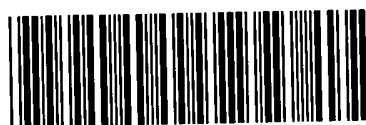


Inmarsat Investments Limited

(Registered Number: 4886096)

**Annual Report and Financial Statements
For the year ended 31 December 2016**

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Inmarsat Investments Limited

Strategic Report For the year ended 31 December 2016

Principal activities

Inmarsat Investments 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. We have an in-orbit fleet of eleven owned and operated satellites in geostationary orbit. This includes eleven satellites on our L-band platform and three satellites on our Ka-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. There is currently a fourth GX satellite that is fully constructed and awaiting launch.

Key financial and other performance indicators

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

(\$ in millions)	2016	2015	Change
Revenue	1,329.0	1,274.1	4%
Operating profit	447.0	426.4	5%
Profit after tax	318.6	303.4	5%
Net assets	1,568.1	1,515.2	3%
Average number of employees	1,762	1,687	4%

Revenue increased by \$54.9m (4%) year-on-year to \$1,329.0m (2015: \$1,274.1m), driven by growth in Aviation (\$15.8m), Government (\$43.9m) and Ligado income (\$30.8m), but partially offset by lower contributions from Maritime (\$17.9m) and Enterprise (\$14.9m) driven by stress in core markets for these Business Units.

Operating profit increased \$20.6m (5%) year-on-year due to a reduction in net operating costs, which decreased by \$13.9m to \$534.2m for the year (2015: \$548.1m), reflecting mainly an improved product mix (c.\$19m) and foreign exchange gains (c.\$33m) which more than offset increased investment in our In-Flight Connectivity (IFC) capability (c.\$22m) and an increase in GX operations costs (c.\$6m).

Profit before tax in the year was \$384.8m (2015: \$365.15m).

The tax charge for the year was \$66.2m, an increase of \$4.5m (2015: \$61.7m). The effective tax rate for 2016 was 17.2% (2015: 16.7%) compared to an average statutory rate for the UK for 2016 of 20% (2015: 20.25%). The difference between the effective and statutory rates is mainly due to the impact of the credit of \$10.3m arising on the revaluation of the Group's deferred tax liabilities, arising as a result of the reduction in the UK corporation tax rate from 18% to 17% in 2020, which was substantively enacted in Q3 2016.

Profit after tax was \$318.6m, compared to \$303.4m in 2015.

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 of satellites and our network** - 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 network may not be able to cope with the demand from users. *Risk Elements:* operational satellite failures, failure of SCC, NOC, LES, SAS, third party satellite failure, catastrophic disaster, safety services (technical provision), attack on satellites or RF network, significant failure of web-based operational tools.
- **Failure to expand into the broadband market** - we may fail to correctly assess our market, technological changes, customer requirements and competitors' strategy and to exploit market opportunities. We may develop next generation broadband services that will not meet these market opportunities, or these developments could have delays or cost overruns impacting on our market position, revenue or returns on investment. *Risk Elements:* satellite development, manufacturing and launch (I-5 F4 and I-6 satellites), OBE delivery, stability of GX gateway and networks, GX Honeywell terminals, GX commercial launch readiness and revenue growth, L-band enhancement.

Inmarsat Investments Limited

Strategic Report (continued) For the year ended 31 December 2016

Principal risks and uncertainties (continued)

- **Failure to successfully grasp the IFC opportunity** - we may fail to fully grasp the large expansion opportunity in IFC in the aviation sector. Our competitors may provide better products to market or our access to market may be restricted by regulatory issues. *Risk Elements:* satellite development, manufacturing and launch (I5-F4, S-band, and I-6 satellites), EAN ground network, S-band regulatory approvals, regulatory hurdles to market access, failure to secure S-band launch customers.
- **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. 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. Further, 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. For the purpose of our scenario modelling we have incorporated this risk into various scenarios surrounding satellite delays and business growth given the large overlap in contributing factors and resulting outcomes. *Risk Elements:* orbital slots, satellite capacity and congestion, L-band and Ka-band spectrum allocation, S-band licenses.
- **Cyber Security** - our satellites, networks, systems and processes may be vulnerable to security risks from unauthorised access, computer viruses, denial of services and other security attacks. Our customers may not use our services if we could not demonstrate that our services are reliable and meet certain cyber security requirements. *Risk Elements:* cyber security risks to computing infrastructure & services, corporate (Back Office) IT security & disaster recovery, cyber security accreditation, national gateways / SASs, providing cyber as a service.
- **Failure of Critical Customers** - we rely on our distribution channel for part of our revenue and they might not sell our services effectively or competitively. 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. *Risk Elements:* downstream distribution consolidation, relationship with DPs & ISPs, customer retention, change in aviation distribution strategy, loss of ability to do business with USG, increased engagement with China, Russia, Northrop Grumman subcontract non-renewal, migration of leasing services, market risks, delays in introducing new product, high value end-user and broadband commercial risks, GMDSS safety services franchise.
- **Failure of Critical Suppliers** - we rely on a limited number of third party suppliers and partners in the production of our satellites, systems, terminals and products and we may have limited control over availability, quality and delivery. From our internal research and discussion with relevant specialists we have determined that the risk posed by a loss of a critical supplier would be a short term operational risk, which could be mitigated with minimal financial outflow, rather than a long term risk to viability, as such we have not modelled a relevant scenario. *Risk Elements:* Supplier issues/dependence, major satellites, network and terminal development programmes.
- **Failure to deliver the Solutions strategy** - we are aiming to implement a new solutions based rather than a product based strategy. There is a risk that the transition may not go smoothly and we may fail to meet targets on our new solutions based revenue. From analysis of the forecast solutions figures, we have determined that the failure of the solutions strategy would not be materially different from the impact of other principal risks, such as failure to expand the narrowband business and failure to grow the maritime business. As such we have not generated a specific scenario to cover a failure to deliver the solutions strategy but rather modelled it through our other scenarios.
- **Failure to at least maintain our existing narrowband business** - the narrowband business currently makes up a large portion of our revenue stream and is vital to the continued growth of the business. We may not be able to maintain our market share of narrowband business or we may fail to keep up with the business needs of our customers.
- **Failure to maintain and grow the Maritime business** - we may not be able to grow on our existing levels of revenue in the maritime industry through either competitor pressure or further decline in the overall maritime sector. We may not identify adequate opportunities in the maritime market. From analysis, we believe this risk to be closely linked to others in terms of cause and effect, as such for the purpose of scenario testing we have considered this risk as parallel to others and included it within the revenue decline and growth decline scenarios.

Inmarsat Investments Limited

Strategic Report (continued) For the year ended 31 December 2016

Principal risks and uncertainties (continued)

- **Failure to effectively deliver products and services** - we may not be able to take to market our products and services for various reasons such as competitor pressure, network/satellite issues, technological difficulties etc. This would directly impact our revenue streams and cause serious concern amongst customers and investors alike. This is a very broad risk covering our entire business, as such we believe this risk is covered by multiple plausible scenarios below.
- **People and skills risk** - given the highly technical and specialist nature of the satellite industry, there are certain employees in our company who have very specific skill sets that are vital to the business. Further it is vital for the future of the business to keep hiring talented individuals to all roles across the business. Through our internal research we have determined that increased staff costs have been already included in the long term business plan, further the total "specialist" staff costs are not material to the business and as such a large percentage increase to these costs, in order to retain the key skills, would not have a material impact on the company's viability.
- **Geo-political risk** - downturns in the economy of a country and/or world economy could impact our business and strategy. Armed conflicts as well as a low oil price may have large effects on world trade and consequently on our business. Large currency fluctuations, especially against the US Dollar may have a material impact on our business. We do a large amount of business with governments across the globe including the US government. Major political decisions such as Brexit, may impact our business.

Future developments

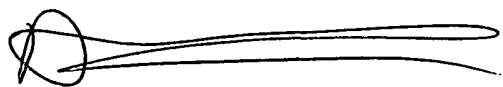
The Company is part of the Inmarsat plc group, and the future developments are incorporated within the Business Reviews (pages 28 to 49) and Strategic Report (pages 1 to 55) of the Inmarsat plc 2016 annual report, which does not form part of this report.

Post balance sheet events

On 1 March 2017, the Company notified members of its Defined Benefit Pension Plan that the plan will close to future benefit accrual on 31 March 2017 and that from 1 April 2017 members can elect to transfer to the Group Defined Contribution Plan. It is expected that the majority of members will take up this election.

Since the balance sheet date there have been no other significant events which would require disclosure in the 31 December 2016 Annual Report.

By order of the Board



Alison Horrocks FCIS

Company Secretary

28 April 2017

Inmarsat Investments Limited

Directors' Report For the year ended 31 December 2016

The Directors submit their annual report and the audited financial statements for Inmarsat Investments Limited (the 'Company' or together with its subsidiaries, the 'Group') for the year ended 31 December 2016.

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 during the year or at the end of the year had any material interests in any contract of significance to the Company's business.

Principal activities

The Company is a member of the Inmarsat Group, providing services to other companies in the Inmarsat 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 on the Income Statement on page 8.

The Group paid dividends during the year ended 31 December 2016 of \$85.2m and \$143.3m for the 2016 interim dividend and the 2015 final dividend, respectively (year ended 31 December 2015: \$88.1m and \$136.0m for the 2015 interim dividend and the 2014 final interim dividend, respectively).

No final dividend for the year ended 31 December 2016 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 'Group') and the going concern review completed at the date of signing of the Group accounts is set out on page 61 of the Inmarsat plc 2016 annual report which does not form part of this report. The going concern of the Company is dependent on the going concern of the Group. Additionally, the Company is reliant on the 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 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 4 and 29 to the consolidated financial statements.

Inmarsat Investments Limited

Directors' Report (continued) For the year ended 31 December 2016

Employees

We recognise the importance of diversity amongst our employees and are committed to ensuring that employees are selected and promoted on the basis of merit and ability, regardless of age, gender, race, religion, sexual orientation or disability.

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. Employees are assisted in their career development through an annual appraisal scheme, and training is provided to support this. We do not discriminate against anyone who has a disability when considering career development opportunities. If an employee becomes disabled whilst working for us, we would review 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 Company.

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 extend two-way communications between employees and management and allow the views of employees to be taken into account in making decisions which may affect their interests. 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 the Netherlands, the Works Council is constituted according to local requirements, as too are the arrangements in Perth.

The Inmarsat plc Board receives an annual update on Health and Safety activity across the Group. Rupert Pearce, CEO, has been identified as the Director having responsibility for health and safety issues at Inmarsat plc Board level. We have a dedicated Health & Safety Manager who is located in our headquarters office and our subsidiary operations have identified individuals responsible for health and safety across their operations. 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. Regular health and safety audits are undertaken at operating sites across the Group. We again received very positive feedback from our employees to our global 'healthy wellbeing programme' which is run annually in November. 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.

Inmarsat Investments Limited

Directors' Report (continued) For the year ended 31 December 2016

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 statements 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 auditor

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.

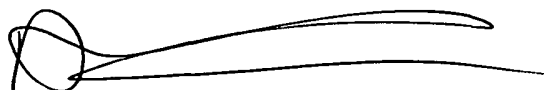
Independent auditor

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
28 April 2017

Independent auditor's report to the members of Inmarsat Investments Limited

We have audited the financial statements of Inmarsat Investments Limited for the year ended 31 December 2016 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes 1 to 35, and the Company Balance Sheet, the Company Statement of Changes in Equity and related notes A to G. 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 (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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.

Respective responsibilities of directors and auditor

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

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 2016 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with 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; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

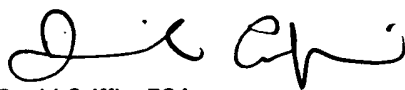
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept 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.



David Griffin, FCA

(Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

28 April 2017

Inmarsat Investments Limited

**Notes to the Company Financial Statements
For the year ended 31 December 2016**

Inmarsat Investments Limited

Consolidated Income Statement

For the year ended 31 December 2016

(\$ in millions)	Note	2016	2015
Revenue		1,329.0	1,274.1
Employee benefit costs	7	(260.4)	(260.4)
Network and satellite operations costs		(168.6)	(180.0)
Other operating costs		(147.3)	(147.2)
Own work capitalised		42.0	39.5
Total net operating costs		(534.3)	(548.1)
EBITDA		794.7	726.0
Depreciation and amortisation	6	(349.4)	(311.2)
Gain on disposal of assets		0.5	9.3
Impairment loss	6	(1.2)	(0.2)
Share of profit of associates	15	2.4	2.5
Operating profit		447.0	426.4
Financing income	9	4.9	2.3
Financing costs	9	(67.1)	(63.6)
Net financing costs	9	(62.2)	(61.3)
Profit before tax	6	384.8	365.1
Tax charge	10	(66.2)	(61.7)
Profit for the year		318.6	303.4
Attributable to:			
Equity holders		318.0	302.8
Non-controlling interest		0.6	0.6
		318.6	303.4

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2016

(\$ in millions)	Note	2016	2015
Profit for the year		318.6	303.4
Other comprehensive income/(loss)			
Items that may be classified subsequently to the Income Statement:			
Transfer to income statement on disposal of available-for-sale financial asset		–	(9.4)
Foreign exchange translation differences		0.1	(0.7)
Net gain/(loss) on cash flow hedges	26	(24.3)	2.9
Tax charged directly to equity	10	0.1	1.0
Items that will not be reclassified subsequently to the Income Statement:			
Remeasurement gains from pension and post-employment benefits	27	(13.4)	3.0
Tax charged directly to equity	10	2.6	(0.6)
Total other comprehensive loss		(34.9)	(3.8)
Total comprehensive income		283.7	299.6
Attributable to:			
Equity holders		283.1	299.0
Non-controlling interest		0.6	0.6

Inmarsat Investments Limited

Consolidated Balance Sheet

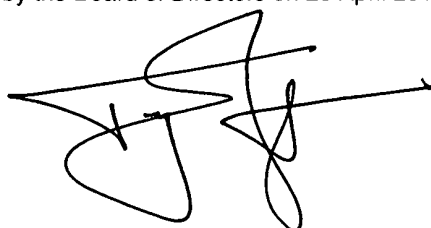
As at 31 December 2016

(\$ in millions)	Note	2016	2015
Assets			
Non-current assets			
Property, plant and equipment	13	2,971.4	2,860.2
Intangible assets	14	796.4	772.0
Investments	15	13.2	12.1
Other receivables	17	11.7	23.4
Deferred income tax assets	22	38.6	44.6
Derivative financial instruments	30	0.1	-
		3,831.4	3,712.3
Current assets			
Cash and cash equivalents	16	259.7	175.5
Short term deposits	16	395.0	-
Trade and other receivables	17	348.5	342.3
Inventories	18	34.3	25.0
Current tax assets	22	8.5	3.8
Derivative financial instruments	30	1.7	-
Restricted cash	16	2.3	3.0
		1,050.0	549.6
Total assets		4,881.4	4,261.9
Liabilities			
Current liabilities			
Borrowings	19	498.1	207.2
Trade and other payables	20	483.7	461.7
Provisions	21	1.9	1.8
Current tax liabilities	22	144.5	128.3
Derivative financial instruments	30	5.9	0.3
		1,134.1	799.3
Non-current liabilities			
Borrowings	19	1,906.5	1,703.7
Other payables	20	41.5	42.9
Provisions	21	2.8	2.5
Deferred tax liabilities	22	208.3	198.3
Derivative financial instruments	30	20.1	-
		2,179.2	1,947.4
Total liabilities		3,313.3	2,746.7
Net assets		1,568.1	1,515.2
Shareholders' equity			
Ordinary shares	24	0.3	0.3
Share premium		365.6	365.6
Other reserves		708.8	721.7
Retained earnings		492.8	427.0
Equity attributable to Parent Company		1,567.5	1,514.6
Non-controlling interest		0.6	0.6
Total equity		1,568.1	1,515.2

The accompanying notes are an integral part of the financial statements.

The consolidated financial statements of Inmarsat Investments Limited, registered number 4886096, on pages 8 to 63 were approved by the Board of Directors on 28 April 2017 and signed on its behalf by:

Tony Bates
Director



Inmarsat Investments Limited

Consolidated Statement of Changes in Equity For the year ended 31 December 2016

(\$ in millions)	Ordinary share capital	Share premium account	Share option reserve	Cash flow hedge reserve	Revaluatio n reserve	Currency reserve	Capital contribution reserve	Retaine d earnings	Non- controlling interest	Total
Balance as at										
1 January 2015	0.3	365.6	71.8	(1.6)	8.6	(0.4)	639.8	344.3	0.5	1,428.9
Share options charge	-	-	9.8	-	-	-	-	1.6	-	11.4
Dividends paid	-	-	-	-	-	-	-	(224.1)	(0.5)	(224.6)
Comprehensive										
Income:										
Profit for the period	-	-	-	-	-	-	-	302.8	0.6	303.4
Other										
comprehensive										
income - before										
tax	-	-	-	2.9	(9.4)	(0.8)	-	3.0	-	(4.3)
Other										
comprehensive										
income - tax	-	-	-	(0.4)	1.4	-	-	(0.6)	-	0.4
Balance as at										
31 December 2015	0.3	365.6	81.6	0.9	0.6	(1.2)	639.8	427.0	0.6	1,515.2
Share options charge	-	-	11.1	-	-	-	-	-	-	11.1
Dividends paid	-	-	-	-	-	-	-	(241.2)	(0.6)	(241.8)
Comprehensive										
Income:										
Profit for the period	-	-	-	-	-	-	-	318.0	0.6	318.6
Other										
comprehensive										
income - before										
tax	-	-	-	(24.3)	(1.0)	1.2	-	(13.4)	-	(37.5)
Other										
comprehensive										
income - tax	-	-	-	0.1	-	-	-	2.4	-	2.5
Balance as at										
31 December 2016	0.3	365.6	92.7	(23.3)	(0.4)	-	639.8	492.8	0.6	1,568.1

Inmarsat Investments Limited

Consolidated Cash Flow Statement

For the year ended 31 December 2016

(\$ in millions)	Note	2016	2015
Cash flow from operating activities			
Cash generated from operations	23	748.6	712.0
Interest received		1.0	1.8
Tax paid		(35.6)	(12.9)
Net cash inflow from operating activities		714.0	700.9
Cash flow from investing activities			
Purchase of property, plant and equipment		(302.9)	(433.5)
Additions to capitalised development costs and other intangibles		(68.0)	(20.8)
Own work capitalised		(42.0)	(39.3)
Proceeds on disposal of assets		–	32.9
Short-term cash deposits >3 months	29	(395.0)	–
Net cash used in investing activities		(807.9)	(460.7)
Cash flow from financing activities			
Dividends paid to Parent Company	12	(228.5)	(224.1)
Proceeds from issue of long term borrowings		400.0	–
Repayment of EIB Facility	19	(132.2)	(44.1)
Drawdown of Ex-Im Bank Facility	19	–	136.7
Repayment of Ex-Im Bank Facility		(80.8)	(59.5)
Interest paid		(83.6)	(74.4)
Arrangement costs of financing	19	(11.3)	(6.9)
Intercompany funding		314.7	–
Other financing activities		1.8	1.8
Net cash generated from/(used in) financing activities		180.1	(270.5)
Foreign exchange adjustment		0.1	0.5
Net increase/(decrease) in cash and cash equivalents		86.3	(29.8)
Movement in cash and cash equivalents			
At the beginning of the year		172.9	202.7
Net increase/(decrease) in cash and cash equivalents		86.3	(29.8)
At the end of the year (net of bank overdrafts)	16	259.2	172.9
Comprising:			
Cash at bank and in hand	16	48.4	51.8
Short-term deposits with original maturity of less than three months	16	211.3	123.7
Bank overdrafts	16	(0.5)	(2.6)
Cash and cash equivalents at the end of the year		259.2	172.9

Inmarsat Investments Limited

Notes to the Consolidated Financial Statements For the year ended 31 December 2016

1. GENERAL INFORMATION

Inmarsat Investments 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 Group 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, strong free cash flow generation and is compliant with all banking covenants. Because of this, the Directors believe that the Group is 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 Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Group continues to adopt the going concern basis in preparing the consolidated financial statements.

Further discussion of the Group's business activities, together with factors likely to affect its future development, performance and position are set out in the Strategic Report and Directors' Report on pages 1 to 6.

BASIS OF ACCOUNTING

The consolidated financial statements are presented in US dollars, 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, subject to endorsement by the EU. 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.

IFRS 15 will require the Group to apportion revenue earned from contracts to each deliverable that qualifies as a 'performance obligation'. The total transaction price must be allocated to each performance obligation on a relative stand-alone selling price basis, based on a five-step model.

Inmarsat Investments Limited

Notes to the Consolidated Financial Statements For the year ended 31 December 2016

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

ACCOUNTING POLICY CHANGES (CONTINUED)

IFRS 15 contains guidance on a variety of areas, many of which are relevant to the Group, including determining the relevant 'contract' for IFRS 15 purposes, how to account for transactions in the indirect sales channel (such as wholesale transactions), agent versus principal considerations, unbundling of contracts that contain more than one performance obligation, assessing when control passes to a customer and identifying costs to obtain and fulfil contracts.

Management is currently undergoing a detailed review of the impact of adopting IFRS 15. An area which is likely to be impacted for the Group is breakage, where applying IFRS 15 is expected to result in the earlier recognition of breakage revenues for quarterly, semi-annual and annual allowance plans. Based on the findings of the review, neither this area nor any other is expected to result in material changes to the financial statements in future periods.

When IFRS 15 is adopted, it can be applied either on a fully 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 currently intends to adopt the full retrospective approach and from 1 January 2018 will show comparative figures for the December 2017 financial year under IFRS 15.

IFRS 16 'Leases'

IFRS 16 'Leases' will be effective for periods beginning on or after 1 January 2019, subject to endorsement by the EU. 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.

IFRS 16 will primarily change lease accounting for lessees; lease agreements will give rise to the recognition of an asset representing the right to use the leased item and a loan obligation for future lease payables. Lease costs will be recognised in the form of depreciation of the right to use asset and interest on the lease liability. Lessee accounting under IFRS 16 will be similar to existing IAS 17 accounting for finance leases, but will be substantively different for operating leases where rental charges are currently recognised on straight-line basis and no lease asset or lease loan obligation is recognised.

Lessor accounting under IFRS 16 is similar to existing IAS 17 accounting.

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

The Group has not yet decided whether to adopt IFRS 16 when IFRS 15 is adopted, on 1 January 2018, or on 1 January 2019.

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 standard will impact the classification and measurement of the Group's financial instruments and will require certain additional disclosures. The changes to recognition and measurement of financial instruments and changes to hedge accounting rules are not currently considered likely to have any major impact on the Group's current accounting treatment or hedging activities. The Group has not yet decided whether to early adopt IFRS 9.

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.

Inmarsat Investments Limited

Notes to the Consolidated Financial Statements For the year ended 31 December 2016

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

BASIS OF CONSOLIDATION (CONTINUED)

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.

Proxy Board arrangement

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 U.S. 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.

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 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 meets the requirements of IFRS 10 in respect of control over the entity and, therefore, consolidates the entity in the Group's consolidated accounts.

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 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.

Inmarsat Investments Limited

Notes to the Consolidated Financial Statements For the year ended 31 December 2016

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

FOREIGN CURRENCY TRANSLATION

The functional currency of the Company and most of the Group's subsidiaries and the presentation currency of the Group is US dollar, as the majority of operational transactions are denominated in US dollars.

Foreign currency transactions are translated into the functional currency using the exchange rates 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.

REVENUE

Mobile satellite communications services revenue results 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 amount 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 in revenue in line with service provision when reasonable assurance as to the breakage amount exists, or otherwise when the contract expires. Mobile satellite communications services lease revenues are recorded on a straight-line basis over the term of the contract concerned, which is typically between one and 12 months, unless another systematic basis is deemed more appropriate.

Revenue also includes income from spectrum coordination agreements, services' contracts, other communications' services and income from the sale of terminals and other communication equipment. Revenue from spectrum coordination agreements is recognised using the percentage of completion or straight-line approach depending on the underlying terms of the agreement. Revenue from service contracts is recognised as the service is provided. Sales of terminals and other communication equipment are recognised when the risks and rewards of ownership are transferred to the purchaser.

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 standalone 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 them.

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 and the unwind of the discount on deferred satellite liabilities.

FINANCIAL ASSETS

Trade and other receivables

Trade and other receivables, including prepaid and accrued income, are initially recorded 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 equivalent, measured at fair value, comprises cash balances, deposits held on call with banks, 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.

Inmarsat Investments Limited

Notes to the Consolidated Financial Statements For the year ended 31 December 2016

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

FINANCIAL LIABILITIES AND EQUITY

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. 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 recorded initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings, comprising interest-bearing bank loans and overdrafts, are initially recorded at fair value which equates to the proceeds received, net of direct transaction and arrangement costs. They are subsequently held at amortised cost. Finance charges related to borrowings, including premiums payable on settlement or redemption and direct issue costs, are accounted for using the effective interest method and are added to the carrying value of the instrument. Amortisation of direct transaction costs, are charged to the Income Statement over the term of the borrowing.

Borrowings are classified as current liabilities unless the Group has unconditional right to defer settlement of the liability for at least 12 months after the Balance Sheet date.

Senior Notes

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

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

The Group may use derivative financial instruments to manage its exposure to fluctuations in foreign exchange rates and interest rates. 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 and measured at fair value on the date the derivative 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 designated as a cash flow hedging instrument. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity. The gain or loss relating to any ineffective portion is recognised immediately in the Income Statement. Amounts deferred in equity are recognised in the Income Statement in the same period in which the hedged item affects profit or loss. Changes in the fair value of any derivative instruments that are not hedge accounted are recognised immediately in the Income Statement.

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.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments. The ineffective portion is recognised in finance costs.

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 cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

Inmarsat Investments Limited

Notes to the Consolidated Financial Statements For the year ended 31 December 2016

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. 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.

Inmarsat plc, the ultimate holding company, issues equity-settled share options and awards to employees. Equity-settled share option awards are measured at fair value at the date of the grant. The fair value determined at the grant date 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 because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Balance Sheet date.

Deferred income tax

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from 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 or loss, it is not accounted for. Deferred income 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 income tax asset is realised or the deferred income tax liability is settled.

Deferred income 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 income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Inmarsat Investments Limited

Notes to the Consolidated Financial Statements For the year ended 31 December 2016

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

TAXATION (CONTINUED)

Uncertain tax positions

The Group's policy is to comply with all enacted laws in the relevant jurisdictions in which the Group is preparing 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 once submitted. As a result, differences in view, or errors in returns, may not surface until sometime after the initial estimate of tax due is determined. This necessarily leads to uncertain tax positions.

Where the Group is aware of significant areas where the law is unclear and has been relied upon in a filing position of a tax return, or, in an area where different outcomes and interpretations are possible and may lead to a different result, 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.

RESEARCH AND DEVELOPMENT COSTS

Research expenditure is expensed when incurred. Development expenditure is expensed when incurred unless it meets criteria for capitalisation. Development costs are only capitalised once the technical feasibility and commercial viability of a business case has been demonstrated and they can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of expected future benefit. Amortisation is recorded in the Income Statement.

PROPERTY, PLANT AND EQUIPMENT

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. The associated liability is stated at its net present value and included within borrowings. These space segment assets are depreciated over the life of the satellites from the date they become operational and are placed into service.

Assets in the course of construction

These 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. No depreciation has yet been charged on these assets.

Capitalised borrowing costs

The Group incurs borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale and capitalises these borrowing costs 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 stated at historical cost less accumulated depreciation.

Inmarsat Investments Limited

Notes to the Consolidated Financial Statements For the year ended 31 December 2016

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 account of any changes in circumstances. When setting useful economic lives, the principal factors the Group takes into account 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.

Derecognition

A fixed asset 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 included in the Income Statement.

GOVERNMENT GRANTS

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs are expensed. When the grant relates to an asset, it is deducted from the cost of the relevant asset to arrive at the carrying amount. The grant is therefore recognised as income over the life of the asset by way of a reduced depreciation charge.

INTANGIBLE ASSETS

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

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. After initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is recognised in profit or loss in the period in which the expenditure is incurred.

Development costs directly relating to the development of new services are capitalised as intangible assets once a business case has been demonstrated as to technical feasibility and commercial viability.

Intangible assets with a finite useful life are amortised on a straight-line basis over the life of the asset and the amortisation period and method are reviewed each financial year. Intangible assets with an indefinite useful life are reviewed annually for impairment.

IMPAIRMENT REVIEWS

All assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill is not amortised but is tested annually for impairment at 31 December each year. Indicators of impairment may include changes in technology and business performance. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable and independent cash flows, these are known as cash generating units. An impairment loss is recognised in the Income Statement whenever the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. 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.

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Impairment losses in respect of goodwill are not reversed.

Inmarsat Investments Limited

Notes to the Consolidated Financial Statements For the year ended 31 December 2016

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

LEASES

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases by the lessee. Rentals receivables under operating leases and income generated from terminal leases are recognised in the Income Statement on straight-line basis over the term of the lease. Rentals payable under operating leases 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

When the carrying value of non-current assets and disposal groups will be recovered through a sale transaction rather than through continuing usage, they are classified as held for sale. This condition is regarded as met only when the sale is highly probable and the disposal group is available for immediate sale in its present condition. Assets held for sale are stated at the lower of their carrying amount and fair value less costs to sell.

Disposal groups are groups of assets and liabilities to be disposed of together as a group in a single transaction. They are recognised as held for sale at the reporting date and are separately disclosed as current assets and liabilities on the Balance Sheet. Any amortisation or depreciation ceases when an asset is classified as held for sale. Measurement differences arising between the carrying amount and fair value less cost of disposal are treated as impairment charges and separately disclosed.

Available-for-sale financial assets classified as held for sale are remeasured to fair value with the resulting gains or losses recorded through the revaluation reserve. These amounts are subsequently reclassified to profit or loss at the time 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 presented in the Income Statement.

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.

Inmarsat Investments Limited

Notes to the Consolidated Financial Statements For the year ended 31 December 2016

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 has delegated to a subcommittee, the Treasury Review Committee, the responsibility for setting the financial risk management policies applied by the Group. The policies are implemented by the treasury department which receives regular reports from the operating companies to enable prompt identification of financial risks so that appropriate actions may be taken. The treasury department has a policy and procedures 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 Investments Limited 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 17% of total revenue and total expenditure, respectively, being denominated in currencies other than the US Dollar. Approximately 32% (2015: 34%) of the Group's operating costs are denominated in Pounds Sterling. In addition, 85% of the expenditure on the I-6 satellite programme is in currencies other than US Dollars. The Group's exposures 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 2016 it is estimated that a hypothetical 1% increase in the US Dollar/Sterling year end exchange rate (US\$1.24/£1.00 to US\$1.25/£1.00) would have increased the 2016 profit before tax by approximately \$0.6m (2015: \$0.4m);

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

Given the Group has no significant interest-bearing assets (except cash and cash equivalents, short-term deposits, and non-current other receivables), income and operating cash flows are substantially independent of changes in market interest rates. 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 2016, 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.

Inmarsat Investments Limited

Notes to the Consolidated Financial Statements For the year ended 31 December 2016

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

(\$ in millions)	Note	2016	2015
Cash and cash equivalents	16	259.7	175.5
Trade receivables, other receivables and accrued income	17	282.1	328.4
Derivative financial instruments	30	1.8	-
Total credit risk		543.6	503.9

The Group's average age of trade receivables as at 31 December 2016 was approximately 63 days excluding Ligado and approximately 58 days including Ligado (2015: 61 days excluding Ligado and 56 days including Ligado). At 31 December 2016, \$165.6m (2015: \$156.2m) 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 \$13.7m as at 31 December 2016 (2015: \$16.1m).

For 2016, no customer comprised greater than 10% of the Group's total revenues (2015: one customer, 11.4%). In 2015, the customer comprising greater than 10% of the Group's total revenues accounted for 16.4% of the Group's trade receivables balance as at 31 December 2015.

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

(\$ in millions)	2016	2015
Between 1 and 30 days overdue	35.3	30.2
Between 31 and 120 days overdue	7.9	9.0
Over 120 days overdue	1.5	1.4
As at 31 December	44.7	40.6

(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	2016	2015
Cash and cash equivalents	16	259.7	175.5
Available but undrawn borrowing facilities ¹	19	578.9	578.9
Total available liquidity		838.6	754.4

¹ Relates to the Senior Credit Facility and Ex-Im Bank Facilities (see note 19).

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

Inmarsat Investments Limited

Notes to the Consolidated Financial Statements For the year ended 31 December 2016

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 estimates are discussed below:

(A) IMPAIRMENT REVIEW

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 at 31 December 2016 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	8.2%	2.0%
Enterprise	54.8	8.2%	2.0%
Aviation	46.4	8.2%	2.0%
US Government	50.6	8.2%	2.0%
Global Government	54.8	8.2%	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 and taking 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.

(B) TAXATION

The calculation of the Group's current and deferred tax balances, including potential liabilities or assets, necessarily involves a degree of estimation and judgement 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 and judgement. 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. In addition, a contingent liability has been disclosed for the year ended 31 December 2016 in respect of arrangements which were entered into in prior periods (see note 32).

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 over 2017 or 2018. The enquiries remain ongoing at this time.

Inmarsat Investments Limited

Notes to the Consolidated Financial Statements For the year ended 31 December 2016

4. CRITICAL ACCOUNTING ESTIMATES AND KEY JUDGEMENTS (CONTINUED)

(C) 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. To date total cash payments of \$775.0m have been received under the Cooperation Agreement, including \$126.2m in 2016 (2015: \$70.8m). The Group has, thus far, recognised \$577.2m of revenue and \$23.4m of operating costs under all phases of the agreement. For the year ended 31 December 2016, the Group recognised \$119.4m of revenue with no associated operating costs (year ended 31 December 2015: \$88.6m 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. With this in mind, Ligado made quarterly payments to Inmarsat totalling \$108m during the course of 2016 and will make aggregate payments of approximately \$111m and \$118m in respect of 2017 and 2018 respectively, payable in quarterly instalments. This revenue is recognised on an accruals basis. Over the three year period, up to approximately \$35m of additional contracted payments will be deferred.

At 31 December 2016, deferred income in respect of the Cooperation Agreement of \$197.8m 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 a number of factors that continue to be uncertain until such time as Ligado receive their FCC license. During 2016, Inmarsat recognised \$11.0m of deferred income as revenue to reflect the impact of the revenue deferral arising under the revised transition agreement.

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

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.

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;
- Enterprise, focusing on worldwide energy, industry, media, carriers, and M2M services;
- Aviation, focusing on commercial aviation services;
- US Government, focusing on US civil and military government services; and
- Global Government, focusing on worldwide civil and military government 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. The Group has aggregated the US Government and Global Government operating segments into one reporting segment as the segments meet the criteria for aggregation under IFRS. Therefore, the Group's reportable segments are Maritime, Government, Enterprise, Aviation 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 at the EBITDA level without the allocation of central costs, depreciation, net financing costs and taxation.

Inmarsat Investments Limited

Notes to the Consolidated Financial Statements For the year ended 31 December 2016

5. SEGMENTAL INFORMATION (continued)

	2016					
(\$ in millions)	Maritime	Government	Enterprise	Aviation	Central Services	Total
Revenue						
Revenue	575.3	330.5	144.6	142.6	16.6	1,209.6
Ligado revenue	–	–	–	–	119.4	119.4
Total revenue	575.3	330.5	144.6	142.6	136.0	1,329.0
Net operating costs	(120.5)	(86.5)	(38.7)	(45.2)	(243.4)	(534.3)
EBITDA	454.8	244.0	105.9	97.4	(107.4)	794.7
Depreciation and amortisation	–	–	–	–	(349.4)	(349.4)
Other ¹	–	–	–	–	1.7	1.7
Operating profit	454.8	244.0	105.9	97.4	(455.1)	447.0
Net financing cost						(62.2)
Profit before tax						384.8
Taxation						(66.2)
Profit for the year						318.6
Cash capital expenditure²	43.8	6.1	0.4	153.0	209.6	412.9
Financing costs capitalised in the cost of qualifying assets						36.1
Cash flow timing ³						37.2
Total capital expenditure						486.2

¹ Other relates primarily to the share of profit from associates.

² Cash capital expenditure is the cash flow relating to tangible and intangible asset additions, it includes capitalised labour costs and excludes capitalised interest.

³ Cash flow timing represents the difference between accrued capex and the actual cash flows.

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Notes to the Consolidated Financial Statements For the year ended 31 December 2016

5. SEGMENTAL INFORMATION (continued)

	2015					
\$ in millions)	Maritime	Government	Enterprise ¹	Aviation	Central Services	Total
Revenue						
Revenue	593.2	286.6	159.5	126.8	19.4	1,185.5
Ligado revenue	–	–	–	–	88.6	88.6
Total revenue	593.2	286.6	159.5	126.8	108.0	1,274.1
Net operating costs	(133.8)	(95.6)	(46.4)	(23.1)	(249.2)	(548.1)
EBITDA	459.4	191.0	113.1	103.7	(141.2)	726.0
Depreciation and amortisation	–	–	–	–	(311.2)	(311.2)
Impairment losses	–	–	–	–	(0.2)	(0.2)
Other ²	–	–	–	–	11.8	11.8
Operating profit	459.4	191.0	113.1	103.7	(440.8)	426.4
Net financing cost						(61.3)
Profit before tax						365.1
Taxation						(61.7)
Profit for the year						303.4
Cash capital expenditure³	30.1	4.4	0.3	64.4	394.4	493.6
Financing costs capitalised in the cost of qualifying assets						35.3
Cash flow timing ⁴						(31.8)
Total capital expenditure						497.1

¹ Enterprise excludes the disposals made during the first half of 2015

² Other relates primarily to the share of profit from associates.

³ Cash capital expenditure is the cash flow relating to tangible and intangible asset additions, it includes capitalised labour costs and excludes capitalised interest.

⁴ Cash flow timing represents the difference between accrued capex and the actual cash flows.

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Notes to the Consolidated Financial Statements For the year ended 31 December 2016

5. SEGMENTAL INFORMATION (continued)

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.

(\$ in millions)	2016		2015	
	Revenue	Non-current segment assets	Revenue	Non-current Segment assets
United Kingdom	99.9	958.2	104.0	795.0
Rest of Europe	369.9	659.0	319.0	271.8
North America	484.8	439.5	541.8	695.5
Asia and Pacific	279.9	83.2	254.9	60.4
Rest of the world	94.5	8.5	54.4	0.1
Unallocated ¹	–	1,683.7	–	1,889.5
	1,329.0	3,832.1	1,274.1	3,712.3

¹ Unallocated items relate to satellites which are in orbit.

Inmarsat Investments Limited

Notes to the Consolidated Financial Statements For the year ended 31 December 2016

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, operating lease rentals and services. A breakdown of employee benefit costs is given in note 7.

Operating profit is stated after charging the following items:

(\$ in millions)	Note	2016	2015
Depreciation of property, plant and equipment	13	278.1	239.5
Amortisation of intangible assets	14	71.3	71.7
Impairment of intangible assets	14	-	0.4
Gain on disposal of assets		(0.5)	(9.3)
Impairment of non-current other receivables		1.2	0.2
Operating lease rentals:			
Land and buildings		14.8	15.4
Services equipment, fixtures and fittings		0.3	-
Cost of inventories recognised as an expense		33.3	31.9
Write downs of inventories recognised as an expense	18	0.5	3.9
Research and development costs expensed		13.3	13.6

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

(\$ in millions)	2016	2015
Audit of subsidiaries	0.9	1.0
Total audit and audit-related fees	0.9	1.0
Tax advisory services	0.1	0.6
Other services ¹	0.1	-
Total non-audit fees	0.2	0.6
Total Auditor's remuneration	1.1	1.6

¹ Other services in 2016 related to a corporate financing transaction

Inmarsat Investments Limited

Notes to the Consolidated Financial Statements For the year ended 31 December 2016

7. EMPLOYEE BENEFIT COSTS

(\$ in millions)	Note	2016	2015
Wages and salaries		219.1	215.8
Social security costs		17.8	19.0
Share options charge (including employers' National Insurance contribution)		12.5	14.2
Defined contribution pension plan costs		9.0	8.2
Defined benefit pension plan costs ¹	27	1.9	3.1
Post-employment benefits costs ¹	27	0.1	0.1
Total employee benefit costs		260.4	260.4

¹ Defined benefit pension plan costs and post-employment benefits costs include the service cost and gain on curtailment in 2016 (see note 27).

Employee numbers

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

	2016 Number	2015 Number
By Activity:		
Operations	810	784
Sales and marketing	370	300
Development and engineering	223	156
Administration	357	352
	1,760	1,592
By Segment:		
Maritime	337	356
Government	189	181
Enterprise	72	70
Aviation	108	28
Central Services	1,056	957
	1,760	1,592

The employee headcount numbers presented above refers to permanent full time and part time employees and excludes contractors and temporary staff. Employee benefit costs of \$21.7m (2015: \$22.8m) relating to contractors and temporary staff have been included in the total cost table above.

Inmarsat Investments Limited

Notes to the Consolidated Financial Statements For the year ended 31 December 2016

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 Directors remuneration or senior management 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)	2016	2015
Short-term employee benefits	3.9	4.5
Company contributions to defined contribution pension schemes ¹	—	-
Share-based payments ²	5.1	5.9
	9.0	10.4

¹ Includes the value of cash allowances taken by two Executive Directors of Inmarsat plc in lieu of pension contributions.

² Includes employers National Insurance or other social security contributions.

9. NET FINANCING COSTS

(\$ in millions)	2016	2015
Bank interest receivable and other interest	(4.3)	(1.4)
Pension and post-employment liability finance income	-	(0.4)
Intercompany interest income	(0.6)	(0.5)
Total financing income	(4.9)	(2.3)
Interest on credit facilities	0.1	-
Interest on Subordinated Senior Notes loan and intercompany interest payable	90.4	78.2
Amortisation of debt issue costs	7.6	7.9
Amortisation of discount on Senior Notes due 2022	1.0	1.1
Unwinding of discount on deferred satellite liabilities	0.6	0.9
Pension and post-employment liability finance costs	0.4	-
Other interest	3.1	10.8
Financing costs	103.2	98.9
Less: Amounts capitalised in the cost of qualifying assets	(36.1)	(35.3)
Total financing costs	67.1	63.6
Net financing costs	62.2	61.3

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 6.8% (2015: 6.0%).

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Notes to the Consolidated Financial Statements For the year ended 31 December 2016

10. TAXATION

The tax charge for the year recognised in the Income Statement:

(\$ in millions)	2016	2015
Current tax		
Current year	(47.3)	(42.2)
Adjustments in respect of prior periods	(3.0)	(24.0)
Total current tax	(50.3)	(66.1)
Deferred tax		
Origination and reversal of temporary differences	(26.5)	(34.2)
Adjustments in respect of prior periods	0.3	17.8
Adjustments due to reduction in the UK corporation tax rate	10.3	20.8
Total deferred tax	(15.9)	4.5
Total income tax	(66.2)	(61.7)

Reconciliation of effective tax rate:

(\$ in millions)	2016	2015
Profit before tax	384.8	365.1
Income tax 20.00% (2015: 20.25%)	(77.0)	(73.9)
Differences in overseas tax rates	2.0	(2.3)
Adjustments in respect of prior periods	(2.7)	(6.1)
Adjustments due to reduction in the UK corporation tax rate	10.3	20.8
Impact of current year losses not recognised	–	(0.6)
Other non-deductible expenses/non-taxable income	1.2	0.4
Total income tax expense	(66.2)	(61.7)

Tax credited directly to equity:

(\$ in millions)	2016	2015
Current tax credit on share options	2.7	0.7
Deferred tax (charge)/credit on share options	(3.0)	0.9
Total tax (charged)/credited directly to equity	(0.3)	1.6

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

(\$ in millions)	2016	2015
Current tax credit on cash flow hedges	–	(0.2)
Deferred tax credit/(charge) relating to gains on cash flow hedges	0.1	(0.2)
Deferred tax credit/(charge) on actuarial gains and losses from pension and post-employment benefits	2.6	(0.6)
Deferred tax credit on remeasurement of available for sale financial asset	–	1.4
Total tax credited directly to other comprehensive income	2.7	0.4

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Notes to the Consolidated Financial Statements For the year ended 31 December 2016

11. NET FOREIGN EXCHANGE GAINS

(\$ in millions)	Note	2016	2015
Defined benefit plan and post-employment benefits	27	0.4	(0.4)
Other operating income		(11.2)	(2.9)
Total foreign exchange gains		(10.8)	(3.3)

12. DIVIDENDS

During 2016, the Company paid dividends of \$85.2m for the 2016 interim dividend and \$143.3m for the 2015 final dividend. During 2015, the Company paid \$88.1m for the 2015 interim dividend and \$136.0m for the 2014 final dividend.

13. PROPERTY, PLANT AND EQUIPMENT

(\$ in millions)	Freehold land and buildings	Services equipment, fixtures and fittings	Space segment	Assets in the course of construction	Total
Cost:					
31 December 2014	16.9	242.1	2,732.7	1,079.9	4,071.6
Additions	0.3	30.5	90.4	326.3	447.5
Acquisitions	–	(18.1)	(7.9)	(0.1)	(26.1)
Disposals	0.1	73.8	733.3	(802.2)	5.0
31 December 2015	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 reclassification ¹	–	15.8	51.0	(66.8)	–
31 December 2016	20.6	344.7	3,652.6	861.8	4,879.7
Accumulated depreciation:					
31 December 2014	(8.6)	(205.3)	(1,208.3)	–	(1,422.2)
Charge for the year	(1.3)	(21.9)	(216.3)	–	(239.5)
Impairment losses	–	16.9	6.9	–	23.8
Disposals	–	(32.9)	33.0	–	0.1
31 December 2015	(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)	(1,615.4)	–	(1,908.3)
Net book amount at 31 December 2015	7.4	85.1	2,163.8	603.9	2,860.2
Net book amount at 31 December 2016	10.1	62.3	2,037.2	861.8	2,971.4

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

Inmarsat Investments Limited

Notes to the Consolidated Financial Statements For the year ended 31 December 2016

13. PROPERTY, PLANT AND EQUIPMENT (continued)

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	20 years

Freehold land is not depreciated. At 31 December 2016 and 2015, 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 2016 would have been \$33.2m (2015: \$33.2m). Market valuation is based on the Directors' best estimates.

In 2016 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 2016 were \$3.1m (2015: \$1.7m).

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:								
31 December 2014	781.3	20.9	249.1	14.7	159.3	403.8	26.9	1,656.0
Additions	–	0.7	22.4	–	16.9	–	9.6	49.6
Acquisitions	–	–	(26.7)	–	–	–	–	(26.7)
Disposals	–	3.7	(23.1)	–	4.3	–	10.1	(5.0)
31 December 2015	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
Disposal	–	–	(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
Accumulated amortisation and impairment losses:								
31 December 2014	(359.2)	(11.1)	(166.9)	(14.7)	(88.3)	(207.0)	(9.2)	(856.4)
Charge for the year	–	(1.0)	(24.0)	–	(12.2)	(32.1)	(2.4)	(71.7)
Disposals	–	–	26.7	–	–	–	–	26.7
Impairment losses	–	–	–	–	–	(0.4)	–	(0.4)
Reclassifications ¹	–	–	7.8	–	(7.8)	–	(0.1)	(0.1)
31 December 2015	(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)
Net book amount at 31 December 2015	422.1	13.2	65.3	–	72.2	164.3	34.9	772.0
Net book amount at 31 December 2016	422.1	12.4	91.2	–	96.5	135.1	39.1	796.4

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

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Notes to the Consolidated Financial Statements For the year ended 31 December 2016

14. INTANGIBLE ASSETS (continued)

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. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to CGUs for the purpose of impairment testing.

Trademarks are being amortised on a straight-line basis over their estimated useful lives, which are between 7 and 20 years.

The capitalised software includes the Group's BGAN billing system and other internally developed operational systems and purchased software and is being amortised on a straight-line basis over its estimated useful life of 3 to 5 years.

The Group capitalises development costs associated with the development and enhancement of user terminals and associated network access costs as intangible assets. Costs directly relating to the Group's BGAN family and GPS services are being amortised over the estimated sales life of the services which is 5 to 10 years. Amortisation of costs directly relating to GX network access will commence when the Inmarsat-5 satellites are operational.

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.

Spectrum rights acquired as a result of the acquisition of Stratos were amortised over their useful lives of five years, these were fully amortised during the year.

Orbital slots and licences relate to the Group's Alphasat satellite, GX programme and other licences acquired, 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. Indefinite life assets will be tested annually for impairment.

15. INVESTMENTS

	At 31 December 2016	At 31 December 2015
(\$ in millions)		
Interest in associates	13.2	12.1

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 2016 total \$1.3m (2015: \$1.2m). The Group's aggregate share of its associates' profits for the year is \$2.4m (2015: \$2.5m) and has been recognised in the Income Statement.

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.

	At 31 December 2016	At 31 December 2015
(\$ in millions)		
Cash at bank and in hand	48.4	51.8
Short-term deposits with original maturity of less than three months	211.3	123.7
Cash and cash equivalents	259.7	175.5

At 31 December 2016, the Group has \$395.0m of cash held in short term deposits with a maturity of between 3 and 12 months (2015: nil). This amount is presented separately within current assets in the balance sheet.

At 31 December 2016, the Group had \$2.3m (2015: \$3.0m) of restricted cash held in escrow in relation to the disposal of SkyWave.

Inmarsat Investments Limited

Notes to the Consolidated Financial Statements For the year ended 31 December 2016

16. CASH AND CASH EQUIVALENTS (continued)

Cash and cash equivalents include the following for the purposes of the Cash Flow Statement:

(\$ in millions)	Note	At 31 December 2016	At 31 December 2015
Cash and cash equivalents		259.7	175.5
Bank overdrafts	19	(0.5)	(2.6)
Net cash and cash equivalents		259.2	172.9

17. TRADE AND OTHER RECEIVABLES

(\$ in millions)	31 December 2016	31 December 2015
Current:		
Trade receivables	210.3	196.8
Other receivables	35.0	35.9
Amounts due from Parent undertakings	41.5	17.6
Prepayments and accrued income	61.7	92.0
Total trade and other receivables	348.5	342.3
Non-current:		
Prepayments and accrued income	6.4	-
Pension asset	4.5	19.0
Other receivables	0.8	4.4
Total other receivables	11.7	23.4

The Group's trade and other receivables are stated after provisions for uncollectable trade receivables. Movements in the provisions during the year were as follows:

(\$ in millions)	2016	2015
1 January	16.1	18.7
Charged to the provision in respect of the current year	11.4	13.3
Utilised in the year	(2.1)	(1.0)
Provision released in the year	(11.7)	(14.9)
As at 31 December¹	13.7	16.1

¹ The maturity of the Group's provision for uncollectable trade receivables for the year ended 31 December 2016 is \$1.4m between 1 and 30 days overdue, \$3.4m between 31 and 120 days overdue and \$8.9m over 120 days overdue (2015: \$1.6m between 1 and 30 days overdue, \$4.2m between 31 and 120 days overdue and \$10.3m over 120 days).

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

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Notes to the Consolidated Financial Statements For the year ended 31 December 2016

18. INVENTORIES

(\$ in millions)	At 31 December 2016	At 31 December 2015
Finished goods	33.6	24.6
Work in progress	0.7	0.4
Total inventories	34.3	25.0

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

(\$ in millions)	2016	2015
1 January	17.2	15.1
Charged to the allowance in respect of the current year	0.5	3.9
Provision released in the year	(4.9)	(1.8)
As at 31 December	12.8	17.2

The Directors consider the carrying value of inventories to approximate to their fair value.

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Notes to the Consolidated Financial Statements For the year ended 31 December 2016

19. BORROWINGS

(\$ in millions)	At 31 December 2016			At 31 December 2015		
	Amount	Deferred finance cost	Net balance	Amount	Deferred finance cost	Net balance
Current:						
Bank overdrafts	0.5	–	0.5	2.6	–	2.6
Deferred satellite payments	3.8	–	3.8	1.8	–	1.8
EIB Facility	–	–	–	44.1	–	44.1
Ex-Im Bank Facilities	99.5	–	99.5	80.9	–	80.9
Intercompany Loan	394.3	–	394.3	77.8	–	77.8
Total current borrowings	498.1	–	498.1	207.2	–	207.2
Non-current:						
Deferred satellite payments	8.4	–	8.4	14.5	–	14.5
Senior Notes due 2022	1,000.0	(6.1)	993.9	1,000.0	(7.3)	992.7
– Net issuance discount	(5.5)	–	(5.5)	(6.5)	–	(6.5)
Senior Notes due 2024	400.0	(5.6)	394.4	–	–	–
EIB Facility	–	–	–	88.1	(0.4)	87.7
Ex-Im Bank Facilities	533.9	(18.6)	515.3	633.3	(18.0)	615.3
Total non-current borrowings	1,936.8	(30.3)	1,906.5	1,729.4	(25.7)	1,703.7
Total borrowings	2,434.9	(30.3)	2,404.6	1,936.6	(25.7)	1,910.9
Cash and cash equivalents	(259.7)	–	(259.7)	(175.5)	–	(175.5)
Short-term investments	(395.0)	–	(395.0)	–	–	–
Net borrowings	1,780.2	(30.3)	1,749.9	1,761.1	(25.7)	1,735.4

EIB Facility

In 2010, the Group signed an 8-year facility agreement with the European Investment Bank (the 'EIB Facility'). No additional funding is available under this facility, which matures on 30 April 2018 and is repayable in equal annual instalments. Interest is equal to three-month USD LIBOR plus a margin, payable in January, April, July and October each year. On 31 October 2016, the Group fully repaid the EIB Facility.

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 8.5 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 will then be 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.

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Notes to the Consolidated Financial Statements For the year ended 31 December 2016

19. BORROWINGS (continued)

Senior Credit Facility

On 22 May 2015, the Group signed a 5-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 2016, there were no drawings under the Senior Credit Facility.

Intercompany Loan

The intercompany loan due to Inmarsat plc is repayable on demand and incurs interest at a fixed rate of 5.5%, for the life of the loan.

Maturity of borrowings

The maturity of non-current borrowings is as follows:

(\$ in millions)	At 31 December 2016	At 31 December 2015
Between one and two years	194.1	149.9
Between two and five years	191.5	346.1
After five years	1,520.9	1,207.7
	1,906.5	1,703.7

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 %	2016	2015
Bank overdrafts	3.75	1.25
EIB Facility	–	1.66
Senior Notes due 2022	4.88	4.88
Senior Notes due 2024	6.50	–
Ex-Im Bank 2011 Facility	3.11	3.11
Ex-Im Bank 2014 Facility	1.96	1.96
Deferred satellite payments	3.75	4.00
Intercompany Loan	5.50	5.50

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Notes to the Consolidated Financial Statements For the year ended 31 December 2016

20. TRADE AND OTHER PAYABLES

(\$ in millions)	At 31 December 2016	At 31 December 2015
Current:		
Trade payables	133.9	92.1
Deferred consideration	0.5	1.0
Other taxation and social security payables	5.5	7.9
Other creditors	8.9	5.1
Amounts due to Parent undertakings	–	1.9
Accruals and deferred income ¹	334.9	353.7
Total trade and other payables	483.7	461.7
Non-current:		
Deferred consideration	0.2	0.5
Other payables	24.6	24.4
Defined benefit pension and post-employment liability ²	16.7	18.0
Total other payables	41.5	42.9

¹ The deferred income balance includes \$197.8m (2015: \$208.8m) relating to payments received from Ligado Networks. During the current financial year, \$11.0m (2015: \$nil) 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)	Asset retirement obligations	Other provisions	Total
Current:			
At 1 January 2015	0.3	3.1	3.4
Charged in respect of current year	–	3.7	3.7
Utilised in current year	–	(5.2)	(5.2)
Revision in estimated timing of settlement	(0.1)	–	(0.1)
At 31 December 2015	0.2	1.6	1.8
Charged in respect of current year	0.1	3.5	3.6
Utilised in current year	–	(3.5)	(3.5)
At 31 December 2016	0.3	1.6	1.9

The Group's other provisions relate primarily to restructuring charges. The associated cash flows in respect of the restructuring provisions outstanding at 31 December 2016 are expected to occur within one year.

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Notes to the Consolidated Financial Statements For the year ended 31 December 2016

21. PROVISIONS (CONTINUED)

Movements in the long-term portion of the Group's provisions were as follows:

(\$ in millions)	Asset retirement obligations	Other provisions	Total
Non-current:			
At 1 January 2015	1.5	5.7	7.2
Charged to Income Statement in respect of current year	–	(2.3)	(2.3)
Utilised in current year	–	(2.5)	(2.5)
Revision in estimated timing of settlement	0.1	–	0.1
As at 31 December 2015	1.6	0.9	2.5
Utilised in current year	–	0.3	0.3
As at 31 December 2016	1.6	1.2	2.8

Asset retirement obligations relate to the expected costs of removing equipment from leased premises. Timing of the future outflow are determined by the termination of the lease premises agreement.

22. CURRENT AND DEFERRED TAX ASSETS AND LIABILITIES

The current income tax asset of \$8.5m and current income tax liability of \$144.5m (2015: \$3.8m and \$128.3m, respectively), represent the income tax payable in respect of current and prior periods less amounts paid.

Recognised deferred income tax assets and liabilities

Deferred income 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:

(\$ in millions)	At 31 December 2016			At 31 December 2015		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, plant and equipment and intangible assets	(32.7)	198.4	165.7	(35.1)	184.3	149.2
Borrowing costs capitalised in the cost of qualifying assets	–	33.7	33.7	–	41.7	41.7
Other	(10.2)	1.0	(9.2)	(11.0)	1.3	(9.7)
Pension and post-employment benefits	(2.0)	–	(2.0)	(0.7)	1.2	0.5
Share options	(3.1)	–	(3.1)	(7.0)	–	(7.0)
Loss carry forwards	(15.9)	0.5	(15.4)	(21.0)	–	(21.0)
Net deferred income tax liabilities	(63.9)	233.6	169.7	(74.8)	228.5	153.7

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.

Inmarsat Investments Limited

Notes to the Consolidated Financial Statements For the year ended 31 December 2016

22. CURRENT AND DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

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

(\$ in millions)	At 31 December 2016	At 31 December 2015
Deferred tax assets	(38.6)	(44.6)
Deferred tax liabilities	208.3	198.3
Net deferred tax liabilities	169.7	153.7

Movement in temporary differences during the year:

(\$ in millions)	As at 1 January 2016	Recognised in Income	Recognised in equity	Recognised in other comprehensive income	As 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)	0.6	–	(0.2)	(9.3)
Pension and post-employment benefits	0.5	0.1	–	(2.6)	(2.0)
Share options	(7.0)	0.9	3.1	–	(3.0)
Loss carry forwards	(21.0)	5.6	–	–	(15.4)
Total	153.7	15.7	3.1	(2.8)	169.7

(\$ in millions)	As at 1 January 2015	Recognised in Income	Recognised in equity	Recognised in other comprehensive income	As at 31 December 2015
Property, plant and equipment and intangible assets	155.7	(6.5)	–	–	149.2
Borrowing costs capitalised in the cost of qualifying assets	37.7	4.0	–	–	41.7
Other	(6.0)	(2.5)	–	(1.2)	(9.7)
Pension and post-employment benefits	(0.3)	0.2	–	0.6	0.5
Share options	(6.8)	0.7	(0.9)	–	(7.0)
Loss carry forwards	(20.6)	(0.4)	–	–	(21.0)
Total	159.7	(4.5)	(0.9)	(0.6)	153.7

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Notes to the Consolidated Financial Statements For the year ended 31 December 2016

22. CURRENT AND DEFERRED INCOME TAX ASSETS AND LIABILITIES (continued)

Total unprovided deferred tax assets:

(\$ in millions)	At 31 December 2016	At 31 December 2015
Temporary timing differences	–	(0.3)
Unused income tax losses	(34.1)	(3.7)
Unused capital losses	(24.2)	(24.2)
Total	(58.3)	(28.2)

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 \$nil (2015: \$nil), resulting in a deferred tax liability of \$nil (2015: \$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 remains 20% for the financial year commencing 1 April 2016 however there will be a further reduction to 19% with effect from 1 April 2017, and 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 previously substantively enacted rate of 17%.

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Notes to the Consolidated Financial Statements For the year ended 31 December 2016

23. CASH GENERATED FROM OPERATIONS

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

(\$ in millions)	2016	2015
Profit for the year	318.6	303.4
Adjustments for:		
Taxation charge	66.2	61.7
Financing costs	67.1	63.6
Financing income	(4.9)	(2.3)
Operating profit	447.0	426.4
Depreciation and amortisation	349.4	311.2
(Gain)/Loss on disposal of assets	(0.5)	(9.3)
Impairment losses	1.2	0.2
Share of profit of associates, net of dividends received	(2.4)	(2.5)
EBITDA	794.7	726.0
Movement in investments in associates	1.3	1.3
Non-cash employee benefit costs	12.5	12.3
Forward exchange contracts	(1.2)	(2.6)
Non-cash foreign exchange movements	0.1	2.8
Changes in net working capital:		
Decrease in restricted cash	0.7	-
Increase in trade and other receivables	(4.2)	-
(Increase)/decrease in inventories	(9.3)	2.4
Decrease in trade and other payables	(32.6)	(24.1)
Decrease in provisions	(13.4)	(6.1)
Cash generated from operations	748.6	712.0

24. SHARE CAPITAL

(\$ in millions)	At 31 December 2016	At 31 December 2015
Authorised:		
630,780,000 ordinary shares of €0.0005 each (2015: 630,780,000)	0.4	0.4
Allotted, issued and fully paid:		
534,900,000 ordinary shares of €0.0005 each (2015: 534,900,000)	0.3	0.3

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.

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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 the Company 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 below and under 'Employee benefits' in the principal accounting policies on page 15. Given that these schemes operate at an Inmarsat plc group level, the information below is for the Inmarsat plc group as a whole.

Staff Value Participation Plan

All options granted under the Staff Value Participation Plan (the '2004 Plan') have now vested and are exercisable. Whenever options are exercised under the 2004 Plan, the holder must pay a de minimis charge of €1 for each tranche of options exercised. The options expire 10 years from the date of grant. Shares are transferred to the option holders from the Inmarsat Employees' Share Ownership Plan Trust (the 'Trust') (resident in Jersey). No new shares have been issued to satisfy the exercise of these options.

A summary of all share activity within the Trust, which reflects the options outstanding under the 2004 Plan as at 31 December 2016, is as follows:

	Shares available for grant	2004 Plan options outstanding	Weighted average exercise price per option
Balance at 1 January 2015	224,128	50,515	£3.74
Exercised - Bonus Share Plan and SVPP	(136,557)	–	
Balance at 31 December 2015 and 2016	87,571	–	
Exercisable at 31 December 2016	87,571	–	

Bonus Share Award

Awards have been made regularly under the BSA to Executive Directors of Inmarsat plc 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 the Company 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 the Company 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.

The Remuneration Committee operated a Long-Term Incentive Plan ('LTIP') for the Group's Business Unit presidents and certain members of staff. The three-year plan relates to the 2012 to 2014 financial years and awards were made according to achievements against non-market based targets. Any dividends paid by the Company will accrue and be added as additional shares upon vesting. Since 2015, this plan has been replaced and the participants of the LTIP are now included within the BSA scheme.

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25. EMPLOYEE SHARE OPTIONS AND AWARDS (CONTINUED)

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 the Company to satisfy the awards using newly-issued shares at the end of the relevant three-year period.

The performance conditions for the PSA has been 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 measured over a three-year period. For the awards made in 2012, 2013 and 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 and 2016 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 2016 or after are as follows:

	Performance Share Awards		
	23 March 2016	30 March 2015	19 March 2014
Grant date			
Grant price	£9.30	£9.34	£7.08
Exercise price	nil	nil	nil
Bad leaver rate	12%	12%	0%
Vesting period	3 years	3 years	3 years
Volatility	22.5%	20.8%	32.7%
Fair value per share option (Executive Director level)	£7.91	£8.50	£5.52
Fair value per share option (Below Executive Director level)	£9.43	£9.41	£5.52

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 2016 is 0.5 and 0.9 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 2016 with an option price of £5.68 (reflecting the maximum discount permitted of 20%) will mature in August 2019. A grant made in December 2012 with an option price of £4.59 (reflecting the maximum discount permitted of 20%) matured in February 2016.

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 Company'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 December 2012 with an option price of £4.59 matured in February 2016.

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Notes to the Consolidated Financial Statements For the year ended 31 December 2016

25. EMPLOYEE SHARE OPTIONS AND AWARDS (CONTINUED)

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 remaining contractual life for the current grant of the UK Sharesave Scheme and International Sharesave Plan at 31 December 2016 is 0.5 years for each plan.

Employee Stock Purchase Plan

The Employee Stock Purchase Plan ('ESPP') is for US and Canadian employees to purchase the Company's stock at a 15% discount using funds accumulated by an aggregate of 26 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.

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)	ESPP
	30 June 2016	14 December 2015
Market price at date of grant	£8.05	£10.85
Exercise price	£5.68	£9.22
Bad leaver rate	3% pa	3% pa
Vesting period	36 months	26 months
Volatility	24.6%	20.4%
Dividend yield assumption	4.54%	3.04%
Risk free interest rate	0.10%	0.41%
Fair value per option	£1.85	£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 and option activity as at 31 December 2016 (excluding the 2004 Plan which is noted above) is as follows:

	SIP (UK)	BSA ¹	PSA	Total
Balance at 1 January 2015	257,904	2,257,258	1,308,748	3,823,910
Granted/allocated	4,172	992,864	513,640	1,510,676
Forfeited and lapsed	–	(6,953)	(260,239)	(267,192)
Exercised	(24,815)	(688,881)	(182,139)	(895,835)
Balance at 31 December 2016	237,261	2,554,288	1,380,010	4,171,559
Exercisable at 31 December 2016	237,261	–	–	237,261
Exercise price per share	n/a	nil	nil	

¹ Includes the Business Unit LTIP scheme.

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25. EMPLOYEE SHARE OPTIONS AND AWARDS (continued)

A summary of share option activity as at 31 December 2016 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 2015	481,081	£5.03	213,747	£2.81	–	–	4,518,738
Granted/allocated	567,810	£5.93	446,338	£5.86	41,549	£4.94	2,566,373
Forfeited and lapsed	(26,079)	£0.27	(5,908)	£0.08	–	–	(235,205)
Exercised	(479,077)	£5.00	(221,663)	£2.91	–	–	(1,596,575)
Balance at 31 December 2016	543,735	£5.68	432,514	£5.68	41,549	£4.94	5,253,331
Exercisable at 31 December 2016	–	–	–	–	–	–	–
Exercise price per share	£5.68	–	£5.68	–	£4.94	–	–

26. RESERVES

Cash flow hedge reserve:

(\$ in millions)	2016	2015
Balance as at 1 January	0.9	(1.6)
Loss recognised on cash flow hedges:		
Forward exchange contracts	(24.7)	–
Reclassified and capitalised on the balance sheet:		
Forward exchange contracts	1.3	–
Reclassified to the Income Statement ¹ :		
Interest rate swaps	(0.9)	–
Forward exchange contracts	–	3.1
FX movement through cash flow hedge reserve	–	(0.2)
Tax charged/(credited) related to amounts transferred to the Income Statement	0.1	(0.4)
Balance as at 31 December	(23.3)	0.9

¹ Gains and losses reclassified from equity into the Income Statement during the period are included in the following Income Statement lines:

(\$ in millions)	2016	2015
Total net operating costs	(0.9)	2.9
Tax credit	0.1	(0.4)
Total reclassified (credited)/charged to the Income Statement in the year	(0.8)	2.5

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.

Inmarsat Investments Limited

Notes to the Consolidated Financial Statements For the year ended 31 December 2016

27. PENSION ARRANGEMENTS 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. 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 funds 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 IAS19.

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 2016. 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 2016, 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.

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Notes to the Consolidated Financial Statements For the year ended 31 December 2016

27. PENSION ARRANGEMENTS AND POST-EMPLOYMENT BENEFITS (continued)

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

	At 31 December 2016	At 31 December 2015
Weighted average actuarial assumptions:		
Discount rate	2.69%	3.92%
Future salary increases	3.23%	3.14%
Medical cost trend rate	3.57%	3.50%
Future pension increases	2.77%	3.01%

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 2016	Life expectancy 2015
Male current age 65	88.6	88.5
Female current age 65	89.7	89.6

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 2016 and 2015, 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%.

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	Impact on benefit obligation increase/ (decrease)	Impact on projected pension cost increase/ (decrease)
Increase in discount factor of 0.25%	(6.1%)	(18.6%)
Decrease in discount factor of 0.25%	6.5%	18.2%
Increase in inflation of 0.25%	6.1%	18.0%
Decrease in inflation of 0.25%	(5.7%)	(16.5%)
Mortality: -2 years for males and -1 year for females	3.4%	9.6%

Inmarsat Global post-retirement healthcare benefit scheme:

Change in assumption	Impact on benefit obligation increase/ (decrease)	Impact on service cost increase/ (decrease)
Increase in discount factor of 0.5%	(6.2%)	–
Increase in inflation of 0.5%	11.9%	–
Increase in healthcare cost trend rate of 1%	20.1%	24.8%
Decrease in healthcare cost trend rate of 1%	(15.9%)	(19.4%)

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Notes to the Consolidated Financial Statements For the year ended 31 December 2016

27. PENSION ARRANGEMENTS AND POST-EMPLOYMENT BENEFITS (continued)

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 2016	At 31 December 2015
Present value of funded defined benefit obligations (pension)	(135.9)	(109.2)
Present value of unfunded defined benefit obligations (pension)	(0.4)	(0.7)
Present value of unfunded defined benefit obligations (post-employment benefits)	(16.7)	(17.0)
Fair value of defined benefit assets	140.0	127.6
Net defined benefit (liability)/asset recognised in the balance sheet	(13.0)	0.7

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

(\$ in millions)	Note	At 31 December 2016	At 31 December 2015
Defined benefit pension asset	17	4.5	19.0
Defined benefit pension and post-employment liability	20	(17.5)	(18.3)

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 January 2015	117.2	18.4
Current service cost	2.7	0.2
Past service cost	–	(0.1)
Interest cost	4.4	0.7
Remeasurement losses:		
Actuarial gains arising from changes in demographic assumptions	(1.5)	–
Actuarial gains arising from changes in financial assumptions	(2.5)	(0.7)
Actuarial gains arising from experience adjustments	(2.9)	–
Foreign exchange loss	(7.4)	(1.1)
Benefits paid	(1.4)	(0.4)
Contributions by pension participants	1.3	–
At 31 December 2015	109.9	17.0
Current service cost	1.7	0.1
Past service cost	–	–
Interest cost	3.6	0.6
Remeasurement losses:		
Actuarial gains arising from changes in demographic assumptions	–	–
Actuarial gains arising from changes in financial assumptions	37.8	2.0
Actuarial gains arising from experience adjustments	–	–
Foreign exchange loss	(16.8)	(2.7)
Benefits paid	(0.9)	(0.3)
Contributions by pension participants	1.0	–
At 31 December 2016	136.3	16.7

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Notes to the Consolidated Financial Statements For the year ended 31 December 2016

27. PENSION ARRANGEMENTS AND POST-EMPLOYMENT BENEFITS (continued)

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

(\$ in millions)	2016	2015
At 1 January	127.6	133.6
Interest income	4.2	5.1
Remeasurement gains/(losses):		
Experience return on plan asset (excluding interest income)	25.6	(4.5)
Actuarial gains arising from changes in demographic assumptions	–	–
Actuarial gains/(loss) arising from changes in financial assumptions	0.8	(0.1)
Contributions by employer	1.5	1.8
Contributions by pension participants	1.0	1.3
Benefits paid	(0.6)	(1.1)
Assets distributed on settlement	–	–
Expenses paid (included in service cost)	(0.2)	(0.4)
Foreign exchange gain	(19.9)	(8.1)
At 31 December	140.0	127.6

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

	2016		2015	
(\$ in millions)	Defined benefit pension plan	Post-employment benefits	Defined benefit pension plan	Post-employment benefits
Current service cost	1.9	0.1	3.1	0.2
Past service gain	–	–	–	(0.1)
Net interest (income)/expense	(0.6)	0.6	(0.7)	0.7
Foreign exchange loss/(gain)	3.1	(2.7)	0.7	(1.1)
	4.4	(2.0)	3.1	(0.3)

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:

	2016		2015	
(\$ in millions)	Defined benefit pension plan	Post-employment benefits	Defined benefit pension plan	Post-employment benefits
Actuarial gains arising from changes in demographic assumptions	–	–	(1.5)	–
Actuarial gains arising from changes in financial assumptions	37.0	2.0	(2.4)	(0.7)
Actuarial gains arising from changes in experience adjustment	(25.6)	–	(2.9)	–
Return on plan asset (excluding interest income)	–	–	4.5	–
Remeasurement of the net defined benefit asset and liability	11.4	2.0	(2.3)	(0.7)

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Notes to the Consolidated Financial Statements For the year ended 31 December 2016

27. PENSION ARRANGEMENTS AND POST-EMPLOYMENT BENEFITS (continued)

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

	At 31 December 2016		At 31 December 2015	
	Value (\$ in millions)	Percentage of total plan assets (%)	Value (\$ in millions)	Percentage of total plan assets (%)
Equities	36.0	25.7%	36.6	32.9%
Cash	1.6	1.1%	0.1	0.1%
Bonds	78.5	56.1%	70.0	55.3%
Other	23.9	17.1%	20.9	11.7%
Fair value of scheme assets	140.0		127.6	

The Inmarsat Global defined benefit plan assets, which contribute over 95% of the total Group assets, are all invested in pooled investment funds, the majority of which are priced daily, except for the High Lease-to-Value Property, Alternatives and Multi Asset Credit funds, which are priced monthly. 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 December 31st fiscal year-end around June 30th of the subsequent year.

The allocations to each of the investment funds as at 31 December 2016 are as follows:

Fund	Legal structure	Allocation (%)
Passive Global Equity	Mercer QIF CCF	4.9
Global Fundamental (RAFI) Equity	Mercer QIF CCF	4.9
Global Low Volatility Equity	MGI Funds PLC	3.0
Global Small Cap Equity	MGI Funds PLC	4.5
Sustainable Equity	MGI Funds PLC	2.0
Eurozone Equity	MGI Funds PLC	0.5
Emerging Markets Equity	MGI Funds PLC	7.6
Emerging Markets Debt	MGI Funds PLC	3.0
Global High Yield Bonds	MGI Funds PLC	1.1
Multi Asset Credit	Mercer QIF Fund PLC	4.4
Absolute Return Fixed Income	MGI Funds PLC	1.0
Liquid Alternatives Strategies	Mercer QIF Fund PLC	9.2
High Lease-to-Value Property	Mercer QIF CCF	2.2
Private Debt	Mercer Private Investment Partners (Offshore) LLP	1.4
Total growth portfolio		49.7
UK Credit	Mercer PIF Fund PLC	12.0
UK Inflation Linked Bonds	MGI Funds PLC	6.7
UK Inflation Linked LDI Bonds	Mercer QIF Fund PLC	2.4
Long Flexible Enhanced Matching Fixed	Mercer QIF Fund PLC	4.5
Short Flexible Enhanced Matching Real	Mercer QIF Fund PLC	1.7
Medium Flexible Enhanced Matching Real	Mercer QIF Fund PLC	10.2
Long Flexible Enhanced Matching Real	Mercer QIF Fund PLC	12.8
Total matching portfolio		50.3
Total assets		100.0

Inmarsat Investments Limited

Notes to the Consolidated Financial Statements For the year ended 31 December 2016

27. PENSION ARRANGEMENTS AND POST-EMPLOYMENT BENEFITS (continued)

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 25 years. The defined benefit obligation within that plan is split as follows:

Active members	54%
Deferred members	38%
Pensioner members	8%

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 2017 are \$2.2m. In 2016 actual contributions under this plan were \$0.7m (2015: \$1.0m).

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.

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Notes to the Consolidated Financial Statements For the year ended 31 December 2016

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:

(\$ in millions)	At 31 December 2016			At 31 December 2015		
	Non-cancellable operating leases	Other unrecognised contractual commitments	Total	Non-cancellable operating leases	Other unrecognised contractual commitments	Total
Within one year	15.5	5.4	20.9	22.9	22.9	45.8
Within two to five years	50.5	36.4	86.9	45.6	18.7	64.3
After five years	72.1	0.8	72.9	51.1	0.7	51.8
	138.1	42.6	180.7	119.6	42.3	161.9

Operating lease commitments primarily relate to leased office space, including the Group's head office located at 99 City Road, London. 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 2016 relating to the aforementioned head office lease is \$0.2m over one year (at 31 December 2015: \$0.5m over two years).

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

(\$ in millions)	At 31 December 2016	At 31 December 2015
Within one year	30.4	5.2
Within two to five years	5.8	6.1
	36.2	11.3

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 2016	At 31 December 2015
Within one year	23.3	29.0
Within two to five years	2.5	2.5
	25.8	31.5

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Notes to the Consolidated Financial Statements For the year ended 31 December 2016

29. CAPITAL RISK MANAGEMENT

The following table summarises the capital of the Group:

(\$ in millions)	At 31 December 2016	At 31 December 2015
As per Balance Sheet		
Cash and cash equivalents	(259.7)	(175.5)
Short-term deposits	(395.0)	-
Borrowings	2,404.6	1,910.9
Net borrowings	1,749.9	1,735.4
Equity attributable to shareholders of the parent	1,567.5	1,514.6
Capital	3,317.4	3,250.0

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 (gross of deferred finance costs) to EBITDA ratio for the year ended 31 December 2016 is 2.15 (2015: 2.43). 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.

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Notes to the Consolidated Financial Statements For the year ended 31 December 2016

30. FINANCIAL INSTRUMENTS (continued)

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 2016			At 31 December 2015		
	Loans and receivables	Derivatives used for hedging	Total	Loans and receivables	Derivatives used for hedging	Total
Assets as per balance sheet						
Trade receivables and other ¹	314.3	–	314.3	328.4	–	328.4
Cash and cash equivalents	259.7	–	259.7	175.5	–	175.5
Derivative financial instruments	–	1.8	1.8	–	–	–
	574.0	1.8	575.8	503.9	–	503.9

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

(\$ in millions)	At 31 December 2016			At 31 December 2015		
	Derivatives used for hedging	Other financial liabilities	Total	Derivatives used for hedging	Other financial liabilities	Total
Liabilities as per balance sheet						
Borrowings	–	2,404.6	2,404.6	–	1,910.9	1,910.9
Trade payables and other ¹	–	246.2	246.2	–	264.9	264.9
Derivative financial instruments	26.1	–	26.1	0.3	–	0.3
	26.1	2,650.8	2,676.9	0.3	2,175.8	2,176.1

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 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.

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Notes to the Consolidated Financial Statements For the year ended 31 December 2016

30. FINANCIAL INSTRUMENTS (continued)

(\$ in millions)	At 31 December 2015				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Borrowings ¹	207.2	149.9	346.1	1,207.7	1,910.9
Trade payables and other	241.2	1.4	21.0	1.3	264.9
Derivative financial instruments	0.3	–	–	–	0.3
	448.7	151.3	367.1	1,209.0	2,176.1

¹ Includes interest obligations on the Senior Notes due 2022, EIB Facility, and Ex-Im Bank. The interest obligations assume no changes in floating interest rates from the year end.

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.

The fair values at the Balance Sheet date were:

(\$ in millions)	At 31 December 2016	At 31 December 2015
Financial assets:		
Forward foreign currency contracts – designated cash flow hedges	0.8	–
Forward foreign currency contracts – undesignated	1.0	–
Total derivative financial assets	1.8	–
Current portion of derivative financial assets	1.7	–
Non-current portion of derivative financial assets	0.1	–
Financial liabilities:		
Forward foreign currency contracts – designated cash flow hedges	23.9	–
Forward foreign currency contracts – undesignated	2.1	0.3
Total derivative financial liabilities	26.0	0.3
Current portion of derivative financial liabilities	5.9	0.3
Non-current portion of derivative financial liabilities	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 value of foreign exchange contracts performed by management are based upon a valuation provided by the counterparty and are classified as level 2 in the fair value hierarchy according to IFRS 7. The fair value of foreign exchange contracts is based upon 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.

The Group has no financial instruments with fair values that are determined by reference to significant unobservable inputs i.e. 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.

Inmarsat Investments Limited

Notes to the Consolidated Financial Statements For the year ended 31 December 2016

30. FINANCIAL INSTRUMENTS (continued)

The following table sets out the face value and fair value of forward foreign exchange contracts outstanding for the Group as at 31 December 2016 and 2015:

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

At 31 December 2015					
Outstanding forward foreign exchange contracts (in millions)	Face value	Maturing within 1 year	Maturing between 1 and 2 years		Fair value (US\$)
GBP contracts	£10.0	£10.0	–		(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 2016, 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 \$24.2m. 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 Note and 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 \$6.1m and \$5.5m, 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 \$5.6m (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 \$18.6m (2015: \$18.0m). The fair value of the 2011 facility has been based on the implicit interest rate of the 2014 facility (see note 19); and

Inmarsat Investments Limited

Notes to the Consolidated Financial Statements For the year ended 31 December 2016

30. FINANCIAL INSTRUMENTS (continued)

(\$ in millions)	As at 31 December 2016		As at 31 December 2015	
	Carrying amount	Fair value amount	Carrying amount	Fair value amount
Senior Notes due 2022	1,000.0	975.0	1,000.0	996.3
Senior Notes due 2024	400.0	408.3	-	-
Ex-Im Bank Facilities	633.4	649.4	714.2	741.4

31. CAPITAL COMMITMENTS

The Group had authorised and contracted but not provided for capital commitments as at 31 December 2016 of \$972.2m (2015: \$1,219.9m). These amounts primarily represent commitments in respect of the Group's GX, S-Band and 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 2016, the Group had no material contingent liabilities.

33. EVENTS AFTER THE BALANCE SHEET DATE

On 1 March 2017, the Company notified members of its Defined Benefit Pension Plan that the plan will close to future benefit accrual on 31 March 2017 and that from 1 April 2017 members can elect to transfer to the Group Defined Contribution plan. It is expected that the majority of members will take up this election.

Since the balance sheet date there have been no other significant events which would require disclosure in the 31 December 2016 Annual Report.

34. RELATED PARTY TRANSACTIONS

In the normal course of operations the Group engages in transactions with its equity-owned investees NTS Maritime Limited, Navarino Telecom SA 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 2016 financial year was \$nil, \$33.1m and \$18.2m, respectively (2015: \$37.4m, \$nil and \$22.8m, respectively). The amount receivable from the related parties at 31 December 2016 was \$nil, \$9.3m and \$1.8m, respectively (2015: \$13.1m, \$nil and \$2.2m, respectively).

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

Inmarsat Investments Limited

Notes to the Consolidated Financial Statements For the year ended 31 December 2016

34. RELATED PARTY TRANSACTIONS (continued)

The table below sets out material transactions with related parties, being fellow subsidiary companies of the Group:

(\$ in millions)	2016	2015
Transactions with Inmarsat Finance plc:		
Gross proceeds of the Subordinated Senior Notes due 2024	400.0	-
Interest paid on Subordinated Senior Notes	(6.5)	(4.1)
Other net trading	-	(0.2)

The table below sets out balances with related parties, being fellow subsidiary companies of the Group:

(\$ in millions)	At 31 December 2016	At 31 December 2015
Outstanding balances with Inmarsat plc:		
Amounts due from fellow Group companies	83.6	0.8
Amounts due to fellow Group companies	(444.6)	(77.9)
Outstanding balances with Inmarsat Finance plc:		
Subordinated Senior Notes due 2022 loan	(988.3)	(986.2)
Subordinated Senior Notes due 2024 loan	(394.4)	-
Interest on Subordinated Senior Notes	(38.4)	(6.2)
Amounts due from fellow Group companies	(22.5)	-
Amounts due to fellow Group companies	-	(1.9)
Outstanding balances with Inmarsat Holdings Limited:		
Amounts due from fellow Group companies	6.8	1.1

Inmarsat Investments Limited

Notes to the Consolidated Financial Statements For the year ended 31 December 2016

35. PRINCIPAL SUBSIDIARY UNDERTAKINGS

At 31 December 2016, 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 2016	Interest in issued ordinary share capital at 31 December 2015
Europasat Limited	Operating company	England and Wales / A	100%	100%
Inmarsat (IP) Company Limited	Operating company	England and Wales / A	100%	100%
Inmarsat Australia Pty Limited	Operating company	Australia / F	100%	100%
Inmarsat Brasil Limitada	Dormant	Brazil / H	100%	100%
Inmarsat Communications Company LLC	Operating company	United Arab Emirates / AD	49%	49%
Inmarsat Employee Share Plan Trustees Limited	Dormant	England and Wales / A	100%	100%
Inmarsat Employment Company Limited	Employment company	Jersey / T	100%	100%
Inmarsat Finance III Limited	Operating company	England and Wales / A	100%	100%
Inmarsat Global Limited	Satellite telecommunications	England and Wales / A	100%	100%
Inmarsat Global Xpress Limited	Operating company	England and Wales / A	100%	100%
Inmarsat Government Inc.	Operating company	United States / C	100%	100%
Inmarsat Group Holdings Inc.	Operating company	United States / C	100%	100%
Inmarsat Hellas Satellite Services SA	Satellite telecommunications	Greece / M	100%	100%
Inmarsat Hong Kong Limited	Operating company	Hong Kong / N	100%	100%
Inmarsat Inc.	Holding company	United States / E	100%	100%
Inmarsat India Private Limited	Operating company	India / P	100%	100%
Inmarsat Investments Limited	Holding company	England and Wales / A	100%	100%
Inmarsat KK	Operating company	Japan / S	100%	100%
Inmarsat Launch Company Limited	Operating company	Isle of Man / R	100%	100%
Inmarsat Leasing (Two) Limited	Satellite leasing	England and Wales / A	100%	100%
Inmarsat Licences (Canada) Inc.	Holding Company	Canada / B	100%	100%
Inmarsat Navigation Ventures Limited	Operating company	England and Wales / A	100%	100%
Inmarsat New Zealand Limited	Operating company	New Zealand / V	100%	100%
Inmarsat SA	Operating company	Switzerland / AC	100%	100%
Inmarsat Services Limited	Operating company	England and Wales / A	100%	100%
Inmarsat Solutions (Canada) Inc.	Operating company	Canada / B	100%	100%
Inmarsat Solutions (Shanghai) Co. Limited	Operating company	China / J	100%	100%
Inmarsat Solutions (US) Inc.	Operating company	United States / D	100%	100%
Inmarsat Solutions AS	Operating company	Norway / X	100%	100%
Inmarsat Solutions B.V.	Operating company	The Netherlands / W	100%	100%
Inmarsat Solutions ehf.	Operating company	Iceland / O	51%	51%
Inmarsat Solutions Global Limited	Operating company	England and Wales / A	100%	100%
Inmarsat Solutions Limited	Holding company	England and Wales / A	100%	100%
Inmarsat Solutions Pte. Limited	Operating company	Singapore / Z	100%	100%
Inmarsat Solutions SA (PTY) Limited	Operating company	South Africa / AA	90%	90%
Inmarsat Spain S.A.	Operating company	Spain / AB	100%	100%
Inmarsat Trustee Company Limited	Dormant	England and Wales / A	100%	100%
Inmarsat US Investments Limited	Dormant	England and Wales / A	100%	100%
Inmarsat Ventures Limited	Operating company	England and Wales / A	100%	100%

Inmarsat Investments Limited

Notes to the Consolidated Financial Statements For the year ended 31 December 2016

		Country of incorporation / registered address key ¹	Interest in issued ordinary share capital at 31 December 2016	Interest in issued ordinary share capital at 31 December 2015
	Principal activity			
ISAT Global Xpress OOO	Operating company	Russian Federation / Y	100%	100%
ISAT US Inc.	Operating company	United States / C	100%	100%
JSAT Mobile Communications Inc.	Associate	Japan/ AF	26.67%	26.67%
Navarino UK Limited	Associate	England and Wales / AE	49%	49%
NewWave Broadband Limited	Operating company	England and Wales / A	100%	100%
PT ISAT	Operating company	Indonesia / Q	100%	100%
Segovia Commercial Services Inc.	Operating company	United States / D	100%	100%
Stratos Broadband Communications	Dormant	Kazakhstan / U	100%	100%
Stratos Gesellschaft für satelliten- kommunikation mbH.	Operating company	Germany / L	100%	100%
Stratos Global Japan KK	Holding company	Japan / S	100%	100%
Stratos Government Services Inc.	Operating company	United States / D	100%	100%
Stratos Holdings (Cyprus) Limited	Holding company	Cyprus / K	100%	100%
Stratos Investments BV	Holding company	The Netherlands / W	100%	100%
TC Communication Pty Limited	Operating company	Australia / G	100%	100%
Xantic Brazil Limited	Dormant	Brazil / I	100%	100%

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 2016: Inmarsat Trustee Company Limited (03688399), Stratos Global Holdings Limited (04113448), Inmarsat Employee Share Plan Trustees Limited (03669306) and Inmarsat Leasing Limited (02487502).

Registered address key

Registered Address
A 99 City Road, London, EC1Y 1AX
B 34 Glencoe Drive, Box 5754, Donovan's Bus. Park, Mount Pearl Newfoundland A1C 5X3, 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 Unit A3 Cameron Centre, , 255 Rawson Street, Auburn NSW 2144, Australia
H Av Presidente Juscelino Kubitschek 50, Suite 172, Room 7, 17th Floor, Sao Paulo, CEP 04543-000, Brazil
I City of Niterói, State of Rio de Janeiro, at Rua Coronel Moreira César, 229, room 911, Icaraí, Zip Code (CEP) 24230-063, Brazil
J 4th & 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 Jl. Jaksa Agung R. Suprpto, Sekupang, Batam, 29422, Indonesia
R Fort Anne, Douglas, IM1 5PD, Isle of Man
S Level 25 Ark Hills Sengokuyama Mori Tower, 1-9-10, Roppongi, Minato-ku, Tokyo, 106-0032, Japan

Inmarsat Investments Limited

Notes to the Consolidated Financial Statements For the year ended 31 December 2016

Registered Address

T	44 Esplanade, St. Helier, Jersey, JE4 9WG, Jersey
U	Almaty city, microdistrict Orbita-1, 24 building, Kazakhstan
V	Bell Gully, Lvl 22, Vero Centre, 48 Shortland Street, Auckland, New Zealand
W	Loire 158-160, 2491 AL, The Hague, Netherlands
X	Borgundfjordvegen 116, 6017 Alesund, 1504 Alesund, Norway
Y	Bld. 5, 13 Kasatkina Street, 129301, Moscow, Russian Federation
Z	11 Lorong 3 Toa Payoh , #01-31 , Jackson Square, 319579, Singapore
AA	Deloitte Place, The Woodlands, 20 Woodlands Drive, Woodmead, Sandton, Johannesburg, Gauteng, South Africa, 2052
AB	Príncipe de Vergara 73, 28006, Madrid, Spain
AC	Route de Crassier 19, 1262, Eysins, Switzerland
AD	Al Maktoum Street, Al Reem Tower, Suite 402, P.O. Box 27313, Dubai, UAE, United Arab Emirates
AE	Camburgh House, 27 New Dover Road, Canterbury, Kent, CT1 3DN
AF	Nisso Building #22 8F, Azabudai1-11-10, Minato-ku, Tokyo 106-0041, Japan

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 2016: Inmarsat Trustee Company Limited (03688399), Stratos Global Holdings Limited (04113448), Inmarsat Employee Share Plan Trustees Limited (03669306) and Inmarsat Leasing Limited (02487502).

Inmarsat Investments Limited

Company Balance Sheet

At 31 December 2016

(\$ in millions)	At 31 December 2016	At 31 December 2015
Assets		
Non-current assets		
Investments ^(a)	2,773.5	2,773.5
Other receivables ^(b)	595.6	180.0
Total non-current assets	3,369.1	2,953.5
Current assets		
Trade and other receivables ^(c)	2.7	7.6
Current tax asset	21.3	21.3
Total current assets	24.0	28.9
Total assets	3,393.1	2,982.4
Liabilities		
Current liabilities		
Borrowings ^(d)	99.5	125.0
Trade and other payables ^(e)	733.0	426.5
Total current liabilities	832.5	551.5
Non-current liabilities		
Borrowings ^(f)	2,155.8	1,930.7
Deferred tax liability	-	0.2
Total non-current liabilities	2,155.8	1,930.9
Total liabilities	2,988.3	2,482.4
Net assets	404.8	500.0
Shareholders' equity		
Ordinary shares	0.3	0.3
Share premium	365.6	365.6
Other reserves	637.7	638.6
Accumulated losses	(598.8)	(504.5)
Total shareholders' equity	404.8	500.0

(a) Investments consist of a \$2,773.5m investment in Inmarsat Ventures Limited (2015: \$2,773.5m).

(b) Other receivables consist of \$595.6m of amounts due from Group companies (2015: \$180.0m).

(c) Trade and other receivables consist of \$2.1m of other debtors (2015: \$2.9m), and \$0.6m of amounts due from Group companies (2015: £4.7m).

(d) Current borrowings comprise a \$nil drawdown of the EIB Facility (2015: \$44.1m drawdown), and a \$99.5m drawdown of the Ex-Im Facility (2015: \$80.9m).

(e) Trade and other payables consists of \$725.2m due to Group companies (2015: \$419.2m), \$7.8m in relation to accruals and deferred income (2015: \$5.5m), and trade and other payables of \$nil. (2015: \$1.8m).

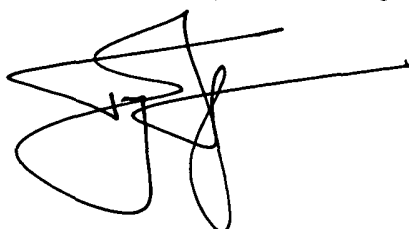
(f) Non-current borrowings comprise of:

- \$994.5m Subordinated Senior Notes due 2022 Loan (2015: \$993.5m) less deferred finance costs of \$6.2m (2015: \$7.3m)
- \$400.0m Subordinated Senior Notes due 2024 Loan (2015: \$nil) less deferred finance costs of \$5.6m (2015: \$nil)
- \$533.9m drawdown of the EXIM Facility (2015: \$633.4m) less deferred finance costs of \$18.6m (2015: \$18.0m)
- \$nil drawdown of the EIB Facility (2015: \$87.7m) less deferred finance costs of \$nil (2015: \$0.4m)
- \$257.8m amounts due to Group companies (2015: \$241.4m)

The Company reported a profit for the financial year ended 31 December 2016 of \$146.9m (2015: \$140.1m).

The financial statements of Inmarsat Investments Limited, registered number 4886096, on pages 64 to 65 were approved by the Board of Directors on 28 April 2017 and signed on its behalf by:

Tony Bates
Director



Inmarsat Investments Limited

Company Statement of Changes in Equity For the year ended 31 December 2016

(\$ in millions)	Ordinary share capital	Share premium account	Cash flow hedge reserve	Capital contribution reserve	Accumulated losses	Total
Balance as at 1 January 2015	0.3	365.6	1.0	637.6	(420.5)	584.0
Dividends paid	-	-	-	-	(224.1)	(224.1)
Comprehensive Income:						
Profit for the period	-	-	-	-	140.1	140.1
Balance as at 31 December 2015	0.3	365.6	1.0	637.6	(504.5)	500.0
Dividends paid	-	-	-	-	(241.2)	(241.2)
Comprehensive Income:						
Profit for the period	-	-	-	-	146.9	146.9
Other comprehensive income – before tax	-	-	(0.9)	-	-	(0.9)
Balance as at 31 December 2016	0.3	365.6	0.1	637.6	(598.8)	404.8

Inmarsat Investments Limited

Notes to the Company Financial Statements For the year ended 31 December 2016

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 2016 was \$146.9m (2015: \$140.1m).

C) AUDITOR'S REMUNERATION

The Auditor's remuneration incurred for the audit of the Company amounting to \$10,000 (2015: \$10,000) was paid by a company within the Group. No recharge was made.

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 accounts.

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 of the Company are consistent with that of the Group as set out in note 30 of the consolidated financial statements.

The differences between the Group and the Company are in relation to intercompany balances. As at 31 December 2016, the Company had \$596.1m (2015: \$180.0m) amounts due from Group companies and \$983.0m (2015: \$1,654.1m) amounts due to Group companies. The Directors consider that with the exception of the Subordinated Senior Notes Loans the carrying value of the intercompany balances to approximate to their fair value.