Connect Bidco Ltd
(Registered in Guernsey with number 66187)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD 15 MARCH 2019 TO 31 DECEMBER 2019

STRATEGIC REPORT

PRINCIPAL ACTIVITIES

Connect Bidco Limited, a company registered under the laws of Guernsey (the 'Company') incorporated on 15 March 2019. The Company was incorporated as a special purpose vehicle to acquire the entire issued share capital of Inmarsat plc (now named Inmarsat Group Holdings Limited). The acquisition completed on 4 December 2019.

Following the acquisition, the principal activity of the Company is that of a holding company which derives its income from its subsidiary undertakings ('subsidiaries'). The principal activity of the Company and its subsidiaries (together the 'Group'), as the leading provider of global mobile satellite communications services ('MSS'), is to provide data and voice connectivity to end-users worldwide. The Group has over 40 years' experience in designing, launching and operating satellite-based networks. The Group has an in-orbit fleet of owned and operated satellites in geostationary orbit. This includes satellites using our L- and Ka-band platforms and also our S-band platform. In addition to our established L-band satellite services business, our GX services offer seamless global coverage and delivers Ka-band satellite services with broadband speeds of up to 50 Mbps for users in the Government, Maritime, Enterprise and Aviation sectors. Our fifth GX satellite was launched in November 2019 which brings additional Ka-band capacity. Our European Aviation Network uses a complementary satellite, via our S-band satellite, and third party terrestrial network providing aviation services over the European Union.

The Inmarsat-6 satellites, each with a dual payload (L-band and Ka-band), are currently planned for commercial service introduction in 2021. These will enable the re-orientation of our L-band capabilities towards new growth opportunities. Our seventh generation of satellites, called GX7,8&9, will have an improved and fully reconfigurable Ka-band payload for the Global Xpress services as part of our long-term strategy to develop the most agile, flexible, diverse and cost effective Ka-band constellation. With focused, ultra-high-power capacity layered over high demand flight routes and airport hubs during peak hours, the satellites will revolutionise aviation connectivity. The network will immediately relocate capacity in line with real-time flight patterns, new airline routes and seasonal demand surges across the globe, future-proofing the ability for airline customers to invest in a consistently high quality of service for passengers into the future. GX7, 8&9 are scheduled for launch from 2023.

Inmarsat continued its GX expansion plans in the Polar Regions partnering in Space Norway's Arctic Satellite Broadband Mission. We expect therefore to see a significant improvement in coverage and capacity in the Arctic. Launch is currently expected in late 2022.

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

RELATIONS WITH STAKEHOLDERS

Although the Company has multiple stakeholders the Board considered its key stakeholders were our customers, partners, shareholders & lenders, employees, suppliers, and local communities.

- Customers: By working collaboratively with our customers, we develop innovations to meet consumer needs. The Board engages with customers through the CEO and receives regular information about customers in the board reports and other business reports.

- Partners: We recognise that a collaborative approach to innovation can often accelerate time to market, reduce costs and create differentiation. The Board engages with our partners through the CEO and receives regular information about customers in the board reports and other business reports.

- Shareholders and Lenders: We have a clear responsibility to engage with shareholders and lenders of our business and their views are an important driver of our strategy. We keep our shareholders regularly informed while lenders receive quarterly updates on the performance of the organisation.

- Employees: We rely on the knowhow, creativity and entrepreneurial spirit of all our people. The Board has direct engagement with employees, principally through our Global Workforce Advisory Panel (GWAP) – a body set up in line with requirements outlined in the recently updated Financial Reporting Council's UK Corporate Governance Code. GWAP is constituted of 15 employee representatives from across our global footprint, supported by additional 'Voice Champions' in smaller offices. The primary purpose of the group is to promote an effective two-way communications mechanism between the workforce and the Board, by capturing the views of employees on proposals and issues which affect our people, recognising barriers and enablers and helping to address them. GWAP will promote a culture of collaboration and high performance, and consult on and provide advice, support and feedback during the implementation of programmes and policies. In September, GWAP hosted their first global 'Voice week', engaging with the global workforce to inform feedback to the Board. We also have effective communications and channels of engagement with our employee bodies based in the UK, the Netherlands and Perth in Australia. These employee bodies played a significant role representing employees during the acquisition.

  The Board engages both formally and informally with employees. In 2020 the Board will visit the Washington DC office and host an informal networking lunch with locally based employees and a formal senior leadership dinner.

  In terms of wider employee engagement our CEO has oversight and delegated responsibility for all other activity through the Chief People Officer, who through the People Strategy, oversees a proactive communications and engagement programme, supporting open and honest dialogue with the global workforce and other formal global staff bodies.

- Suppliers: Supply chain integrity is a critical part of our business as we rely on our suppliers to help meet our customers' needs. We engage with our suppliers via our procurement teams as well as through other functions such as legal, compliance and Health and Safety. The Board receives information through Board reports. More information can be found in our Directors' Report on page 6.

- Local Communities: The Board engages with local communities through the CEO, who delegates oversight to the Chief People Officer. The CPO oversees a comprehensive global outreach programme by, promoting STEM careers to women and girls and tackling social mobility through partnerships with schools and targeted organisations. Over 900 primary and secondary school children attended a 'STEM insights' day with Inmarsat in 2019. Inmarsat was also selected as the Technology and Telecommunications Sector Lead for the Social Mobility Pledge, working with the Rt. Hon. Justine Greening to help make social mobility relevant for business in the UK.

PRINCIPAL DECISIONS

When making principal decisions the Board considers the interests of its key stakeholders.

Acquisition of Inmarsat plc (now named Inmarsat Group Holdings Limited):

- The Board reviewed the proposal for the acquisition of Inmarsat plc (now named Inmarsat Group Holdings Limited). The Board considered the value it could bring to the Inmarsat business during a period when its share price had been volatile. The Board also considered that in making an approach to Inmarsat it was taking into account how this would be considered amongst its own stakeholders (being the funds acquiring the shares of Inmarsat and the lenders who would be providing the financing as to the attractiveness of the acquisition) and those of Inmarsat being its customers, employees and Inmarsat's shareholders as they considered the terms of the acquisition. They determined the acquisition would ultimately

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promote the success of the Group as a whole.

Debt financing:

- The Board reviewed the proposal to enter into new debt financing facilities to fund operations and capital expenditure post acquisition. The Board determined the financing facilities were crucial for the purposes of carrying on business in the ordinary course and therefore in the interest of all stakeholders collectively.

CHANGE IN ACCOUNTING POLICIES

There have been no changes to the accounting policies of the Group within the current period.

KEY FINANCIAL AND OTHER PERFORMANCE INDICATORS

On 4 December 2019, the Company acquired the entire issued ordinary share capital of Inmarsat plc "Inmarsat" and obtained control. Inmarsat is a UK registered company. It is the leading global provider of mobile satellite services, providing data and voice connectivity to customers globally. Please refer to Note 34 for further details. Approximately one month of Inmarsat's operating performance is therefore reflected within the consolidated Group numbers.

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

($ in millions)	2019
Revenue	**93.4**
- Maritime	34.8
- Government	31.4
- Aviation	18.4
- Enterprise	8.4
- Other	0.4
EBITDA	(58.8)
Operating loss	(113.7)
Loss after tax	(150.0)
Net assets	2,200.1
Average number of employees	1,948

2019 Group revenue was $93.4m. Both EBITDA and operating profit were negative mainly driven by the costs associated with the acquisition of $137.3m. If we exclude these costs, EBITDA and operating profit are positive at $78.5m and $23.6m respectively.

Loss after tax was $36.3m greater than the operating loss, driven by net finance costs of $53.5m and offset by a tax credit of $17.2m.

Net assets as at 31 December 2019 were $2,200.1m. On acquisition of Inmarsat, goodwill of $841.7m was recognised, following the purchase price allocation exercise undertaken. More information can be found in Note 34. In addition, all existing borrowings became repayable in accordance with change of control clauses within the existing agreements and were re-financed by the Company. More information can be found in Note 19.

ALTERNATIVE PERFORMANCE MEASURES

In addition to IFRS measures the Group uses a number of Alternative Performance Measures (APMs) in order to provide readers with a better understanding of the underlying performance of the business, and to improve comparability of our results for the period. More detail on IFRS and APMs can be found on page 53.

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. A summary of our principal risks are shown below. The impact of Brexit is not significant in terms of overall risk on the Company. We monitor it in relation to several risks to assess if and how it may impact our principal risks and determine specifically that it does not represent a significant risk to us.

- Coronavirus - Coronavirus presents a significant risk to the financial and operational performance of Inmarsat. It is not currently possible to determine with any certainty the impact of the coronavirus on the outlook for the company. The Board and Management have responded robustly and quickly to the challenges created by the spread of the virus. Material actions have already been taken, and additional actions will be taken, in order, as far as possible, to maintain business continuity and provide sufficient liquidity to the organisation. Whilst the economic outlook remains very uncertain, drawing on the information known to the business today, Management have evaluated the potential impact of a range of possible scenarios on future revenues, EBITDA and liquidity. Inmarsat has a robust business model and capital structure with strong positions in a diverse range of geographies and markets, supplying generally mission critical services to a wide range of customers. These characteristics will help the Group to both sustain its operations through this difficult period and grow thereafter.

- Event leads to sharp reduction of air traffic – These types of events may be irregular in occurrence but have a potentially significant impact on business. Recent examples are the Coronavirus, 9/11, SARS, and the Icelandic ash cloud. Similar events in the future could reduce air traffic volumes sharply, which could in turn impact our business with reduced airlines flying or airlines delaying buying our services.

- Geo-political risk, political uncertainty including Brexit impact – Where there are large downturns in the world economy, affecting world trade, this can impact our business and execution of our strategy. This may be seen if there was a slowdown in one of the major economies of the world, a pandemic, terrorist attack or natural disaster which meant that our revenue growth slowed or we had to delay the implementation of our strategy.

- Competition from technological disruption, new entrants in the mobile satellite environment with more innovative business plans. We may fail to optimally assess and address our market and industry demands, technological changes, customer requirements, capacity needs and competitors' strategy and therefore fail to exploit market opportunities so reducing our opportunities for growth.

- There may be insufficient network capacity. This could mean we fail to keep up with the developing business needs of our existing and new customers. We may not be able to meet capacity needs for various reasons such as regulatory requirements, network or satellite issues, or technological difficulties which could impact our ability to generate revenues.

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- A major operational failure could occur. We face risks when our satellites are in orbit when control of them or our network may fail technically or be sabotaged. Elements of our ground network may fail or be damaged, which may affect our ability to provide services to our partners and customers. Our network may suffer a cyberattack that damages our service offering and reputation. If our service is interrupted, it may cause physical and financial damage with possible legal and financial consequences for our business.

- A satellite launch failure could occur. We face risks when we launch our satellites. There are limited satellite launch companies and if they encounter problems, our launch risk may increase. Not having our dedicated satellite assurance team manage every satellite launch could increase the risk before the satellite is launched. Although we can mitigate any satellite launch failure with insurance, we may still have a financial and reputational impact.

- Protectionism affects our business operations. Growing protectionism including policy changes, sanctions and trade wars could impact our business. These impacts could adversely affect our supply chain and our ability to perform installations as well as result in pressure to not sell to a particular country. If we are prevented from operating on a global basis, our revenue may be affected

- Security risk - We may suffer damage to satellites, networks, information/data, systems, processes and our services to customers as a result of malicious or flawed code, unauthorised access, service denial ransom/coercion, or security compromise. This could also have a consequential impact on reputation, business plans and operations, and future revenue from risk averse customers.

- Loss of or failed customer or supplier. We rely on our distribution channel for the major part of our revenue; they may not sell our services effectively or competitively and may prefer selling our competitors' services due to better terms and conditions. Our Distribution Relying on some critical customers may increase our financial exposure if they fail to make payments for our services. We rely on a limited number of third party suppliers and partners in the production of our satellites, launch provider systems, terminals and products and we may have limited control over availability, quality and delivery of these goods. A critical supplier may fail financially or one of their systems may fail.

- Spectrum, orbital slots and market access risk may not be available. We rely on radio spectrum, which has historically been allocated without charge, to provide our services. 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. We may not be able to obtain adequate orbital slots or we may miss deadlines to bring orbital slots into use. Given the nature of the satellite business it is important to have access to all areas of the globe and provide coverage world-wide. This requires licensing from multiple national authorities. We may not be able to gain these licenses for various reasons, which restricts our services being offered.

- Currency risk - Downturns in the economy of a country and/or world economy, armed conflicts and trade restrictions could impact currency exchange rates and our business and strategy. We have significant costs in GBP, so a drastic change in GBP value could impact our business.

- Loss of people and key skills - We may fail to hire skilled people or adequately improve skills to maintain and grow our business, deliver our strategy and complete programmes and projects. We may lose highly technical and specialist employees who have very specific skill sets that are vital to the business. We may lose employee engagement and motivation affecting business performance.

There are other risks that are either secondary to the Principal risks described above or risks of a long-term nature. These risks include but are not limited to:

- Risks from climate change
- Failed delivery of internal programmes or projects
- Patent infringement
- Restrictions on terminal use because of physical, psychological or social reasons
- Environmental damage from our operations
- Ethical and compliance risks
- Financing risk

POST BALANCE SHEET EVENTS

There have been a number of events which have occurred post the balance sheet and are considered non-adjusting. These have been discussed in detail within note 32.

By order of the Board

Alison Horrocks FCIS

Company Secretary

24 April 2020

DIRECTORS' REPORT

The Directors submit their report and the audited financial statements for Connect Bidco Limited (the 'Company' or together with its subsidiaries, the 'Group') for the period 15 March 2019 to 31 December 2019. Details of future developments and post balance sheet events and included in the Strategic Report.

RESPONSIBILITY STATEMENT

The Responsibility Statement made by the Board regarding the preparation of the financial statements is set out on page 9.

BUSINESS REVIEW, STRATEGIC REPORT AND FUTURE DEVELOPMENTS

A description of the Company's principle activates are set out in the Strategic Report on page 1.

CORPORATE GOVERNANCE STATEMENT

Summary

The Board of Connect Bidco Limited is pleased to present its Corporate Governance Statement for the period to 31 December 2019. This statement includes a review of how corporate governance acts as the foundation for our corporate activity and is embedded in our business and the decisions we make. The Board is committed to the creation of long-term sustainable value for the benefit of our shareholders and wider stakeholders.

The Company was incorporated on 15 March 2019 as a special purpose vehicle to acquire the entire issued ordinary share capital of Inmarsat plc (now Inmarsat Group Holdings Limited). The Company is owned by a consortium of (i) funds advised by Apax; (ii) funds advised by Warburg Pincus or its affiliates; (iii) Canada Pension Plan Investment Board; and (iv) Ontario Teachers' Pension Plan Board. During the period from incorporation to 4 December 2019 the Company did not have a corporate governance policy in place.

As part of the acquisition process the Company carried out a review of the Groups corporate governance practices by benchmarking the corporate governance activities against the Wates Corporate Governance Principles for Large Private Companies. This review has led to several recommendations to enhance its corporate governance arrangements, including the adoption of a corporate governance policy.

Corporate Governance Practices

The Company remains in a period of transition whilst key group responsibilities and delegations are being transferred. It is the Board's intention to adopt a corporate governance policy during 2020, which will reflect the new ownership structure, delegations and operational governance post-acquisition. The corporate governance policy will provide detailed governance principles reserved for the Board and its subsidiaries' boards. These matters are strictly reserved to ensure the Directors and subsidiaries' directors can demonstrate sound and competent execution of their statutory duties (including oversight of the management of relationships and engagement with stakeholders on their behalf) in accordance with applicable local legislation.

The Company has composed a Board with a balance of skills, backgrounds, experience and knowledge required to compliment the promotion of the long term success of the Company and to identify the impacts of the Board's decisions on their stakeholders, and where relevant, the likely consequences of those decisions in the long-term. Individual directors have sufficient capacity to make a valuable contribution that is aligned to the Company's activities (details of the skills and experience are set out on pages 4 and 5 of this Directors' report).

The Directors are mindful of corporate governance and seek to demonstrate understanding of their accountability and statutory responsibilities. The current Board understands their primary duties under the Companies (Guernsey) Law 2008 and broader regulatory responsibilities, e.g., General Data Protection Regulations, Anti-Money Laundering, Corporate Criminal Offence; and group-wide governance policies remain in place to support these primary duties and broader regulatory requirements.

Until such time that the new corporate governance policy is adopted, the Board continues to delegate key matters and stakeholder engagement to the Executive Management Team. Principal decisions, including the introduction of new business opportunities, product introduction and capital expenditure, are also delegated to the Executive Management Team. In making its decision, the Executive Management Team is required to consider the outcome of any stakeholder impact assessment that has been undertaken to support it making any principal decision (details of the principal decisions made during the reporting period are set out on page 1). The Executive Management Team reports back to the Board as part of the wider risk management and internal controls of the group, allowing the Board to demonstrate its oversight of the delegated responsibilities. To support effective decision-making Directors and the Executive Management Team take into account the Code of Ethics and Anti-Bribery & Corruption Policy when making decisions on behalf of the Company.

The Board is ultimately responsible for organising and directing the affairs of the Company in a manner most likely to promote the success of the Company for the benefit of its members whilst complying with legal and regulatory frameworks. Post-acquisition, the main activities of the Company are that of a holding company with oversight of subsidiaries' investments and dividend considerations. Directors are required to consider factors which will contribute to the Company's success, and those that are affected by the Company's activities (details of the principal risks and uncertainties are set out on pages 2 and 3 of the Strategic Report).

RESULTS AND DIVIDENDS

No dividends were declared during the period.

BRANCHES

The Group has activities operated through many jurisdictions.

GOING CONCERN

Despite the uncertain economic outlook related to Coronavirus, the Directors continue to believe that the Group has a robust business model and good medium to long-term growth prospects.

The Group has responded robustly and quickly to the challenges created by the spread of the virus. Material actions have already been taken, including a precautionary $278m draw down on the revolving credit facility to de-risk near-term liquidity and initiatives and actions to reduce indirect costs and capital expenditure. Additional actions will be taken as appropriate to maintain business continuity and provide sufficient liquidity to the organisation.

In order to confirm that the business should adopt the going concern basis in preparing the consolidated financial statements for 2019, the Board and Management have considered in detail a number of possible scenarios and their impact on future revenues, EBITDA and liquidity. The scenarios predict a slowdown in sales across the business, including the impact of slower FX installations in Maritime and depressed installation and consumption in Aviation, but assume a return to normality starting between Q3 2020 and Q2 2021. The evaluation took in to account the most recently approved budget and long-range business plan, latest market information from the business units, the impact of actions that have been and can be taken to improve financial performance, the maturity profile of the existing debt facilities set out in note 19, the covenant headroom within our debt facilities and the liquidity available to the Group, particularly through the $700 million revolving credit facility.

Whilst the economic outlook remains very uncertain due to the Coronavirus pandemic, following this analysis, the Directors have a reasonable expectation that the Group shall continue to operate as a going concern for the foreseeable future. Consequently, Inmarsat continues to adopt the going concern basis in preparing the 2019 consolidated financial statements.

DIRECTORS AND THEIR INTERESTS

A full list of the individuals who were Directors of the Company during the financial period 15 March 2019 to 31 December 2019 is set out below:

DIRECTORS' REPORT

Francois Manjibar-Checa (resigned 9 April 2019), Rosario Corcione (resigned 28 October 2019), Flavio Porciani (resigned 10 December 2019), Jean-Charles Douin (resigned 10 December 2019), Pierre Gonzague de L'honeux (resigned 10 December 2019) Max Fowinkel (appointed 10 December 2019), Eric Hargrave (appointed 10 December 2019), Pascal Keutgens (appointed 28 October 2019, Ashvin Malkani (appointed 10 December 2019), Salim Nathoo (appointed 10 December 2019), René Obermann (appointed 10 December 2019), Rupert Pearce (appointed 10 December 2019), Andrew Sillitoe (appointed 10 December 2019) and Andrew Sukawaty (appointed 10 December 2019),

Claude Robert Kehler and Christoph Müeller were both appointed on 14 February 2020.

Andrew Sukawaty (Chairman)

Background and relevant experience

Andy was previously the Chairman of Inmarsat plc until its acquisition and was previously its Executive Chairman and CEO. He was the Senior Independent Director of Sky PLC until his resignation in October 2018. He was previously Chairman of Ziggo N.V., Xyratex Technologies and Telenet and also Deputy Chairman of O2 PLC. He was previously an advisor to Apax Partners and Warburg Pincus. He has previously been Chief Executive Officer and President of Sprint PCS, a NYSE listed global national wireless carrier and Chief Executive Officer of NTL Limited. He has also held various management positions with US West and AT&T and been a Non-Executive director on various listed companies. Andy holds a BBA and MBA respectively from the University of Wisconsin and Minnesota.

Max Fowinkel (Non-Executive Director)

Background and relevant experience

Max Fowinkel joined Warburg Pincus in 2007 and is a Partner and Managing Director. He is a Director of 1&1 Ionos and MAX (fka Leumi Card). He was involved in the firm's investments in inexio, IPAN, Network International, Accelya, easycash, MACH, Evenex, Blue Yonder and United Internet. Prior to joining the firm, he worked at McKinsey & Company. Max holds a degree in Mechanical Engineering and Business Administration from Technische Universität Berlin and an M.B.A. from Harvard Business School.

Eric Hargrave (Non-Executive Director)

Background and relevant experience

Eric is responsible for origination, execution, and management of direct investments in the technology, media and telecom sectors across Europe, as well as geographic coverage for the Nordics at Ontario Teachers'. Eric currently serves on the board of Memora. Prior to joining Ontario Teachers', Eric worked in investment banking at RBC Capital Markets, most recently as part of the London based Power, Utilities and Infrastructure group.

General C Robert Kehler (Rtd) (Non-Executive Director)

Background and relevant experience

General Kehler served on the Inmarsat plc Board for 6 years as a Non-Executive Director until his resignation on 4 December 2019. General Kehler retired from the US Air Force on 31 December 2013 with over 38 years of service. Over his career, he served in a variety of important operational and staff assignments, and successfully led large organisations with global responsibilities. In his final two major command assignments he oversaw a global network of satellite command and control, communications, missile warning and launch facilities, and was directly responsible to the Secretary of Defense and President for the plans and operations of all U.S. forces conducting strategic deterrence, space, and cyberspace operations. General Kehler is a Non-executive director of MAXAR Technologies, a Trustee of the Mitre Corporation and Director of Monocle Acquisition Corporation.

Pascal Keutgens (Non-Executive Director)

Background and relevant experience

Pascal focuses on the healthcare and consumer sectors. He is also responsible for investments in Germany, France and the Benelux for the Canada Pension Plan ('CPP'). Prior to joining CPP Investments, Pascal was a Partner at Bregal Freshstream, where he was responsible for their Private Equity activities in France and the Benelux. Previously Pascal was a Partner at Doughty Hanson, where he spent 13 years focusing on mid-market buyouts across Europe. Pascal trained as an accountant at PwC.

Christoph MUeller (Non-Executive Director)

Background and relevant experience

Christoph has over 25 years' experience in the aviation, logistic and tourism industry. He was the Chief Digital and Innovation Officer of Emirates Group and former Chief Executive Officer of Malaysia Airlines. Christoph was the CEO of Irish airline Aer Lingus where he repositioned the loss making company as a service airline to compete with low budget alternatives. He is a qualified accountant.

Ashvin Malkani (Non-Executive Director)

Background and relevant experience

Ashvin joined Ontario Teachers' in 2002 and has nearly 20 years of private equity investing experience. He currently serves on the board of directors of 24-7 Intouch, Camelot Lottery Solutions, Compass Datacenters, Inmarsat and Premier Lotteries Ireland. Prior to joining Ontario Teachers', Ashvin was an Analyst at TD Capital, the private equity arm of TD Bank Financial Group.

Salim Nathoo (Non-Executive Director)

Background and relevant experience

Salim is a Partner in the Tech & Telco team of Apax Partners and is based in London. Salim is also a member of the Investment Committees for the Apax Buyout Funds, Apax Digital Fund and Apax Global Alpha. Salim joined Apax Partners in 1999 specialising in the Tech & Telecom space. He has both led and participated in a number of key deals including ThoughtWorks, Candela, EVRY, GlobalLogic, iGATE, Orange Switzerland, Sophos, SMART Technologies, Weather Investments, Tim Hellas, Promethean and Mobifon. Prior to joining Apax Partners, Salim was an Engagement Manager with McKinsey & Company where he specialised in advising clients in the telecom sector

René Obermann (Non-Executive Director)

Background and relevant experience

In February 2015, René Obermann joined Warburg Pincus, a leading private equity firm, as a Partner and Managing Director. Subsequent to investments made by Warburg Pincus, he assumed roles as Chairman of the Board at 1&1 IONOS and was a Supervisory Board Member at inexio. He is a Member of the Board of Directors of Airbus. René worked as CEO of Ziggo in The Netherlands in 2014 until the merger with LibertyGlobal's UPC. Prior to Ziggo, René worked at Deutsche Telekom Group (DT) from 1998 until 2013. After running DT's mobile division (T-Mobile International), he was appointed as CEO of Deutsche Telekom in November 2006, where he remained until December 2013. René began his career with a business traineeship at BMW in Munich. Next, he founded his own business in 1986: ABC Telekom, a company distributing telecommunication equipment and providing technical services. After the acquisition of ABC Telekom by Hutchison Whampoa in 1991, René became Managing Partner of the resulting company: Hutchison Mobilfunk. Between 1993 and 1998, he was CEO of that company.

Rupert Pearce (CEO)

Background and relevant experience

Rupert has been Inmarsat's Chief Executive Officer since January 2012. He joined Inmarsat in January 2005 and between then and 2011, he was General Counsel and Senior Vice President, Inmarsat Enterprises. Previously, Rupert was a partner in Atlas Venture, a leading transatlantic venture capital investment boutique, specialising in the IT, communications and biotech sectors. Before Atlas Venture, he was also a partner at the international law firm Linklaters, specialising in corporate finance, mergers & acquisitions and private equity transactions. Rupert received an MA (First Class) in Modern History from Oxford University and won the 1995 Fullbright Fellowship in U.S. securities law, studying at the Georgetown Law Center. He has been a visiting fellow of the Imperial College Business School, London lecturing on the school's Entrepreneurship programme, and is the co-author of 'Raising Venture Capital' (Wiley). Rupert is Member of the Board of Directors of the EMEA Satellite Operators Association ('ESOA'); Commissioner

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on the Broadband Commission for Digital Development and Member of the Steering Committee of the Smart Africa Initiative.

Andrew Sillitoe (Non-Executive Director)

Background and relevant experience

Andrew is co-CEO of Apax Partners and a Partner in the Tech & Telco team. Andrew is also a member of the Executive and Investment Committees. He has been based in London since joining the firm in 1998 and his focus has been on the technology & telecommunications sectors. Andrew has been involved in a number of deals, including the Inmarsat acquisition In 2003, Intelsat, King, Orange, TDC, TIVIT and Unilabs. Prior to joining Apax Partners, Andrew was a consultant at LEK where he advised clients on acquisitions in a number of sectors.

INDEMNIFICATION OF DIRECTORS

Directors' and Officers' insurance cover has been established for all Directors and Officers to provide cover against their reasonable actions on behalf of the Company. In accordance with our Articles of Association and to the extent permitted by the laws of England and Wales, Directors, the Company Secretary and certain employees who serve as directors of subsidiaries at the Group's request have been granted indemnities from the Company in respect of liabilities incurred as a result of their office. Neither our indemnity nor the insurance provides cover in the event that a Director is proven to have acted dishonestly or fraudulently. No amount has been paid under any of these indemnities during the period.

EMPLOYEES

Supporting our drive to create a high performance organisation is a key pillar of our company strategy and 2019 saw further acceleration and progress in the delivery of our ambitious People Strategy across all areas of the employee experience. Central to our work has been our focus on creating the right culture and values-centric environment where our employees can thrive and drive the business forward. Alongside this we have built and strengthened leadership capability, focused on managing for performance across our global workforce, embedded our employee value proposition and our diversity and inclusion strategy. We also continued to build an effective organisation by ensuring our market facing businesses have the right capability and structure to sustain our future growth. 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.

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

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

OUR PARTNERS

Our partners are critical to our business success and supplement our own capabilities. We rely on their experience to support our business objectives and strengthen our service offering and therefore, we seek to negotiate deals that allow our partners to make a fair return whilst maintaining cost certainty and competitive market deals. When we refer to our partners, we cover our ecosystem in its widest sense. Our partners are our distributors, value added resellers, end customers, suppliers and all those we interact with to enable our services to be used.

Recognising this importance, we have evolved our Procurement processes to allow more time for selecting the right suppliers. Before we invite suppliers to tender we first check their financial stability; ensure they sign up to our code of conduct and quality standards and also check their experience. Once we know this, we can be assured they have the basics in place for us to work with them. The Procurement team use this as a focused process. The following procurement processes then go in to detail to ensure they can deliver what we need; when; how and for a fair cost and margin leveraging all relevant internal experience through formal evaluation mechanisms and informal mechanisms such as reference checks. The processes are very similar to those used by other companies and are acknowledged as good practice.

We work closely with our compliance, legal and regulatory colleagues to ensure we mitigate all known risks with plans to cope for all reasonable eventualities. Sign off of those contracts and risks follow our internal governance; delegated approval and signatory processes with most procurement contracts signed by the Vice President, Procurement and Contracts.

HEALTH & SAFETY

The Group is committed to maintaining high standards of wellbeing, health and safety for its employees, customers, visitors, contractors and anyone affected by its business activities. During 2019, we continued to work closely with our subsidiary companies to harmonise health and safety best practice. Rupert Pearce, our CEO, is the Director designated for health and safety matters at Board level. One of the objectives for the CEO includes how health and safety is managed across the Company.

We promote wellbeing through a wide variety of programmes, including exercise and fitness promotion, flexible working, nutrition and occupational health checks. We know that good mental and physical health contributes to better decision making, greater productivity and higher levels of employee satisfaction. We run campaigns to encourage employees to take responsibility for their health problems, such as heart disease, diabetes and cancer. There has been significant focus on Health and Safety across the Group during the Coronavirus period.

Our goal is to encourage strong leadership in championing the importance of 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.

MATERIALITY ASSESSMENT

Inmarsat has always understood the importance of wider corporate responsibility and ensuring we act in an ethical manner, taking account of our responsibilities – socially and environmentally. We have refreshed our view of our non-financial risks through conducting a materiality assessment. We also continue to disclose our Corporate Social Responsibility ('CSR') activities in accordance with the Global Reporting Initiative (GRI). We have produced a standalone GRI Report which includes the results of our 2019 materiality assessment and how we have continued to create value and monitor progress against each of our material topics. Our GRI Report can be found on our website.

ENVIRONMENTAL PERFORMANCE AND STRATEGY

We operate in 38 locations with a combined workforce of approximately 1,900 staff. Due to our diversity of activities the Company recognises it has impacts affecting the local and global environment. The satellite launch industry is reviewing how it becomes more accountable for carbon generation through innovative new satellite launch techniques and we will work with these launch providers to see how we can benefit from improved techniques for our future launches. The following information summarises our actual environmental performance over the period.

DIRECTORS' REPORT

Our environmental impacts include the use of natural resources, the consumption of energy and water, the production of a variety of waste, as well as staff and visitor travel.

All energy and waste management activities are controlled by the Business Environment team which is based in London and are supported by inputs from colleagues across the Group. We have recently created a team focused on sustainability across the workplace and we are identifying how this group can bring focus and attention to some new sustainable opportunities.

GREENHOUSE GAS EMISSIONS

This section has been prepared in accordance with our regulatory obligation to report greenhouse gas ('GHG') emissions pursuant to The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 which implement the government's policy on Streamlined Energy and Carbon Reporting.

The table below shows our greenhouse gas emissions for the years ended 31 December 2017 to 2019. We are in the process of having our emissions independently verified to the ISO 14064-3 standard to ensure continuous improvement of our GHG reporting.

Methodology

We quantify and report our organisational GHG emissions according to the Greenhouse Gas Protocol. Consumption data has been collated by our sustainability consultant, Carbon Intelligence (formerly Carbon Credentials), and has been converted into CO_2 equivalent using the UK Government 2019 Conversion Factors for Company Reporting and the International Energy Agency international electricity conversion factors in order to calculate emissions from corresponding activity data.

This report has been prepared in accordance with the GHG Protocol's Scope 2 Guidance; we have therefore reported both a location-based and market-based Scope 2 emissions figure. The Scope 2 market-based figure reflects emissions from electricity purchasing decisions that Inmarsat has made. When quantifying emissions using the market-based approach we have used a supplier specific emissions factor where possible. If these factors were unavailable, a residual mix emissions factor was then used, and as a final alternative the location-based grid emissions factor was used.

The table on this page shows our total emissions and our emissions as a metric for the period ended 31 December 2019 using the two different Scope 2 accounting methodologies.

Performance

The Group set an interim target to reduce absolute Scope 1 and 2 emissions by 20% by year end 2018 compared to a 2016 baseline. We achieved a 27% decrease in our Scope 1 and 2 emissions since 2016 (using the market-based Scope 2 accountancy method) and exceeded our target. In 2019 we updated our targets to ensure they are aligned with the latest climate science and in line with the UK's commitment under the UN Paris Agreement, thereby contributing to the global effort to prevent the worst consequences of climate change. Our new target is to reduce our Scope 1 and 2 emissions by 29% by 2025 on a 2018 baseline, which is line with the reductions required to maintain global temperature increase to 1.5 degrees Celsius. We are working with Carbon Intelligence to assess our full value chain (Scope 3) emissions with the ambition of gaining approval from the Science Based Targets initiative on our Scope 1, 2 and 3 targets by the end of 2020.

We continue to expand the number of low emissions sources of electricity across the Group and have already switched to a renewable electricity supply at our London Head Office, our largest electricity-consuming site. Overall, approximately 60% of the electricity we use is from renewable sources. In London, we have recently completed a significant refurbishment project that will help reduce energy consumption at this principal site. The energy-intensive chillers on-site have been replaced with new environmentally friendly machines which produce fewer carbon emissions per unit of gas input and operate 20% more efficiently. We are also phasing out the use of generators and have recently eliminated these at Batam. The table below shows our energy consumption for the past two years as well as year-on-year change.

Energy consumption (MWh)	2019	2018	Year-on-year % change
Electricity	25,866	28,150	-8%
Fuels	6,951	4,025	73%
Total	32,817	32,175	2%

Our emissions intensity has decreased by 30% from 4.7 (2018) to 3.3 (2019) tCO_2e/FTE (using the market-based Scope 2 accounting approach).
We have also chosen to voluntarily disclose a selection of our Scope 3 emissions, including water, waste, business travel and WTT electricity emissions and emissions associated with the transmission and distribution of electricity. Our Scope 3 emissions have decreased by 29% between 2018 and 2019.

Reporting boundaries and limitations

We consolidate our organisational boundary according to the operational control approach and have adopted a materiality threshold of 5% for GHG reporting purposes. As a result, emissions from locations with fewer than 15 staff on-site have been reasonably estimated as immaterial and are thus excluded from our GHG disclosure. Emissions for all significant sites have been included in our calculations. GHG sources that constitute our operational boundary for the 2019 reporting period are:

- **Scope 1:** Natural gas combustion within boilers, gas oil combustion within generators, road fuel combustion within owned and leased vehicles, and fugitive refrigerants from air-conditioning equipment
- **Scope 2:** Purchased electricity consumption for our own use
- **Scope 3:** Business travel, water, waste, and well-to-tank and transmission & distribution electricity emissions

Assumptions and estimations

In some cases, missing data has been estimated using either extrapolation of available data from the reporting period or data from previous years as a proxy.

DIRECTORS' REPORT

Greenhouse gas emissions (tCO2e)		2019	2018	2017
Scope 1	Combustion of fuel and operation of facilities (Scope 1)	1,515	849	1,048
Scope 2 (location-based)	Electricity, heat, steam and cooling purchased for our own use	9,379	11,053	11,014
Scope 2 (market-based)	Electricity, heat, steam and cooling purchased for our own use	4,496	7,756	8,808
	Total Scope 1 and 2 emissions (location-based)	10,894	11,902	12,063
	Total Scope 1 and 2 emissions (market-based)	6,011	8,605	9,857
	Emissions intensity tCO2e per full-time equivalent ('FTE') employee (location-based)	5.9	6.5	6.9
	Emissions intensity tCO2e per full-time equivalent ('FTE') employee (market-based)	3.3	4.7	5.7
Scope 3	Business travel	8,480	12,548	18,452
	Waste	78	79	12
	Water	21	25	13
	Fuel-and-energy-related activities	2,254	2,464	2,565
	Total Scope 3 emissions	10,833	15,117	21,044
	Gross Scope 1, 2 and 3 (location-based)	21,728	27,019	33,107
	Gross Scope 1, 2 and 3 (market-based)	16,845	23,722	30,900

Emissions from the consumption of electricity outside the UK and Scope 2 emissions calculated using the market-based approach using supplier specific emission factors are calculated and reported in tCO_2. The emissions intensity calculation is based on a figure of 1,849 employees in 2019, 1,842 employees in 2018 and 1,737 employees in 2017.

In 2019 we have included additional categories in the fuel-and-energy-related-activities Scope 3 category for completeness.

PRINCIPAL RISKS AND UNCERTAINTY

Details of principal risks and uncertainties are provided on pages 2 to 3.

FINANCIAL RISK MANAGEMENT

Details of the financial risk management objectives and policies of the Group, including exposure of the entity to market risk, credit risk, liquidity risk and cash flow risk are given in notes 3 and 31 to the financial statements.

POLITICAL DONATIONS

During the period, no political donations were made. It remains the policy of the Company not to make political donations or incur political expenditure.

RESEARCH AND DEVELOPMENT

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

DISCLOSURE OF INFORMATION TO AUDITORS

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

INDEPENDENT AUDITORS

Deloitte LLP, having expressed their willingness to act, were appointed auditors of the Company.

By order of the Board

Alison Horrocks FCIS

Company Secretary

24 April 2020

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

The Companies (Guernsey) Law, 2008 requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the Parent Company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether Financial Reporting Standard 101 Reduced Disclosure Framework has been followed, subject to any material departures disclosed and explained in the financial statements and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- provide additional disclosures when compliance with the specific requirements of 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. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy

By order of the Board

RUPERT PEARCE
Director

24 April 2020

FINANCIAL STATEMENTS

THIS REPORT IS SEPARATED INTO THE FOLLOWING SECTIONS TO AID REVIEW:

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CONNECT BIDCO LTD

Report on the audit of the financial statements

OPINION

In our opinion:

- the financial statements of Connect Bidco Limited (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's loss for the period 15 March 2019 to 31 December 2019;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies (Guernsey) Law, 2008.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and Parent Company balance sheets;
- the consolidated and Parent Company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 35.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

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

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

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CONNECT BIDCO LTD (CONTINUED)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Matters on which we are required to report by exception

Under the Companies (Guernsey) Law, 2008 we are required to report in respect of the following matters if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Section 262 of the Companies (Guernsey) Law, 2008. 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.

Paul Franek

Paul Franek FCA
(Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
24 April 2020

CONSOLIDATED INCOME STATEMENT

for the period ended 31 December 2019

($ in millions)	Note	2019
Revenues	5	93.4
Employee benefit costs	7	(25.9)
Network and satellite operations costs		(11.7)
Impairment of financial assets	17	5.2
Other operating costs[1]		(122.7)
Own work capitalised		2.9
Total net operating costs		(152.2)
EBITDA	6	(58.8)
Depreciation and amortisation	6	(55.5)
Share of profit of associates	15	0.6
Operating loss		(113.7)
Financing income	9	5.5
Financing costs	9	(59.0)
Net financing costs	9	(53.5)
Loss before tax		(167.2)
Taxation charge	10	17.2
Loss for the period		(150.0)
Attributable to:		
Equity holders		(150.0)
Non-controlling interest[2]		-

1 Includes transaction costs related to the acquisition of the Group of $108.5m and terminal and equipment costs of $7.8m
2 Non-controlling interest relates to the Group's 51% shareholding in Inmarsat Solutions ehf
3 Connect Bidco Limited was incorporated in the current period and therefore no comparative figures have been presented.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the period ended 31 December 2019

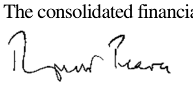
($ in millions)	**Note**	**2019**
Loss for the period		(150.0)
Other comprehensive loss		
Items that may be reclassified subsequently to the Income Statement:		
Losses on cash flow hedges	25	(1.5)
Other comprehensive loss for the period, net of tax		(1.5)
Total comprehensive loss for the period, net of tax		(151.5)
Attributable to:		
Equity holders		(151.5)
Non-controlling interest		-

CONSOLIDATED BALANCE SHEET

As at 31 December 2019

($ in millions)	Note	2019
Assets		
Non-current assets		
Property, plant and equipment	12	3,473.9
Intangible assets	13	3,249.9
Investments	15	21.1
Right of use assets	14	50.3
Other receivables	17	34.4
Deferred tax asset	22	50.1
		6,879.7
Current assets		
Cash and cash equivalents	16	159.3
Trade and other receivables	17	328.3
Inventories	18	39.2
Current tax assets	22	4.5
Restricted cash		0.9
		532.2
Total assets		7,411.9
Liabilities		
Current liabilities		
Borrowings	19	1,015.9
Trade and other payables	20	583.1
Provisions	21	4.2
Current tax liabilities	22	193.6
Derivative financial instruments	29	0.9
Lease obligations	14	11.0
		1,808.7
Non-current liabilities		
Borrowings	19	2,730.3
Other payables	20	15.8
Provisions	21	6.5
Deferred tax liabilities	22	599.1
Lease obligations	14	51.4
		3,403.1
Total liabilities		5,211.8
Net assets		2,200.1
Shareholders' equity		
Ordinary shares	24	2,349.9
Other reserves		(0.7)
Retained earnings		(150.0)
Equity attributable to shareholders		2,199.2
Non-controlling interest		0.9
Total equity		2,200.1

The consolidated financial statements of the Group on pages 13 to 17 were approved by the Board of Directors on 24 April 2020 and were signed on its behalf by



RUPERT PEARCE
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the period ended 31 December 2019

($ in millions)	Note	Ordinary share capital	Cash flow hedge reserve	Retained earnings	Non-controlling interest	Total
At 15 March 2019		-	-	-	-	-
Issue of share capital		2,349.9	-	-	-	2,349.9
Acquisition of NCI	34	-	-	-	1.4	1.4
Loss on cash flow hedges capitalised to tangible assets		-	0.8	-	-	0.8
Dividend declared		-	-	-	(0.5)	(0.5)
Comprehensive Income:						
Loss for the period		-	-	(150.0)	-	(150.0)
Other comprehensive loss - before tax		-	(1.5)	-	-	(1.5)
Balance at 31 December 2019		2,349.9	(0.7)	(150.0)	0.9	2,200.1

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

CONSOLIDATED CASH FLOW STATEMENT

for the period ended 31 December 2019

($ in millions)	Note	2019
Cash flow from operating activities		
Cash generated from operations	23	(20.8)
Interest received		4.7
Tax received		(0.1)
Net cash inflow from operating activities		(16.2)
Cash flow from investing activities		
Purchase of property, plant and equipment		(78.2)
Additions to intangible assets		(8.6)
Own work capitalised		(3.5)
Acquisition related purchase	34	(3,335.3)
Net cash used in investing activities		(3,425.6)
Cash flow from financing activities		
Dividends paid to shareholders		(0.5)
Proceeds from the issue of long term borrowings	19	2,790.7
Repayment of borrowings		(1,798.8)
Interest paid		(19.0)
Arrangement costs of financing		(69.8)
Cash payments for the principal portion of the lease obligations	14	(2.4)
Net proceeds from the issue of ordinary shares		2,349.9
Other financing activities		(0.6)
Net cash used in financing activities		3,249.5
Net decrease in cash and cash equivalents		(192.3)

Cash and cash equivalents		
At beginning of the period		-
Cash and cash equivalents acquired		352.2
Net decrease in cash and cash equivalents		(192.3)
Exchange losses on cash and cash equivalents		(0.6)
At end of the period (net of bank overdrafts)		159.3
Comprising:		
Cash at bank and in hand	16	159.3
Net cash and cash equivalents at end of period		159.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Connect Bidco Limited (the ‘Company’ or, together with its subsidiaries, the ‘Group’) is a private company limited by shares incorporated in Guernsey. The address of its registered office is Redwood House, St Julian's Avenue, St Peter Port, GY1 1WA, Guernsey. The Company was incorporated on 15 March 2019 and therefore no comparative figures have been presented in these financial statements.

The ultimate controlling party of the Company is Connect Topco Limited which is an entity based in Guernsey. The smallest and largest group into which the results of the Company are consolidated is headed by Connect Topco Limited.

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 and Companies (Guernsey) Law, 2008. 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 and is compliant with all banking covenants. Because of this, the Directors believe that the Company and the Group are well-placed to manage its business risks successfully. After considering current financial projections and facilities available and after making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, Connect Bidco Limited 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.

BASIS OF ACCOUNTING

The consolidated financial statements are presented in US Dollars, which is the functional currency of the Company and most of the Group’s subsidiaries. The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the period. 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 that have been issued but are not yet effective and have not been adopted by the Group;

IFRS 17 ‘Insurance Contracts’

IFRS 17 will be effective for periods beginning on or after 1 January 2021 and supersedes IFRS 4 ‘Insurance Contracts,’ subject to endorsement by the EU. This will not have a material impact on the Group.

BASIS OF CONSOLIDATION

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

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

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

BUSINESS COMBINATIONS

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

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

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

FOREIGN CURRENCY TRANSLATION

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

Foreign exchange gains and losses resulting from the settlement of transactions and the translation of monetary assets and liabilities denominated in foreign currencies at period end exchange rates are recognised in the income statement line which most appropriately reflects the nature of the item or transactions.

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

REVENUE

The Group applies the 5 step-model as required by IFRS 15 in recognising its revenues. A contract’s transaction price is allocated to each distinct performance obligation and recognised as revenue when, or as, the performance obligation is satisfied. Revenue is only recognised when it is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services to be transferred to the customer.

Mobile satellite communications service revenues result from utilisation charges that are recognised as revenue over the minimum contract period. The selection of the method to measure progress towards completion requires judgement and is based on the nature of the products or services to be provided. Because of control transferring over time, revenue is recognised based on the extent of progress towards completion of the performance obligation. 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.

The Group enters into minimum spend contracts with customers, known as ‘take-or-pay’ contracts, whereby customers agree to purchase a minimum value of mobile satellite communications services over a fixed period. Any unused portion of the prepaid contracts or the take-or-pay contracts (‘breakage’) that is deemed highly probable to occur by the expiry date is estimated at contract inception and recognised over the contract period in line with the pattern of actual usage of units by the customer.

Revenue from the sale of prepaid credit is deferred until such time as the customer uses the airtime and subsequently recognised over time. Breakage from prepaid credit deferrals which is considered highly probable is estimated and recognised from contract inception. Mobile satellite communications service revenues from capacity sold are recognised on a straight-line basis over the term of the contract

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

concerned, which is typically between one and 12 months, unless another systematic basis is deemed more appropriate.

Revenue from spectrum coordination agreements, is recognised at a point in time based on standalone selling prices.

Revenue from service contracts is recognised as the service is provided over time based on the contract period.

Revenue of terminals and other communication equipment sold are recognised at the point in time when control is transferred to the customer. Installation revenues relating to this are also recognised at a point in time. Revenue from installation of terminals and other communication equipment owned by Inmarsat and used in the delivery of the service to the customer is however recognised over the contract term.

The Group offers certain products and services as part of multiple deliverable arrangements. Consistent with all other contracts, the Group will assess whether the performance obligations are distinct by considering whether 1) the customer can benefit from good or service on its own; or together with other readily available resources 2) the good or service is distinct in the context of the contract. The transaction price is allocated to each performance obligation based on its stand-alone selling price relative to the total of all performance obligations' stand-alone selling prices under the contract.

The nature of the contracts within the Group may give rise to variable consideration. This is estimated as the most likely amount based largely on an assessment of the anticipated performance and all information (historical, current and forecasted) that is reasonably available and is included in the transaction price to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue will not occur.

Where a contract contains a significant financing component, the Group adjusts the transaction price to a present value where the effect of discounting is deemed to be material. The Group has adopted the practical expedient whereby it is not required to adjust the transaction price for the effects of a significant financing component if, at contract inception, the period between customer payment and the transfer of goods or services is expected to be one year or less. For contracts with an overall duration greater than one year, the practical expedient also applies if the period between performance and payment for that performance is one year or less.

A contract asset or a contract liability will arise when the performance of either party exceeds the performance of the other. Contract assets are rights to consideration in exchange for goods or services that the entity has transferred to a customer when that right is conditional on something other than the passage of time. Contract liabilities are obligations to transfer goods or services to a customer for which the entity has received consideration, or for which an amount of consideration is due to the customer. These are referred to as deferred income within the Group.

Contract costs to obtain a contract and fulfil a contract are capitalised and amortised on a systematic basis, consistent with the pattern of transfer of the goods or services to which the capitalised cost relates. As a practical expedient, a cost to obtain contract with a customer will be immediately expensed if it has an amortisation period of one year or less.

FINANCIAL ASSETS

Trade and other receivables

Trade and other receivables, including prepaid and accrued income, are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. The Group stratifies trade debtors based on internal credit ratings. The Group calculates the loss allowance for trade receivables and contract assets based on lifetime expected credit losses under the IFRS 9 simplified approach.

Cash and cash equivalents

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

FINANCIAL LIABILITIES AND EQUITY

Equity instruments

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

Trade and other payables

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

Borrowings

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

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

Convertible Bonds

The Group holds Convertible Bonds which are net share settled instruments. Upon conversion the Group will repay the principal in cash and satisfy the remaining conversion value by issuing ordinary shares of the Company (if the market value of the Company's shares at settlement date exceeds the conversion price). Upon issuance, the embedded options did not meet the 'fixed-for-fixed' criterion under IAS 32. These embedded options represent non-closely related embedded derivatives that are bifurcated from the host debt contract and measured at fair value through profit and loss. The issued instrument has multiple embedded derivatives, all derivatives that relate to the same risk exposure are assessed and accounted for as a single compound instrument.

The cash debt component is initially recognised as the present value of the principal and interest payments using a discount rate for a similar instrument with the same terms and conditions but without the conversion option. After initial recognition, it is measured at amortised cost using the effective interest method with the interest expense recognised in the income statement and a cash outflow resulting from coupon payments to bond holders.

The derivative liability component is initially assigned the residual amount after deducting from the fair value of the instrument as a whole, the fair value of a comparable, non-convertible bond, known as a debt host contract.

The derivative liability is sensitive to changes in the bond price and is marked-to-market at each reporting date with the increase or decrease recognised in the income statement.

FINANCING INCOME AND FINANCING COST

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

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

The change in fair value of the derivative liability component of the 2023 Convertible Bond is presented within net financing costs in the income statement.

Further details on the accounting for derivative financial instruments is provided below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Senior Notes and Term Loan

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

Net borrowings

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

Hedge Accounting

Given the Group's limited hedging activities and the lack of benefit to financial statement users for adopting the hedging requirements of IFRS 9, the Group has elected not to adopt this until mandatory and has maintained the treatment under IAS 39.

Derivative financial instruments

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

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

Cash flow hedges

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

Where there is a material contract with a foreign currency exposure, a specific hedge to match the specific risk will be evaluated. At present the Group only hedges certain foreign currency milestone payments to Airbus and Thales for the construction of the I-6 and GX-5 satellites.

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

EMPLOYEE BENEFITS

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

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

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

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

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

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

TAXATION

Current tax

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

Deferred tax

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

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

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

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

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

Uncertain tax positions

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

IMPAIRMENT REVIEWS
Goodwill is not amortised, but is tested annually for impairment.

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

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

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

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

Impairment losses in respect of goodwill are not reversed.

LEASES
Contracts which convey the right to control the use of an identified asset for a period of time in exchange for consideration are accounted for as leases by the Group. At the commencement date, the Group, as lessee, recognises a right-of-use asset and a lease liability. The lease liability is measured at the present value of the lease payments that are not paid at that date, discounted using the rate implicit in the lease, unless such a rate is not readily determinable, in which case the incremental borrowing rate is used. The right-of use asset comprises the amount of the initial measurement of the lease liability, adjusted for any lease payments made at or before the commencement date, less any lease incentives received and any initial direct costs incurred by the Group. Lease term is determined as the non-cancellable period of a lease adjusted for any reasonably certain extension or termination option.

After commencement date, the right-of use asset is depreciated on a straight-line basis to the end of the lease term. The lease liability is accounted for by reducing the carrying amount to reflect the lease payments made, and increasing the carrying amount to reflect the interest on the lease liability.

As lessor for operating leases, the Group recognises lease payments as income. The underlying asset is depreciated on a straight-line basis over its expected useful life

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

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

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

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

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

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

INVENTORIES

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

PROVISIONS

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

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

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

Asset retirement obligations

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

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

ALTERNATIVE PERFORMANCE MEASURES

In addition to IFRS measures the Group uses a number of Alternative Performance Measures ('APMs') in order to provide readers with a better understanding of the underlying performance of the business, and to improve comparability of our results for the period. More detail on IFRS and APMs can be found on page 53.

3. FINANCIAL RISK MANAGEMENT

BREXIT AND CORONAVIRUS

The United Kingdom withdrew from the EU on 31 January 2020. There will then be a transition period until 31 December 2020. The transition period forms part of the terms of the Withdrawal Agreement. During this time UK will no longer be member state, but will still be subject to EU rules and regulations. The UK leaving EU is not expected to have a significant financial impact on the Group. The majority of revenue, capital expenditure and long-term borrowings are denominated in US Dollars reducing our exposure to a weakening Sterling. Additional costs incurred from professional fees for legal advice and work permits for employees are expected to be limited.

The Group has responded robustly and quickly to the challenges created by the spread of Coronavirus. Whilst the economic outlook remains very uncertain, drawing on the information known to the business today, Management have evaluated the potential impact of a range of possible scenarios on future revenues, EBITDA and liquidity and has actioned mitigation plans to ensure the financial risk is limited.

For information pertaining to the potential operational and financial impacts to the Group of Brexit and Coronavirus, refer to pages 2 to 3 for the Group's principal risks.

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 the treasury department the responsibility for setting and implementing the financial risk management policies applied by the Group. The treasury department has an operating manual that sets out specific guidelines for managing foreign exchange risk, interest rate risk and credit risk (see note 29). 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 the Group 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 5% and 16% of total revenue and total expenditure, respectively, being denominated in currencies other than the US Dollar. Approximately 9% of the Group's operating costs are denominated in Pounds Sterling. The Group's exposure therefore needs to be carefully managed to avoid variability in future cash flows and earnings caused by volatile foreign exchange rates.

As at 31 December 2019 it is estimated that a hypothetical 10% increase in the US Dollar/Sterling year-end exchange rate (US$1.33/£1.00 to US$1.46/£1.00) would have decreased the 2019 profit before tax by approximately $4.5m. Management believes that a 10% sensitivity rate provides a reasonable basis upon which to assess expected changes in foreign exchange rates.

(ii) Price risk

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

(B) INTEREST RATE RISK

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group has interest-bearing assets such as cash and cash equivalents, short-term deposits, and non-current other receivables however interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. On 12 December 2019, the Group entered into a $1.75bn external credit agreement with Barclays Bank PLC as administrative and collateral agent. As at 31 December 2019 the Group had drawn down $715.7m which is repayable in quarterly instalments over 7 years. The credit agreement will mature in 2026. Drawings under this credit agreement incur interest at a variable rate of libor +4.5%. Senior Notes due 2026 is at fixed rate. Management believes that a 1% sensitivity rate provides a reasonable basis upon which to assess expected changes in variable interest rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(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. A debt will be deemed uncollectable and therefore written off based on one or more of the following criteria:

- Insolvency (formal or just ceased trading)
- Debtor cannot be located
- Debt uneconomical to pursue

For any write-offs, a standard procedure is followed with authorisations obtained in-line with the Group's framework.

Financial instruments that potentially subject the Group to a concentration of credit risk consist of cash and cash equivalents, short-term deposits, trade receivables, other receivables, accrued income and derivative financial instruments. The credit risk on liquid funds (cash and cash equivalents and short-term deposits) and derivative financial instruments is limited because the counterparties are highly rated financial institutions. The maximum exposure to credit risk as at 31 December is:

($ in millions)	Note	2019
Cash and cash equivalents	16	159.3
Trade receivables, other receivables and accrued income	29	308.7
Total credit risk exposure		468.0

The Group's average age of trade receivables as at 31 December 2019 was approximately 67 days. This has been calculated on a pro-forma basis assuming the acquisition took place at the beginning of the financial year.

At 31 December 2019, $241.1m 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 increased to $28.8m as at 31 December 2019.

For 2019, no customer comprised greater than 10% of the Group's total revenues.

(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	2019
Cash and cash equivalents	16	159.3
Available but undrawn borrowing facilities[1]	19	1,734.4
Total available liquidity		1,893.7

1 Relates to the Senior Revolving Credit Facility and $1,000m facility available under the Term Loan (see note 19)

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

4. CRITICAL ACCOUNTING ESTIMATES AND KEY JUDGEMENTS

The preparation of the consolidated financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet dates and the reported amounts of revenue and expenses during the reported period.

ESTIMATES AND ASSUMPTIONS

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The following key estimates have been made:

(A) TAXATION

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

In the event that all such enquiries were settled entirely in favour of the authorities, the Group would incur a cash tax outflow of $160m, excluding interest, during 2019. The quantum and timing of this cost remains uncertain but it is substantially provided for and the enquiries remain ongoing at this time.

The most significant enquiry relates to a tax case concerning tax deductions for historic launch costs. In August 2019, the First Tier Tribunal found in favour of HMRC. An application to appeal has been lodged with the Upper Tier Tribunal in respect of this matter and is scheduled for 2021.

(B) BUSINESS COMBINATIONS

On acquisition of a subsidiary, goodwill is initially measured at cost as the difference between the fair value of the consideration paid and the fair value of the net identifiable assets acquired (including any identifiable intangible assets other than goodwill). The valuation of net identifiable acquired assets is based on a number of key estimates and assumptions used by management including cash flow projections, long-term growth rate, useful economic life and discount rate. As at 31 December 2019, the Group has recognised goodwill on the Balance Sheet of $841.7m from the acquisition of Inmarsat plc in 2019. Going forward goodwill is not amortised, but is tested annually for impairment. A +/- 1% in the discount rate would result in a +/- $126.4m/$130.9m difference respectively in the amount of goodwill recognised.

Given the judgements set out in Note 4 (D) a number of assumptions were made in respect of the fair values of the assets and liabilities recognised in respect of this contract.

JUDGEMENTS

In the process of applying the Group's accounting policies, the following judgements have been made, which have the most significant effect on the amounts recognised in the consolidated financial statements:

(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.

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.

In line with the Cooperation Agreement, payments from Ligado were paused during 2019. The Cooperation Agreement provides for payments to resume from the beginning of 2020 at c. $136m per annum, growing thereafter at 3% compound over the next 87 years.

For the period ended 31 December 2019, the Group recognised $nil of revenue with $nil operating costs. Although the Group continues to make spectrum available to Ligado, the Group has not recognised any material revenue in 2019 given the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

judgement surrounding the level of uncertainty around the collection of those monies.

At 31 December 2019, deferred income in respect of the Cooperation Agreement of $206.5m was recorded on the balance sheet. Although the cash has been received, the timing of the recognition of this deferred income, together with any related future costs and taxes, is dependent upon when Ligado receives its FCC licence. An accounting judgement has been made in assuming that there remains a future obligation.

At 31 December 2019, a receivable of $35.0m has been recorded on the balance sheet relating to the deferrals. This was previously netted off within the deferred income, however this has been disclosed separately on the adoption of IFRS 15. The Group believes that this receivable is recoverable.

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

The net book value of space segment assets is currently $2,055.1m. There have been additions of $0.2m in the period. 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

(E) PROXY BOARD ARRANGEMENT

The Group has made key judgements in determining the appropriateness of consolidating Inmarsat Government Inc.

The U.S. Government element of Inmarsat's Government business unit is managed through the U.S. trading entity, Inmarsat Government Inc., a wholly-owned subsidiary of the Group. The business is managed through a Proxy agreement as required by the U.S. 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 U.S. citizens cleared and approved by the U.S. Defence Security Service ('DSS').

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

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 U.S. Government despite being owned by a non-U.S. corporation. A new Proxy agreement is being entered into following the acquisition.

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

The Group maintains its involvement in Inmarsat Government Inc.'s activities through normal business activity and liaison with the Chair of the Proxy Board. Inmarsat Government Inc.'s commercial and governance activity is included in the business update provided in regular Executive reports to the Board. This activity is always subject to the confines of the Proxy regime to ensure that it meets the requirement that Inmarsat Government Inc. must conduct its business affairs without direct external control or influence, and the requirements necessary to protect the U.S 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 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. There have been no changes in circumstances which impact any of the key judgements made by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. SEGMENTAL INFORMATION

The Group have identified one operating segment, namely the provision of global mobile satellite communications services to customers around the world.

The Board of Directors review the Group's financial reporting and approves those proposals for the allocation of the Group's resources and have therefore been identified as the chief operating decision makers. The main sources of financial information used by the Board of Directors in assessing the Group's performance and allocating resources are:

- Analysis of the revenues within the central unit which includes satellite operations and backbone infrastructure, corporate administrative costs, and any income that is not directly attributable to a business unit (such as Ligado Networks).
- Costs, EBITDA and operating profit at a Group level;
- Cash capital expenditure at a Group level;

Analysis of the Group's revenues by four channels to market namely:

- Maritime, focusing on worldwide commercial maritime services
- Government, which consists of U.S. Government, focusing on U.S. civil and military government services and Global Government, focusing on worldwide civil and military government services
- Aviation, focusing on commercial, business and general aviation services
- Enterprise, focusing on worldwide energy, industry, media, carriers, and M2M services

SEGMENT RESULTS

		2019					
($ in millions)	**Note**	**Maritime**	**Government**	**Aviation**	**Enterprise**	**Central Services**	**Total**
Revenue		34.8	31.4	18.4	8.4	0.4	93.4
Ligado revenue		-	-	-	-	-	-
Total revenue		34.8	31.4	18.4	8.4	0.4	93.4
Net operating costs							(152.2)
EBITDA							(58.8)
Depreciation and amortisation	6						(55.5)
Other[1]							0.6
Operating loss							(113.7)
Cash capital expenditure							90.3
Financing costs capitalised in the cost of qualifying assets							(6.6)
Cash flow timing[2]							(33.9)
Total capital expenditure							49.8

1 Other relates to the share of profit from associates ($0.6m)
2 Cash flow timing represents the difference between accrued capex and the actual cash flows

($ in millions)	**At 31 December 2019** **Total**
Timing of revenue recognition	
At a point in time	7.2
Over time	86.2
Total	93.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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.

	2019	
($ in millions)	Revenue	Non-current segment assets
United Kingdom	6.9	3,566.2
Rest of Europe	23.0	1,146.7
North America	38.5	70.9
Asia and Pacific	19.5	141.4
Rest of the world	5.5	3.1
Unallocated[1]	–	1,871.8
	93.4	6,800.1

1 Unallocated items relate to satellites which are in orbit

REMAINING PERFORMANCE OBLIGATIONS

The table below shows the remaining revenue to be derived from unsatisfied (or partially unsatisfied) performance obligations under non-cancellable contracts with customers at the end of the period.

	At 31 December 2019
($ in millions)	Total
Within one year	505.0
Between two to four years	345.6
Five years and greater	242.5
	1,093.1

All other contracts are for periods of one year or less or are billed based on time incurred. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6. OPERATING PROFIT

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

Operating profit is stated after charging the following items:

($ in millions)	Note	2019
Depreciation of property, plant and equipment	12	34.9
Amortisation of intangible assets	13	19.6
Depreciation of right-of-use assets	14	1.0
Acquisition related costs		137.3
Cost of inventories recognised as an expense		6.6
Write downs of inventories recognised as an expense	18	(1.8)
Research costs expensed		1.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. OPERATING PROFIT (CONTINUED)

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

($ in millions)	2019
Audit fees:	
Annual audit of the Company	0.2
Annual audit of subsidiary companies	0.9
Total audit fees	1.1
Audit-related assurance services	0.1
Total audit and audit-related fees	1.2
Other services	0.1
Total non-audit fees	0.1
Total auditor's remuneration	1.3

1 Fees paid for audit is related to whole year of 2019, including pre acquisition period.

7. EMPLOYEE BENEFIT COSTS

($ in millions)	Note	2019
Wages and salaries		21.5
Social security costs		3.4
Defined contribution pension plan costs		0.9
Defined benefit pension plan costs[1]	26	0.1
Total employee benefit costs		25.9

1 Defined benefit pension plan costs and post-employment benefits costs includes current service cost (see note 26)

EMPLOYEE NUMBERS

The Group had no employees pre-acquisition. The average monthly number of employees (including the Executive Director) employed from acquisition is as follows:

	2019
By activity:	
Operations	938
Sales and marketing	363
Development and engineering	236
Administration	411
	1,948
By channels to market:	
Maritime	122
Government	191
Enterprise	77
Aviation	217
Central Services	1,341
	1,948

The employee headcount numbers presented above refer to permanent full time and part time employees and exclude contractors and temporary staff. Employee benefit costs of $1.3m relating to contractors and temporary staff have been included in the cost table above.

8. KEY MANAGEMENT COMPENSATION

The Group's Executive and Non-Executive Directors are the key management personnel of the business. Details of the total amounts earned during the period are as follows:

($ in millions)	2019
Short-term benefits	0.8
Share-based payments	-
	0.8

In the current period, no Director has been a member of the Group's defined contribution pension plan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. NET FINANCING COSTS

($ in millions)	2019
Bank interest receivable and other interest	(4.9)
Pension and post-retirement liability finance income	(0.6)
Total financing income	(5.5)
Interest on Senior Notes and credit facilities	40.6
Interest on Convertible Bonds	(5.7)
Amortisation of debt issue costs	17.5
Amortisation of discount on Senior Notes due 2022	1.0
Interest on lease obligations	0.2
Other interest	12.0
Financing costs	65.6
Less: Amounts capitalised in the cost of qualifying assets	(6.6)
Net financing costs	53.5

Borrowing costs capitalised in the cost of qualifying assets during the period are calculated by applying a capitalisation rate to expenditures on such assets. The average interest capitalisation rate for the period was 0.7%.

10. TAXATION

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

($ in millions)	2019
Current tax:	
Current period	(1.8)
Total current tax	(1.8)
Deferred tax:	
Origination and reversal of temporary differences	(15.8)
Adjustments due to reduction in corporation tax rates	0.4
Total deferred tax	(15.4)
Total taxation charge	(17.2)

The effective tax rate is 10.3% and is reconciled below:

$ in millions)	2019
Loss before tax	(167.2)
Income tax at 19.0%	(31.8)
Differences in overseas tax rates	(1.1)
Impact of UK patent box regime	(0.4)
Impact of prior year losses not previously recognised	(1.2)
Impact of current temporary difference not recognised	(0.1)
Other non-deductible expenses/non-taxable income	17.4
Total taxation charge	(17.2)

11. NET FOREIGN EXCHANGE (GAIN)/LOSS

($ in millions)	Note	2019
Defined benefit plan and post-employment benefits	26	(0.6)
Other operating income		0.2
Total foreign exchange gain		(0.4)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. PROPERTY, PLANT AND EQUIPMENT

($ in millions)	Freehold land and buildings	Service equipment, fixtures and fittings	Space segment	Assets in the course of construction	Total
Cost:					
15 March 2019	–	–	–	–	–
Acquisition	12.7	361.0	2,082.6	1,022.5	3,478.8
Additions	–	10.0	0.2	20.2	30.4
Disposals	–	(0.8)	–	–	(0.8)
31 December 2019	12.7	370.2	2,082.8	1,042.7	3,508.4
Accumulated depreciation:					
15 March 2019	–	–	–	–	–
Charge for the period	–	(7.2)	(27.7)	–	(34.9)
Impairment	–	–	–	–	–
Disposals	–	0.4	–	–	0.4
31 December 2019	–	(6.8)	(27.7)	–	(34.5)
Net book amount at 31 December 2019	**12.7**	**363.4**	**2,055.1**	**1,042.7**	**3,473.9**

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

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

Freehold land is not depreciated. At 31 December 2019, the Group was carrying certain freehold land and buildings with a net book value of $12.7m. Had they been revalued on a market basis, their carrying amount at 31 December 2019 would have been $12.7m. Market valuation is based on the Directors' best estimates.

In 2019, 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 2019 were $0.8m.

13. INTANGIBLE ASSETS

($ in millions)	Goodwill	Trademarks	Software	Intellectual property	Terminal development and network access costs	Customer relationships	Other	Total
Cost:								
15 March 2019	–	–	–	–	–	–	–	–
Acquisition	841.7	160.5	280.2	–	39.0	1,654.2	274.5	3,250.1
Additions	–	–	14.5	–	3.3	–	1.6	19.4
Disposals	–	–	–	–	–	–	–	–
31 December 2019	841.7	160.5	294.7	–	42.3	1,654.2	276.1	3,269.5
Accumulated amortisation:								
15 March 2019	–	–	–	–	–	–	–	–
Charge for the period	–	(0.5)	(4.0)	–	(2.2)	(11.0)	(1.9)	(19.6)
Impairment	–	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	–	–	–
31 December 2019	–	(0.5)	(4.0)	–	(2.2)	(11.0)	(1.9)	(19.6)
Net book amount at 31 December 2019	841.7	160.0	290.7	–	40.1	1,643.2	274.2	3,249.9

Goodwill represents the excess of consideration paid on an acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired at the date of acquisition. Trademarks are being amortised on a straight-line basis over their estimated useful lives, which are between seven and twenty years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. INTANGIBLE ASSETS (CONTINUED)

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

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

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

Other consists of orbital slots, licences, spectrum rights and unallocated launch slots. Orbital slots and licences relate to the Group's satellite programmes, and each individual asset is reviewed to determine whether it has a finite or indefinite useful life. Orbital slots are amortised over the useful life of the satellite occupying them. Unallocated launch slots are not amortised until allocated to a satellite asset where they are re-classed to Property, Plant and Equipment and depreciated in-line with Group policy discussed in note 2.

As at December 2019, the Group has no indefinite useful life intangible assets other than Goodwill.

ANNUAL IMPAIRMENT REVIEW: GOODWILL

Impairment reviews of goodwill are performed at the level of the Group's cash-generating units ('CGUs'). The Group as a whole has been determined to be the most appropriate CGU as goodwill is monitored at the operating segment level and the impairment assessment is therefore performed at this level.

The recoverable amount of the 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 rate and discount rate

The impairment review conducted annually has identified sufficient headroom in the recoverable value of the 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 CGU 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 CGU being reduced to their carrying value.

Key assumptions used to calculate the recoverable amount of the CGU were a pre-tax discount rate of 9.9% and long-term growth rate of 1.0%.

Cash flow projections

The recoverable amount of the 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 between a five and ten-year period . The short and medium-term cash flows reflect management's expectations of future outcomes taking into account past experience, adjusted for anticipated growth from both existing and new business in line with our strategic plans for each segment of our business. The cash flows also take into consideration our assessment of the potential impact of external economic factors.

Long-term growth rates

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

Discount rates

The discount rate reflect the time value of money and are derived from the Group's weighted average cost of capital.

14. LEASES

RIGHT OF USE ASSETS

The right-of-use assets for the Group's property and vehicle leases are presented in the table below.

($ in millions)	Property	Vehicles	Total
Net carrying amount:			
15 March 2019	-	-	-
Acquisition	50.8	0.1	50.9
Additions and changes in terms	0.2	0.2	0.4
Impairment	-	–	-
Depreciation charge for the period	(0.9)	(0.1)	(1.0)
31 December 2019	50.1	0.2	50.3

No property leases and two vehicle leases expired in the current period. Included within Additions and changes in terms, there were additions to right-of-use assets of $0.2m in the period. The Group does not hold options to purchase any leased assets for a nominal amount at the end of the lease term.

The Group expenses short-term leases and low-value assets as incurred which is in accordance with the recognition exemption in IFRS 16. Expenses for short-term leases and low-value assets were less than $0.1m in the period. As at 31 December 2019, the Group is committed to $0.1m of short-term leases and low-value assets.

In the period, The Group received less than $0.1m in relation to income from the subleasing of right-of-use assets.

LEASE LIABILITIES

Lease liabilities are calculated at the present value of the lease payments that are not paid at the commencement date. The Group's lease liabilities as of 31 December 2019 comprise the transition of existing contracts, as well as contracts entered into during the financial period 2019.

The average lease term of the Group's property and vehicle leases is 3.7 and 1.3 years respectively. The maturity profile of the Group's leases is shown in the table below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. LEASES (CONTINUED)

($ in millions)	At 31 December 2019 Property	Vehicles	Total
Within one year	10.8	0.2	11.0
Between two to five years	45.2	0.1	45.3
Greater than five years	6.1	–	6.1
	62.1	0.3	62.4

For the period ended 31 December 2019, the weighted average discount rate applied was 3.4%. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The total cash flow relating to all lease obligations in period was $2.4m with lease obligations denominated in various currencies. Total lease interest paid was $0.2m.

The Group does not face a significant liquidity risk with regard to its lease liabilities. The Group's obligations are secured by the lessors' title to the leased assets for such leases.

15. INVESTMENTS

($ in millions)	At 31 December 2019
Interest in associates	20.0
Other investments	1.1
Total investments	21.1

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.

Other investments represent the Group's investment in Actility S.A. which was made on 5 April 2017 and is accounted for as fair value through profit and loss.

Cash dividends received from the associates for the period ended 31 December 2019 total $nil. The Group's aggregate share of its associates' profits for the period is $0.6m 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 and other short-term highly liquid investments with original maturities of three months or less.

($ in millions)	At 31 December 2019
Cash at bank and in hand	159.3
Cash and cash equivalents	159.3

17. TRADE AND OTHER RECEIVABLES

($ in millions)	At 31 December 2019
Current:	
Trade receivables and contract assets	253.6
Other receivables	39.1
Accrued income	11.2
Prepayments	24.4
Total trade and other receivables	328.3
Non-current:	
Prepayments and accrued income	-
Defined benefit pension asset	29.6
Other receivables	4.8
Total other receivables	34.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. TRADE AND OTHER RECEIVABLES (CONTINUED)

The Group applies the simplified approach under IFRS 9 for the impairment of receivables and contract assets. A provisioning matrix based on internal debtor credit ratings has been used in order to calculate the lifetime loss allowances for each grouping.

Debtors have been grouped based on ageing and each debtor's internal credit rating. This rating is a measure from A to E (with E being the highest risk of default) and considers the debtors financial strength, history and magnitude of past defaults, personal credit history with the Group and the associated level of sovereign and market risk. The information used in assigning ratings is both historical and forward looking as regular contact with debtors is maintained to understand if there is any additional risk forecast. Specific allowances are made to reflect any additional risk identified.

The table below presents the lifetime expected credit losses for trade receivables within each debtor category. No loss allowance has been recognised for other receivables and accrued income.

($ in millions)	Internal rating A	Internal rating B	Internal rating C	Internal rating D/E	2019 Total
Carrying value of trade receivables (gross) [1]	38.7	159.5	111.8	2.0	312.0
Lifetime ECL	0.2	3.0	6.8	1.7	11.7
Specific Allowances	-	-	17.1	-	17.1
Group Loss Allowance	0.2	3.0	23.9	1.7	28.8

1 This is presented gross of credit note allowances of $29.6m

The Group's trade and other receivables are stated after impairments. Movements during the period in the Group loss allowance were as follows:

($ in millions)	2019
At 15 March	-
Acquisition	36.0
Charged in the period	4.3
Utilised in the period	(2.0)
Released in the period	(9.5)
At 31 December[1]	28.8

1 The maturity of the Group's provision for uncollectable trade receivables for the period ended 31 December 2019 is $4.0m current, $2.7m between one and 30 days overdue, $12.6m between 31 and 120 days overdue and $9.5m over 120 days overdue.

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

18. INVENTORIES

($ in millions)	At 31 December 2019
Finished goods	38.4
Work in progress	0.8
Total inventories	39.2

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

($ in millions)	At 31 December 2019
At 15 March	-
Acquisition	19.2
Charged to the allowance in respect of the current period	-
Released in the period	(1.8)
At 31 December	17.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. NET BORROWINGS

($ in millions)	At 31 December 2019		
	Amount	Deferred finance costs	Net balance
Current:			
Senior Notes due 2022	1,012.6	(1.8)	1,010.8
– Net issuance discount	(1.5)	-	(1.5)
Convertible Bonds due 2023	1.2	-	1.2
Term loan	5.4	-	5.4
Total current borrowings	1,017.7	(1.8)	1,015.9
Non-current:			
Senior Notes due 2026	2,075.0	(19.1)	2,055.9
Term loan	710.3	(35.9)	674.4
Total non-current borrowings	2,785.3	(55.0)	2,730.3
Total borrowings	3,803.0	(56.8)	3,746.2
Cash and cash equivalents	(159.3)	-	(159.3)
Net borrowings	3,643.7	(56.8)	3,586.9

As at 4th December 2019, 100% of the share capital of Inmarsat plc was acquired by the Company. All existing borrowings within Inmarsat plc became repayable in accordance with change of control clauses within the existing agreements and were re-financed by the Company.

EX-IM BANK FACILITIES

Inmarsat had 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 and the $185.9m facility signed in 2014. Both facilities were fully redeemed on 5 December 2019.

SENIOR NOTES DUE 2022 AND 2024

On 4 June 2014, Inmarsat 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. Notice has been given to the bondholders that this has been fully redeemed on 12 February 2020.

On 22 September 2016, the Group issued $400.0m of 6.5% Senior Notes due 1 October 2024. This was fully redeemed on 17 December 2019.

SENIOR REVOLVING CREDIT FACILITY

On 12 December 2019, the Group signed a new five-year $700m revolving credit facility ('Senior Revolving Credit Facility'). Advances in US dollar under the facility bear interest at a rate equal to the applicable USD LIBOR, plus a margin of between 3.0% and 3.5% determined by reference to the ratio of Senior Secured First Lien Net Leverage. At 31 December 2019, there were no drawings under the Senior Revolving Credit Facility.

SENIOR NOTES DUE 2026

On 7 October 2019, the Group issued $2.075bn of 6.75% Secured Senior Notes due 1 October 2026. The aggregate gross proceeds were $2,055.3bn, net of $19.7m issuance discount.

TERM LOAN

On 12 December 2019, the Group entered into an $1.75bn external credit agreement with Barclays Bank PLC as administrative and collateral agent. As at 31 December 2019 the Group had drawn down $715.7m which is repayable in quarterly instalments over 7 years. The credit agreement will mature in 2026. Drawings under this credit agreement incur interest at a variable rate of Libor +4.5%.

CONVERTIBLE BONDS

On 9 September 2016, Inmarsat issued $650m of 3.875% Convertible Bonds due 9 September 2023. The bonds are convertible into ordinary shares of the Company and have a 3.875% pa coupon payable semi-annually and a yield to maturity of 3.681%.

As a result of the acquisition, a change of control clause was triggered resulting in an adjustment in the conversion price of $13.41 to the undisturbed share price prior to the offer. The bond is a net share settled instrument. On 16 December 2019, the majority of the offer purchase price of $992m was paid to bondholders which includes the notionally converted ordinary shares. As at 31 December 2019, 99.8% of the convertible bonds issued have been cancelled with the remaining bonds, which have a value of $1.8m, due to be repaid and cancelled in 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. NET BORROWINGS (CONTINUED)

($ in millions)	At inception
Fair value of Convertible Bonds issued	650.0
Cost of issue	(8.1)
Net proceeds	641.9
Derivative liability component	(104.5)
Debt liability component net of issue costs	537.4

The debt component meets the definition of net borrowings and over the term of the bond will accrete up to the principal value of $650.0m with the cost of that accretion recognised in net financing costs.

($ in millions)	2019
Debt liability component at date of issue net of issue costs	537.4
Cumulative amortisation of debt issue costs to 31 December	3.8
Acceleration of amortisation of debt issues costs to 31 December	4.3
Cumulative interest charged to 31 December	181.6
Cumulative coupon interest to 31 December	(77.1)
Repayment of convertible bond	(648.8)
Debt liability component at 31 December	1.2

The derivative liability represents the value of the conversion rights, call option and other embedded features associated with the instrument and is accounted for at fair value through profit and loss. It is excluded from net borrowings with the mark-to-market movements recognised in net financing costs as this represents the movement in fair value of the derivative component of the bond.

($ in millions)	2019
Fair value of debt liability component at 31 December	1.2
Fair value of derivative liability component at 31 December	0.6
Fair value of Convertible Bond at 31 December	1.8

EFFECTIVE INTEREST RATE

The interest charged for the period is calculated by applying an effective interest rate of 6.8% to the liability component. The total interest charge is split between the coupon interest charge of $77.1m and accreted interest of $104.5m, with both charges recognised in net financing costs in the income statement. The coupon interest is paid semi-annually in March and September with the liability recognised in accrued interest (note 20). Similarly, the bonds accrete semi-annually in March and September with the liability recognised in borrowings.

The Directors consider the carrying value of borrowings, other than the Senior Notes, Convertible Bonds, Ex-Im Bank 2011 Facility and Term Loan to approximate to their fair value (see note 29). The effective interest rates at the balance sheet dates were as follows:

Effective interest rate %	2019
Bank overdrafts	6.6%
Senior Notes due 2022	5.2%
Convertible Bonds due 2023	6.8%
Senior Notes due 2026	7.0%
Term loan	7.3%

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

($ in millions)	15 March 2019	Acquisition	Drawdowns and repayments	Cash flows	Transfers1	Interest expense	Arrangement cost amortisation	Other cash movements	At 31 December 2019
Short-term borrowings	-	122.2	(122.2)	(0.7)	1,014.7	-	-	0.7	1,014.7
Long-term borrowings	-	1,685.6	2,048.4	(6.8)	(1,014.7)	40.6	11.0	(33.8)	2,730.3
Convertible Bond[2]	-	987.5	(990.1)	-	-	-	4.4	-	1.8
Total liabilities from financing activities	-	2,795.3	936.1	(7.5)	-	40.6	15.4	(33.1)	3,746.8

1 Transfers comprise debt maturing from long-term to short-term borrowings
2 Includes derivative liability component

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. TRADE AND OTHER PAYABLES

($ in millions)	At 31 December 2019
Current:	
Trade payables	138.9
Other taxation and social security payables	21.5
Other payables	5.3
Accruals	117.3
Deferred income[1]	300.1
Total trade and other payables	583.1
Non-current:	
Other payables	1.8
Defined benefit pension and post-employment liability	14.0
Total other payables	15.8

1 The deferred income balance includes $206.5m relating to payments received from Ligado Networks. During the period, $nil of these payments were released to the income statement

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

DEFERRED INCOME

Deferred income represents obligations to transfer goods or services to a customer for which the entity has received consideration and is therefore considered a contract liability. The group has recognised the following movements in deferred income throughout the period:

($ in millions)	2019
15 March 2019	-
Acquisition	306.9
Contract liability raised in the period	27.3
Contract liability utilised in the period	(34.1)
At 31 December 2019	300.1

21. PROVISIONS

Movements in the Group's provisions were as follows:

($ in millions)	Current provisions	Non-current provisions	Total
As at 15 March 2019	–	–	–
Acquisition	12.9	8.4	21.3
Charged in respect of current period	0.2	0.6	0.8
Utilised in current period	(8.9)	(2.5)	(11.4)
At 31 December 2019	4.2	6.5	10.7

The Group's current provisions includes a $1.1m contract obligation and a $2.2m restructuring provision. The associated cash flows in respect of both provisions outstanding at 31 December 2019 are expected to occur within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. CURRENT AND DEFERRED TAXATION

The current asset of $4.5m and the current tax liability of $193.6m represent the tax receivable and payable in respect of current and prior periods, less amounts paid.

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

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

	At 31 December 2019		
($ in millions)	Assets	Liabilities	Net
Property, plant and equipment and intangible assets	-	571.0	571.0
Borrowing costs capitalised in the cost of qualifying assets	-	50.2	50.2
Provisions	(10.4)	-	(10.4)
Other	(9.4)	0.2	(9.2)
Share-based payments	(0.4)	-	(0.4)
Tax losses	(52.2)	-	(52.2)
Net deferred tax liabilities	(72.4)	621.4	549.0

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

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

($ in millions)	At 31 December 2019
Deferred tax assets	(50.1)
Deferred tax liabilities	599.1
Net deferred tax liabilities	549.0

Movement in temporary differences during the period:

($ in millions)	15 March 2019	Acquisition	Recognised in income	At 31 December 2019
Property, plant and equipment and intangible assets	-	555.8	15.2	571.0
Borrowing costs capitalised in the cost of qualifying assets	-	43.0	7.2	50.2
Provisions	-	(9.4)	(1.0)	(10.4)
Other	-	(5.2)	(4.0)	(9.2)
Share-based payments	-	(0.4)	-	(0.4)
Tax losses	-	(19.5)	(32.7)	(52.2)
Total	-	564.3	(15.3)	549.0

Total unprovided deferred tax assets:

($ in millions)	At 31 December 2019
Unused income tax losses	(0.8)
Unused capital losses	(34.6)
Total	(35.4)

Deferred tax assets are recognised to the extent there is probable utilisation of the underlying temporary difference using existing tax laws and forecasts of future taxable profits based on Board-approved business plan forecasts.

Unprovided deferred tax assets in respect of unused tax losses of $35.4m. Of this amount $0.8m relates to income tax losses and $34.6m relates to capital losses.

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, resulting in a deferred tax liability of $nil.

The unrecognised gross temporary difference in respect of the investments in associates is $nil, resulting in an unrecognised deferred tax liability of $nil.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. CURRENT AND DEFERRED TAXATION (CONTINUED)

On 11 March 2020, the UK Government announced in the Budget its intentions to maintain the headline rate of tax at 19% from April 2020. UK deferred tax has been recognised in the accounts at a rate of 17% on the basis that this is the substantively enacted rate at 31 December 2019. A revaluation to 19% is expected to increase the net deferred tax liability by $70m.

23. RECONCILIATION OF CASH GENERATED FROM OPERATIONS

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

($ in millions)	2019
Profit for the period	(150.0)
Adjustments for:	
Taxation charge	(17.2)
Financing costs	59.0
Financing income	(5.5)
Operating profit	(113.7)
Depreciation and amortisation	55.5
Share of profit of associates	(0.6)
EBITDA	(58.8)
Non-cash foreign exchange movements	(0.4)
Changes in net working capital:	
Decrease in restricted cash[1]	1.9
Decrease in trade and other receivables	0.3
Increase in inventories	(0.1)
Increase in trade and other payables	46.7
Decrease in provisions	(10.4)
Cash generated from operations	(20.8)

1 At 31 December 2019, the Group had $0.9m of restricted cash on the balance sheet.

24. SHARE CAPITAL

($ in millions)	At 31 December 2019
Authorised:	
2,349,869,354 ordinary shares of $1 each	2,349.9
	2,349.9
Allotted, issued and fully paid:	
2,349,869,354 ordinary shares of $1 each	2,349.9
	2,349.9

During the period ended 31 December 2019, a total of 2,349,869,354 ordinary shares of $1 each were allotted and issued by the Company.

25. RESERVES

Cash flow hedge reserve:

($ in millions)	2019
Balance at 15 March	-
Gain recognised on cash flow hedges:	
Forward exchange contracts	(1.5)
Loss on cash flow hedges capitalised to tangible assets:	
Forward exchange contracts	0.8
Balance at 31 December	(0.7)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. RESERVES (CONTINUED)

There are no gains and losses reclassified from equity included within the income statement for the period ended 31 December 2019. Gains and losses relating to the effective portion of cash flow hedges are recognised in other comprehensive income and accumulated in the cash flow hedge reserve. When a hedged item is recognised in the income statement the cumulative deferred gain or loss accumulated 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 removed from the cash flow hedge reserve and included directly in the initial cost of the asset or liability.

26. PENSIONS AND POST-EMPLOYMENT BENEFITS

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

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

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

The Inmarsat Global defined benefit plan was valued using the projected unit credit method with the valuation undertaken by professionally qualified and independent actuaries as at 31 December 2019. 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 2019, are set out below. There are no guaranteed minimum pension ('GMP') benefits held under the scheme and there was therefore no impact to the liability as a result of High Court ruling on 26 October 2018.

There have been no plan amendments, curtailments or settlements since the previous year end that we have been made aware of. The plan closed to future DB accrual with effect from 1 April 2017.

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

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

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

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

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

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

	At 31 December 2019
Weighted average actuarial assumptions:	
Discount rate	2.7%
Future salary increases	2.3%
Medical price inflation	3.0%
Future pension increases	2.8%

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. PENSIONS AND POST-EMPLOYMENT BENEFITS (CONTINUED)

	Life expectancy 2019
Male current age 65	88.3
Female current age 65	89.5

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 2019, mortality has been assumed to follow the S2PA tables with -1 year age rating for males and CMI 2017 improvement with a long-term trend of 1.75% pa.

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

Inmarsat Global defined benefit scheme:

Change in assumption ($ in millions)	Impact on benefit obligation increase/ (decrease)	Impact on projected pension cost increase/ (decrease)
Increase in discount factor of 0.25%	(5.7)	(0.2)
Decrease in discount factor of 0.25%	6.1	0.1
Increase in inflation of 0.25%	6.0	0.1
Decrease in inflation of 0.25%	(5.6)	(0.1)
Mortality: -2 years for males and -1 year for females	3.7	0.1

Inmarsat Global post-retirement healthcare benefit scheme:

Change in assumption ($ in millions)	Impact on benefit obligation increase/ (decrease)	Impact on service cost increase/ (decrease)
Increase in discount factor of 0.5%	(0.8)	-
Increase in inflation of 0.5%	0.9	-
Increase in medical price inflation trend rate of 1%	1.9	-
Decrease in medical price inflation trend rate of 1%	(1.5)	-

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 2019
Present value of funded defined benefit obligations (pension)	(115.5)
Present value of unfunded defined benefit obligations (pension)	(0.3)
Present value of unfunded defined benefit obligations (post-employment benefits)	(12.3)
Fair value of defined benefit assets	143.7
Net defined benefit asset recognised in the balance sheet	15.6

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

($ in millions)	Note	At 31 December 2019
Defined benefit pension asset	17	29.6
Defined benefit pension and post-employment liability	20	(14.0)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. PENSIONS AND POST-EMPLOYMENT BENEFITS (CONTINUED)

($ in millions)	Defined benefit pension plan	Post-employment benefits
At 15 March 2019	-	-
Acquisition	113.2	12.0
Current service cost	0.1	-
Past service cost	-	-
Interest cost	0.2	0.1
Remeasurement gains:		
Actuarial gains arising from changes in demographic assumptions	-	-
Actuarial gains arising from changes in financial assumptions	-	-
Change in experience adjustment	-	-
Foreign exchange loss	2.6	0.2
Benefits paid	(0.3)	-
Contributions by pension participants	-	-
At 31 December 2019	115.8	12.3

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

($ in millions)	2019
At 15 March 2019	-
Acquisition	140.2
Interest income	0.3
Remeasurement gains/(losses):	
Experience return on plan asset (excluding interest income)	-
Actuarial (loss)/gains arising from changes in financial assumptions	-
Contributions by employer	0.1
Contributions by pension participants	-
Benefits paid	(0.3)
Expenses paid (included in service cost)	-
Foreign exchange gain/(loss)	3.4
At 31 December 2019	143.7

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

	2019	
($ in millions)	Defined benefit pension plan	Post-employment benefits
Current service cost	0.1	-
Past service gain	–	–
Net interest (income)/expense	(0.1)	0.1
Foreign exchange (gain)/loss	(0.8)	0.2
	(0.8)	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).

There were no amounts recognised in the statement of comprehensive income in respect of all the plans.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. PENSIONS AND POST-EMPLOYMENT BENEFITS (CONTINUED)

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

	At 31 December 2019	
	Value ($ in millions)	Percentage of total plan assets
Equities	19.1	13.3%
Cash	11.2	7.8%
Bonds	96.8	67.4%
Other	16.6	11.5%
Fair value of scheme assets	143.7	100%

All of the Plan assets are invested in pooled investment funds. The majority of these are priced daily. The exceptions to this are monthly priced funds (High Income UK Property, Liquid Alternative Strategies Alternatives and Multi Asset Credit).

With regards to private debt, the portfolio will be valued on an absolute basis, using the 'best efforts' value on a quarterly basis. Therefore, fund investments are primarily valued based on the market value/capital account statements received from the underlying general partners of the underlying funds. Capital account statements and unaudited financial statements are distributed approximately 90 days after each quarter. The fund also distributes US GAAP audited financials, including capital account statements, for each 31 December fiscal year-end around 30 June of the subsequent year.

The actual allocations to each of the investment funds as at 31 December 2019 are shown in the table below. 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 reduce the level of unrewarded risk and ensure the portfolio broadly matches changes in the value of the Plan's liabilities.

The allocations to each of the investment funds as at 31 December 2019 are as follows:

Fund	Legal structure	Allocation (%)
Global Low Volatility Equity	MGI Funds PLC	2.2
Global Small Cap Equity	MGI Funds PLC	1.9
Sustainable Equity	MGI Funds PLC	1.9
Global Listed Infrastructure Equity	MGI Funds PLC	0.9
Emerging Markets Equity	MGI Funds PLC	4.1
Emerging Markets Debt	MGI Funds PLC	1.5
Global High Yield Bonds	MGI Funds PLC	0.6
Multi Asset Credit	Mercer QIF Fund PLC	0.0
Absolute Return Fixed Income	MGI Funds PLC	2.7
Liquid Alternatives Strategies	Mercer QIF Fund PLC	0.0
High Income UK Property	Mercer QIF CCF	0.0
Private Debt	Mercer Private Investment Partners (Offshore), LP	1.6
Dynamic Asset Allocation (Frontier Debt)	Mercer QIF Fund PLC	1.4
Synthetic Equity-Linked Real Bond	Mercer QIF Fund PLC	1.0
Synthetic Equity-Linked Nominal Bond	Mercer QIF Fund PLC	1.0
Fundamental Indexation	Mercer QIF CCF	1.8
Passive Global REITS	Mercer UCITS Common Contractual Fund	0.6
Total Growth Portfolio		23.2
UK Credit	Mercer PIF Fund PLC	14.5
Tailored Credit Fund	Mercer QIF Fund PLC	13.8
UK Long Gilt Fund	MGI Funds PLC	0.0
Inflation Linked Bonds	MGI Funds PLC	4.1
Nominal LDI Bond Fund	Mercer PIF Fund plc	1.7
Medium Flexible Enhanced Matching Fixed	Mercer QIF Fund PLC	7.1
Long Flexible Enhanced Matching Fixed	Mercer QIF Fund PLC	2.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Short Flexible Enhanced Matching Inflation	Mercer QIF Fund PLC	5.5
Short Flexible Enhanced Matching Real	Mercer QIF Fund PLC	5.3
Medium Flexible Enhanced Matching Real	Mercer QIF Fund PLC	6.2
Long Flexible Enhanced Matching Real	Mercer QIF Fund PLC	7.3
Cash	MGI Funds PLC	8.6
Total Matching Portfolio		76.8
Total Assets		100.0

The investment portfolio seeks to mitigate the investment risks identified above through a combination of asset class diversification, underlying investment manager diversification and the use of currency hedging where appropriate. The assets are split into two portfolios, the growth portfolio and the matching portfolio.

The assets within the growth portfolio are invested so as to achieve an appropriate level of growth above that of the plan's liabilities, ensuring a sufficiently diversified portfolio of investments provides the plan with a variety of sources of return, without unduly exposing the plan to a single type of risk.

The Plan's defensive portfolio (c.70.5% of the assets) is invested so as to broadly match changes in the value of the liabilities. This is achieved by investing in a range of pooled investment funds as outlined in the table under (2) above, with the allocation to each fund determined by a combination of; 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/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 duration of the defined benefit liabilities within the Inmarsat Global defined benefit plan is approximately 23-24 years. The defined benefit obligation as at December 2019 is split as follows:

Active members	N/A
Deferred members	82%
Pensioner members	18%

The average age of the deferred and pensioner members at the date of the last statutory funding valuation for the Inmarsat Global defined benefit plan (at 31 December 2019) was 56 years and 69 years, respectively.

The estimated contributions expected to be paid into the Inmarsat Global defined benefit pension plan during 2020 are $0.2m. In 2019 actual contributions under this plan were $nil.

27. OPERATING LEASES

During the period the Group received income from various agreements deriving revenue from 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 2019
Within one year	25.1
Within two to five years	48.3
	73.4

28. CAPITAL RISK MANAGEMENT

The following table summarises the capital of the Group:

($ in millions)	At 31 December 2019
As per balance sheet	
Cash and cash equivalents	(159.3)
Borrowings[1]	3,746.2
Net borrowings	3,586.9
Equity attributable to shareholders of the parent	2,199.2
Capital	5,786.1

1 This excludes the conversion liability on the convertible bond of $0.6m and lease obligations of $62.4m at 31 December 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. CAPITAL RISK MANAGEMENT (CONTINUED)

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 Group's liquidity is disclosed in note 3(d).

29. FINANCIAL INSTRUMENTS

TREASURY MANAGEMENT AND STRATEGY

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

Key features of treasury management include:

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

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

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

FINANCIAL INSTRUMENTS BY CATEGORY

The following table sets out the categorisation of financial assets and liabilities under IFRS 9:

	At 31 December 2019		
($ in millions)	Amortised cost	Fair value through profit and loss	Total
Assets as per balance sheet			
Trade receivables and other[1]	308.7	-	308.7
Cash and cash equivalents	-	159.3	159.3
	308.7	159.3	468.0

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

	At 31 December 2019			
($ in millions)	Amortised cost	Fair value through profit and loss	Derivatives used for hedging	Total
Liabilities as per balance sheet				
Borrowings	3,746.2	-	-	3,746.2
Trade payables and other[1]	263.3	-	-	263.3
Derivative financial instruments	-	0.6	0.3	0.9
	4,009.5	0.6	0.3	4,010.4

1 Consists of trade payables, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. FINANCIAL INSTRUMENTS (CONTINUED)

	At 31 December 2019				
($ in millions)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Borrowings[1]	1,208.2	191.4	571.7	3,119.0	5,090.3
Trade payables and other	261.6	0.1	0.3	1.3	263.3
Derivative financial instruments	0.9	-	-	-	0.9
	1,470.7	191.5	572.0	3,120.3	5,354.5

1 Includes interest obligations on the Senior Notes due 2022. The interest obligations on the borrowings are at fixed rates up until the date of redemption in February 2020.

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 and the conversion liability component of the convertible bonds due 2023.

Derivative financial instruments are initially measured at fair value (see further below) on the contract date and are re-measured at each reporting date.
The change in the fair value is accounted for differently depending on whether the instrument qualifies for hedge accounting (eg where a forward foreign currency transaction is designated as a cash flow hedge) or not (eg undesignated cash flow hedges and the conversion liability component of the 2023 convertible bond).

Under hedge accounting, the change in fair value initially goes through other comprehensive income. At the point hedge accounting is discontinued, ie when the hedging instrument expires, is exercised or no longer qualifies for hedge accounting, the amounts sitting in other comprehensive income are recycled to the income statement or, where appropriate, capitalised to the balance sheet. Where hedge accounting does not apply, the change in fair value is included in net financing costs in the income statement.

The fair values at the balance sheet date were:

($ in millions)	At 31 December 2019
Financial liabilities:	
Conversion liability component of 2023 Convertible Bond	0.6
Forward foreign currency contracts – designated cash flow hedges	0.3
Forward foreign currency contracts – undesignated	-
Total derivative financial liabilities	0.9
Current portion of derivative financial liabilities	0.9
Non-current portion of derivative financial liabilities	-

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

The fair values of forward foreign exchange contracts are based on the difference between the contract amount at the current forward rate at each period end and the contract amount at the contract rate, discounted at a variable risk-free rate at the period end. The fair value of the conversion liability component of the Convertible Bonds due 2023 is determined as the difference between the market value of the Convertible Bond and the fair value of a comparable, non-convertible bond, known as a debt host contract. Both are classified as level 2 in the fair value hierarchy according to IFRS 13.

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

FORWARD FOREIGN EXCHANGE

The following tables set out the face value and fair value of forward foreign exchange contracts outstanding for the Group as at 31 December 2019:

	At 31 December 2019				
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- USD:GBP[1] 1:0.68	£1.9	£1.9	-	-	(0.3)
CAD contracts- USD:CAD[1] 1:1.28	CAD 0.2	CAD 0.2	-	-	-

1 Weighted Average Foreign Exchange Rate

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 2019, 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 $0.3m. 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 transferred and included in the initial carrying value of the hedged non-financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. FINANCIAL INSTRUMENTS (CONTINUED)

Hedge ineffectiveness can arise from changes in both the creditworthiness of counterparties hedged with and the credit risk of the Group. The hedge ineffectiveness for 2019 was less than $0.1m (2018: less than $0.1m).

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, other payables and accruals.

FAIR VALUE OF NON-DERIVATIVE FINANCIAL ASSETS AND FINANCIAL LIABILITIES

With the exception of the Senior Notes, the Ex-Im Bank Facilities and the Convertible Bonds, the fair values of all non-derivative financial instruments approximate to the carrying value in the balance sheet. The fair value of Senior Notes, Term Loan and Convertible Bonds are classified as level 2 in the fair value hierarchy according to IFRS 13. Senior Notes 2024 and Ex-Im Bank Facilities were fully repaid in the period and therefore not included in the valuation.

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 Senior Notes due 2022 are reflected in the balance sheet net of unamortised arrangement costs and net issuance premium of $1.8m and $1.5m, 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 debt liability component of the Convertible Bonds is reflected in the balance sheet on an amortised cost basis, net of unamortised arrangement costs of $nil (see note 19). The fair value of the Convertible Bonds is based on the market price of the bonds and is reflected in the table below.
- the Senior Notes due 2026 are reflected in the balance sheet net of unamortised arrangement costs of $19.1m (see note 19). The fair values of the Senior Notes due 2026 are based on the market price of the bonds and are reflected in the next table.
- the Term loan is reflected in the balance sheet net of unamortised arrangement costs of $35.9m (see note 19) and the fair value is based on the net present value discounted at libor +4.5%.

	At 31 December 2019	
($ in millions)	**Carrying amount[1]**	**Fair value amount**
Senior Notes due 2022	1,012.6	1,015.4
Convertible Bonds due 2023 debt component	1.2	1.2
Senior Notes due 2026	2,075.0	2,211.2
Term loan	715.7	723.2

1 Gross of unamortised arrangement cost

30. CAPITAL AND PURCHASE COMMITMENTS

($ in millions)	Total	Less than 1 year	Between 2 and 5 years	Greater than 5 years
Lease & purchase commitments	328.8	25.7	55.0	248.1
Capital commitments	578.7	263.9	314.8	-
Total commitments	907.5	289.6	369.8	248.1

The Group had authorised and contracted but not provided for capital commitments as at 31 December 2019 of $578.7m. These amounts primarily represent commitments in respect of the Group's I-6 satellite programmes. Lease and purchase commitments comprises mainly of the commitment for development of Arctic capabilities for GX in partnership with Space Norway.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. CONTINGENT LIABILITIES

CONTINGENT LIABILITIES

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 2019, the Group had no material contingent liabilities.

32. EVENTS AFTER THE BALANCE SHEET DATE

The Group has responded robustly and quickly to the challenges created by the spread of Coronavirus. Following analysis detailed in the Directors report Inmarsat continues to adopt the going concern basis in preparing the 2019 consolidated financial statements. The 2019 impairment analysis has also been re-evaluated as part of the analysis and identified sufficient headroom continues to exist in the recoverable value of the CGU above their carrying value.

On 20 April 2020, the Federal Communications Commission announced that it has approved with conditions Ligado's application to deploy a low-power terrestrial nationwide network in the L-Band that will primarily support 5G and Internet of Things services. Ligado is required to pay to Inmarsat the sum of $136m p.a. resuming in 2020 and rising at 3% p.a. for 87 years. The first payment is due on 31 March 2020. All prior payments deferred between 2016 and 2019 and anticipated interest (approximately $200m in aggregate) are due for payment by Ligado, under the terms of the Cooperation Agreement, by no later than 30 June 2021. The outlook for Ligado, and the consequent impact for Inmarsat, though now more positive, remains uncertain. Further details can be found in note 4 of this report.

The United Kingdom withdrew from the EU on 31 January 2020. The UK leaving EU is not expected to have a significant financial impact on the Group and has been discussed in detail in note 3.

Other than those listed above, there have been no significant events which would require disclosure in the 31 December 2019 Annual Report.

33. RELATED PARTY TRANSACTIONS

In the normal course of operations, the Group engages in transactions with its equity-owned investees Navarino UK and JSAT Mobile Communications Inc.

Transactions with equity-owned investees represent sales of airtime and equipment and are measured at the amounts exchanged. Group revenue from the related parties for the 2019 financial period was $2.9m and $1.0m, respectively. The amount receivable from the related parties at 31 December 2019 was $9.3m and $1.7m, respectively.

Amounts owing to the Executive as at 31 December 2019 is $1.3m and relates to remuneration earned in the normal course of operations (see note 8).

34. BUSINESS COMBINATIONS

On 4 December 2019, the Company acquired the entire issued ordinary share capital of Inmarsat plc "Inmarsat" and obtained control. Inmarsat is a UK based leading global provider of mobile satellite services, providing data and voice connectivity to customers globally. Inmarsat qualifies as a business as defined in IFRS 3.

The offer price of $7.21 per Inmarsat share comprises a cash consideration of $7.09 per share, plus the final 2018 dividend of $0.12 per share. $7.09 per share represents a premium of 0.2% to the closing share price of $7.07 on December 3rd 2019. The total allocated purchase consideration including debt is shown below:

	($ in millions)
Cash in respect of acquiring ordinary share capital from Inmarsat shareholders	3,286.3
Cash in respect of settling Inmarsat share based payment schemes	49.0
Allocated purchase consideration	3,335.3
Cash and cash equivalents acquired	(352.2)
Net cashflow on acquisition	2,983.1

On the acquisition date, the identifiable assets acquired and liabilities were measured at their fair value. The excess of the cash consideration paid over the fair value of the assets and liabilities has been recognised as goodwill. The goodwill represents the opportunity to strengthen Inmarsat's leading core satellite capabilities and development into new markets. None of the goodwill is expected to be deductible for income tax purposes. This has been shown in greater detail on the following page.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. BUSINESS COMBINATIONS (CONTINUED)

	($ in millions)
Fixed assets	3,478.8
Intangible assets	2,408.4
Trade and other receivables	327.2
Inventory	39.2
Cash and cash equivalents	352.2
Other assets	146.8
Total assets acquired	6,752.6
Borrowings	2,396.9
Trade and other payables	564.2
Other liabilities	1,296.5
Total liabilities acquired	4,257.6
Net identifiable assets acquired at fair value	2,495.0
Goodwill recognised on acquisition	841.7
Non-controlling interest	(1.4)
Allocated purchase consideration	3,335.3

Assets

- Fixed assets includes Freehold land and buildings of $12.7m, Service equipment fixtures and fittings $361.0m, Space segment $2,082.6m and Assets in the course of construction $1,022.5m.
- Intangible assets includes Customer relationships of $1,654.2m, Trademarks of $160.5m, Software of $280.2m and Terminal development and network asset costs of $39.0m.
- Trade and other receivables includes gross receivables of $392.3m and $65.1m relating to provisions against these.
- Other assets includes right of use assets of $51.1m, deferred income tax assets of $34.5m and investments of $20.5m.

Liabilities

- All existing borrowings became repayable in accordance with change of control clauses within the existing agreements and were re-financed by the acquiring entity. Refer to note 19 for further details.
- Trade and other payables includes trade payables of $153.5m, deferred income of $306.9m and accruals of $87.1m.
- Other liabilities includes deferred tax liabilities of $598.8m, $398.0 of derivative financial instruments and current tax liabilities of $198.2m.

From the date of acquisition, Inmarsat has contributed $93.4m of revenue and $19.2m of EBITDA to the Group. Costs associated with the acquisition included within the income statement were $137.3m for 2019. Had the acquisition been on the first day of the period, Group revenue and EBITDA on a pro-forma basis would have been $1,396.1m and $593.6m respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. GROUP ENTITIES

At 31 December 2019, the Company had investments in the following subsidiaries and associates:

	Principal activity	Country of incorporation/registered address key[1]	Ownership
Inmarsat Group Holdings Limited (formerly Inmarsat plc)	Holding company	England and Wales/A	100%
Connect Finco SARL	Finance company	Luxembourg/AI	100%
Connect U.S. Finco LLC	Finance company	United States/D	100%
Inmarsat Holdings Limited	Holding company	England and Wales/A	100%
Inmarsat Group Limited	Holding company	England and Wales/A	100%
Inmarsat Finance PLC	Finance company	England and Wales/A	100%
Inmarsat Investments Limited	Holding company	England and Wales/A	100%
Inmarsat Ventures SE	Operating company	Luxembourg /AJ	100%
Inmarsat Global Limited	Satellite telecommunications	England and Wales/A	100%
ISAT Global Xpress OOO	Operating company	Russian Federation/X	99.99%
Inmarsat Brasil Eireli	Dormant	Brazil/H	100%
Inmarsat Leasing (Two) Limited	Satellite leasing	England and Wales/A	100%
Inmarsat New Zealand Limited	Operating company	New Zealand/U	100%
Inmarsat Services Limited	Operating company	England and Wales/A	100%
PT ISAT	Operating company	Indonesia/Q	100%
Inmarsat Communications Company LLC	Operating company	United Arab Emirates/AC	49%
Inmarsat Group Holdings Inc.	Operating company	United States/C	100%
ISAT US Inc.	Operating company	United States/C	100%
Inmarsat Government Inc.	Operating company	United States/D	100%
Stratos Government Services Inc.	Operating company	United States/D	100%
Inmarsat Commercial Services Inc.	Operating company	United States/D	100%
Inmarsat Solutions (US) Inc.	Operating company	United States/D	100%
Inmarsat Inc.	Holding company	United States/D	100%
Inmarsat US Investments Limited	Dormant	England and Wales/A	100%
Europasat Limited	Operating company	England and Wales/A	100%
Inmarsat Employment Company Limited	Employment company	Jersey/T	100%
Inmarsat Trustee Company Limited	Dormant	England and Wales/A	100%
Inmarsat Finance III Limited	Operating company	England and Wales/A	100%
Inmarsat Solutions Limited	Holding company	England and Wales/A	100%
Inmarsat Solutions (Canada) Inc.	Operating company	Canada/B	100%
Stratos Holdings (Cyprus) Limited	Holding company	Cyprus/K	100%
Inmarsat Germany (GmBH)	Operating company	Germany/L	100%
Inmarsat Global Japan KK	Holding company	Japan/S	100%
Inmarsat Investments BV	Holding company	The Netherlands/V	100%
Inmarsat Solutions B.V.	Operating company	The Netherlands/V	100%
Inmarsat Solutions SA (PTY) Limited	Operating company	South Africa/Z	90%
Inmarsat Spain S.A.	Operating company	Spain/AA	100%
Inmarsat Hong Kong Limited	Operating company	Hong Kong/N	100%
Inmarsat (IP) Company Limited	Dormant	England and Wales/A	100%
Inmarsat Hellas Satellite Services SA	Satellite telecommunications	Greece/M	100%
Inmarsat Navigation Ventures Limited	Operating company	England and Wales/A	100%
Inmarsat Global Xpress Limited	Operating company	England and Wales/A	100%
Inmarsat SA	Operating company	Switzerland/AB	100%
Inmarsat Solutions Global Limited	Operating company	England and Wales/A	100%
Inmarsat Solutions AS	Operating company	Norway/W	100%
Inmarsat Solutions Pte. Limited	Operating company	Singapore/Y	100%
Inmarsat Solutions ehf.	Operating company	Iceland/O	51%
Inmarsat Australia Pty Limited	Operating company	Australia/F	100%
Inmarsat KK	Operating company	Japan/S	100%
Inmarsat Solutions (Shanghai) Co. Limited	Operating company	China/J	100%
Inmarsat India Private Limited	Operating company	India/P	100%
Inmarsat Licences (Canada) Inc.	Holding company	Canada/B	100%
Flysurfer Colombia S.A.S.	Operating company	Columbia/I	100%
Flysurfer Peru S.A.C.	Operating company	Peru/R	100%
Inmarsat New Ventures Limited	Holding company	England and Wales/A	100%
Flysurfer-Ecuador S.A.	Operating company	Ecuador/AE	100%
Inmarsat Satellite Services S.R.L.	Operating company	Romania/AF	100%
Inmarsat BH d.o.o.	Operating company	Bosnia and Herzegovina/AG	100%
Inmarsat Solutions doo Beograd	Operating company	Serbia/AH	100%
Inmarsat DOOEL Skopje	Operating company	Macedonia/E	100%
Navarino UK Limited	Associate	England and Wales/AD	49%
JSAT Mobile Communications Inc.	Associate	Japan/G	26.67%

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

REGISTERED ADDRESS KEY

Key	Registered Address
A	99 City Road, London EC1Y 1AX, United Kingdom
B	34 Glencoe Drive, Box 5754, Donovan's Bus. Park, Mount Pearl Newfoundland A1N 4S8, Canada
C	874 Walker Road, Suite C, City of Dover DE 19904, United States
D	251 Little Falls Drive, Wilmington DE 19808, United States
E	Str. Risto Ravanovski no 13a, Skopje, Republic of Macedonia, Macedonia, the former Yugoslav Republic of
F	Level 40, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000, Australia
G	Nisso Building #22 8F, Azabudai1-11-10, Minato-ku, Tokyo 106-0041, Japan
H	Av Presidente Juscelino Kubitschek 50, Suite 172, Room 7, 17th Floor, São Paulo, CEP 04543-000, Brazil
I	Cra. 7 No. 71-52 Tower B 9th Floor, Bogota, DC, Colombia 110231
J	11F, Tower B, Central Towers, No.567, Lan Gao Road, Putuo District, Shanghai, 200333, China
K	1, Lampousas, Nicosia, 1095, Cyprus
L	Aarberger Strasse 18, 12205, Berlin, Germany
M	280 Kifisias Avenue, Halandri, 152 32, Greece
N	19 Floor, Milennium trade Centre, No. 56 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong
O	Hlíðarsmára 10, 201 Kópavogi, Iceland
P	P-24, Green Park Extension, New Delhi, 110016, India
Q	Panbil Residence 1st – 2nd Floor, Jl. Ahmad Yani, Muka Kuning – Batam – 29433, Indonesia
R	Dentons Gallo Barrios Pickmann SCRL, General Córdova N° 313, Miraflores – Lima 18, Perú
S	Level 25 Ark Hills Sengokuyama Mori Tower, 1-9-10, Roppongi, Minato-ku, Tokyo, 106-0032, Japan
T	44 Esplanade, St. Helier, Jersey JE4 9WG, Jersey
U	24 Unity Drive North, North Harbour, Auckland, New Zealand
V	Loire 158-160, 2491 AL, The Hague, Netherlands
W	Borgundfjordvegen 116, 6017 Alesund, 1504 Alesund, Norway
X	Bld. 5, 13 Kasatkina Street, 129301, Moscow, Russian Federation
Y	11 Lorong 3 Toa Payoh , #01-31, Jackson Square, 319579, Singapore
Z	Deloitte Place, The Woodlands, 20 Woodlands Drive, Woodmead, Sandton, Johannesburg, Gauteng, 2052, South Africa
AA	Príncipe de Vergara 73, 28006, Madrid, Spain
AB	Route de Crassier 19, 1262, Eysins, Switzerland
AC	Festival Tower - Unit 2303, P.O. Box 27313, Dubai Festival City, Dubai, United Arab Emirates
AD	Camburgh House, 27 New Dover Road, Canterbury, Kent CT1 3DN, United Kingdom
AE	Republica de El Salvador N35-146 y Suecia, Edif. Prisma Norte, Piso 11, Quito, C.P. 170505, Ecuador
AF	22 Tudor Vladimirescu Blv., Building Green Gate Office, Bucharest, 5th Floor 573Campus07, Sector, Bucharest, Romania
AG	Street Skenderpasina 1, Sarajevo, Bosnia and Herzegovina
AH	GTC Avenue 19, 38-40 Vladimira Popovica Street, New Belgrade, Servia, 11070, Serbia
AI	1-3, Boulevard de la Foire, L-1528, Luxembourg
AJ	5, rue Goethe, Grand Duchy of Luxembourg, L-1637, Luxembourg

COMPANY BALANCE SHEET

at 31 December 2019

$ in millions)	2019
Assets	
Non-current assets	
Investments[1]	3,370.1
Other receivables[2]	1,643.3
Deferred tax assets	3.5
	5,016.9
Current assets	
Cash and cash equivalents	28.0
Trade and other receivables[2]	19.6
	47.6
Total assets	5,064.5
Liabilities	
Current liabilities	
Trade and other payables	21.8
Borrowings[3]	12.9
	34.7
Non-current liabilities	
Borrowings[3]	2,774.2
Total liabilities	2,808.9
Net assets	2,255.6
Shareholders' equity	
Ordinary shares	2,349.9
Retained earnings	(94.3)
Total equity	2,255.6

1 Investments includes $3,335.3m investment in Inmarsat Group Holdings Limited and $34.8m investment in Connect Finco (Lux).
2 Other receivables and trade & other receivables comprise $1,643.3m loan owing from Inmarsat Group companies, including an additional $5.0m of current intercompany loan interest accrued, $13.9m of capitalised loan issue costs, and $0.7m owing from Inmarsat Group companies.
3 Borrowings comprise $2,829.1m loan owing to Inmarsat Group companies, including an additional $12.9m current intercompany interest owing, offset by $54.9m of capitalised loan issue costs.

The Company reported a loss for the financial period ended 31 December 2019 of $94.3m.

The financial statements of the Company, registered number 661877, on pages 50 to 52 were approved by the Board of Directors on 24 April 2020 and signed on its behalf by

RUPERT PEARCE
DIRECTOR

COMPANY STATEMENT OF CHANGES IN EQUITY

for the period ended 31 December 2019

($ in millions)	Ordinary share capital	Retained earnings	Total
Balance at 15 March 2019	-	-	-
Issue of share capital	2,349.9	-	2,349.9
Profit for the period	-	(94.3)	(94.3)
Balance at 31 December 2019	2,349.9	(94.3)	2,255.6

NOTES TO THE COMPANY FINANCIAL STATEMENTS

For the period ended 31 December 2019

A) PRINCIPAL ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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, the Company financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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, capital management, presentation of comparative information in respect of certain assets, standards not yet effective, impairment of assets and related party transactions, share based payments, and financial instruments. Where required, equivalent disclosures have been given in the Group accounts of Connect Bidco Ltd.

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.

This is the first period of operation for Connect Bidco limited, meaning no comparative information has been presented.

B) CRITICAL ACCOUNTING ESTIMATES AND KEY JUDGEMENTS

The critical accounting estimates and key judgements, where relevant to the Company, are consistent with those of the consolidated Group as set out in note 4 to the consolidated financial statements.

C) INCOME STATEMENT

Under Section 244 (Point 5) of the Companies (Guernsey) Law 2008, the Company is not required to prepare individual accounts. However, The Directors are mindful of corporate governance and seek to demonstrate understanding of their accountability and statutory responsibilities, including application of duties under applicable local legislation. A Company only Balance Sheet and Statement of Changes in Equity have therefore been presented. The loss for the period ended 31 December 2019 was $94.3m.

AUDITOR'S REMUNERATION

During the period, the Company paid its external auditor less than $0.1m for statutory audit services.

EMPLOYEE COSTS AND DIRECTORS' REMUNERATION

The average monthly number of people employed during the period was nil. Total staff costs for 2019 were nil. Full details of Directors' remuneration and Directors' share options and share awards are given in the Remuneration report.

FOREIGN CURRENCY TRANSLATION

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

SHARE CAPITAL

There are 2,349,869,354 shares issued at December 2019. All shares are fully paid.

D) FINANCIAL INSTRUMENTS

The IFRS 7, 'Financial Instruments' disclosures, where relevant to the Company, are consistent with that of the Group as set out in note 29 to the consolidated financial statements.

The differences between the Group and the Company in relation to intercompany balances are $1,648.3m loan & interest due from Group companies, $0.6m other amounts due from Group companies, and $2,842.0m loan & interest due to Group companies, all of which eliminate on consolidation. The Directors consider the carrying value of the intercompany balances to approximate to their fair value.

The Group has assessed the intercompany receivables under the IFRS 9 expected credit loss model and no impairment losses have been recognised.

ALTERNATIVE PERFORMANCE MEASURES

The Directors use Alternative Performance Measures (APMs) to better understand the underlying financial performance of the Group and to provide comparability of information between reporting periods and business units. Given that APMs are not defined by International Financial Reporting Standards they may not be directly comparable with other companies who use similar measures. APMs used in these financial statements are:

APM	Description and Reconciliation
1. EBITDA	EBITDA is defined as profit for the period before net financing costs, taxation, depreciation and amortisation, gains/losses on disposal of assets, impairment losses and share of profit of associates. EBITDA is a commonly used industry measure which helps investors to understand the contribution made by each of our business units. It reflects how the effect of growing revenues and cost management deliver value for our shareholders. This measure has been reconciled to both operating profit and profit after tax on the face of the income statement
2. Cash Capex	Cash capital expenditure is the cash flow relating to tangible and intangible asset additions, it includes capitalised labour costs and excludes capitalised interest. Cash capex indicates our continued investment in the growth and development of our network and infrastructure as well as our investment in the future technologies of the business. This has been reconciled to total capital expenditure within note 5.