consolidated are headed by Inmarsat plc and the Company, respectively.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented unless otherwise stated.

BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union, the Companies Act 2006 and Article 4 of the EU IAS Regulation. The financial statements have been prepared under the historical cost convention except for certain financial instruments that have been measured at fair value, as described later in these accounting policies.

GOING CONCERN

The Group has a robust and resilient business model, positive strong cash flow generation and is compliant with all banking covenants. Because of this, the Directors believe that the Company and the Group are well-placed to manage its business risks successfully. After considering current financial projections and facilities available and after making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, Inmarsat plc continues to adopt the going concern basis in preparing the consolidated financial statements.

BASIS OF ACCOUNTING

The consolidated financial statements are presented in US Dollars, which is the functional currency of the Company and most of the Group's subsidiaries. The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the year. Although these estimates are based on management's best estimate of the amount, event or actions, the actual results ultimately may differ from these estimates. Further discussion on these estimates and assumptions are disclosed in note 4.

ACCOUNTING POLICY CHANGES

New and amended accounting standards adopted by the Group

There are no new IFRS or IFRIC Interpretations that are effective for this financial year that have had a material impact on the Group.

New and amended accounting standards that have been issued but are not yet effective and have not been early adopted

IFRS 15 'Revenue from contracts with customers'

IFRS 15 'Revenue from contracts with customers' will be effective for periods beginning on or after 1 January 2018. The standard sets out the requirements for recognising revenue from contracts with customers, and will supersede the current revenue recognition guidance including IAS 18 'Revenue', IAS 11 'Construction Contracts' and the related interpretations.

When IFRS 15 is adopted, it can be applied either on a full retrospective basis, requiring the restatement of the comparative periods presented in the financial statements, or with the cumulative retrospective impact of IFRS 15 applied as an adjustment to equity on the date of adoption. The Group will adopt the full retrospective approach from 1 January 2018 and will show comparative figures for the December 2017 financial year under IFRS 15 as part of the 2018 financial statements.

The Group has performed a review of all significant revenue streams to identify the impact of applying the IFRS 15 five-step recognition model, as follows:

1. Identify the contract with the customer
2. Identify the distinct performance obligations
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations
5. Recognise revenue as or when a performance obligation is fulfilled

The restatement of 2017 comparatives in the 2018 accounts is expected to result in a decrease in 2017 revenue of $9m and an increase in 2017 EBITDA of $8m. Profit Before Tax (PBT) is expected to increase by $4m while opening 2017 retained earnings are expected to decrease by $10m. Trade receivables and deferred revenue specific to Ligado are expected to increase by $20m and $24m respectively.

The Group has established internal controls to monitor the materiality of unadjusted differences that are immaterial and not expected to change in the near future.

IFRS 16 'Leases'

IFRS 16 'Leases' is mandatory for periods beginning on or after 1 January 2019, with early adoption allowed subject to the adoption of IFRS 15. The standard sets out requirements for recognising assets and liabilities in respect of leases, and will supersede the existing accounting guidance in IAS 17 'Leases' and the related interpretations. The Group will early adopt IFRS 16 in the period beginning 1 January 2018 using the modified retrospective approach which allows for certain practical expedients on transition. Under the modified retrospective approach, the lease liability and asset are recognised as at 1 January 2018 (the implementation date) with no restatement of prior period financial statements.

The core principle of the standard is to provide a single lessee accounting model, requiring lessees to recognise a right-of-use asset and lease liability for all leases unless the term is less than 12 months or the underlying asset has a low value. IFRS 16 will substantially change lease accounting for operating lessees which will now need to be recognised on the balance sheet. Lease costs will be recognised in the form of depreciation of the right-of-use asset and interest on the lease liability over the lease term.

The Group has assessed the impact that IFRS 16 will have on the financial statements. The area of material impact relates to property leases where the Group is the lessee. The expected adjustments as at 1 January 2018 in the Group's Balance Sheet are the recognition of right-of-use assets and lease liabilities amounting to $76m and $87m respectively. In terms of the Group's financial performance for 2018, EBITDA is expected to be $13m higher under IFRS 16 compared to the previous standard, as lease costs will be expensed as depreciation and interest rather than operating costs. Profit before tax is expected to be $2m lower.

IFRS 9 'Financial Instruments'

IFRS 9 'Financial Instruments' will be effective for periods beginning on or after 1 January 2018 and supersedes IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard covers the accounting treatment of the following three areas:

- Classification and measurement of financial assets and liabilities
- Hedge accounting
- Impairment of financial assets

The Group anticipates minimal impact from changes in classification and measurement of financial assets and liabilities and hedge accounting (with the Group opting for the policy choice allowed by IFRS 9 to continue hedge accounting as under IAS 39).

IFRS 9 will impact the recognition and measurement of impairment of financial assets, but this is not expected to be material. The IAS 39 'incurred loss model' is replaced by the IFRS 9 forward looking 'expected credit loss model'. The new model requires either twelve month expected credit losses (ECLs), or lifetime ECLs to be recognised for all financial assets at initial recognition before an impairment event occurs.

Under the expected credit loss model, there are three approaches for measuring and recognising impairment losses on financial assets, namely the general approach, simplified approach and credit adjusted approach. For short-term trade receivables, IFRS 15 contract assets and lease receivables, the Group will apply the simplified approach.

IFRIC 22 'Foreign Currency Transactions and Advance Consideration'

IFRIC 22 'Foreign Currency Transactions and Advance Consideration' will be effective for periods beginning on or after 1 January 2018, subject to endorsement by the

EU. The interpretation clarifies how to account for transactions that involve advance consideration paid or received in a foreign currency. The interpretation is not considered likely to have a material impact on the Group.

IFRIC 23 'Uncertainty over Income Tax Treatments'

IFRIC 23 'Uncertainty over Income Tax Treatments' will be effective for periods beginning on or after 1 January 2019. The interpretation clarifies the application of recognition and measurement requirements in IAS 12 for uncertain tax positions. Guidance is provided on a number of areas including whether uncertain tax positions should be considered separately or together, the appropriate method to reflect uncertainty, and how to account for changes in facts or circumstances. The Group does not intend to early adopt and is currently performing an assessment to determine if the interpretation will have a material impact.

IFRS 17 'Insurance Contracts'

IFRS 17 'Insurance Contracts' will be effective for periods beginning on or after 1 January 2021 and supersedes IFRS 4 'Insurance Contracts,' subject to endorsement by the EU. Neither standard is applicable to the Group.

Amendments to accounting standards that are effective for the current period

The following standards have all been endorsed by the EU and are effective for the current period. The Group has considered all the below amendments and has determined that these will not have a material impact.

- Amendments to IAS 7: Disclosure Initiative.
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses.
- Annual Improvements to IFRS Standards 2014-2016 Cycle.

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and all its subsidiaries, and incorporate the share of the results of associates using the equity method of accounting.

The results of subsidiary undertakings established or acquired during the period are included in the consolidated income statement from the date of establishment or acquisition of control. The results of subsidiary undertakings disposed of during the period are included until the date of disposal. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All transactions, balances, income and expenses with and between subsidiary undertakings have been eliminated on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries, which consist of the amounts of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination, are not material to the Group's financial statements.

BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method. When the Group acquires a business, it identifies the assets and liabilities of the acquiree at the date of acquisition and measures them at fair value. Only separately identifiable intangible assets are recognised. Any assets or disposal groups held for sale at the acquisition date are measured at fair value less costs to sell.

Consideration is the fair value at the acquisition date of the assets transferred and liabilities incurred in acquiring the business and includes the fair value of any contingent consideration. Changes in fair value of contingent consideration after the acquisition date are recognised in the income statement. Acquisition-related costs are expensed as incurred and included in operating costs.

Goodwill is initially measured at cost as the difference between the fair value of the consideration for the acquisition and fair value of the net identifiable assets acquired, including any identifiable intangible assets other than goodwill. If the assessment of goodwill results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the income statement. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units ('CGUs') that are expected to benefit from the business combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

FOREIGN CURRENCY TRANSLATION

The functional currency of the Company and most of the Group's subsidiaries, as well as the presentation currency of the Group, is US Dollar. This is as the majority of operational transactions and financing are denominated in US Dollars.

Foreign currency transactions are translated into the functional currency using the average rate of the month in which the transaction occurs, which is a reliable approximate of the rate prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of transactions and the translation of monetary assets and liabilities denominated in foreign currencies at period end exchange rates are recognised in the income statement line which most appropriately reflects the nature of the item or transactions.

On consolidation, assets and liabilities of foreign operations are translated into the Group's presentation currency at the prevailing spot rate at year end. The results of foreign operations are translated into US Dollars at the average rates of exchange for the year. Foreign currency translation differences resulting from consolidating foreign operations are recognised in equity.

REVENUE

Mobile satellite communications service revenues result from utilisation charges that are recognised as revenue in the period during which the services are provided. Deferred income attributable to mobile satellite communications services or subscription fees represents the unearned balances remaining from amounts received from customers pursuant to prepaid contracts. Revenue from the sale of prepaid credit is deferred until such time as the customer uses the airtime, or the credit expires. The Group also enters into minimum spend contracts with customers, known as 'take-or-pay' contracts, whereby customers agree to purchase a minimum value of mobile satellite communications services over a fixed period. Any unused portion of the prepaid contracts or the take-or-pay contracts ('breakage') is recognised as revenue in line with service provision when reasonable assurance as to the breakage amount exists, or otherwise when the contract expires. Mobile satellite communications service revenues from capacity sold are recognised on a straight-line basis over the term of the contract concerned, which is typically between one and twelve months, unless another systematic basis is deemed more appropriate.

Revenue also includes income from spectrum coordination agreements (such as Ligado Networks), services contracts, other communications services and income from the sale and installation of terminals and other communication equipment. Revenue from spectrum coordination agreements is recognised using the percentage of completion or a straight-line approach depending on the underlying terms of the agreement. Revenue from service contracts is recognised as the service is provided over the contract period. Sales of terminals and other communication equipment are recognised when the risks and rewards of ownership are transferred to the customer. Revenue from installation of terminals and other communication equipment is recognised when the installation is completed.

The Group offers certain products and services as part of multiple deliverable arrangements. Multi-deliverable arrangements are divided into separate units of accounting, provided: 1) the deliverable has a stand-alone value to the customer if it is sold separately; and 2) the fair value of the item can be objectively and reliably determined. Consideration for these items is measured and allocated to each separate unit based on their relative fair values and the relevant revenue recognition policies are applied to each.

FINANCING INCOME AND FINANCING COST

Financing income comprises interest receivable on funds invested in short-term deposits.

Financing costs comprise interest payable on borrowings including the Senior Notes, amortisation of deferred financing costs, the unwind of the discount on deferred satellite liabilities and interest on the net defined benefit asset and post-employment liability. Finance charges are recognised in the income statement at the effective interest rate.

FINANCIAL ASSETS

Trade and other receivables

Trade and other receivables, including prepaid and accrued income, are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, subject to reduction for allowances for estimated uncollectable amounts.

Cash and cash equivalents

Cash and cash equivalents, measured at fair value, comprises cash balances, deposits held on call with banks, money market funds and other short-term, highly liquid investments with maturities of three months or less. Bank overdrafts are shown as current liabilities within borrowings on the balance sheet.

FINANCIAL LIABILITIES AND EQUITY

Equity instruments

An equity instrument is any contract that evidences a residual interest in the net assets of the Group. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue cost.

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

Borrowings

Borrowings, comprising interest-bearing bank loans and overdrafts, are initially recognised at fair value which equates to the proceeds received, net of direct transaction and arrangement costs. They are subsequently measured at amortised cost. Finance charges related to borrowings, including amortisation of direct transaction costs, are charged to the income statement over the term of the borrowing using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has the unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date, in which case borrowings are classified as non-current liabilities.

Senior Notes

The Group has issued Senior Notes that are included within borrowings, and are initially recognised at fair value which equates to the proceeds received, net of direct transaction costs and any premium or discount. These instruments are subsequently measured at amortised cost. Finance charges, including amortisation of direct transaction costs and any premium or discount, are recognised in the income statement over the term of the borrowing at the effective interest rate method.

Net borrowings

Net borrowings consists of total borrowings less cash and cash equivalents and short-term investments. Borrowings exclude accrued interest and any derivative financial liabilities.

Derivative financial instruments

In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading or speculative purposes.

Derivatives are initially recognised at fair value on the date the contract is entered into and subsequently measured at fair value. The gain or loss on remeasurement is recognised in the income statement, except where the derivative is used to hedge against risks such as fluctuations in interest rates or foreign exchange rates. The accounting policy for hedging follows below.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the income statement within financing costs.

Where there is a material contract with a foreign currency exposure, a specific hedge to match the specific risk will be evaluated. At present the Group only hedges certain foreign currency milestone payments to Airbus for the construction of the I-6 satellites.

Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised, or when a forecast sale occurs. When the hedged item is the future purchase of a non-financial asset or non-financial liability, the amount recognised as other comprehensive income is transferred to the initial carrying amount of the non-financial asset or liability.

EMPLOYEE BENEFITS

Wages, salaries, social security contributions, accumulating annual leave, bonuses and non-monetary benefits are accrued in the year in which the associated services are performed by the employees of the Group.

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it has demonstrably committed to either terminate the employment of current employees or to provide termination benefits, as a result of an offer made to encourage voluntary redundancy.

The Group recognises liabilities relating to defined benefit pension plans and post-employment benefits in respect of employees. The Group's net obligations in respect of defined benefit pension plans and post-employment benefits are calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The estimated future benefit is discounted to its present value, from which the fair value of any plan assets is deducted to calculate the plan's net asset/liability position. The calculations are performed by qualified actuaries using the projected unit credit method.

All actuarial gains and losses that arise in calculating the present value of the defined benefit obligation and the fair value of plan assets are immediately recognised in the statement of comprehensive income.

The Group also operates a number of defined contribution pension schemes. Pension costs for the defined contribution schemes are charged to the income statement when the related employee service is rendered.

The Group issues equity-settled share options and awards to employees. Equity-settled share option awards are measured at fair value of the options at the date of the grant. The fair value of the options is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

TAXATION

Current tax

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

Deferred tax

Deferred tax is provided on temporary differences arising between assets and liabilities' tax bases and their carrying amounts (the balance sheet method). Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary deductible differences or tax loss carry forwards can be utilised.

Deferred tax liabilities are provided on all taxable temporary differences except on those:

- arising from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit
- associated with investments in subsidiaries and associates, but only to the extent that the Group controls the timing of the reversal of the differences and it is probable that the reversal will not occur in the foreseeable future

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set them off, when they relate to income taxes levied by the same taxation authority and if the Group intends to settle its current tax assets and liabilities on a net basis.

Uncertain tax positions

The Group's policy is to comply with all enacted laws in the relevant jurisdictions in which the Group prepares its tax returns. However, tax legislation, especially as it applies to corporate taxes, is not always prescriptive and more than one interpretation of the law may be possible. In addition, tax returns in many jurisdictions are filed in arrears a year or more after the end of the accounting period to which they relate. The tax authorities often have a significant period in which to enquire into these returns after their submission. As a result, differences in view, or errors in returns, may not come to light until some time after the initial estimate of tax due is determined. This necessarily leads to a position of uncertain tax positions.

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

PROPERTY, PLANT AND EQUIPMENT

General
Property, plant and equipment assets are initially recognised at cost and subsequently treated under the cost model: at cost less accumulated depreciation and any accumulated impairment losses.

Space segment assets
Space segment assets comprise satellite construction, launch and other associated costs, including ground infrastructure. Expenditure charged to space segment projects includes invoiced progress payments, amounts accrued appropriate to the stage of completion of contract milestones, external consultancy costs and direct internal costs. Internal costs, comprising primarily staff costs, are only capitalised when they are directly attributable to the construction of an asset. Progress payments are determined on milestones achieved to date together with agreed cost escalation indices. Deferred satellite payments represent the net present value of future payments dependent on the future performance of each satellite and are recognised in space segment assets when the satellite becomes operational. Depreciation on space segment assets is recognised over the life of the satellites from the date they become operational and are placed into service. The associated liability is stated at its net present value and included within borrowings.

Assets in the course of construction
These assets are carried at cost with no depreciation charged whilst in the course of construction. The assets will be transferred to space segment assets and depreciated over the life of the satellites or services once they become operational and placed into service.

Capitalised borrowing costs
The Group incurs borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to get ready for its intended use or sale. Such borrowing costs are capitalised as part of the cost of the asset. Capitalisation commences when the Group begins to incur the borrowing costs and related expenditures for the asset, and when it undertakes the activities that are necessary to prepare the asset for its intended use or sale. Capitalisation of borrowing costs ceases when substantially all of the activities necessary to prepare the asset for its intended use or sale are complete.

Other fixed assets
Other fixed assets are initially recognised at cost and subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation
Depreciation is calculated to write-off the historical cost less residual values, if any, of fixed assets, except land, on a straight-line basis over the expected useful lives of the assets concerned. The Group selects its depreciation rates and residual values carefully and reviews them annually to take into account any changes in circumstances or expectations. When determining useful lives, the principal factors considered are the expected rate of technological developments, expected market requirements for the equipment and the intensity at which the assets are expected to be used. Any change in useful lives are accounted for prospectively. The Group also reviews the residual values and depreciation methods on an annual basis.

Derecognition
An item of property plant or equipment is derecognised upon disposal or when no future economic benefit is expected from its use or disposal. Any gain or loss arising on derecognition of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is recognised in the income statement.

GOVERNMENT GRANTS
Government grants are recognised when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. A grant that relates to an expense item is recognised as income on a systematic basis over the period(s) that the related costs are expensed. A grant that relates to an asset is deducted from the cost of the relevant asset, thereby reducing the depreciation charge over the useful life of the asset.

INTANGIBLE ASSETS
Intangible assets comprise goodwill, trademarks, software, terminal development and network access costs, spectrum rights, orbital slots and licences, customer relationships and intellectual property.

Intangible assets acquired separately are initially recognised at cost. Intangible assets acquired as part of a business combination are initially recognised at their fair values as determined at acquisition date. After initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses.

Research and development costs
Research costs related to internally generated intangibles are expensed in the period that the expenditure is incurred.

Development costs are expensed when the costs are incurred unless it meets criteria for capitalisation under IAS 38. Development costs are only capitalised if the technical feasibility, availability of appropriate technical, financial and other resources and commercial viability of developing the asset for subsequent use or sale have been demonstrated and the costs incurred can be measured reliably. Capitalised development costs are amortised in the income statement on a straight-line basis over the period of expected future benefit.

Amortisation
Intangible assets with a finite useful life are amortised on a straight-line basis over the useful life of the asset. The amortisation period and method are reviewed on an annual basis. Intangible assets with an indefinite useful life, such as goodwill, are not amortised but reviewed annually for impairment.

IMPAIRMENT REVIEWS
Goodwill is not amortised, but is tested annually for impairment at 31 December each year.

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the full carrying amount may not be recoverable. Indicators of impairment may include changes in technology and business performance. An asset is tested for an impairment on an individual basis as far as possible to determine its recoverable amount. Where this is not possible, assets are grouped and tested for impairment in a cash generating unit. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

An asset will be impaired if the carrying amount exceeds its recoverable amount, which is the higher of the fair value less costs to sell the asset and the value in use. The impairment loss will be recognised in the income statement.

In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Subsequent to an impairment loss, if indications exist that an asset's recoverable amount might have increased, the recoverable amount will be reassessed and any impairment reversal recognised in the income statement. An impairment loss is reversed only to the extent that the asset's carrying amount will not exceed the depreciated historical cost (what the carrying amount would have been had there been no initial impairment loss).

Impairment losses in respect of goodwill are not reversed.

LEASES
Leases where significantly all of the risks and rewards pertaining to ownership of the underlying leased assets are retained by the Group as lessor are classified as operating leases. Rentals receivable and income generated from operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Rentals payable under operating leases where the Group is the lessee are charged to the income statement on a straight-line basis over the term of the lease.

NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE
Non-current assets and disposal groups are classified as 'held for sale' when their carrying values will be recovered through a sales transaction rather than through continued use. This classification is subject to meeting the following criteria:

- management is committed to a plan to sell and the asset is being actively marketed for sale at a sales price reasonable in relation to its fair value;
- the asset is available for immediate sale
- the sale is highly probable to be concluded within 12 months of classification as held for sale and
- it is unlikely that the plan to sell will be significantly changed or withdrawn

Disposal groups are groups of assets and associated liabilities to be disposed of together in a single transaction. At the reporting date they are separately disclosed as current assets and liabilities on the balance sheet.

When non-current assets or disposal groups are classified as held for sale, depreciation and amortisation will cease and the assets are remeasured at the lower of their carrying amount

and fair value less costs to sell. Any resulting impairment loss is recognised in the income statement, except for assets treated under the revaluation model, where the adjustment would first decrease the revaluation reserve before any excess will be recognised as an impairment loss in the income statement. Any remainder in the revaluation reserve will be released to the income statement on the date of sale.

INVENTORIES

Inventories are stated at the lower of cost (determined by the weighted average cost method) and net realisable value. Allowances for obsolescence are recognised in other operating costs when there is objective evidence that inventory is obsolete.

PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The expense relating to a provision is recognised in the income statement, except where the obligation is to dismantle or restore an item of property, plant or equipment, in which case the amount is capitalised to the cost of the asset. The capitalised amount is subsequently depreciated to the income statement over the remaining useful life of the underlying asset.

Provisions are discounted to a present value at initial recognition where the effect of discounting is deemed to be material. Discounted provisions will unwind over time using the amortised cost method with finance cost recognised in the income statement. Provision estimates are revised each reporting date and adjustments recognised in line with the provision's initial recognition (either in the income statement or recognised against the cost of the asset).

Asset retirement obligations

The fair value of legal obligations associated with the retirement of tangible property, plant and equipment is recognised in the financial statements in the period in which the liability is incurred. Upon initial recognition of a liability for an asset retirement obligation, a corresponding asset retirement cost is added to the carrying amount of the related asset, which is subsequently amortised to income over the remaining useful life of the asset. Following the initial recognition of an asset retirement obligation, the carrying amount of the liability is increased for the passage of time by applying an interest method of allocation to the liability with a corresponding accretion cost reflected in operating expenses.

Revisions to either the timing or the amount of the original estimate of undiscounted cash flows are recognised each period as an adjustment to the carrying amount of the asset retirement obligation.

3. FINANCIAL RISK MANAGEMENT

FINANCIAL RISK FACTORS

The Group's operations and significant debt financing expose it to a variety of financial risks that include the effects of changes in debt market prices, foreign currency exchange rates, credit risks, liquidity risks and interest rates. The Group has in place a risk management programme that seeks to limit adverse effects on the financial performance of the Group by using forward exchange contracts to limit exposure to foreign currency risk and to limit the impact of fluctuating interest rates by minimising the amount of floating rate long-term borrowings.

The Board of Directors have delegated to the Treasury department the responsibility for setting and implementing the financial risk management policies applied by the Group. The treasury department has an operating manual that sets out specific guidelines for managing foreign exchange risk, interest rate risk and credit risk (see note 30). The Group does not hold or issue derivative financial instruments for speculative or trading purposes.

(A) MARKET RISK

(i) Foreign exchange risk

The functional currency of Inmarsat plc is the US Dollar. Apart from the deferred satellite liability, all of the Group's long-term borrowings are denominated in US Dollars, the majority of its revenue is earned in US Dollars and the majority of capital expenditure is denominated in US Dollars, which are therefore not subject to risks associated with fluctuating foreign currency rates of exchange.

However, the Group operates internationally, resulting in approximately 3% and 22% of total revenue and total expenditure, respectively, being denominated in currencies other than the US Dollar. Approximately 27% (2016: 32%) of the Group's operating costs are denominated in Pounds Sterling. The Group's exposure therefore need to be carefully managed to avoid variability in future cash flows and earnings caused by volatile foreign exchange rates.

As at 31 December 2017 it is estimated that a hypothetical 1% increase in the US Dollar/Sterling year end exchange rate (US$1.34/£1.00 to US$1.35/£1.00) would have increased the 2017 profit before tax by approximately $0.1m (2016: $0.6m); Management believes that a 1% sensitivity rate provides a reasonable basis upon which to assess expected changes in foreign exchange rates.

(ii) Price risk

The Group is not exposed to significant equity securities price risk or commodity price risk.

(B) INTEREST RATE RISK

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has interest-bearing assets such as cash and cash equivalents, short-term deposits, and non-current other receivables however interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk; however, as at 31 December 2017, the Group has no borrowings issued at variable rates following the full repayment of the EIB loan in October 2016. The Senior Notes due 2022 and 2024 and the Ex-Im Bank Facilities are all at fixed rates.

(C) CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Financial instruments that potentially subject the Group to a concentration of credit risk consist of cash and cash equivalents, short-term deposits, trade receivables, other receivables, accrued income and derivative financial instruments. The credit risk on liquid funds (cash and cash equivalents and short-term deposits) and derivative financial instruments is limited because the counterparties are highly rated financial institutions.

The maximum exposure to credit risk as at 31 December is:

($ in millions)	Note	2017	2016
Cash and cash equivalents	16	143.2	259.7
Trade receivables, other receivables and accrued income	30	302.5	282.1
Derivative financial instruments	30	1.5	1.8
Total credit risk		447.2	543.6

The Group's average age of trade receivables as at 31 December 2017 was approximately 57 days excluding Ligado and approximately 52 days including Ligado (2016: 63 days excluding Ligado and 56 days including Ligado).

At 31 December 2017, $170.0m (2016: $165.6m) of trade receivables were not yet due for payment. No interest is charged on trade receivables until the receivables become overdue for payment. Thereafter, interest may be charged at varying rates depending on the terms of the individual agreements.

The Group has credit evaluation, approval and monitoring processes intended to mitigate potential credit risks, and utilises both internal and third-party collection processes for overdue accounts. The Group maintains provisions for potential credit losses that are assessed on an ongoing basis. The provision for uncollectible trade receivables has decreased to $12.5m as at 31 December 2017 (2016: $13.7m).

For 2017, no customer comprised greater than 10% of the Group's total revenues (2016: no customer).

The ageing profile of past due but not impaired trade receivables is:

($ in millions)	2017	2016
Between 1 and 30 days overdue	18.8	35.3
Between 31 and 120 days overdue	9.0	7.9
Over 120 days overdue	–	1.5
As at 31 December	27.8	44.7

(D) LIQUIDITY RISK

The Group is exposed to liquidity risk with respect to its contractual obligations and financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and short-

term deposits and the availability of funding through an adequate amount of committed credit facilities.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The available liquidity of the Group as at 31 December is:

($ in millions)	Note	2017	2016
Cash and cash equivalents	16	143.2	259.7
Available but undrawn borrowing facilities[1]	19	500.5	578.9
Total available liquidity		643.7	838.6

1 Relates to the Senior Credit Facility (see note 19)

The Directors believe the Group's liquidity position is more than sufficient to meet its needs for the foreseeable future.

4. CRITICAL ACCOUNTING ESTIMATES AND KEY JUDGEMENTS

The preparation of the consolidated financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet dates and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates. The more significant judgements and estimates are discussed below:

(A) TAXATION

The calculation of the Group's uncertain tax provisions involves estimation in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority, or, as appropriate, through a formal legal process. Issues can, and often do, take a number of years to resolve. The amounts recognised or disclosed are derived from the Group's best estimation. However, the inherent uncertainty regarding the outcome of these means eventual realisation could differ from the accounting estimates and therefore impact the Group's results and cash flows.

The Group maintains tax provisions in respect of ongoing enquiries with tax authorities. In the event that all such enquiries were settled as currently provided for, we estimate that the Group would incur a cash tax outflow of approximately $90m, excluding interest, during 2018. The enquiries remain ongoing at this time.

(B) REVENUE IN RESPECT OF THE LIGADO NETWORKS COOPERATION AGREEMENT

In December 2007, Inmarsat and Ligado Networks (formerly LightSquared LP, Skyterra (Canada) Inc. and LightSquared Inc.) entered into a Cooperation Agreement for the efficient use of L-band spectrum over North America. The Cooperation Agreement was segregated into phases and designed to enable and support the deployment of an ATC network by Ligado in North America. Key estimates and judgements have been made regarding the future of Ligado and the Cooperation Agreement.

To date total cash payments of $885.7m have been received under the Cooperation Agreement, including $110.7m in 2017 (2016: $126.2m). The Group has, thus far, recognised $703.9m of revenue and $43.1m of operating costs under all phases of the agreement. For the year ended 31 December 2017, the Group recognised $126.7m of revenue with $2.0m operating costs (year ended 31 December 2016: $119.4m and $nil, respectively).

In March 2016, Ligado Networks agreed to take the 30MHz option (the '30MHz Plan') under Phase 2 of the Cooperation Agreement between the companies. In exchange for the deferral of some payments from Ligado to Inmarsat, the parties agreed to delay the transition to the 30MHz Plan, with Ligado providing Inmarsat enhanced spectrum usage rights for its satellite operations for a minimum period of two years. Over the three-year period approximately $35m of additional contracted payments will be deferred. With this in mind, Ligado made quarterly payments to Inmarsat totalling $110.7m during the course of 2017 and will make aggregate payments of approximately $118m in respect of 2018, payable in quarterly instalments. This revenue is recognised on an accruals basis.

At 31 December 2017, deferred income in respect of the Cooperation Agreement of $181.8m was recorded on the balance sheet. Although the cash has been received, the timing of the recognition of this deferred income, together with any related future costs and taxes, is dependent upon when Ligado receive their FCC licence, which remains uncertain. During 2017, Inmarsat recognised $14.0m of deferred income as revenue to reflect the impact of the revenue deferral arising under the revised transition agreement. $2m was recognised in relation to costs incurred on interference.

(C) CAPITALISATION OF SPACE SEGMENT ASSETS AND ASSOCIATED BORROWING COSTS

The net book value of space segment assets is currently $2,510m (2016: $2,037m). There have been additions of $175m in the year. The key judgements involved in the capitalisation of space segment assets and associated borrowings costs are:

- whether the capitalisation criteria of the underlying IAS have been met
- whether an asset is ready for use and as a result further capitalisation of costs should cease and depreciation should commence and
- whether an asset is deemed to be substantially complete and as a result capitalisation of borrowing costs should cease.

(D) PROXY BOARD ARRANGEMENT

The Group has made key judgements in determining the accounting treatment of Inmarsat Government Inc.

The US Government element of Inmarsat's Government business unit is managed through the US trading entity, Inmarsat Government Inc., a wholly-owned subsidiary of the Group. The business is managed through a Proxy agreement as required by the US National Industrial Security Program ('NISP'). A Proxy agreement is an instrument intended to mitigate the risk of foreign ownership, control or influence when a foreign person owns, acquires or merges with a US entity that has a facility security clearance under the NISP. The Proxy agreement conveys the foreign owner's voting rights to the Proxy Holders, comprised of the Proxy board. There are three Proxy holders who are US citizens cleared and approved by the US Defence Security Service ('DSS').

The DSS requires Inmarsat Government Inc. to enter into a Proxy agreement because it is indirectly owned by the Group and it has contracts with the Department of Defence which contain certain classified information. The Proxy agreement enables Inmarsat Government Inc. to participate in such contracts with the US Government despite being owned by a non-US corporation.

The Proxy holders have a fiduciary duty, and agree, to perform their role in the best interests of the Group (including the legitimate economic interest), and in a manner consistent with the national security interests of the US.

Under the Proxy agreement, the Proxy holders have the power to exercise all privileges of share ownership of Inmarsat Government Inc. In addition, as a result of the Proxy agreement, certain limitations are placed on the information which may be shared, and the interaction which may occur, between Inmarsat Government Inc. and other Group companies.

The Group maintains its involvement in Inmarsat Government Inc.'s activities through normal business activity and liaison with the Chair of the Proxy Board. Inmarsat Government Inc.'s commercial and governance activity is included in the business update provided in regular Executive reports to the Board. This activity is always subject to the confines of the Proxy regime to ensure that it meets the requirement that Inmarsat Government Inc. must conduct its business affairs without direct external control or influence, and the requirements necessary to protect the US national security interest.

In accordance with IFRS 10 'Consolidated financial statements', an assessment is required to determine the degree of control or influence the Group exercises and the form of any control to ensure that the financial statement treatment is appropriate. On the basis of the Group's ability to affect the financial and operating policies of the entity, we have concluded that the Group has power over the relevant activities of the entity and, therefore, consolidates the entity in the Group's consolidated accounts.

5. SEGMENTAL INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker to allocate resources and assess the performance of the Group.

The Group's operating segments are aligned to five market-facing business units, being:

- Maritime, focusing on worldwide commercial maritime services
- US Government, focusing on US civil and military government services and
- Global Government, focusing on worldwide civil and military government services
- Aviation, focusing on commercial, business and general aviation services
- Enterprise, focusing on worldwide energy, industry, media, carriers, and M2M services

These five business units are supported by 'Central Services' which include satellite operations and backbone infrastructure, corporate administrative costs, and any income that is not directly attributable to a business unit (such as Ligado Networks). The Group has aggregated the US Government and Global Government operating segments into one reporting segment as the segments have a similar type of customer for the products and services and meet the criteria for aggregation under IFRS. Therefore, the Group's reportable segments are Maritime, Government, Aviation, Enterprise, and Central Services.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 2. Segment results are assessed by the Chief Operating Decision Maker at the EBITDA level without the allocation of central costs, depreciation and amortisation, net financing costs and taxation.

SEGMENT RESULTS

	2017					
($ in millions)	Maritime	Government	Aviation	Enterprise	Central Services[1]	Total
Revenue excluding Ligado	564.7	366.7	195.0	132.6	14.5	1,273.5
Ligado revenue	–	–	–	–	126.7	126.7
Total revenue	564.7	366.7	195.0	132.6	141.2	1,400.2
Net operating costs	(122.8)	(101.5)	(91.6)	(40.7)	(292.2)	(648.8)
Adjusted EBITDA	441.9	265.2	103.4	91.9	(151.0)	751.4
Restructuring charge					(19.9)	(19.9)
EBITDA	441.9	265.2	103.4	91.9	(170.9)	731.5
Depreciation and amortisation						(406.7)
Other[2]						(3.3)
Operating profit						321.5
Net financing cost						(77.2)
Profit before tax						244.3
Taxation						(49.1)
Profit for the year						195.2
Cash capital expenditure[3]	43.4	9.9	130.9	–	414.5	598.7
Financing costs capitalised in the cost of qualifying assets						40.2
Cash flow timing[4]						36.6
Total capital expenditure						675.5

1 Central services includes revenue and EBITA from Ligado
2 Other relates to the share of profit from associates $4.0m and loss on disposal of assets ($7.3m).
3 This is an APM and has been reconciled to Total capital expenditure. Please refer to the Glossary of Terms for further detail.
4 Cash flow timing represents the difference between accrued capex and the actual cash flows.

	2016					
($ in millions)	Maritime	Government	Aviation	Enterprise[1]	Central Services	Total
Revenue	575.3	330.5	142.6	144.6	16.6	1,209.6
Ligado revenue	–	–	–	–	119.4	119.4
Total revenue	575.3	330.5	142.6	144.6	136.0	1,329.0
Net operating costs	(120.5)	(86.5)	(45.2)	(38.7)	(243.3)	(534.2)
EBITDA	454.8	244.0	97.4	105.9	(107.3)	794.8
Depreciation and amortisation						(349.4)
Other[2]						1.6
Operating profit						447.0
Net financing cost						(61.7)
Profit before tax						385.3
Taxation						(66.2)
Profit for the year						319.1
Cash capital expenditure	43.8	6.1	153.0	0.4	209.6	412.9
Financing costs capitalised in the cost of qualifying assets						36.1
Cash flow timing						37.2
Total capital expenditure						486.2

1 Enterprise excludes the disposals made during the first half of 2016
2 Other relates primarily to the share of profit from associates

SEGMENTAL ANALYSIS BY GEOGRAPHY

The Group's operations are located in the geographical regions listed below. Revenues are allocated to countries based on the billing address of the customer. For wholesale customers, this is the distribution partner who receives the invoice for the service, and for retail customers this is the billing address of the customer for whom the service is provided. Assets and capital expenditure are allocated based on the physical location of the assets.

	2017		2016	
($ in millions)	Revenue	Non-current segment assets	Revenue	Non-current segment assets
United Kingdom	78.9	873.6	99.9	958.2
Rest of Europe	430.8	852.3	369.9	659.0
North America	559.4	134.8	484.4	439.5
Asia and Pacific	246.1	120.2	279.9	83.2
Rest of the world	85.0	0.1	94.5	8.5
Unallocated[1]	-	2,123.2	–	1,683.7
	1,400.2	4,104.2	1,329.0	3,832.1

1 Unallocated items relate to satellites which are in orbit

6. OPERATING PROFIT

Costs are presented by the nature of the expense to the Group. Network and satellite operation costs comprise costs to third parties for network service contracts and services. A breakdown of employee benefit costs is given in note 7.

Operating profit is stated after charging/(crediting) the following items:

($ in millions)	Note	2017	2016
Depreciation of property, plant and equipment	13	323.5	278.1
Amortisation of intangible assets	14	83.2	71.3
Restructuring costs		19.9	–
Gain on disposal of assets		-	(0.5)
Impairment loss		7.3	1.2
Operating lease rentals:			
Land and buildings		13.8	14.8
Services equipment, fixtures and fittings		-	0.3
Cost of inventories recognised as an expense		62.3	33.3
Write downs of inventories recognised as an expense	18	5.1	0.5
Research costs expensed		8.0	13.3

Remuneration payable to the auditor Deloitte LLP and its associates in the year is analysed below:

($ in millions)	2017	2016
Audit fees:		
Annual audit of the Company	0.9	0.8
Total audit and audit-related fees	0.9	0.8
Tax advisory services	-	0.1
Other services[1]	-	0.1
Total non-audit fees	-	0.2
Total auditor's remuneration	0.9	1.0

1 Other services in 2016 relate to a corporate financing transaction

7. EMPLOYEE BENEFIT COSTS

($ in millions)	Note	2017	2016
Wages and salaries		242.7	219.1
Social security costs		20.2	17.8
Share-based payments (including employers' national insurance contribution)		12.5	12.5
Defined contribution pension plan costs		6.0	9.0
Defined benefit pension plan costs[1]	27	2.0	1.9
Post-employment benefits costs[1]	27	0.4	0.1
Employee benefit costs excluding restructuring charge		283.8	260.4
Restructuring charge		19.9	-
Total employee benefit costs		303.7	260.4

1 Defined benefit pension plan costs and post-employment benefits costs include current service cost and gain on curtailment for 2017 (see note 27)

EMPLOYEE NUMBERS

The average monthly number of employees (including the Executive Directors) employed during the year:

($ in millions)	2017	2016
By activity:		
Operations	823	810
Sales and marketing	394	370
Development and engineering	250	223
Administration	385	357
	1,852	1,760
By segment:		

Maritime	107	337
Government	199	189
Enterprise	65	72
Aviation	171	108
Central Services	1,310	1,054
	1,852	1,760

The employee headcount numbers presented above refer to permanent full time and part time employees and exclude contractors and temporary staff. Employee benefit costs of $30.1m (2016: $21.7m) relating to contractors and temporary staff have been included in the cost table above

8. KEY MANAGEMENT COMPENSATION

The Directors of the Company are also Directors of the ultimate parent company Inmarsat plc and other subsidiary companies within the Inmarsat plc group. The total key management compensation for Inmarsat plc is shown below; it is not practicable to allocate this between their services as Directors of Inmarsat plc, the Company and other companies within the Inmarsat plc group.

Executive and Non-Executive Directors' remuneration for Inmarsat plc (the ultimate parent company) was:

($ in millions)	2017	2016
Short-term benefits	3.8	3.9
Share-based payments[1]	4.8	5.1
	8.6	9.0

1 Includes employers' national insurance or other social security contributions

9. NET FINANCING COSTS

($ in millions)	2017	2016
Bank interest receivable and other interest	(6.5)	(4.3)
Related party interest income	(0.2)	(0.5)
Total financing income	(6.7)	(4.8)
Interest on Senior Notes and credit facilities	93.9	79.8
Related party interest expense	19.4	10.1
Amortisation of debt issue costs	6.7	7.6
Amortisation of discount on Senior Notes due 2022	1.0	1.0
Unwinding of discount on deferred satellite liabilities	0.4	0.6
Net interest on the net defined benefit asset and post-employment liability	1.9	0.4
Other interest	3.5	3.1
Financing costs	126.8	102.6
Less: Amounts capitalised in the cost of qualifying assets	(42.9)	(36.1)
Total financing cost	83.9	66.5
Net financing cost	77.2	61.7

Borrowing costs capitalised in the cost of qualifying assets during the year are calculated by applying a capitalisation rate to expenditures on such assets. The average interest capitalisation rate for the year was 9.5% (2016: 7.4%).

10. TAXATION

The tax charge for the year recognised in the income statement:

($ in millions)	2017	2016
Current tax:		
Current year	25.4	47.4
Adjustments in respect of prior years	(5.0)	3.0
Total current tax	20.4	50.4
Deferred tax:		
Origination and reversal of temporary differences	12.5	26.3
Adjustments due to reduction in corporation tax rates	9.1	10.3
Adjustments in respect of prior years	7.1	0.3
Total deferred tax	28.7	15.8
Total taxation charge	49.1	66.2

The effective tax rate is 20.1% (2016: 17.2%) and is reconciled below:

($ in millions)	2017	2016
Profit before tax	244.3	385.3
Income tax at 19.25% (2016: 20%)	(47.0)	(77.1)
Differences in overseas tax rates	6.4	2.0
Adjustments in respect of prior periods	(2.1)	(2.7)
Adjustments due to reduction corporation tax rates	(9.1)	10.3
Impact of UK patent box regime	3.2	3.9
Other non-deductible expenses/non-taxable income	(0.5)	(2.6)
Total taxation charge	(49.1)	(66.2)

Tax credited directly to equity:

($ in millions)	2017	2016
Current tax credit on share-based payments	–	2.7
Deferred tax credit on share-based payments	(0.1)	(3.0)
Total tax credited directly to equity	(0.1)	(0.3)

Tax credit/(charged) directly to other comprehensive income:

($ in millions)	2017	2016
Deferred tax credit relating to gains on cash flow hedges	-	0.1
Deferred tax credit on remeasurement of defined benefit asset and post-employment benefits	(2.3)	2.6
Total tax credited directly to other comprehensive income	(2.3)	2.7

11. NET FOREIGN EXCHANGE GAIN/(LOSS)

($ in millions)	Note	2017	2016
Defined benefit plan and post-employment benefits	27	1.5	0.4
Other operating income		(0.3)	(11.2)
Total foreign exchange gain/(loss)		1.2	(10.8)

12. DIVIDENDS

During 2017, the Company paid dividends of $95m for the 2017 interim dividend and $185m for the 2016 final dividend. During 2016, the Company paid $85.2 for the 2016 interim dividend and $143.3 for the 2015 final dividend.

13. PROPERTY, PLANT AND EQUIPMENT

($ in millions)	Freehold land and buildings	Service equipment, fixtures and fittings	Space segment	Assets in the course of construction	Total
Cost:					
1 January 2016	17.3	328.3	3,548.5	603.9	4,498.0
Additions	3.3	8.2	54.3	324.7	390.5
Disposals	–	(7.6)	(1.2)	–	(8.8)
Transfers from assets in the course of construction and reclassifications[1]	–	15.8	51.0	(66.8)	–
31 December 2016	20.6	344.7	3,652.6	861.8	4,879.7
Additions	–	73.0	174.9	354.3	602.2
Disposals	–	(226.7)	(99.9)	(0.9)	(327.5)
Transfers from assets in the course of construction and reclassifications[1]	–	64.2	565.6	(629.8)	–
31 December 2017	20.6	255.2	4,293.2	585.4	5,154.4
Accumulated depreciation:					
1 January 2016	(9.9)	(243.2)	(1,384.7)	–	(1,637.8)
Charge for the year	(0.6)	(46.6)	(230.9)	–	(278.1)
Disposals	–	7.4	0.2	–	7.6
31 December 2016	(10.5)	(282.4)	1,615.5	–	(1,908.3)
Charge for the year	(0.5)	(55.6)	(267.4)	–	(323.5)
Disposals	–	216.8	99.9	–	316.7
31 December 2017	(11.0)	(121.2)	(1,782.9)	–	(1,915.1)
Net book amount at 31 December 2016	10.1	62.3	2,037.2	861.8	2,971.4
Net book amount at 31 December 2017	9.6	134.0	2,510.3	585.4	3,239.3

1 Reclassifications relate to movements between tangible and intangible asset categories throughout the year to align accounting policies across the Group.

Depreciation of property, plant and equipment is charged using the straight-line method over the estimated useful lives, as follows:

Space segment assets:	
Satellites	13–15 years
Other space segment, including ground infrastructure	5–12 years
Fixtures and fittings, and services-related equipment	3–15 years
Buildings	50 years

Freehold land is not depreciated. At 31 December 2017 and 2016, the Group was carrying certain freehold land and buildings with a net book value of nil. Had they been revalued on a market basis, their carrying amount at 31 December 2017 would have been $30.4m (2016: $33.2m). Market valuation is based on the Directors' best estimates.

In 2017 the Group received government grants in relation to the purchase and construction of certain assets. The grants have been deducted from the cost of the relevant asset to arrive at the carrying amount. Government grants received in 2017 were $5.7m (2016: $3.1m).

14. INTANGIBLE ASSETS

($ in millions)	Goodwill	Trademarks	Software	Intellectual property	Terminal development and network access costs	Customer relationships	Spectrum rights, orbital slots and licences	Total
Cost:								
1 January 2016	781.3	25.3	221.7	14.7	180.5	403.8	46.6	1,673.9
Additions	–	0.2	54.7	–	32.1	–	8.7	95.7
Disposals	–	–	(0.1)	(14.0)	–	(7.7)	–	(21.8)
31 December 2016	781.3	25.5	276.3	0.7	212.6	396.1	55.3	1,747.8
Additions	–	0.1	54.9	–	17.9	–	3.1	76.0
Disposals	–	–	(64.2)	(0.1)	(13.8)	–	(3.4)	(81.5)
31 December 2017	781.3	25.6	267.0	0.6	216.7	396.1	55.0	1,742.3
Accumulated amortisation and impairment losses:								
1 January 2016	(359.2)	(12.1)	(156.4)	(14.7)	(108.3)	(239.5)	(11.7)	(901.9)
Charge for the year	–	(1.0)	(28.8)	–	(7.8)	(29.2)	(4.5)	(71.3)
Disposals	–	–	0.1	14.0	–	7.7	–	21.8
31 December 2016	(359.2)	(13.1)	(185.1)	(0.7)	(116.1)	(261.0)	(16.2)	(951.4)
Charge for the year	–	(1.0)	(36.2)	–	(12.5)	(29.1)	(4.4)	(83.2)
Disposals	–	–	63.9	0.1	13.8	–	3.4	81.2
31 December 2017	(359.2)	(14.1)	(157.4)	(0.6)	(114.8)	(290.1)	(17.2)	(953.4)
Net book amount at 31 December 2016	422.1	12.4	91.2	–	96.5	135.1	39.1	796.4
Net book amount at 31 December 2017	422.1	11.5	109.6	–	101.9	106.0	37.8	788.9

Goodwill represents the excess of consideration paid on an acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired at the date of acquisition.

Trademarks are being amortised on a straight-line basis over their estimated useful lives, which are between seven and 20 years.

The capitalised software includes the Group's billing system and other internally developed operational systems and purchased software, which are being amortised on a straight-line basis over its estimated useful life of three to eight years.

The Group capitalises costs associated with the development and enhancement of user terminals and associated network access costs as intangible assets and amortizes these over the estimated sales life of the related services, which range from five to ten years.

Customer relationships acquired in connection with acquisitions are being amortised over the expected period of benefit of between 12 and 14 years, using the straight-line method.

Orbital slots and licences relate to the Group's satellite programmes, and each individual asset is reviewed to determine whether it has a finite or indefinite useful life. Amortisation of the GX programme finite life assets commenced when the Inmarsat-5 satellites went operational in December 2015.

ANNUAL IMPAIRMENT REVIEW: GOODWILL

Impairment reviews of goodwill are performed at the level of the Group's cash-generating units ('CGUs'). For the Group, these are considered to be the Maritime, Enterprise, Aviation, US Government and Global Government business units. The recoverable amount of each CGU has been determined based on value in use calculations. The key assumptions used by management in these calculations are the cash flow projections, long-term growth rates and discount rates for each CGU.

The impairment review conducted annually has identified sufficient headroom in the recoverable value of each CGU above their carrying value. A sensitivity analysis has been undertaken by changing key assumptions used for each CGU. Based on this sensitivity analysis, no reasonably possible change in the assumptions resulted in the recoverable amount of the CGUs being reduced to their carrying value. We do not anticipate any changes over the next 12 months that would result in the recoverable amount of the CGUs being reduced to their carrying value.

Key assumptions used to calculate the recoverable amount of the CGUs were as follows:

($ in millions)	Allocated goodwill	Pre-tax discount rate	Long-term growth rate
Maritime	215.5	9.0%	2.0%
Enterprise	54.8	9.0%	2.0%
Aviation	46.4	9.0%	2.0%
US Government	50.6	9.0%	2.0%
Global Government	54.8	9.0%	2.0%
Total Group	422.1		

Cash flow projections

The recoverable amount of each CGU is based on the value in use, which is determined using cash flow projections derived from the most recent financial budgets and forecasts approved by management covering a five-year period. The short and medium-term cash flows reflect management's expectations of future outcomes taking into account past experience, adjusted for anticipated growth from both existing and new business in line with our strategic plans for each segment of our business. The cash flows also take into consideration our assessment of the potential impact of external economic factors.

Long-term growth rates

A long-term growth rate has been applied to extrapolate the cash flows into perpetuity. The growth rate has been determined using long-term industry growth rates and management's conservative expectation of future growth.

Discount rates

The discount rates reflect the time value of money and are derived from the Group's weighted average cost of capital, adjusted for the risk associated with the CGUs. The risk premium, when compared with the Group discount rate, was consistent across each of the CGUs given the similarities in exposure to economic and competitive conditions.

15. INVESTMENTS

($ in millions)	At 31 December 2017	At 31 December 2016
Interest in associates	15.1	13.2
Investments held at cost	1.1	-
Total investments	16.2	13.2

Interest in associates represents the Group's investments which have been treated as associates and have all been accounted for using the equity method of accounting. Individually, all of the investments in associates are deemed to be immaterial and as a result the associates' assets, liabilities, revenues and profits have not been presented.

Cash dividends received from the associates for the year ended 31 December 2017 total $2.1m (2016: $1.3m). The Group's aggregate share of its associates' profits for the year is $4.0m (2016: $2.4m) and has been recognised in the income statement.

Investments held at cost represents the Group's 0.6% investment in Actility S.A. which was made on 5 April 2017.

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less, and for the purposes of the cash flow statement also includes bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

($ in millions)	At 31 December 2017	At 31 December 2016
Cash at bank and in hand	108.2	48.4
Short-term deposits	377.0	606.3
Cash reclassified to short-term deposits	(342.0)	(395.0)
Cash and cash equivalents	143.2	259.7

At 31 December 2017, the Group has $342.0m of cash held in short-term deposits with a maturity at acquisition of between three and 12 months (2016: $395.0m). This amount is presented separately within current assets in the balance sheet.

Cash and cash equivalents include the following for the purposes of the cash flow statement:

($ in millions)	Note	At 31 December 2017	At 31 December 2016
Cash and cash equivalents		143.5	259.7
Bank overdrafts	19	(0.3)	(0.5)
Net cash and cash equivalents		143.2	259.2

17. TRADE AND OTHER RECEIVABLES

($ in millions)	At 31 December 2017	At 31 December 2016
Current:		
Trade receivables	197.8	210.3
Other receivables	25.5	35.0
Amounts due from Parent undertakings	27.1	18.7
Prepayments and accrued income[1]	96.2	62.0
Total trade and other receivables	346.6	326.0
Non-current:		
Prepayments and accrued income	5.8	6.4
Defined benefit pension asset	18.1	4.5
Other receivables	-	0.8
Total other receivables	23.9	11.7

The Group's trade and other receivables are stated after allowances for doubtful debts. Movements during the year were as follows:

($ in millions)	2017	2016
At 1 January	13.7	16.1
Charged to the provision in respect of the current year	9.7	11.4
Utilised in the year	(4.2)	(2.1)
Provision released in the year	(6.7)	(11.7)
At 31 December[2]	12.5	13.7

1 The balance at year end includes prepayments of $43.5m (2016: $44.7m) and accrued income of $52.7m (2016: $17.0m).

2 The maturity of the Group's provision for uncollectable trade receivables for the year ended 31 December 2017 is $0.9m between one and 30 days overdue, $4.8m between 31 and 120 days overdue and $6.8m over 120 days overdue (2016: $1.4m between one and 30 days overdue, $3.4m between 31 and 120 days overdue and $8.9m over 120 days overdue).

The Directors consider the carrying value of trade and other receivables to approximate to their fair value.

18. INVENTORIES

($ in millions)	At 31 December 2017	At 31 December 2016
Finished goods	33.3	33.6
Work in progress	0.6	0.7
Total inventories	33.9	34.3

The Group's inventories are stated after allowances for obsolescence. Movements in the allowance during the year were as follows:

($ in millions)	At 31 December 2017	At 31 December 2016
At 1 January	12.8	17.2
Charged to the allowance in respect of the current year	3.9	0.5
Released in the year	(5.1)	(4.9)
At 31 December	11.6	12.8

19. NET BORROWINGS

($ in millions)	At 31 December 2017 Amount	Deferred financing cost	Net balance	At 31 December 2016 Amount	Deferred financing cost	Net balance
Current:						
Bank overdrafts	0.3	–	0.3	0.5	–	0.5
Deferred satellite payments	3.1	–	3.1	3.8	–	3.8
Ex-Im Bank Facilities	122.2	–	122.2	99.5	–	99.5
Related party Loan	438.0	-	438.0	355.9	-	355.9
Total current borrowings	563.6	–	563.6	459.7	–	459.7
Non-current:						
Deferred satellite payments	5.6	–	5.6	8.4	–	8.4
Senior Notes due 2022	1,000.0	(5.1)	994.9	1,000.0	(6.1)	993.9
– Net issuance discount	(4.5)	–	(4.5)	(5.5)	–	(5.5)
Senior Notes due 2024	400.0	(4.9)	395.1	400.0	(5.6)	394.4
Ex-Im Bank Facilities	508.7	(14.9)	493.8	533.9	(18.6)	515.3
Total non-current borrowings	1,909.8	(24.9)	1,884.9	1,936.8	(30.3)	1,906.5
Total borrowings	2,473.4	(24.9)	2,448.5	2,396.5	(30.3)	2,366.2
Cash and cash equivalents	(143.2)	–	(143.2)	(259.7)	–	(259.7)
Short-term investments	(342.0)	–	(342.0)	(395.0)	–	(395.0)
Net borrowings	1,988.2	(24.9)	1,963.3	1,741.8	(30.3)	1,711.5

EX-IM BANK FACILITIES

The Group has two direct financing agreements with the Export-Import Bank (the 'Ex-Im Bank Facilities') of the United States. The $700.0m facility signed in 2011 was available to be drawn down for four years and is now repayable in equal semi-annual instalments over a further 7.5 years. Drawings under this facility incur interest at a fixed rate of 3.11% for the life of the loan. In November 2014, the Group signed a seven-year $185.9m facility which has a total availability period of two years and is now repayable in equal semi-annual instalments over a further five years. Drawings under this facility incur interest at a fixed rate of 1.96% for the life of the loan.

SENIOR NOTES DUE 2022 AND 2024

On 4 June 2014, the Group issued $1.0bn of 4.875% Senior Notes due 15 May 2022. The aggregate gross proceeds were $992.1m, net of $7.9m issuance discount. On 22 September 2016, the Group issued $400.0m of 6.5% Senior Notes due 1 October 2024.

SENIOR CREDIT FACILITY

On 22 May 2015, the Group signed a five-year $500.5m revolving credit facility ('Senior Credit Facility'). Advances under the facility bear interest at a rate equal to the applicable USD LIBOR, plus a margin of between 0.70% and 1.70% determined by reference to the ratio of net debt to EBITDA. At 31 December 2017, there were no drawings under the Senior Credit Facility.

RELATED PARTY LOAN

The related party loan is due to Inmarsat plc and is made up a number of smaller individual tranches with various term lengths and being charged at different fixed interest rates.

The Directors consider the carrying value of borrowings, other than the Senior Notes and the Ex-Im Bank 2011 Facility to approximate to their fair value (see note 30). The effective interest rates at the balance sheet dates were as follows:

Effective interest rate %	2017	2016
Bank overdrafts	6.5%	3.8%
Senior Notes due 2022	4.9%	4.9%
Senior Notes due 2024	6.5%	6.5%
Ex-Im Bank 2011 Facility	3.1%	3.1%
Ex-Im Bank 2014 Facility	3.6%	2.0%
Deferred satellite payments	3.0%	3.8%
Related party Loan	1.2% - 6.5%	5.5%

Reconciliation of movements in liabilities to cash flows arising from financing activities:

($ in millions)	At 31 December 2016	Drawdowns and repayments	Cashflows	Transfers[1]	Interest expense	Arrangement cost amortisation	Other non-cash movements	At 31 December 2017
Short term borrowings	103.8	(80.8)	(3.1)	105.1	3.2	-	(2.6)	125.6
Long term borrowings	1,906.5	78.4	(92.0)	(105.1)	90.7	6.4	-	1,884.9
Related party Loan	355.9	63.0	(0.3)	-	19.4	-	-	438.0
Total liabilities from financing activities	2,366.2	60.6	(95.4)	-	113.3	6.4	(2.6)	2,448.5
Cash and cash equivalents	(259.7)							(143.2)
Short term investment	(395.0)							(342.0)
Net borrowings	1,711.5							1,963.3

1 Transfers comprise debt maturing from long term to short term deposits

20. TRADE AND OTHER PAYABLES

($ in millions)	At 31 December 2017	At 31 December 2016
Current:		
Trade payables	210.4	133.9
Deferred consideration	–	0.5
Other taxation and social security payables	6.1	5.5
Other creditors	2.6	8.9
Accruals and deferred income[1]	353.6	348.3
Total trade and other payables	572.7	497.1
Non-current:		
Deferred consideration	–	0.2
Other payables	7.5	23.8
Defined benefit pension and post-employment liability	17.5	17.5
Total other payables	25.0	41.5

1 The deferred income balance includes $181.8m (2016: $197.8m) relating to payments received from Ligado Networks. During the current financial year, $16.0m (2016: $11.0m) of these payments was released to the income statement.

The Directors consider the carrying value of trade and other payables to approximate to their fair value.

21. PROVISIONS

Movements in the current portion of the Group's provisions were as follows:

($ in millions)	Current provisions	Non-current provisions	Total
At 1 January 2016	1.8	2.5	4.3
Charged in respect of current year	3.6	0.3	3.9
Utilised in current year	(3.5)	–	(3.5)
At 31 December 2016	1.9	2.8	4.7
Charged in respect of current year	21.8	6.9	28.7
Utilised in current year	(7.5)	–	(7.5)
At 31 December 2017	16.2	9.7	25.9

The Group's current provisions consist of a $16.0m restructuring provision along with $0.2m relating to Asset retirement obligations. The associated cash flows in respect of the restructuring provision outstanding at 31 December 2017 are expected to occur within one year.

22. CURRENT AND DEFERRED TAXATION

The current tax asset of $13.8m and current tax liability of $148.7m (2016: $8.5m and $144.5m, respectively), represent the tax payable in respect of current and prior periods less amounts paid.

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) for the year are shown below:

	At 31 December 2017			At 31 December 2016		
($ in millions)	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, plant and equipment and intangible assets	(25.8)	230.9	205.1	(32.7)	198.4	165.7
Borrowing costs capitalised in the cost of qualifying assets	–	25.6	25.6	–	33.7	33.7
Other	(11.4)	1.2	(10.2)	(10.2)	1.0	(9.2)
Pension and post-employment benefits	(0.2)	1.1	0.9	(2.0)	–	(2.0)
Share-based payments	(1.5)	–	(1.5)	(3.1)	-	(3.1)
Tax Losses	(20.4)	-	(20.4)	(15.9)	0.5	(15.4)
Net deferred tax liabilities	(59.3)	258.8	199.5	(63.9)	233.6	169.7

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The value of deferred income tax assets and liabilities included in the net deferred income tax balance is shown below:

($ in millions)	At 31 December 2017	At 31 December 2016
Deferred tax assets	(35.6)	(38.6)
Deferred tax liabilities	235.1	208.4
Net deferred tax liabilities	199.5	169.8

Movement in temporary differences during the year:

($ in millions)	At 1 January 2017	Recognised in income	Recognised in equity	Recognised in other comprehensive income	At 31 December 2017
Property, plant and equipment and intangible assets	165.7	39.4	-	-	205.1
Borrowing costs capitalised in the cost of qualifying assets	33.7	(8.1)	-	-	25.6
Other	(9.2)	(1.0)	-	-	(10.2)
Pension and post-employment benefits	(2.0)	0.6	-	2.3	0.9
Share-based payments	(3.0)	1.5	-	-	(1.5)
Tax losses	(15.4)	(5.0)	-	-	(20.4)
Total	169.8	27.4	-	2.3	199.5

($ in millions)	At 1 January 2016	Recognised in income	Recognised in equity	Recognised in other comprehensive income	At 31 December 2016
Property, plant and equipment and intangible assets	149.2	16.5	–	–	165.7
Borrowing costs capitalised in the cost of qualifying assets	41.7	(8.0)	–	–	33.7
Other	(9.7)	0.7	–	(0.2)	(9.2)
Pension and post-employment benefits	0.5	0.1	–	(2.6)	(2.0)
Share-based payments	(7.0)	0.9	3.1	–	(3.0)
Tax losses	(21.0)	5.6	–	–	(15.4)
Total	153.7	15.8	3.1	(2.8)	169.8

Total unprovided deferred tax assets:

($ in millions)	At 31 December 2017	At 31 December 2016
Unused income tax losses	(2.4)	(34.1)
Unused capital losses	(23.0)	(24.2)
Total	(25.4)	(58.3)

Overseas dividends received are largely exempt from UK tax but may be subject to foreign withholding taxes. The unrecognised gross temporary difference in respect of the unremitted earnings of those overseas subsidiaries affected by such taxes is US$nil (2016: US$nil), resulting in a deferred tax liability of US$nil (2016: US$nil).

The Budget announced by the Chancellor on 16 March 2016 included changes to the main rates of corporation tax for UK companies. The standard rate of corporation tax reduced to 19% with effect from 1 April 2017, and there will be a further reduction to 17% from 1 April 2020. The deferred tax assets and liabilities at the balance sheet date are calculated taking account of the forecast impact of the reduction of the corporation tax rate from 20% to the substantively enacted rate of 17%.

On 22 December 2017 the US President signed the Tax Cuts and Jobs Act, which included changes to the Federal tax rate. The Federal tax rate reduced from 35% to 21% with effect from 1 January 2018. The deferred tax assets and liabilities at the balance sheet date are calculated taking account of this reduction of the Federal tax rate.

23. RECONCILIATION OF NET CASH GENERATED FROM OPERATIONS

Reconciliation of profit for the year to net cash generated from operations:

($ in millions)	2017	2016
Profit for the year	195.2	319.1
Adjustments for:		
Taxation charge	49.1	66.2
Financing costs	83.9	66.5
Financing income	(6.7)	(4.8)
Operating profit	321.5	447.0
Depreciation and amortisation	406.7	349.4
Gain on disposal of assets	-	(0.5)
Impairment loss	7.3	1.2
Share of profit of associates	(4.0)	(2.4)
EBITDA	731.5	794.7
Dividends received from associates	2.1	1.3
Non-cash employee benefit costs	12.8	12.5
Forward exchange contracts	-	(1.2)
Non-cash foreign exchange movements	3.0	0.1
Changes in net working capital:		
Decrease in restricted cash[1]	-	0.7
(Increase)/decrease in trade and other receivables	(33.6)	18.3
(Decrease)/Increase in inventories	0.4	(9.3)
Increase/(decrease) in trade and other payables	33.5	(18.6)
Increase in provisions	14.6	(13.4)
Cash generated from operations	764.3	785.1

1 At 31 December 2017, the Group has $2.3m (2016: $2.3m) of restricted cash on the balance sheet, the majority of which are funds held in escrow in relation to the disposal of SkyWave.

24. SHARE CAPITAL

($ in millions)	At 31 December 2017	At 31 December 2016
Authorised:		
630,780,000 ordinary shares of €0.0005 each (2016: 630,780,000)	0.4	0.4
Allotted, issued and fully paid:		
610,500,000 ordinary shares of €0.0005 each (2016: 610,500,000)	0.4	0.4

Shares issued by the Company which are denominated in a currency other than US Dollars are translated at the rates ruling at the date of issue.

25. EMPLOYEE SHARE OPTIONS AND AWARDS

Inmarsat plc operates a number of share plans used to award options and shares to Directors and employees as part of their remuneration packages. In 2014, the Inmarsat plc Executive Share Plan ('ESP') was approved by shareholders and replaced the previous Executive Share Plans. Share awards since May 2014 have been made in accordance with the new share plan rules. Under the ESP, Inmarsat plc can grant Bonus Share Awards ('BSA') and Performance Share Awards ('PSA'), which replicate the previous Bonus Share Plan ('BSP') and Performance Share Plan ('PSP') awards. The costs of these awards are recognised in the income statement (see note 7) based on the fair value of the awards on the grant date. Further information on how these are calculated can be found on the next page and under 'Employee benefits' in the principal accounting policies. Given that these schemes operate at an Inmarsat plc group level, the information below is for the Inmarsat plc group as a whole.

INMARSAT EMPLOYEES' SHARE OWNERSHIP PLAN TRUST

Under the legacy Staff Value Participation Plan (the '2004 Plan'), shares were transferred to the Inmarsat Employees' Share Ownership Plan Trust (the 'Trust') (resident in Jersey). These options have now vested and expired, but some remaining shares are still held by the Trust and can be used to satisfy vesting under other existing share plans.

A summary of all share activity within the Trust as at 31 December 2017, is as follows:

($ in millions)	Shares available for grant
Balance at 1 January 2017[1]	138,086
Exercised – Long-Term Incentive Plan and Performance Share Awards	(60,810)
Balance at 31 December 2017	77,276
Exercisable at 31 December 2017	77,276

1 Includes shares allocated within the Trust from the 2004 Plan.

BONUS SHARE AWARD

Awards have been made regularly under the BSA to Executive Directors and certain members of senior management. Awards are made in the form of a conditional allocation of shares. The performance conditions attached to the BSA are non-market-based performance conditions. Any dividends paid by Inmarsat plc will accrue and be added as additional shares upon vesting.

Under the rules of the BSA, the Remuneration Committee has the discretion to satisfy the awards using cash instead of shares. It is, however, the intention of Inmarsat plc to generally satisfy the awards using newly-issued shares.

As the BSA provides non-contributory share awards that have an entitlement to dividends and no market-based performance conditions attached, the fair value of the awards is the value of the grant. This is due to the fact that regardless of the market price at the time the award of shares is made, the total value of shares to be awarded (excluding shares added in lieu of dividends) will not change.

In June 2017, an award was granted under similar conditions to existing BSA schemes for one of the business units.

PERFORMANCE SHARE AWARD

The PSA makes regular annual awards to Executive Directors and certain members of senior management. Participants are entitled to receive the value of any dividends that are paid between the date of award and the date of vesting in the form of additional shares. Any such additional shares are only added to the number of shares which will vest subject to performance conditions being satisfied.

The PSA shares will not ordinarily be transferred to participants until the third anniversary of the award date. The transfer of shares is dependent upon performance conditions being satisfied over the three consecutive financial years starting in the financial year the award date falls. The rules of the PSA provide that the Remuneration Committee has the discretion to satisfy the awards using cash instead of shares. It is, however, the intention of Inmarsat plc to satisfy the awards using newly-issued shares at the end of the relevant three-year period.

The performance conditions for the PSA are based on the Group's Total Shareholder Return ('TSR') relative to constituents of the FTSE 50-150 and FTSE 350 Indices (excluding investment trusts), depending upon the year of the award, and on EBITDA or revenue growth measured over a three-year period. For the award made in 2014, the vesting schedule is structured so that 50% of the reward is linked to the performance of TSR and 50% is linked to EBITDA, as individual performance measures. The market-based performance condition has been incorporated into the fair value. For the 2015, 2016 and 2017 awards, the vesting schedule has been restructured so that 30% of the reward is linked to the performance of TSR for Executive Directors (for any participants below Executive Director level this is linked to revenue growth over the three-year period of the awards), 30% is linked to EBITDA and 40% is linked to strategic objectives set out prior to the grant date of the scheme.

The fair values and the assumptions used in the calculation of PSA awards vesting or due to vest in 2017 or after are as follows:

	Performance Share Awards		
Grant date	22 March 2017	23 March 2016	30 March 2015
Grant price	£7.62	£9.30	£9.34
Exercise price	nil	nil	nil
Bad leaver rate	12%	12%	12%
Vesting period	3 years	3 years	3 years
Volatility	28.6%	22.5%	20.8%
Fair value per share option (Executive Director level)	£4.43	£7.91	£8.50
Fair value per share option (below Executive Director level)	£7.63	£9.43	£9.41

Both the BSA and PSA share awards expire 10 years after date of grant or such shorter period as the Remuneration Committee may determine before the grant of an award. For share awards outstanding at the period end the weighted average of the remaining contractual life for the BSA and PSA share awards at 31 December 2017 is 0.8 and 1.3 years, respectively.

UK SHARESAVE SCHEME AND INTERNATIONAL SHARESAVE PLAN

The UK Sharesave Scheme is an approved HM Revenue and Customs scheme. A grant made in June 2017 with an option price of £6.04 (reflecting the maximum discount permitted of 20%) will mature in August 2020. A grant made in June 2016 with an option price of £5.68 (reflecting the maximum discount permitted of 20%) will mature in August 2019.

The International Sharesave Plan mirrors the operation of the UK Sharesave Scheme as closely as possible. Participants are given either the opportunity to receive options in the same way as the UK Sharesave Scheme, or the spread between the share price at the date of exercise and the grant price, delivered (at the Inmarsat plc's discretion) in cash or shares. It is the Company's intention to satisfy the awards using shares, some of which are held by the Trust and some of which will be newly-issued. A grant made in June 2017 with an option price of £6.04 (reflecting the maximum discount permitted of 20%) will mature in August 2020. A grant made in June 2016 with an option price of £5.68 (reflecting the maximum discount permitted of 20%) will mature in August 2019.

Options under the UK Sharesave Scheme and International Sharesave Plan expire after a maximum of 3.5 years following the initial savings payments having been made. The weighted average of the remaining contractual life for the current grant of the UK Sharesave Scheme and International Sharesave Plan at 31 December 2017 is 2.1 years for each plan

EMPLOYEE STOCK PURCHASE PLAN

The Employee Stock Purchase Plan ('ESPP') is for US and Canadian employees to purchase Inmarsat plc's stock at a 15% discount using funds accumulated from monthly contributions. A grant made under the scheme in December 2015 with an option price of £9.22 (reflecting the maximum discount permitted of 15%) will mature in March 2018. A grant made under the scheme in June 2017 with an option price of £7.16 (reflecting the maximum discount permitted of 15%) will mature in July 2019.

Options under the UK Sharesave Scheme, International Sharesave Plan and ESPP have been valued with a Black-Scholes model using the following assumptions:

Grant date	Sharesave Scheme (UK and International) 6 June 2017	Sharesave Scheme (UK and International) 30 June 2016	ESPP 6 June 2017	ESPP 14 December 2015
Market price at date of grant	£8.43	£8.05	£8.43	£10.85
Exercise price	£6.04	£5.68	£7.16	£9.22
Bad leaver rate	3% pa	3% pa	3% pa	3% pa
Vesting period	36 months	36 months	25 months	26 months
Volatility	27.9%	24.6%	32.7%	20.4%
Dividend yield assumption	5.1%	4.5%	5.0%	3.0%
Risk-free interest rate	0.1%	0.1%	0.1%	0.4%
Fair value per option	£1.93	£1.85	£1.61	£1.74

UK SHARE INCENTIVE PLAN

The UK Share Incentive Plan ('SIP') has made several awards and is an approved HM Revenue and Customs scheme. Arrangements exist which replicate the awards as closely as possible for eligible international employees, using the same market values per award as used by SIP.

A summary of share awards activity as at 31 December 2017 (excluding the 2004 Plan which is noted above) is as follows:

	SIP (UK)	BSA	PSA	Total
Balance at 1 January 2017	237,261	2,554,288	1,380,010	4,171,559
Granted/allocated	-	1,660,251	767,153	2,427,404
Forfeited and lapsed	–	(622,211)	(416,040)	(1,038,251)
Exercised/sold/transferred	(51,320)	(779,140)	(251,800)	(1,082,260)
Balance at 31 December 2017	185,941	2,813,188	1,479,323	4,478,452
Exercisable at 31 December 2017	185,941	–	–	185,941
Exercise price per share	n/a	nil	nil	

A summary of share option activity as at 31 December 2017 and the weighted average exercise price per award is as follows:

	Sharesave (UK)	Weighted average exercise price	Sharesave (International)	Weighted average exercise price	ESPP	Weighted average exercise price	Total
Balance at 1 January 2017	543,735	£5.68	432,514	£5.68	73,874	£9.22	1,050,123
Granted/allocated	486,398	£6.04	350,837	£6.04	66,045	£7.16	903,280
Forfeited and lapsed	(120,977)	£5.81	(74,522)	£5.71	(34,572)	£8.66	(230,071)
Exercised	(3,300)	£5.68	(99)	£5.68	-	-	(3,399)
Balance at 31 December 2017	905,856	£5.86	708,730	£5.86	105,347	£8.11	1,719,933
Exercisable at 31 December 2017	–		–		–		–
Exercise price per share	£5.68 to £6.04		£5.68 to £6.04		£7.16 to £9.22		

26. RESERVES

Cash flow hedge reserve:

($ in millions)	2017	2016
Balance at 1 January	(23.3)	0.9
Loss recognised on cash flow hedges:		
Forward exchange contracts	14.1	(24.7)
Reclassified and capitalised on the balance sheet:		
Forward exchange contracts	1.5	1.3
Reclassified to the income statement:		
Interest rate swaps	–	(0.9)
Tax charged/(credited) related to amounts transferred to the income statement	–	0.1
Balance at 31 December	(7.7)	(23.3)

Gains and losses reclassified from equity into the income statement during the period are included in the following income statement lines.

($ in millions)	2017	2016
Total net operating costs	–	(0.9)
Tax credit	–	0.1
Total reclassified (credited)/charged to the income statement in the year	–	(0.8)

Gains and losses relating to the effective portion of cash flow hedges are recognised in other comprehensive income and the cash flow hedge reserve. When a hedged item is recognised in the income statement the cumulative deferred gain or loss in other comprehensive income and the cash flow hedge reserve is reclassified to the income statement. When a hedged item is recognised as a non-financial asset or liability in the balance sheet the accumulated gain or loss is transferred from the cash flow hedge reserve and included in the initial measurement of its cost.

27. PENSIONS AND POST-EMPLOYMENT BENEFITS

The Group operates pension schemes in each of its principal locations. The Group's pension plans are provided through both defined benefit schemes and defined contribution arrangements.

The Group operates defined benefit pension schemes in the United Kingdom, regulated by the Pensions Regulator, and The Netherlands. The Group's principal defined benefit pension plan is the Inmarsat Global scheme, which is a UK funded scheme with assets held in a separate fund administered by a corporate trustee; the scheme is closed to new employees and the Company closed the defined benefit plan to future accruals during 2017. The trustee is required by law to act in the interest of the fund and of all relevant stakeholders in the scheme. The trustees of the pension schemes are responsible for the investment policy with regards to the assets of the fund.

The Group is required to ensure that the plan is fully funded where the future liabilities for benefits are covered by the fund's assets. The Group is also required to make employer contributions at 15% of the members' salary to the fund assets. The size of the asset that can be recognised as a result of a pension surplus should not exceed the recoverable amount and is restricted to the asset ceiling per IAS 19.

The Inmarsat Global defined benefit plan was valued using the projected unit credit method with the valuation undertaken by professionally qualified and independent actuaries as at 31 December 2017. The results of the valuation, which have been updated for any material transactions and material changes in circumstances (including changes in market prices and interest rates) up to 31 December 2017, are set out below.

The Group also provides post-employment benefits for some of its employees. The Group's principal scheme is the Inmarsat Global post-retirement healthcare benefit scheme, which is the provision of healthcare to retired employees (and their dependants) who were employed before 1 January 1998. Employees who have 10 years of service at the age of 58 and retire are eligible to participate in the post-retirement healthcare benefit plans. Membership of this plan is multinational, although most staff are currently employed in the UK. The plans are self-funded and there are no plan assets from which the costs are paid. The cost of providing these benefits is actuarially determined and accrued over the service period of the active employee groups. The Group's post-retirement medical liability is capped at CPI plus 1%.

Schemes denominated in local currencies are subject to fluctuations in the exchange rate between US Dollars and local currencies.

The primary risk to which the Inmarsat Global defined benefit plan exposes the Group is the risk arising through a mismatch between the plan's assets and its liabilities. This is primarily made up of a number of strategic investment risks. The key strategic investment risks inherent in the current investment strategy are as follows:

- market risk (the risk that investment returns on assets are lower than assumed in the actuarial valuation, thereby resulting in the funding level being lower than expected)
- interest rate risk (the risk that the assets do not move in line with the value placed on the liabilities in response to changes in interest rates)
- inflation risk (similar to interest rate risk but concerning inflation)
- credit risk (the risk that payments due to corporate bond investors may not be made)
- active management risk (the risk that active managers underperform the markets in which they invest, resulting in lower-than-expected investment returns) and
- currency risk (the risk that currency market movements adversely impact investment returns)

In addition to the investment-related risks, the plan is also subject to the risk that members live longer than expected, or that the financial assumptions used in valuing the liabilities are not borne out in practice. This could lead to unexpected contributions from the Group being required to meet the benefit payments due.

The principal actuarial assumptions used to calculate the Group's pension and post-employment benefits liabilities under IAS 19 are:

	At 31 December 2017	At 31 December 2016
Weighted average actuarial assumptions:		
Discount rate	2.6%	2.7%
Future salary increases	2.3%	3.2%
Medical cost trend rate	3.2%	3.6%
Future pension increases	2.9%	2.8%

Mortality assumptions have been updated to reflect experience and expected changes in future improvements in life expectancy. The average life expectancy assumptions for the Company's pension and post-employment benefits liabilities are as follows:

	Life expectancy 2017	Life expectancy 2016
Male current age 65	88.8	88.6
Female current age 65	90.0	89.7

Mortality assumptions used are consistent with those recommended by the individual scheme actuaries and reflect the latest available tables, adjusted for the experience of the Group where appropriate. For the Inmarsat Global defined benefit pension scheme and the Inmarsat Global post-retirement healthcare benefits for 2017, mortality has been assumed to follow the SAPS tables with -1 year age rating for males and CMI 2013 improvement with a long-term trend of 1.5% p.a.

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase, mortality and healthcare cost trend rates. The sensitivity analysis below is for the Group's principal pension and post-employment benefits schemes, and has been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period assuming that all other assumptions are held constant.

Inmarsat Global defined benefit scheme:

Change in assumption ($ in millions)	Impact on benefit obligation increase/ (decrease)	Impact on projected pension cost increase/ (decrease)
Increase in discount factor of 0.25%	(5.5)	(0.2)
Decrease in discount factor of 0.25%	5.9	0.2
Increase in inflation of 0.25%	5.9	0.2
Decrease in inflation of 0.25%	(5.4)	(0.1)
Mortality: -2 years for males and -1 year for females	2.9	0.1

Inmarsat Global post-retirement healthcare benefit scheme:

Change in assumption ($ in millions)	Impact on benefit obligation increase/ (decrease)	Impact on service cost increase/ (decrease)
Increase in discount factor of 0.5%	(0.9)	–
Increase in inflation of 0.5%	1.0	–
Increase in healthcare cost trend rate of 1%	2.1	0.1
Decrease in healthcare cost trend rate of 1%	(1.7)	(0.1)

In reality, there is an expectation of inter-relationships between the assumptions, for example, between discount rate and inflation. The above analysis does not take the effect of these inter-relationships into account.

Amounts recognised in the balance sheet are:

($ in millions)	At 31 December 2017	At 31 December 2016
Present value of funded defined benefit obligations (pension)	(126.5)	(135.9)
Present value of unfunded defined benefit obligations (pension)	(0.5)	(0.4)
Present value of unfunded defined benefit obligations (post-employment benefits)	(15.9)	(16.7)
Fair value of defined benefit assets	143.5	140.0
Net defined benefit asset/(liability) recognised in the balance sheet	0.6	(13.0)

The above net liability is recognised in the balance sheet as follows:

($ in millions)	Note	At 31 December 2017	At 31 December 2016
Defined benefit pension asset	17	18.1	4.5
Defined benefit pension and post-employment liability	20	(17.5)	(17.5)

Analysis of the movement in the present value of the defined benefit obligations is as follows:

($ in millions)	Defined benefit pension plan	Post-employment benefits
At 1 January2016	109.9	17.0
Current service cost	1.7	0.1
Interest cost	3.6	0.6
Remeasurement losses:		
Actuarial loss arising from changes in financial assumptions	37.8	2.0
Foreign exchange gain	(16.8)	(2.7)
Benefits paid	(0.9)	(0.3)
Contributions by pension participants	1.0	–
At 31 December 2016	136.3	16.7
Current service cost	1.6	0.4
Past service cost[1]	(4.1)	–
Interest cost	3.6	0.5
Remeasurement gains:		
Actuarial gains arising from changes in financial assumptions	(2.6)	(3.3)
Foreign exchange loss	11.3	1.9
Benefits paid	(19.5)	(0.3)
Contributions by pension participants	0.4	–
At 31 December 2017	127.0	15.9

Analysis of the movement in the fair value of the assets of the defined benefit pension plans is as follows:

($ in millions)	2017	2016
At 1 January	140.0	127.6
Interest income	3.7	4.2
Remeasurement gains/(losses):		
Experience return on plan asset (excluding interest income)	7.2	25.6
Actuarial (loss)/gains arising from changes in financial assumptions	(0.4)	0.8
Contributions by employer	1.0	1.5
Contributions by pension participants	0.3	1.0
Benefits paid	(19.6)	(0.6)
Expenses paid (included in service cost)	(0.4)	(0.2)
Foreign exchange gain/(loss)	11.7	(19.9)
At 31 December	143.5	140.0

1 The Group Defined Benefit Pension Plan closed to further benefit accrual on 31 March 2017 and all former active members have now become deferred members. This curtailment has resulted in a past service credit and decrease to the defined benefit obligation.

Amounts recognised in the income statement in respect of the plans are as follows:

	2017		2016	
($ in millions)	Defined benefit pension plan	Post-employment benefits	Defined benefit pension plan	Post-employment benefits
Current service cost	2.0	0.4	1.9	0.1
Past service gain	(4.1)	0.0	–	–
Net interest (income)/expense	(0.1)	0.5	(0.6)	0.6
Foreign exchange (gain)/loss	(0.4)	1.9	3.1	(2.7)
	(2.6)	2.8	4.4	(2.0)

Current service cost is included within employee benefit costs (note 7). The net financing costs together with foreign exchange gains and losses are included within interest payable (note 9).

Amounts recognised in the statement of comprehensive income in respect of the plans are as follows:

	2017		2016	
($ in millions)	Defined benefit pension plan	Post-employment benefits	Defined benefit pension plan	Post-employment benefits
Actuarial gains arising from changes in financial assumptions	(2.2)	(3.3)	37.0	2.0
Actuarial gains arising from changes in experience adjustment	–	–	(25.6)	–
Return on plan asset (excluding interest income)	(7.2)	–	–	–
Remeasurement of the net defined benefit asset and liability	(9.4)	(3.3)	11.4	2.0

The assets held in respect of the Group's defined benefit schemes were as follows:

	At 31 December 2017		At 31 December 2016	
	Value ($ in millions)	Percentage of total plan assets	Value ($ in millions)	Percentage of total plan assets
Equities	30.7	21.4%	36.0	25.7%
Cash	1.4	1.0%	1.6	1.1%
Bonds	80.9	56.4%	78.5	56.1%
Other	30.5	21.2%	23.9	17.1%
Fair value of scheme assets	143.5		140.0	

The Inmarsat Global defined benefit plan assets, which contribute over 93% of the total Group assets, are all invested in pooled investment funds, the majority of which are priced daily, except for the High Income UK Property, Liquid Alternative Strategies Alternatives and Multi Asset Credit funds which are priced monthly and the UCITS Alternative Strategies fund which is priced weekly. With regard to private debt, the portfolio will be valued on an absolute basis, using the 'best efforts' value on a quarterly basis. Therefore, fund investments are primarily valued based on the market value/capital account statements received from the underlying general partners of the underlying funds. Capital account statements and unaudited financial statements are distributed approximately 90 days after each quarter. The fund also distributes US GAAP audited financials, including capital account statements, for each 31 December fiscal year-end around 30 June of the subsequent year.

The allocations to each of the investment funds as at 31 December 2017 are as follows:

Fund	Legal structure	Allocation (%)
Passive Global Equity	Mercer QIF CCF	3.2%
Global Fundamental (RAFI) Equity	Mercer QIF CCF	3.1%
Global Low Volatility Equity	MGI Funds PLC	2.8%
Global Small Cap Equity	MGI Funds PLC	3.3%
Sustainable Equity	MGI Funds PLC	1.8%
Global Listed Infrastructure Equity	MGI Funds PLC	1.3%
Eurozone Equity	MGI Funds PLC	1.5%
Emerging Markets Equity	MGI Funds PLC	5.9%
Emerging Markets Debt	MGI Funds PLC	2.7%
Global High Yield Bonds	MGI Funds PLC	0.6%
Multi Asset Credit	Mercer QIF Fund PLC	3.1%
Absolute Return Fixed Income	MGI Funds PLC	1.8%
Liquid Alternatives Strategies	Mercer QIF Fund PLC	8.9%

Mercer UCITS Alternatives Strategies	MGI Funds PLC	2.8%
High Income UK Property	Mercer QIF CCF	2.6%
Private Debt	Mercer Private Investment Partners (Offshore) LLP	1.9%
UK Cash	MGI Funds PLC	0.5%
Total growth portfolio		47.8%
UK Credit	Mercer PIF Fund PLC	13.2%
UK Long Gilt Fund	MGI Funds PLC	0.2%
Inflation Linked Bonds	MGI Funds PLC	9.3%
Long Flexible Enhanced Matching Fixed	Mercer QIF Fund PLC	8.1%
Medium Flexible Enhanced Matching Real	Mercer QIF Fund PLC	14.0%
Long Flexible Enhanced Matching Real	Mercer QIF Fund PLC	7.4%
Total matching portfolio		52.2%
Total assets		100.0

The investment portfolio seeks to mitigate the investment risks identified above through a combination of asset class diversification, underlying investment manager diversification and the use of currency hedging where appropriate. The assets are split into two portfolios, the growth portfolio
and the matching portfolio. The assets within the growth portfolio are invested so as to achieve an appropriate level of growth above that of the plan's liabilities, ensuring a sufficiently diversified portfolio of investments provides the plan with a variety of sources of return, without unduly exposing the plan to a single type of risk. The assets within the matching portfolio are invested so as to minimise the level of unrewarded risk and ensure the portfolio broadly matches changes in the value of the plan's liabilities. This is achieved by investing in a range of pooled investment funds as outlined in the table above, with the allocation to each fund determined by a combination of the following: the nature of the plan's liability structure, the target level of hedging deemed appropriate to reflect the Trustee's risk tolerance and a 'fair value' assessment of market levels. Some of these funds achieve their objectives by utilising a range of bond or bond type instruments, resulting in leveraged exposure which enables the plan to match a greater proportion of its liabilities than would be possible by only holding physical securities. Instruments utilised within the funds include fixed interest gilts, index-linked gilts, corporate bonds, gilt repos, interest rate swaps, inflation swaps and total return swaps.

The plan does not hold any direct investments in the Group; however, due to the pooled nature of the investment funds, there may be some indirect investment.

The duration of the defined benefit liabilities within the Inmarsat Global defined benefit plan is approximately 26 years. The defined benefit obligation as at December 2017 is split as follows:

Active members	0% (following the closure of the plan to future accrual effective 1 April 2017, all former active members have become deferred members)
Deferred members	90%
Pensioner members	10%

The average age of the active, deferred and pensioner members at the date of the last statutory funding valuation for the Inmarsat Global defined benefit plan (31 December 2014) was 54 years, 55 years and 68 years, respectively.

The estimated contributions expected to be paid into the Inmarsat Global defined benefit pension plan during 2018 are $0.1m. In 2017 actual contributions under this plan were $0.2m (2016: $0.7m).

Under the current Inmarsat Global defined benefit plan Recovery Plan and Schedule of Contributions there are no further contributions due in respect of the past service deficit revealed as part of the last statutory funding valuation as at 31 December 2014. The current Schedule of Contributions requires the Company to pay 15% of pensionable salary in respect of the additional accrual of future benefits for members of the defined benefit tier of the Pensionbuilder section and any notional member contributions payable under the SMART arrangement. Contributions in respect of the Defined Contribution tier and the Pensionsaver section are paid in addition.

The next statutory funding valuation of the plan will be carried out as at 31 December 2017. As part of this, the Trustees and Company will be required to agree a pattern of contributions to cover any deficit revealed by the valuation, along with the rate payable for future accrual of benefits. This could lead to an increase or decrease from the current level of contributions.

28. OPERATING LEASE AND OTHER COMMITMENTS

The Group's future aggregate minimum lease payments under non-cancellable operating leases and other unrecognised contractual commitments are as follows:

	At 31 December 2017			At 31 December 2016		
($ in millions)	Non-cancellable operating leases	Other unrecognised contractual commitments	Total	Non-cancellable operating leases	Other unrecognised contractual commitments	Total
Within one year	12.7	6.9	19.6	15.5	5.4	20.9
Within two to five years	46.6	40.3	86.9	50.5	36.4	86.9
After five years	29.3	0.4	29.7	72.1	0.8	72.9
	88.6	47.6	136.2	138.1	42.6	180.7

Operating lease commitments primarily relate to leased office space, including the Group's head office located at 99 City Road, London, EC1Y 1AX Other unrecognised non-cancellable contractual commitments relate to network service contracts and maintenance contracts, which have varying terms.

The total of future sublease payments expected to be received under non-cancellable subleases at 31 December 2017 relating to the aforementioned head office lease is $0.1m over one year (at 31 December 2016: $0.2m over one year).

In addition, the Group has the following purchase commitments, relating to future obligations to purchase space segment capacity:

($ in millions)	At 31 December 2017	At 31 December 2016
Within one year	24.7	30.4
Within two to five years	11.5	5.8
	36.2	36.2

The Group has various agreements deriving revenue from designated leased capacity and leased equipment. These amounts are recorded as revenue on a straight-line basis over the respective lease terms and represent the majority of the Group's future aggregate minimum lease payments under non-cancellable operating leases expected to be received:

($ in millions)	At 31 December 2017	At 31 December 2016
Within one year	28.7	23.3
Within two to five years	18.7	2.5
	47.4	25.8

29. CAPITAL RISK MANAGEMENT

The following table summarises the capital of the Group:

($ in millions)	At 31 December 2017	At 31 December 2016
As per balance sheet		
Cash and cash equivalents	(143.2)	(259.7)
Short-term deposits >3 months	(342.0)	(395.0)
Borrowings	2,448.5	2,366.2
Net borrowings	1,963.3	1,711.5
Equity attributable to shareholders of the parent	1,520.7	1,570.0
Capital	3,484.0	3,281.5

The Group's objective when managing its capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group continually evaluates sources of capital and may repurchase, refinance, exchange or retire current or future borrowings and/or debt securities from time to time in private or open-market transactions, or by any other means permitted by the terms and conditions of borrowing facilities and debt securities. Additionally, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group uses a maximum ratio of net borrowings to EBITDA as an internal planning parameter and in regular forecasting and monitoring activities. In addition, movements in cash and borrowings as well as total available liquidity are monitored regularly.

The net borrowings to EBITDA ratio for the year ended 31 December 2017 is 2.7 (2016: 2.4). The Group's liquidity is disclosed in note 3(d). No changes were made in the Group's objectives, policies or processes for managing capital during the current or preceding year.

30. FINANCIAL INSTRUMENTS

TREASURY MANAGEMENT AND STRATEGY

The Group's treasury activities are managed by its treasury department which reports into the Chief Financial Officer. The treasury department operations are bound by the Board-approved treasury policy and related treasury Operating Manual. The overriding objective of treasury activities is to manage financial risk.

Key features of treasury management include:

- ensuring that the Group is in a position to fund its obligations in appropriate currencies as they fall due
- maintaining adequate undrawn borrowing facilities and
- maximising return on short-term investments based on counterparty limits and credit ratings

Treasury activities are only transacted with counterparties who are on the approved counterparty list approved by the Board.

The Group's foreign exchange policy is not to hedge its foreign currency transactions. Where there is a material contract with a foreign currency exposure, a specific hedge to match the specific risk will be evaluated and must be approved by the Chief Financial Officer prior to any hedge being undertaken.

FINANCIAL INSTRUMENTS BY CATEGORY

The following table sets out the categorisation of financial assets and liabilities in terms of IAS 39:

($ in millions)	At 31 December 2017 Loans and receivables	Derivatives used for hedging	Total	At 31 December 2016 Loans and receivables	Derivatives used for hedging	Total
Assets as per balance sheet						
Trade receivables and other[1]	302.5	–	302.5	314.3	-	314.3
Cash and cash equivalents	143.2	–	143.2	259.7	-	259.7
Derivative financial instruments	–	1.5	1.5	-	1.8	1.8
	445.7	1.5	447.2	574.0	1.8	575.8

1 Consists of trade receivables, other receivables and accrued income (see note 17).

($ in millions)	At 31 December 2017 Derivatives used for hedging	Fair value through profit and loss	Other financial liabilities	Total	At 31 December 2016 Derivatives used for hedging	Other financial liabilities	Total
Liabilities as per balance sheet							
Borrowings	–	–	2,448.5	2,448.5	-	2,366.2	2,366.2
Trade payables and other[1]	–	–	316.1	316.1	-	246.2	246.2
Derivative financial instruments	10.0	–	–	10.0	26.1	-	26.1
	10.0	–	2,764.6	2,774.6	26.1	2,612.4	2,638.5

1 Consists of trade payables, deferred consideration, other payables and accruals (see note 20).

The table below analyses the Group's financial liabilities and net-settled derivative financial instruments into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying values as the impact of discounting is not significant.

($ in millions)	At 31 December 2017 Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Borrowings[1]	652.4	208.7	1,558.4	494.3	2,913.8
Trade payables and other	309.4	1.7	3.5	1.5	316.1
Derivative financial instruments	7.9	1.9	0.2	-	10.0
	969.7	212.3	1,562.1	495.8	3,239.9

1 Includes interest obligations on the Senior Notes due 2022 and 2024 and Ex-Im Bank Facilities. The interest obligations on those borrowings are at fixed rates for the term of the borrowing.

($ in millions)	At 31 December 2016 Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Borrowings[1]	198.4	194.1	191.5	1,990.7	2,574.7
Trade payables and other	223.0	17.9	3.9	1.4	246.2
Derivative financial instruments	5.9	16.9	3.2	-	26.0
	427.3	228.9	198.6	1,992.1	2,846.9

1 Includes interest obligations on the Senior Notes due 2022 and 2024 and Ex-Im Bank Facilities. The interest obligations on those borrowings are at fixed rates for the term of the borrowing

FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

The Group's derivative financial instruments consist of forward foreign currency contracts which are primarily designated as cash flow hedges.

Derivative financial instruments are initially measured at fair value (see further below) on the contract date and are re-measured at each reporting date. The change in fair value is accounted for differently depending on whether the instrument qualifies for hedge accounting (e.g. where a forward foreign currency transaction is designated as a cash flow hedge) or not (e.g. undesignated cash flow hedges).

Under hedge accounting, the change in fair value initially goes through other comprehensive income. At the point hedge accounting is discontinued, ie when the hedging instrument expires, is sold or is exercised, or no longer qualifies for hedge accounting, the amounts sitting in other comprehensive income remains in equity, until the forecast transaction affects profit or loss and are recycled to the income statement or, where appropriate, capitalised to the balance sheet. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss. Where hedge accounting doesn't apply, the change in fair value is included in net financing costs in the income statement.

The fair values at the balance sheet date were:

($ in millions)	At 31 December 2017	At 31 December 2016
Financial assets:		
Forward foreign currency contracts – designated cash flow hedges	1.5	0.8
Forward foreign currency contracts – undesignated	–	1.0
Total derivative financial assets	1.5	1.8
Current portion of derivative financial assets	1.2	1.7
Non-current portion of derivative financial assets	0.3	0.1
Financial liabilities:		
Forward foreign currency contracts – designated cash flow hedges	9.9	23.9
Forward foreign currency contracts – undesignated	0.1	2.1
Total derivative financial liabilities	10.0	26.0
Current portion of derivative financial liabilities	7.9	5.9
Non-current portion of derivative financial liabilities	2.1	20.1

The full value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability if the maturity of the hedged item is less than 12 months.

The fair values of forward foreign exchange contracts are based on the difference between the contract amount at the current forward rate at each period end and the contract amount at the contract rate, discounted at a variable risk-free rate at the period end. These are classified as level 2 in the fair value hierarchy according to IFRS 7.

The Group has no financial instruments with fair values that are determined by reference to significant unobservable inputs, ie those that would be classified as level 3 in the fair value hierarchy, nor have there been any transfers of assets or liabilities between levels of the fair value hierarchy. There are no non-recurring fair value measurements.

FORWARD FOREIGN EXCHANGE

The following tables set out the face value and fair value of forward foreign exchange contracts outstanding for the Group as at 31 December 2017 and 2016:

	At 31 December 2017				
Outstanding forward foreign exchange contracts (in millions)	Face value	Maturing within 1 year	Maturing between 1 and 2 years	Maturing between 2 and 5 Years	Fair value (US$)
GBP contracts	£105.2	£87.6	£13.7	£3.8	(9.0)
CAD contracts	CAD 30.9	CAD 20.1	CAD 7.8	CAD 3.0	0.9

	At 31 December 2016				
Outstanding forward foreign exchange contracts (in millions)	Face value	Maturing within 1 year	Maturing between 1 and 2 years	Maturing between 2 and 5 Years	Fair value (US$)
GBP contracts	£124.1	£24.8	£81.8	£17.5	(24.5)
CAD contracts	CAD 50.5	CAD 22.2	CAD 17.5	CAD 10.8	0.3

The Group has entered into contracts to build the I-6 satellite. The Group has entered into forward foreign exchange contracts (for terms equivalent to when the milestone payments fall due) to hedge the exchange rate risk arising from these anticipated milestone payments, which are designated as cash flow hedges.

As at 31 December 2017, the aggregate amount of losses under forward foreign exchange contracts deferred in the cash flow hedging reserve relating to the exposure on these payments is $7.7m. The milestone payments will take place at irregular periods throughout each year until 2021, at which time the related cash flow hedges deferred in equity will be reclassified to profit and loss.

NON-DERIVATIVE FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Non-derivative financial assets consist of cash at bank, short-term investments, trade receivables, other receivables and accrued income.

Non-derivative financial liabilities consist of borrowings, trade payables, deferred consideration, other payables and accruals.

FAIR VALUE OF NON-DERIVATIVE FINANCIAL ASSETS AND FINANCIAL LIABILITIES

With the exception of the Senior Notes and the Ex-Im Bank Facilities, the fair values of all non-derivative financial instruments approximate to the carrying value in the balance sheet. The fair value of Senior Notes and the Ex-Im Bank Facilities are classified as level 2 in the fair value hierarchy according to IFRS 7.

The following methods and assumptions have been used to determine fair values:

- the fair values of cash at bank, overdrafts and short-term deposits approximate their carrying values because of the short-term maturity of these instruments (see note 16);
- the fair value of trade and other receivables and payables, accrued income and costs, and deferred consideration approximate their carrying values (see notes 17 and 20 respectively);
- the carrying amount of deferred satellite payments represents the present value of future payments discounted, using an appropriate rate, at the period end. This carrying amount approximately equals fair value (see note 19);

- the Senior Notes due 2022 are reflected in the balance sheet net of unamortised arrangement costs and net issuance premium of $5.1m and $4.5m, respectively (see note 19). The fair values of the Senior Notes due 2022 are based on the market price of the bonds and are reflected in the next table;
- the Senior Notes due 2024 are reflected in the balance sheet net of unamortised arrangement costs of $4.9m (see note 19). The fair values of the Senior Notes due 2024 are based on the market price of the bonds and are reflected in the next table;
- the Ex-Im Bank Facilities are reflected in the balance sheet net of unamortised arrangement costs of $14.9m (2016: $18.6m). The fair value of the 2011 facility has been based on the implicit interest rate of the 2014 facility (see note 19); and

	At 31 December 2017		At 31 December 2016	
($ in millions)	Carrying amount	Fair value amount	Carrying amount	Fair value amount
Senior Notes due 2022	1,000.0	1,000.8	1,000.0	975.0
Senior Notes due 2024	400.0	408.1	400.0	408.3
Ex-Im Bank Facilities	630.9	639.7	633.4	649.4

31. CAPITAL COMMITMENTS

The Group had authorised and contracted but not provided for capital commitments as at 31 December 2017of $968.0m (2016: $972.2m). These amounts primarily represent commitments in respect of the Group's I-6 satellite programmes. The Group has not reported the split between tangible assets and intangible assets for these capital commitments, as the necessary information is not available and the cost to develop it would be excessive.

32. CONTINGENT LIABILITY

In the ordinary course of business, the Group is subject to contingencies pursuant to requirements that it complies with relevant laws, regulations and standards. Failure to comply could result in restrictions in operations, damages, fines, increased tax, increased cost of compliance, interest charges, reputational damage and other sanctions. These matters are inherently difficult to quantify.

In cases where the Group has an obligation as a result of a past event existing at the balance sheet date, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated, a provision will be recognised based on best estimates and management judgement.

A contingent liability is disclosed where the existence of the obligation will only be confirmed by future events, or where the amount of the obligation cannot be measured with reasonable reliability. At 31 December 2017, the Group had no material contingent liabilities.

33. EVENTS AFTER THE BALANCE SHEET DATE

Since the balance sheet date there have been no other significant events which would require disclosure in the 31 December 2017 financial statements.

34. RELATED PARTY TRANSACTIONS

In the normal course of operations the Group engages in transactions with its equity-owned investees Navarino UK and JSAT Mobile Communications Inc. These transactions represent sales of airtime and equipment and are measured at the amounts exchanged. Group revenue from the related parties for the 2017 financial year was $38.1m and $16.9m, respectively (2016: $33.1m and $18.2m, respectively). The amount receivable from the related parties at 31 December 2017 was $12.6m and $1.7m, respectively (2016: $9.3m and $1.8m, respectively).

The post-employment benefits and defined benefit pension plans are related parties (see note 27).

The table below sets out transactions with related parties, being fellow subsidiaries of the Group.

($ in millions)	At 31 December 2017	At 31 December 2016
Transactions with Inmarsat plc:		
Related party interest income	0.2	0.6
Related party interest expense	(19.4)	(10.0)
Related party management fee expense	(9.4)	(6.1)

($ in millions)	At 31 December 2017	At 31 December 2016
Outstanding balances with Inmarsat plc:		
Amounts due to fellow Group companies	(438.0)	(356.0)
Amounts due from fellow Group companies	20.3	12.2
Outstanding balances with Inmarsat Holdings Limited:		
Amounts due from fellow Group companies	6.8	6.8

35. PRINCIPAL SUBSIDARY UNDERTAKINGS

At 31 December 2017, the Company had investments in the following subsidiaries and associates:

	Principal activity	Country of incorporation / registered address key[1]	Interest in issued ordinary share capital at 31 December 2017	Interest in issued ordinary share capital at 31 December 2016
Inmarsat Finance PLC	Finance company	England and Wales / A	100%	100%
Inmarsat Investments Limited	Holding company	England and Wales / A	100%	100%
Inmarsat Ventures Limited	Operating company	England and Wales / A	100%	100%
Inmarsat Global Limited	Satellite telecommunications	England and Wales / A	100%	100%
ISAT Global Xpress OOO	Operating company	Russian Federation / X	100%	100%
Inmarsat Brasil Limitada	Dormant	Brazil / H	100%	100%
Inmarsat Leasing (Two) Limited	Satellite leasing	England and Wales / A	100%	100%
Inmarsat New Zealand Limited	Operating company	New Zealand / U	100%	100%
Inmarsat Services Limited	Operating company	England and Wales / A	100%	100%
PT ISAT	Operating company	Indonesia / Q	100%	100%
Inmarsat Communications Company LLC	Operating company	United Arab Emirates / AC	49%	49%
Inmarsat Group Holdings Inc.	Operating company	United States / C	100%	100%
ISAT US Inc.	Operating company	United States / C	100%	100%
Inmarsat Government Inc.	Operating company	United States / C	100%	100%
Stratos Government Services Inc.	Operating company	United States / D	100%	100%
Inmarsat Commercial Services Inc.	Operating company	United States / D	100%	100%
Inmarsat Solutions (US) Inc.	Operating company	United States / D	100%	100%
Inmarsat Inc.	Holding company	United States / E	100%	100%
Inmarsat US Investments Limited	Dormant	England and Wales / A	100%	100%
Europasat Limited	Operating company	England and Wales / A	100%	100%
Inmarsat Employment Company Limited	Employment company	Jersey / T	100%	100%
Inmarsat Trustee Company Limited	Dormant	England and Wales / A	100%	100%
Inmarsat Finance III Limited	Operating company	England and Wales / A	100%	100%
Inmarsat Solutions Limited	Holding company	England and Wales / A	100%	100%
Inmarsat Solutions (Canada) Inc.	Operating company	Canada / B	100%	100%
Stratos Holdings (Cyprus) Limited	Holding company	Cyprus / K	100%	100%
Stratos Gesellschaft fur satelliten-kommunikation mbH.	Operating company	Germany / L	100%	100%
Stratos Global Japan KK	Holding company	Japan / S	100%	100%
Stratos Investments BV	Holding company	The Netherlands / V	100%	100%
Inmarsat Solutions B.V.	Operating company	The Netherlands / V	100%	100%
Inmarsat Solutions SA (PTY) Limited	Operating company	South Africa / Z	90%	90%
Inmarsat Spain S.A.	Operating company	Spain / AA	100%	100%
Inmarsat Hong Kong Limited	Operating company	Hong Kong / N	100%	100%
Inmarsat (IP) Company Limited	Operating company	England and Wales / A	100%	100%
Inmarsat Hellas Satellite Services SA	Satellite telecommunications	Greece / M	100%	100%
Inmarsat Navigation Ventures Limited	Operating company	England and Wales / A	100%	100%
Inmarsat Global Xpress Limited	Operating company	England and Wales / A	100%	100%
Inmarsat SA	Operating company	Switzerland / AB	100%	100%
Inmarsat Solutions Global Limited	Operating company	England and Wales / A	100%	100%
Inmarsat Solutions AS	Operating company	Norway / W	100%	100%
Inmarsat Solutions Pte. Limited	Operating company	Singapore / Y	100%	100%
Inmarsat Solutions ehf.	Operating company	Iceland / O	51%	51%
Inmarsat Australia Pty Limited	Operating company	Australia / F	100%	100%
Inmarsat KK	Operating company	Japan / S	100%	100%
Inmarsat Solutions (Shanghai) Co. Limited	Operating company	China / J	100%	100%
Inmarsat India Private Limited	Operating company	India / P	100%	100%

	Principal activity	Country of incorporation / registered address key[1]	Interest in issued ordinary share capital at 31 December 2017	Interest in issued ordinary share capital at 31 December 2016
Inmarsat Licences (Canada) Inc.	Holding company	Canada / B	100%	100%
Flysurfer Colombia S.A.S	Operating company	Columbia/ I	100%	-
Flysurfer Peru S.A.C	Operating company	Peru/ R	100%	-
Navarino UK Limited	Associate	England and Wales / AD	49%	49%
JSAT Mobile Communications Inc.	Associate	Japan/ G	26.67	26.67%

1 For the list of registered addresses please refer to the next table.

In accordance with s479A of the Companies Act 2006, the following companies are exempt from the requirements relating to the audit of individual accounts for the year ended 31 December 2017: Inmarsat Trustee Company Limited (03688399), Stratos Global Holdings Limited (04113448) and Inmarsat Employee Share Plan Trustees Limited (03669306).

REGISTERED ADDRESS KEY:

Key	Registered Address
A	99 City Road, London EC1Y 1AX
B	34 Glencoe Drive, Box 5754, Donovan's Bus. Park, Mount Pearl Newfoundland A1N 4S8, Canada
C	874 Walker Road, Suite C, City of Dover DE 19904, United States
D	2711 Centerville Road, Suite 400, Wilmington, New Castle DE, United States
E	1101 Connecticut Avenue, N.W. Suite 1225 WA 20036, United States
F	Level 40, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000, Australia
G	Nisso Building #22 8F, Azabudai1-11-10, Minato-ku, Tokyo 106-0041, Japan
H	Av Presidente Juscelino Kubitschek 50, Suite 172, Room 7, 17th Floor, Sao Paulo, CEP 04543-000, Brazil
I	Cra. 7 No. 71-52 Tower B 9th Floor, Bogota, DC, Colombia 110231
J	4th and 5th floors of No. 20-4, Ronghui Park, Yuhua Road, Area B, Tianzhu Airport Industrial Zone, Shunyi District, Beijing
K	1, Lampousas, Nicosia, 1095, Cyprus
L	Aarberger Strasse 18, 12205, Berlin, Germany
M	280 Kifisias Avenue, Halandri, 152 32, Greece
N	19 Floor, Millennium Trade Centre, No. 56 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong
O	Hlíðarsmára 10, 201 Kópavogi
P	B-92, 9th Floor Himalaya House, K.G. Marg, New Delhi, 110001, India
Q	Panbil Residence 1st – 2nd Floor, Jl. Ahmad Yani, Muka Kuning – Batam – 29433 , INDONESIA
R	General Córdova N° 313, Miraflores - Lima 18, Perú
S	Level 25 Ark Hills Sengokuyama Mori Tower, 1-9-10, Roppongi, Minato-ku, Tokyo, 106-0032, Japan
T	44 Esplanade, St. Helier, Jersey JE4 9WG, Jersey
U	Bell Gully, Lvl 22, Vero Centre, 48 Shortland Street, Auckland, New Zealand
V	Loire 158-160, 2491 AL, The Hague, Netherlands
W	Borgundfjordvegen 116, 6017 Alesund, 1504 Ålesund, Norway
X	Bld. 5, 13 Kasatkina Street, 129301, Moscow, Russian Federation
Y	11 Lorong 3 Toa Payoh , #01-31, Jackson Square, 319579, Singapore
Z	Deloitte Place, The Woodlands, 20 Woodlands Drive, Woodmead, Sandton, Johannesburg, Gauteng, South Africa, 2052
AA	Príncipe de Vergara 73, 28006, Madrid, Spain
AB	Route de Crassier 19, 1262, Eysins, Switzerland
AC	Al Maktoum Street, Al Reem Tower, Suite 402, P.O. Box 27313, Dubai, UAE, United Arab Emirates
AD	Camburgh House, 27 New Dover Road, Canterbury, Kent CT1 3DN

COMPANY BALANCE SHEET

at 31 December 2017

($ in millions)	2017	2016
Assets		
Non-current assets		
Investments[1]	1,003.7	1,003.7
Total non-current assets	1,003.7	1,003.7
Net assets	1,003.7	1,003.7
Shareholders' equity		
Ordinary shares	0.4	0.4
Share premium	677.5	677.5
Capital contribution reserve	325.7	325.7
Retained earnings	0.1	0.1
Total equity	1,003.7	1,003.7

1 Investments consist of a $1,003.6m investment in Inmarsat Investments Limited (2016: $1,003.6m) and a $0.1m investment in Inmarsat Finance plc (2016: $0.1m).

The Company reported a profit for the financial year ended 31 December 2017 of $280.0m (2016: $241.2m).

The financial statements of the Company, registered number 4886115, on pages 45 to 46 were approved by the Board of Directors on 14 March 2018 and signed on its behalf by:

TONY BATES
DIRECTOR

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

($ in millions)	Ordinary share capital	Share premium account	Capital Contribution Reserve	Retained earnings	Total
Balance at 1 January 2016	0.4	677.5	325.7	0.1	1,003.7
Profit for the year	–	–	–	241.2	241.2
Dividends paid	–	–	–	(241.2)	(241.2)
Balance at 31 December 2016	0.4	677.5	325.7	0.1	1,003.7
Profit for the year	-	-	-	280.0	280.0
Dividends paid	-	-	-	(280.0)	(280.0)
Balance at 31 December 2017	0.4	677.5	325.7	0.1	1,003.7

PRINCIPAL ACCOUNTING POLICIES

A) BASIS OF ACCOUNTING

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and IFRS as issued by the International Accounting Standards Board.

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the Financial Reporting Council ('FRC'). Accordingly, in the year ended 31 December 2015 the Company has undergone transition from reporting under International Financial Reporting Standards ('IFRS') adopted by the European Union to FRS 101 issued by the FRC. The financial statements have therefore been prepared in accordance with FRS 101. This transition is not considered to have had a material effect on the financial statements.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of a cash flow statement, the reconciliation of net cash from operations, and related party transactions.

Where relevant, equivalent disclosures have been given in the Group accounts of the Company.

The accounting policies and financial risk management policies and objectives, where relevant to the Company, are consistent with those of the consolidated Group as set out in notes 2 and 3 to the consolidated financial statements.

B) INCOME STATEMENT

The Company has taken advantage of the exemption available under Section 408 of Companies Act 2006 and has not presented an Income Statement. The profit for the year ended 31 December 2017 was $280.0m (2016: $241.2m).

C) AUDITOR'S REMUNERATION

The audit fee of $2,000 was paid by a company with the Inmarsat Group in both the current and preceding year (2016: $2,000). There were no non audit services provided in either years.

D) EMPLOYEE COSTS AND DIRECTORS' REMUNERATION

The Company does not have any directly employed employees.

E) FOREIGN CURRENCY TRANSLATION

Accounting for foreign currency transactions of the Company is consistent with that of the Group, which is disclosed in note 2 to the consolidated financial statements.

F) SHARE CAPITAL

The share capital of the Company is disclosed in note 24 to the Group's consolidated financial statements.

G) FINANCIAL INSTRUMENTS

The IFRS 7, 'Financial Instruments' disclosures, where relevant to the Company, are consistent with that of the Group as set out in note 30 to the consolidated financial statements.

The differences between the Group and the Company in relation to related party balances are $438.0m (2015: $356.0m) amounts due from Group companies and $27.1m (2016: $19.0m) amounts due to group companies, which eliminate on consolidation. The Directors consider the carrying value of the related party balances to approximate to their fair value.

GLOSSARY OF TERMS

ALTERNATIVE PERFORMACE MEASURES

The Directors use APMs to better understand the underlying financial performance of the Group and to provide comparability of information between reporting periods and business units. The measures are also used in discussions with the investment analyst community and the credit rating agencies. Given that APMs are not defined by International Financial Reporting Standards they may not be directly comparable with other companies who use similar measures. APMs used in these financial statements are:

CASH CAPITAL EXPENDITURE (CASH CAPEX)

Cash capital expenditure is the cash flow relating to tangible and intangible asset additions, it includes capitalised labour costs and excludes capitalised interest. Cash capex indicates our continued investment in the growth and development of our network and infrastructure as well as our investment in the future technologies of the business.

For the reconciliation of cash capital expenditure to capital expenditure, refer to Note 5 on Segmental Information.

EBITDA AND ADJUSTED EBITDA

EBITDA is defined as profit for the year before net financing costs, taxation, depreciation and amortisation, gains/losses on disposal of assets, impairment losses and share of profit of associates. EBITDA is a commonly used industry measure which helps investors to understand the contribution made by each of our business units. Adjusted EBITDA excludes a one-off restructuring charge of $19.9m, incurred in Q4 2017.

The reconciliation of EBITDA to Profit after tax is presented below:

($ in millions)	2017	2016
Adjusted EBITDA	751.5	794.8
Restructuring change	(19.9)	-
EBITDA	731.5	(394.4)
Depreciation and amortisation	(406.7)	(349.4)
Other	(3.3)	1.7
Operating profit	321.5	447.0
Net financing costs	(77.2)	(66.5)
Taxation charge	(49.1)	(66.2)
Profit for the year	195.2	319.1