inmarsat
The mobile satellite company™

IN TOUCH_

INMARSAT PLC ANNUAL REPORT AND ACCOUNTS 2014

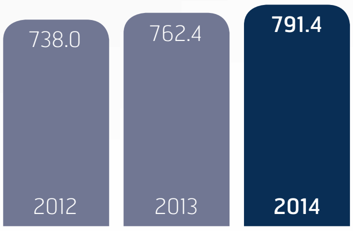
IN TOUCH_

Imagine a communications company that empowers global, mobile connectivity in the most remote locations on earth; that enables economic, social and cultural change; that facilitates business and trade, but also humanitarian efforts, e-learning and e-health initiatives in previously unreachable locations. Inmarsat makes this a reality. You can't touch our connectivity, but it touches all of us.

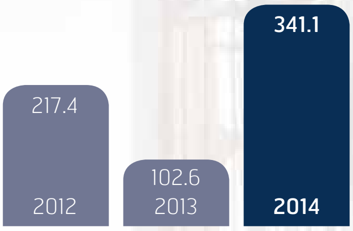
Front Cover image: Brian Carlin/Team Vestas Wind/Volvo Ocean Race

FINANCIAL HIGHLIGHTS

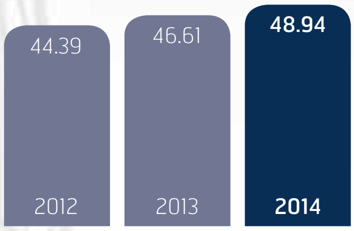
WHOLESALE MSS REVENUE (US$m)
791.4



PROFIT AFTER TAX (US$m)
341.1



DIVIDEND PER SHARE (¢ (US$))
48.94



BUSINESS HIGHLIGHTS

> Global Xpress (GX) regional commercial services started on Inmarsat-5 F1 on 1 July 2014

> Inmarsat-5 F2 launched successfully on 1 February 2015

> European Aviation Network programme announced; first licences for the service acquired

> Acquisition of Globe Wireless, disposal of retail energy-related assets and 19% stake in SkyWave

> Issue of $1 billion of 4.875% Senior Notes due 2022

> Innovative products and services launched across all Business Units

CONTENTS

Download the Inmarsat App to experience more. Where you see this icon, scan the image to view video content.

GET IT ON Google play
Download on the App Store

inmarsat.com


Crewsaver
RNLI

IN TOUCH_ THROUGHOUT THE JOURNEY

We offer the maritime world reliable satellite connectivity and technology suites that optimise their entire operation. Our services are secure and extend far beyond the reach of land-based networks so everyone, not only commercial cargo and coastal merchant vessels, can rely on our safety services to contact rescue teams quickly.

MARITIME
Read more on page 30.

15 SUCCESSFUL SATELLITE LAUNCHES

IN TOUCH_ WITH THE WIDER WORLD

We support journalists reporting breaking news live, humanitarian agencies coordinating relief efforts when disaster strikes, and remote workers in industries such as oil and gas, construction and transportation. They have all come to rely on our services for dependable, secure communications in locations with unreliable or non-existent telecoms networks.

ENTERPRISE
Read more on page 33.

11 SATELLITES IN GEOSTATIONARY ORBIT

IN TOUCH_ WHEN IT MATTERS

We ensure pilots can stay in contact with air traffic control, receive real-time weather information, access the most fuel-efficient oceanic flight paths, while data on the aircraft's position and maintenance status is sent to ground staff to improve safety and efficiency for airlines wherever they fly.

Inmarsat was the first operator to comply with the International Civil Aviation Organization's requirements for global safety communications.

AVIATION
Read more on page 34.

10 SATELLITE ACCESS STATIONS

IN TOUCH_
WITH MAJOR EVENTS

Our Government businesses are trusted partners to the US Government and over 100 nations around the world, providing state-of-the-art satellite services that offer mission-critical voice, video and data communications to support the broadest range of national security, intelligence, public safety, health and education services. Whether responding to a humanitarian crisis or natural disaster, peace-keeping in war-torn states or protecting national borders, our mission is to deliver secure connectivity when and where it's needed.

GOVERNMENT
Read more on page 37.

24/7 SUPPORT

AT A GLANCE

POWERING GLOBAL CONNECTIVITY

Inmarsat is the leading provider of global, mobile satellite communications services. On land, at sea and in the air, the Company serves Government, Commercial and NGO customers on every continent, providing highly reliable broadband data and voice connectivity services in regions where local network connectivity is unreliable or unavailable.

Through Inmarsat's satellites, users can send data or make voice calls while outside the coverage of any terrestrial network. This vital capability has placed us at the heart of maritime and aviation safety services and positioned us at the forefront of satellite connectivity services for merchant shipping, air transport, news broadcast, energy and utilities companies, mining businesses and humanitarian aid agencies – to name but a few.

OUR CORPORATE VALUES

PASSION
> Pride in what we do
> A commitment to excel
> Commitment to diversity
> Determination to deliver

OPENNESS
> Open to ideas
> Open to cultures and personalities
> Open to accountability
> Open to partnering
> Open to a team approach

MARKET-DRIVEN
> Innovation rooted in customer needs
> Always listening
> Proactive and adaptable
> Delivering enduring value
> Providing dependability

ENTERPRISING
> Agile and flexible
> Decisive
> Accountable

TOTAL 2014 REVENUE

$1,285.9m

MARITIME

Inmarsat is the leader in global mobile satellite communications for the maritime industry. Thousands of vessels rely on our unrivalled end-to-end service availability and coverage for operational communications, crew welfare and safety services. In the era of the 'smart vessel', Inmarsat is working with its partners and the industry to drive the adoption of new technologies, which help shipping companies to run a more efficient and cost-effective operation – saving fuel, time, money and contributing to enhanced crew morale.

+13.5%

REVENUE INCLUDING ACQUISITION OF GLOBE WIRELESS

FLEETBROADBAND TERMINALS

2013
35,888

2014
40,469 +13%

Learn more about Maritime on page 30

ENTERPRISE

Inmarsat provides the widest portfolio of global voice, broadband data, M2M and value-added services in the market. From oil and gas engineers carrying out remote diagnostics on an oil wellhead, to journalists reporting live with breaking news, our services offer a compelling proposition for businesses requiring 'must-have' remote and mobile connectivity. Inmarsat continues to expand its ecosystem of partners, opening up new markets to the benefits of reliable, robust satellite communications, ranging from e-health and e-learning to the general business traveller requiring guaranteed connectivity.

292,000

INMARSAT CAPABLE M2M TERMINALS

ACTIVATED ISATPHONES

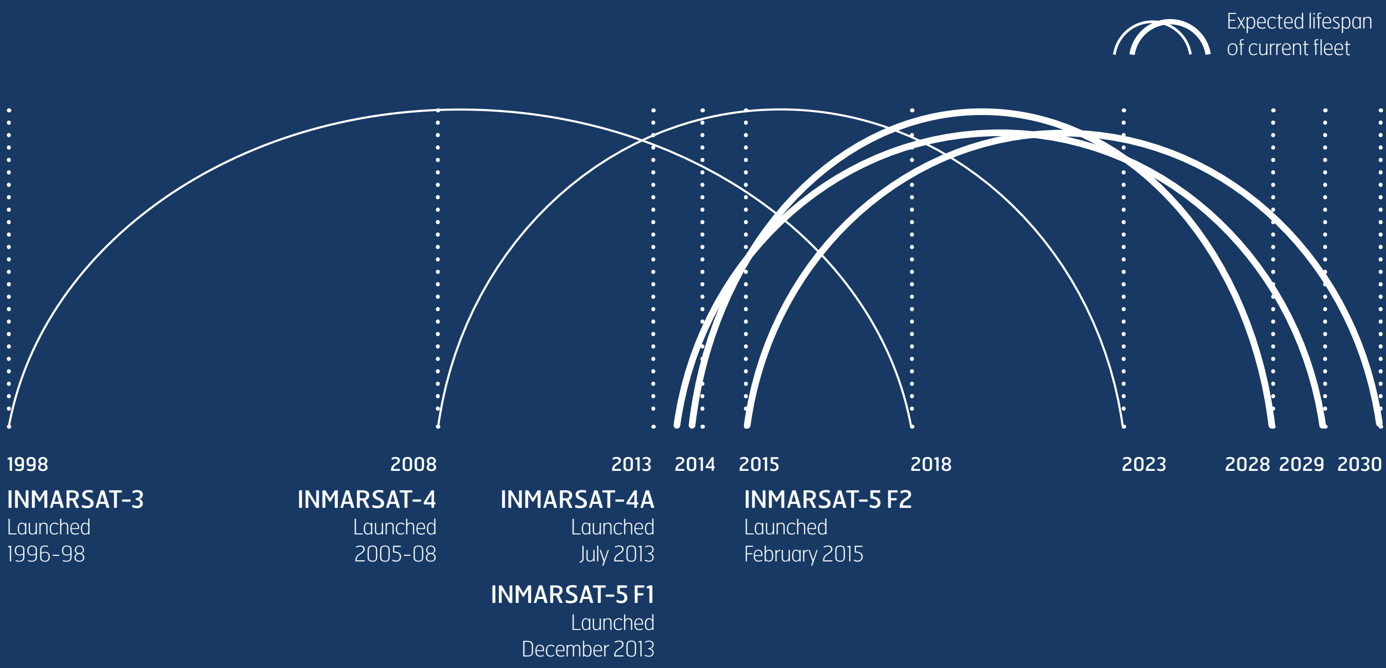
2013
94,000

2014
115,500 +23%

Learn more about Enterprise on page 33

OUR LONG-TERM INVESTMENT FOR FUTURE GROWTH

Inmarsat has launched 15 satellites during the last 25 years and has amassed over 200 satellite years of operational experience during this period. 11 of these satellites are operational today.



AVIATION

Inmarsat has been providing connectivity and safety services to the aviation community for over 20 years. For passengers, Inmarsat enables them to make phone calls and access the internet in the air, just as they would on the ground. For flight crew, Inmarsat ensures they can stay in contact with air traffic control, receive real-time weather information, access the most fuel-efficient oceanic flight paths, and send the aircraft's position and maintenance status to ground staff. Inmarsat's existing satellite networks enable crucial safety services, including flight tracking, which are fundamental to safe and efficient operation of flights throughout the world.

+37.7%

REVENUE FROM BOTH BUSINESS AVIATION AND COMMERCIAL AIR TRANSPORT

SWIFTBROADBAND ACTIVE SIMS

2013
4,060

2014
5,400 +33%

Learn more about Aviation on page 34

GOVERNMENT

Inmarsat is a trusted partner for governments, meeting the need for voice, data and video services which is globally available, entirely reliable and fully secure. Whether a military commander on operations, a government official responding to a local emergency or a head of state conducting international affairs, Inmarsat provides them with essential access to voice and broadband data, where and when they need it.

>60%

MSS OPERATORS GOVERNMENT/MILITARY MARKET SHARE 2014
Northern Sky Research (NSR)

NEW COUNTRIES OPENED UP SINCE 2012

+24

Learn more about Government on page 37

CHAIRMAN'S REVIEW

CONTINUED GROWTH

ANDREW SUKAWATY
CHAIRMAN

CHAIRMAN'S REVIEW IN SUMMARY

ANOTHER SUCCESSFUL YEAR FOR INMARSAT:

- BUILT ON OUR REPUTATION AS A TRUSTED PROVIDER
- CONTINUED GROWTH AND INVESTMENT
- CLOSELY ALIGNED OURSELVES WITH OUR DISTRIBUTION PARTNERS
- MAINTAINED THE HIGHEST LEVELS OF GOVERNANCE
- CONTINUED FOCUS ON PROVISION OF SAFETY SERVICES: ON LAND, AT SEA OR IN THE AIR

OVERVIEW

Inmarsat continues to build on our strengths as a trusted provider of mobile satellite services to customers who have 'mission critical' connectivity needs, where terrestrial wireless networks are not present, or are challenged. The niche, which we have served now for 35 years, continues to grow as connections in our world become more and more essential for our business and personal lives. Despite the challenges presented by government spending cutbacks by some of our biggest governmental customers, we have been able to grow in other sectors, such as aviation and maritime. This clearly demonstrates the strength of our diverse business as individual market trends shift.

We strongly believe in the continued growth in global connectivity, particularly in remote environments. Therefore we have focused our investment in new products, services and platforms that address this trend. As a result, we are on the verge of entering a new era with the launch of our new Inmarsat-5 global satellite constellation, a $1.6 billion, five-year investment programme which will support our revolutionary high-throughput mobile broadband service, Global Xpress (GX). With the launch of the third satellite in the programme just around the corner to deliver seamless global coverage, we will offer our customers truly revolutionary broadband connectivity on land, sea and air across the globe. For our customers, this takes their mobile satellite connectivity to the next generation and offers capabilities in these untethered environments to a place which was unimaginable only a decade ago.

On the back of these investments, we've evolved a business structure to better align ourselves with our distribution partners. As part of a broad partnership arrangement to serve oil and gas customers, we divested our interests in the oil and gas sector to our new partner, RigNet, a rapidly growing major player in this market. At the start of 2014 we purchased Globe Wireless, one of the major communications applications providers to the maritime world. We did this to enhance our capability to seamlessly work with our distribution partners and customers as they migrate to new, more advanced maritime broadband platforms. In addition, we announced a new programme to develop Europe's first hybrid satellite air to ground network using the S-band authorisation we were awarded by the European Union a few years ago. We also sold our shareholding in SkyWave to ORBCOMM and have as a consequence enhanced our relationship with them for machine-to-machine (M2M) opportunities. More details on our strategy are contained in Rupert Pearce's CEO section.

At the start of 2014 we purchased Globe Wireless, one of the major communications applications providers to the maritime world.

We are also pleased to announce that we increased our dividend for the ninth consecutive year. We have now delivered dividend increases every year since we listed on the London Stock Exchange in 2005. The final dividend for the year is 30.26 cents (US$) per share, which is a 5% increase on last year. Our stated intent to deliver sustainable dividend increases continues to deliver value for our shareholders even through the peak of intensive investment cycles.

BOARD ACTIVITIES

Your Board continues to add value to the Company by bringing diverse experience, views and expertise to the boardroom. Many of our Board members joined at the time of the IPO in 2005 and therefore know our complex business well, yet they remain clearly independent. We have though started the process of bringing in new members to the Board, maintaining the strength of thinking and strategic contribution at the Board table. In 2014 we added (Ret.) General C. Robert Kehler to the Board, who brings a global perspective on our government customer needs. In addition, we've announced the addition of Rob Ruijter as a Non-Executive Director, who brings a wealth of global financial management experience, and more recently, we announced that Dr Hamadoun Touré would be joining our Board. Dr Touré has spent the last eight years as the Secretary General of the International Telecommunications Union and is also deeply experienced in the global satellite and space industries. Simon Bax, who joined our Board in 2013, will take on the chairmanship of our Remuneration Committee in May. Stephen Davidson, the current chairman, will remain on the Committee and continue as a Director and we thank him for his many years of diligent service in this vital role for us.

As this evolution of the Board membership occurs, we are focused on maintaining continuity in understanding the business of the Board, while at the same time bringing in new and diverse points of view. In addition, we are maintaining the highest standards of independent governance. It is a Board that contributes greatly to the business and it is a privilege to work with them all.

We conducted an internal evaluation of the Board during 2014 and can report, while there are always areas to improve, your Board is functioning effectively. Our Executive Management team continues to evolve and perform well.

Rupert Pearce, our CEO, leads the Company, as he has for three years now, while I have stepped back into a Non-Executive role as Chairman. We are pleased that Tony Bates joined us as CFO and an Executive Director during the year. Tony has already made a significant contribution to the running of the Company and we are benefiting from his wealth of sector experience, both in finance and operations.

PUBLIC RESPONSIBILITY

This year was marked by a tragic event, in which Inmarsat played a quite visible role: the loss of Malaysian Airlines Flight MH370. First, our deepest condolences go out to the families and friends of those who lost loved ones. Due to the highly unusual set of events, that have yet to be fully explained, Inmarsat was put in the role of providing data, to help locate the aircraft, to the government authorities in charge of the investigation and now search.

Inmarsat was created 35 years ago by the UN to provide safety services at sea, which evolved to safety services in the air as well. We take this global public service seriously and we are dedicated to providing it. We are proud of the work our teams have done to support the efforts to locate the missing aircraft and we hope it will, in some way, contribute to determining its location, helping bring closure to the families involved.

Looking forward, Inmarsat is working hard with the global, regional and national aviation authorities, to improve the capabilities and standards for aviation safety. This involves not only flight tracking, but also real-time flight diagnostics, black box over the air transmissions (black box in the cloud) and many other potential enhancements. Most of these capabilities can be enabled using the existing communications systems on aircraft, particularly on long haul commercial aircraft, in which the vast majority already have installed Inmarsat satellite services. Let us hope that this tragedy is a catalyst to taking flight safety, which is already at a high level, to an even higher level of capability for the future.

Looking forward, Inmarsat is working hard with the global, regional and national aviation authorities, to improve the capabilities and standards for aviation safety.

Our commitment to safety in these remote environments remains strong as we invest in new safety services. As the only certified GMDSS (Global Maritime Distress Safety Service) provider, we are moving forward with plans for how we receive safety certification for the next generation of Inmarsat services. This will assure the mariner that we have invested in maritime safety services capabilities for many years to come.

In addition, Inmarsat continues to contribute to emergency service responders globally. We support, financially, and with the provision of terminals, Télécoms Sans Frontières and the International Telecommunications Union (ITU) programmes, which provide telecoms connectivity for aid agencies and stricken people in times of both human and natural disasters.

Our work with national and local governments globally also continues to expand, as the importance of having mobile satellite connectivity in situations where the terrestrial networks are either taken out of service, or congested, becomes seen as an essential element of local disaster planning and response.

SUMMARY

In summary, 2014 was another successful year for Inmarsat. With the commencement of regional Global Xpress services, and a host of new service offerings on our existing L-band satellite constellations, we are better positioned than ever to continue as a leader in providing mobile and portable connectivity on land, at sea and in the air. We are positioned to grow further as we leverage future opportunities resulting from the significant investments we have made.

We would also like to thank our staff globally for their dedication and hard work that has allowed us to deliver another year of market-leading quality services for our partners and customers. We also value the continued support from our shareholders and look forward to continuing to deliver value to them over the coming years.

ANDREW SUKAWATY
CHAIRMAN
5 March 2015

CHIEF EXECUTIVE'S 2014 REVIEW

DRIVING SUCCESS THROUGH INNOVATION

RUPERT PEARCE
CHIEF EXECUTIVE OFFICER

CHIEF EXECUTIVE'S REVIEW IN SUMMARY

OUR INVESTMENTS ALLOW US TO GROW THROUGH:

> MAJOR INNOVATIONS ARE KEY TO ACCELERATED GROWTH
> INVESTMENT SUPPORTING PRODUCT AND SERVICE DEVELOPMENT
> ENHANCING GROWTH THROUGH DIVERSIFICATION AND GEOGRAPHIC EXPANSION
> STRENGTHENING OUR GLOBAL CHANNEL WITH NEW PARTNERSHIPS
> EMBRACING ORGANISATIONAL CHANGE

> A glossary can be found on pages 134 and 135 of this report.

BUSINESS OVERVIEW

I am pleased with the overall performance of the business in 2014, as we met our financial targets for the year at the same time as continuing to progress several key innovation programmes that will play a profound role in our future accelerated growth plans. 2014 was a year of transition, en route to the global launch of our revolutionary new Inmarsat-5 network. We delivered revenue growth of 1.9% and EBITDA growth of 8% which was a solid achievement.

> Wholesale Mobile Satellite Services (MSS) revenue grew year-on-year
> Global Xpress (GX) commercial services started on Inmarsat-5 F1, our first Inmarsat-5 satellite
> Inmarsat-5 F2 launched successfully on 1 February 2015
> European Aviation Network programme was announced and the first MSS and complementary ground component licences were acquired
> Integration of Globe Wireless business within our Maritime Business Unit has gone well
> Disposals of key assets have been handled well with no impact on customers
> Innovative products and services launched across all Business Units

The details of the financial performance for each of the Business Unit sectors, and our Central Services sector (which covers all other parts of the business) is provided in the Chief Financial Officer's review of the year. In summary, we saw positive revenue contributions from our Maritime, Enterprise and Aviation businesses, plus a significant financial contribution from LightSquared, reflected in overall total revenue growth. This was offset by a decline in Government revenues – albeit that growing contributions from our Global Government business stemmed in part the continuing revenue reduction in our US Government business.

In May 2014 we raised $1bn on the bond market, which allowed us to review our borrowing arrangements and put in place cheaper funding. We were able to complete the bond transaction quickly and successfully, reflecting the positive way Inmarsat is viewed by financial institutions.

A significant contributor to revenues and profitability in 2014 was our collaboration with LightSquared. Having restarted payments to us under our existing cooperation agreement with them during 2014, LightSquared delivered revenues of $75.4m in 2014 almost all of which flows to EBITDA. However, at the time of writing, LightSquared remains in Chapter 11 bankruptcy in the US and there can be no assurance

We were delighted that the Proton launch vehicle, which we have commissioned for the first three Inmarsat-5 flights, has now successfully delivered into orbit two of the three Inmarsat-5s needed to ensure seamless global coverage for our revolutionary high-throughput services.

that further payments will be received from them under this agreement. We remain fully committed to supporting LightSquared under the terms of our agreement with them.

Later in the Annual Report on pages 20 and 21, we lay out details of the markets we operate in, the changes we are seeing in how we plan for our business growth and I also summarise our strategy and key risks within our operations.

Overall the business has met its objectives throughout the year and my review will reflect on the different activities we undertook and also how the contribution of our staff is critical to our success.

INFRASTRUCTURE INVESTMENTS

It has been a very demanding year from an infrastructure perspective, as we continue to invest heavily in transformational future growth. Exciting news in 2014 was the successful deployment of our first Inmarsat-5 satellite, called Inmarsat-5 F1 or I-5 F1, which was launched in December 2013; followed by the successful launch of our second Inmarsat-5 satellite, I-5 F2, on 1 February 2015. We were delighted that the Proton launch vehicle, which we have commissioned for the first three Inmarsat-5 flights, has now successfully delivered into orbit two of the three Inmarsat-5 satellites needed to ensure seamless global coverage for our revolutionary high-throughput services. We are planning for the launch of Inmarsat-5 F3 to take place in Q2 2015.

I-5 F1 entered regional commercial service mid-way during 2014 - meaning that, from the Western coast of Africa to the middle of Australia, we are now able to offer Global Xpress (GX) services, although not yet across our full range of planned service offerings. I am delighted to report that Global Xpress is working well, with ultra-fast data speeds even to very small antenna and rain fade resilience at or better than Ku-band competitors. This successful provision of service is a significant risk retirement on one part of the GX programme and means that we can look forward with confidence to I-5 F2, also progressing safely through its deployment and test stages with a view to entering full commercial service in Q2 2015.

We also have a fourth Inmarsat-5 satellite under construction (I-5 F4), due to be delivered in mid 2016 and we secured a launch option for this satellite with SpaceX, a new launch provider for us. This substantially de-risks the possibility of damage to the GX programme by a launch failure of I-5 F3, as I-5 F4 could replace it within roughly a year and it can provide us with additional capacity for future enhanced growth when we need it. We are already developing some incremental business opportunities for I-5 F4 to support its launch as an additional satellite in the event of a successful I-5 F3 launch.

In addition to the GX satellite launch and operation activities, we enhanced our satellite capabilities. We brought Alphasat into service, supporting our handheld GSPS services in our most heavily trafficked satellite region. Alphasat is Europe’s most sophisticated telecommunications satellite and will be of significant benefit to us in carrying our L-band service traffic in the future and providing redundancy for the Inmarsat-4 satellite constellation.

We also ordered a new satellite, Europasat, in partnership with HellasSat. It will deliver new S-band services across the European Union. We announced in May 2014 the development of a highly innovative Air to Ground network, to be integrated with Europasat’s satellite capabilities to target the emerging European aviation passenger connectivity markets – a key strategic initiative for us. We will be a leader in developing an integrated hybrid satellite-terrestrial network for broadband services.

Supporting our new satellite construction programmes, we signed an innovative three satellite launch deal with SpaceX, the new and rapidly emerging launch services company. This positions Inmarsat in the vanguard for the use of the new Falcon Heavy rocket, which we can use for the Inmarsat-5, and the Inmarsat-6 programme.

Our work is not only about launching and managing satellites, it is also about safely decommissioning them when they come to their end of life. In 2014 we successfully deorbited the final one of our Inmarsat-2 satellites. Once again, this final satellite in the Inmarsat-2 constellation performed superbly throughout its life, operating for more than twice its design life, for over 20 years.

Having a reliable satellite and network capability which consistently exceeds 99.9% availability, gives us the comfort that our partners and customers can rely on us, wherever they are and in whatever circumstance they need communications connectivity.

CHIEF EXECUTIVE'S 2014 REVIEW CONTINUED

GROWTH THROUGH INNOVATION

We increased the pace of product and service innovation in 2014 and this focus has continued into 2015 when we held our first successful Inmarsat Developers Conference in January. We are working closely with our traditional partners, as well as some new technology partners. In 2014 we launched several important new products and services which we expect to be significant contributors to our future growth, including:

> IsatPhone 2, our latest high-quality satphone that we expect to maintain our strong position in the handheld market;
> FleetOne, a major broadband product launch into the fishing, leisure and coastal merchant maritime markets, which we believe is a new market opportunity for us;
> IsatHub, the first step in the reinvention of the BGAN product platform, delivering smartphone coverage extension for voice and data services at low cost;
> BGAN HDR, taking the BGAN offering up to new data speeds, of particular significance for Media, Government and high-end Enterprise customers;
> Low-profile BGAN , offering a highly-rugged, discreet BGAN deployment for security and Intelligence, Surveillance and Reconnaissance (ISR) needs;
> L-TAC, a hugely innovative way in which we can re-purpose our L-band network to support thousands of UHF radios already deployed in the field requiring extension of coverage or increased network capacity; and
> Fleet Media, an innovative way of distributing entertainment content (movies, TV shows, sports and news) to ships' crews.

We also have products which have been developed for use on our GX Ka-band satellites across all our varying services – on land, at sea and in the air. Government customers have been using GX terminals since mid-2014 and other users have been coming on-stream in early 2015. We are delighted with the collaboration and efforts of our Value Added Manufacturing partners for their tireless work with us over the last 12 months.

I am very proud of our achievements in 2014 and already in 2015 we have really increased the pace of our product and service innovation. Success will be measured by our relationships and ability to work closely and collaboratively with Value Added Manufacturers and innovators who are committed, agile, inventive and far-sighted.

GROWTH THROUGH GEOGRAPHIC EXPANSION

It is vital to create new growth opportunities through sustained innovation; however we can also deliver enhanced growth and diversification rapidly through expanding geographic access to our services.

We opened a brand new GSPS gateway and BGAN SAS in China at the end of 2013 and these facilities became fully operational during 2014. This was the culmination of years of work to deliver a fully-open market for our services in China and we worked closely with our local partners to make this a reality. We believe there are growing revenue opportunities in China.

We are working closely with one of our key partners in Russia to assist it in progressing its plans to build BGAN ground infrastructure to access and terminate our services in Russia. We hope that their plans will mature during 2015 and provide future additional revenue opportunities through opening up hitherto closed markets.

Elsewhere, our internationalisation programme – driven by our Global Government group, but also rapidly driving growth opportunities for our Enterprise team too – is nearly at the end of a three-year transformation programme to rebalance our government and commercial land activities into new and exciting growth markets. We are now operating for the first time, or have substantially enlarged our presence in more than 30 countries including Brazil, China, Colombia, Israel, Kazakhstan, Oman, Poland, Saudi Arabia, the Scandinavian region and Turkey.

Together, these ventures are demonstrating excellent pipeline growth, so we are optimistic that we can achieve revenue growth through geographic expansion.

GROWTH THROUGH CHANNEL DEVELOPMENT

A key goal of ours is to support our growth ambitions through a strong and positive relationship with our global channel partners.

We added several important new partners during 2014 including RigNet, the leading Energy satcoms connectivity player, ORBCOMM, the leading M2M connectivity platform operator, and Swank/NT Digital as the master distributor for our new Fleet Media content offering. These new relationships provide an important extension to our global coverage and to our product and service capabilities. We also benefit from having relationships with highly capable, specialist partners to help us in certain geographies where they have local knowledge.

A focus for us over the last year in particular has been to ensure we are ready for entry into commercial service of our Global Xpress service and to do this effectively, we need to have appointed respected and capable partners. So far, we have appointed 27 GX Value Added Resellers (VARs) across all our Business Units, representing an incredibly powerful roster of launch partners for this new service.

A key goal of ours is to support our growth ambitions through a strong and positive relationship with our global channel partners.

EXECUTIVE MANAGEMENT BOARD

RUPERT PEARCE Chief Executive Officer	**TONY BATES** Chief Financial Officer	**MICHELE FRANCI** Chief Technology Officer	**RUY PINTO** Group Chief Operations Officer
GREG EWERT President, Enterprise Business Unit	**PETER HADINGER** President, US Government Business Unit	**ALISON HORROCKS** Executive Vice President, Corporate Governance and Company Secretary	**DEBBIE JONES** Executive Vice President, Corporate Development
LEO MONDALE President, Aviation Business Unit	**MIRIAM MURPHY** Group General Counsel	**RONALD SPITHOUT** President, Maritime Business Unit	**ANDY START** President, Global Government Business Unit

ORGANISATIONAL DEVELOPMENT

In recent years we have embraced significant organisational change in order to be a more agile and fast-moving business. Over the last 12 months we have created a new Aviation Business Unit which is led today by Leo Mondale who has been with the Company for 10 years. As part of our management succession planning which we review with the Inmarsat Board on an annual basis, I am delighted that we were able to promote from within to move Ronald Spithout from President of our Enterprise Business Unit to become President of our Maritime Business Unit and we promoted Greg Ewert who joined Inmarsat three years ago to head the Enterprise Business Unit. Another internal appointment was Michele Franci becoming our Chief Technology Officer.

Two senior hires from outside the Company were the appointments of Tony Bates as our Chief Financial Officer in June 2014 and Miriam Murphy who joined as Group General Counsel in September 2014. Both these executives are experienced professionals and I'm delighted they've chosen to join Inmarsat. We will benefit greatly from their experience. I am delighted at how the senior management team has responded to the new challenges I've asked them to manage and I believe the business is well led with the 12-strong Executive team we have in place.

We also undertook a series of internal initiatives to improve in many ways how we work and function together; the actions in 2014 are termed our 'Year of Engagement' and those in 2015 our 'Year of Enablement'.

We had a staff survey in February 2014 which was completed by 94% of our staff – a response rate which is outstanding. In the Corporate Social Responsibility (CSR) section on pages 45 and 46 more information is provided on the feedback we received from the survey and the actions we took. One key indicator was the pride staff feel working at Inmarsat. One element of the survey was around pay for staff and during 2014 we completed a global salary benchmarking review and as a consequence committed more than was budgeted to correct salaries for staff to take them to more competitive levels. After a year where we had a salary freeze in 2013, it was highly appropriate that we were able to adjust staff salaries in 2014 across the Group on average by approximately 7%.

The 2014 'Year of Engagement' has transitioned into our 2015 'Year of Enablement', where we are embarking on some significant training commitments for managers throughout the Company and on focused leadership training for our Global Leadership Team, comprising around 50 staff members from across the business. Another focus for the 'Year of Engagement' is a thorough review of our systems and processes with a focus on how we can simplify operations and become more effective and efficient internally, for example through changes in our systems and processes, IT infrastructure, billing operations and other similar related activities.

> In 2015 we are embarking on some significant training commitments for managers and on focused leadership training for our Global Leadership Team.

In early 2014 we sold the assets of our retail energy business to RigNet, a significant oil and gas operator in the satellite industry, and around 200 people left Inmarsat with the vast majority moving to RigNet. We work with many of them now that RigNet is a distributor of Inmarsat services and we are very pleased with how our relationship is working. Around the same time in 2014, we acquired a similar number of staff in our Maritime Business Unit when staff joined us from Globe Wireless. We are delighted how quickly and positively this integration of staff has happened.

CHIEF EXECUTIVE'S 2014 REVIEW CONTINUED

Our heritage of saving lives at sea and in the air is part of our ongoing public service ethos.

PUBLIC RESPONSIBILITY

Our heritage of saving lives at sea and in the air is part of our ongoing public service ethos. I provide some further information about these activities in the CSR part of this Annual Report. Our satellite and network services have over many years consistently delivered availability exceeding 99.9%. The fact that we are relied on and trusted to operate to this high level of service is something we take seriously and operate our systems day in, day out to maintain this high standard.

The tragic loss of Malaysian Airlines flight MH370 has been an event that has undoubtedly defined and shaped our year, and which will perhaps continue to have a profound impact on our reputation, brand, profile and values.

It is very hard to reflect on 2014 without revisiting that crisis and the part that we played, and indeed continue to play, in the search efforts for this lost aircraft. Looking back I have nothing but pride and admiration for the teams involved and for how they responded to events in a sensitive way.

We have thought how we could respond to help airlines have greater information from their planes, especially in times of trouble and have made an offer of free global tracking, enhanced tracking, and a revolutionary 'black box in the cloud' service. We firmly believe that our ADS-C services, comprising two-way broadband capabilities, can play a vital role in situational awareness and crisis response for the commercial air transport industry. The early signs are that both international safety bodies such as ICAO and IATA and the world's major airlines have welcomed our initiative.

Our CSR report will also provide you with additional information on our ethical processes for whistleblowing and similar policies and give you some further information on our involvement in social and charitable activities.

LOOKING AHEAD TO 2015

We are moving from a year of transition in 2014 to a year of transformation this year, as we initiate the ramp up of Global Xpress revenues following global CSI, expected in the second half of this year, supported by continued growth in our legacy L-band services. Being predominantly a wholesaler of satellite airtime, and going to market primarily indirectly, having strong relationships with our partners continues to be key to our success.

We have launched I-5 F2 and it is completing its 76-day launch mission before it will become operational and we are planning for a launch of I-5 F3 in the second quarter of 2015. Apart from these satellite launches and deployments, we must complete the Global Xpress development programme, widely distribute GX terminals, work with our GX Value Added Resellers (VARs) to ensure their market readiness, and crystallise GX market access such that a full service GX is delivered early in the second half of this year on a global basis. Additionally, we aim to maintain the schedule for I-5 F4 and Falcon Heavy launch vehicle readiness both as a back-up and for network augmentation.

We will also deliver our Alphasat satellite into full service in Q1 2015 (adding BGAN services over Alphasat's coverage area) and launch a fourth ocean region later in 2015, which will improve overall L-band network capacity and efficiency, as well as support the construction and entry into operation of the new BGAN gateway in Russia which I mentioned earlier.

We intend to start to replace the Inmarsat-4 satellites gradually from the end of the decade, and therefore we are planning to complete all of the Inmarsat-6 design development, so that we are ready to initiate a development and manufacturing contract during 2015.

We are also moving forward rapidly with our European S-band initiative this year. This includes the satellite manufacturing programme; starting the Air to Ground network design, development and deployment by the end of the year; the development and certification of on-board equipment; and the addition of launch airlines, as our plans are to be in revenue generation with airline customers and passengers with our new integrated aviation network in Europe by early 2017.

In product and service terms, this year is when we plan to deliver increasing revenue contributions from the many new products launched in 2014 – especially IsatPhone 2, IsatHub, FleetOne, L-TAC, BGAN HDR and Fleet Media. 2015 will also see some very important new product launches too – most notably perhaps SB200 (a smaller broadband terminal for aircraft), LAISR and LACE (two new Government services) and a new M2M device.

2015 will also see us start to galvanise our Value Added Manufacturer (VAM) community to innovate new products around the core module of our existing BGAN systems and terminals. We expect this to enable us, by the second half of 2016, to launch a new wave of product and service innovation leveraged off our own significant platform investments. This will be an exciting new opportunity for our BGAN and GSPS service platforms, allowing us to maintain our thought-leadership for highly mobile broadband satcoms.

2015 will also see us start to galvanise our Value Added Manufacturer (VAM) community to innovate new products around the core module of our existing BGAN systems and terminals.

In the solutions development area, 2015 is the year when we intend to focus attention on our Certified Application Partner (CAP) programme, working closely with our channel partners and a new category of CAP to bring a large number of third-party applications, services and solutions onto our new Inmarsat Gateway platform. These developments will start to drive new value over our network and to our end user communities. This is a new business opportunity for us to deliver and is hugely challenging and exciting – our investment in Cisco's development of the Inmarsat Gateway is now coming to fruition.

We also intend to move forward rapidly with our European S-band initiative this year.

Finally, our geographic expansion programmes will also continue to evolve, with opportunities in the BRIC countries to develop local gateways, and further significant investment by our Global Government and Enterprise teams on growing their new expanded market presence.

If we accomplish all that in 2015, this is how we can imagine the business to look as we enter 2016:

> Maritime will have grown its core mid-market business as well as diversified into the VSAT, mega-yacht, fishing, leisure and coastal merchant segments to begin the process of dramatically expanding our addressable maritime markets and entering a new era of high growth

> Enterprise will have increased the way we are used by our Media customers, launched into the Enterprise and Energy VSAT markets, grown market share in global M2M markets, and begun the transformation of our core commercial land markets with exciting new products like IsatHub

> Aviation will have grown our leading business aviation franchise, focused on thought-leadership in aviation safety, and successfully positioned Inmarsat as the global leader in the emerging aviation passenger connectivity sector

> Global Government will have completed the initial globalisation of its business and started to leverage the benefits of its enhanced footprint, and

> US Government and Global Government will have used GX and numerous innovative products and services, diversified their businesses and positioned themselves for growth in government markets in the future.

This is Inmarsat's formula for success – invest from strength to grow profitably, take those profits and repeat the process again. The business model shown on page 24 captures this ongoing cycle. Near term growth will drive new longer-term growth opportunities for us all.

2015 is going to be a challenging and compelling year. Inmarsat's success is built upon the professionalism, loyalty and passion of its staff; the experienced distributors and wider ecosystem partners we work with and also the backing we have from investors and financial institutions who support our growth ambitions by maintaining their relationships with us.

CHIEF EXECUTIVE'S 2014 REVIEW CONTINUED

OUR MARKETS

WE ARE SEEING THREE CLEAR GLOBAL TRENDS:

> a dramatic increase in mobile traffic, due partly to strong growth in the number of mobile internet connections, such as personal devices and machine-to-machine (M2M) connections, which will exceed 10 billion by 2018 and be 1.4 times greater than the world's population (source: Cisco);
> these devices are being served by an extraordinary proliferation of solutions, services and capabilities, increasingly hosted remotely, often in the cloud; and
> both devices and applications are driving huge growth in mobile data traffic.

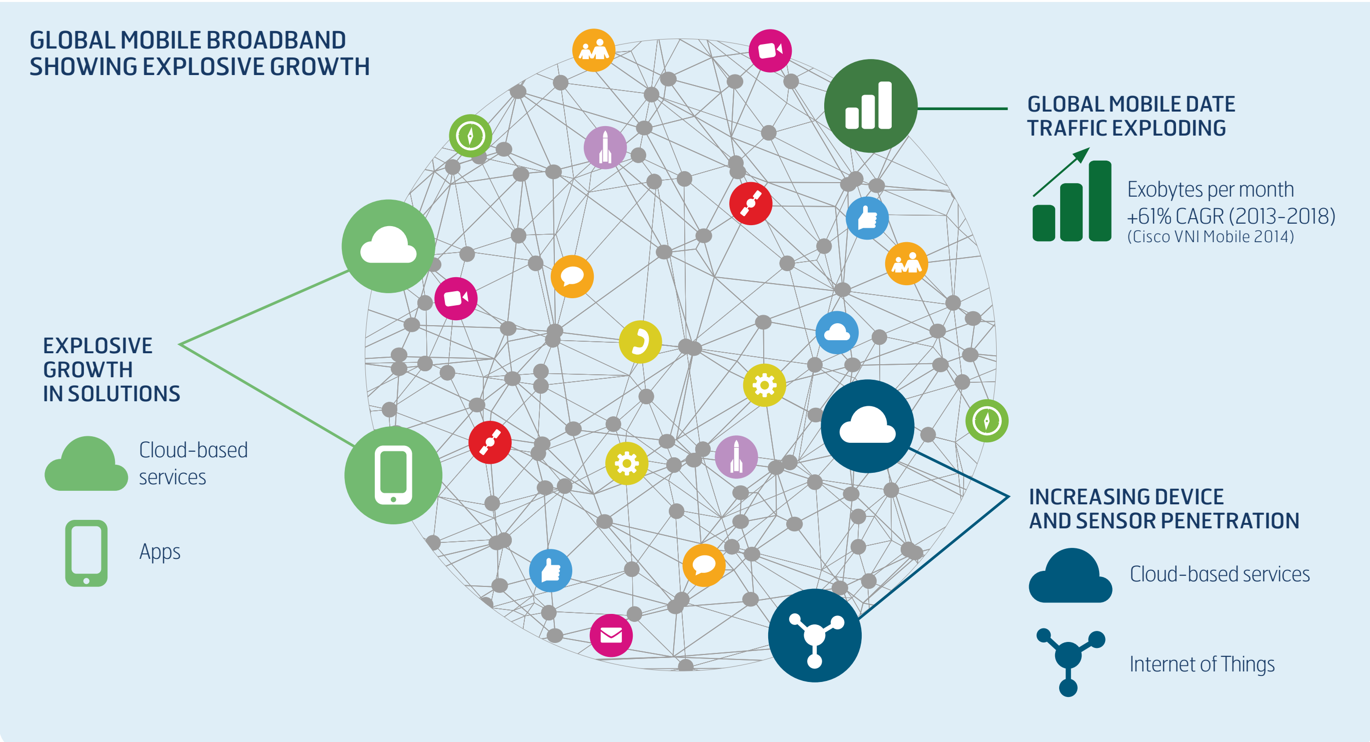
Taken together, these three trends are changing the way we live our lives, conduct our business, defend our borders and provide our public services.

We are finding that the satellite communication needs of our traditional customer communities, which we have served for over 35 years, are changing in line with these trends. The 70,000 vessels in the global merchant maritime fleet are becoming floating nodes on corporate networks and the 2.5 million crew members serving on those ships are demanding to be connected with satellite broadband, many for the first time. In a similar vein, the more than 20,000 commercial aircraft that fly over our heads every day are embracing a new era of safety and greener operations via satellite broadband connectivity and the hundreds of millions of passengers who fly on them each year are demanding to be connected while they travel.

On land, the 'internet of everything' is demanding to become the 'internet of everywhere', and the energy, resources, media, aid, transport and logistics sectors that we have served for many years are increasingly embracing richer, greener and more efficient working practices via broadband connectivity. Government users are at the forefront of all these trends, requiring highly reliable and secure, ubiquitous global connectivity wherever they may go, not just for their strategic and tactical activities, but also for the morale, welfare and recreation of their personnel, who these days have often grown up in an uber-connected environment and expect that to continue in their workplace.

As well as driving growth in our core business, these trends are causing the worlds of terrestrial and satellite broadband to come together in exciting and novel combinations, playing to each other's respective strengths, driving new growth opportunities for us. In a world increasingly reliant on coverage and connectivity to perform mission-critical tasks via applications and solutions in the cloud or a VPN, our long-established seamless global coverage and safety services, with levels of reliability and resiliency across all environments mean that our mobile satellite services for the first time can offer a powerful complementary capability to terrestrial networks, delivering a complete package to end users. To maximise this latter opportunity, we are ensuring that our networks are built to common global technology standards and our products and services are modular, to ensure that our capabilities are easily integrated into hybrid satellite-terrestrial outcomes. This enables them to seamlessly support the deployment of large-scale terrestrial solutions and applications.

WE OPERATE IN A GROWTH SECTOR



WE OPERATE ACROSS FOUR KEY MARKET SECTORS:

MARITIME

Provision of voice, high-speed data and safety communications for all vessel sizes

CHALLENGES
> driving growth in user commitment;
> rapid adoption of services and products in new market areas;
> expanding traditional channel to add 'Smart Shipping' enablers;
> expanding our safety services offering; and
> maximising the Global Xpress opportunities.

OUTLOOK
> greater demand for data to be shared ship:shore:ship and with crew expecting to be connected;
> increasing regulatory development encourages need for greater data usage; and
> new products appeal to new target markets bringing revenue growth opportunities.

KPIs
> 40,469 installed FleetBroadband vessels
> 24% growth in FleetBroadband revenues
> 2,019 installed VSAT vessels
> 26% growth in VSAT revenues

ENTERPRISE

A range of voice and data services for business and individuals operating beyond the reach of land-based terrestrial communications and where terrestrial services may be unreliable

CHALLENGES
> optimising, supporting and expanding our global network of channel partners;
> identifying sustainable growth opportunities across a broad and diverse range of sectors, in both well-served and under-served geographies;
> being flexible to accommodate an extensive range of sector specific product and service requirements;
> identify competitive and innovative ways to expand the portfolio of solutions by working with technology partners; and
> maximising the Global Xpress opportunities.

OUTLOOK
> we are evolving and diversifying with new product launches in 2015;
> new products will enable broader market penetration; and
> fast growing ecosystem of existing and new channel partners will provide accelerated growth opportunities in targeted Enterprise verticals.

KPIs
> over 292,000 M2M devices
> M2M revenue increased by 30%
> number of installed IsatPhones increased by 23%

AVIATION

Voice and high-speed data connectivity for cockpit and cabin, including safety communications

CHALLENGES
> to position Inmarsat as the global leader in passenger and cockpit connectivity;
> to maximise the opportunity to replicate US Air to Ground success in the European market;
> balancing requirements which vary significantly by aircraft and by region: requiring multi-band, multi-technology solutions; and
> maximising the Global Xpress opportunities.

OUTLOOK
> ambition to provide an integrated product portfolio to best serve multiple connectivity needs of all aircraft types in any fleet;
> our services will be used to meet passenger demand for wifi while inflight;
> strong partnerships are enabling our market penetration.

KPIs
> overall Aviation ARPU grew by 23%
> SwiftBroadband active SIMs grew by 33%
> SwiftBroadband revenues increased by 67%

GOVERNMENT

Provision of voice and high-speed data services for governments worldwide, for military and civil programmes

CHALLENGES
> budget issues remain in North America and Western Europe;
> protect the core revenues through increased promotion of new products; and
> US Government is moving users to its own satellites to reduce spending in short-term; and
> maximising the Global Xpress opportunities.

OUTLOOK
> significant opportunities to connect those who are unconnected;
> well positioned to take market share in merging MSS/FSS Government markets; and
> enhancing the capabilities of standard products and delivering integrated solutions and roles in enduring programmes.

KPIs
> Global Government presence extended into 24 countries over last three years
> revenue outside the US increased by 1%
> first GX revenues from US Government

CHIEF EXECUTIVE'S 2014 REVIEW CONTINUED

A FOCUSED STRATEGY DELIVERING RESULTS

STRATEGIC ROADMAP TO DELIVER SUSTAINED PROFITABLE GROWTH

OUR VISION:
IN THE LIVES OF OUR CUSTOMERS, THE ROLE OF INMARSAT IS TO POWER THE BEST GLOBAL SATELLITE SOLUTIONS TO MEET THEIR REMOTE AND MOBILE CONNECTIVITY NEEDS. WE GIVE OUR CUSTOMERS WHAT THEY NEED TO CONNECT ANYWHERE, ANYTIME

STRATEGIC OBJECTIVES:
WE HAVE FOUR STRATEGIC OBJECTIVES WHICH DESCRIBE HOW WE WILL ACHIEVE OUR VISION

1. CONTINUED L-BAND GROWTH
- Grow value of our core markets
- Innovate to expand beyond our core markets
- Extend our geographic footprint

2. CREATION OF A SOLUTIONS ECOSYSTEM
- New value drivers and differentiators
- New revenue streams and business models

3. GROWTH AND DIVERSITY VIA GX AND S-BAND
- New super-broadband MSS services
- Diversification into new user/terminal markets
- Aviation passenger connectivity in Europe

4. DELIVER SUSTAINED PROFITABLE GROWTH
- Maintain highly efficient business model
- Free cash flow expansion enabling future investment to deliver growth

STRATEGIC ROADMAP TO DELIVER SUSTAINED PROFITABLE GROWTH

INMARSAT-4
Core L-band services
Highly mobile, agile and resilient

INMARSAT-5
Core Ka-band services
Global Xpress (GX)
High capacity, high speed

EU AVIATION NETWORK
Hybrid network for passenger connectivity (S-band)

Safety Resiliency

Capacity

Coverage

Capacity

INMARSAT GATEWAY
Delivering value-added solutions for customers

OUR STRATEGY IS UNCHANGED IN ITS DIRECTION

Our core strategy – which I set out for you in the 2012 Annual Report in my first year as CEO – remains unchanged. The only addition is the S-band initiative in Europe, which is of course a new programme that we announced in May 2014.

Underpinning our strategy is the unassailable fact that we live in a hyper-connected world, driven by three trends:

- dramatic growth in applications and solutions (many of them now in the cloud);
- dramatic growth in connected devices and sensors to support those applications in a mobile environment; and
- exponential growth in global mobile data traffic fuelled by the first two trends.

Together these trends are delivering a virtuous cycle of broadband demand across consumer, business and government markets. Applications drive devices, devices drive applications, and both drive bandwidth and coverage demand – and on the cycle goes.

All these customers want to be able to roam seamlessly from terrestrial networks to satellite networks and back again, all the time maintaining a data session and a rich and functional applications environment.

In this environment, the new keys to competitiveness are:

- global coverage to meet the needs for ubiquity;
- mobility for an untethered user base;
- high-speed services to meet end-user expectations;
- high levels of network capacity, to deliver low cost communications services;
- high reliability and security, to support mission-critical applications; and
- solutions friendliness and simplicity to facilitate integration and applications compatibility.

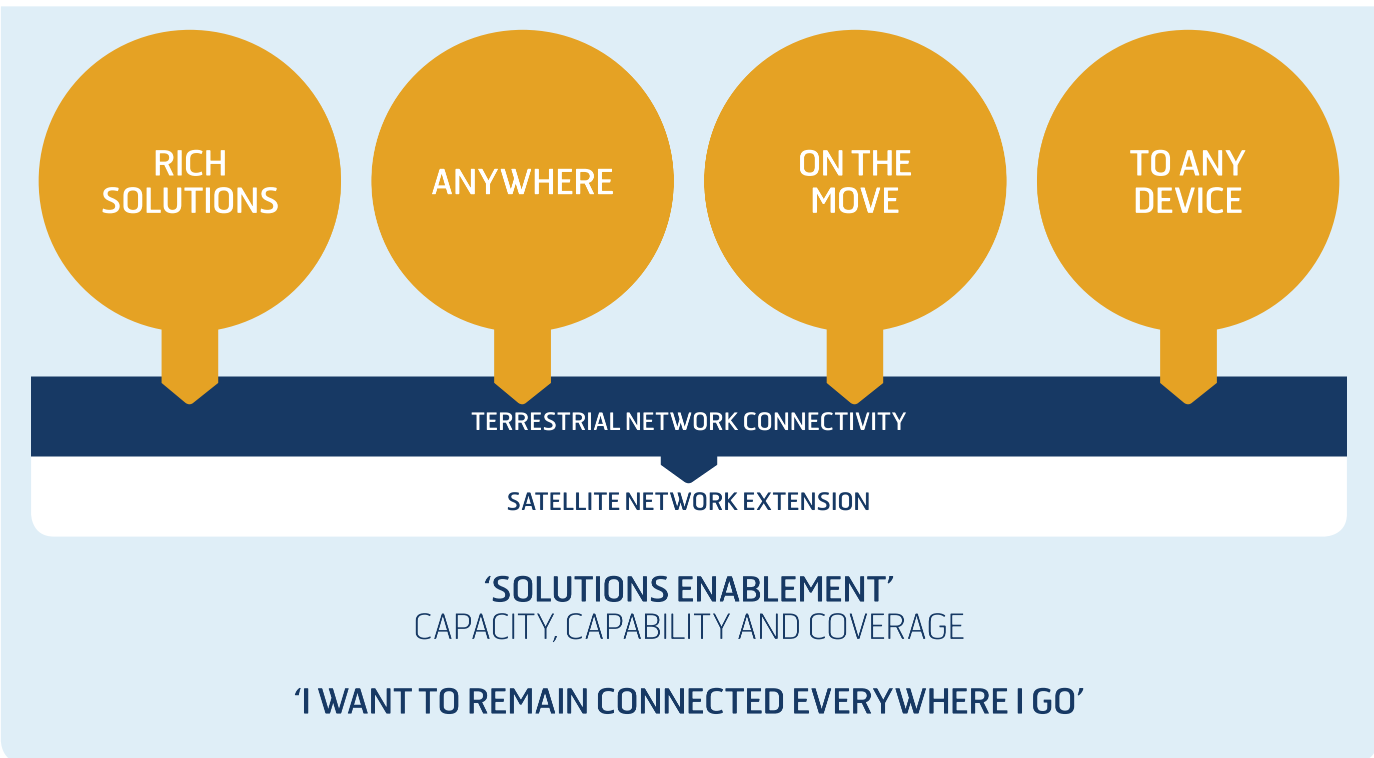
These new keys to competitiveness are a roll call of Inmarsat's capabilities today; indeed they're part of our heritage. As such, we are very well-placed to compete in today's exciting marketplace.

Seen in this light, our strategy is clear:

- our L-band capabilities deliver agile, global mobile broadband capabilities to small form-factor and low-cost devices;
- our Global Xpress Ka-band programme complements that by delivering ultra-high-throughput, ultra-high-capacity global mobile broadband to larger and more complex product platforms, expanding and diversifying our business;
- our S-band satellite programme enlarges our connectivity platform for aviation passengers in Europe via a compelling and complementary technology; and
- over the top of those three service platforms we have Inmarsat Gateway to provide us with a powerful applications enabler to ensure a high-quality and seamless customer solutions experience.

Taken together, we believe our strategic goals more than meet the challenges we face.

WHAT OUR CUSTOMERS WANT



CHIEF EXECUTIVE'S 2014 REVIEW CONTINUED

BUSINESS MODEL

WE PROVIDE VOICE AND DATA CONNECTIVITY WHEREVER YOU ARE: ON LAND, AT SEA OR IN THE AIR

We are focused on our customers and how we meet their communication requirements.

- we ensure safety at sea, in the air and on the land;
- we facilitate business and trade across the world;
- we support the vital work of humanitarian organisations;
- we enable economic and social development in remote regions and for the most isolated communities; and
- we support governments as a trusted partner.

- we are a technology Company whose growth is fuelled by innovation;
- to succeed, we need to out-innovate our competition;
- customer and market intimacy is key to successful innovation;
- excellence in operations is key to delivering successful innovation; and
- we are a customer-focused product and services business, with technology at our core.

- our core competence of quality engineering and technology delivery is the platform for our aspiration to be more customer centric in our products and services innovation;
- we expect our business model to generate revenues which through prudent cost management will drive high operating margins; and
- this generates strong cash flows which we use to reward our shareholders, our staff and to reinvest in our business.

OUR BUSINESS MODEL

OUR PEOPLE

Having the right people with the individual skills, competencies and experience who can create value and deliver our business objectives.

Example: Ensuring our values are visibly seen to be applied across the business; focusing on how we have responded to the issues raised in the staff survey and how we will deliver further changes in 2015. Ensuring that we are an agile, devolved and well-trained organisation that can respond powerfully to day-to-day challenges and opportunities.

OUR VALUES

Embedding our corporate values so that all our employees understand that so much of our success as a business depends on 'how' they interpret these values: being passionate, open, enterprising and market-driven.

Example: The increased focus on how our services can be used for aviation safety combines several of these values: the passion to bring forward ideas and suggest new ways in which the aviation industry can improve airline reporting, as well as the enterprising and market-driven approach to transform these ideas into products and services.

OUR PARTNERS

Having strong relationships with all our partners – from suppliers to distributors – to strengthen our service offering.

Example: By working closely with the different parts of our ecosystem we identify opportunities to work closer together or spot market opportunities which have a mutually beneficial outcome for us all.

If we focus on these different elements, we can create greater value for ourselves and all our stakeholders. These resources and relationships are intrinsically linked and we recognise how important it is not to focus on maximising one of them at the expense of another. We will become more successful as a business by optimising all our resources and relationships.

OUR TECHNOLOGY

Supporting on-going innovation to deliver new products, services and satellite renewal.

Example: Our work to open up our architecture to encourage development of new applications as recently promoted at our first Inmarsat Developers Conference. Our forward planning for future products, building on what we have now and how we can improve the experience for our customers.

OUR SATELLITE NETWORKS

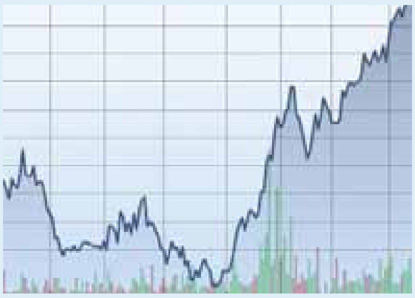
Having world renowned satellite network reliability.

Example: Each year we ensure our service meets the maritime safety at sea standards set by the IMO and aviation safety standards set by ICAO so that customers know they can rely on us in times of need to provide a life-saving service.

OUR FINANCIAL RESOURCES

Having the financial resources available to us to grow our business.

Example: Reviewing our banking/lending arrangements to make best use of competitively priced funding as we did for our last bond financing in May 2014.



CHIEF EXECUTIVE'S 2014 REVIEW CONTINUED

A ROBUST APPROACH TO RISK MANAGEMENT

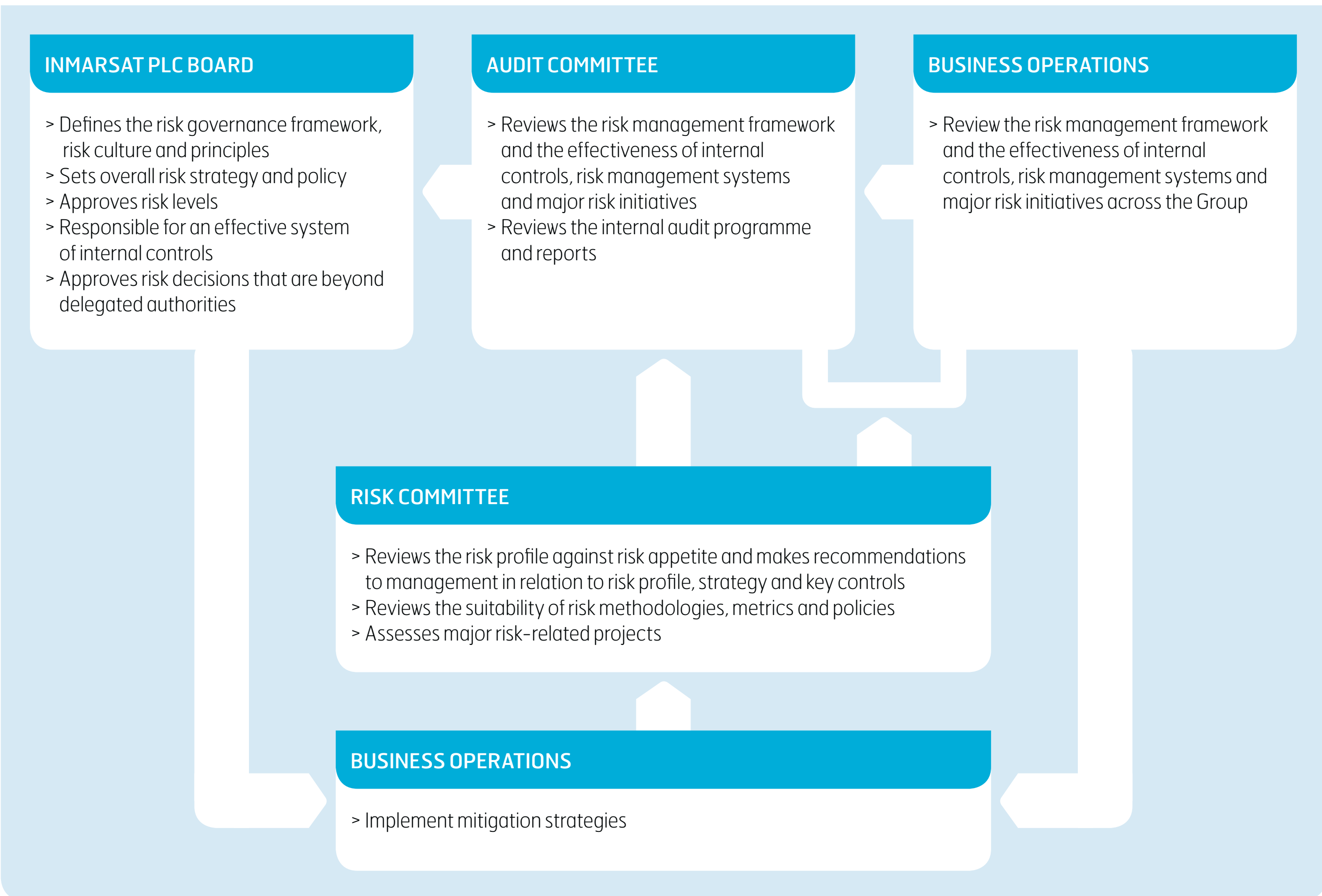
An overarching risk management policy is in place which sets out the tolerance for risk within the Group and how this is measured across identified macro and business risks.

As required by the policy, management operates a risk management process to identify, evaluate and report significant risks within the business and to report to the Board on how those risks are being managed. Risks are highlighted through a number of different reviews and culminate in a risk register, monitored by Risk Committees across the Group, which identify the risk area, the probability of the risk occurring, the impact if it does occur and the actions being taken to manage the risk to the desired level. All the risk registers are reviewed by senior management and provided quarterly to the Board and to the Audit Committee.

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.

Our principal risks and uncertainties are discussed on the next few pages and are a summary of the risks identified in the Preliminary Results Statement distributed on 5 March 2015. This summary, however, is not intended to be an exhaustive analysis of all risks and uncertainties affecting our business. Some risks and uncertainties may be unknown to us and other risks and uncertainties, currently regarded as immaterial, could turn out to be material. All of them have the potential to impact our business, operations, liquidity, financial position or future performance adversely.

RISK MANAGEMENT PROCESS



OUR RISKS

SATELLITES AND OUR NETWORK

RISK
We face risks when we launch our satellites and while they are operated in their orbital location. There are only a few companies who provide launch services and if they encounter problems, our launches may fail or be delayed. Our network may not be able to cope with the demand from users.

MITIGATION
In orbit failure of a satellite is mitigated by using our resident quality assurance teams during the manufacture and assembly of the satellites and launch vehicles. The staff in our control centre are highly trained professionals with significant experience in operating satellites once in orbit. We have launch and in-orbit insurance in place. Our network is designed to accommodate surges in traffic demand by flexibly deploying capacity to those places in need.

SPECTRUM

RISK
We rely on radio spectrum, which has historically been allocated without charge, to provide our services. We must agree how it is used in coordination with other satellite operators. We may not be able to coordinate usage in the future and/or may be charged for the spectrum which could affect our ability to provide services.

MITIGATION
We utilise innovation to ensure we regularly improve the efficiency of our spectrum usage. We also educate and inform regulators and government as to the unique sociology-economic contribution of MSS.

NEXT GENERATION SERVICES AND SATELLITES

RISK
We have two significant programmes currently underway: Global Xpress and the aviation passenger connectivity S-band satellite programme. Both programmes could be subject to delays or cost overruns and when they are launched there is a risk that the level of demand will not justify the cost spent.

MITIGATION
We have professional, experienced teams who focus on large-scale programmes and develop close relationships with the third parties we use to deliver them. Any such programmes are subject to a detailed business case being prepared before we proceed and regular checks on progress against the original business case.

CYBER SECURITY

RISK
Our networks may be vulnerable to security risks from unauthorised access, computer viruses or other security risks.

MITIGATION
We have implemented industry-standard security measures, and have increased our investment in counter cyber threat tools and staff.

CRITICAL PARTNERS

RISK
We rely in part for our revenues on third-party distribution partners and service providers and they might not sell our services effectively or competitively.

MITIGATION
We encourage strong relationships with all our partners and provide them with excellent products and services to sell in their markets. Our relationship is important to this success and we encourage sharing of information, developing ideas through 1:1 meetings and through our regional and global conferences.

REGULATION

RISK
We face increasing regulation in several areas. Providing our satellite services in some countries may incur additional costs or we may require licenses to operate which are difficult to obtain.

MITIGATION
We work closely with the regulators, governments and our local partners to ensure that our services operate within the local requirements. Our focus is to ensure we have the appropriate licenses to operate to allow our partners to distribute our services.

COMPETITION

RISK
We face competition today from a number of communications technologies and expect competition to increase which may reduce demand for our services because newer technologies are used in preference to ours.

MITIGATION
We believe our current L-band products remain competitive. We are introducing new products and services to stimulate demand by extending use by existing users and being of appeal to new users. Our investments in Global Xpress and the S-band programme will position us favourably against some competition and we have put additional focus and attention on how we innovate more quickly and focus on services our customers want to use.

CHIEF EXECUTIVE'S 2014 REVIEW CONTINUED

OUR RISKS CONTINUED

DEVELOPMENT OF HYBRID NETWORKS

RISK
If hybrid networks start to be developed, we may face increased competition for the right to use L-band spectrum in certain countries which would make it difficult for us to obtain or retain the spectrum we need to operate our business. There is also a risk that hybrid networks may interfere with the transmission of our services.

MITIGATION
We have an experienced team who monitor network interference. They will work with potential hybrid network operators to understand their requirements and how their service can operate alongside our own without causing issues for our customers.

LIGHTSQUARED COOPERATION AGREEMENT

RISK
If the LightSquared agreement continues after they emerge from bankruptcy, we will ultimately give them some of the L-band spectrum over North America and our services will co-exist with their services in adjacent frequencies. This could mean our services are congested or interrupted which could affect our service performance in North America.

MITIGATION
We have an experienced team who monitor the activities of the LightSquared cooperation agreement. They understand how both sets of services would need to sit alongside each other to ensure any interference is minimised or does not exist.

REDUCTIONS IN SPENDING BY GOVERNMENT CUSTOMERS

RISK
We have experienced significant reduction in US Government spending over the last couple of years and some reduction in other global government spending. We have faced increased competition as companies pursue what opportunities there are often at low margins. If further government spending controls are implemented, contracts may be cancelled, de-scoped or delayed which could affect our revenues.

MITIGATION
We have already cut costs within the US Government business to reflect the downturn a couple of years ago. There is much public discussion about the reliance of governments on commercial satellite operators. We believe the reliability of our existing satellites and the new services we have launched focused on government usage, plus the introduction of our Global Xpress satellites will offer attractive services for government users.

SANCTIONS

RISK
The current unstable geo-political situation in Ukraine has created new risks for us and could affect the launch of the third Inmarsat-5 satellite which uses a Russian-built rocket as its launch vehicle and is launched from a Russian operated site.

MITIGATION
We monitor closely the ongoing political situation and believe that the restrictions currently in place do not affect the launch of the third satellite. We have applied for all licenses and engage with the appropriate government departments to ensure we are able to proceed to launch the satellite.

FINANCING AND FOREIGN EXCHANGE RISK

RISK
Our ability to make payments on and refinance our debt depends on our future operating performance and ability to generate sufficient cash. If our business does not perform well we may not be able to fund our debt payments.

MITIGATION
We have long-range business plans, annual budgets and regular forecasts of the Company's business which review cash flow generation and debt repayment. Monitoring these measures on a regular ongoing basis will enable us to plan for debt repayment appropriately and responsibly.

TAXATION

RISK
As we operate in multiple jurisdictions, we may have disputes concerning the amount of tax due.

MITIGATION
We maintain constructive engagement with the local tax authorities and where appropriate we engage advisors and legal counsel to obtain opinions on tax legislation and principles. We also provide for any potential tax exposures in line with accounting standards.

MANAGEMENT AND EMPLOYEES

RISK
We may find our staff leave because our business does not maintain an up-to-date focus on technological advancement or that they feel they are not fairly compensated. We may also have difficulties in recruiting talented new staff.

MITIGATION
Our business has a new energy to focus on technological innovation which creates an exciting environment in which to work. We have also put in place manager and leadership development programmes and continue to benchmark compensation to ensure our staff are remunerated fairly reflecting the roles they perform.

BUSINESS IN ACTION

Inmarsat operates across four primary business segments – Maritime, Enterprise, Aviation and Government – providing highly reliable, efficient and cost-effective satellite connectivity services to public and private sector organisations across all seven continents. The following pages provide greater information about each of these sectors.

> A glossary can be found on pages 134 and 135 of this report.

CHIEF EXECUTIVE'S 2014 REVIEW CONTINUED

MARITIME

Our Maritime business remains Inmarsat's largest single market segment, representing approximately 50% of the Company's annual MSS revenues. 2014 continued to see significant uptake of our FleetBroadband service, as maritime users continued the trend of migrating from Inmarsat's legacy services to its more advanced broadband connectivity.

The Maritime business also continued to enjoy the fruits of a strong product and service pipeline, and 2014 saw a number of new, innovative services, which helped both to expand the Company's leadership position in maritime communications and to open up new revenue opportunities.

2014 commenced for Maritime with the completion of our asset acquisition of Globe Wireless, the Florida-based provider of value-added maritime communications services to the shipping market. The business had an installed customer base of over 6,000 ships.

This acquisition kicked off a strong year for Maritime, laying the groundwork for both enhancing customer revenues from Inmarsat's market-leading FleetBroadband service and preparing the market for the introduction of FleetXpress, which will combine the resilience of L-band satcoms with the significantly enhanced capacity afforded through the Company's new Global Xpress constellation.

The strategy of migrating Inmarsat Maritime customers away from our legacy services continued to yield strong results. While revenues from our legacy Fleet service declined by almost 20% over the year, this was off-set by the growth in FleetBroadband revenues, which increased by almost one quarter over the course of the year.

By the close of the year, we had seen a climb of almost 13% in the number of active FleetBroadband ships, which grew to over 40,000. In parallel with the growth in FleetBroadband, the Maritime business also enjoyed a strong rise in its VSAT installed base. This trend was driven, primarily, by end-users taking up our XpressLink service; itself a migration path to FleetXpress, which will deliver a new generation of high-speed broadband services via the new Global Xpress constellation.

The expansion of our higher capacity services is supporting a growing trend in the maritime industry in which there is increasing reliance on ship-to-shore data communications. This reflects both the industry's need to enhance crew welfare services and the introduction of a host of new operational technologies helping to drive cost efficiency across the industry. 2014 also saw two key innovations for Inmarsat's Maritime business.

The first of these was the development and launch of Fleet Media, an innovative new service, which strengthened further our welfare and training offering.

> The expansion of Inmarsat's higher capacity services is supporting a growing trend in the maritime industry in which there is increasing reliance on ship-to-shore data communications.

Fleet Media, developed in conjunction with a leading programme content provider, NT Digital Partners, brings a first for satellite content offering to the commercial maritime market. It uses the Inmarsat-4 and Inmarsat-5 satellite constellations and leverages our global distribution channel to deliver the latest Hollywood movies, as well as television programming, sports and news content, to the world's commercial shipping fleet, while at sea, to the crew's own personal devices (tablets, smartphones, laptops). In addition, it is expected that Fleet Media will serve as a platform for the delivery of cutting edge crew education, training and development.

Inmarsat Maritime also started to penetrate a new market for its satcom services in 2014 with the introduction of Fleet One.

With this tailored solution, Inmarsat started addressing the growing demand for connectivity amongst leisure yacht, fishing and other small boat owners. Fleet One enables us, for the first time, to support smaller vessels with services previously the preserve of much larger vessels, at price levels fit for this vertical.

The solid performance of the Maritime business demonstrates the dual benefits our broadband connectivity service offers in terms of operational efficiency and crew welfare both of which are key drivers in a world maritime market. The maritime industry continues to be characterised by low growth, with relatively high fuel prices, low cargo rates and weak demand, combining to create a challenging trading environment for many maritime organisations.

Our Maritime business engaged the market on these important trends with its inaugural 'Smart Operations' conference, the first in a series of events to stimulate debate in the maritime industry about the operational benefits of integrated thinking on shore and ship communications.

During 2014, we initiated a step-change in thinking on safety services. The recognised global leader in maritime safety services, Inmarsat is building on its 35 years of heritage in maritime safety services with a transformative approach that will bring the world's most reliable safety systems into the heart of the 'smart ship'. The Company's vision is to integrate safety, environmental monitoring and regulatory compliance into a single, easy to use, robust and reliable solution.

ENSURING DISTRESS CALLS AT SEA ARE HEARD

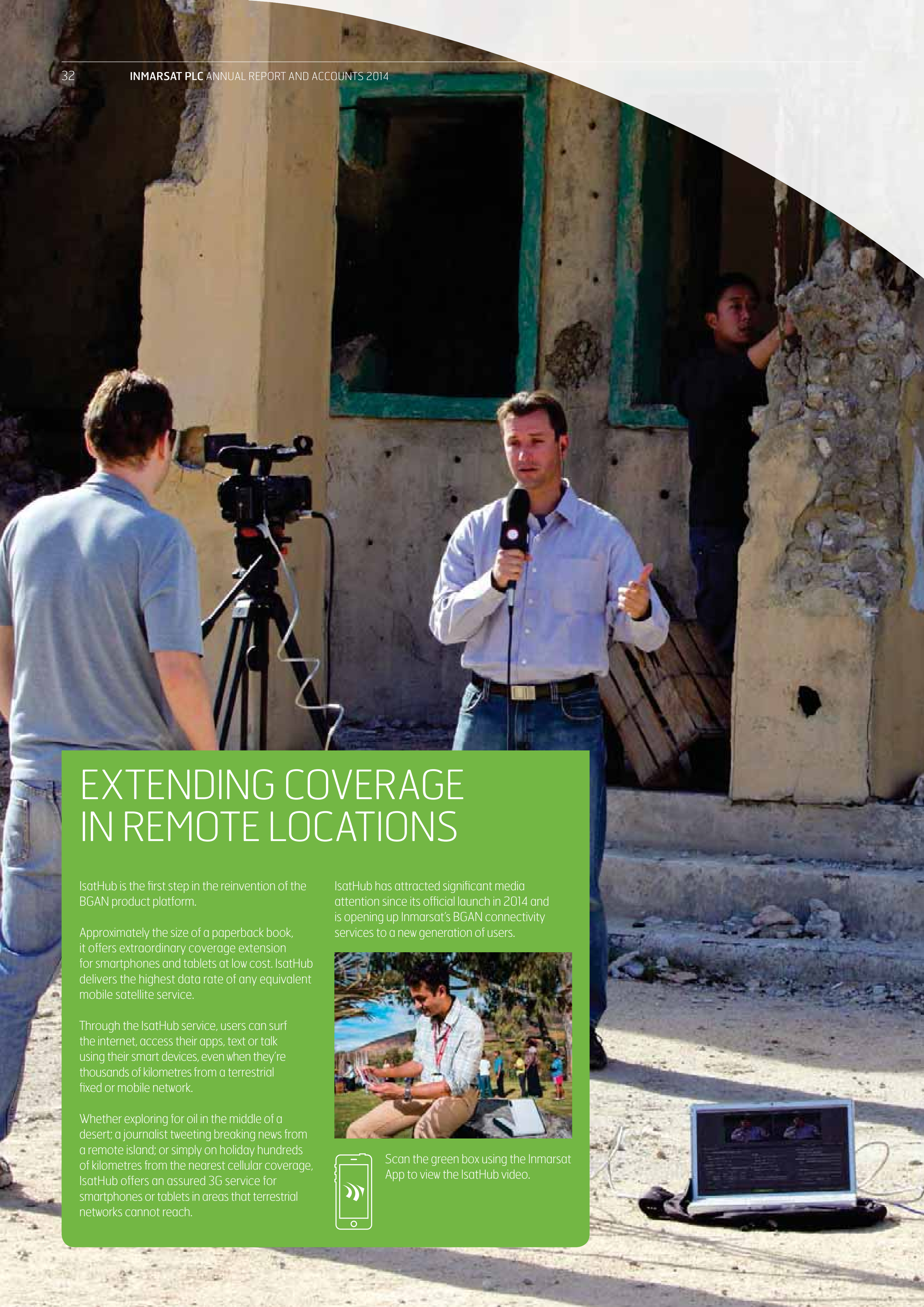
Mariners in grave or imminent danger need to know their call for help will be heard, no matter where their ship is or how bad the conditions. The Volvo Ocean Race provided dramatic evidence of the power and reach of Inmarsat's global connectivity on 29 November 2014 when Team Vestas Wind's VO65 ran aground the Cargados Carajos reef, some 220 miles NNE of Mauritius, causing appalling damage.

Having contacted Volvo Ocean Race Control in Alicante to report the grounding and launch the rescue operation, the boat began taking on water and after eight hours the crew had to abandon ship as flooding cut all electrical supplies and meant that the on-board phones no longer functioned.

Luckily for Team Vestas, their life raft was equipped with Inmarsat's IsatPhone 2 satellite phone, which ensured that they could remain in contact with Race Control while waiting for help to arrive. "It's been a lifesaver," said Skipper Chris 'Nico' Nicholson. Team Vestas' dramatic rescue story was then shared with the world's media via Inmarsat's land-based BGAN service, once they reached the tiny Ile du Sud.

Inmarsat is the satellite cornerstone of the Global Maritime Distress and Safety System (GMDSS). It is the only satcoms provider to offer 99.9% availability of its satellite and ground network.

Scan the blue box using the Inmarsat App to view video content about Team Vestas Wind rescue.



EXTENDING COVERAGE IN REMOTE LOCATIONS

IsatHub is the first step in the reinvention of the BGAN product platform.

Approximately the size of a paperback book, it offers extraordinary coverage extension for smartphones and tablets at low cost. IsatHub delivers the highest data rate of any equivalent mobile satellite service.

Through the IsatHub service, users can surf the internet, access their apps, text or talk using their smart devices, even when they're thousands of kilometres from a terrestrial fixed or mobile network.

Whether exploring for oil in the middle of a desert; a journalist tweeting breaking news from a remote island; or simply on holiday hundreds of kilometres from the nearest cellular coverage, IsatHub offers an assured 3G service for smartphones or tablets in areas that terrestrial networks cannot reach.

IsatHub has attracted significant media attention since its official launch in 2014 and is opening up Inmarsat's BGAN connectivity services to a new generation of users.

Scan the green box using the Inmarsat App to view the IsatHub video.

CHIEF EXECUTIVE'S 2014 REVIEW CONTINUED

ENTERPRISE

Inmarsat's Enterprise business top-and-tailed its year with major transactions, beginning with the completion of the sale of Inmarsat's retail energy business to RigNet, Inc. and concluding in December with the agreement to sell our stake in SkyWave, our leading downstream M2M partner, to ORBCOMM.

The sale of our retail energy assets to RigNet was part of a wide-ranging strategic transaction between the two companies, which also saw the appointment of RigNet as a Value Added Reseller (VAR) for Global Xpress and as a Distribution Partner for Inmarsat's L-band services focusing on the energy sector.

This strategic approach was also reflected in the transaction to sell our shareholding in SkyWave to ORBCOMM. As part of the agreement, Inmarsat further cemented its important strategic relationship with ORBCOMM in the global M2M marketplace and acquired the intellectual property for the IsatData Pro (IDP) technology, as well as the SkyWave M2M service platform. This will enable Inmarsat to support a step-change in the pace of product and service innovation in this important market segment.

Throughout the year, the performance of the Enterprise business was characterised by significant innovations and the introduction of new services to both strengthen the Company's overall proposition and to open up new opportunities to provide Inmarsat services to a new generation of users.

Across the year as a whole, underlying revenue growth for our Enterprise business was just over 6%, excluding the impact of the sale to RigNet. The increase was driven particularly by strong growth in machine to machine (M2M), IsatPhone – our handheld satphone - and Enterprise FleetBroadband (FB) revenues, although this was partially offset by lower BGAN revenues.

M2M saw the highest growth rate, at 30% for the year, followed by IsatPhone with a 23% increase in its installed based – taking the number of IsatPhone terminals to 115,500. Enterprise FB, which had growth of 22% in comparison to the previous year. BGAN revenue declined by 9% year-on-year.

The growth in the M2M segment, which saw tens of thousands of devices brought onto the Inmarsat network, was further supported by the expansion of Inmarsat's M2M distribution channel with the appointment of RacoWireless, a global Distribution Partner for the award-winning IsatData Pro service.

M2M connectivity, or the 'internet of things', allows devices to communicate with each other and share information via the internet. Satellite communications play an increasingly important role in M2M development, enabling a host of applications ranging from asset tracking and remote surveillance to Smart Grids and environmental monitoring.

Among a range of major service innovations, Inmarsat strengthened its position in the satellite phone market with the introduction of IsatPhone 2, the Company's most advanced handheld satellite phone. IsatPhone 2 offers dependable, high-quality voice calls, text and email messaging outside cellular and fixed network coverage. IsatPhone 2 joined Inmarsat's top-selling IsatPhone Pro as the latest addition to the Company's handheld satellite phone portfolio, offering customers a choice of phone depending on their requirements and budget.

A further important innovation in 2014 was the global launch of IsatHub, which – like Maritime's Fleet One service – takes Inmarsat into a new market segment.

Throughout the year, the performance of the Enterprise business was characterised by significant innovations and the introduction of new services.

Designed to deliver global connectivity for smartphones and tablets, IsatHub features the highest data rate of any equivalent mobile satellite service with standard IP data of up to 240/384kbps (send/receive). Through the new service, both commercial and private users can surf the internet, access their apps, text or talk using their own smart devices, even when they're thousands of kilometres from a terrestrial fixed or mobile network. IsatHub was well received in the media and was heralded as a significant innovation by consumer technology commentators across the world.

CHIEF EXECUTIVE'S 2014 REVIEW CONTINUED

AVIATION

Inmarsat's aviation business enjoyed another year of strong growth in 2014, recording a revenue increase of over one-third for the full year. This continued expansion was seen across both the business aviation and commercial air transport segments, for safety and cockpit communications, as well as aircraft operational systems and passenger connectivity.

The engines of growth for Inmarsat's aviation business were SwiftBroadband (SB) and Classic Aero services, with SB growth in particular benefitting from the impact of the 'take-or-pay' minimum commitment contracts signed with several key distribution partners mid-2014.

Active SB terminals grew by some 33%, reaching approximately 5,400 by the end of the full year. Classic Aero active terminals grew by just over 9%.

Inmarsat's biggest aviation news for 2014 was the announcement in June that it was committed to the development and building of a highly innovative, hybrid satellite-terrestrial network across the European Union.

The purpose of the new network is to provide high-capacity, high-throughput passenger connectivity services to the short-haul European aviation industry. The initiative has generated significant interest among commercial airlines and Inmarsat's aim is for the European Aviation Network to enter commercial service at the end of 2016.

2014 proved to be a dramatic year for the commercial aviation industry with the tragic loss of a number of passenger jets, including the disappearance of Malaysian Airlines Flight MH370.

These events highlighted the need for more robust flight tracking and surveillance systems, and we are is strongly supporting industry and government initiatives to introduce more reliable and effective satellite-based solutions. To this end, we have further strengthened our capabilities in this area with a number of significant appointments drawn from across the aviation industry.

The aviation business also presented its plans for a free increased position reporting and tracking service and its concept for a 'black box in the cloud' service to ICAO in May, both of which can be achieved through Inmarsat's existing satellite constellations.

Inmarsat's biggest aviation news for 2014 was the announcement in June that it was committed to the development and building of a highly innovative, hybrid satellite-terrestrial network across the European Union.

In September, we announced that Hawaiian Airlines, the largest and longest serving airline for Hawaii, will become the first commercial airline to install SwiftBroadband for flight deck applications, including safety services on its Boeing 767-300s. Hawaiian Airlines will use Inmarsat's 'SB Safety' for ACARS data messages, live Electronic Flight Bag updates and Airline Operational Communication (AOC) voice and data. Inmarsat and the Federal Aviation Authority will collect data on the performance of the FANS1/A service on Hawaiian Airlines, which will contribute to the achievement of approvals for FANS1/A services over the 'SB Safety' service which are expected by early 2016.

2014 was also a key year for our aviation business in relation to the new Global Xpress constellation.

Inmarsat Aviation has already established GX Aviation as a leading global passenger connectivity service, even before the full global network becomes operational. During the course of 2014, several airlines have committed to this new technology and its revolutionary passenger service offering. It was announced in May 2014, that an Inmarsat partner, Honeywell, was working with Air China to trial GX avionics on an Airbus A330.

GIVING PASSENGERS CONNECTIVITY IN THE AIR

Inmarsat is investing up to $450m in a revolutionary hybrid satellite/terrestrial network to deliver the world's fastest mobile broadband service to the skies above Europe, ensuring passengers can enjoy the same connectivity in the air as they do on the ground.

Deploying an air-to-ground network across Europe will be complementary to our global satellite services operating with high-throughput broadband over the busy regional air traffic routes.

Once the service is launched, passengers will simply log on with their smartphone, tablet or other Internet device and surf the web as if they were at home. Whether it's to stay in touch with friends and family, catch up on the latest news, complete a work assignment or make future travel arrangements, passengers will be able to access a true broadband experience in the air. These high-speed broadband services could be available by the end of 2016.

Scan the pink box using the Inmarsat App to view the European Aviation Network video.

SECURE AND RELIABLE ACCESS AND CONNECTIVITY

The Inmarsat-5 satellites operate with a combination of fixed narrow spot beams that enable us to deliver higher speeds through more compact terminals, plus steerable beams so additional capacity can be directed in real-time to where it's needed.

Operating in the high-performance Ka-band, while integrating seamlessly with our proven L-band network, Global Xpress (GX) allows customers across aviation, maritime, enterprise and government sectors to have reliable and assured access to high-throughput communications.

Government users have been at the forefront of the adoption of GX services and extensive trials have been conducted using the first satellite – Inmarsat-5 F1 – in orbit above Europe, the Middle East, Africa and Asia. The satellite already carries early revenue traffic from aviation and land-based government users in both commercial and military bands.

Feedback from these trials has shown that GX doesn't only meet but exceeds the expectations of these users.

Scan this grey box using the Inmarsat App to view the Global Xpress video.

CHIEF EXECUTIVE'S 2014 REVIEW CONTINUED

GOVERNMENT

When Inmarsat announced the launch of regional Global Xpress services mid 2014, the first paying customers came from the Government sector, and since then, both Inmarsat US Government and Global Government Business Units have been at the forefront of trials and pilots for the Company's most advanced, high-speed broadband services.

Although market conditions in the US Government sector remain challenging, the opportunities presented by Global Xpress, including its specific MilSatCom capabilities, are generating significant interest from governments across the world. This interest supports a growing trend for governments to supplement their own satcom resources with services from trusted commercial providers, such as Inmarsat.

While the longer-term prospects for the government business remains positive, 2014 was a challenging year for commercial satcom providers following the withdrawal of US and coalition troops in recent years from Iraq and Afghanistan and continued pressure on government budgets.

These issues were particularly difficult for Ku-Band FSS providers in 2014, and Inmarsat's Ku-FSS retail business in the US was not immune from this which resulted in a decline in overall government revenues. Certain US contracts were not renewed, in particular for IP managed solutions. Other contracts were reduced in scale, with increased competitive intensity putting downward pressure on pricing and margins.

As the US Government shifted from large-scale deployed operations to smaller, more mobile operations, Inmarsat's wholesale MSS Government revenues were seen to have greater robustness. MSS wholesale revenues were broadly steady by the end of 2014 following a decline in 2013.

Revenues from our Global Government business increased as the Business Unit continued its expansion plans, entering 11 new territories during the course of the year. By expanding into attractive growth markets and increasing diversity into non-defence verticals, the Government business is progressively reducing the impact of operational tempo in any one nation. The Global Government Business Unit now has teams operating across 30 countries, and we are pleased with the progress being made.

There were encouraging new areas of growth in government demand for commercial satellite services in 2014. These include specialised programmes; integrated programmes in which satellite is just one component of the overall solution being supplied; managed services and areas where the flexibility of Inmarsat's commercial bandwidth enables us to augment governments' own communications capabilities most cost-effectively. 2014 saw new contract wins in almost every continent, and encouraging revenue growth in new product areas.

Focused on long-term growth, Inmarsat's Government business continued a strong programme of service enhancements in 2014, focused around its existing L-band constellations as well as the introduction of early Ka-band GX services.

Inmarsat's L-TAC service continued to perform well in 2014 with significant deployment by US forces and governments across the world. Designed with soldiers in mind, the L-TAC service, combined with the Spectra SlingShot™, enables existing secure government radios to extend their range by accessing Inmarsat's satellites using a simple additional antenna unit.

A further important innovation was the development of L-TAC for civilian government users. This new service significantly extends the range and capabilities of VHF radios used by the emergency services and enables full interoperability between civilian and defence forces radios – crucial during major incidents or civil emergencies.

2014 also saw the broader adoption of Inmarsat's services in support of first responders. In addition to the reactive deployment of services including BGAN and IsatPhone, to support rescue and recovery missions following natural and man-made disasters, the year also saw a growth in proactive deployment of Inmarsat technology.

In March 2014, the Indonesian National Board for Disaster Management selected Inmarsat as the basis of a pre-deployed emergency communications infrastructure, which will support the country's disaster response in the event of a natural catastrophe. Twenty regions in Indonesia are pre-deploying Inmarsat capable satcom equipment in addition to the pre-emptive deployment of two Unmanned Aerial Vehicles (UAV) with advanced cameras on-board to provide immediate surveillance capabilities in the event of a disaster.

2014 FINANCIAL REVIEW

STRONG PERFORMANCE IN 2014

TONY BATES
CHIEF FINANCIAL OFFICER

OVERVIEW

CHANGES TO REPORTING SEGMENTS

Inmarsat plc revised its reporting segments during 2014 to reflect the way the business is now managed by the Chief Executive Officer. The revised reporting segments are 'Maritime', 'Government', 'Enterprise', 'Aviation' and 'Central Services'. Central Services includes all income and costs that are not directly attributable to the other reporting segments, including all corporate administrative costs.

The comparative results have been restated using the new reporting segments. We will no longer present results under the previous reporting segments. However, we will continue to report wholesale Mobile Satellite Service (MSS) revenue for the Group.

GROUP RESULTS

These results give the consolidated operating results and financial condition of Inmarsat plc for the year ended 31 December 2014.

GROUP RESULTS

(US$ in millions)	2014	2013	Increase/ (decrease)
Revenues	**1,285.9**	1,261.9	1.9%
Employee benefit costs	**(237.3)**	(244.8)	(3.1%)
Network and satellite operations costs	**(205.7)**	(235.6)	(12.7%)
Other operating costs	**(174.1)**	(162.9)	6.9%
Own work capitalised	**32.2**	30.2	6.6%
Total operating costs	**(584.9)**	(613.1)	(4.6%)
EBITDA	**701.0**	648.8	8.0%
EBITDA excluding LightSquared	**625.8**	639.8	(2.2%)
Depreciation and amortisation	**(291.8)**	(232.0)	25.8%
Loss on disposal of assets	**(1.2)**	(0.1)	–
Acquisition-related adjustments	**–**	4.6	(100.0%)
Impairment losses	**(1.3)**	(185.2)	(99.3%)
Share of profit of associates	**2.6**	2.3	13.0%
Operating profit	**409.3**	238.4	71.7%
Finance income	**8.1**	4.9	65.3%
Finance expense	**(75.1)**	(54.2)	38.6%
Net finance expense	**(67.0)**	(49.3)	35.9%
Profit before income tax	**342.3**	189.1	81.0%
Income tax expense	**(1.2)**	(86.5)	(98.6%)
Profit for the year	**341.1**	102.6	232.5%

REVENUES – BY REPORTING SEGMENT

	2014					
(US$ in millions)	Maritime	Government	Enterprise	Aviation	Central Services	Total
Revenue						
MSS and other	**595.6**	**319.9**	**166.7**	**101.1**	**27.2**	**1,210.5**
LightSquared	**–**	**–**	**–**	**–**	**75.4**	**75.4**
Total revenue	**595.6**	**319.9**	**166.7**	**101.1**	**102.6**	**1,285.9**

	2013					
(US$ in millions)	Maritime	Government	Enterprise	Aviation	Central Services	Total
Revenue						
MSS and other	524.8	408.3	221.6	73.4	21.5	1,249.6
LightSquared	–	–	–	–	12.3	12.3
Total revenue	524.8	408.3	221.6	73.4	33.8	1,261.9

During the year ended 31 December 2014, total Group revenue increased by $24.0m (+1.9%) to $1,285.9m (2013: $1,261.9m). This was driven by increased revenue in respect of the LightSquared Cooperation Agreement (+$63.1m) and underlying revenue growth in Maritime, Enterprise, Aviation and other (+$57.7m combined), partially off-set by a further decline in our Government business revenue (-$88.4m) and the net impact of acquisitions and disposals (-$8.4m).

Total Group revenue in the year included global wholesale MSS revenue of $791.4m, 3.8% higher than in 2013 ($762.4m), with higher MSS revenue in Maritime and Aviation more than offsetting the decline in our Government MSS revenue.

Operating costs in the year decreased by $28.2m compared with 2013. Employee benefit costs decreased by $7.5m (-3.1%) to $237.3m, and network and satellite operations costs reduced by $29.9m (-12.7%) to $205.7m. These reductions were partly due to the sale of our retail energy-related assets by Enterprise, as well as a reduction in our Government business workforce in the US in late 2013, partially offset by increased costs in Maritime as a result of the acquisition of Globe Wireless.

EBITDA in the full year increased by $52.2m (+8.0%) to $701.0m (2013: $648.8m). The Group's EBITDA margin increased to 54.5%, from 51.4% in 2013, mainly reflecting the higher LightSquared revenue received and the disposal of low margin retail energy-related assets to RigNet.

Depreciation and amortisation increased by $59.8m to $291.8m (2013: $232.0m) reflecting the entry into service of Alphasat in November 2013 and of I-5 F1 in July 2014. There was no material impairment charge in the year (2013: $185.2m) and the Group operating profit increased by $170.9m to $409.3m (2013: $238.4m).

The net finance charge in the year increased by $17.7m to $67.0m (2013: $49.3m), reflecting a number of one-off factors relating to the refinancing of the Group's Senior Notes in the first half, and to the adjustment to the expected maturity date on the Convertible Bonds. Although there was an increase in net debt during the year the underlying interest charge was broadly flat, due to the lower average borrowing cost. Profit before tax in the year was $342.3m (2013: $189.1m)

The tax charge for the year was $1.2m, a reduction of $85.3m (2013: $86.5m). This decrease was due primarily to the release of the $53.1m provision made in 2013 for a potential tax liability which arose in respect of the I-4 satellites. The HMRC review into this issue has now been concluded with no adjustment to our originally filed position. Profit after tax was $341.1m, compared to $102.6m in 2013, and basic earnings per share was 76 cents (2013: 23 cents).

LightSquared Cooperation Agreement

In December 2007, we entered into a Cooperation Agreement with LightSquared designed to enable ancillary terrestrial component (ATC) services in North America, while protecting the continued deployment and growth of our own MSS business. In May 2012, LightSquared filed for a reorganisation under Chapter 11 of the US Bankruptcy Code and is yet to complete a reorganisation process, so payments from LightSquared therefore continue to be subject to significant uncertainty.

On 31 March 2014, LightSquared elected to restart Phase 2 of the Cooperation Agreement. As a result, we received three payments totalling $31.6m due under the terms of the Cooperation Agreement. In addition, following a review at the end of the first half, we recognised $43.8m of previously deferred income in relation to the Cooperation Agreement. Total LightSquared revenue in the full year was therefore $75.4m, compared to $12.3m in 2013.

At 31 December 2014, deferred income remaining in relation to the Cooperation Agreement of $208.8m was recorded on the balance sheet. Although the cash has been received, the timing of the recognition of this deferred income, together with any related future costs and taxes, remains uncertain.

A payment of $17.5m due from LightSquared on 31 December 2014 under the terms of the Cooperation Agreement was not received on time. This payment was subsequently received on 25 February 2015. However, this revenue was not recognised in 2014 but will be recognised in 2015.

Acquisitions and Disposals

In January we completed the $45.2m acquisition of Globe Wireless, a Florida-based provider of value-added maritime communications services to the shipping market.

Maritime's revenues in the year ended 31 December 2014 included $55.1m due to the acquisition of Globe Wireless. The impact is shown net of intercompany eliminations and adjustments as Globe Wireless was an established distribution partner of Inmarsat; therefore the stand-alone results of Globe Wireless do not represent a corresponding increase in Group results.

This acquisition increased our installed customer base by over 6,000 ships and significantly expanded our installation capabilities, to enable a faster roll-out of both XpressLink and GX to the maritime market, direct to end-users as well as through well-established channel partnerships. We also acquired a portfolio of industry-leading value-added services, moving us beyond pure connectivity and into solutions and managed services for maritime end-users.

In February we completed the sale of our retail energy operations to RigNet, a leading global provider of managed remote communications solutions to the oil and gas industry for a total consideration of $25m.

The sale was part of a wider strategic transaction between the two companies, which also included the appointment of RigNet as a GX Value Added Reseller and as our L-band Distribution Partner for the energy sector. Under the transaction, RigNet acquired substantially all of Inmarsat's retail energy broadband assets, including microwave and WiMAX networks in the US, VSAT interests in the UK, US and Canada, and a telecommunications systems integration business operating globally, as well as the retail L-band energy business. This disposal reduced Enterprise revenue during the year by $63.5m.

In December we announced the sale of our 19% holding in SkyWave Mobile Communications to ORBCOMM Inc. for total proceeds of $32.9m. ORBCOMM in turn entered into binding agreements to acquire 100% of SkyWave. The transaction closed in January 2015. The share sale was one part of a suite of agreements with ORBCOMM, a leading global provider of M2M solutions, covering the joint ownership and future development and commercialisation of the IsatData Pro (IDP) technology. This enables Inmarsat to enhance its M2M offering, further supporting the adoption of IDP in multiple new markets. As part of the agreements with ORBCOMM, we acquired SkyWave's satellite network assets, hosted at three Inmarsat Satellite Access Stations, for $7.5m.

2014 FINANCIAL REVIEW CONTINUED

BUSINESS UNIT RESULTS

MARITIME BUSINESS UNIT

Maritime revenue in the year increased by $70.8m (+13.5%) to $595.6m (2013: $524.8m). This increase includes $55.1m due to the acquisition of Globe Wireless.

Underlying revenue growth of $15.8m (+3.2%) reflected strong growth in our FleetBroadband (FB) revenues (+24%), and VSAT revenues (+26%), partially offset by a decline in the revenues from our legacy services, particularly the Fleet service (-19%). FB and VSAT together generated around two-thirds of Maritime's revenues in the year.

At the end of the year there were 40,469 active Maritime FB ships connected, almost 13% higher than the base of 35,888 at the end of 2013. The strategic upselling of FB customers onto higher rate plans continued, and average wholesale ARPU per month increased by around 4% during the year.

The installed VSAT base at the end of the year was 2,019 ships, mainly comprising XpressLink (XL) customers, 23% higher than the total VSAT base of 1,636 ships at the same time in 2013. The installation run-rate run at the end of the year was around 40 new ships per month. Average VSAT wholesale ARPU in the year was broadly flat.

The decline in legacy services was driven by price increases at the start of the year, which successfully accelerated customer migration onto our FB services. FB generates higher ARPU than Fleet and offers end users significantly better service and value, particularly if their data use is growing.

Operating costs for the year increased by $36.9m (+34.1%) compared to 2013, due primarily to the additional headcount and third-party network services costs incurred as a result of the acquisition of Globe Wireless.

Maritime EBITDA increased by $33.9m (+8.1%) compared to the prior year, reflecting the higher gross margin generated by FB revenue, as well the acquisition of Globe Wireless. However, the EBITDA margin decreased to 75.6% (2013: 79.4%) due to Globe Wireless's lower margins. The 39.6% increase in depreciation and amortisation is also attributable to the acquisition of Globe Wireless.

ENTERPRISE BUSINESS UNIT

Enterprise underlying revenue for the year, excluding the impact of the sale of our retail energy related assets to RigNet in January, grew by $8.5m (+6.2%). Due to the impact of these disposals headline revenue fell by $54.9m (-24.8%) to $166.7m (2013: $221.6m).

The increase in underlying revenue was driven by strong growth in machine to machine (M2M), FB and IsatPhone revenues, partially offset by lower BGAN revenues. M2M revenues grew by 30%, and Enterprise FB was 22% higher than in the previous year. The installed IsatPhone base grew by 23% to 115,500 terminals, from 94,000 at the start of the year.

BGAN revenue was down by 9% year-on-year. The decline slowed in the second half, as new high ARPU BGAN services such as High Data Rate (HDR) and Link, started to gain traction in the market.

The M2M business continued to grow strongly, and at the end of the year our total installed base across all four M2M product lines was over 292,000 terminals. Our high ARPU BGAN M2M service grew particularly strongly, with the installed base over 5,000 units at the end of the year, more than 80% which are in the Resources sector.

IsatPhone revenue grew strongly with growth in both post-pay and pre-pay. Revenues benefitted from price changes on both pre- and post-pay standard plans, and migration of customers onto higher value packages.

Operating costs decreased by $41.4m (-39.1%) compared to 2013, due to lower headcount and network services costs as a result of the disposal of our retail energy-related assets.

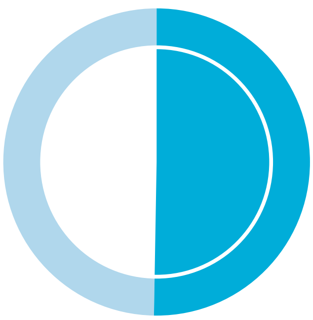
Enterprise EBITDA decreased by $13.5m (-11.7%) to $102.1m (2013: $115.6) primarily due to the disposal of our retail energy-related assets. However, the sale of these lower margin assets resulted in the Enterprise EBITDA margin increasing to 61.2%, from 52.2% in 2013. The fall in depreciation and amortisation is also attributable to the disposals of the retail energy-related assets.

MARITIME BUSINESS UNIT RESULTS

(US$ in millions)	2014	2013	Increase/ (decrease)
Total revenue	**595.6**	524.8	13.5%
Operating costs	**(145.2)**	(108.3)	34.1%
EBITDA	**450.4**	416.5	8.1%
EBITDA margin %	**75.6%**	79.4%	
Depreciation and amortisation	**(35.6)**	(25.5)	39.6%
Operating profit	**414.8**	391.0	6.1%

SPLIT OF GROUP REVENUE
(US$m)

595.6

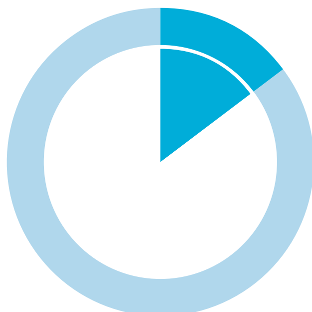


ENTERPRISE BUSINESS UNIT RESULTS

(US$ in millions)	2014	2013	Increase/ (decrease)
Total revenue	**166.7**	221.6	(24.8%)
Operating costs	**(64.6)**	(106.0)	(39.1%)
EBITDA	**102.1**	115.6	(11.7%)
EBITDA margin %	**61.2%**	52.2%	
Depreciation and amortisation	**(0.2)**	(3.6)	(94.4%)
Operating profit	**101.9**	112.0	(9.0%)

SPLIT OF GROUP REVENUE
(US$m)

166.7



AVIATION BUSINESS UNIT

Aviation revenue for the year grew by $27.7m (+37.7%) to $101.1m (2013: $73.4m). The growth was driven by strong sales of our SwiftBroadband (SB) and Classic Aero services, with SB growth in particular benefitting from the impact of the 'take-or-pay' contracts signed with several key distribution partners in mid-year. These contracts applied pricing discounts retrospectively to the start of the year, in return for minimum revenue commitments in the full year 2014 and in 2015, and they succeeded in generating substantial additional revenue in the fourth quarter, as the distribution partners concerned fulfilled their commitments.

Growth was driven by higher sales of both our SB and Classic Aero services. SB active SIMS grew by almost 33% to 5,450 at the end of the year, the majority of these installed in the Business and General Aviation segment. Classic Aero active SIMS grew by just over 9% to 7,130 at the year-end. Aviation ARPU grew by nearly 23% to just over $1,000 per month.

Operating costs increased by $7.7m to $13.9m (2013: $6.2m) due to higher employee-related costs and business development costs, as Aviation increased headcount significantly and deployed additional resources to pursue major growth opportunities, in particular for cabin connectivity in the commercial aviation market.

Aviation EBITDA increased by $20.0m (+29.8%) to $87.2m (2013: $67.2m). However, the EBITDA margin decreased to 86.3% (2013: 91.6%) as a result of the increased headcount and associated business development costs.

GOVERNMENT BUSINESS UNIT

Government revenue in the year decreased by $88.4m (-21.7%) to $319.9m (2013: $408.3m), due to further decline in Government revenues in the US. Government revenues outside the US increased by almost 1% in the year.

Government revenue in the US continued to decline due to the combined impact of continued spending controls and reduced operational requirements following the withdrawal from Afghanistan. Certain contracts were not renewed, in particular for IP managed solutions, and other contracts were reduced in scale, with increased competitive intensity putting downward pressure on pricing. However, the rate of decline slowed significantly during the fourth quarter.

Among its traditional customers outside the US, Government saw similar revenue pressure resulting from spending controls and reduced operational requirements, including the withdrawals from Afghanistan. However, this was offset by increased revenues generated from new territories, with new contract wins in Latin America and Asia as well as some smaller European countries, and encouraging revenue growth in new product areas such as Assured Access and L-TAC.

Operating costs in the year fell by $36.9m (-26.3%) to $103.5m (2013: $140.4m). Government's operating costs in US Government declined substantially, due to the impact of a reduction in the workforce implemented in the business during 2013, as well as lower revenues. This was offset by an increase in operating costs outside the US, as the business continued to invest in expansion into a wide range of new markets.

Total Government EBITDA in the year fell by $51.5m (-19.2%) to $216.4m (2013: $267.9m). However, the EBITDA margin improved to 67.6% (2013: 65.6%), as a result both of the cost reductions in the US Government business as well as the improved revenue mix across the whole Government business.

AVIATION BUSINESS UNIT RESULTS

(US$ in millions)	2014	2013	Increase/ (decrease)
Total revenue	101.1	73.4	37.7%
Operating costs	(13.9)	(6.2)	124.2%
EBITDA	**87.2**	67.2	29.8%
EBITDA margin %	86.3%	91.6%	
Depreciation and amortisation	(2.1)	(2.1)	0.0%
Operating profit	**85.1**	65.1	30.7%

SPLIT OF GROUP REVENUE
(US$m)

101.1

GOVERNMENT BUSINESS UNIT RESULTS

(US$ in millions)	2014	2013	Increase/ (decrease)
Total revenue	319.9	408.3	(21.7%)
Operating costs	(103.5)	(140.4)	(26.3%)
EBITDA	**216.4**	267.9	(19.2%)
EBITDA margin %	67.6%	65.6%	
Depreciation and amortisation	(9.3)	(10.6)	(12.3%)
Operating profit	**207.1**	257.3	(19.5%)

SPLIT OF GROUP REVENUE
(US$m)

319.9

2014 FINANCIAL REVIEW CONTINUED

CENTRAL SERVICES BUSINESS UNIT RESULTS

(US$ in millions)	2014	2013	Increase/ (decrease)
Revenue			
LightSquared	**75.4**	12.3	513.0%
Other	**27.2**	21.5	26.5%
Total revenue	**102.6**	33.8	203.6%
Operating costs	**(257.7)**	(252.2)	2.2%
EBITDA	**(155.1)**	(218.4)	29.0%
Depreciation and amortisation	**(244.6)**	(190.2)	28.6%
Impairment losses	**(1.3)**	(185.2)	(99.3%)
Other	**1.4**	6.8	(79.4%)
Operating profit	**(399.6)**	(587.0)	31.9%

Central Services revenues and EBITDA for the year increased by $68.8m, and $63.3m respectively. The increase was due primarily to $75.4m of revenue recognised from LightSquared including $31.6m of cash payments as a result of LightSquared's election to restart Phase 2 of the Cooperation Agreement.

The level of activity was intense throughout the year across both the Operations and Development and Engineering organisations. In Operations, the network integration of Alphasat and the build-up to the start of GX commercial services on I-5 F1 following its successful launch in late 2013, were managed successfully. Inmarsat-2 F2 was decommissioned in December, more than 23 years after launch.

Service availability levels remained high across all of our networks, and over the 2014/15 New Year period we carried our highest volume of BGAN traffic to date, with more than one million minutes switched, with a peak of 1,575 simultaneous calls.

In Development and Engineering, management of the highly intensive GX project brought I-5 F2 to successful launch on 1 February 2015, and I-5 F3 is currently on schedule for launch in the second quarter of 2015. The construction of I-5 F4 and of our S-band satellite for European aviation both remain on schedule for completion in 2016.

Despite the high levels of activity experienced across all of the Central Services functions, Operating costs in the full year were largely flat at $257.7m (2013: $252.2m), with employee salary cost increases largely offset by foreign exchange gains and lower network operations costs. These included the impact of a major site rationalisation project, which reduced the number of ground stations at which we operate.

Depreciation and amortisation increased by $54.4m to $244.6m (2013: $190.2m) primarily resulting from our Alphasat and I-5 F1 satellites entering commercial service in November 2013 and July 2014 respectively, and therefore starting to be depreciated from these dates. Impairment charges in the year were only $1.3m compared to the $185.2m charged in 2013.

OPERATING PROFIT

As a result of the factors discussed above, operating profit for the year was $409.3m, an increase of $170.9m (71.7%), compared with 2013.

RECONCILIATION OF OPERATING PROFIT TO PROFIT AFTER TAX

	Year ended 31 December		
(US$ in millions)	2014	2013	Increase/ (decrease)
Operating profit	**409.3**	238.4	71.7%
Net finance expense	**(67.0)**	(49.3)	35.9%
Income tax expense	**(1.2)**	(86.5)	(98.6%)
Profit after tax	**341.1**	102.6	232.5%

NET FINANCE EXPENSE

The net finance charge in the year increased by $17.7m to $67.0m (2013: $49.3m), reflecting a number of one-off factors including the redemption premium and other costs payable on the refinancing of the Group's Senior Notes in the first half ($35.3m in total) and the recognition of a non-recurring credit on the Convertible Bonds (see below). In addition, there was a reduction of $37.2m in the amount of interest capitalised as a result of our Alphasat satellite entering commercial service in November 2013, and a $14.3m reversal of capitalised interest as a consequence of the non-recurring credit in respect of the Convertible Bonds.

CONVERTIBLE BOND INTEREST

The final date for holders of our 1.75% Convertible Bonds to exercise their option to convert was 16 November 2014, when bonds with an accreted principal value of $0.9m were redeemed. The maturity date of the remaining bonds has been amended to their due date of 16 November 2017 and, as a result, the accreted carrying value of the outstanding borrowings was reduced and a credit to interest expense of $48.5m was recognised.

INCOME TAX EXPENSE

The tax charge for 2014 was $1.2m, a decrease of $85.3m compared with 2013. Profit before tax increased from $189.1m to $342.3m but the tax impact of increasing profits was more than offset by the release in 2014 of a $53.1m provision for potential tax liabilities that had been recognised in 2013. This provision was released in 2014 as the HMRC review into this matter has now been concluded.
The effective tax rate for 2014 was 0.4% compared to 45.7% for 2013. Excluding the impact of the $185.2m of impairment losses on profit before tax in 2013, the revaluation of UK deferred tax balances following the reduction of the UK main rate of corporation tax, the impact of current year non-UK losses and other temporary differences for which the benefit was not previously recognised, and the impact of the provision for potential tax liabilities described above, the effective tax rates would have been 20.7% for 2014 and 22.2% for 2013. The remaining difference arises primarily from the reduction in the UK main rate of corporation tax from 23% to 21%. While the reduction did not become effective until 1 April 2014, this has the effect of lowering the average UK statutory rate applicable to current year taxable profits to 21.5% (2013: 23.25%).

PROFIT AFTER TAX

Profit after tax for the year ended 31 December 2014 was $341.1m (2013: $102.6m).

EARNINGS PER SHARE

Basic and diluted earnings per share for profit attributable to the equity holders of the Company were 76 cents and 69 cents, respectively (2013: 23 cents and 23 cents, respectively). Basic and diluted earnings per share adjusted to exclude the after-tax effect of the LightSquared contribution and impairment losses, and the effects of a provision for potential tax liabilities which had been recognised in 2013 and released in 2014, were 51 cents and 45 cents, respectively (2013: 69 cents and 68 cents, respectively).

DIVIDENDS

The Inmarsat plc Board of Directors intends to recommend a final dividend of 30.26 cents per share in respect of the year ended 31 December 2014 (2013: 28.82 cents), to be paid on 29 May 2015 to ordinary shareholders on the register of members at the close of business on 15 May 2015.

Shareholders will be asked to approve the final dividend payment at the Annual General Meeting to be held on 6 May 2015. Dividend payments will be made in Pounds Sterling based on the exchange rate prevailing in the London market four business days prior to payment.

The 2014 final dividend is not recorded as a liability in the financial statements at 31 December 2014. The total dividends paid and proposed in respect of the year ended 31 December 2014 equals 48.94 cents per ordinary share, an increase of 5% over 2013.

GROUP CASH FLOW

During the year, free cash flow was $150.1m (2013: -$84.4m). The increase is primarily due to a reduction in capital expenditure and higher EBITDA in 2014. The movement in working capital of $64.8m is largely due to the release of $43.8m of LightSquared deferred revenue to the income statement during the year and a prepayment of future SpaceX launch fees.

Capital expenditure decreased by $175.2m compared with 2013, primarily due to the timing of expenditure in relation to the Global Xpress programme and the completion of substantially all of our Alphasat capital expenditure by the end of 2013.

GROUP CASH FLOW

(US$ in millions)	Year ended 31 December 2014	2013
EBITDA	**701.0**	648.8
Non-cash items	**17.2**	15.9
Change in net working capital	**(64.8)**	(49.9)
Cash generated from operations	**653.4**	614.8
Capital expenditure	**(405.7)**	(580.9)
Net cash interest paid	**(88.1)**	(98.0)
Cash tax paid	**(9.5)**	(20.3)
Free cash flow	**150.1**	(84.4)
Acquisition of subsidiaries and other investments	**(46.2)**	(3.3)
Proceeds on disposal of assets	**27.5**	0.5
Dividends paid to shareholders	**(212.9)**	(200.5)
Other movement including foreign exchange	**1.0**	(0.5)
Net cash flow	**(80.5)**	(288.2)
Opening net borrowings	**1,812.8**	1,489.3
Net cash flow	**80.5**	288.2
Other(1)	**7.4**	35.3
Closing net borrowings	**1,900.7**	1,812.8

(1) Other includes a non-recurring credit to re-base the convertible bonds and the impact of deferred financing costs.

GROUP LIQUIDITY AND CAPITAL RESOURCES

At 31 December 2014, the Group had cash and cash equivalents of $204.4m and available but undrawn borrowing facilities of $990.0m under our Senior Credit Facility and Ex-Im Bank Facility.

The Group maintains tax provisions in respect of ongoing enquiries with tax authorities. If all such enquiries were settled as currently provided for, we estimate the Group would incur a cash tax outflow of approximately $80m. Any cash outflow would be unlikely to be incurred until late 2016. The enquiries remain ongoing at this time.

GROUP BALANCE SHEET

The increase in the Group's non-current assets of $154.7m is largely due to our ongoing investment in the Global Xpress infrastructure and the development of our new S-band programme that will deliver high-speed broadband services to aviation passengers across the European Union by the end of 2016. Over $330m was invested in these two programmes during 2014. This was offset by depreciation of $165.2m.

Other significant movements in non-current assets were related to intangible assets, including goodwill of $14.7m, recognised on the acquisition of Globe Wireless, offset by the reclassification of our $23.5m investment in Skywave from non-current assets to current assets held for sale, in advance of the disposal in January 2015.

GROUP BALANCE SHEET

The table below shows the condensed consolidated Group Balance Sheet at 31 December 2014 and 2013:

	As at 31 December 2014	As at 31 December 2013
Non-current assets	**3,510.9**	3,356.2
Current assets	**581.0**	512.6
Total assets	**4,091.9**	3,868.8
Current liabilities	**(682.7)**	(1,038.8)
Non-current liabilities	**(2,226.1)**	(1,782.2)
Total liabilities	**(2,908.8)**	(2,821.0)
Net assets	**1,183.1**	1,047.8

The net increase in current assets of $68.4m is due to a number of factors including an increase in cash and cash equivalents of $60.1m to $204.4m, and an increase in prepayments of $37.8m, which includes SpaceX prepaid launch fees for future satellite missions, including I-5 F4. Further, included in current assets at 31 December 2014 were assets held for sale in respect of the Skywave disposal, remeasured to fair value of $32.9m. Partially offsetting these increases was the disposal of assets used in our energy business to RigNet, which reduced working capital balances (specifically assets held for sale) by $42.8m during the year.

The decrease in current liabilities of $356.1m relates primarily to the reclassification of the Convertible Bonds from current to non-current liabilities ($328.6m) during the year. The bonds were classified as current liabilities at the end of 2013 because the holders had the right to require the Company to redeem all of the bonds at their accreted principal amount on 16 November 2014 and that was considered the most likely redemption date. However, only $0.9m of the bonds were redeemed on that date with the remaining bonds maturing on 16 November 2017.

Other significant changes to current liabilities since 2013 are the disposal of the held for sale liabilities of $19m which represented the energy assets sold to RigNet during the year and a decrease in trade and other payables of $40.8m due to the release of $43.8m of deferred income in relation to the LightSquared Cooperation agreement. Deferred revenue from LightSquared now stands at $208.8m (2013: $252.6m).

The increase in non-current liabilities of $443.9m is due to an increase in non-current borrowings of $429.0m to $1,987.0m during the year. There were two main components of the increase; the reclassification of the Convertible Bonds from current liabilities to non-current liabilities, which added $301.3m as at 31 December 2014, and the issue of $1.0bn of Senior Notes due 2022 in June 2014 to replace the $850m of Senior Notes due 2017 held by the Group at 31 December 2013.

TONY BATES
CHIEF FINANCIAL OFFICER
5 March 2015

CORPORATE SOCIAL RESPONSIBILITY

OUR CONTINUED COMMITMENT

RUPERT PEARCE
CHIEF EXECUTIVE OFFICER

The Board believes that corporate and social responsibility is an important part of the Group's culture and that the adoption of good practice will have a positive impact on the business. Ensuring we act in an ethical manner, taking account of our responsibilities – socially and environmentally – is important in the way we operate and interact with our stakeholders, including investors, employees, suppliers and business partners.

CODES OF CONDUCT

Our Code of Ethics expects Directors, officers and employees to conduct business in accordance with the highest standards of personal and professional integrity. A copy of our Code is published on our website.

We comply with local laws where we operate and across our Group, we ensure our employees comply with UK Bribery Act and the US Foreign and Corrupt Practices Act. Details of our anti-bribery policy can be found on our website. As part of our commitment to preventing bribery and establishing a culture that does not tolerate corruption wherever and in whatever form it may be encountered, we ask our Directors, employees and contractors to confirm annually that they understand the restrictions outlined in the policy and the implications for breaching the policy for the business and them as individuals. Our anti-bribery policy operates in line with guidance provided by the UK Ministry of Justice and complies with current legislation. The policy also incorporates guidelines on dealing with gifts and accepting and giving hospitality.

We have separate policies in place dealing with ethics, fraud, the use of inside information and whistleblowing. Directors, employees and contractors are asked once a year to confirm that they understand these policies and how they are applied.

We recently put in place updated arrangements for a worldwide anonymous telephone service for employees to use if they have any concerns. We are pleased to report that the external provider has not received any calls.

We have recently established a Global Procurement and Supply Management structure designed to support the organisation, both today and in the future. We buy a wide range of goods and services and need reliable, high-performing suppliers across all aspects of our supply chain. We will progressively work to ensure that all our suppliers adhere to our standards of ethical behaviour, environmental, health and safety and other relevant working practises.

CORPORATE SOCIAL RESPONSIBILITY OVERVIEW

ANOTHER SUCCESSFUL YEAR:

- MAINTAINING THE HIGHEST STANDARDS OF PERSONAL AND PROFESSIONAL INTEGRITY
- COMPLETED GLOBAL STAFF SURVEY – PART OF THE 'YEAR OF ENGAGEMENT'
- CONTINUING INVESTMENT IN MARITIME AND AVIATION SAFETY SERVICES
- CONTINUING KEY CHARITABLE COMMITMENTS
- NEW TECHNOLOGY DEVELOPMENT PROGRAMME FOR STEM-BASED GRADUATES

We believe increasing employee effectiveness drives the fulfilment of employee development potential, motivation and happiness. This enables us to attract and retain talent so delivering enhanced employee performance.

The procurement and supply management function will manage our global procurement activity which has a significant annual expenditure across multiple countries. We will do this via both central and local procurement teams who are working to the same high standards and best practises. In addition common expenditure across the Company will increasingly be managed and governed using a Group-led category management approach. This allows us to leverage scale and achieve better prices and terms and conditions.

EMPLOYMENT

We recognise the importance of diversity amongst our employees and are committed to ensuring that employees are selected and promoted on the basis of merit and ability, regardless of age, gender, race, religion, sexual orientation or disability. The gender split across the Group (excluding contingency workers) as at March 2015 is illustrated in the table below:

Description	Male	Female
Board	85%	15%
Executive Management Board	75%	25%
Leadership Team	82%	18%
All employees	70%	30%

The percentage of females on the Executive Management Board and wider leadership team represent the definition as set out in the Department for Business, Innovation and Skills (BIS) requirements.

We have a policy of promoting employees internally where possible and, where it makes sense for the business and the individual's personal development and career enhancement, we will consider moving employees to different office locations. We have established policies which address key corporate objectives in the management of employee relations, communications and employee involvement, training and personal development and equal opportunities. Employees are assisted in their career development through an annual appraisal scheme, and training is provided to support this.

We do not discriminate against anyone who has a disability when considering career development opportunities. If an employee becomes disabled whilst working for us, we would review the requirements of their working environment to accommodate practical changes as far as possible to allow them to continue in their daily work routine. If such changes were unrealistic to implement, we would review alternative employment options for the individual within the Company.

We have elected employee forums in the UK and Batam in Indonesia, a Works Council in the Netherlands and an Enterprise Agreement in Perth, Australia and during 2015 we are actively preparing to launch an international employee forum. These groups extend two-way communications between employees and management and allow the views of employees to be taken into account in making decisions which may affect their interests. In the UK, the Staff Forum is an elected body constituted in accordance with prevailing legislation to provide the formal means of consultation on contractual matters, as and when required. In the Netherlands, the Works Council is constituted according to local requirements.

We have well established Values and Qualities which operate throughout the business. These are part of the induction process for our employees and are covered too as part of our induction process for Directors, including our Non-Executive Directors. Our values of Passion, Openness, being Enterprising and Market-Driven are captured on pages 10 and 25. The essence of them is 'how' people reflect these values in dealing with each other as colleagues and any third party. The qualities of how we engage contribute to reward generally, whether through bonus awards or promotion opportunities.

2014 was what we termed our Year of Engagement with staff. Early in the year we undertook a global staff survey with a 94% response rate which our advisers, Hay Group, said exceeded the average they would see for similar workforces, which would be around 82%. We identified several core strengths:

> high levels of confidence in the future of the Company and its offering;
> clear job expectations and overall good understanding of the strategy;
> people are generally proud to work for Inmarsat; and
> there is a strong foundation for achieving the strategy at Inmarsat.

While there were some strong positive messages, we have some areas where we can improve which are noted below:

> whilst there is a good level of understanding of the strategy overall, we need to ensure we clearly explain it to all staff;
> we need to improve the ability for staff to get the job done by ensuring they have the right resources, systems and processes in place;
> we need to enhance our communications to stimulate engagement across the business;
> coaching our line managers will help them fulfil better their managerial responsibilities; and
> we are focused on ensuring we benchmark and pay our staff fairly and reward them based on financial results for the business and importantly 'how' to fulfil their objectives.

THE KEY CHALLENGES ARE:

> Implementing the strategy
> Barriers to getting the job done
> Leadership and communications
> Improve line manager capability
> Deliver on promises (training, career development)
> Pay and reward

Employee effectiveness is measured through their:

> engagement with the business – their commitment and level of discretionary effort; and
> enablement through having the right tools to do their work, in a supportive environment.

We believe increasing employee effectiveness drives the fulfilment of employee development potential, motivation and happiness. This enables us to attract and retain talent so delivering enhanced employee performance.

Following the survey, we held staff briefings across all the divisions with detailed plans for following up across individual areas. We followed up with six workstreams focused on corporate-wide activities covering:

> Systems and processes;
> Communications;
> Leadership;
> Staff learning and development;
> Performance and reward; and
> Resources.

CORPORATE SOCIAL RESPONSIBILITY CONTINUED

The efforts and contributions of the teams of people who have been involved in the workstreams and those across the business in implementing action plans have led to 2015 as our 'Year of Enablement'. We have already identified key areas of focus for 2015 which we expect to lead onto continued efforts in 2016 and beyond:

> undertake a 'Pulse' Survey in early 2015 to follow up on the 2014 staff survey, asking how have we improved;
> a new framework for how we grade our staff across the global business will be introduced during the year;
> we will be undertaking a career development matrix which staff can use to create an understanding of different career paths in the business;
> we are launching a leadership programme for the Global Leadership Team (approximately 50 staff);
> a widely available management development programme is available to all managers across the business;
> improving the quality of performance reviews to take account of our values and qualities;
> enhancing our on-line HR employee systems; and
> launching an International Staff Forum.

We have been awarded an International Safety Award by the British Safety Council.

HEALTH AND SAFETY

The Inmarsat plc Board receives an annual update on health and safety activity across the Group. Rupert Pearce, CEO, has been identified as having responsibility for health and safety issues within the Group. We have a dedicated Health and Safety Manager who is located in our headquarters office and our subsidiary operations have identified managers responsible for health and safety across their operations.

Our goal is to encourage strong leadership in championing the importance of, and a common-sense approach to health and safety in the workplace. We recognise the need to provide a safe working environment for our employees, contractors and any visitors. Regular health and safety audits are undertaken at operating sites across the Group. Across the Group, we had 15 accidents or near misses reported, and again we had no fatalities.

During the year we undertook the following occupational health activities:

> a global cancer awareness programme which was well received throughout the business;
> we launched our corporate, health, safety and welling programme via Nebula (our online training platform) and are pleased this has continued to be popular with staff;
> a Pedometer Challenge gave staff the opportunity to monitor their steps over a two-week period with some very healthy numbers being recorded; and
> a successful Annual Health and Wellbeing Day held in November across all Group offices.

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

> Musculoskeletal disorders and DSE (display screen equipment) related ill health;
> Working at height;
> Manual handling; and
> Lone working.

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

We received news early in 2015 that we have been awarded an International Safety Award by the British Safety Council (BSC). We are delighted to be recipients of this award which the BSC says demonstrates a commitment to the health, safety and wellbeing of our workforce during 2014.

EDUCATION

We continued with our funding of the Inmarsat Chair of Maritime Education and Training at the World Maritime University which supports the education of maritime specialists. We encourage internships with schools and universities to provide students with the opportunity to experience first-hand the engineering and technical aspects of satellite operations.

Top science, technology, engineering and mathematics (STEM) students from London's leading Further Education College, City and Islington College, successfully completed Inmarsat's inaugural 2014 Summer Strategy Challenge. A selection of 11 high-performing Sixth Form College and Applied Science students were tasked to consider where the future of aviation connectivity lay and present their findings at the final seminar. The six-week programme included weekly workshops at our head office, enabling students to gain invaluable knowledge from experts within the field of satellite communications and also to research their own ideas. We received positive feedback from the College and students themselves. Following on from this success, we were delighted to be awarded the College's 'Employer of the Year' award for the Summer Strategy Challenge programme.

We are also investing in the careers of future engineers with an exciting new Technology Development Programme, designed to provide newly qualified STEM-based graduates with a platform to develop a career in satellite communications. The unique graduate scheme confirms Inmarsat's commitment to supporting and enabling the next generation of world-class engineers. It includes a two-year tailored programme of continuous learning and development, with the continuation of employment within a technology focused team after these two years.

Since the United Nations declared 4-10 October World Space Week in 1999, the annual celebration of space science and technology has grown into a significant public event. For the 2014 edition 'Space: Guiding Your Way,' Inmarsat helped extend global awareness of the role that space-enabled navigation technology and satellite communications plays in our lives and encouraged young people to learn about the potential career opportunities that are open to them. By sponsoring the official World Space Week poster, which was distributed to thousands of schools and colleges around the world; creating educational materials for teachers and running a series of workshops for children linking our sponsorship of the Volvo Ocean Race (VOR) with World Space Week, we brought to life how satellite technology supports the seven race teams in the VOR with crucial communications and keeps them safe by constantly pinpointing their location as they chart their way around the world.

PARTNERSHIPS

The work our partners undertake with local companies and charities are examples of the wider influence of our services and we're delighted how these can have an impact socially and environmentally.

An important partnership we announced during 2014 was the signing of a Memorandum of Agreement with the Global eHealth Foundation. As a Partner to the Foundation, our services can help support the development, trial and delivery of innovative telemedicine initiatives around the world. The move aims to connect healthcare specialists across the world with patients in sub-Saharan Africa and other remote locations, helping to break down healthcare barriers.

The Global eHealth Foundation wants to start a technology-enabled healthcare revolution by working with governments to coordinate funding, education, technology and advocacy. It aims to drive policy and provide access to health services in underserved communities. Using innovative mobile phone apps and best practice models, the Foundation hopes to transform health services in the developing world and promote the development of integrated e-health systems.

We are also investing in the careers of future engineers with an exciting new Technology Development Programme, designed to provide newly qualified STEM-based graduates with a platform to develop a career in satellite communications.

CORPORATE SOCIAL RESPONSIBILITY CONTINUED

COMMUNITY

Our maritime heritage plays a key reminder to us of how we have supported mariners and the wider maritime community for over 35 years and remain focused on doing so in the future. Our key activities are:

> we remain the only approved provider of satellite communications services for GMDSS and we continue to invest in the development of maritime safety services;
> our Inmarsat C SafetyNET service continues to be used to provide vital updates on reported pirate activity. The service enables ship masters to access reports of pirate movements, giving them information to know which regions to avoid with high pirate activity and allowing them to re-route if necessary;
> our safety services supported around 750 calls made from vessels with safety, distress or urgency requirements, providing a very real reminder to us of the value of what we provide to those in need; and
> the 2014-15 Volvo Ocean Race, where Inmarsat is the airtime provider, relies on our safety services for the crews to maintain communication at all times, wherever they are. FleetBroadband, Inmarsat C and our handheld phone are all standard equipment. Please see page 31 for details of how our IsatPhone 2 was used in an emergency when one of the boats ran aground.

In addition to maritime safety services, we also promote safety services to the aviation industry for use in the cockpit. We remain committed to the provision of ICAO approved satellite safety services, and we invested in and upgraded the ground infrastructure that supports our Aero Classic safety services and are expanding our safety offerings to our SwiftBroadband service. We are supportive of the announcement that has come following the resolution made in early 2015 by ICAO, the United Nations aviation body tasked with monitoring the global aviation industry, to adopt a new 15-minute aircraft tracking standard. It is our desire to contribute to ICAO's work by sharing our experiences with them. We believe that our existing and already available technology is one solution highly suitable to many operational aviation circumstances today.

During the year, we made no political donations. In 2013 our contributions included a pre-payment of our 2014 commitments for the telecommunications relief aid organisation, Télécoms Sans Frontières (TSF) of $200,000 and a payment of $118,000 to the World Maritime University as part of our support for the education of maritime specialists. As these two pre-payments represent the majority of our charitable payments, the amount paid in 2014 was $53,916. In addition, we provide satellite telecommunications services and equipment, in conjunction with support offered by our DPs and manufacturers, to service providers and customers in support of disaster relief management in affected areas of the world. Our subsidiary companies also make contributions to local charitable causes.

Our core charitable support remains focused on the work carried out by Télécoms Sans Frontières.

Our core charitable support remains focused on the work carried out by TSF, the telecommunications relief aid organisation. TSF runs programmes on disaster relief and preparedness, training other relief organisations and regional and national disaster response agencies about the available capabilities for emergency telecommunications. TSF help these organisations respond to an emergency knowing they have the necessary training to use BGAN terminals and IsatPhones, our handheld satellite phone. We believe the work TSF does is vital in emergency situations and we are delighted to continue to support them.

TSF were active in multiple countries during the year including:

> a UN-organised exercise in Argentina which brought together members of the United Nations Disaster Assessment and Coordination division and its humanitarian partners;
> with the UN and active NGOs in the Philippines before deploying to the country's most affected disaster zones;
> setting up a deployment base in Nicaragua in Central America;
> being part of the Malagasy government disaster simulation for the National Bureau of Risk and Disaster Management of Madagascar;
> monitoring the situation of Kurdish refugees on the Turkish-Syrian border; and
> setting up a new e-learning centre in Iraq.

Our Universal Service Obligations seek to support the use of our services, normally payphones, in rural villages in remote regions of the world, where terrestrial voice services are poor or non-existent.

We continue to invest in the development of Maritime safety services.

We maintain our support for the International Telecommunications Union (ITU) in various ways. During 2014, we signed an MoU with ITU-D in the framework of the Smart Sustainable Development Model which aims to foster the use of satellite broadband services in remote or under-developed areas. It promotes the use by local communities of satellite terminals and spare airtime that are in place as a contingency for disaster relief when they are not required for relief operations. Under the MoU, the ITU procures terminals, we provide spare capacity and local communities provide suitable locations (e.g. a school/community centre). We have committed to $100,000 worth of airtime over a three-year period which will start to be drawn against when the ITU identifies a project in a suitable community.

In addition to our corporate sponsorship of TSF, our Business Units identify specific charities and sponsorship opportunities and details of these are provided on our website, inmarsat.com, under the press release section.

Our global offices support local causes at a corporate and employee level and we encourage staff to get involved in local community initiatives. Employees across our offices are encouraged to support individual charities of their choice, and for employees in our principal UK office, this is encouraged through the UK Government's tax approved contributions scheme.

ENVIRONMENT

The activities of the Group are judged to have a low environmental impact and are not expected to give rise to any significant, inherent environmental risks over the next 12 months.

We are not a satellite modem manufacturer. We only type approve satellite terminals accessing our system by manufacturers who provide health and safety guidance as to how terminals should be utilised. Controls are in place to ensure that antennae do not radiate any power at low elevation angles. We manufacture our handheld satellite phones, IsatPhone Pro and IsatPhone 2. The design and manufacturing processes have met all the relevant safety standards and disposal requirements are included in the packaging for each handset.

Across our Group companies, we operate a number of ground earth stations, VSAT and telemetry and tracking facilities where there are satellite dishes which generate radiation. Access to these sites is restricted and there are regular health and safety checks to ensure that they are in protected areas away from access by the general public. Personnel who work at these sites are provided with relevant training as to health and safety issues.

As a satellite operator, we have adopted the highest industry standards in terms of space debris mitigation, including end-of-life graveyard manoeuvre plans for the disposal of satellites when they reach the end of their commercial life. We disposed of our final Inmarsat-2 satellite in 2014. The previous three Inmarsat-2 satellites had been deorbited in 2013, 2012 and 2007. Their disposal was undertaken in full compliance with the relevant ITU standards. We also decommissioned a satellite we operated for an Asian partner in early 2015. There are no near-term plans for decommissioning any of the remaining satellites. We operate our satellites in geosynchronous orbit which is approximately 36,000km (22,500 miles) above the earth. This orbit has significantly less debris than in a low earth orbit which is approximately 700km above the earth and where several MSS operators have their satellite constellations. We were also a founding member of the Space Data Association. Along with Intelsat, SES and Eutelsat we aim to improve the satellite safety of flight and make operations in space safer and more reliable.

We have approximately 1,600 staff worldwide represented by more than 45 different nationalities. Due to the size and nature of these activities, we acknowledge that we have a degree of environmental impact on the local and global environment. However, in terms of our size, we are low generators of carbon due to the nature of our business operations.

Some of these environmental impacts include the use of natural resources, the consumption of energy and water, the production of a variety of waste, in addition to staff and visitors travelling for business purposes around the globe.

We acknowledge that we have an impact on the local and global environment. However, in terms of our size, we are low generators of carbon due to the nature of our business operations.

Our objective is to ensure that the Group does not have any detrimental effect on the environment through our business operations. Our mission is to adopt and support the following principles:

> to provide first class energy and environmental management practices;
> to comply with all relevant global environmental legislation and regulatory controls;
> to identify significant environmental and social impacts and establish objectives and targets for improvement;
> in our main UK site, to recycle a minimum of 90% of generated waste and to constantly to review the opportunity to use recycled products;
> to actively encourage the conservation of energy, water and natural resources through the increased efficiency and introduction of new and modern technology; and
> to encourage all employees to be proactive in their daily activities by:
  – separating their waste into dry and wet waste receptacles (currently UK and Canadian sites and we are reviewing introduction globally);
  – ensuring that printer cartridges are recycled;
  – switching off lights, computers, phone chargers and any other electrical items when not in use; and
  – reducing business travel and using more site-based technology such as video and audio conferencing.

We continue to monitor our energy consumptions and comply with our social and legal responsibilities in terms of carbon emissions. Please see our summary of carbon emissions within the Directors' Report on page 54.

Energy efficiency is one of the key considerations when replacing obsolete and inefficient machinery. We continue to review new technologies and control building operational strategies, which may include using energy efficient lights to reduce electricity consumption.

We continue to be committed to our waste management and recycling scheme.

Video conferencing (VC) and other collaboration tools allowing visual connectivity are being used to reduce the dependency on air transport and are a popular means of communication with staff working in different locations and across different time zones.

RUPERT PEARCE
CHIEF EXECUTIVE OFFICER
5 March 2015

The Strategic Report, as set out on pages 1 to 49, has been approved by the Board.

On behalf of the Board

ALISON HORROCKS
EXECUTIVE VICE PRESIDENT – CORPORATE GOVERNANCE AND COMPANY SECRETARY
5 March 2015

BOARD OF DIRECTORS

STRONG LEADERSHIP

1.

2.

3.

4.

5.

6.

7.

8.

9.

10.

11.

12.

13.

14.


1. Andrew Sukawaty
2. Rupert Pearce
3. Tony Bates
4. Simon Bax
5. Sir Bryan Carsberg
6. Stephen Davidson
7. Kathleen Flaherty
8. General C. Robert Kehler (Rtd)
9. Ambassador Janice Obuchowski
10. Dr Abraham Peled
11. John Rennocks
12. Robert Ruijter
13. Dr Hamadoun Touré
14. Alison Horrocks
(Company Secretary)

1. ANDREW SUKAWATY
CHAIRMAN

Date of Appointment: Chairman – December 2003
Executive Chairman and Chief Executive Officer – March 2004 – December 2011
Executive Chairman – January 2012 – December 2014
Non-Executive Chairman – January 2015
Committee Membership: Chairman of the Nominations Committee
Background and relevant experience: Andy served as Non-Executive Chairman of Ziggo N.V. until November 2014. He has previously been President and Chief Executive Officer 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.
External Appointments: Non-Executive Director of Sky plc and Executive-in-Residence for Warburg Pincus.

2. RUPERT PEARCE
CHIEF EXECUTIVE OFFICER

Date of Appointment: Executive Director – July 2011
Chief Executive Officer – January 2012
Background and relevant experience: Rupert joined Inmarsat in January 2005 as Group General Counsel and from January 2009, additionally held the position of Senior Vice President, Inmarsat Enterprises. Previously, Rupert worked for Atlas Venture, where he was a partner working with the firm's European and US investment teams. He was also a partner at the international law firm Linklaters, where he spent 13 years specialising in corporate finance, mergers and acquisitions and private equity transactions. Rupert received an MA (First Class) in Modern History from Oxford University and won the 1995 Fulbright Fellowship in US 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).
External Appointments: None.

3. TONY BATES
CHIEF FINANCIAL OFFICER

Date of Appointment: June 2014
Background and relevant experience: Tony was previously the Group CFO of hibu plc (previously Yell Group Plc) where he played a leading role in the multi-billion pound refinancing of the Group and in the delivery of a much lower cost operating model. Prior to hibu, Tony was Chief Operating Officer of Colt Group S.A., the pan-European business telecoms operator, where he was responsible for the Finance function from 2003 to 2009. His previous senior management experience was mainly with EMI Group plc, latterly as Group Finance Director. Tony holds a First Class BSc in Management Sciences from the University of Manchester Institute of Science and Technology. He is a Fellow of the Institute of Chartered Accountants in England and Wales.
External Appointments: None.

4. SIMON BAX
INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of Appointment: May 2013
Committee Membership: Member of the Remuneration Committee; Chairman of the Committee effective May 2015
Background and relevant experience: Simon Bax was, from 2008 to 2013, CEO of Encompass Digital Media Inc, which provides technical services to broadcasters, cable networks and government agencies. He previously served as CFO and Executive Vice President of Pixar Animation and CFO and President of Studio Operations of Fox Filmed Entertainment. Mr Bax holds an honours degree in History from Cambridge University and is a chartered accountant.
External Appointments: Chairman of Archant Ltd; and Non-Executive Director of MobiTV Inc, and Pulsant Ltd; Director of the British Bobsleigh and Skeleton Association; A member of the Academy of Motion Pictures Arts and Sciences and the British Academy of Film and Television Arts.

5. SIR BRYAN CARSBERG
INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of Appointment: June 2005
Committee Membership: Member of the Audit and Remuneration Committees
Background and relevant experience: Sir Bryan is a Chartered Accountant. He spent eight years as Director General of Telecommunications (head of Oftel), and then served as Director General of Fair Trading and Secretary General of the International Accounting Standards Board. He was previously Chairman of the Council of Loughborough University; Non-Executive Director of Cable and Wireless Communications plc; RM plc and Non-Executive Chairman of MLL Telecom Limited. He was knighted in January 1989. Sir Bryan is an Honorary Fellow of the Institute of Actuaries and holds an MSc (Econ) from the University of London.
External Appointments: Non-Executive Director of Novae Group plc; Non-Executive Director of Actual Experience plc.

6. STEPHEN DAVIDSON
INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of Appointment: June 2005
Committee Membership: Chairman of the Remuneration Committee; Member of the Committee effective May 2015. Member of the Audit and the Nominations Committees
Background and relevant experience: Stephen held various positions in Investment Banking, finally at West LB Panmure where he was Global Head of Media and Telecoms and Vice Chairman of Investment Banking. From 1993 to 1998 Stephen was Finance Director, then Chief Executive Officer of Telewest Communications plc. He was Chairman of the Cable Communications Association from 1996 to 1998. Stephen holds a first class Honours degree in Mathematics and Statistics from the University of Aberdeen.
External Appointments: Chairman of Datatec Limited, Actual Experience plc and PRS for music; Non-Executive Director of Restore plc; Deputy Chairman of Jaywing Group plc.

7. KATHLEEN FLAHERTY
INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of Appointment: May 2006
Committee Membership: Member of the Remuneration Committee
Background and relevant experience: Kathleen has served on the Board of a number of public companies including Marconi Corporation plc, Telent plc and CMS Energy Corporation. She was President and Chief Operating Officer of Winstar International. Her previous career has included senior roles as Chief Marketing Officer with AT&T and other senior roles with BT and MCI Communications Inc. Kathleen was a non-executive director of GenTek Inc until October 2009 and hibu plc until March 2014. Kathleen holds a PhD in Industrial Engineering and Management Sciences from Northwestern University, Illinois.
External Appointments: A member of the McCormick Advisory Board and its executive committee of Northwestern University.

8. GENERAL C. ROBERT KEHLER (Rtd)
INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of Appointment: May 2014
Committee Membership: Member of the Remuneration Committee
Background and relevant experience: General Kehler retired from the US Air Force in January 2014 with over 38 years of service. He oversaw a global network of satellite command and control, communications, missile warning and launch facilities, and ensured the combat readiness of America's intercontinental ballistic missile force. Over his career, he served in a variety of important operational and staff assignments, and successfully led large organisations with global responsibilities.
External Appointments: Proxy board of directors of BEI Precision Systems and Space Company; Trustee of the Mitre Corporation; Member of the Advisory Board for Outreach and Online Education of the Pennsylvania State University; Senior Fellow of the National Defense University; Visiting Lecturer for academic year 2014-15, Stanford University Center for International Security and Cooperation; Senior advisor to McKinsey and Company.

BOARD OF DIRECTORS CONTINUED

9. AMBASSADOR JANICE OBUCHOWSKI
INDEPENDENT NON-EXECUTIVE DIRECTOR
Date of Appointment: May 2009
Committee Membership: Member of the Audit Committee
Background and relevant experience: Janice held several senior positions both in the US Government and in the private sector. She was formerly Head of Delegation and US Ambassador to the World Radiocommunications Conference, Assistant Secretary for Communications and Information at the Department of Commerce and Senior Advisor to the Chairman at the Federal Communications Commission in the US.
External Appointments: Non-Executive Director of Orbital ATK; Non-Executive Director of CSG Systems, Inc; President of Freedom Technologies Inc.

10. DR ABRAHAM PELED
INDEPENDENT NON-EXECUTIVE DIRECTOR
Date of Appointment: June 2013
Committee Membership: Member of the Nominations Committee
Background and relevant experience: Abe spent from 1995 to 2012 with NDS Group plc, a digital pay-TV company, and served as Chairman and CEO from 2004 to 2012. He was Senior Vice President of Cisco from August 2012 to January 2014 and has previous senior management experience with IBM and Elron. Abe has a BSc and MSc in Electrical Engineering and a PhD in Digital Signal Processing. In March 2013, he was awarded the Lifetime Achievement Award by Digital TV Europe.
External Appointments: Principal to CyberCloud Ventures. Senior advisor on technology businesses to Permira.

11. JOHN RENNOCKS
DEPUTY CHAIRMAN AND SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR
Date of Appointment: January 2005
Committee Membership: Chairman of the Audit Committee and member of the Nominations Committee
Background and relevant experience: John has broad experience in biotechnology, support services and manufacturing. He served as Non-Executive Chairman of Diploma plc until January 2015 and as an Executive Director – Finance of a number of public companies including British Steel plc/Corus Group plc, Powergen plc and Smith & Nephew plc. John is a Fellow of the Institute of Chartered Accountants of England and Wales.
External Appointments: Non-Executive Chairman of Bluefield Solar Income Fund Ltd; Non-Executive Director of Greenko Group plc.

12. ROBERT RUIJTER
INDEPENDENT NON-EXECUTIVE DIRECTOR
Date of Appointment: February 2015
Committee Membership: Member of the Audit Committee
Background and relevant experience: Rob served as Chief Financial Officer of VNU N.V., a publicly listed marketing and publishing company (now the Nielsen company) between 2004 and 2007. He previously served as the Chief Financial Officer of KLM Royal Dutch Airlines from 2001 until its merger with Air France in 2004, and as Chief Financial Officer of ASM International N.V. a publicly listed manufacturer of electronic components. Rob is a Certified Public Accountant in the United States and in The Netherlands and a member of the ACT in the UK.
External Appointments: Member of the Supervisory Board of Wavin N.V.; Member of the Supervisory Board of Ziggo N.V.; Member of Supervisory Board of Delta Lloyd N.V.; Non-Executive Director of Interxion N.V. (NYSE).

13. DR HAMADOUN TOURÉ
INDEPENDENT NON-EXECUTIVE DIRECTOR
Date of Appointment: March 2015
Committee Membership: Member of the Nominations Committee
Background and relevant experience: Hamadoun was Secretary General of the International Telecommunication Union (ITU), the specialised agency of the United Nations dedicated to information and communication technologies from 2007 to 2014. He was the founding member of the Broadband Commission for Digital Development and served as co-vice chair until his retirement from the ITU. He has also had a distinguished career in the satellite industry.
External Appointments: Advisory Board of the International Multilateral Partnership Against Cyber Threats; Member of the UN Chief Executive Board.

14. ALISON HORROCKS
EXECUTIVE VICE PRESIDENT – CORPORATE GOVERNANCE AND COMPANY SECRETARY
Date of Appointment: February 1999
Background and relevant experience: Alison joined Inmarsat in 1999 and provides corporate governance advice and acts as Company Secretary to the Board and its Committees. She is a member of the Executive Management Board and Chairman of the Trustee Company responsible for Inmarsat's UK pension plans. Alison is a Fellow of the Chartered Secretaries and Administrators. She was Group Company Secretary of International Public Relations plc, a worldwide public relations company, for 11 years prior to joining Inmarsat.

BOARD DIVERSITY

BOARD EXPERIENCE

- Regulatory
- Marketing
- Government
- Telecommunications
- Technology
- Financial management
- Developing economies
- Manufacturing
- Cyber security
- Customer service management

BOARD COMPOSITION

Executive:	2	**Male:**	11
Non-Executive:	11	**Female:**	2

BOARD TENURE

0-3 Years: 6 **4-8 Years:** 2 **9-10 Years:** 5

NATIONALITIES

The Netherlands UK Mali USA

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2014

ALISON HORROCKS
EXECUTIVE VICE PRESIDENT – CORPORATE GOVERNANCE AND COMPANY SECRETARY

The Directors have pleasure in submitting their report and the audited financial statements for the year ended 31 December 2014.

This report has been prepared in accordance with requirements outlined within The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and forms part of the management report as required under Disclosure and Transparency Rule 4. Certain information that fulfils the requirements of the Directors' Report can be found elsewhere in this document and is referred to below. This information is incorporated into the Directors' Report by reference.

Set out below is the relevant information required to be disclosed in the Directors' Report in accordance with Listing Rule 9.8.4R.

RESPONSIBILITY STATEMENT
As required under the Disclosure and Transparency Rules a statement made by the Board regarding the preparation of the financial statements is set out on page 83.

BUSINESS REVIEW, STRATEGIC REPORT AND FUTURE DEVELOPMENTS
The Business Review is set out on pages 29 to 37 and the Strategic Report is set out in pages 1 to 49 and they are incorporated into this Report by reference. This also provides details of likely future developments within the Group.

CORPORATE GOVERNANCE REPORT
Under Disclosure and Transparency Rule 7, a requirement exists for certain parts of the Corporate Governance Report to be outlined in the Directors' Report. This information is laid out in the Corporate Governance Report on pages 56 to 65.

POST-BALANCE SHEET EVENTS
Details of material post-balance sheet events are included in note 38 to the consolidated financial statements. Details of the change in the Remuneration Committee Chairman which will be effective following the 2015 AGM is noted in several sections of the Annual Report, including the Corporate Governance Report on page 59.

RESULTS AND DIVIDENDS
The results for the year are shown in the Consolidated Income Statement on page 88.

A final dividend of 30.26 cents (US$) will be paid on 29 May 2015 to shareholders on the share register at the close of business on 15 May 2015. Dividend payments are made in Pounds Sterling based on the exchange rate prevailing in the London market four business days prior to payment.

BRANCHES
The Group has activities operated through many jurisdictions.

CAPITAL STRUCTURE AND RIGHTS ATTACHING TO SHARES
The Company's ordinary shares of Euro 0.0005 each are listed on the London Stock Exchange (LSE: ISAT.L). Details of the issued share capital of the Company, together with movements in the issued share capital during the year can be found in note 24 to the consolidated financial statements.

The Company has one class of ordinary share which carries no rights to fixed income. On a poll, each member is entitled to one vote for each share of Euro 0.0005 held. All 275,189 ordinary shares held by the Inmarsat Employee Share Ownership Trust carry voting rights.

There are no specific restrictions on the size of holding or on the transfer of shares, which are both governed by the general provisions of the articles of association and prevailing legislation. The Directors are not aware of any arrangements between shareholders that may result in restrictions on the transfer of securities or on voting rights. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

GOING CONCERN
The Directors acknowledge the latest guidance on going concern. Despite the current volatility in financial markets and uncertain economic outlook, the Directors believe that the Group has a resilient business model, strong free cash flow generation and is compliant with all its financial covenants. In making their assessment of going concern, the Directors considered the Board-approved budget, the rolling forecast, the cash flow forecast and the most recent five-year long range business plan. In addition, the Directors considered the maturity profile of existing debt facilities, other liabilities as well as actual and forecast covenant calculations. Furthermore, the forecasts and covenant calculations were stress tested by applying a set of downside scenarios. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, Inmarsat continues to adopt the going concern basis in preparing the consolidated financial statements.

VIABILITY STATEMENT
As set out in the Financial Reporting Council's 2014 UK Corporate Governance Code, there is a requirement to include in future reports a broader assessment by the Board of the Company's ongoing viability. The Company will comply with the requirement to report on this in the future.

ON-MARKET PURCHASE AUTHORITY
The Directors' authorities are determined by UK legislation and the articles of association. At the 2014 AGM, the Directors were authorised by shareholders to allot ordinary shares up to agreed limits and to have the ability to make market purchases of ordinary shares. Shareholders are being requested to renew these authorities at the 2015 AGM.

INDEMNITIES AND INSURANCE
Details of the Directors' and Officers' liability insurance and the indemnities provided to the Directors, Company Secretary and certain employees where they serve as directors of subsidiaries at the Group's request are provided on page 58 in the Corporate Governance Report.

EMPLOYMENT POLICIES AND EMPLOYEE INVOLVEMENT
Details of the employment policies and employee involvement are provided on pages 45 and 46 in the Corporate Social Responsibility Report.

HEALTH AND SAFETY
The Group is committed to maintaining high standards of health and safety for its employees, customers, visitors, contractors and anyone affected by its business activities. During 2014, we have 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.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2014 CONTINUED

ENVIRONMENTAL PERFORMANCE AND STRATEGY

We operate in over 50 locations with a combined workforce of approximately 1,600 staff. Due to our diversity of activities the Company recognises it has some impacts affecting the local and global environment. However, it should be noted that the satellite industry and our own business is low on the scale of carbon generators.

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 visitors who travel extensively.

All energy, fuel and waste management are controlled by the Business Environment team which is based in London.

GREENHOUSE GAS (GHG) EMISSIONS

This section has been prepared in accordance with our regulatory obligation to report greenhouse gas emissions pursuant to Section 7 of The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. We are reporting our greenhouse gas emissions from our global operations.

During the 2014 financial year, we emitted a total of 20,145 tCO_2e from fuel combustion and operation of our facilities (Scope 1 direct) and electricity purchased for our own use (Scope 2 indirect). This is equal to 44.1 tCO_2e per Million Megabytes of IP over our BGAN Network. We have also chosen to voluntarily report Scope 3 emissions arising from our business travel.

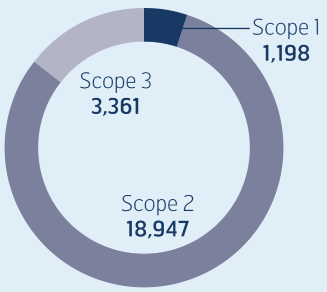
The table below shows our tCO_2e emissions for the years ended 31 December 2014 and 2013:

tCO_2e emissions	**2014**	2013
Combustion of fuel and operation of facilities (Scope 1)	**1,198**	1,396
Electricity, heat, steam and cooling purchased for our own use (Scope 2)	**18,947**	17,932
Total Scope 1 and 2	**20,145**	19,327
tCO_2e per million megabytes of IP over our BGAN Network	**44.1**	57.0
Other indirect emissions (Scope 3)	**3,361**	2,905

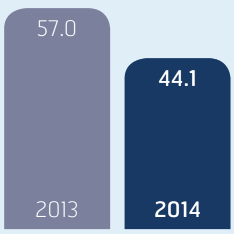
As can be seen above, since 2013 our absolute emissions have increased by 5.7%. This is principally due to the introduction of new satellite services and an expanded ground network, as well as an increase in the availability and quality of data from our international locations as a result of the implementation of our global environmental data programme during 2014. Emissions at our London Head Office location also increased due to the slight rise in electricity consumption, compounded by a higher emission factor as a result of greater coal power supply to the UK grid in 2014.

GREENHOUSE GAS EMISSIONS

Total emissions 2014 (tCO_2e)



Emissions intensity (tCO_2e)



Methodology

We quantify and report our organisational greenhouse gas emissions according to ISO 14064-1:2006 and have utilised the UK Government 2013 Conversion Factors for Company Reporting in order to calculate CO_2 equivalent emissions from corresponding activity data. We have also taken certain data used for compliance with the CRC Energy Efficiency Scheme.

In order to improve monitoring and management of our climate change impact, we established a global environmental data programme during 2014 in collaboration with an external organisation Carbon Credentials. This has improved oversight around our energy consumption and increased the quality and availability of performance information for decision-making. This will also allow us to set emissions reduction targets and monitor performance by location going forwards.

Reporting boundaries and limitations

We consolidate our organisational boundary according to the operational control approach and have adopted a materiality threshold of 10% for GHG reporting purposes. As a result, emissions from locations with less 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 disclosed, which includes Perth (Australia), London (UK), Burum (The Netherlands), Pamalu (USA) and Batam (Indonesia).

The GHG sources that constitute our operational boundary for the 2014 reporting period are:

> Scope 1: Natural gas combustion within boilers, gasoil combustion within generators, road fuel combustion within vehicles, and fugitive refrigerants from air-conditioning equipment;
> Scope 2: Purchased electricity consumption for our own use; and
> Scope 3: Business travel.

Assumptions and Estimations

In some cases, missing data has been estimated using either extrapolation of available data from the reporting period or data from 2013 as a proxy. Furthermore, due to an incomplete 2013 dataset, we have also restated last year's emissions figures. This allows us to make a more accurate performance comparison between 2013 and 2014.

ENVIRONMENT IMPROVEMENT IN 2014

We regularly look for opportunities and initiatives to drive down consumption in the London office where the largest contingent of staff is based. The projects below summarise the work carried out in 2014.

1. Carbon reduction energy efficient controllers fitted to main air handling units which provide fresh and conditioned (hot or cold) air to the office.
2. Modifications to boilers and pipe work to improve efficiency. Further works to improve operational savings have been implemented during 2014.
3. Stagger plant on/off times. This was enhanced during 2014 with the installation of high efficiency motors and soft start inverter controls to all main air conditioning plant, giving flexibility to optimise daytime run conditions.
4. Upgrade lighting to LEDs. We have initiated a rolling programme to change where practical. This programme has continued with an increase in numbers being installed and savings being made.
5. Install movement sensors in common areas to switch lighting on/off. This has been further enhanced during 2014 with the addition of daylight sensors in key work areas.
6. Alterations to existing, obsolete, lighting control system to eliminate excessive on times. This was ongoing during 2014 to optimise existing savings.
7. Extensive use of our Building Management System to efficiently control the building operating times in terms of occupancy and temperature control. Continuation of this strategy is providing savings.
8. Installation of adiabatic system to improve efficiency of air-cooled condensers. Enhancements to how this is managed have enabled additional efficiency benefits.

COMMERCIAL WASTE

In the London office and its major sites Inmarsat continues to be progressive in its approach to waste management. Recycling is managed locally in the larger sites with the separation of plastics, paper and non-recyclable materials. The 2015 plan is to develop a reporting mechanism to reflect the volumes of recycled materials in the larger offices.

In the head office in London which is the single largest office for the Group, we do not send any waste to landfill and this policy has been in place since 2009. We separate our waste into three streams: recyclable, non-recyclable and confidential waste. Confidential waste is shredded and pulped and reused in paper products. The non-recyclable material is incinerated and converted to electricity and all other waste is recycled. In 2014 Inmarsat's contractors collected 57 tonnes of waste from the London head office site for processing.

TRAVEL

Inmarsat continues to voluntarily report its Scope 3 (travel emissions). Centralisation of the travel management activities has continued across the Group and our travel agencies supply the emission data.

The Scope 3 emissions reported by our travel agencies and our internal travel team account for 60% of the Group's travel.

PRINCIPAL RISKS AND UNCERTAINTIES

Details of principal risks and uncertainties are provided on pages 27 and 28.

FINANCIAL RISK MANAGEMENT

Details of the financial risk management objectives and policies of the Group, including hedging policies and exposure of the entity to price risk, credit risk, liquidity risk and cash flow risk are given in notes 3 and 32 to the consolidated financial statements.

RESEARCH AND DEVELOPMENT

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

POLITICAL DONATIONS

During the year, no political donations were made. It remains the policy of the Company not to make political donations or incur political expenditure. However, the Directors recognise that occasions arise where it may be in the best interests of shareholders for the Company to be able, if appropriate, to participate in public debate and opinion-forming on matters which affect its business. To avoid inadvertent infringement of the requirements of the Companies Act 2006, shareholders are asked annually to give authority at the Annual General Meeting for the Company to make political donations and to incur political expenditure.

INTERESTS IN VOTING RIGHTS

As at 5 March 2015, the Company had been notified, in accordance with chapter 5 of the Financial Services Authority's Disclosure and Transparency Rules, of the following significant interests:

	Percentage of voting rights over ordinary shares of €0.0005 each
Lansdowne Partners Limited	11.44%
BlackRock Inc	6.71%
Aberdeen Asset Managers	4.42%
MassMutual Life Insurance Company	4.01%
Artemis Investment Management	3.22%

Note: Voting rights are based on the information we believe is a disclosable interest to the Company, adjusted for the issued share capital as at 5 March 2015.

RULES GOVERNING DIRECTORS' APPOINTMENTS

Rules governing Directors' appointments are provided on page 60 of the Corporate Governance Report.

DIRECTORS' POWER

Details of Directors' powers are provided on pages 58 and 59 of the Corporate Governance Report.

DIRECTORS AND THEIR INTERESTS

A full list of the individuals who were Directors of the Company during the financial year ended 31 December 2014 is set out below:

Andrew Sukawaty, Rupert Pearce, Tony Bates, John Rennocks, Stephen Davidson, Janice Obuchowski, Kathleen Flaherty, General C. Robert Kehler (Rtd), Sir Bryan Carsberg, Abe Peled, Simon Bax. Rtd Admiral James Ellis Jnr and Rick Medlock were Directors for part of 2014.

Details of each Director's interests in the Company's ordinary shares and share awards held are set out in full on pages 81 and 82.

Details of the Directors' conflicts of interest policy are provided on pages 58.

ARTICLES OF ASSOCIATION

The articles of association can be amended by special resolution of the shareholders.

AUDITOR

Each of the Directors has confirmed that:

i) so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and
ii) the Director has taken all the steps that he/she ought to have taken as a Director to make him/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

A resolution to re-appoint Deloitte LLP as Auditor of the Company and to authorise the Board to determine its remuneration will be proposed at the 2015 AGM.

2015 ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 6 May 2015 at 10.00am at 99 City Road, London EC1Y 1AX. The Notice of Meeting which sets out the resolutions to be proposed at the forthcoming AGM is enclosed with this Annual Report.

By order of the Board

ALISON HORROCKS FCIS
EXECUTIVE VICE PRESIDENT – CORPORATE GOVERNANCE AND COMPANY SECRETARY
5 March 2015

CORPORATE GOVERNANCE

ANDREW SUKAWATY
CHAIRMAN

CHAIRMAN'S INTRODUCTION

Your Board manages the Inmarsat business in a transparent, open and honest manner. We achieve this by maintaining high standards of corporate governance. The Board is ultimately responsible to shareholders for all our activities: for delivering our strategy and financial performance, for efficiently using our resources and for social, environmental and ethical matters.

The Board approves the Group's governance framework with the Board committees contributing their specialist focus to key areas such as remuneration policy, internal controls and risk management.

Our governance framework includes the changes introduced by the updated UK Corporate Governance Code (the 'Code'), the Large and Medium-sized Companies and Groups (Accounts and Report) (Amendment) Regulations 2013 (the 'Regulations').

We also include a statement made by the Directors, on page 83, that they consider the Annual Report, taken as a whole, to be fair, balanced and understandable. The processes including financial controls and reporting, and risk management, which underpin and support our confidence in making this statement, are long-established and embedded into our business. In addition, our Internal Audit Department reviewed the narrative sections of the Annual Report. In line with its terms of reference, a subset of the Disclosure Committee also reviews the Annual Report to ensure it contains all necessary disclosures to fairly present the Company's and the Group's financial condition and results of operations. Our external auditors review the narrative sections of the Annual Report to identify any material inconsistencies with the financial statements. Our Board members receive drafts of the Annual Report in sufficient time to facilitate their review and input.

As Chairman I am able to call on a broad and diverse range of skills and experience from all my Directors; the blend of experience, nationalities and range of cultural experience within the Board is valuable to us as we fulfil our duties to manage the business.

The information on the following pages will help you understand how your Board has run the Company, managed risks, monitored control, and how decisions have been taken.

ANDREW SUKAWATY
CHAIRMAN
5 March 2015

THE BOARD

COMPOSITION

Our Board comprises Directors drawn from a wide range of professional backgrounds. All our Directors bring strong judgement to the Board's deliberations. In 2014 and in early 2015 we have made great progress to appoint additional Non-Executive Directors who are becoming fully up to speed with how the Company operates and its business. We took the decision to appoint these additional Directors while retaining the expertise of our existing Directors thus enabling us to have an orderly retirement process of longer-serving Board Directors over the coming years. In 2014 we appointed Retired General C. Robert Kehler and in 2015 we have appointed Robert Ruijter and Dr Hamadoun Touré. At the beginning of 2015, I also became Non-Executive Chairman. We also welcomed Tony Bates as our Chief Financial Officer in June 2014. I have detailed later on in the report some changes in one of our Board Committees.

As at 5 March 2015, the composition of the Board is two Executive Directors, 10 Non-Executive Directors and a Non-Executive Chairman. With the exception of Mr Bates and General Kehler, all Directors (apart from those joining in 2015) served throughout the year.

The names of the Directors on our Board, their relevant skills and experience are set out in their biographical details and can be found on pages 50 to 52.

The composition of the Board and its various Committees is regularly reviewed and evaluated so as to reflect the balance of skills, knowledge, diversity (of which gender is one component), experience and the ability of Directors to provide sufficient time to fulfil their Board responsibilities.

In succession planning for the Board and within the Group, the Board takes into account the need for diversity generally, and is in support of the principle of encouraging women in the Company as noted in its existing policy. The Board has not set express diversity quotas or measurable objectives for implementing its policy. Although there is no specific percentage commitment for women on the Board or in senior manager roles, it is the Board and management's intention that female talent, as one element of diversity, is encouraged within the business. The Board is diverse in terms of the range of nationality and international experience of its members. The Board currently has two female Non-Executive Directors, representing, as a percentage, 15% of the full Board as at 5 March 2015; this figure is reduced compared to the percentage in 2014 which was 22% because of the increase in board size while we go through a transition period of bringing on new Directors and the retirement of existing ones. Across our business of approximately 1,600 employees, female employees represent approximately 30%, with 25% presence on the Executive Management Board and 18% on the wider leadership team (excluding contingency workers) which is a group comprising generally direct reports to the Executive Management Board members. The percentage of females on the Executive Management Board and wider leadership team represent the definition as set out in the UK Government BIS requirements.

HOW THE BOARD OPERATES

To ensure effective corporate governance, your Board has structured its governance framework as set out below.

The Board has established Committees to assist it in exercising its authority. The permanent Committees of the Board are the Audit, Remuneration and Nominations Committees. Each Committee has Terms of Reference under which authority is delegated by the Board. A copy can be found on our website at www.inmarsat.com. Reports of the Committees can be found on pages 62 to 82.

BOARD COMMITTEES

CHAIRMAN
ANDREW SUKAWATY

Key objectives:
> Leadership, operation and governance of the Board
> Setting the agenda for the Board

INMARSAT PLC BOARD
13 DIRECTORS: THE CHAIRMAN, TEN INDEPENDENT NON-EXECUTIVE DIRECTORS AND TWO EXECUTIVE DIRECTORS

Key objectives:
> Responsible for the overall conduct of the business
> Setting strategy

AUDIT COMMITTEE
5 INDEPENDENT NON-EXECUTIVE DIRECTORS

JOHN RENNOCKS AS CHAIRMAN

Key objectives:
> Oversight and review of financial risk management, audit and internal control issues

Read more on page 62

REMUNERATION COMMITTEE
5 INDEPENDENT NON-EXECUTIVE DIRECTORS

STEPHEN DAVIDSON AS CHAIRMAN

Key objectives:
> Oversight and review of remuneration, bonus and share plan issues

Read more on page 66

NOMINATIONS COMMITTEE
5 INDEPENDENT NON-EXECUTIVE DIRECTORS AND CHAIRMAN

ANDREW SUKAWATY AS CHAIRMAN

Key objectives:
> Oversight and review of Board and senior management appointments and succession planning

Read more on page 65

CHIEF EXECUTIVE
RUPERT PEARCE

Key objectives:
> Management of the business
> Implementation of strategy and policy

EXECUTIVE MANAGEMENT BOARD
12 MEMBERS MADE UP OF THE EXECUTIVE DIRECTORS, BUSINESS UNIT PRESIDENTS, GROUP FUNCTION HEADS.
CHAIRMAN: RUPERT PEARCE

Key objectives:
> To focus on strategy, financial performance, succession planning, business growth, organisational development and support of group-wide policies

CORPORATE GOVERNANCE CONTINUED

ROLE OF THE BOARD

Our Board is responsible for the overall conduct of the Inmarsat Group's (the 'Group') business. It is the primary decision-making body for all material matters affecting the Group. It provides leadership and guidance, and sets our strategic direction.

Our Board is ultimately accountable to the shareholders for:

> the performance and proper conduct of the business;
> being responsible for the long-term success of the Company, having regard for the interests of all stakeholders; and
> being responsible for ensuring the effectiveness and reporting on our system of corporate governance.

Responsibility for implementing strategy within the Group's operations and for day-to-day management of the business is delegated to the Chief Executive Officer who, as part of the Executive Management Board team, cascades this responsibility through the Group. A list of team members is provided on page 17.

A formal schedule of matters specifically reserved for decision or consideration by the Board as a whole has been agreed by the Directors. This schedule covers areas such as:

> the Group's business strategy and long-term plans;
> major capital projects;
> investments; and
> acquisitions and divestments.

The Board has an annual rolling plan of items for discussion which is reviewed formally at Board meetings and adapted regularly to ensure all matters reserved to the Board, with other items as appropriate, are discussed. There is an established procedure for the review of the agenda in advance of each Board or Committee meeting. At each Board meeting there is a detailed report on current trading from the Chief Executive and Chief Financial Officer and full papers are provided on matters where the Board will be required to make a decision or give approval. Where appropriate, specific responsibilities are delegated to Board Committees or to committees convened for special purposes.

Specific annual items for review include an update on the Company's policies for compliance with the Bribery Act, and the US Foreign and Corrupt Practices Act ('FCPA') requirements and health and safety. As part of our commitment to preventing bribery and establishing a culture that does not tolerate corruption wherever and in whatever form it may be encountered, we have a formal Board-approved anti-corruption policy, which was updated as part of good practice in 2014. We have appropriate procedures in place, in line with guidance provided by the Ministry of Justice to ensure compliance with current legislation. A summary of our anti-bribery policy is included on our website.

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 year.

CONFLICTS OF INTEREST

The Company has in place procedures for managing conflicts of interest and is aware of any potential conflict through an annual review of the other commitments of its Directors. We are satisfied these do not conflict with their duties as Directors of Inmarsat and consequently there were no conflicts of interest identified during the year. The Company's articles of association contain provisions to allow the Directors to authorise potential conflicts of interest so that a Director is not in breach of his/her duty under company law. Should a Director become aware that they have an interest, directly or indirectly, in an existing or proposed transaction with the Company, they are required to notify this to the Company Secretary. Directors have a continuing duty to notify any changes to their conflicts of interest to the Company Secretary and any changes are noted in the conflicts register.

KEY ROLES AND RESPONSIBILITIES

CHAIRMAN
ANDREW SUKAWATY

The role of the Chairman is set out in writing and agreed by the Board. He is responsible for:

> effective leadership, operation and governance of the Board;
> ensuring the effectiveness of the Board;
> setting the agenda, style and tone of Board discussions; and
> ensuring Directors receive accurate, timely and clear information.

In addition Mr Sukawaty also fulfils other responsibilities including:

> fulfilling a company representative role with various international organisations and also with government departments for market access opportunities in key BRIC countries.

CHIEF EXECUTIVE OFFICER
RUPERT PEARCE

The role of the Chief Executive is set out in writing and agreed by the Board. He is responsible for:

> the day-to-day management of Inmarsat's operations and its financial results;
> recommending the strategic objectives for the Inmarsat Group, for debate, challenge and approval by the Board;
> responsibility for ensuring we meet the milestones for our key programmes with a priority to target revenue growth and deliver enhanced returns to shareholders; and
> chairing the Executive Management Board.

Mr Pearce is the Board sponsor for environmental and social governance, community investment, and other corporate social responsibility matters.

SENIOR INDEPENDENT DIRECTOR
JOHN RENNOCKS

The Senior Independent Director is responsible for:

> acting as a sounding board for the Chairman;
> serving as an intermediary for the other Directors;
> reviewing the Chairman's performance with the Non-Executive Directors;
> being available to discuss issues or concerns from our shareholders where they have been unable to resolve them through existing channels for investor communications; and
> convening regular meetings of the Non-Executive Directors.

Mr Rennocks also acts as Deputy Chairman.

COMPANY SECRETARY
ALISON HORROCKS

The Company Secretary acts as Secretary to the Board and its Committees and in doing so she:

> assists the Chairman in ensuring that all Directors have full and timely access to all relevant information;
> assists the Chairman by organising induction and training programmes;
> assists the Chairman with the annual Board evaluation procedure;
> is responsible for ensuring that the correct Board procedures are followed and advises the Board on corporate governance matters; and
> administers the procedure under which Directors can, where appropriate, obtain independent professional advice at the Company's expense (no requests for external professional advice were received during the year).

INDEPENDENT NON-EXECUTIVE DIRECTORS

The diverse experience and backgrounds of the Non-Executive Directors ensures that they can provide a strong independent element on the Board, to debate, and constructively challenge management both in relation to the development of strategy and review of the Group's operational and financial performance.

To determine their independence, all Non-Executive Directors are reviewed by the Board annually against any circumstances relevant to their current or ongoing independence as set out in the Code. Following such review, the Board considers all the Non-Executive Directors to be independent and free of any circumstances that could materially interfere with their ability to provide a strong and valuable contribution to the Board's deliberations, or which could interfere with the individual Director's ability to also act in the best interests of the Group.

At the 2015 AGM, several of our Directors will have served for 10 years. The Board has considered the matter carefully and believes that these Non-Executive Directors continue to demonstrate the qualities of independence and judgement in carrying out their roles. Their length of service, resulting experience and knowledge of the Company is of great benefit to the Board and these three Directors – Messrs Rennocks and Davidson and Sir Bryan Carsberg – will all stand for re-election at the 2015 AGM. The subject of their independence will be kept under review.

It is the intention that after the 2015 AGM, Simon Bax will be appointed as Chairman of the Remuneration Committee with Stephen Davidson stepping down from the Chairman role but remaining a member of the Committee and a Director of the Company. We expect that our newer Non-Executive Directors will have been able to benefit from the experience of our longer-serving Directors through the phased retirement plans we will be putting in place.

EXECUTIVE MANAGEMENT BOARD

The Chief Executive chairs the Executive Management Board which meets on a weekly basis. As part of its remit, this team focuses on the Company's strategy, financial reviews and long range business planning, the competitive landscape, operational updates from all areas of the business, risk review and organisational development. The Executive Management Board includes the Executive Directors, the Business Unit Presidents and the key functional heads. The names of the management team are shown on page 17.

GOVERNANCE AND CONDUCT OF BOARD MEETINGS

Our Board meets as often as necessary to effectively conduct its business. During the year, the Board met eight times, with one of those meetings being held in Washington DC. The first meeting in 2015 was held in the office of a business in the US which had been acquired in January 2014 and provided the Board with additional exposure to this part of our business. The rest of the meetings in 2014 were held in the UK. Key management are invited to attend all Board meetings to present on specific business issues which will include operations update for each of the Business Units and central services divisions which will focus on commercial, technology and operational matters. Unscheduled supplementary meetings also take place as and when necessary.

In instances where a Director is unable to attend Board or Committee meetings, any comments which he or she may have arising out of the papers to be considered at the meeting are relayed in advance to the relevant Chairman or the Company Secretary who would then report to the Board or Committee thereon.

The use of the electronic portal for the Directors to access Board and Committee papers has proved very effective. At each meeting, the Chief Executive Officer and Chief Financial Officer provide reports to the Board and several senior executives, by invitation, present updates on strategy and focus on specific parts of the Group's operations. This way the Board is given exposure to the next layer of management at the Executive Management Board level and often from their direct reports. This is helpful to the Board as it supplements the discussions it has regarding planning for management succession. All Committee Chairmen report verbally on the proceedings of their Committees at the next Board meeting. Meeting proceedings and any unresolved concerns expressed by any Director are minuted by the Company Secretary.

The Non-Executive Directors meet annually and on an ad-hoc basis, without the Chairman and other Executive Directors in attendance, to assess the Chairman's performance, discuss Board balance, monitor the powers of individual Executive Directors and raise any issues between themselves as appropriate.

As part of its regular Board meeting schedule, the Board also holds a two-day strategy meeting each year at which it considers the future direction of the business. Strategy sessions are attended by several senior executives who present on specific agenda items. Elements of the business strategy are reviewed regularly at Board meetings.

The Company recognises the importance of electronic information, systems and network security ('cyber security'). We are increasingly required to be compliant with, or align to, various legal, contractual and regulatory standards and codes of practice relative to information security governance and the preservation of the confidentiality, integrity and availability of customer or internal data and services. To ensure we can meet these business and geopolitical requirements, a multi-standards compliance programme is underway ensuring compliance with, among others, UK, US and international cyber security standards that include ISO27001/2, NIST-800-53 and PCI-DSS. This is part of a broader programme supported by a dedicated cyber security team whose primary role is to safeguard the Company to meet its legal and regulatory obligations, maintain business continuity and limit damage to business interests by preventing and reducing the occurrence of security incidents and their impact upon business operations.

BOARD MEETING ATTENDANCE

The attendance of the Directors at the Board meetings held in 2014 is shown in the table below. Robert Ruijter and Dr Hamadoun Touré joined the Board on 1 February and 1 March 2015 respectively. Attendance at Committee meetings is shown in the relevant Committee reports.

Number of scheduled Board meetings held and meeting attendance in 2014

	Meetings	Percentage Attendance
Andrew Sukawaty (Chairman)	8/8	100%
Rupert Pearce	8/8	100%
Tony Bates[a]	5/5	100%
Simon Bax	8/8	100%
Sir Bryan Carsberg	8/8	100%
Stephen Davidson	8/8	100%
Admiral James Ellis Jr (Rtd)[b]	2/2	100%
Kathleen Flaherty	8/8	100%
General C. Robert Kehler (Rtd)[c]	6/6	100%
Janice Obuchowski	8/8	100%
Abe Peled	8/8	100%
John Rennocks	8/8	100%

(a) Appointed on 2 June 2014
(b) Resigned on 4 March 2014
(c) Appointed on 6 May 2014

CORPORATE GOVERNANCE CONTINUED

INDUCTION AND ON-GOING PROFESSIONAL DEVELOPMENT

To ensure that each Director receives appropriate support on joining the Board, they are given a comprehensive, formal and tailored induction programme organised through the Company Secretary, including the provision of background material on the Company and briefings with each of the Executive Management Board. These meetings will ensure that the on-boarding process for a new Director provides a view of each area of the business with the opportunity for further discussion as appropriate. Each Director's individual experience and background is taken into account in developing a programme tailored to his or her own requirements. The induction programme was reviewed and updated during 2014 for General Kehler when he joined the Company. The elements of induction will also be reviewed to cater to the requirements of the two Non-Executive Directors who joined the Board in 2015.

For professional ongoing development, the Board receives presentations relevant to the Company's business and updates on any changes in legislation which may affect the Company's operations. The Company Secretary supplies all Directors with information on relevant legal and best practice. As part of their annual performance evaluation, Directors are given the opportunity to discuss training and development needs. Directors are expected to take responsibility for identifying their training needs and to take steps to ensure they are adequately informed about the Company and their responsibilities as a Director. The Board is confident that its members have the knowledge, ability and experience to perform the functions required of a Director of a listed company.

BOARD EFFECTIVENESS

As in 2013, for 2014, the Board undertook a formal evaluation of its own performance and that of its Committees and individual Directors during the year, led by the Company Secretary. The Code requires that the Company conduct an externally facilitated evaluation every three years and the 2012 Board performance evaluation was facilitated by Duncan Reed of Condign Board Consulting Ltd. An evaluation by an external provider will be undertaken in 2015.

The evaluation process consisted of a questionnaire sent out in advance to each Director and a meeting occurred between the Company Secretary and each Non-Executive Director to review the questionnaire and discuss any other comments. The outcome of the review was first discussed with the Chairman and then shared with the full Board as an agenda item at the Board meetings in March 2015. The full output from the evaluation was presented in a report to all of the Directors, with collective and individual feedback being provided.

The review concluded that Board meetings had good debate and discussion with the right level of question and debate leading up to a decision being made. The Directors all felt that the Non-Executive Directors who had joined in 2013 and part-way through 2014 had settled well and were contributing effectively to Board discussion. There was strong endorsement of the new CFO and appreciation of the experience and knowledge he was bringing to managing the finance function, proposing and adopting new financial reporting and his contribution to streamlining processes across different business areas. The Board confirmed its full support for the transition of Mr Sukawaty from Executive Chairman to Non-Executive Chairman and continued to applaud his style and approach for how he facilitated a culture of openness, honesty and collegiality. The relationship between the Chairman and CEO was also noted as being very effective and supportive of their respective roles to ensure the best outcome for the business was always forefront of decision making. Continuing to engage with senior management in a formal Board meeting setting as well as informally outside the Board meetings was felt to be of benefit supporting succession discussions. The Non-Executive Directors continue to be highly supportive of all the Executive management team.

The Board was asked specifically to consider how they felt they had contributed as individuals during the year as well as to identify key areas where the Board had been a significant driver in the decision-making process. They cited a number of examples such as the support for the aviation business expansion.

During the year, the Senior Independent Chairman met with the Non-Executive Directors and discussed the performance of the Chairman; and each of the directors commented as part of the evaluation exercise on the Chairman's performance. The Chairman meets the Non-Executive Directors on an individual basis at least once a year.

Key elements arising from the 2014 Board evaluation review are as follows:

> Additional focus on succession planning for Executive Directors and senior management;
> Broaden the strategy discussion content for the two-day Board meeting and include additional targeted strategic discussion at Board meetings as appropriate;
> Greater visibility as to customer satisfaction and how it is measured; and
> Plan for a retirement cycle for longer-serving Non-Executive Directors.

EXTERNAL DIRECTORSHIPS

The Board believes, in principle, in the benefit of Executive Directors accepting Non-Executive Directorships of other companies in order to widen their skills and knowledge for the benefit of the Company. All such appointments require the prior approval of the Board and the number of appointments is limited to two. Details of these directorships can be found in their biographies on page 51 and details of the fees paid to them can be found on page 77 of the Remuneration Report.

APPOINTMENT AND REAPPOINTMENT

The Directors may appoint additional members to join the Board during the year. Directors appointed in this way will, upon the recommendation of the Board, offer themselves for election by shareholders at the first AGM after their appointment. The reappointment of Directors is subject to their ongoing commitment to Board activities and satisfactory performance. All Directors will stand for reappointment annually in accordance with the provision of the Code. The Nominations Committee confirmed to the Board that the contributions made by the Directors offering themselves for reappointment at the 2015 AGM continues to benefit the Board and the Company should support their reappointment. Non-Executive Directors are appointed initially for three years and all Non-Executive Directors may not, unless agreed by the Board, remain in office for a period longer than six years, or two terms in office, whichever is the shorter.

As already set out earlier in this report on page 59, three of our Non-Executive Directors, John Rennocks, Stephen Davidson and Sir Bryan Carsberg, are being supported by the Board for re-appointment as independent Non-Executive Directors even though they will have served for 10 years. We will also be putting forward for election at the 2015 AGM three additional Non-Executive Directors: General C. Robert Kehler (Rtd), Robert Ruijter and Dr Hamadoun Touré, and Tony Bates as an Executive Director.

As advised in our 2013 Annual Report, Mr Bates joined the Company and was appointed as a Director and our CFO on 2 June 2014. The appointment followed an external search undertaken by Russell Reynolds Associates, which was led by the CEO reporting to the Chairman of the Nominations Committee.

DIRECTORS' REMUNERATION

Details of the Company's remuneration policy and Directors' remuneration are contained in the Directors' Remuneration Report on pages 66 to 82.

RELATIONS WITH SHAREHOLDERS

The Company recognises the importance of communicating with its shareholders to ensure that its strategy and performance are understood and that it remains accountable to shareholders. The Board as a whole is responsible for ensuring that a satisfactory dialogue with shareholders takes place, whilst the Chief Executive Officer and Chief Financial Officer ensure that the views of shareholders are communicated to the Board as a whole. The Board ensures that the Company's strategic plans have been carefully reviewed in terms of their ability to deliver long-term shareholder value. In September 2014, the Company held an Investor Day which was attended by investors, bankers, and other interested parties. The presentations covered the Company's major business opportunities with presentations from each of the key business areas. Positive feedback as to the content and provision of information was received; a copy of the presentation has been made available on the Company's website. This audited 2014 Annual Report will be made available to shareholders and all results are posted on the Company's website, as are presentations made in respect of the full-year results.

The Company has undertaken regular investor roadshows in the UK and overseas and presentations were also made after publication of the Preliminary Results in March 2014 and are planned for March 2015. Investor and analyst conference calls took place after the announcement of each set of quarterly financial results. There is an ongoing programme of dialogue and meetings between the Executive Directors and institutional investors, fund managers and analysts. At these meetings, a wide range of relevant issues including strategy, performance, management and governance, are discussed within the constraints of information which has already been made public. The Board is aware that institutional shareholders may be in more regular contact with the Company than other shareholders, but care is exercised to ensure that any price-sensitive information is released to all shareholders, institutional and private, at the same time in accordance with the Financial Conduct Authority requirements.

The Chairman, Andrew Sukawaty, and Senior Independent Director, John Rennocks, are available to shareholders if they have concerns which cannot be raised through the normal channels or if such concerns have not been resolved. Arrangements can be made to meet with either of them through the Company Secretary. Other Non-Executive Directors may be asked to participate in investor meetings and have done so.

During 2014, there continued to be ongoing communications through a combination of face-to-face meetings, phone calls and email correspondence with many investors regarding remuneration issues. The Remuneration Committee Chairman shared a forward vision of the key elements of the 2014 Remuneration Policy with many of the Company's significant and influential shareholders, as well as several proxy agencies. The Company also sought comments on the proposed change in position of the Chairman, moving from an Executive to Non-Executive position and received positive feedback which was relayed to the Board at its September Board meeting to allow the Board to take a decision to recommend the change in Chairman position which was then announced to the London Stock Exchange. Further information on the Company's Remuneration Policy is contained in the covering letter from the Remuneration Committee Chairman, in the Remuneration Policy and Annual Report on Remuneration on pages 66 to 82.

The Board obtains feedback from its joint corporate brokers, J.P. Morgan Cazenove and Credit Suisse, on the views of institutional investors on a non-attributed and attributed basis. Any concerns of major shareholders would be communicated to the Board by the Executive Directors. As a matter of routine, the Board receives regular reports on issues relating to share price and trading activity, and details of movements in institutional investor shareholdings. The Board is also regularly provided with current analyst opinions and forecasts.

ANNUAL GENERAL MEETING

Shareholders are welcome at the Company's AGM where they will have an opportunity to meet the Board. The notice of the AGM is sent to all shareholders at least 20 working days before the meeting. The Chairmen of the Audit and the Remuneration Committees, together with as many Directors as possible, will attend the 2015 AGM and be available to answer shareholders' questions. Voting on all resolutions at the AGM is on a poll. The proxy votes cast, including details of votes withheld, are disclosed on our website and announced to the UK Listing Authority through a Regulatory Information Service immediately after the meeting. Facilities are provided for shareholders to vote electronically either through Electronic Proxy Voting or through CREST.

INTERNAL CONTROLS

The Board acknowledges its responsibility for establishing and maintaining the Group's system of internal controls and it receives regular reports from management identifying, evaluating and managing the risks within the business. The system of internal controls is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss. The Audit Committee reviews the system of internal controls through reports received from management, along with those from both internal and external auditors. Management continues to focus on how internal control and risk management can be further embedded into the operations of the business and to deal with areas of improvement which come to management's and the Board's attention.

The Company has an established Disclosure Committee with responsibility for reviewing and approving controls and procedures over the public disclosure of financial and related information and other procedures necessary to enable the Chairman, Chief Executive Officer and the Chief Financial Officer to provide their certifications in relation to publicly disclosed information.

The Board and the Audit Committee have carried out a review of the effectiveness of the system of internal controls during the year ended 31 December 2014 and for the period up to the date of approval of the consolidated financial statements contained in the Annual Report. The review covered all material controls, including financial, operational and compliance controls and risk management systems. The Board confirms that the actions it considers necessary have been, or are being taken to remedy any significant failings or weaknesses identified from its review of the system of internal control. This has involved considering the matters reported to it and developing plans and programmes that it considers are reasonable in the circumstances. The Board also confirms that it has not been advised of material weaknesses in the part of the internal control system that relates to financial reporting.

The key elements of the Group's system of internal controls, which have been in place throughout the year under review and up to the date of this report, include:

> **Risk management:** an overarching risk management policy is in place which sets out the tolerance for risk within the Group and how this is measured across identified macro and business risks. As required by the policy, management operates a risk management process to identify, evaluate and report significant risks within the business and to report to the Board on how those risks are being managed. Risks are highlighted through a number of different reviews and culminate in a risk register, monitored by Risk Committees across the Group, which identify the risk area, the probability of the risk occurring, the impact if it does occur and the actions being taken to manage the risk to the desired level. All the risk registers are reviewed by senior management and provided quarterly to the Board and to the Audit Committee. Details of the risk process and key risks are shown on pages 26 to 28 in the Strategic Report.

CORPORATE GOVERNANCE CONTINUED

- **Management structure:** there is a clearly defined organisational structure throughout the Group with established lines of reporting and delegation of authority based on job responsibilities and experience. Within the businesses, senior management meetings occur regularly to allow prompt discussion of relevant business issues. A process of self-certification is used where Directors and senior managers are required to detail and certify controls in operation to mitigate risk in key process areas. The Directors also review and approve annually, that risk management processes are in place.
- **Financial reporting:** monthly management accounts provide relevant, reliable and up-to-date financial and non-financial information to management and the Board. Analysis is undertaken of differences between actual results and the annual budget on a monthly basis. Annual plans, forecasts, performance targets and long range financial plans allow management to monitor the key business and financial activities, and the progress towards achieving the financial objectives. The annual budget is approved by the Board. The Group reports quarterly based on a standardised reporting process.
- **Information systems:** information systems are developed to support the Group's long-term objectives and are managed by professionally staffed teams. Appropriate policies and procedures are in place covering all significant areas of the business.
- **Contractual commitments:** there are clearly defined policies and procedures for entering into contractual commitments. These include detailed requirements that must be completed prior to submitting proposals and/or tenders for work, both in respect of the commercial, control and risk management aspects of the obligations being entered into. New business plan approval processes and a new procurement process have been introduced which will further strengthen the review of contractual commitments before any such commitment is agreed to.
- **Monitoring of controls:** the Audit Committee receives regular reports from the internal and external auditors and assures itself that the internal control environment of the Group is operating effectively. There are formal policies and procedures in place to ensure the integrity and accuracy of the accounting records and to safeguard the Group's assets. Significant capital projects and acquisitions and disposals require Board approval. There are formal procedures by which staff can, in confidence, raise concerns about possible improprieties in financial and pensions administration and other matters – often referred to as 'whistleblowing' procedures. A new worldwide anonymous whistleblowing programme was introduced in 2014. Arrangements are in place for proportionate and independent investigation and appropriate follow-up action with the results being reported to the Audit Committee.

OVERALL SUMMARY STATEMENT ON CORPORATE GOVERNANCE

The Company is committed to the highest standards of corporate governance. The Directors consider that the Company has, throughout the year, complied with the provisions of the Code as currently in effect save as noted below.

During 2014, Mr Sukawaty was Executive Chairman. He did not meet the independence criteria on appointment. He was appointed Chairman in December 2003 and assumed the additional role of Chief Executive Officer at the Board's request in March 2004. On 1 January 2012, the roles were split and Mr Sukawaty continued as Executive Chairman. From 1 January 2015, Mr Sukawaty became Non-Executive Chairman. He is not considered independent. Although the Code recommends that the Chairman is independent on appointment, the Board unanimously believes that Mr Sukawaty's wide experience means that he remains extremely well qualified to lead the Company as its Chairman and has the skills and experience to ensure that the Board continues to function effectively. The Senior Independent Director, John Rennocks, plays a key role within the Company on any matters which may be raised of a governance nature and was responsible for the discussions regarding the change in role for the Chairman which became effective in 2015.

RISK MANAGEMENT PROCESS

An overview of the Group's framework for identifying and managing risk, both at an operational and strategic level, is set out on pages 26 to 28 in the Strategic Report.

REPORTS OF THE BOARD COMMITTEES

REPORT OF THE AUDIT COMMITTEE

All members of the Audit Committee are independent Non-Executive Directors and the majority have significant, recent and relevant financial experience. The Board is confident that the collective experience of the Audit Committee members enables them, as a group, to act as an effective Committee.

The table below shows who makes up the Audit Committee and their attendance at meetings during 2014. Robert Ruijter joined the Committee with effect from 1 February 2015.

Name	Audit Committee	Percentage attendance
John Rennocks (Chairman)	4/4	100%
Sir Bryan Carsberg	4/4	100%
Stephen Davidson	4/4	100%
Janice Obuchowski	4/4	100%

By invitation, the meetings of the Audit Committee may be attended by the Chairman, Chief Executive Officer, Chief Financial Officer and the Head of Internal Audit. The Deloitte LLP ('Deloitte') audit engagement partner is present at all Audit Committee meetings to ensure full communication of matters relating to the audit. The Chairman of the Audit Committee meets regularly with the internal and external auditors.

AUDIT COMMITTEE RESPONSIBILITIES

The Audit Committee has particular responsibility for:

- monitoring the financial reporting process;
- the adequacy and effectiveness of the operation of internal controls and risk management;
- the integrity of the financial statements. This includes a review of significant issues and judgements, policies, and disclosures;
- keeping under review the scope and results of the audit and its cost effectiveness;
- consideration of management's response to any major external or internal audit recommendations; and
- being assured of the independence and objectivity of the internal and external auditor.

Following publication of the revised version of the Code, which applies to financial years commencing on or after 1 October 2012, the Board requested that the Committee advise whether it believes the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. The Committee's terms of reference have been amended to reflect this, and have been generally updated to reflect best practice, and can be found on our website.

There is a forward agenda used for the year's activities which focuses on:

- review of the annual financial statements and the results of the annual external audit and review of the external auditor's quarterly and interim review work and relevant quarterly and interim financial reporting and the external audit plan;
- review of risk management reports; and
- review of internal audit plans and findings and recommendations.

The Audit Committee ensures that the external audit process and audit quality are effective. It does this by relying on:

> the engagement between the Audit Committee Chairman and the lead audit engagement partner which will generally be through face to face meetings;
> the reports which are brought to the Committee by the lead audit engagement partner and other senior members of the audit team;
> the quality of the management responses to audit queries;
> meetings held by the CEO and the Chairman with the lead audit engagement partner which are reported to the Audit Chairman and Committee;
> a review of independence and objectivity of the audit firm and also the quality of the formal audit report given by the Auditor to shareholders; and
> feedback from members of the finance team, the Company Secretary, and the Head of Internal Audit. The Committee is considering the use of a formal auditor assessment tool for future review of audit effectiveness.

During the year to 31 December 2014, the activities of the Audit Committee were:

> review and endorsement, prior to submission to the Board, of the half-year and full-year financial statements, interim management statements and results announcements;
> review and approval of internal audit reports , and findings and recommendations arising from the reports;
> review and approval of risk management updates and the annual risk management process;
> agreement of external and internal annual audit plans;
> receiving updates on management responses to audit recommendations; and
> reviewing accounting policies.

Reviews by the Committee of audit plans and risk reports include all Group operations. Detailed risk reporting is used for all Group companies and business operations. The quarterly review of the risk reports and the process adopted to manage risk is a key area of focus for the Committee.

Audit Committee meetings generally take place just prior to a Board meeting to maximise effectiveness and time planning efficiency of those attending. The Committee's Chairman reports to the Board as part of a separate agenda item, on the activity of the Committee and matters of particular relevance to the Board in the conduct of their work. All members of the Board have access to Audit Committee papers and minutes of meetings, and may, on request to the Chairman, attend the meetings.

The Company Secretary, as Chairman of the Disclosure Committee (the role of which is detailed on page 61), reported on matters that affected the quality and timely disclosure of financial and other material information to the Board, to the public markets and to shareholders. This enabled the Audit Committee to review and clarify the completeness of financial reporting disclosures prior to their release by the Board.

Audit Committee – Significant accounting matters

During 2014, the Audit Committee considered the significant accounting matters described below. In addressing these issues the Committee considered the appropriateness of management's judgements and estimates, and, where appropriate, discussed these judgements and estimates with the external auditor. The Committee also reviews quarterly reports by the external auditor which highlight any issues with respect to the external auditor's work undertaken.

> **Segmental reporting**

During 2014, the Group revised its operating segments to reflect the way the business is being viewed by the CEO. The revised operating segments are now aligned to five market-facing Business Units, being:

– Maritime
– Enterprise
– Aviation
– US Government
– Global Government

These five Business Units are supported by 'Central Services' which includes satellite operations and backbone infrastructure, corporate administrative costs, and all other income that is not directly attributable to the individual Business Units. The Group has aggregated the US Government and Global Government operating segments into one reporting segment, as the segments meet the criteria for aggregation under IFRS. The Audit Committee concur with the approach taken to identify and reorganise the Group's operating and reporting segments. The external auditors have examined the design and implementation around segmental reporting and concur it is in line with IFRS requirements.

> **Goodwill and other impairment tests**

The Group has significant goodwill and other intangible assets. As explained in our accounting policy, intangible assets with an indefinite life are reviewed annually for impairment and all intangible assets are reviewed for impairment whenever there is an indication that those assets may be impaired.

The judgements in relation to impairment testing relate to the assumptions used in calculating the value in use of the cash-generating units ('CGUs') or assets being tested for impairment. The key assumptions applied in the calculation relate to the future performance expectations of the business. The starting point for the determination of the value in use workings is the last Board-approved long-range business plan, which is updated for changes since that date. The impairment review was also an area of focus for the external auditor, who reported its findings to the Audit Committee. In 2014 the Group reassessed its CGUs as a consequence of the Group's change in operating segments. Business Units rather than the previous segmentation of Inmarsat Global and Inmarsat Solutions are now reported.

The Audit Committee believes the results of the impairment tests and the revision to the CGU structure, to be appropriate.

> **Pension arrangements and post-employment benefits assumptions**

The assumptions used in valuing our pension and post-employment benefit schemes are an area of key judgement. The valuation of all material pension and post-employment benefit schemes is actuarially determined at year end; the key assumptions are reviewed by the Audit Committee and have been deemed appropriate.

CORPORATE GOVERNANCE CONTINUED

> **Income tax**
The calculation of the Group's potential income tax assets and liabilities necessarily involves a degree of estimation and judgement in respect of certain items, whose tax treatment cannot be fully 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 Committee addresses these matters through a range of reporting from senior management and a process of challenging the appropriateness of management's views including the degree to which these are supported by professional advice from external legal and other advisory firms. This is also an area of higher audit risk and accordingly the Committee received detailed verbal and written reporting from the external auditor on these matters. Following these procedures, the Audit Committee deemed the income tax assets and liabilities balances for the year, as well as the Group's contingent liability disclosure in respect of income taxes, to be appropriate.

> **Revenue in respect of the LightSquared Cooperation Agreement**
The Audit Committee has reviewed the various accounting methods applied for the recognition of revenue and costs in respect of the LightSquared Cooperation Agreement. Both the percentage of completion and straight-line method have been used to recognise revenue and costs relating to the different phases of the Cooperation Agreement; the Audit Committee has deemed the methods used appropriate.

> **Provision for uncollectable trade receivables and for inventory write-downs**
As a result of uncertainties inherent in business activities, the Group estimates its required provision for uncollectable trade receivables and for inventory write-downs at the end of each period. The Audit Committee is satisfied that the provision at the end of the year is based on management's latest available information and is therefore appropriate.

> **Capitalisation of space segment assets and associated borrowing costs**
Space segment assets comprise satellite construction, launch costs and other associated costs, including ground infrastructure. In addition, borrowing costs attributable to qualifying space segment assets are added to the cost of those assets. Given the nature of the Group's business, significant capital expenditure is incurred on space segment assets. The key judgements involved in the capitalisation of space segment assets and associated borrowings costs are:

- whether the capitalisation criteria of the underlying IFRSs 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.

The external auditor examined the capitalisation of development costs in the year, particularly in relation to the Global Xpress and S-band satellite programmes and reported its findings to the Audit Committee. The Audit Committee is satisfied that space segment assets and associated borrowing costs have been capitalised correctly in the year.

> **Revenue recognition**
A key area of judgement in respect of revenue recognition, especially in the telecommunications industry, is in respect of the timing of recognition. The Group's internal audit team have kept revenue systems, processes and recognition as a focus area during the year and the external auditor performed detailed audit procedures on revenue recognition, with the findings of both being reported to the Audit Committee. The Audit Committee have therefore concluded that the Group's revenue recognition policies continue to be in line with IFRS requirements.

External auditor

Under the final Order issued by the Competition and Markets Authority, a FTSE 350 company is prohibited from appointing an auditor unless there has been a competitive tender process in relation to one or more of the preceding nine financial years or in relation to the next financial year. A competitive tender process is a process where the Company invites and evaluates bids for the provision of statutory audit services from two or more auditors. Under the transitional provisions of the Order, given that our current Auditor was appointed in 2006, we are required to undertake a competitive tender for the 2016 financial year audit. Given their length of tenure, it is possible for the existing Auditor to be reappointed as a result of the tender. With the additional EU directive and UK BIS consultation, we expect that the requirement to have auditor rotation after 20 years will become effective and if the current Auditor was reappointed as a result of the tender, it could not remain in place beyond 20 years from the date of their appointment in 2006.

Auditor objectivity and independence is safeguarded through a variety of mechanisms. To ensure the Auditor's independence, the Committee annually reviews the Company's relationship with the Auditor and receives summaries at each Audit Committee meeting as to its independence. The Committee concluded that it continues to have an objective and professional relationship with the Auditor and that there are sufficient controls and processes in place to ensure the required level of independence. The external auditor is required to rotate the audit partner responsible for the Group audit every five years. The current audit partner was appointed in 2011 and the final audit he will be responsible for is the 2015 financial year. For the year ending 31 December 2014, the Committee has provided to the Board its recommendation to the shareholders on the reappointment of Deloitte as the Group's Auditor. During the year, the Auditor charged the Group $1.6m (2013: $1.6m) for audit and audit-related services.

Non-audit services

The Company's Auditor may also be used to provide specialist advice where, as a result of their position as Auditor, they either must, or are best placed to, perform the work in question. A formal policy is in place in relation to the provision of non-audit services by the Auditor to ensure that there is adequate protection of their independence and objectivity.

Fees charged by the Auditor in respect of non-audit services require the prior approval of the Audit Committee, except where the Audit Committee has agreed that the Company could commit to fees in relation to tax advisory and tax compliance work from the Auditor of up to £50,000 for any one project, without the need to seek approval for individual projects. Any commitments above this amount will require Audit Committee Chairman approval. A summary is supplied to the Audit Committee at each meeting where amounts have been committed below £50,000. A breakdown of the fees paid to the Auditor during the year is set out in note 6 to the Consolidated Financial Statements.

It is the Company's practice that it will seek quotes from several firms, which may include the Auditor, before work on non-audit projects is awarded. Contracts are awarded to our suppliers based on individual merits. The Committee and the Company's management are aware that the level of fees paid to the Auditor for non-audit services compared to audit services was significantly higher several years ago due to work undertaken regarding specialist tax advice on certain transactions and has worked to ensure that the non-audit fee levels have reduced over the last few years. The Committee does not believe that asking the Auditor to undertake non-audit work is an issue for the Company as it is satisfied with the quality of work and advice provided and, importantly, it believes the independence of the Auditor is not at risk. Additionally, where non-audit work is undertaken management will have negotiated competitive rates for each piece of work.

We receive advice from other firms for specific projects and other long-term projects. We have continued to use PwC, KPMG and EY for various projects – some new projects and some have been continuing for several years. We also use different firms to support us on VAT and ad hoc PAYE issues.

During the year, the Auditor charged the Group $1.0m (2013: $1.3m) for non-audit related services.

Internal audit

Monitoring and review of the scope, extent and effectiveness of the activity of the Internal Audit Department is an agenda item at each Committee meeting. The Internal Auditor presents reports at each meeting covering updates on internal audit activities, results of audits and follow-up actions required and their annual audit plan. The Chairman of the Committee meets with the Internal Auditor as required but generally at least once a year.

REPORT OF THE NOMINATIONS COMMITTEE

The Nominations Committee comprises a majority of independent Non-Executive Directors. The Nominations Committee meets as and when necessary, generally at least once a year, and during the year was represented by Andrew Sukawaty, its Chairman, Admiral James Ellis Jnr (Rtd), Stephen Davidson, Dr Abe Peled and John Rennocks. Dr Hamadoun Touré joined the Committee on 1 March 2015. During 2014 the Committee met five times.

The table below shows who makes up the Nominations Committee and their attendance at meetings during 2014:

Name	Nominations Committee	Percentage attendance
Andrew Sukawaty (Chairman)	5/5[1]	100%
Stephen Davidson	5/5	100%
Admiral James Ellis Jnr (Rtd)	1/2	50%
Abe Peled	5/5	100%
John Rennocks	5/5	100%

(1) For one meeting, Mr Sukawaty did not participate for the full meeting as a member of the Committee as the business of the meeting related to his own position and a possible transition to become Non-Executive Chairman.

The Committee has responsibility for nominating candidates for appointment as Directors to the Board, bearing in mind the need for diversity (including gender) consideration, and a broad representation of skills across the Board. In doing this, the Committee will give full consideration to succession planning and the leadership needs of the Company.

The Committee also makes recommendations to the Board on the composition of the Board's Committees and will review and make recommendations in relation to the structure, size and composition of the Board including the diversity and balance of skills, knowledge and experience, and the independence of the Non-Executive Directors, including the tenure of each Director.

The Nominations Committee will also make recommendations to the Board concerning the reappointment of any Non-Executive Director as he or she reaches their sixth year of reappointment and separately with a view to assessing their continuing independence thereafter, particularly when Directors are seeking to be reappointed after serving nine or ten years. The Committee also reviews and recommends the annual election and re-election of any Director by shareholders and changes to senior management, including Executive Directors.

Appointments to the Board are made on merit, against objective criteria and with due regard to the benefits of diversity on the Board. This process is led by the Committee which, after evaluating the balance of skills, knowledge and experience of each Director, makes recommendations to the Board.

In appointing Non-Executive Directors, the Board's practice is to use a combination of external recruitment consultants and personal referrals. The three new Non-Executive Directors who were appointed in June 2014 and February and March 2015 were personal recommendations from a Director or a recommendation made to a Director. For the replacement of the Chief Financial Officer position, the Company engaged Russell Reynolds Associates. Russell Reynolds Associates has no other connection with the Company. Details of the process adopted for the CFO appointment was described in our 2013 Annual Report.

In considering the skills required for new Non-Executive Directors, there was specific focus on seeking an individual who had experience in senior ranking positions within the US Government to replace the skill set and knowledge from the Board upon the retirement of Admiral James Ellis Jnr (Rtd), and we felt that General Kehler met all these requirements. The profile and experience of Robert Ruijter as a qualified financial expert and his operational experience was an excellent fit for coming onto the Board and becoming a member of the Audit Committee as this Committee will have three Directors as its members who all reach ten years' service in 2015 and will retire in due course. Having Mr Ruijter join the Committee and benefit from their experience will be very helpful to him and the Company in the future. Dr Touré has deep experience within international organisations handling regulatory issues and championing the cause of bringing broadband communications to rural areas, particularly in Africa. Additionally, he has industry experience having previously worked as a satellite engineer. Dr Touré is a member of the Nominations Committee and we are creating a separate Committee which will focus on regulatory activities where we will be able to draw on his considerable recent experience to assist our awareness of regulatory affairs. We had identified the desire to extend the mix of Directors from a cultural and background point of view and we believe the two Directors who have joined in 2015 fulfil these criteria. As part of the recruitment process, the individuals generally met the Chairman of the Board, the CEO, the Chairmen of the Audit and Remuneration Committees and the Company Secretary. Other members of the Board were also given the opportunity to meet them.

All currently appointed Directors will retire at the 2015 AGM and offer themselves for reappointment, or offer themselves for appointment as appropriate. As noted earlier in the Corporate Governance Report, the Committee has agreed that it was appropriate that although some Directors had exceeded their six-year term of office, they remain independent in their contribution, and should be invited to serve for a longer period and that the three Directors who will have served ten years at the 2015 AGM remain independent. As detailed earlier in the Corporate Governance Report on page 59, Stephen Davidson will step down as Chairman of the Remuneration Committee after the 2015 AGM and will be succeeded by Simon Bax. Mr Davidson will remain a member of the Committee and a Director of the Company.

The Committee, when reviewing succession planning, considers diversity in its broadest sense and takes this into account in its recommendations to the Board. It takes into account the challenges and opportunities facing the Company; diversity, including gender; and what skills and expertise are needed on the Board and from senior management in the future. Gender is one element of the considerations made in appointing senior management and Board members, and as part of general recruitment practices across the Group. The Committee gives full consideration to succession planning in the course of its work and was pleased to note that with the recent senior management changes that took place within the business it followed the recommendations set out in the succession planning document. This document will be updated to reflect the changes made and identify additional staff members who will form part of the overall management succession planning.

REMUNERATION REPORT

STEPHEN DAVIDSON
CHAIRMAN, REMUNERATION COMMITTEE

ANNUAL STATEMENT

Dear Shareholder

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2014.

During 2014 we have taken major steps towards delivering transformational growth opportunities for the Company. We have also delivered good financial results and excellent returns for shareholders, TSR over the last two years has exceeded 50%, and dividends increased by 5% and have increased every year since our IPO in 2005.

This is our second year of reporting under the new regime where the report is divided into two sections: our Remuneration Policy and an Annual Report on Remuneration. We received a strong endorsement of both reports last year with shareholders at the AGM supporting the Remuneration Policy Report with 97% of votes in favour and the Annual Report on Remuneration receiving 98% of votes. We have made some minor changes in the Remuneration Policy Report which are highlighted on the next page and provided explanations regarding the changes in the relevant section of the Reports.

I thought it would be helpful to shareholders if I focused on some of the changes in relation to application of our policy as the Remuneration Committee feels they warrant highlight.

The Committee has been closely involved in reviewing and improving the annual bonus arrangements and the two executive share plans which operate. The review has concentrated on:

> achieving a closer linkage between strategy, long-term shareholder value and remuneration; and
> simplification of and closer alignment between corporate and Business Unit plans.

Details of the changes to be operated in 2015 to the annual bonus plan and one of the share plans, the Bonus Share Award, are covered on page 78 and for the Performance Share Award, our LTIP, on pages 78 and 79.

I do though want to highlight in this letter information about the changes to the performance metrics of the long-term share plan (the Performance Share Award). During 2014 the Company continued to progress existing strategic programmes such as:

> the launch and successful deployment of our Global Xpress satellite programme;
> maximising revenue opportunities for our L-band services.
> becoming a major participant in the rapidly growing market for aviation services

There is more detail about these programmes in the strategy section of the Annual Report on pages 22 and 23, and we believe they underpin long-term shareholder value. Hence it is important to align part of the long-term share plan for our Executive Directors with these same strategic goals. We have communicated to our largest shareholders the rationale for the inclusion of strategic objectives to be part of the long-term incentive award which will be made shortly after the full year results are announced in March 2015. Those strategic objectives will be one of three performance metrics; the other two continue to be EBITDA growth and the use of relative TSR. Details of the 2015 award are shown on pages 78 and 79.

A Group-wide salary benchmarking review took place during 2014 with the outcome that we awarded an average salary increase of just over 7% across the Group, effective July 2014. This exercise has put us back on track for staff reviews and gives us a sound base from which future increases can be made. As we have highlighted in previous Remuneration Reports, our CEO, Rupert Pearce's salary is below the median of his benchmark and we have been moving him up gradually to the appropriate level. He was therefore awarded a 15% salary rise in 2014 (following a freeze in 2013). We will review his salary in July 2015 and expect to make an increase then. We also appointed a new CFO, Tony Bates, during this year. Tony's remuneration package was determined in line with the approved Remuneration Policy and best practice, and is discussed in the Annual Report on Remuneration on page 75.

2014 was the last year of executive service for Andy Sukawaty, as effective 1 January 2015, he became Inmarsat's Non-Executive Chairman. Andy will receive no new share plan awards but will benefit from plans vesting where he is already a participant subject to performance conditions being met and time proportioned according to plan rules.

I have been Chairman of the Committee since the Company listed in June 2005. It has been a privilege to undertake this role and I'd like to thank our shareholders whole heartedly for their engagement and support. I will step down as Chairman after the AGM in May and Simon Bax who joined the Board in 2013 will take on the responsibility. I will remain a Committee member. I wish Simon every success in this new role.

A resolution to approve the Annual Report on Remuneration (which is subject to an advisory vote) will be put to shareholders at the AGM in May.

STEPHEN DAVIDSON
CHAIRMAN, REMUNERATION COMMITTEE
5 March 2015

DIRECTORS' REMUNERATION POLICY

This section of the report sets out the Remuneration Policy for Executive Directors which shareholders approved at the 2014 AGM. The report below is as disclosed in the 2013 Directors' Remuneration Report save a number of minor changes as follows:

> References to financial years have been updated where appropriate;
> Share awards made after the 2014 AGM have been renamed Bonus Share Awards (BSA) and Performance Share Awards (PSA) following shareholder approval of the Executive Share Plan (ESP) at the 2014 AGM;
> Minor revisions have been made to the performance metrics for BSA and PSA awards, and the annual bonus, from 2015 and details are shown on pages 78 and 79;
> Pay-for-performance scenario charts have been updated to reflect 2015 salaries;
> New Non-Executive Director appointment expiry dates have been updated; and
> Details for the Executive Chairman role have been omitted in light of Mr Sukawaty's move to a Non-Executive Chairman role effective 1 January 2015.

The Group's Remuneration Policy is designed to deliver rewards that enable it to attract, retain and motivate talent of the highest appropriate quality, linking rewards to the achievement of financial and strategic goals of the Group. When determining Remuneration Policy, we take into account all factors which we deem necessary, including the Group's overall business strategy, business performance in the current year and expectations for future years as incorporated into our Long Range Business Plan (LRBP), pay arrangements in the wider Inmarsat workforce, and the global economic situation. Where appropriate, we will consult with shareholders in advance of major changes in the Remuneration Policy or where we consider there are material changes to individual remuneration arrangements. The Committee is committed to the principle that the Company should pay at the appropriate level to recruit and retain executives, and incentivise them to achieve the Company's objectives which will create value for shareholders.

Component	How does this link to strategy	What happens in practice	What amounts can be paid	How do we assess performance
Basic salary	Paying market-competitive base salaries, commensurate with the individual's role, responsibilities and experience allows us to recruit and retain Executive Directors of the calibre required to implement our strategy.	Salaries are reviewed annually with any increase usually made in July or following a material change in responsibilities. The Committee will determine any increases to be made. Any increase is determined by a formal appraisal by the Committee, taking into account market pay levels, a review of salaries against companies of similar size, complexity and type, Group performance, as well as the remuneration arrangements operated throughout the Group, with reference to UK based employees in particular for pay comparison levels.	Salary increases will be applied in line with the outcome of an annual salary review. The maximum annual salary increase will normally be in line with the average increase applied to the UK workforce. However, larger increases may be awarded in certain circumstances including, but not limited to, an increase in scope or responsibility of the role; to apply salary progression for a newly appointed Director; where the Director's salary has fallen behind market positioning. Where increases are awarded in excess of that for the UK employee population, the Committee will provide the rationale in the relevant year's Annual Report on Remuneration. As previously disclosed to shareholders, it is anticipated that the CEO's salary will increase at a greater level than that for the general employee population as his salary was intentionally set below market rates on appointment because he was new to the role as CEO.	Not applicable
Benefits in kind	We provide cost-effective benefits which support the wellbeing of employees.	Provision of death, disability and medical insurance cover (which can include spouse and dependents cover). Life assurance of 4 x salary, paid holiday and medical check-ups are also provided. If required, the Company would provide access to independent financial and legal advice on a case by case basis. Cash in lieu of a company car was previously provided to one Director although it is not anticipated this will be offered generally to Executive Directors. These benefits are non-pensionable.	The benefits provided may vary by role and levels of cover provided reflect market practice and the individual circumstances of the Executive Directors. It is not anticipated that the current cost of benefits (as set out in the Annual Report on Remuneration) would increase materially over the period for which this policy will apply. The Committee retains the discretion to approve a higher cost in exceptional circumstances (e.g. relocation) or in circumstances where factors outside the Company's control have changed materially (e.g. market increases in insurance costs).	Not applicable
Pension	We provide defined contribution pension arrangements, or cash in lieu of pension.	We provide defined contribution pension arrangements, or cash in lieu of pension. The Executive Directors are eligible to participate in the Company's defined contribution pension plan arrangements or other similar pension plans as appropriate to the Executive Director's nationality or location. Contributions are based on a percentage of salary which is currently limited to a pensions cap. The Company also operates an auto-enrolment pension scheme which an Executive Director could participate in instead of the main pension plan.	Maximum employer contributions are currently 12.5% of the capped salary under the UK pension plan. The Committee may review pension contribution levels in the future if benchmarking reflects that the current contribution levels and method of calculation are off-market. Any increase in contributions would not result in a pension contribution in excess of 20% of the uncapped basic salary.	Not applicable

REMUNERATION REPORT CONTINUED

Component	How does this link to strategy	What happens in practice	What amounts can be paid	How do we assess performance
Annual cash bonus	We provide an annual bonus to incentivise the achievement of annual financial and operational goals in line with Group strategy. Performance metrics are selected to support the annual business strategy which we believe also lead to enhancement of shareholder value.	Bonus payment levels are determined by the Committee annually by reference to performance against targets set at the start of the financial year. Personal objectives are set annually by the Committee. In exceptional circumstances, the Committee has the ability to exercise discretion to override the formulaic bonus outcome within the limits of the scheme where it believes the outcome is not truly reflective of performance, and to reflect the actual delivery of value to shareholders. Any discretionary adjustments will be detailed in the following year's Annual Report on Remuneration. The Committee may exercise its discretion to clawback bonuses in certain exceptional circumstances which may include (but are not limited to) gross misconduct, fraud or a significant downward revision of the financial results of the Group.	Maximum opportunity: 125% of salary. Target opportunity. 75% of salary.	Bonus is based on achievement of annual financial and personal objectives. The personal element will not be weighted more than 30% of the total in any year. Details of the measures and weightings applicable for the financial year under review are provided in the Annual Report on Remuneration. The Committee may change the measures used if other measures are deemed more suitable to allow delivery of the Company's strategy.
Bonus Share Award (BSA)	We provide the opportunity to participate in the BSA as it links the delivery of short-term financial and operational performance to sustained shareholder value creation. Participation in the BSA reinforces continued delivery of the LRBP.	We make annual monetary awards which convert to a number of shares subject to achievement of agreed annual financial targets. The resulting shares vest over the subsequent three years, subject to continued employment. Additional shares in lieu of accrued dividends over the vesting period are awarded only on the number of shares that vest. Unvested awards and vested awards that have not yet been transferred to the Executive Director are subject to clawback, i.e. forfeiture or reduction in exceptional circumstances. Such circumstances may include (but are not limited to) gross misconduct, fraud or a significant downward revision of the financial results of the Group.	Maximum opportunity for all Executive Directors is up to 200% of salary (300% in exceptional circumstances). The Committee's current intention is to make awards of up to 200% and 175% of salary for the CEO and CFO, respectively. Threshold performance results in 60% conversion of the monetary award into shares.	The Committee sets annual performance measures (currently based on the same financial objectives as for the annual cash bonus plan) and may change these for future awards as it considers appropriate.
Performance Share Award (PSA)	We believe the PSA aligns executives' interests with long-term shareholder value creation through rewarding the delivery of a mix of financial measures and relative total shareholder return ('TSR'). The financial performance measures in the PSA reflect the value drivers in the LRBP.	We make annual awards of shares, which vest after at least three years subject to performance over a three-year period. Additional shares in lieu of accrued dividends over the vesting period are awarded only on the number of shares that vest. Unvested awards are subject to clawback, i.e. forfeiture or reduction in exceptional circumstances. Such circumstances may include (but are not limited to) gross misconduct, fraud or a significant downward revision of the financial results of the Group.	Maximum opportunity for all Executive Directors is up to 200% of salary (300% in exceptional circumstances). Threshold performance will result in the vesting of 30%/0%/0% of the maximum award under the TSR/EBITDA/strategic performance elements. The intended award levels are included in the Annual Report on Remuneration on page 78.	The performance measures and respective weightings may vary year-on-year to reflect strategic priorities, and will include a financial market measure. Measures for outstanding PSPs include an element for relative TSR and EBITDA, and PSAs from 2015 include a third element linked to strategic performance. Details of the measures and weightings applicable for the financial year under review are provided in the Annual Report on Remuneration. Changes to weightings and performance targets will be retrospectively explained to shareholders.
Employee share plans	To encourage share ownership across all employees as allowed by HMRC and relevant local laws.	We operate employee share savings plans for our global workforce where, depending on location, savings periods of between 2 and 3 years operate. We will look at opportunities to offer other employee share plans in the future.	Participation levels set by HMRC or relevant local laws from time to time.	Not applicable

REPLACEMENT SHARE PLANS

The Inmarsat plc Executive Share Plan (ESP) was approved by shareholders at the 2014 AGM and replaced the previous Executive Share Plans. Share awards since May 2014 have been made in accordance with the new share plan rules.

Under the ESP the Company can grant Bonus Share Awards and Performance Share Awards, which replicate the previous Bonus Share Plan and Performance Share Plan awards. The Company will also be able to grant Restricted Share Awards under the ESP. Restricted Share Awards will not be subject to performance conditions, and will not be granted to Executive Directors except on recruitment, as explained below in the 'Approach to Recruitment Remuneration'.

The Company also received shareholder approval at its 2014 AGM for the Inmarsat plc 2014 Sharesave Plan and the Inmarsat plc 2014 Share Incentive Plan, replacing the previous Sharesave Plan and Share Incentive Plan which had expired. Executive Directors are eligible to participate in these plans.

PAYMENTS FROM EXISTING VARIABLE PAY AWARDS

Executive Directors are eligible to receive payment from any award made prior to the approval and implementation in May 2014 of the Remuneration Policy. Any commitment made which is consistent with the Remuneration Policy in force at the time the commitment was made will be honoured, even when it is not consistent with the policy prevailing at the time such commitment is fulfilled.

Details of outstanding awards to Executive Directors are provided in the Annual Report on Remuneration.

PERFORMANCE MEASUREMENT SELECTION

Our incentive plans (excluding restricted share awards and all-employee share plans) all include financial performance requirements. Performance targets are set to be stretching, taking into account the Company's strategic priorities and the economic environment in which the Company operates. Targets are set taking into account a range of reference points including the Group's LRBP, broker forecasts, and historical performance. Achievement of these targets delivers to shareholders the value inherent in the LRBP.

The annual cash bonus plan and BSA reflect the financial targets which the Board believes are key to driving the business. Revenue and EBITDA reflect the underlying financial success of the business and support the annual business strategy as well as value creation for Inmarsat's shareholders.

The PSA currently has two financial performance requirements. EBITDA growth and the Company's share price performance against the FTSE 50-150 excluding investment trusts. A third performance metric has been included for the 2015 share awards to further improve alignment with our strategy and details are provided on pages 78 and 79 where we set out the performance metrics to be used. All three performance metrics are linked to our long-term business strategy, and support shareholder value creation.

The Committee retains the ability to adjust and/or set different performance measures following a corporate event (such as a change in strategy, a material acquisition and/or divestment of a Group business or a change in prevailing market conditions) which causes the Committee to determine that the measures are no longer appropriate and that amendment is required so that they achieve their original purpose.

REMUNERATION POLICY FOR OTHER EMPLOYEES

Remuneration arrangements throughout the Inmarsat Group are determined on the same principle as for remunerating Executive Directors, in that reward should support our business strategy. It should be sufficient to attract and retain high-performing individuals.

As a global business we accept that there may be different local arrangements that are appropriate to apply but overall, this principle applies across the different geographies in which we operate. Employees receive variable pay which gives them incentives appropriate to their role in the organisation and is reflective of how we deal with Executive Directors too.

In general, the remuneration policy and principles which apply to other senior executives is consistent with that set out in this report for Executive Directors. All employees participate in bonus schemes. Group senior executives are eligible to participate in the BSA and some also participate in the PSA. The BSA may operate with division-specific targets for some participants, as appropriate.

All employees are eligible to participate in employee share plans which are generally the UK Sharesave Scheme or an equivalent international plan. Participation is on generally the same terms subject to local regulations.

SHAREHOLDING GUIDELINES

The guideline for Executive Directors is that they hold 5x base salary in beneficially owned ordinary shares.

For new Executive Directors, we would expect the individual to build up a shareholding to the 5x guideline over a period of time, generally within five to seven years.

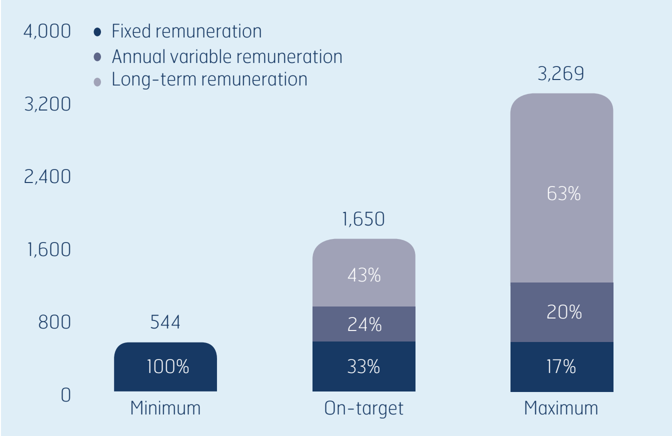
PAY SCENARIO CHARTS

The following charts provide an estimate of the potential future reward opportunities for the two current Executive Directors (CEO and CFO), and the potential split between the different elements of pay under three different performance scenarios: 'Minimum', 'Target' and 'Maximum'. Potential reward opportunities are based on Inmarsat's current Remuneration Policy, applied to salaries as at 1 January 2015. Note that the projected values exclude the impact of any share price movement.

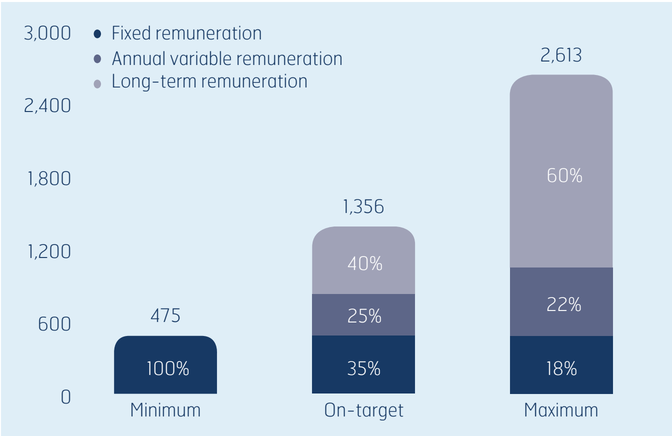
Each element of remuneration reflects the following assumptions:

> Minimum: includes fixed remuneration only, i.e. base salary, taxable benefits and pension;
> Target: includes fixed remuneration plus the amounts for on-target performance under the annual cash bonus plan (60% of maximum) and BSA (60% of maximum monetary value of 200% and 175% of salary for the CEO and CFO respectively), and threshold performance under the PSA (30%/0%/0% of maximum under the TSR/EBITDA/strategic performance elements, based on maximum opportunities of 200% and 175% of salary for the CEO and CFO respectively); and
> Maximum: includes fixed remuneration and maximum payment under all incentive plans.

CEO: RUPERT PEARCE (£000)



CFO: TONY BATES (£000)



APPROACH TO RECRUITMENT REMUNERATION

External appointments

In the event of hiring a new Executive Director, the Committee will typically align the remuneration package with the approved Remuneration Policy.

In determining appropriate remuneration arrangements on hiring a new Executive Director, we will take into consideration all relevant factors (including but not limited to quantum, the type of remuneration arrangements for other Inmarsat executives and the jurisdiction the candidate was recruited from) to ensure that arrangements are in the best interests of both our Company and its shareholders without paying more than is necessary. The Remuneration Policy in place will apply to the new appointment unless there are variables to the appointment which are noted below and are agreed by the Committee as appropriate to offer.

REMUNERATION REPORT CONTINUED

The Committee may make awards on hiring an external candidate to 'buy-out' remuneration arrangements forfeited on leaving a previous employer. In doing so, we will take account of relevant factors including any performance conditions attached to these awards, the form in which they were granted (for example, cash or shares), the time over which they would have vested and the share price at the time of buy-out. Generally buy-out awards will be made on a comparable basis. The Committee has the discretion to determine whether such buy-outs shall be granted as Bonus Share Awards, Performance Share Awards or Restricted Share Awards under the ESP. The Committee may also avail itself of the provision in the Listing Rules (Chapter 9.4.2) regarding long-term incentive awards in relation to the buy-out of awards forfeited on leaving a previous employer.

Component	Approach	Maximum annual value
Basic salary	To be determined by reference to relevant market pay levels, experience and skills of the individual, internal relativities and the current salary of the incumbent in the role.	
Pension and benefits	To be eligible to receive benefits in line with the current policy, and as well as any expatriation allowances and any necessary expenses relating to an Executive Director's relocation on appointment.	
Sharesave Scheme	To be entitled to participate on identical terms to other employees.	
Annual cash bonus	The scheme as described in the policy table will apply to new appointees. The Committee will determine on a case by case basis whether the executive will receive the full annual payment or a pro-rata amount.	125% of salary
Bonus Share Awards	To participate in annual awards on the same terms as other Executive Directors, as described in the policy table.	Up to 200% of salary (300% in exceptional circumstances)
Performance Share Awards	To participate in annual awards on the same terms as other Executive Directors, as described in the policy table.	Up to 200% of salary (300% in exceptional circumstances)
Restricted Share Awards	To make awards of shares which vest in accordance with a schedule which will be agreed by the Committee, subject to continued employment only. Awards will typically be made to facilitate the 'buy-out' of awards forfeited on leaving a previous employer, and the vesting schedule will typically match that of the awards forfeited. Additional shares in lieu of accrued dividends over the vesting period are awarded only on the number of shares that vest.	Up to 200% of salary (300% in exceptional circumstances)

Details of how we applied the Policy to the recruitment of Mr Bates as our new CFO during 2014 are provided on page 75.

Internal appointments

Any individual who is promoted to become an Executive Director will be treated on the same basis as if they were an external hire in respect of the elements of remuneration and benefits. Where the new appointee has an initial salary set below market, any shortfall will be managed with phased increases over a period of several years, subject to the Executive's development in the role.

Such individuals are also eligible to receive payment from any award made prior to their appointment to the Board.

NON-EXECUTIVE DIRECTORS

For the recruitment of a new Non-Executive Director, the individual will receive a letter of appointment which will summarise the time requirement expected of them and set out details of their fees (base fee and Committee membership fee). Fees will be the same level as for other Non-Executive Directors, except where the Nominations Committee determines that a different level is appropriate based on individual contribution. Reasonable expenses will also be paid and cover will be provided to all Directors, Executive and Non-Executive, under the Company's Directors' and Officers' insurance policy.

Element	Purpose and link to strategy	Operation	Maximum
Non-Executive Director fees and Committee fees	To attract and retain high-calibre Non-Executive Directors by offering a market competitive fee level.	The Non-Executives are paid a basic fee. The Committee Chairman and other members of the Board Committees (Audit, Remuneration, Nominations) and the Senior Independent Director/Deputy Chairman are paid supplements to reflect their additional responsibilities. The Board Chairman will be paid a single fee for all his responsibilities, and receive healthcare cover. NED fee levels are reviewed periodically by the Chairman and Executive Directors with reference to market levels in comparably sized FTSE companies and a recommendation is then made to the Board. The Chairman's fee is reviewed by the Committee taking into account fee levels at the same set of companies, and is then approved by the Board. If any changes are to be made, they are usually effective in July.	To avoid setting expectations, there is no maximum fee level. Aggregate fees were increased to £1m following approval by shareholders at the 2014 AGM. The fees paid to Non-Executive Directors in respect of the year under review (and for the following year) are disclosed in the Annual Report on Remuneration.

SERVICE CONTRACTS AND EXIT PAYMENT POLICY

Executive Director	Date of service contract	Term of office	Notice period
Rupert Pearce	18 January 2012	Indefinite until termination by either party	12 months' written notice by Company or Director
Tony Bates	21 February 2014	Indefinite until termination by either party	12 months' written notice by Company or Director

The Company in its absolute discretion may agree a shorter notice period with the departing Director. All Directors have a clause to allow a payment in lieu of notice to be made. The Company may make such payments monthly (up to 12 months) and these payments shall be reduced if the Executive finds alternative employment.

Severance payments in relation to the service contract are limited to no more than one year's base salary plus other benefits, which may include annual bonus (subject to performance conditions being fulfilled and pro-rated for time and payable at the normal annual bonus payment date), unless the Committee believes this is unreasonable given the circumstances for departure or unless dictated by applicable law.

The Committee reserves the right to make additional exit payments where such payments are made in good faith:
> in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or
> by way of settlement or compromise of any claim arising in connection with the termination of a Director's office or employment.

The Committee retains discretion to determine appropriate bonus amounts and vesting of share-based awards, as well as the timing of vesting, taking into consideration the circumstances in which an Executive Director leaves. The rationale for any discretion exercised will be provided in the following year's Annual Report on Remuneration.

Reason for leaving	Timing of vesting	Treatment of awards
Annual bonus		
Good leaver (see below for definition)	Normal payment date	Performance against targets will be assessed at the end of the year in the normal way and any resulting bonus will be pro-rated for time served during the year
All other reasons	Awards lapse	Not applicable
BSA and BSP		
Good leaver (see below for definition)	Normal vesting date, although the Committee has discretion to accelerate	Any earned but not yet transferred shares will be retained. The treatment of unvested shares is at the Committee's discretion
All other reasons	Awards lapse	Not applicable
PSA and PSP		
Good leaver (see below for definition)	Normal vesting date, although the Committee has discretion to accelerate	Any outstanding awards will be pro-rated for time and subject to performance conditions being met
All other reasons	Awards lapse	Not applicable
RSA		
Good leaver (see below for definition)	Normal vesting date, although the Committee has discretion to accelerate	Any outstanding awards will be pro-rated for time
All other reasons	Awards lapse	Not applicable
Employee Share Plans		
Good leaver (see below for definition)	Share options can be exercised for a certain period of time after departure	The individual will be entitled to exercise his share options in accordance with HMRC approved rules
All other reasons	Awards lapse	Not applicable

A 'good leaver' is the departure of an Executive Director for reasons of ill-health, redundancy, retirement, death or any other reason which the Committee in its absolute discretion permits. Termination for cause is regarded as a bad leaver and no awards shall vest.

Upon a change of control of the Company, share awards may be transferred to participants within such period as the Committee may permit based on the extent to which the Committee determines that the performance conditions have been met. Alternatively, participants shall be required to give up existing share awards and receive shares in the new company being equivalent to the original award. For the annual bonus, the Committee will assess performance against targets at the point of change of control and any resulting bonus will be pro-rated for time and paid immediately. The final treatment for the annual bonus remains subject to the Committee's discretion.

In the event that the Company terminates an Executive Director's service contract other than in accordance with the terms of his contract, the Committee will act in the best interests of the Company and ensure there is no reward for failure. When determining what compensation, if any, is to be paid to the departing Executive Director, the Committee will give full consideration to the circumstances of the termination, the Executive Director's performance, the terms of the service contract relating to notice and payments in lieu of notice, and the obligation of the Executive Director (where it is in the service agreement) to mitigate any loss which he may suffer as a result.

Although the Company would seek to minimise termination costs, the Committee may in appropriate circumstances provide other elements in a leaving Executive Director's termination package, including (without limitation) compensation for the waiver of statutory rights in exchange for him executing a settlement agreement, payment of the departing Executive Director's legal fees in connection with his termination arrangements, and payment of outplacement fees. In addition, the Committee may determine that the Director should continue to be engaged by the Company on a consultancy arrangement or other terms following cessation of his directorship.

REMUNERATION REPORT CONTINUED

Non-Executive Directors

Name	Date of appointment letter	Date of appointment
Simon Bax	28 May 2013	18 June 2013
Sir Bryan Carsberg	18 April 2005	22 June 2005
Stephen Davidson	16 June 2005	22 June 2005
Kathleen Flaherty	9 May 2006	9 May 2006
General C. Robert Kehler (Rtd)	13 March 2014	6 May 2014
Janice Obuchowski	6 May 2009	5 May 2009
Dr Abe Peled	10 May 2013	18 June 2013
John Rennocks	5 January 2005	4 January 2005
Robert Ruijter	16 December 2014	1 February 2015
Andrew Sukawaty(1)	16 September 2014	1 January 2015
Dr Hamadoun Touré	16 December 2014	1 March 2015
Admiral James Ellis Jr (Rtd)(2)	18 April 2005	22 June 2005

(1) Mr Sukawaty became Non-Executive Chairman with effect from 1 January 2015. He was previously Executive Chairman.
(2) Admiral James Ellis Jr (Rtd) retired from the Board on 5 March 2014.

Appointments are initially for three years and unless agreed by the Board, they may not remain in office for a period longer than six years, or two terms in office, whichever is the shorter. The Corporate Governance Code has special provisions regarding determination of the independence of directors when they have served for more than nine years.

Non-Executive Directors do not have contracts of service and their appointment will normally terminate on:

> a Director choosing to resign voluntarily;
> a Director being prohibited from serving by law, bankruptcy or illness;
> if the Nominations Committee does not approve the extension of the appointment;
> a Director is found guilty of misconduct; and
> a Director is not re-elected by the shareholders following retirement at an AGM.

Non-Executive Directors do not receive an annual bonus and do not participate in any of the Company's incentive plans. They receive no benefits, except that healthcare cover is provided for the Non-Executive Chairman, as a continuation of the cover provided to him over the last 10 years. The Company reimburses the reasonable expenses the Non-Executive Directors incur in carrying out their duties as Directors.

EXTERNAL APPOINTMENTS

Executive Directors serving as Non-Executive Directors on the board of other companies are permitted to retain all remuneration and fees earned from outside directorships subject to a maximum of two external board appointments. Directors accepting such positions shall take into account any guidelines for external directorships as contained in the Corporate Governance Code, subject at all times to pre-authorisation of the appointment by the Chairman, or in the case of the Chairman, the Deputy Chairman/Senior Independent Director (SID).

CONSIDERATION OF CONDITIONS ELSEWHERE IN THE COMPANY

Although we do not consult directly with employees on executive remuneration policy, the Committee takes into consideration the remuneration arrangements for the wider employee population in making its decisions on remuneration for senior executives. This relates to philosophy around levels of base salary, operating bonus plans for all employees, pension entitlement and benefit provision also being available across the Group.

The Group consults with its employees on general employment policies in a range of ways, including formal consultation forums in some countries where it operates. Our staff are encouraged to provide feedback directly to their line managers or to the HR team or to a confidential email address.

CONSIDERATION OF SHAREHOLDER VIEWS

When determining remuneration, the Committee considers shareholder views and the guidelines of investor bodies. The Remuneration Committee Chairman, Deputy Chairman/SID and Company Secretary engage pro-actively with major shareholders and shareholder representatives whenever appropriate. The Committee is always open to feedback from shareholders on Remuneration Policy or individual arrangements, and is committed to consulting shareholders in advance of major changes. Details of votes cast for and against the resolution to approve last year's remuneration report are provided in the Annual Report on Remuneration section of this report.

ANNUAL REPORT ON REMUNERATION

The following section provides details of how Inmarsat's Remuneration Policy was implemented during the financial year ending 31 December 2014 and how the Committee intends to implement the policy in 2015.

The Regulations require our external auditor to report to shareholders on the audited information within this report and to state whether, in their opinion, the relevant sections have been prepared in accordance with the Act. The external auditor's opinion is set out on pages 84 to 87 and we have clearly marked the audited sections of the report.

REMUNERATION COMMITTEE MEMBERSHIP IN 2014

The Committee consists entirely of independent Non-Executive Directors. We had five scheduled meetings during the year to discharge our responsibilities. Committee membership and attendance are set out in the table below:

Number of scheduled meetings in 2014	Attendance
Stephen Davidson (Committee Chairman)	5/5
Sir Bryan Carsberg	5/5
Kathleen Flaherty	5/5
General C. Robert Kehler (Rtd)(1)	3/3
Simon Bax	5/5
Admiral James Ellis Jr (Rtd)(2)	2/2

(1) General C. Robert Kehler (Rtd) joined the Board on 6 May 2014.
(2) Admiral James Ellis Jr (Rtd) retired from the Board on 5 March 2014.

During the year, the Committee operated to a forward agenda which ensured that items were discussed at the appropriate time during the year. Its key activities included:

> annual review of Executive Director salaries;
> review of performance outcomes for the annual bonus, BSA and PSA in respect of performance to 31 December 2014;
> calibration of award levels and targets for the 2014 BSA and PSA awards for the Executive Directors;
> review of the new Non-Executive Chairman's fee;
> preparation of the 2013 Directors' Remuneration Report, including consideration of the changes required in order to comply with new reporting regulations;
> review of the service contract of Mr Bates, who was appointed to the Board as CFO in June 2014;
> comprehensive review of incentive plans across the Group;
> consideration of shareholder views on issues which may have arisen during the year;
> review of potential changes to the operation of the BSA and PSA; and
> preparation for the 2014 AGM.

ADVISERS

During 2014, the Committee was advised internally by Andrew Sukawaty (Executive Chairman during the year), Rupert Pearce (CEO), Tony Bates (CFO), Debbie Jones (Executive Vice President, Corporate Development whose responsibilities include human resources), Alison Horrocks (Executive Vice President, Corporate Governance and Company Secretary) and Matt Smith, Inmarsat's Head of Reward. John Rennocks, the Company's Deputy Chairman also attends the meetings and contributes to the discussion. No member of management is present at a Committee meeting when their own arrangements are being discussed.

Kepler Associates was appointed by the Committee after consultation with the Board in September 2012 following a tendering process, and continued to act as the Committee's independent external adviser during the year. Kepler's responsibilities include a mandate to review our remuneration principles and practices against corporate governance best practice. Kepler reports directly to the Committee Chairman and is a signatory of the Code of Conduct for Remuneration Consultants (which can be found at www.remunerationconsultantsgroup.com). Kepler provides no non-remuneration-related services to the Company and is therefore considered independent. During 2014, Kepler's fees were based on time and materials, and fees (excluding VAT and expenses) totalled £36,300 (2013: £33,700).

SUMMARY OF SHAREHOLDER VOTING AT THE 2014 AGM

The following table shows the results of the binding and advisory shareholder vote on the Directors' Remuneration Policy and the Annual Report on Remuneration of the 2014 Directors' Remuneration Report, respectively, at the 2014 AGM:

	Directors' Remuneration Policy		Annual Report on Remuneration	
	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For (including discretionary)	320,673,577	96.73%	321,288,935	98.41%
Against	10,836,312	3.27%	5,177,325	1.59%
Total votes cast (excluding withheld votes)	331,509,889	100%	326,466,260	100%
Votes withheld	6,733,406	n/a	11,777,035	n/a

We have followed up with any queries from shareholders during the year on remuneration and general governance issues and sought the views of several shareholders regarding the former Executive Chairman's transition to the Non-Executive Chairman role. Shareholders contacted were supportive and this input was valuable to the Board and Nominations Committee in their decision-making.

The Committee will continue to engage with shareholders to facilitate their understanding of the Company, the environment in which it operates and how this translates into our executive Remuneration Policy. The Committee wrote to the Company's major shareholders in early 2015 regarding the introduction of strategic measures within the PSA from 2015.

SINGLE TOTAL FIGURE OF REMUNERATION FOR EXECUTIVE DIRECTORS (AUDITED)

The table below sets out a single figure for the total remuneration received by each Executive Director for the year ended 31 December 2014 and the prior year:

	Andrew Sukawaty £'000		Rupert Pearce £'000		Tony Bates(6) £'000	
	2014	2013	**2014**	2013	**2014**	2013
Basic salary	**615**	615	**485**	451	**263**	–
Taxable benefits(1)	**38**	24	**9**	7	**7**	–
Pension(2)	**88**	77	**16**	14	**9**	–
Annual bonus(3)	**738**	627	**622**	469	**563**	–
Bonus share plan(4)	**1,181**	1,181	**677**	493	**450**	–
Long-term incentives(5)	**1,222**	–	**543**	–	**0**	–
Total	**3,882**	2,525	**2,352**	1,434	**1,292**	–

(1) The taxable benefits received by the Executive Directors include healthcare benefits, a car allowance for one Director and benefits relating to staff entertaining. The Company also reimburses the travel costs incurred by Directors for travel to Board meetings where these do not take place in the country in which they are domiciled. These travel expenses are subject to a specific deduction under HMRC rules and are not taxable. The tax due in respect of the staff entertainment benefit is settled by the Company.
(2) Represents the pension payment made by the employer to the pension scheme and/or to the individual Director as cash in lieu of pension (see page 77 for details).
(3) Represents the annual bonus payment in relation to the financial year (see pages 74 and 75 for details).
(4) Represents the face value of the shares to be awarded under the Bonus Share Award in relation to the financial year ended 31 December 2014 and awarded under the Bonus Share Plan in relation to the financial year ended 31 December 2013 (see page 76 for details).
(5) Represents the value of Performance Share Plan awards based on the value at vesting of shares vesting on performance over the three-year period ended 31 December 2014.
(6) Tony Bates joined on 2 June 2014. His salary and benefits are pro-rated. His annual bonus and Bonus Share Award amounts are annualised figures.
(7) Mr Medlock left the Board and the Company on 3 January 2014. He received £3,700 (2013 : £340,000) as basic salary, £487 (2013: £5,000) for taxable benefits and £185 (2013:£17,000) as a pension contribution in 2014. He also received £2,600 for leave not taken. No bonus was paid for 2014, and all his outstanding awards under the BSP and PSP lapsed.

REMUNERATION REPORT CONTINUED

SINGLE TOTAL FIGURE OF REMUNERATION FOR NON-EXECUTIVE DIRECTORS (AUDITED)

The table below sets out a single figure for the total remuneration received by each Non-Executive Director for the year ended 31 December 2014 and the prior year:

	Base fee £'000		Additional fees £'000		Taxable benefits £'000		Total £'000	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
Simon Bax	**50.8**	26.8	**4.5**	2.5	**–**	–	**55.3**	29.2
Sir Bryan Carsberg	**50.8**	50.0	**9.0**	9.0	**1.0**	1.0	**59.8**	60.0
Stephen Davidson	**50.8**	50.0	**19.0**	19.0	**1.0**	1.0	**69.8**	70.0
Kathleen Flaherty	**50.8**	50.0	**4.5**	4.5	**–**	–	**55.3**	54.5
General C. Robert Kehler (Rtd)(1)	**67.0**	–	**3.0**	–	**–**	–	**70.0**	–
Janice Obuchowski	**50.8**	50.0	**4.5**	4.5	**–**	–	**55.3**	54.5
Dr Abe Peled	**50.8**	26.8	**4.5**	2.4	**–**	–	**55.3**	29.2
John Rennocks	**95.5**	94.1	**10.0**	10.0	**1.0**	–	**105.5**	104.1
Admiral James Ellis Jr (Rtd)(2)	**17.3**	98.0	**1.6**	9.0	**–**	–	**18.9**	107.0
Total	**484.6**	445.7	**60.6**	60.8	**3.0**	2.0	**545.2**	508.5

Exchange Rate – of $1.5593/£1.00
(1) General C. Robert Kehler (Rtd) joined the Board on 6 May 2014.
(2) Admiral James Ellis Jr (Rtd) retired from the Board on 5 March 2014.

The fee for Admiral James Ellis Jr (Rtd) included a fee as a Non-Executive Director of Inmarsat Inc, a wholly owned subsidiary in the US. As at 5 March 2014, this fee was $13,427.86 converted from Sterling at the spot rate at each payment date.
The fee for General C. Robert Kehler (Rtd) included a fee of £51,500 as a Non-Executive Director of Inmarsat Inc, a wholly owned subsidiary in the US.
The taxable benefits received by the Non-Executive Directors were associated with accommodation costs incurred with attendance at two-day Board meetings. The tax due in respect of these benefits is settled by the Company. The Company also reimburses the travel costs incurred by the Non-Executive Directors for travel to Board meetings where these do not take place in the country in which they are domiciled. These travel expenses are subject to a specific deduction under HMRC rules and are not tax deductible.
The fee for John Rennocks includes the work he undertakes as Senior Independent Director and Deputy Chairman.

INCENTIVE OUTCOMES FOR THE YEAR ENDED 31 DECEMBER 2014

Annual cash bonus in respect of 2014 performance

In 2014, the annual cash bonus was based on the achievement of Group financial targets and individual performance objectives.

80% of the bonus is linked to financial performance, as measured through revenue (50% of financial element), operating expenditure (35%) and capital expenditure on an accruals basis (15%).

The remaining 20% of the bonus is linked to personal performance, as appraised against achievement of challenging objectives set by the Committee at the start of the year. Personal performance targets are clearly defined and measurable, and are linked to Group strategic and operational performance.

The outcomes under the financial and personal elements are calculated, and the Committee exercises its judgement in applying a corporate multiplier to the financial elements of the bonus based on the achievement of the financial targets, along with a broader assessment of Company performance and individual contributions over the year.

In January and March 2014, the Committee reviewed the above three financial performance elements in respect of the current year, and determined them to remain appropriate measures to use for the annual bonus plan for Executive Directors. The Committee will disclose the 2014 financial targets in next year's Annual Report on Remuneration. We believe the targets used are commercially sensitive if made public in the same reporting period as to which they apply.

Examples of the personal objectives for the Executive Directors for 2014 are noted in the next column. Some have been excluded where we believe they may be commercially sensitive if published.

EXECUTIVE CHAIRMAN

- Ensure CEO success through a constructive and supportive teaming relationship;
- Assist the CEO generally in support of business success;
- Manage the Board and Board evaluation process effectively;
- Support the Inmarsat-5 satellite programme delivery;
- Maintain relationships with major shareholders and the investment community;
- Participate in Inmarsat business development efforts in BRIC countries; and
- Transition all key executive objectives to CEO by the end of 2014.

CEO

- Deliver the 2014 financial budget as to revenues and EBITDA performance;
- Maintain the Global Xpress Ka-band programme on time and to budget;
- Complete the sale of our retail energy business and leverage market partnership for Global Xpress;
- Defend the Company's position regarding LightSquared while it is in bankruptcy; and
- Review opportunities for how to utilise the S-band license.

CFO

- Deliver the 2014 financial budget as to revenues and EBITDA performance;
- Upgrade the forecasting, budgeting and planning processes to implement more robust process and content;
- Agree and implement changes in internal and external reporting; and
- Reorganise the finance function to align with the set up of the organisation through Business Units.

In 2014, revenues were $1,286m, which exceeded stretch performance. Operating expenses were $372m which performed better than stretch; capital expenditure on an accruals basis of $425m also performed better than stretch. A corporate multiplier was applied to the financial element of the bonus based on these results and the Committee's judgement of broader Company performance. The maximum and target annual bonus amounts that could be paid and actual cash bonus which will be awarded to each Executive Director are set out below.

Name	Target bonus (% of salary)	Maximum bonus (% of salary)	Actual bonus outcome for 2014 financial year (% of salary)	Bonus paid for the 2013 financial year (% of salary)
Andrew Sukawaty	75%	125%	120%	102%
Rupert Pearce	75%	125%	120%	104%
Tony Bates	75%	125%	125%	Nil

Mr Bates received an annual bonus opportunity as if he had been employed for the full year of 2014. The Committee decided that a full year's annual bonus opportunity was warranted because of Mr Bates' strong performance and contribution to the Company since his appointment in June 2014, and because in agreeing the terms for Mr Bates to join the Company, he gave up committed cash bonus awards at his previous employer. Some of the key contributions Mr Bates has already made to the business have been in the new reporting structure for internal and external reporting to simplify the external view of the quarterly financial statements; these changes have been very positively received by analysts and shareholders. Additionally, he has been instrumental in enabling the Company to finalise an outstanding tax matter which has been of financial benefit to the Company. The combined value of the annualised cash bonus award (125% of salary) and awards of 100% of salary under the BSA and PSA, were below the value of awards foregone by Mr Bates at his previous employer. These levels of awards have been made in accordance with the Remuneration Policy regarding recruitment remuneration as set out on pages 69 and 70.

ANNUAL CASH BONUS IN RESPECT OF 2013 PERFORMANCE

Last year, the Company committed to disclosing the 2013 bonus financial targets in this year's Annual Report on Remuneration. The targets and actual performance against them are set out below.

Measure	Weighting (% of financial element)	Performance targets		Actual performance	Payout (% of financial element)
		On-target	Stretch		
Revenue	50%	$1,240m	$1,333m	$1,262m	23%
Opex	35%	$728m	$693m	$613m	35%
Capex	15%	$731m	$696m	$657m	15%
Total	**100%**				**73%**
EBITDA	Underpin for BSP	$641m		$649m	Underpin met

Examples of the personal objectives for the Executive Directors for 2013 were provided in last year's Annual Report on Remuneration, and payout under the personal element was 17% and 19% of salary for the Executive Chairman and the CEO, respectively.

A corporate multiplier was applied to the financial element based on these results and the Committee's judgement of broader Company performance. The Committee took into account the outperformance of stretch targets in operating expenses, capital expenditure on an accruals basis and EBITDA, and determined that a corporate multiplier of 1.17x, relating to the outperformance on two of the financial annual bonus metrics, should be applied to the calculated bonus outcomes. As a result, the overall bonus outcomes for 2013 were 102% and 104% of salary for the Executive Chairman and the CEO, respectively.

BSP AWARD IN RESPECT OF 2013 PERFORMANCE

Details of the financial targets and actual performance against targets in respect of the 2013 BSP award are provided in the 'Annual cash bonus in respect of 2013 performance' section immediately above.

BSP AWARD IN RESPECT OF 2014

An allocation of shares will be made in respect of the March 2014 monetary awards based on Company performance for the financial year ended 31 December 2014. The award will be calculated using the mid-market closing price of the Company's ordinary shares on the day following the announcement of the Preliminary Results in March 2015. The performance measures, weightings and actual performance against target were as follows:

Performance measure	Weighting (% of maximum)	Actual performance against target
Revenue	50%	Revenues were $1,286m which is better than stretch
Operating expenditure	35%	Operating expenses were $372m which is better than stretch
Capital expenditure	15%	Capital expenditure on an accruals basis were $425m which is better than stretch

The minimum EBITDA level required before any share award could be made was exceeded. Based on performance achieved against each of the targets, 100% of the monetary award will be converted to shares.

REMUNERATION REPORT CONTINUED

The table below shows the conversion of the 2014 BSP Award.

Executive Director	Maximum monetary award	Conversion rate	BSP outcome
Andrew Sukawaty	£1,181,148	100%	£1,181,148
Rupert Pearce	£676,500	100%	£676,500
Tony Bates	£450,000	100%	£450,000

As the conversion from monetary award to shares is calculated after the preliminary results announcement is made, the exact number of shares to be awarded is not known at the date of this report. Details of shares awarded will be reported via an RNS to the London Stock Exchange. These shares will vest in equal tranches in March 2016, 2017 and 2018, subject to continued employment. Details of the shares awards including performance targets will be included in the 2015 Annual Report on Remuneration.

2012 PSP VESTING

On 30 March 2012, the then Executive Chairman and CEO received PSP awards of 304,663 and 135,462 shares. Vesting of the awards was dependent on 3-year TSR vs. the FTSE 350 (excluding investment trusts) and 3-year EBITDA growth, both measured over the three years to 31 December 2014 and weighted equally. There was no re-testing of performance. Performance targets for these awards are as follows:

Performance measure	Weighting (% of maximum award)	Performance targets
3-year TSR vs. FTSE 350 (excluding investment trusts)	50%	Below median: nil vesting Median: 30% vesting Upper quartile: 100% vesting (straight-line vesting applies between median and upper quartile)
3-year EBITDA growth p.a.	50%	Less than 1%: nil vesting 1%: 0% vesting 4%: 100% vesting (straight-line vesting applies between 1% and 4%)

Excluding exceptional income of $192.6m from LightSquared in 2011, over the three years to December 2014, Group EBITDA increased from $661.8m to $701.0m, a compound annual growth rate of 1.94%. This level of performance falls within the 1-4% range set at the time the award was made in March 2012 and leads to a 15.97% vesting of the total award. In respect of relative TSR, the Company's performance was at the 67th percentile vs. the FTSE 350 (excluding investment trusts), which gave a vesting outcome of 38.5% of the total award. The total amount that will vest on 30 March 2015, subject to continued employment, will therefore be 54.47% of the maximum award.

SCHEME INTERESTS AWARDED IN 2014 (AUDITED)

BSP award in respect of 2013

An allocation of shares was made in respect of the March 2013 BSP monetary awards based on Company performance for the year ended 31 December 2013. The share award was based on the mid-market closing price of the Company's ordinary shares following the announcement of the Preliminary Results in March 2014. As advised in the 2013 Annual Report the conversion rate was 73% of the monetary amount into an award of shares which vest in equal tranches in March 2015, 2016 and 2017, subject to continued employment.

Executive Director	Maximum monetary award	Conversion rate	Date of share award	Awards made during the year	Market price at date of award	Face value at date of award
Andrew Sukawaty	£1,618,000	73%	8 March 2014	171,369	£6.89	£1,181,200
Rupert Pearce	£676,500	73%	8 March 2014	71,649	£6.89	£493,845

The awards were made to Mr Sukawaty when he was the Executive Chairman of the Company.

2014 PSP

In March and June 2014, the Executive Directors received PSP share awards which will vest subject to performance over the three years to 31 December 2016.

Executive Director	Date of grant	Awards made during the year	Market price at date of award	Face value at date of award	Award as % of salary	Vesting date
Andrew Sukawaty	19 March 2014	176,207	£6.97	£1,229,484	200%	19 March 2017
Rupert Pearce	19 March 2014	96,954	£6.97	£676,496	150%	19 March 2017
Tony Bates	10 June 2014	58,919	£7.63	£449,993	100%	10 June 2017

Mr Sukawaty remained in an executive position until 31 December 2014. He will therefore be entitled to a pro-rata PSP award of one-third of the award shown above which will vest at the normal vesting date subject to performance conditions being achieved.

Mr Bates was appointed to the Board as CFO in June 2014, and received an award of 100% of salary shortly after his appointment.

Vesting of the awards will be dependent on 3-year TSR vs. the FTSE50-150 (excluding investment trusts) and 3-year EBITDA growth, both measured over the three years to 31 December 2016 and weighted equally. There will be no re-testing of performance. Performance targets for these awards are as follows:

Performance measure	Weighting (% of maximum award)	Performance targets
3-year TSR vs. FTSE 50-150 (excluding investment trusts)	50%	Below median: nil vesting Median: 30% vesting Upper quartile: 100% vesting (straight-line vesting applies between median and upper quartile)
3-year EBITDA growth p.a.	50%	Less than 5%: nil vesting 5%: 0% vesting 8%: 100% vesting (straight-line vesting applies between 5% and 8%)

PENSION (AUDITED)

The Executive Directors are eligible to participate in the Company's defined contribution pension plan arrangements. None participate in the defined benefit plan. An Executive Director can become a deferred member of the pension plan or not join the pension plan and receive a capped employer contribution paid as additional salary. An amount of 12.5% of capped salary is the highest amount paid. The capped salary level increases nominally each year.

Pensionable salary is currently limited to basic salary and subject to a UK Pension Plan Scheme Specific cap and US Internal Revenue Service earnings caps.

Neither Mr Pearce nor Mr Bates is a member of the UK defined contribution pension plan; Mr Sukawaty was a member of the US 401(K) plan until the end of 2014 at which point he became a deferred member of the plan. Mr Sukawaty was entitled to an annual salary supplement equal to 12.5% of the difference between his basic salary and the US Internal Revenue Service capped basic salary in lieu of the employer pension contribution. The normal retirement date under the UK pension plan is age 65 with an employee able to retire from age 55. In the US plan, the normal retirement date is age 59.5. There are no additional pension benefits payable if a Director retires early.

The current employer contributions (subject to the UK Pension Plan Scheme Specific cap of £145,200 for the 2014/15 tax year and US Internal Revenue Service earnings caps as appropriate) are:

Andrew Sukawaty	12.5% of capped salary was paid in 2014, which is £88,000 in employer contributions
Rupert Pearce	12% of capped salary was paid in 2014 which is £16,000 in employer contributions (the contribution rate was 10% for the first two months and 12.5% for the remainder of the year)
Tony Bates	12.5% of capped salary was paid in 2014 which is £9,000 in employer contributions (in respect of the period from 2 June to 31 December 2014)

EXIT PAYMENTS MADE IN THE YEAR (AUDITED)

Mr Medlock, who resigned as a Director and left on 3 January 2014, did not receive any exit payments in 2014.

PAYMENTS TO PAST DIRECTORS (AUDITED)

No payments were made to past Directors.

EXTERNAL APPOINTMENTS

One Executive Director held positions in other companies as a Non-Executive Director during the year. The fees he received relating to the 2014 financial year were as follows:

Name	Company in which Non-Executive Directorship held	2014 fee
Andrew Sukawaty	Ziggo B.V.	€77,750
	Sky plc	£58,166

IMPLEMENTATION OF REMUNERATION POLICY FOR 2015

Base salary

The table below shows the Executive Directors' salaries as at July 2013 and July 2014. Salaries will next be reviewed in July 2015, which is the same time for the general workforce.

Name	**Salary at 1 July 2014 £000**	% change	Salary at 1 July 2013 £000
Rupert Pearce	**519**	15%	451
Tony Bates	**450**	–	–

REMUNERATION REPORT CONTINUED

We have already indicated to shareholders that the Committee expects to increase Mr Pearce's salary each year to reflect his demonstrated development in the CEO role and the performance of the business. Mr Pearce was appointed on a salary that was significantly below the median level for a FTSE 50-150 CEO, and the Committee's original intention was to increase salary by around 10% in July 2013 in light of strong individual and Company performance. However, no increase was awarded, in line with the salary freeze for the wider employee population, and the Committee advised last year that a higher than normal increase might be awarded in 2014 and 2015 to move to a more appropriate level of salary for Mr Pearce.

In this context, the Committee increased Mr Pearce's salary by 15% to £519,000, effective 1 July 2014. This increase reflects Mr Pearce's continued strong performance in his role and significant contribution to the business, and takes into account last year's salary freeze. A salary of £519,000 remains below median for a FTSE 50-150 CEO. The salary increase applied across the business in 2014 (excluding that for the Executive Director) was around 7%. Both the CEO and CFO's salaries will next be reviewed in July 2015, taking into account market pay levels and pay increases for the wider employee population.

Pension

Cash payments in lieu of employer pension contributions for 2015 will be made in accordance with the Remuneration Policy table set out on page 67, and will be on the same basis as those made in 2014.

Annual cash bonus

The maximum annual bonus opportunity for Executive Directors in 2015 will remain unchanged from the opportunity in 2014, and will be 125% of salary.

As part of a process of refocusing on Group performance and more closely aligning the bonus schemes across the Group, for 2015 performance will be measured by reference to revenue (33%) and EBITDA targets (67%). The Committee believes that operating expenditure (a previous metric) is fully captured within the EBITDA metric. Capital expenditure, which by its nature is mainly driven by multi-year major programmes will now be addressed through the long term incentive plan objectives. The reason for using revenue and EBITDA is that these two measures have strong line-of-sight, are easily understood and are two of our key reporting metrics to shareholders. The Committee has the ability to apply up to 30% of the maximum bonus opportunity potential in consideration of the achievement of personal objectives. The same performance metrics are used in the annual bonus plan for all employees. As was the case last year, the Committee has determined that performance targets will not be disclosed on a prospective basis for reasons of commercial sensitivity, but will be disclosed on a retrospective basis in the 2016 Annual Report on Remuneration.

2015 SHARE AWARDS:

BSA

In March 2015, a monetary BSA award will be made and nominally converted to shares immediately. As in previous years, the level of award will not be confirmed until the results for 2015 have been determined and may be lower (but not higher) than the initial award. There is no change to the vesting timetable: the shares will vest in equal tranches in March 2017, 2018 and 2019, subject to continued employment. This change, permitted by the Remuneration Policy, has been made in order to more closely align the value delivered to participants under this award with the value created for shareholders over the same period.

It is expected that the level of award in March 2015 will be 200% and 175% of salary for Mr Pearce and Mr Bates, respectively. The performance targets will be the same as the financial targets for the 2015 annual bonus, being 67% on EBITDA and 33% on revenue.

PSA

A PSA award will be made in March 2015, and it is expected that the level of award will be 200% of salary for Mr Pearce and 175% for Mr Bates.

The PSA awards for 2015 will vest after three years based upon three performance conditions, measured over the three years to 31 December 2017. For 2015 the performance conditions include:

a. TSR performance vs. the FTSE 50-150 (excluding investment trusts);
b. EBITDA growth; and
c. An additional metric reflecting the long-term nature of the Company's business model. The Committee believes that it is important for management to be additionally focused on delivering critical strategic programmes, e.g. the launch of new satellites, ground infrastructure and business models as part of their long-term incentive plan which in turn will drive long-term shareholder value creation. 40% of the total award is currently linked to this metric. The Committee considers that the emphasis on strategic objectives may increase over time and remains open to considering other financial metrics for future awards.

Performance in relation to the 2015 awards will be measured over the period 1 January 2015 to 31 December 2017, and the targets are as follows.

Performance measure	Weighting (% of maximum award)	Performance targets
3-year TSR vs. FTSE 50-150 (excluding investment trusts)	30%	Below median: nil vesting Median: 30% vesting Upper quartile: 100% vesting (straight-line vesting applies between median and upper quartile)
3-year EBITDA growth p.a.	30%	Less than 4%: nil vesting 10%: 100% vesting (straight-line vesting applies between 4% and 10%)
Strategic objectives	40%	The key areas are: > Global Xpress: completion of the successful launch and market entry for the next generation of Inmarsat-5 satellites > S-band: putting in place all key building blocks of the aviation leadership programme business case which will support material revenues beyond 2017 > L-band: sustaining L-band revenues despite migration of services from L-band to Global Xpress Ka-band, through a re-orientation, expansion and globalisation of L-band services Achievement against strategic objectives will be considered as a whole. There are specific objectives within each area, and further details of the objectives and key achievements will be disclosed in detail at the end of the performance period.

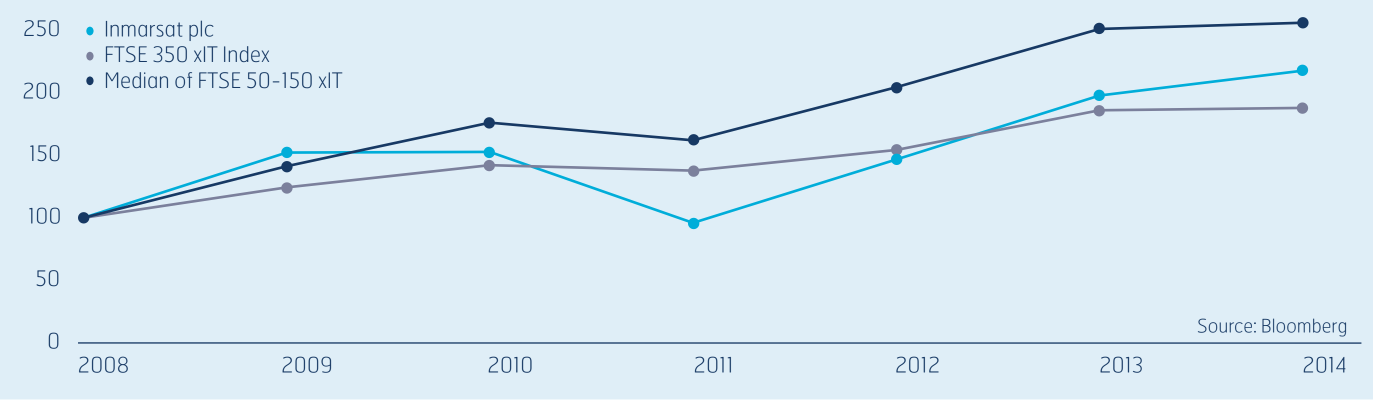
NON-EXECUTIVE DIRECTOR FEES

Fees paid as follows for a NED:	Amount
Basic fee	£51,500
Chairman of Audit Committee	£10,000
Chairman of Remuneration Committee	£10,000
Chairman of Nominations Committee	£5,000
Committee membership (per Committee)	£4,500
Deputy Chairman/SID (inclusive of all additional Committee fees)	£96,908
Chairman	£295,000

Fees will next be reviewed in July 2015 and any increases will be for the decision of the Board, excluding the Non-Executive Directors. The Non-Executive Chairman also receives international healthcare cover (£14,555 in 2014).

TOTAL SHAREHOLDER RETURN

The following graph shows the Company's performance over the last six years, measured by total shareholder return on a holding in the Company's shares compared to a hypothetical holding of shares in the FTSE 350 index (excluding investment trusts). The FTSE 350 index has been selected as it provides a view of our performance against a broad equity market index. We have also shown the median of the FTSE50-150 (excluding investment trusts), because it aligns with the TSR comparator group used under the PSA and closely matches the market size of our business. Note, the constituents of the FTSE 50-150 are based on the companies ranked 50th to 150th as at 31 December 2008, excluding those that have delisted since. The date of selection of constituents within that group will be updated from time to time to ensure it appropriately reflects our FTSE 50-150 TSR comparator group.



REMUNERATION REPORT CONTINUED

CEO SIX-YEAR EARNINGS HISTORY (AUDITED)

The total remuneration of the Chief Executive for each of the previous six financial years is shown in the following table. The information shows single figure remuneration, the annual bonus outcome as a percentage of the maximum, the short-term share award and the long-term share award vesting outcomes as a percentage of the maximum.

For the years 2009, 2010 and 2011, the Chairman and Chief Executive was the same individual reflecting a salary for the combined role: Andrew Sukawaty ('AS'). Rupert Pearce ('RP') became Chief Executive on 1 January 2012.

Year ended		31 Dec 2009	31 Dec 2010	31 Dec 2011	31 Dec 2012	31 Dec 2013	**31 Dec 2014(1)**
Single remuneration figure £m	AS	£2.218m	£3.661m	£2.819m	£3.850m(2)	£2.511m(2)	**£3.882m(2)**
	RP	–	–	–	£1.596m	£1.434m	**£2.352m**
Annual bonus outcome (% of max)	AS	98%	100%	84%	–	–	**-**
	RP	–	–	–	91%	83%	**96%**
BSP conversion (% of max monetary value)	AS	100%	100%	98%	–	–	**-**
	RP	–	–	–	100%	73%	**100%**
PSP award vesting (% of max)	AS	100%	100%	Nil	–	–	**-**
	RP	–	–	–	Nil	Nil	**54.47%**

(1) Please refer to page 74 for detail of the single remuneration figure.
(2) We are only required to show the single figure remuneration for each year for the Chief Executive but, as in 2012, 2013 and 2014, Mr Sukawaty was the highest paid Director as Executive Chairman, we have therefore also included the single figure for his remuneration.

PERCENTAGE CHANGE IN CEO REMUNERATION

The data for other employees relates to the average pay across staff based in the UK, which is deemed to be the most appropriate employee group. The data is based on all UK employees, including Executive Directors (apart from the CEO) and the senior management team.

	Change in remuneration from 2013 to 2014			
	CEO			Other UK employees
	2014 (£000)	2013 (£000)	% change	% change
Salary	**484.8**	451.0	7.5%	1%(3)
Taxable benefits(1)	**1.9**	1.9	0%	1.2%
Short term incentives(2)	**1,298**	962.8	34.9%	18.6%
Total	**1,785.7**	1,415.7	79.28%	5.98%

(1) Taxable benefits represents healthcare benefits; for the CEO it is different compared to the single remuneration figure as the amount excludes costs for staff entertainment.
(2) Represents the annual bonus payment for the financial year ended 31 December 2014 plus the monetary value of the shares to be awarded under the Bonus Share Plan corresponding to the financial year ended 31 December 2014.
(3) The number of employees is based on those who were in employment for the whole year.
(4) The reporting periods are 1 January to 31 December 2013 and 2014.
(5) Effective July 2014, salary increases of approximately 7% to the eligible Other UK employee workforce were awarded.

RELATIVE IMPORTANCE OF SPEND ON PAY

To assist in understanding the relative importance of spend on pay, the below shows remuneration for all employees in comparison to distributions to shareholders (dividends) and other significant spend. Capital expenditure has been presented as a measure of significant spent as it shows the investment being made in the Company's future growth.

(1) Total employee pay takes account of the impact of the disposal of the retail energy operations offset by the acquisition of Globe Wireless resulting in a lower average headcount.

DIRECTORS' SHAREHOLDING (AUDITED)

The table below shows the shareholding of each Director against their respective shareholding requirement as at 31 December 2014 based on a share price of £7.99 as at 31 December 2014:

	Shares held						
	Shares held as at 31 Dec 2013	**Shares held as at 31 Dec 2014**	Unvested and subject to deferral	Unvested and subject to performance conditions	Shareholding required (% salary)	Current[1] shareholding (% salary)	Requirement met?
Rupert Pearce	623,376	**660,252**	164,569	330,851	500%	1,269%	Yes
Tony Bates	–	–	–	–	–	–	No[2]
Andrew Sukawaty[3]	812,274	**937,228**	474,900	682,132	500%	1,834%	Yes
Simon Bax	3,000	**7,000**					
Sir Bryan Carsberg	16,327	**16,327**					
Stephen Davidson	1,500	**1,500**					
Kathleen Flaherty	3,073	**3,073**					
General C. Robert Kehler (Rtd)	–	–					
Janice Obuchowski	7,000	**7,000**					
Abe Peled	–	**10,000**					
John Rennocks	43,326	**44,291**					
Robert Ruijter	–	–					
Hamadoun Touré	–	–					
Admiral James Ellis Jr (Rtd)	21,727	**N/A**					

(1) Includes the unvested and subject to deferral shares under the BSP/BSA.
(2) Mr Bates joined the Company in June 2014. The shareholding guideline of 5x salary is to be achieved over a 5-7 period.
(3) Mr Sukawaty became Non-Executive Chairman with effect from 1 January 2015. Mr Sukawaty will receive share from share awards made to him when he was Executive Chairman which will vest on a time pro-rata basis and subject to the performance conditions being met.
(4) The unvested and subject to performance conditions includes 100% of the PSP/PSA award made in 2012 of which 54.47% will vest in 2015 as performance conditions have been partially met.
(5) Admiral James Ellis Jr (Rtd) retired from the Board on 5 March 2014.
(6) There were no changes in Directors' interests from 31 December 2014 to 5 March 2015.
(7) Several of our Non-Executive Directors have share interests in excess of 1x salary, although there is no formal shareholding requirement.

DIRECTORS' INTERESTS IN SHARES IN INMARSAT LONG-TERM INCENTIVE PLANS AND ALL-EMPLOYEE PLANS (AUDITED)

This information is accurate as at 31 December 2014. Mr Medlock left the Company on 3 January 2014 and any shares that had not vested lapsed upon his departure.

INMARSAT 2005 SHARESAVE SCHEME

	Options held at 1 January 2014	Granted during the year	Exercised during the year	**Options held at 31 December 2014**	Option price per share	Date from which exercisable	Expiry date
Andrew Sukawaty	1,960	–	–	**1,960**	£4.59	February 2016	July 2016
Rupert Pearce	1,960	–	–	**1,960**	£4.59	February 2016	July 2016

Mr Sukawaty's Sharesave options were granted to him when he was Executive Chairman. Mr Sukawaty is entitled to continue making savings to the UK Sharesave scheme as he continues to fulfil the criteria of the scheme rules to do so.

REMUNERATION REPORT CONTINUED

BONUS SHARE AWARDS

	Share awards held at 1 January 2014 or date of appointment	Awarded during the year	Reinvested dividends during the year(1)	Vested during the year(2)	**Share awards held at 31 December 2014**	Award Price	Vesting date
Andrew Sukawaty							
Share award made in March 2011(3)	34,941	–	–	34,941	**–**	£6.07	Fully vested in 2014
Share award made in March 2012(4)	235,382	–	4,777	117,691	**122,468**	£4.549	March 2014 and March 2015
Share award made in March 2013(5)	250,973	–	6,791	83,657	**174,107**	£6.50	March 2014, March 2015 and March 2016
Share award made in March 2014(6)	–	171,369	6,956	–	**178,325**	£6.89	March 2015, March 2016 and March 2017
Rupert Pearce							
Share award made in March 2011(3)	16,111	–	–	16,111	**–**	£6.07	Fully vested in 2014
Share award made in March 2012(4)	41,486	–	841	20,743	**21,584**	£4.549	March 2014 and March 2015
Share award made in March 2013(5)	98,640	–	2,668	32,880	**68,428**	£6. 50	May 2014, March 2015 and March 2016
Share award made in March 2014(6)	–	71,649	2,908	–	**74,557**	£6.89	March 2015, March 2016 and March 2017

Mr Bates joined the Company on 2 June 2014. A monetary award under the 2014 BSA was granted to him on 10 June 2014. Messrs Sukawaty and Pearce received monetary awards in March 2014. The 2014 BSA share awards will be converted in full as the performance conditions have been met. Please see pages 75 and 76 for the monetary value to be converted to shares.

(1) The number of shares subject to the award increases by the number of shares that the Executive Director could have purchased with the value of dividends they would have received on their award, based on the share price on the ex-dividend date.
(2) On 12 March 2014, Mr Sukawaty and Mr Pearce sold sufficient shares to cover tax and national insurance and retained the balance at a price of £6.86 per share, representing a monetary value of vested shares of £857,184 and £252,969 respectively.
(3) The shares vest in three equal instalments and the last instalment vested in 2014.
(4) The shares vest in three equal instalments, the second instalment vested in 2014 and the remaining instalment will vest in March 2015.
(5) The shares vest in three equal instalments with the final instalment in March 2016.
(6) The shares vest in three equal instalments with the final instalment in March 2017.

Mr Sukawaty, as Non-Executive Chairman, remains entitled to receive the shares when they vest as they were awarded and earned while he was an Executive Director.

PERFORMANCE SHARE PLAN

	Share awards held at 1 January 2014	Awarded during the year	Reinvested dividends during the year(1)	Vested during the year	Lapsed during the year	**Share awards held at 31 December 2014**	Award Price	Vesting date
Andrew Sukawaty								
Award made in 2011(2)	100,612	–	–	–	100,612	**–**	£6.11	Lapsed
Award made in 2012(3)	304,663	–	–	–	–	**304,663**	£4.54	March 2015
Award made in 2013	201,262	–	–	–	–	**201,262**	£6.87	March 2016
Award made in 2014	–	176,207	–	–	–	**176,207**	£6.98	March 2017
Rupert Pearce								
Award made in 2011(2)	42,986	–	–	–	42,986	**–**	£6.11	Lapsed
Award made in 2012(3)	135,462	–	–	–	–	**135,462**	£4.54	May 2015
Award made in 2013	98,435	–	–	–	–	**98,435**	£6.87	March 2016
Award made in 2014	–	96,954	–	–	–	**96,954**	£6.98	March 2017
Tony Bates								
Award made in 2014	–	58,919	–	–	–	**58,919**	£7.64	June 2017

(1) The number of shares subject to the award increases by the number of shares that the Executive Director could have purchased with the value of dividends they would have received on their award, based on the share price on the ex-dividend date.
(2) No amount of the 2011 PSP vested in 2014 as performance conditions were not met.
(3) 54.47% of the 2012 PSP will vest in 2015. Please see page 76 for further details.

APPROVAL

This report was approved by the Board of Directors on 5 March and signed on its behalf by:

STEPHEN DAVIDSON
CHAIRMAN, REMUNERATION COMMITTEE
5 March 2015

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the Parent Company financial statements under IFRSs as adopted by the European Union. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, 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 in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
> make an assessment of the Company's ability to continue as a going concern.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

> the financial statements, prepared in accordance with International Financial Reporting Standards, 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. This statement has been given in accordance with IFRS accounting standards.

By order of the Board

RUPERT PEARCE
DIRECTOR
5 March 2015

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INMARSAT PLC

OPINION ON THE FINANCIAL STATEMENTS OF INMARSAT PLC

In our opinion:

> the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2014 and of the Group's profit for the year then ended;
> the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
> the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
> the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Group Income Statement, Group Statement of Comprehensive Income, Group and Parent Company Balance Sheet, Group and Parent Company Statement of Changes in Equity, Group and Parent Company Cash Flow Statement and the related notes 1 to 40. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

GOING CONCERN

As required by the Listing Rules we have reviewed the Directors' statement on page 83 that the Group is a going concern. We confirm that:

> we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
> we have not identified any material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

Risk	How the scope of our audit responded to the risk
Change in segmental reporting In light of the internal business restructuring (discussed in note 5 to the financial statements), and the change of internal and external reporting to view the business on a 'vertical' basis, there is a risk that the operating segments of the business are not appropriately identified and disclosed in accordance with IFRS 8. Furthermore, there is a risk that revenues and expenses may not be appropriately allocated to the correct operating segments. Given the substantial changes to the way the business is managed and the way management information is reported internally (and hence the way financial results are presented within the Annual Report), there is a risk that inappropriate allocation could lead to material disclosure deficiencies.	We have tested the operating effectiveness of controls around the segmental classification of revenues by tracing a sample of newly activated SIM cards from activation, through the segmentation process, into the financial systems. We have reviewed and challenged assumptions applied in allocating revenues and costs between the new operating segments, including in particular the conclusion that it is not feasible to allocate the satellite and related assets to any of the other segments. We met with each of the individual business unit heads to corroborate their understanding of the historical results and position of their respective reporting segments. We have compared the internal management information as presented to the Chief Operating Decision Maker ('CODM') to the segmental disclosures made in note 5 to the financial statements to determine whether the requirements of IFRS 8 have been complied with.
The assessment of the carrying amount of goodwill and intangible assets In accordance with IAS 36, management is required to carry out an annual impairment review in respect of goodwill and intangible assets with indefinite useful lives. Included in intangibles is $422.1m of goodwill. Impairment reviews are complex, contain highly judgemental assumptions, and are predicated on management's assessment of future profitability. There is a risk that the assumptions used in the impairment reviews are inappropriate, and hence that the wrong conclusion may be drawn in respect of whether an impairment is required. The changes to the Group's reporting structure has led management to reassess the cash generating units ('CGUs'), and assets including goodwill have been reallocated accordingly as a result. Judgement is required in order to ensure that these assets have been allocated to the correct CGU, and that any such allocation has been performed on a reasonable and consistent basis.	We have carried out procedures to assess the design and implementation of the controls over the impairment of goodwill process. We have challenged the assumptions used by management in undertaking their impairment review (as described in notes 2 and 4 to the financial statements). We considered whether management's impairment review methodology is compliant with IAS 36. Our audit work focused on the assumptions used in the impairment model, including specifically: > Considering management's assessment and determination of the Group's CGUs; > Reviewing management's methodology for reallocation of goodwill and the calculations used to support the revised allocation, along with recalculating the allocation. > Agreeing the underlying cash flow projections to Board approved forecasts and corroborating the trends by evaluating recent performance, and comparing to external market expectations to understand the drivers of the forecasts; > Comparison of growth rates against those achieved historically and external market data where available; > Benchmarking of growth and discount rates to comparator companies; and > Determining whether the required disclosures have been provided;
Accounting for the acquisition of Globe Wireless LLC The acquisition of the assets of Globe Wireless LLC was completed for a consideration of $45.2m on 2 January 2014. The acquisition accounting for this transaction involves a number of judgements. There is a risk that the assumptions used in the purchase price allocation exercise are inappropriate, and hence the valuation of acquired assets and liabilities could be incorrect.	> We gained an understanding of the transaction and its rationale through discussions with management and reading of the Asset Purchase Agreement. > We have engaged our internal valuation specialists to review the methodology and assumptions employed in the valuation of acquired intangible assets and liabilities, including determining whether the assumptions used for the purpose of valuing acquired intangible assets were consistent with what a market participant would use. > We obtained the underlying cash flow forecasts and reviewed and challenged the assumptions used to assess the reasonableness of the forecasts. > We have reviewed the calculations and disclosures made in note 29 to the financial statements to determine whether these are compliant with IFRS 3.

Risk	How the scope of our audit responded to the risk
Capitalisation of development costs The Group capitalises significant internal labour costs, external costs and qualifying borrowing costs in respect of major ongoing capital projects including the Global Xpress programme, 'Europasat' and a number of IT systems. There is a risk that costs which do not meet the criteria for capitalisation in accordance with IAS 16, IAS 38 and IAS 23 are inappropriately recorded on the balance sheet rather than expensed as incurred.	We have tested the operating effectiveness of controls in respect of the processes and procedures which govern the capitalisation of development costs. Furthermore, we have carried out substantive testing in relation to each element of capitalised costs including inspecting supporting evidence for a sample of the capitalised costs, understanding the nature of the costs capitalised and considering whether they are consistent with the originally approved budget. In relation to borrowing costs we obtained the supporting calculations, verified the inputs to the calculation, including testing a sample of cash payments, tested the mechanical accuracy of the model, and reviewed the model to determine whether the borrowing costs for completed projects are no longer being capitalised. We have met with the project leaders for the most financially significant capital projects, which account for 87% of current year capital expenditure to corroborate the project status, the feasibility of completion and performance against budgets, including investigating any derivations from budget.
Accounting for the LightSquared Cooperation Agreement The Group continues to hold a material balance of deferred revenue in respect of the LightSquared Cooperation Agreement. Risks exist in relation to revenue and cost recognition for the agreement, as the accounting is reliant on management judgement, and there is a high degree of uncertainty surrounding the continued contractual relationship with LightSquared.	We have discussed the current commercial situation with respect to LightSquared with management and challenged the basis of their assumptions to ensure that the previously adopted accounting treatment continues to be appropriate, namely the continued deferral of $208.8m income in respect of consideration previously received from LightSquared until there is certainty around whether the Cooperation Agreement will be restarted and the related services will be provided. In respect of the $38.8m of previously deferred Phase 1.5 income that was recognised in the Income Statement in Q1, we have considered management's treatment of this against their previously established accounting policy. In respect of the $17.5m payment due from LightSquared on 31 December 2014 (as discussed in note 20 to the financial statements), we have assessed management's conclusion that this should not be recognised until the cash is received against the guidance outlined in IAS 18. We have conducted substantive testing of the associated revenue and costs recognised in respect of this arrangement.
Working capital provisions The Group has implemented new systematic provisioning policies in respect of inventory and trade receivables, as discussed in note 4 to the financial statements. There is a risk that if the provisioning approach does not reflect the risk profile within the underlying inventory and receivable populations, or if the provisioning policies are not correctly and consistently applied, these working capital balances could be materially misstated.	We have considered the appropriateness of the policy for the provision of doubtful receivables and inventory obsolescence by: > Critically assessing the new policy based on historic bad debt and inventory write-offs within the Group; > Understanding the design and implementation of controls in respect of conducting and reviewing the output of the general provision calculations; > Assessing the financial position of those counterparties for which a specific receivable provision has been recognised in order to conclude on the reasonableness of these provisions; > Performing substantive testing to determine the validity of the underlying data within the general provision calculation; > Mechanically recalculating the provisions based on the terms of the policy; and > Meeting with Business Unit presidents to corroborate the Group's expectation of sales of certain inventory lines and financial health of Distribution Partners.

Last year our report included one other risk which is not included in our report this year in respect of uncertain tax positions. We have not highlighted this significant audit risk given that there has been no significant change to these positions (other than the resolution of one of these cases) and we have not directed significant time and resource in this area in comparison to the previous year.

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on pages 63 and 64.

Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the financial statements is not modified with respect to any of the risks described above, and we do not express an opinion on these individual matters.

OUR APPLICATION OF MATERIALITY

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be $11.2m (2013: $16.0m). This was calculated before 31 December 2014 and was based on 5% of forecast adjusted profit before tax (2013: 5%), which resulted in approximately 5% of actual adjusted profit before tax (2013: 4%), and less than 1% (2013: less than 1%) of equity. Pre-tax profit has been adjusted to remove the impact of volatility arising from the LightSquared Cooperation agreement (discussed in note 4 to the financial statements) and the one-off impact of the re-basing of the convertible bond (discussed in note 19 to the financial statements).

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $225,000 (2013: $320,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INMARSAT PLC CONTINUED

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work at five operating locations, being the UK, Canada, Norway and two locations in the USA. All of these were subject to a full scope audit. These five locations represent the principal business locations and account for 100% of the Group's net assets, revenue and profit before tax.

They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at these locations was executed at levels of materiality applicable to each individual entity which were lower than Group materiality and calculated by reference to a proportion of Group materiality appropriate to the relative scale of the business concerned.

At the Parent Company level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The Group audit team continued to follow a programme of planned visits that has been designed so that the Senior Statutory Auditor or a senior member of the Group audit team visits each of the locations where the Group audit scope was focused at least once every two years and the most significant of them at least once a year. In the current year we visited all of the financially significant components. For all components we include the component audit partner in our team briefing, discuss their risk assessment, and review documentation of the findings from their work.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

> the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
> the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

ADEQUACY OF EXPLANATIONS RECEIVED AND ACCOUNTING RECORDS

Under the Companies Act 2006 we are required to report to you if, in our opinion:

> we have not received all the information and explanations we require for our audit; or
> adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
> the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

DIRECTORS' REMUNERATION

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

CORPORATE GOVERNANCE STATEMENT

Under the Listing Rules we are also required to review the part of the Corporate Governance Statement relating to the Company's compliance with 10 provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

OUR DUTY TO READ OTHER INFORMATION IN THE ANNUAL REPORT

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

> materially inconsistent with the information in the audited financial statements; or
> apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
> otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' Statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

STEPHEN GRIGGS FCA
(SENIOR STATUTORY AUDITOR)
FOR AND ON BEHALF OF DELOITTE LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

5 March 2015

CONSOLIDATED INCOME STATEMENT

(US$ in millions)	Note	2014	2013
Revenues		**1,285.9**	1,261.9
Employee benefit costs	7	**(237.3)**	(244.8)
Network and satellite operations costs		**(205.7)**	(235.6)
Other operating costs		**(174.1)**	(162.9)
Own work capitalised		**32.2**	30.2
Total net operating costs		**(584.9)**	(613.1)
EBITDA		**701.0**	648.8
Depreciation and amortisation	6	**(291.8)**	(232.0)
Loss on disposal of assets		**(1.2)**	(0.1)
Acquisition-related adjustments		**–**	4.6
Impairment losses	6	**(1.3)**	(185.2)
Share of profit of associates	15	**2.6**	2.3
Operating profit		**409.3**	238.4
Finance income	9	**8.1**	4.9
Finance expense	9	**(75.1)**	(54.2)
Net finance expense	9	**(67.0)**	(49.3)
Profit before income tax	6	**342.3**	189.1
Income tax expense	10	**(1.2)**	(86.5)
Profit for the year		**341.1**	102.6
Attributable to:			
Equity holders		**340.5**	102.0
Non-controlling interest		**0.6**	0.6
		341.1	102.6
Earnings per share (expressed in $ per share)			
– Basic	27	**0.76**	0.23
– Diluted	27	**0.69**	0.23
Adjusted earnings per share (expressed in $ per share)			
– Basic	27	**0.51**	0.69
– Diluted	27	**0.45**	0.68

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(US$ in millions)	Note	2014	2013
Profit for the year		**341.1**	102.6
Other comprehensive income			
Amounts subsequently reclassified to the Income Statement:			
Gain on remeasurement of available-for-sale financial asset	15	**9.4**	–
Foreign exchange translation differences		**(0.6)**	(0.2)
Net (losses)/gains on cash flow hedges	26	**(12.7)**	14.7
Tax credited/(charged) directly to equity	10	**1.1**	(3.6)
Amounts not subsequently reclassified to the Income Statement:			
Actuarial gains from pension and post-employment benefits	28	**3.4**	2.7
Tax charged directly to equity	10	**(0.6)**	(0.6)
Total other comprehensive income		**–**	13.0
Total comprehensive income		**341.1**	115.6
Attributable to:			
Equity holders		**340.5**	115.0
Non-controlling interest		**0.6**	0.6

CONSOLIDATED BALANCE SHEET

(US$ in millions)	Note	2014	2013
Assets			
Non-current assets			
Property, plant and equipment	13	**2,649.4**	2,495.9
Intangible assets	14	**799.6**	781.1
Investments	15	**10.8**	32.7
Other receivables	17	**24.4**	21.6
Deferred income tax assets	22	**26.7**	21.3
Derivative financial instruments	32	**–**	3.6
		3,510.9	3,356.2
Current assets			
Cash and cash equivalents	16	**204.4**	144.3
Trade and other receivables	17	**305.4**	277.0
Inventories	18	**28.4**	27.7
Current income tax assets	22	**8.5**	11.6
Derivative financial instruments	32	**1.4**	9.2
Assets held for sale	33	**32.9**	42.8
		581.0	512.6
Total assets		**4,091.9**	3,868.8
Liabilities			
Current liabilities			
Borrowings	19	**118.1**	399.1
Trade and other payables	20	**474.9**	515.7
Provisions	21	**3.4**	4.3
Current income tax liabilities	22	**81.3**	100.2
Derivative financial instruments	32	**5.0**	0.5
Liabilities directly associated with assets held for sale	33	**–**	19.0
		682.7	1,038.8
Non-current liabilities			
Borrowings	19	**1,987.0**	1,558.0
Other payables	20	**25.6**	26.2
Provisions	21	**27.2**	23.9
Deferred income tax liabilities	22	**186.3**	174.1
		2,226.1	1,782.2
Total liabilities		**2,908.8**	2,821.0
Net assets		**1,183.1**	1,047.8
Shareholders' equity			
Ordinary shares	24	**0.3**	0.3
Share premium		**687.6**	687.4
Equity reserve		**56.9**	56.9
Other reserves		**66.7**	62.9
Retained earnings		**371.1**	240.0
Equity attributable to shareholders		**1,182.6**	1,047.5
Non-controlling interest		**0.5**	0.3
Total equity		**1,183.1**	1,047.8

The consolidated financial statements of the Group on pages 88 to 130 were approved by the Board of Directors on 5 March 2015 and were signed on its behalf by:

RUPERT PEARCE
CHIEF EXECUTIVE OFFICER

TONY BATES
CHIEF FINANCIAL OFFICER

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(US$ in millions)	Ordinary share capital	Share premium account	Equity reserve	Share option reserve	Cash flow hedge reserve(2)	Revaluation reserve(2)	Currency reserve	Other reserve(1)	Retained earnings	Non-controlling interest	Total
Balance at 1 January 2013	0.3	687.4	56.9	56.5	(2.5)	0.6	0.4	(11.5)	336.7	1.1	1,125.9
Share options charge	–	–	–	5.0	–	–	–	3.5	1.6	–	10.1
Dividends paid	–	–	–	–	–	–	–	–	(202.4)	(0.2)	(202.6)
Transfer to liabilities directly associated with assets held for sale	–	–	–	–	–	–	–	–	–	(1.2)	(1.2)
Comprehensive Income: Profit for the period	–	–	–	–	–	–	–	–	102.0	0.6	102.6
Other comprehensive income – before tax	–	–	–	–	14.7	–	(0.2)	–	2.7	–	17.2
Other comprehensive income – tax	–	–	–	–	(3.6)	–	–	–	(0.6)	–	(4.2)
Balance at 31 December 2013	0.3	687.4	56.9	61.5	8.6	0.6	0.2	(8.0)	240.0	0.3	1,047.8
Share options charge	–	–	–	1.0	–	–	–	5.6	0.6	–	7.2
Issue of share capital	–	0.2	–	–	–	–	–	–	–	–	0.2
Dividends paid	–	–	–	–	–	–	–	–	(212.8)	(0.3)	(213.1)
Transfer to liabilities directly associated with assets held for sale	–	–	–	–	–	–	–	–	–	(0.1)	(0.1)
Comprehensive Income: Profit for the period	–	–	–	–	–	–	–	–	340.5	0.6	341.1
Other comprehensive income – before tax	–	–	–	–	(12.7)	9.4	(0.6)	–	3.4	–	(0.5)
Other comprehensive income – tax	–	–	–	–	2.5	(1.4)	–	–	(0.6)	–	0.5
Balance at 31 December 2014	0.3	687.6	56.9	62.5	(1.6)	8.6	(0.4)	(2.4)	371.1	0.5	1,183.1

(1) The other reserve relates to ordinary shares held by the employee share trust.
(2) Note 26.

CONSOLIDATED CASH FLOW STATEMENT

(US$ in millions)	Note	2014	2013
Cash flows from operating activities			
Cash generated from operations	23	653.4	614.8
Interest received		0.9	2.6
Income taxes paid		(9.5)	(20.3)
Net cash inflow from operating activities		644.8	597.1
Cash flows from investing activities			
Purchase of property, plant and equipment		(345.9)	(516.1)
Additions to capitalised development costs and other intangibles		(29.0)	(35.1)
Own work capitalised		(30.8)	(29.3)
Acquisition of subsidiaries and other investments	29	(46.2)	(3.2)
Proceeds on disposal of assets	33	27.5	–
Net cash used in investing activities		(424.4)	(583.7)
Cash flows from financing activities			
Dividends paid to shareholders	12	(212.6)	(200.5)
Repayment of EIB Facility	19	(44.1)	(44.0)
Drawdown of Ex-Im Bank Facilities	19	106.9	145.9
Repayment of Ex-Im Bank Facilities	19	(13.4)	–
Redemption of Senior Notes due 2017	19	(882.8)	–
Gross issuance proceeds of Senior Notes due 2022	19	991.9	–
Interest paid on borrowings		(89.0)	(100.6)
Arrangement costs of financing	19	(13.8)	(5.0)
Net proceeds from the issue of ordinary shares	24	0.2	–
Other financing activities		0.3	(0.3)
Net cash used in financing activities		(156.4)	(204.5)
Foreign exchange adjustment		(0.4)	(0.2)
Net increase/(decrease) in cash and cash equivalents		63.6	(191.3)
Cash and cash equivalents			
At the beginning of the year		140.8	332.1
Net increase/(decrease) in cash and cash equivalents		63.6	(191.3)
At the end of the year	16	204.4	140.8
Comprising:			
Cash at bank and in hand	16	40.7	50.4
Short-term deposits with original maturity of less than three months	16	163.7	93.9
Bank overdrafts	16	–	(3.5)
		204.4	140.8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Inmarsat plc (the 'Company' or, together with its subsidiaries, the 'Group') is a company incorporated in the United Kingdom and domiciled in England and Wales. The address of its registered office is 99 City Road, London EC1Y 1AX, United Kingdom. The nature of the Group's operations and its principal activities are set out in note 5.

The Company's ticker symbol on the London Stock Exchange is ISAT.L.

2. PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The principal accounting policies adopted in the preparation of the consolidated financial statements for the years ended 31 December 2014 and 2013 (the 'consolidated financial statements') are set out below.

These financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRSs') adopted by the European Union ('EU') and therefore the Group's financial statements comply with Article 4 of the EU International Accounting Standards ('IAS') regulation and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention except for the revaluation of certain financial assets and financial liabilities, as described later in these accounting policies.

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

The Group's business activities, together with factors likely to affect its future development, performance and position are set out in the Strategic Report which encompasses the Chairman's Review, the Chief Executive's Review and the Financial Review on pages 1 to 49. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 38 to 43. In addition, notes 3, 31 and 32 to the financial statements include the Group's objectives, policies and processes for managing its financial risk management objectives, its capital, details of its financial instruments and hedging activities, and its exposure to credit and liquidity risks.

BASIS OF ACCOUNTING

The preparation of the consolidated financial statements in conformity with IFRS 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. Although these estimates are based on management's best estimate of the amounts, events or actions, the actual results ultimately may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

In addition, the following Standards and Interpretations, as adopted by the EU, are effective for the first time in the current financial year and have been adopted by the Group with no significant impact on its consolidated results or financial position:

> IFRS 10 – Consolidated Financial Statements;
> IFRS 11 – Joint Arrangements;
> IFRS 12 – Disclosures of Interests in Other Entities;
> IAS 27 (revised) – Separate Financial Statements (2011);
> IAS 28 (revised) – Investments in Associates and Joint Ventures (2011);
> IAS 32 (amended) – Financial Instruments;
> IAS 36 (amended) – Impairment of Assets;
> IAS 39 (amended) – Financial Instruments; and
> IFRIC 21 – Levies (effective for financial years beginning on or after 1 January 2014).

At the date of approval of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

> IAS 19 (amended) – Employee Benefits;
> IFRS 10 (amended) – Consolidated Financial Statements;
> IFRS 11 (amended) – Joint Arrangements; and
> IFRS 15 – Revenue from Contracts with Customers.

The Group is currently assessing the impact of the above new Standards and Interpretations on its results, balance sheet and cash flows.

BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its domestic and overseas subsidiary undertakings. Subsidiary undertakings include all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than 50% of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The results of subsidiary undertakings established or acquired during the period are included in the Consolidated Profit and Loss Account 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.

On the acquisition of a company or a business, fair values reflecting conditions at the date of acquisition are attributed to the identifiable separable assets, liabilities and contingent liabilities acquired. Where the fair value of the total consideration, both paid and deferred, exceeds the fair value of the identifiable separable assets, liabilities and contingent liabilities acquired, the difference is treated as purchased goodwill. Fees and similar incremental costs incurred directly in making the acquisition are recorded in the Income Statement as incurred, in line with IFRS 3. Where there is a revision of the estimated fair value attributed to the assets or liabilities of an acquired subsidiary which occurs after the end of the measurement period, acquisition-related adjustments are recognised in the Income Statement.

Where the deferred consideration is payable in cash, the liability is discounted to its present value. Where the deferred consideration is contingent upon future trading performance, an estimate of the present value of the deferred consideration payable is made. The contingent deferred consideration is reassessed annually and any gain or loss on remeasurement is recorded in the Income Statement.

Investments in associates are initially recognised at cost. Subsequent to acquisition the carrying value of the Group's investment in associates includes the Group's share of profit of associates, less dividends paid by the associate to the Group, and less any impairment losses. The income statement reflects the Group's share of profit after tax of the associate.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount 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 original combination.

FOREIGN CURRENCY TRANSLATION

a) Functional and presentation currency

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

The hedged rate between US Dollar and Pound Sterling for 2014 for the Group's Sterling operating expenditures was US$1.54/£1.00 (2013: US$1.57/£1.00).

b) Transactions and balances

Transactions not denominated in the functional currency of the respective subsidiary undertakings of the Group during the year have been translated using the spot rates of exchange ruling at the dates of the transactions. Differences on exchange arising on the settlement of the transactions denominated in currencies other than the respective functional currency are recognised in the Income Statement.

Monetary assets and liabilities not denominated in the functional currency of the respective subsidiary undertaking of the Group have been translated at the spot rates of exchange ruling at the end of each month. Differences on exchange arising from the translation of monetary assets and liabilities denominated in currencies other than the respective functional currency are recognised in equity to the extent that the foreign exchange exposure is hedged while the remaining differences are recognised in the Income Statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. PRINCIPAL ACCOUNTING POLICIES CONTINUED

FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the relevant instrument and derecognised when it ceases to be a party to such provisions. Financial instruments are initially measured at fair value. Subsequent measurement depends on the designation of the instrument. Non-derivative financial assets are classified as trade receivables, other receivables, accrued income, short-term deposits or cash and cash equivalents. They are stated at amortised cost using the effective interest method, subject to reduction for allowances for estimated irrecoverable amounts. For interest-bearing assets, their carrying value includes accrued interest receivable. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts, which are included as current borrowings in liabilities on the Balance Sheet. Non-derivative financial liabilities are classified as borrowings, trade payables, other liabilities and accruals and stated at amortised cost using the effective interest method. For borrowings, their carrying value includes accrued interest payable, as well as unamortised issue costs.

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational and financing activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting under IAS 39 are accounted for as trading instruments. Derivatives are initially recognised and measured at fair value on the date the derivative contract is entered into and subsequently measured at fair value. The gain or loss on remeasurement is taken to the Income Statement except where the derivative is a designated cash flow hedging instrument.

In order to qualify for hedge accounting, the Group is required to document in advance the relationship between the item being hedged and the hedging instrument. The Group is also required to demonstrate that the hedge will be highly effective on an ongoing basis. This effectiveness testing is reperformed at each period end to ensure that the hedge remains highly effective.

Gains or losses on cash flow hedges that are regarded as highly effective are recognised in equity. Where the forecast transaction results in a financial asset or liability, gains or losses previously recognised in equity are reclassified to the Income Statement in the same period as the asset or liability impacts income. If the forecasted transaction or commitment results in future income or expenditure, gains or losses deferred in equity are transferred to the Income Statement in the same period as the underlying income or expenditure. The ineffective portions of the gain or loss on the hedging instrument are recognised immediately in the Income Statement.

Where a hedge no longer meets the effectiveness criteria, any gains or losses deferred in equity are only transferred to the Income Statement when the committed or forecasted transaction is recognised in the Income Statement. However, where the Group has applied cash flow hedge accounting for a forecasted or committed transaction that is no longer expected to occur, the cumulative gain or loss that has been recorded in equity is transferred to the Income Statement. When a hedging instrument expires or is sold, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement.

REVENUE RECOGNITION

Mobile satellite communications services revenue results from utilisation charges that are recognised as revenue in the period during which the services are provided. Deferred income attributable to mobile satellite communications services or subscription fees represents the unearned balances remaining from amounts received from customers pursuant to prepaid contracts. Revenue from the sale of prepaid credit is deferred until such time as the customer uses the airtime, or the credit expires. The Group also enters into minimum spend contracts with customers, known as 'take-or-pay' contracts, whereby customers agree to purchase a minimum amount of mobile satellite communications services over a fixed period. Any unused portion of the prepaid contracts or the take-or-pay contracts ('breakage') is recognised in revenue in line with service provision when reasonable assurance as to the breakage amount exists, or otherwise when the contract expires. Mobile satellite communications services lease revenues are recorded on a straight-line basis over the term of the contract concerned, which is typically between one and 12 months, unless another systematic basis is deemed more appropriate.

Revenue also includes income from spectrum coordination agreements, services contracts, other communications services and income from the sale of terminals and other communication equipment. Revenue from spectrum coordination agreements is recognised using the percentage of completion or straight-line approach depending on the underlying terms of the agreement (see note 4(e)). Revenue from service contracts is recognised as the service is provided. Sales of terminals and other communication equipment are recognised when the risks and rewards of ownership are transferred to the purchaser.

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

EMPLOYEE BENEFITS

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

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

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

All actuarial gains and losses that arise in calculating the present value of the defined benefit obligation and the fair value of plan assets are immediately recognised in the Statement of Comprehensive Income.

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

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

CURRENT TAX

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

DEFERRED INCOME TAX

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

RESEARCH AND DEVELOPMENT

Research expenditure is expensed when incurred. Development expenditure is expensed when incurred unless it meets criteria for capitalisation. Development costs are only capitalised once the technical feasibility and commercial viability of a business case has been demonstrated and they can be measured reliably. Capitalised development costs are amortised on a straight-line basis over their expected useful economic life.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. PRINCIPAL ACCOUNTING POLICIES CONTINUED

PROPERTY, PLANT AND EQUIPMENT

Space segment assets

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

Assets in the course of construction

These assets will be transferred to space segment assets and depreciated over the life of the satellites or services once they become operational and placed into service. No depreciation has yet been charged on these assets.

Other fixed assets

Other fixed assets are stated at historical cost less accumulated depreciation.

Depreciation

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

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.

Government grants

Government grants have been received in relation to the purchase and construction of certain assets. Government grants are deducted from the cost of the relevant assets to arrive at the carrying amount. The grants are therefore recognised as income over the lives of the assets by way of a reduced depreciation charge.

Gains and losses on disposals of tangible and intangible assets

Gains and losses on disposals are determined by comparing net proceeds with the carrying amount. These are included in the Income Statement.

Intangible assets

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

Intangible assets arise from separate purchases and acquisitions as part of business combinations. In addition, internally-generated intangible assets are recognised only if all the following conditions are met:

> an asset is created that can be identified;
> it is probable that the asset created will generate future economic benefits; and
> the development cost of the asset can be reliably measured.

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

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

Impairment reviews

At each balance sheet date, the Group reviews the carrying amounts of assets that are subject to amortisation and depreciation to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, an impairment review is conducted. Intangible assets with an indefinite life are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Impairment testing involves a comparison of the carrying amount of the asset with its recoverable amount, which is the higher of fair value less costs to sell and value in use. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit ('CGU') to which the asset belongs. Fair value less costs to sell is calculated by reference to the amount at which the asset could be disposed of. Value in use is calculated by discounting the expected future cash flows obtainable as a result of the asset's continued use, including those resulting from its ultimate disposal, at a market-based discount rate on a pre-tax basis.

CGUs are identified as groups of assets, liabilities and associated goodwill that generate cash flows that are largely independent of other cash flow streams. The assets and liabilities include those directly involved in generating the cash flows and, where a reliable and consistent basis exists, an appropriate proportion of corporate assets.

An impairment loss is recognised in the Income Statement whenever the carrying amount of an asset exceeds its recoverable amount. The carrying amount will only be increased where an impairment loss recognised in a previous period for an asset other than goodwill either no longer exists or has decreased, up to the amount that it would have been had the original impairment not occurred. Any impairment to goodwill recognised in a previous period is not reversed.

Investments

Available-for-sale investments are recorded at fair value with gains and losses recorded directly in equity. Investments in equity instruments that do not have quoted market prices in active markets are recorded at cost. Investments are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be fully recoverable.

Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases by the lessee. Rentals payable under operating leases are charged to the Income Statement on a straight-line basis over the term of the lease.

Non-current assets and disposal groups held for sale

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

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

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

Interest and finance costs

Interest on borrowings and other financial liabilities is recognised in the Income Statement using the effective interest method.

The finance costs recognised in respect of the convertible borrowings includes the accretion of the liability component to the amount that will be payable on redemption.

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.

Cash and cash equivalents

Cash and cash equivalents, measured at fair value, 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. Bank overdrafts are shown as current liabilities within borrowings on the Balance Sheet.

Provisions

Provisions, other than in respect of pension and post-employment benefits, are recognised when the Group has a legal or constructive obligation to transfer economic benefits arising from past events and the amount of the obligation can be estimated reliably. Provisions are not recognised unless the outflow of economic benefits to settle the obligation is more likely than not to occur.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. PRINCIPAL ACCOUNTING POLICIES CONTINUED

Borrowings

Borrowings are initially recognised as proceeds received, net of transaction and arrangement costs incurred. Borrowings are subsequently stated at amortised cost. Transaction and arrangement costs of borrowings and the difference between the proceeds and the redemption value are recognised in the Income Statement over the life of the borrowings using the effective interest method.

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

Convertible Bonds

Convertible Bonds that can be converted into share capital at the option of the holder are considered and accounted for as compound financial instruments, consisting of a liability component and an equity component in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible debt instrument. The embedded call and put options, since they are closely linked to the underlying instrument, are valued and recognised as part of the liability. The total liability is recognised on an amortised cost basis until extinguished on conversion or maturity of the bonds. The equity component initially brought to account is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole and represents the option for the holder to convert the bonds into equity of the Company. This conversion option is recognised and included directly in equity and is not subsequently remeasured. Issue costs are apportioned between the liability and equity components based on their respective carrying amounts at the date of issue.

On conversion, the liability is reclassified to equity and no gain or loss is recognised in the Income Statement. Where the convertible borrowing is redeemed early or repurchased in a way that does not alter the original conversion privileges, the consideration paid is allocated to the liability and equity components. The consideration relating to the equity component is recognised in equity and the amount of gain or loss relating to the liability element is recognised in the Income Statement.

Earnings before interest, tax, depreciation and amortisation ('EBITDA')

EBITDA is a non-GAAP performance measure used by analysts and investors, and is defined for the purposes of our reporting as profit before interest, taxation, depreciation and amortisation, loss on disposal of assets, acquisition-related adjustments, impairment losses and share of profit of associates.

3. FINANCIAL RISK MANAGEMENT

FINANCIAL RISK FACTORS

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

The Board of Directors has delegated to a subcommittee, the Treasury Review Committee, the responsibility for setting the financial risk management policies applied by the Group. The policies are implemented by the treasury department which receives regular reports from the operating companies to enable prompt identification of financial risks so that appropriate actions may be taken. The treasury department has a policy and procedures manual that sets out specific guidelines for managing foreign exchange risk, interest rate risk and credit risk (see note 32). The management of the Group does not hold or issue derivative financial instruments for speculative or trading purposes.

(A) MARKET RISK

(i) Foreign exchange risk

The functional currency of Inmarsat plc is the US Dollar. The vast majority of the Group's long-term borrowings are denominated in US Dollars, the majority of its revenue is earned in US Dollars and the vast 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, approximately 24% (2013: 25%) of the Group's operating costs are denominated in Pounds Sterling. The Group operates internationally, resulting in approximately 6% and 46% of revenue and expenditure, respectively, being denominated in currencies other than the US Dollar. The Group's exposures therefore need to be carefully managed to avoid variability in future cash flows and earnings caused by volatile foreign exchange rates.

The foreign currency hedging policy of the Group is to economically hedge a minimum of 50% of anticipated foreign currency exposure in operating expenses for the next 12 months and up to a maximum of 100% for the next three years on a rolling basis.

As at 31 December 2014 it is estimated that:

> a hypothetical 1% inflation of the hedged US Dollar/Sterling exchange rate (US$1.54/£1.00 to US$1.56/£1.00) would have decreased the 2014 profit before tax by approximately $1.1m (2013: $1.0m);

> a hypothetical 1% deflation in the US Dollar/Sterling and a 1% deflation in the US Dollar/Euro foreign currency spot rates at 31 December 2014 would have decreased equity by $1.0m and $0.1m, respectively (2013: $1.6m and $0.1m, respectively), primarily as a result of the changes in fair value of derivative instruments designated as cash flow hedges.

Management believes that a 1% sensitivity rate provides a reasonable basis upon which to assess expected changes in foreign exchange rates.

(ii) Price risk

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

(B) INTEREST RATE RISK

Given the Group has no significant interest-bearing assets (except cash and cash equivalents and non-current other receivables), income and operating cash flows are substantially independent of changes in market interest rates. Interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The EIB Facility is at a variable rate whilst the Senior Notes due 2022, the Convertible Bonds and the Ex-Im Facilities are at fixed rates.

As at 31 December 2014, if interest rates on net borrowings changed by 1%, with all other variables held constant, the Group's profit after tax for the year would have been impacted by $0.3m (2013: $2.2m). This is primarily due to the Group's exposure to movements on interest rates on its variable rate borrowings and cash and cash equivalents. The sensitivity analysis has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the liability outstanding at each balance sheet date was outstanding for the whole year. Management believes that a 1% sensitivity rate provides a reasonable basis upon which to assess expected changes in interest rates.

(C) CREDIT RISK

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

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

(US$ in millions)	Note	2014	2013
Cash and cash equivalents	16	204.4	144.3
Trade receivables, other receivables and accrued income	17	242.1	239.2
Derivative financial instruments	32	1.4	12.8
Total credit risk		**447.9**	396.3

The Group's average age of trade receivables as at 31 December 2014 (excluding the impact of LightSquared) was approximately 66 days (as at 31 December 2013: 61 days). At 31 December 2014, $174.5m (2013: $140.5m) 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. As a result of acquiring the assets of Globe Wireless in 2014 and the alignment of provisioning policies for uncollectible trade receivables across the Group, and assessments of the general trading environment, the provision for uncollectible trade receivables increased to $18.4m as at 31 December 2014 (2013: $10.5m).

For 2014, one (2013: one) distribution partner comprised approximately 12.2% (2013: 15.2%) of the Group's total revenues. This same customer comprised 20.3% (2013: 24.0%) of the Group's trade receivables balance as at 31 December 2014. No other customer accounted for 10% or more of the Group's revenue for 2014 or 2013, or for 10% of the Group's accounts receivable as at 31 December 2014 or 31 December 2013.

The ageing profile of overdue trade receivables net of provisions and revenue adjustments is:

(US$ in millions)	Note	2014	2013
Between 1 and 30 days overdue		40.2	28.4
Between 31 and 120 days overdue		16.4	30.7
Over 120 days overdue		0.2	8.1
As at 31 December	17	**56.8**	67.2

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. FINANCIAL RISK MANAGEMENT CONTINUED

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

(US$ in millions)	Note	2014	2013
Cash and cash equivalents	16	204.4	144.3
Available but undrawn borrowing facilities[1]	19	990.3	906.5
Total available liquidity		1,194.7	1,050.8

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

(A) ESTIMATED IMPAIRMENT OF GOODWILL

The Group annually undertakes tests to determine whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2. The carrying amounts of goodwill and intangible assets are given in note 14.

During 2014, the Group reorganised its operating segments to reflect the way the business is being viewed by the Chief Operating Decision Maker ('CODM') (see note 5). As a result of the reorganisation, the lowest levels for which separate cash flows are identifiable are the operating segments. As required under IFRS, goodwill was allocated to the new CGUs using the relative value approach. Corporate assets are allocated to the CGUs where a reasonable and consistent allocation basis exists. Where corporate assets could not be allocated on a reasonable and consistent basis they were included within the carrying amount of the total Group and compared to the recoverable amount of the total Group.

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

(US$ in millions)	Allocated Goodwill	Pre-tax Discount rate	Long-term growth rate
Maritime	215.5	9.1%	2.5%
Enterprise	54.8	9.1%	2.5%
Aviation	46.4	9.1%	2.5%
US Government	50.6	9.1%	2.5%
Global Government	54.8	9.1%	2.5%
Total Group	422.1	8.9%	2.5%

As at 31 December 2013, the Group's CGUs were Inmarsat Global, Stratos, Segovia and Ship Equip. The carrying value of goodwill allocated to the Stratos, Segovia and Ship Equip CGUs was fully impaired. The carrying amount of goodwill allocated to the Inmarsat Global CGU was $407.4m.

Recoverable amount

The recoverable amount of each CGU is based on the value in use, which is determined using cash flow projections derived from financial plans approved by management covering a five-year period. For certain significant projects currently under development, a five-year period is not indicative of the long-term performance as operations may not have reached maturity. For these projects, the Group extends the plan for an additional five-year period. They reflect management's expectations of revenue, EBITDA growth, capital expenditure, working capital and operating cash flows, based on past experience and future expectations of business performance. Cash flows beyond the five-year period have been extrapolated using perpetuity growth rates, as outlined below.

Growth rates

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

Discount rates

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

Goodwill impairment

No impairment was identified in respect of the goodwill allocated to the CGUs in 2014. In 2013, an impairment charge of $144.5m was recognised in respect to goodwill. This related to the impairment of goodwill originally recognised by the Group on the acquisition of the Stratos, Segovia and Ship Equip businesses (impairment of $76.8m, $34.2m and $33.5m, respectively).

In addition, during 2013, $9.4m of goodwill impairment losses were recognised in relation to a correction made to depreciation in 2013 relating to prior periods in the Stratos CGU. This resulted in the carrying value of the Stratos CGU being increased above the estimated recoverable amount of the Stratos CGU at 31 December 2012 and therefore a further impairment charge was recognised based on the revised carrying amount of the CGU at 31 December 2012. In addition, a further $5.9m of goodwill impairment losses were recognised in relation to the Stratos CGU following an impairment review conducted prior to reclassification of certain assets as held for sale during 2013 (see note 33).

(B) OTHER SIGNIFICANT IMPAIRMENT LOSSES

During 2014, impairment losses related to property plant and equipment, intangible assets and other were $0.9m, $0.3m, and $0.1m, respectively.

Following the 2013 goodwill impairment review, $17.8m of impairment losses were recognised in relation to customer relationships attributed to the Segovia CGU. This was to ensure that the estimated value in use of the CGU was reflected in the financial statement for the year ended 31 December 2013.

In addition, in the year ended 31 December 2013, tangible fixed assets were impaired by $20.5m and other intangible assets (excluding goodwill) were impaired by $1.1m, following an adjustment to the carrying value of the retail energy assets being disposed of in the RigNet transaction to write them down to their fair value less costs to sell prior to their classification as held for sale assets.

(C) PENSION ARRANGEMENTS AND POST-EMPLOYMENT BENEFITS ASSUMPTIONS

The weighted average discount rate used to calculate the pension and post-employment benefits liabilities was 3.74% (2013: 4.72%) (see note 28).

(D) INCOME TAX

The calculation of the Group's current and deferred tax balances, including potential liabilities or assets, necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority, or, as appropriate, through a formal legal process. Issues can, and often do, take a number of years to resolve. The amounts recognised or disclosed are derived from the Group's best estimation and judgement. However, the inherent uncertainty regarding the outcome of these means eventual realisation could differ from the accounting estimates and therefore impact the Group's results and cash flows. In addition, a contingent liability has been disclosed for the year ended 31 December 2014 in respect of arrangements which were entered into in prior periods (see note 35).

(E) REVENUE IN RESPECT OF THE LIGHTSQUARED COOPERATION AGREEMENT

In December 2007, Inmarsat and LightSquared LP, Skyterra (Canada) Inc. and LightSquared Inc. (together 'LightSquared') 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 LightSquared in North America. To date total payments of $578.0m have been received under the Cooperation Agreement, including $31.6m in 2014 (2013: $nil). The Group has, thus far, recognised $369.2m of revenue and $23.4m of operating costs under all phases of the agreement. For the year ended 31 December 2014, the Group recognised $75.4m of revenue and $0.2m of operating costs, in respect of all phases (year ended 31 December 2013: $12.3m and $3.3m, respectively).

On 31 March 2014, LightSquared elected to restart Phase 2 of the Cooperation Agreement and in connection with this election notice a payment of $5.0m was received and recognised as revenue. As a result of the election, LightSquared has recommenced quarterly payments to Inmarsat. On 2 January 2015, Inmarsat issued a default notice to LightSquared indicating the $17.5m payment due 31 December 2014 had not been received in accordance with the quarterly payment schedule. As at 31 December 2014, no revenue has been recognised in respect of the amount owing from LightSquared, as the Group's policy is to not recognise revenue when there is significant uncertainty of receiving payment.

In connection with the Group's accounting for different phases of the Cooperation Agreement, the accounting method considered most appropriate to the individual phase, including the percentage of completion method and straight-line method in the case of both revenues and costs has been used. Where the percentage of completion method was used, we have had to measure the number of man-hours undertaken against an estimate of the total man-hours required to complete the phase or activity. Similarly, we have measured costs incurred against an estimate of the total costs required to complete the phase or activity. The key area of estimation uncertainty relates to the Directors' estimates of the total time/costs that will be incurred and the Directors' estimate of the percentage of completion of the time and costs that the Group has incurred.

(F) PROVISION FOR UNCOLLECTABLE TRADE RECEIVABLES

As a result of uncertainties inherent in business activities, the Group estimates its required provision for uncollectable trade receivables at the end of each period. The estimate is based on the Group's judgement using the latest information available; the Group's provision for uncollectable trade receivables at 31 December 2014 is $18.7m (2013: $10.5m).

(G) ALLOWANCE FOR OBSOLESCENCE OF INVENTORIES

The Group maintains allowances for obsolescence against old or slow-moving inventories. The estimate is based on the Group's judgement using the latest information available; the Group's allowance for obsolescence of inventories at 31 December 2014 is $15.1m (2013: $3.5m).

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

The key judgements involved in the capitalisation of space segment assets and associated borrowings costs are:

> whether the capitalisation criteria of the underlying IFRSs 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

5. SEGMENTAL INFORMATION

During the year ended 31 December 2014, the Group revised its operating segments to reflect the way the business is being viewed by the CODM. The revised operating segments are based on a vertical market presentation and are now aligned to five market-facing Business Units, being:

> Maritime, focusing on worldwide commercial maritime services;
> Enterprise, focusing on worldwide energy, industry, media, carriers, and M2M services;
> Aviation, focusing on commercial aviation services;
> US Government, focusing on US civil and military government services; and
> Global Government, focusing on worldwide civil and military government services.

These five Business Units are supported by 'Central Services' which includes satellite operations and backbone infrastructure, corporate administrative costs, and all other income that is not directly attributable to the individual Business Units. The Group has aggregated the US Government and Global Government operating segments into one reporting segment, as the segments meet the criteria for aggregation under IFRS. Therefore, the Group's reportable segments are Maritime, Enterprise, Aviation, Government and Central Services.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Segment profit represents the profit earned by each segment without allocation of central costs, investment revenue, finance costs and income tax expense.

BUSINESS SEGMENTS:

The tables below represent segmental information based on the revised basis with 2013 restated accordingly.

	2014					
(US$ in millions)	Maritime[1]	Government	Enterprise	Aviation	Central Services	Total
Revenue						
MSS and other	595.6	319.9	166.7	101.1	27.2	1,210.5
LightSquared	–	–	–	–	75.4	75.4
Total revenue	595.6	319.9	166.7	101.1	102.6	1,285.9
Net operating costs	(145.2)	(103.5)	(64.6)	(13.9)	(257.7)	(584.9)
EBITDA	450.4	216.4	102.1	87.2	(155.1)	701.0
Depreciation and amortisation	(35.6)	(9.3)	(0.2)	(2.1)	(244.6)	(291.8)
Impairment losses	–	–	–	–	(1.3)	(1.3)
Other	–	–	–	–	1.4	1.4
Operating result	414.8	207.1	101.9	85.1	(399.6)	409.3
Net finance expense						(67.0)
Profit before income tax						342.3
Income tax expense						(1.2)
Profit for the year						341.1
Capital expenditure	35.3	5.6	3.3	48.3	332.2	424.7
Depreciation	24.5	2.8	0.2	2.0	190.6	220.1
Amortisation of intangible assets	11.1	6.5	–	0.1	54.0	71.7

(1) Includes Globe Wireless from 1 January 2014 (see note 29).

	2013 (restated)					
(US$ in millions)	Maritime	Government	Enterprise	Aviation	Central Services	Total
Revenue						
MSS and other	524.8	408.3	221.6	73.4	21.5	1,249.6
LightSquared	–	–	–	–	12.3	12.3
Total revenue	524.8	408.3	221.6	73.4	33.8	1,261.9
Net operating costs	(108.3)	(140.4)	(106.0)	(6.2)	(252.2)	(613.1)
EBITDA	416.5	267.9	115.6	67.2	(218.4)	648.8
Depreciation and amortisation	(25.5)	(10.6)	(3.6)	(2.1)	(190.2)	(232.0)
Impairment losses[1]	–	–	–	–	(185.2)	(185.2)
Other	–	–	–	–	6.8	6.8
Operating result	391.0	257.3	112.0	65.1	(587.0)	238.4
Net finance expense						(49.3)
Profit before income tax						189.1
Income tax expense						(86.5)
Profit for the year						102.6
Capital expenditure	31.3	4.9	6.5	2.5	611.4	656.6
Depreciation	19.3	3.0	3.4	2.0	137.5	165.2
Amortisation of intangible assets	6.2	7.6	0.2	0.1	52.7	66.8

(1) Impairment losses in 2013 relate primarily to goodwill and customer relationship intangibles of the former Inmarsat Solutions segment and the Stratos, Segovia and Ship Equip CGUs and have been allocated entirely to the Central Services reporting segment for comparative purposes.

GEOGRAPHICAL SEGMENTS:

The Group mainly operates in the geographic areas shown in the table below. The home country of the Group is the United Kingdom, with its head office and central operations located in London.

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.

	2014		2013	
(US$ in millions)	Revenue	Non-current segment assets[1]	Revenue	Non-current segment assets[1]
United Kingdom	82.4	799.2	94.4	774.5
Rest of Europe	476.9	619.0	424.3	266.1
North America	391.2	755.8	438.5	1,006.1
Asia and Pacific	282.7	68.9	254.7	32.9
Rest of the world	52.7	0.1	50.0	0.1
Unallocated[2]	–	1,267.9	–	1,272.9
	1,285.9	3,510.9	1,261.9	3,352.6

(1) In line with IFRS 8, 'Operating Segments', non-current segment assets exclude derivative financial instruments.
(2) Unallocated items relate to satellites which are in orbit.

6. PROFIT BEFORE INCOME TAX

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

Profit before income tax is stated after charging the following items:

(US$ in millions)	Note	2014	2013
Depreciation of property, plant and equipment	13	220.1	165.2
Amortisation of intangible assets	14	71.7	66.8
Impairment of goodwill	4	–	144.5
Impairment of customer relationships	14	–	18.1
Impairment of software	14	0.3	0.8
Impairment of services, equipment, fixtures and fittings	13	0.4	20.5
Impairment of non-current other receivables		0.6	1.3
Operating lease rentals			
Land and buildings		20.3	20.2
Services equipment, fixtures and fittings		1.7	1.5
Cost of inventories recognised as an expense		59.2	67.0
Research and development costs expensed		20.0	14.4

The total remuneration paid to the Group's Auditor and other member firms of Deloitte Touche Tohmatsu Limited is analysed below:

(US$ in millions)	2014	2013
Audit fees:		
Audit of the Parent Company	0.2	0.2
Audit of subsidiaries	1.2	1.1
	1.4	1.3
Audit-related fees:		
Audit-related assurance services	0.2	0.3
Total audit and audit-related fees	1.6	1.6
Fees for other services:		
Tax compliance services	–	0.2
Tax advisory services	0.9	0.7
Other services[1]	0.1	0.4
Total fees for other services	1.0	1.3
Total Auditor's remuneration	2.6	2.9

(1) Other services in 2014 relate to a corporate financing transaction, while services in 2013 relate to system implementation costs which have subsequently been capitalised on the Balance Sheet.

At 31 December 2014, the Group had contractually committed to $nil of services to be completed in the 2015 financial year (31 December 2013: $0.2m for services to be completed in the 2014 financial year).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

7. EMPLOYEE BENEFIT COSTS (INCLUDING THE EXECUTIVE DIRECTORS)

(US$ in millions)	Note	2014	2013
Wages and salaries		200.8	201.1
Social security costs		16.5	16.6
Share options charge (including employers' National Insurance contribution)		11.3	15.7
Defined contribution pension plan costs		7.0	7.6
Defined benefit pension plan costs(1)	28	1.4	3.6
Post-employment benefits costs(1)	28	0.3	0.2
Total employee benefit costs		237.3	244.8

(1) Defined benefit pension plan costs and post-employment benefits costs include the service cost and gain on curtailment in 2014 (see note 28).

EMPLOYEE NUMBERS

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

	2014	2013
By activity:		
Operations	784	767
Sales and marketing	300	323
Development and engineering	156	163
Administration	352	369
	1,592	1,622
By segment:		
Maritime	356	201
Government	181	188
Enterprise	70	242
Aviation	28	14
Central Services	957	977
	1,592	1,622

8. EXECUTIVE AND NON-EXECUTIVE DIRECTORS' REMUNERATION

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

(US$ in millions)	2014	2013
Short-term employee benefits	6.0	4.8
Company contributions to defined contribution pension schemes(1)	0.2	0.2
Share-based payments(2)	6.7	6.3
	12.9	11.3

(1) Includes the value of cash allowances taken by two Executive Directors in lieu of pension contributions.
(2) Includes employers National Insurance or other social security contributions.

On 2 June 2014, Tony Bates joined the Company as Chief Financial Officer and was appointed as an Executive Director, effective the same date. Rick Medlock resigned from his position as Chief Financial Officer and as an Executive Director of Inmarsat plc on 3 January 2014.

The Annual Report on Remuneration contains full disclosure of Directors' remuneration on pages 73 and 74. As at 31 December 2014, none of the Directors (2013: two) were members of the Group's defined contribution pension plan. One Director is a member of the US 401k Plan (2013: one).

9. NET FINANCE EXPENSE

(US$ in millions)	2014	2013
Interest on Senior Notes and credit facilities	84.3	84.9
Interest on Convertible Bonds	(18.3)	29.5
Interest rate swaps	–	8.0
Unwinding of discount on deferred satellite liabilities	1.4	1.8
Amortisation of debt issue costs	16.0	8.2
Amortisation of discount on Senior Notes due 2022	0.5	–
Redemption premium on Senior Notes due 2017	32.8	–
Other interest	0.3	0.9
Finance expense	117.0	133.3
Less: Amounts capitalised in the cost of qualifying assets	(41.9)	(79.1)
Total finance expense	75.1	54.2
Bank interest receivable and other interest	1.5	3.3
Net amortisation of premium on Senior Notes due 2017	6.0	1.5
Pension and post-employment liability finance income	0.6	0.1
Total finance income	8.1	4.9
Net finance expense	67.0	49.3

During 2014, a non-recurring credit of $48.5m was recognised to interest expense on the Convertible Bonds arising from an adjustment to the expected maturity date, due to the expiration of the bond holder's redemption option in November 2014.

Borrowing costs capitalised in the cost of qualifying assets during the year are calculated by applying a capitalisation rate to expenditures on such assets. The average interest capitalisation rate for the year was 3.79% (2013: 7.51%).

10. INCOME TAX EXPENSE

Income tax expense recognised in the Income Statement:

(US$ in millions)	2014	2013
Current tax expense:		
Current year	(41.0)	(30.0)
Adjustments in respect of prior periods	45.9	(46.7)
Total current tax credit/(expense)	4.9	(76.7)
Deferred tax expense:		
Origination and reversal of temporary differences	(18.1)	(29.9)
Adjustments in respect of prior periods	9.3	(3.1)
Adjustments due to reduction in the UK corporation tax rate	2.7	23.2
Total deferred tax expense	(6.1)	(9.8)
Total income tax expense	(1.2)	(86.5)

Of the total $55.2m adjustment in respect of prior periods recognised in 2014, $53.1m relates to the release of a provision for potential tax liabilities which had been recognised in 2013 in relation to the Inmarsat-4 satellites. This provision is being released in 2014 as the HMRC review into this matter has now been concluded.

Reconciliation of effective tax rate:

(US$ in millions)	2014	2013
Profit before tax	342.3	189.1
Income tax at 21.50% (2013: 23.25%)	(73.6)	(44.0)
Differences in overseas tax rates	2.4	0.6
Adjustments in respect of prior periods	55.2	(49.8)
Adjustments due to reduction in the UK corporation tax rate	2.7	23.2
Impact of prior year losses not previously recognised	6.9	4.3
Impact of prior year temporary differences recognised (excluding losses)	8.7	–
Impact of current year losses not recognised	(1.7)	(2.0)
Non-deductible impact of goodwill impairment	–	(17.0)
Other non-deductible expenses/non-taxable income	(1.8)	(1.8)
Total income tax expense	(1.2)	(86.5)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

10. INCOME TAX EXPENSE CONTINUED

Tax credited directly to equity:

(US$ in millions)	2014	2013
Current tax credit on share options	0.4	–
Deferred tax credit on share options	0.2	1.6
Total tax credited directly to equity	**0.6**	1.6

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

(US$ in millions)	2014	2013
Current tax credit on cash flow hedges	0.2	–
Deferred tax credit/(charge) relating to gains on cash flow hedges	2.3	(3.6)
Deferred tax charge on actuarial gains and losses from pension and post-employment benefits	(0.6)	(0.6)
Deferred tax charge on remeasurement of available for sale financial asset	(1.4)	–
Total tax credited/(charged) directly to other comprehensive income	**0.5**	(4.2)

11. NET FOREIGN EXCHANGE LOSSES/(GAINS)

(US$ in millions)	Note	2014	2013
Pension and post-retirement liability	28	(0.8)	(0.3)
Other operating costs		2.7	(1.1)
Total foreign exchange losses/(gains)		**1.9**	(1.4)

12. DIVIDENDS

During 2014, the 2014 interim dividend of $83.7m (18.68 cents per ordinary share) and the 2013 final dividend of $129.1m (28.82 cents per ordinary share) were paid to the Company's shareholders. During 2013, the 2013 interim dividend of $79.6m (17.79 cents per ordinary share) and the 2012 final dividend of $122.8m (27.45 cents per ordinary share) were paid to the Company's shareholders.

A final dividend for the 2014 financial year of 30.26 cents per ordinary share, amounting to a total dividend of $135.6m, is to be proposed at the Annual General Meeting on 6 May 2015. In accordance with IAS 10, these financial statements do not reflect this final dividend payable.

(US$ in cents)	2014	2013
Interim dividend paid per ordinary share	18.68	17.79
Final dividend per ordinary share	30.26	28.82
Total dividend per ordinary share	**48.94**	46.61

13. PROPERTY, PLANT AND EQUIPMENT

(US$ in millions)	Freehold land and buildings	Services, equipment, fixtures and fittings	Space segment	Assets in the course of construction	Total
Cost:					
1 January 2013	16.4	286.6	2,075.8	1,081.3	3,460.1
Additions	1.7	21.3	157.9	436.0	616.9
Acquisitions	–	0.4	–	–	0.4
Disposals	–	(2.7)	(142.7)	–	(145.4)
Transfers from assets in the course of construction	–	2.4	288.5	(290.9)	–
Transferred to assets held for sale	(3.0)	(83.7)	(4.4)	–	(91.1)
31 December 2013	15.1	224.3	2,375.1	1,226.4	3,840.9
Additions	**1.7**	**18.6**	**85.3**	**266.8**	**372.4**
Acquisitions	**0.1**	**2.7**	**–**	**0.4**	**3.2**
Disposals	**–**	**(3.5)**	**(141.4)**	**–**	**(144.9)**
Transfers from assets in the course of construction	**–**	**–**	**413.7**	**(413.7)**	**–**
31 December 2014	**16.9**	**242.1**	**2,732.7**	**1,079.9**	**4,071.6**
Accumulated depreciation:					
1 January 2013	(6.6)	(218.1)	(1,153.8)	–	(1,378.5)
Charge for the year	(1.5)	(17.1)	(146.6)	–	(165.2)
Impairment losses[1]	–	(20.5)	–	–	(20.5)
Disposals	–	2.3	142.4	–	144.7
Transferred to assets held for sale	1.0	71.9	1.6	–	74.5
31 December 2013	(7.1)	(181.5)	(1,156.4)	–	(1,345.0)
Charge for the year	**(1.5)**	**(26.2)**	**(192.4)**	**–**	**(220.1)**
Impairment losses	**–**	**(0.4)**	**–**	**–**	**(0.4)**
Disposals	**–**	**2.8**	**140.5**	**–**	**143.3**
31 December 2014	**(8.6)**	**(205.3)**	**(1,208.3)**	**–**	**(1,422.2)**
Net book amount at 31 December 2013	8.0	42.8	1,218.7	1,226.4	2,495.9
Net book amount at 31 December 2014	**8.3**	**36.8**	**1,524.4**	**1,079.9**	**2,649.4**

(1) Relates to impairment of certain assets prior to their classification as held for sale.

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

Space segment assets:	
Satellites	13–15 years
Other space segment, including ground infrastructure	5–12 years
Fixtures and fittings, and services-related equipment	3–15 years
Buildings	20 years

At 31 December 2014 and 2013, the Group was carrying freehold land and buildings with a net book value of $nil. Had the freehold land and buildings been revalued on a market basis, their carrying amount at 31 December 2014 would have been $12.5m (2013: $14.9m). Market valuation is based on the Directors' best estimates.

In 2014 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 2014 were $1.7m (2013: $2.7m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

14. INTANGIBLE ASSETS

(US$ in millions)	Goodwill	Trademarks	Software	Patents and intellectual property	Terminal development and network access costs	Customer relationships	Spectrum rights, orbital slots and licences	Total
Cost:								
1 January 2013	765.4	49.9	194.3	14.7	130.1	386.8	16.8	1,558.0
Additions	–	–	27.8	–	7.0	–	4.9	39.7
Acquisitions	1.2	–	–	–	–	1.2	–	2.4
Transferred to assets held for sale	–	–	–	–	–	–	(3.1)	(3.1)
31 December 2013	766.6	49.9	222.1	14.7	137.1	388.0	18.6	1,597.0
Additions	**–**	**–**	**20.0**	**–**	**22.2**	**–**	**10.1**	**52.3**
Acquisitions	**14.7**	**0.6**	**7.0**	**–**	**–**	**16.0**	**–**	**38.3**
Disposals	**–**	**(29.6)**	**–**	**–**	**–**	**(0.2)**	**(1.8)**	**(31.6)**
31 December 2014	**781.3**	**20.9**	**249.1**	**14.7**	**159.3**	**403.8**	**26.9**	**1,656.0**
Accumulated amortisation and impairment losses:								
1 January 2013	(214.7)	(38.3)	(121.7)	(14.7)	(64.9)	(127.4)	(5.8)	(587.5)
Charge for the year	–	(1.0)	(19.7)	–	(12.8)	(31.0)	(2.3)	(66.8)
Impairment losses	(144.5)	–	(0.8)	–	–	(18.1)	–	(163.4)
Transferred to assets held for sale	–	–	–	–	–	–	1.8	1.8
31 December 2013	(359.2)	(39.3)	(142.2)	(14.7)	(77.7)	(176.5)	(6.3)	(815.9)
Charge for the year	**–**	**(1.3)**	**(24.7)**	**–**	**(10.6)**	**(30.7)**	**(4.4)**	**(71.7)**
Disposals	**–**	**29.5**	**–**	**–**	**–**	**0.2**	**1.8**	**31.5**
Impairment losses	**–**	**–**	**–**	**–**	**–**	**–**	**(0.3)**	**(0.3)**
31 December 2014	**(359.2)**	**(11.1)**	**(166.9)**	**(14.7)**	**(88.3)**	**(207.0)**	**(9.2)**	**(856.4)**
Net book amount at 31 December 2013	407.4	10.6	79.9	–	59.4	211.5	12.3	781.1
Net book amount at 31 December 2014	**422.1**	**9.8**	**82.2**	**–**	**71.0**	**196.8**	**17.7**	**799.6**

Goodwill represents the excess of consideration paid on an acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to CGUs for the purpose of impairment testing. During 2013, the Group recorded impairment charges of $144.5m in respect of goodwill (see note 4(a)).

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

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

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

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

Spectrum rights acquired as a result of the acquisition of Stratos are being amortised over their useful lives of 5 years.

Orbital slots and licences relate to the Group's Alphasat satellite, GX programme and other licences acquired, and each individual asset is reviewed to determine whether it has a finite or indefinite useful life. Amortisation of the GX programme finite life assets will commence when the Inmarsat-5 satellites are operational. Indefinite life assets will be tested annually for impairment.

15. INVESTMENTS

(US$ in millions)	As at 31 December 2014	As at 31 December 2013
Investments held at cost	–	23.5
Interest in associates	10.8	9.2
Total investments	**10.8**	**32.7**

On 7 November 2014, the Group announced that it had entered into binding agreements to sell its 19% holding in SkyWave to ORBCOMM Inc. for total proceeds of $32.9m. The investment is classified as an available for sale financial asset. As at 31 December 2014, the Group reclassified the investment in SkyWave to assets held for sale and remeasured the asset to fair market value, recognising an after-tax gain of $8.0m in other comprehensive income.

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

Cash dividends received from the associates for the year ended 31 December 2014 total $1.1m (2013: $1.2m). The Group's aggregate share of its associates' profits for the year is $2.6m (2013: $2.3m) and has been recognised in the Income Statement.

16. CASH AND CASH EQUIVALENTS

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

(US$ in millions)	As at 31 December 2014	As at 31 December 2013
Cash at bank and in hand	40.7	50.4
Short-term deposits with original maturity of less than three months	163.7	93.9
Cash and cash equivalents	**204.4**	**144.3**

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

(US$ in millions)	Note	As at 31 December 2014	As at 31 December 2013
Cash and cash equivalents		204.4	144.3
Bank overdrafts	19	–	(3.5)
Net cash and cash equivalents		**204.4**	**140.8**

17. TRADE AND OTHER RECEIVABLES

(US$ in millions)	As at 31 December 2014	As at 31 December 2013 (restated)
Current:		
Trade receivables	220.4	207.7
Other receivables	7.3	20.5
Prepayments and accrued income	77.7	48.8
Total trade and other receivables	**305.4**	**277.0**
Non-current:		
Prepayments and accrued income	3.9	2.3
Pension asset	18.0	14.6
Other receivables	2.5	4.7
Total other receivables	**24.4**	**21.6**

During 2014, the Group changed the classification of certain accrued income accounts, which are now presented within trade receivables. As a result of this change in presentation, $12.8m of prepayments and accrued income were reclassified to trade receivables as at 31 December 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

17. TRADE AND OTHER RECEIVABLES CONTINUED

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

(US$ in millions)	2014	2013
1 January	10.5	12.2
Charged to the provision in respect of the current year	9.0	0.8
Utilised in the year	(0.5)	(2.0)
Provision released in the year	(0.3)	(0.5)
As at 31 December(1)	**18.7**	10.5

(1) The maturity of the Group's provision for uncollectable trade receivables for the year ended 31 December 2014 is $4.2m between 1 and 30 days overdue, $7.8m between 31 and 120 days overdue and $6.7m over 120 days overdue (2013: $0.4m current, $1.1m between 1 and 30 days, $2.1m between 31 and 121 days and $6.9m over 120 days).

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

18. INVENTORIES

(US$ in millions)	As at 31 December 2014	As at 31 December 2013
Finished goods	28.0	27.7
Work in progress	0.4	–
Total inventories	**28.4**	27.7

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

(US$ in millions)	As at 31 December 2014	As at 31 December 2013
1 January	3.5	3.3
Charged to the allowance in respect of the current year	12.3	0.2
Provision released in the year	(0.7)	–
As at 31 December	**15.1**	3.5

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

19. BORROWINGS

(US$ in millions)	As at 31 December 2014 Gross amount	Deferred finance cost[1]	Net balance	As at 31 December 2013 Gross amount	Deferred finance cost[1]	Net balance
Current:						
Bank overdrafts	–	–	–	3.5	–	3.5
Deferred satellite payments[2]	5.9	–	5.9	10.6	–	10.6
EIB Facility[3]	44.1	–	44.1	44.1	–	44.1
Ex-Im Bank Facilities[4] [5]	68.1	–	68.1	13.3	–	13.3
Convertible Bonds[6]	–	–	–	325.6	(1.0)	324.6
– Accretion of principal	–	–	–	3.0	–	3.0
Total current borrowings	118.1	–	118.1	400.1	(1.0)	399.1
Non-current:						
Deferred satellite payments[2]	17.4	–	17.4	23.6	–	23.6
Senior Notes due 2017[7]	–	–	–	850.0	(8.7)	841.3
– Net issuance premium	–	–	–	5.9	–	5.9
Senior Notes due 2022[8]	1,000.0	(8.7)	991.3	–	–	–
– Net issuance discount	(7.6)	–	(7.6)	–	–	–
EIB Facility[3]	132.1	(0.6)	131.5	176.2	(1.1)	175.1
Ex-Im Bank Facilities[4] [5]	568.9	(18.9)	550.0	530.2	(18.1)	512.1
Convertible Bonds[6]	301.3	–	301.3	–	–	–
– Accretion of principal	3.1	–	3.1	–	–	–
Total non-current borrowings	2,015.2	(28.2)	1,987.0	1,585.9	(27.9)	1,558.0
Total borrowings[9]	2,133.3	(28.2)	2,105.1	1,986.0	(28.9)	1,957.1

(1) Borrowings are recorded net of unamortised deferred finance costs in the Balance Sheet.
(2) Deferred satellite payments represent amounts payable to satellite manufacturers which become payable annually depending on the continued successful performance of the satellite. The gross amounts of the deferred satellite payments have been discounted to net present value using a weighted average rate of 4.7% (2013: 5.1%).
(3) In 2010, the Group signed an 8-year facility agreement from the European Investment Bank (the 'EIB Facility'). No additional funding is available under this facility, which matures on 30 April 2018 and is repayable in equal annual instalments. Interest is equal to three-month USD LIBOR plus a margin, payable in January, April, July, and October each year.
(4) In 2011, the Group signed a 12.5-year $700.0m direct financing agreement with the Export-Import Bank of the United States (the 'Ex-Im Bank 2011 Facility'). The facility has a total availability period of 4 years and will then be repayable in equal instalments over a further 8.5 years. Drawings under the facility incur interest at a fixed rate of 3.11% for the life of the loan. As at 31 December 2014, total drawings of $569.3m have been made under the facility.
(5) In November 2014, the Group signed a 7-year $185.9m direct financing agreement with the Export-Import Bank of the United States (the 'Ex-Im Bank 2014 Facility'). The facility has a total availability period of 2 years and will then be repayable in equal semi-annual instalments over a further 5 years. Drawings under the facility incur interest at a fixed rate of 1.96% for the life of the loan. As at 31 December 2014, total drawings of $67.7m have been made under the facility.
(6) In 2007, the Group issued $287.7m in principal amount of 1.75% Convertible Bonds due 2017 (the 'Convertible Bonds'). The bonds are convertible into ordinary shares of the Company and have a 1.75% per annum coupon payable semi-annually and a yield to maturity of 4.50%. The total number of common shares to be issued if all bonds are converted is 22.7 million shares and the conversion price as at 31 December 2014 is $12.31. The conversion price is subject to periodic adjustment if dividends paid on ordinary shares exceed defined levels. The bonds will mature in November 2017 and can be settled in cash or converted to common shares at the prevailing conversion price at that time. At 31 December 2013, the Convertible Bonds were recorded as a current liability due to the possibility of redemption in November 2014. However, only bonds with a total accreted principal amount of $0.9m were redeemed before expiration of the redemption option.
(7) On 4 June 2014, the Group redeemed the entire principal amount of $850.0m outstanding under the 7.375% Senior Notes due 2017 (the 'Senior Notes due 2017'). A redemption premium of $32.8m was recognised and the remaining unamortised debt issue costs in relation to the Notes of $7.8m were written-off to finance expense. In addition, at redemption the unamortised net premium on the Senior Notes due 2017 was written-off to the Income Statement resulting in a credit to finance income of $5.3m.
(8) On 4 June 2014, the Group issued $1 billion aggregate principal amount of 4.875% Senior Notes due 2022 (the 'Senior Notes due 2022'). The aggregate gross proceeds were $991.9m, net of $8.1m issuance discount. In addition, capitalised issuance costs of $9.2m were recorded in relation to the Senior Notes due 2022.
(9) In 2011, the Group signed a 5-year $750.0m revolving credit facility (the 'Senior Credit Facility') with a group of commercial banks as lenders. Advances under the facility bear interest at a rate equal to the applicable USD LIBOR, plus a margin of between 1.00% and 2.50% determined by reference to the Group's ratio of net debt to EBITDA. As at 31 December 2014 and 2013, there were no drawings on the Senior Credit Facility.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

19. BORROWINGS CONTINUED

Convertible bonds

The net proceeds received from the issue of the Convertible Bonds were initially split into a liability component of $224.3m and an equity component of $56.9m. The equity component represents the fair value of the option to convert the liability into equity of the Group as follows:

(US$ in millions)	
Fair value of Convertible Bonds issued	287.7
Cost of issue	(6.5)
Net proceeds	281.2
Equity component	(56.9)
Liability component at date of issue	224.3
Cumulative interest charged to 31 December 2013	129.8
Cumulative amortisation of debt issue costs to 31 December 2013	4.1
Cumulative coupon interest to 31 December 2013	(30.6)
Liability component at 31 December 2013	327.6
Interest charged	**(18.3)**
Redemption of convertible bonds	**(0.9)**
Amortisation of debt issue costs	**1.0**
Coupon interest	**(5.0)**
Liability component at 31 December 2014	**304.4**

The interest charged for the year is calculated by applying an effective interest rate of 9.88% to the liability component. The total interest charge is split between the coupon interest charge of $5.0m and accreted interest of $25.2m. The coupon interest is paid semi-annually in May and November each year until maturity. Similarly, the bonds accrete semi-annually in May and November each year until maturity. During 2014, a non-recurring credit of $48.5m was recognised against interest charged on the Convertible Bonds arising from an adjustment to the expected maturity date, due to the expiration of the bond holder's redemption option in November 2014.

Maturity of borrowings

The maturity of non-current borrowings is as follows:

(US$ in millions)	As at 31 December 2014	As at 31 December 2013
Between one and two years	**130.7**	103.6
Between two and five years	**688.8**	1,173.5
After five years	**1,167.5**	280.9
	1,987.0	1,558.0

The Directors consider the carrying value of borrowings, other than the Senior Notes due 2022 and Convertible Bonds to approximate to their fair value (see note 32). The effective interest rates at the balance sheet dates were as follows:

Effective interest rate %	2014	2013
Bank overdrafts	**1.25**	1.50
EIB Facility	**1.57**	1.52
Senior Notes due 2017	**–**	7.375
Senior Notes due 2022	**4.875**	–
Ex-Im Bank 2011 Facility	**3.11**	3.11
Ex-Im Bank 2014 Facility	**1.96**	–
Deferred satellite payments	**4.70**	5.10
Convertible Bonds	**9.88**	9.88

20. TRADE AND OTHER PAYABLES

(US$ in millions)	As at 31 December 2014	As at 31 December 2013
Current:		
Trade payables	**136.5**	132.4
Deferred consideration	**2.0**	3.1
Other taxation and social security payables	**5.1**	5.2
Other creditors	**3.3**	2.5
Accruals and deferred income[1]	**328.0**	372.5
Total trade and other payables	**474.9**	515.7
Non-current:		
Deferred consideration	**0.4**	0.7
Other payables	**25.2**	25.5
Total other payables	**25.6**	26.2

(1) Includes $208.8m (2013: $252.6m) of deferred income relating to payments received from LightSquared. During 2014, $43.8m was released to the Income Statement to reflect revenue earned, based on the percentage of completion method (2013: $12.3m).

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

21. PROVISIONS

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

(US$ in millions)	Asset retirement obligations	Other provisions	Total
Current:			
As at 1 January 2013	0.1	5.4	5.5
Charged in respect of current year	–	4.3	4.3
Utilised in current year	(0.2)	(5.9)	(6.1)
Transferred from non-current liabilities	0.6	–	0.6
As at 31 December 2013	0.5	3.8	4.3
Charged in respect of current year	**–**	**4.3**	**4.3**
Utilised in current year	**–**	**(5.0)**	**(5.0)**
Revision in estimated timing of settlement	**(0.2)**	**–**	**(0.2)**
As at 31 December 2014	**0.3**	**3.1**	**3.4**

The Group's other provisions relate primarily to restructuring charges. The associated cash flows in respect of the restructuring provisions outstanding at 31 December 2014 are expected to occur within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

21. PROVISIONS CONTINUED

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

(US$ in millions)	Post-employment benefits	Pension	Asset retirement obligations	Other provisions	Total
Non-current:					
As at 1 January 2013	16.5	4.2	4.1	0.6	25.4
Charged to Income Statement in respect of current year	1.3	2.4	0.2	1.2	5.1
Credited directly to Comprehensive Income in respect of current year	(0.1)	(2.6)	–	–	(2.7)
Contributions paid	–	(2.2)	–	–	(2.2)
Utilised in current year	(0.3)	(0.7)	–	(0.2)	(1.2)
Transferred to liabilities associated with assets held for sale	–	–	(2.5)	–	(2.5)
Net movement in pension asset	–	2.6	–	–	2.6
Transferred to current liabilities	–	–	(0.6)	–	(0.6)
As at 31 December 2013	17.4	3.7	1.2	1.6	23.9
Charged to Income Statement in respect of current year	**–**	**1.1**	**0.1**	**4.2**	**5.4**
Credited directly to Comprehensive Income in respect of current year	**1.3**	**(4.7)**	**–**	**–**	**(3.4)**
Contributions paid	**–**	**(1.7)**	**–**	**–**	**(1.7)**
Utilised in current year	**(0.3)**	**(0.2)**	**–**	**(0.1)**	**(0.6)**
Net movement in pension asset	**–**	**3.4**	**–**	**–**	**3.4**
Revision in estimated timing of settlement	**–**	**–**	**0.2**	**–**	**0.2**
As at 31 December 2014	**18.4**	**1.6**	**1.5**	**5.7**	**27.2**

At 31 December 2014 and 31 December 2013, the Group's largest defined benefit pension plan was in an asset position and therefore included in non-current other receivables (see note 17).

Asset retirement obligations relate to the expected costs of removing equipment from leased premises.

Included in long-term other provisions are charges relating to legal and other disputes, including notifications of possible claims. The Group's Directors have established provisions after taking into account the facts of each case.

22. CURRENT AND DEFERRED INCOME TAX ASSETS AND LIABILITIES

The current income tax asset of $8.5m and current income tax liability of $81.3m (2013: $11.6m and $100.2m, respectively), represent the income tax payable in respect of current and prior periods less amounts paid.

RECOGNISED DEFERRED INCOME TAX ASSETS AND LIABILITIES

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

	As at 31 December 2014			As at 31 December 2013		
(US$ in millions)	**Assets**	**Liabilities**	**Net**	Assets	Liabilities	Net
Property, plant and equipment and intangible assets	**(10.5)**	**166.2**	**155.7**	(0.3)	144.0	143.7
Borrowing costs capitalised in the cost of qualifying assets	**–**	**37.7**	**37.7**	–	30.5	30.5
Other	**(7.2)**	**1.2**	**(6.0)**	(7.2)	4.0	(3.2)
Pension and post-employment benefits	**(1.1)**	**0.8**	**(0.3)**	(1.1)	0.3	(0.8)
Share options	**(6.9)**	**–**	**(6.9)**	(6.6)	–	(6.6)
Loss carry forwards	**(20.6)**	**–**	**(20.6)**	(10.8)	–	(10.8)
Net deferred income tax liabilities	**(46.3)**	**205.9**	**159.6**	(26.0)	178.8	152.8

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:

(US$ in millions)	As at 31 December 2014	As at 31 December 2013
Deferred income tax assets	(26.7)	(21.3)
Deferred income tax liabilities	186.3	174.1
Net deferred income tax liabilities	159.6	152.8

Movement in temporary differences during the year:

(US$ in millions)	As at 1 January 2014	Globe Wireless acquisition	Recognised in income	Recognised in equity	As at 31 December 2014
Property, plant and equipment and intangible assets	143.7	1.2	10.8	–	155.7
Borrowing costs capitalised in the cost of qualifying assets	30.5	–	7.2	–	37.7
Other	(3.2)	–	(1.9)	(0.9)	(6.0)
Pension and post-employment benefits	(0.8)	–	(0.1)	0.6	(0.3)
Share options	(6.6)	–	(0.1)	(0.2)	(6.9)
Loss carry forwards	(10.8)	–	(9.8)	–	(20.6)
Total	152.8	1.2	6.1	(0.5)	159.6

(US$ in millions)	As at 1 January 2013	TC Comms acquisition	Transferred to held for sale	Recognised in income	Recognised in equity	As at 31 December 2013
Property, plant and equipment and intangible assets	138.9	–	(1.0)	5.8	–	143.7
Borrowing costs capitalised in the cost of qualifying assets	19.5	–	–	11.0	–	30.5
Other	(3.9)	–	–	(2.9)	3.6	(3.2)
Pension and post-employment benefits	(1.4)	–	–	–	0.6	(0.8)
Share options	(3.9)	–	–	(1.1)	(1.6)	(6.6)
Loss carry forwards	(7.9)	0.1	–	(3.0)	–	(10.8)
Total	141.3	0.1	(1.0)	9.8	2.6	152.8

Total unprovided deferred tax assets:

(US$ in millions)	As at 31 December 2014	As at 31 December 2013
Temporary timing differences	–	(9.6)
Unused income tax losses	(3.1)	(6.9)
Unused capital losses	(25.1)	(25.3)
Total	(28.2)	(41.8)

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 (2013: $9.1m), resulting in a deferred tax liability of $nil (2013: $0.5m).

The Budget announced by the UK Chancellor on 20 March 2013 included changes to the main rate of corporation tax for UK companies. The standard rate of corporation tax was reduced from 23% to 21% from 1 April 2014 and there will be a further reduction to 20% with effect from 1 April 2015. The deferred tax assets and liabilities at the Balance Sheet date are calculated at the substantively enacted rate of 20%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

23. CASH GENERATED FROM OPERATIONS

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

(US$ in millions)	2014	2013
Profit for the year	341.1	102.6
Adjustments for:		
Depreciation and amortisation	291.8	232.0
Income tax expense	1.2	86.5
Finance expense	75.1	54.2
Finance income	(8.1)	(4.9)
Non-cash employee benefit costs	11.3	15.7
Forward exchange contracts	2.1	(2.3)
Share of profit of associates, net of dividends received	(1.5)	(1.1)
Loss on disposal of assets	1.2	0.1
Acquisition-related adjustments	–	(4.6)
Impairment losses	1.3	185.2
Non-cash foreign exchange movements	2.7	1.3
Changes in net working capital:		
Increase in trade and other receivables	(8.7)	(10.9)
Decrease/(increase) in inventories	3.1	(6.5)
Decrease in trade and other payables	(61.3)	(35.0)
Increase in provisions	2.1	2.5
Cash generated from operations	653.4	614.8

24. SHARE CAPITAL

(US$ in millions)	As at 31 December 2014	As at 31 December 2013
Authorised:		
1,166,610,560 ordinary shares of €0.0005 each (2013: 1,166,610,560)	0.7	0.7
	0.7	0.7
Allotted, issued and fully paid:		
448,321,387 ordinary shares of €0.0005 each (2013: 448,301,122)	0.3	0.3
	0.3	0.3

During the year ended 31 December 2014, a total of 20,265 (2013: 439,276) ordinary shares of €0.0005 each were allotted and issued by the Company under its employee share schemes. No shares were repurchased during 2014 or 2013.

25. EMPLOYEE SHARE OPTIONS AND AWARDS

The Group operates a number of share plans used to award options and shares to Directors and employees as part of their remuneration packages. During 2014, the Inmarsat plc Executive Share Plan ('ESP') was approved by shareholders and replaced the previous Executive Share Plans. Share awards since May 2014 have been made in accordance with the new share plan rules. Under the ESP the Company can grant Bonus Share Awards ('BSA') and Performance Share Awards ('PSA'), which replicate the previous Bonus Share Plan ('BSP') and Performance Share Plan ('PSP') awards. The costs of these awards are recognised in the Income Statement (see note 7) based on the fair value of the awards on the grant date. Further information on how these are calculated can be found below and under 'Employee benefits' in the principal accounting policies on page 95.

Staff Value Participation Plan

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

A summary of all share activity within the Trust, which reflects the options outstanding under the 2004 Plan as at 31 December 2014, is as follows:

	Shares available for grant	2004 Plan options outstanding	Weighted average exercise price per option
Balance at 1 January 2013	814,688	77,026	£3.72
Exercised – International Share Incentive Plan	(38,533)	–	
Balance at 31 December 2013	776,155	77,026	£3.72
Exercised – Staff Value Participation Plan	–	(26,511)	£7.23
Exercised – Bonus Share Plan	(552,027)	–	
Balance at 31 December 2014	224,128	50,515	£3.74
Exercisable at 31 December 2014		50,515	
Exercise price per tranche		€1.00	

The weighted average of the remaining contractual life for the 2004 Plan at 31 December 2014 is less than one year.

Bonus Share Award

Awards have been made regularly under the BSA to Executive Directors and certain members of senior management. Further information on awards granted to Directors can be found in the 'Remuneration Report' on pages 66 to 82.

Awards are made in the form of a conditional allocation of shares. The performance conditions attached to the BSA are non-market based performance conditions. Any dividends paid by the Company will accrue and be added as additional shares upon vesting.

Details of the operation of the BSA can be found in the Annual Report on Remuneration.

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

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

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

Performance Share Award

The PSA makes regular annual awards to Executive Directors and certain members of senior management. Further information on awards granted to Directors can be found in the 'Remuneration Report' on pages 66 to 82. Participants are entitled to receive the value of any dividends that are paid between the date of award and the date of vesting in the form of additional shares. Any such additional shares are only added to the number of shares which will vest subject to performance conditions being satisfied.

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

The performance conditions for the PSA are based on the Group's Total Shareholder Return ('TSR') relative to constituents of the FTSE 50-150 and FTSE 350 Indices (excluding investment trusts), depending upon the year of the award, and on EBITDA measured over a three-year period. For the awards made in 2012, 2013 and 2014, the vesting schedule is structured so that 50% of the reward is linked to the performance of TSR and 50% is linked to EBITDA, as individual performance measures. The market-based performance condition has been incorporated into the fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

25. EMPLOYEE SHARE OPTIONS AND AWARDS CONTINUED

The fair values and the assumptions used in the calculation of PSA awards vesting or due to vest in 2014 or after are as follows:

	Performance Share Awards			
Grant date	18 May 2011	30 March 2012	19 March 2013	19 March 2014
Grant price	£6.07	£4.603	£7.00	£7.08
Exercise price	nil	nil	nil	nil
Bad leaver rate	0%	0%	0%	0%
Vesting period	3 years	3 years	3 years	3 years
Volatility	32.1%	33.9%	34.1%	32.7%
Fair value per share option	£3.17	£3.61	£5.76	£5.52

Both the BSA and PSA share awards expire 10 years after date of grant or such shorter period as the Remuneration Committee may determine before the grant of an award. For share awards outstanding at the period end the weighted average of the remaining contractual life for the BSA and PSA share awards at 31 December 2014 is 1.3 and 1.1 years, respectively.

UK Sharesave Scheme and International Sharesave Plan

The UK Sharesave Scheme is an approved HM Revenue and Customs scheme. A grant made in December 2012 with an option price of £4.59 (reflecting the maximum discount permitted of 20%) will mature in February 2016.

The International Sharesave Plan mirrors the operation of the UK Sharesave Scheme as closely as possible. Participants are given either the opportunity to receive options in the same way as the UK Sharesave Scheme, or the spread between the share price at the date of exercise and the grant price, delivered (at the Company's discretion) in cash or shares. It is the Company's intention to satisfy the awards using shares, some of which are held by the Trust and some of which will be newly-issued. A grant made in December 2012 with an option price of £4.59 will mature in February 2016.

Options under the UK Sharesave Scheme and International Sharesave Plan expire after a maximum of 3.5 years following the initial savings payments having been made. The remaining contractual life for the current grant of the UK Sharesave Scheme and International Sharesave Plan at 31 December 2014 is 1.5 years for each plan.

Employee Stock Purchase Plan

The Employee Stock Purchase Plan ('ESPP') is for US and Canadian employees to purchase the Company's stock at a 15% discount using funds accumulated by an aggregate of 24 monthly contributions. A grant made under the scheme in November 2012 with an option price of £4.94 (reflecting the maximum discount permitted of 15%) matured in January 2015. Options under the ESPP expire after a maximum of 2.25 years. The remaining contractual life for the current grant of the ESPP at 31 December 2014 is 0.2 years.

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

Grant date	Sharesave Scheme (UK and International) 18 December 2012	Employee Stock Purchase Plan 26 November 2012
Market price at date of grant	£5.93	£5.93
Exercise price	£4.59	£4.94
Bad leaver rate	3% pa	3% pa
Vesting period	3 years	2 years
Volatility	33.1%	36.5%
Dividend yield assumption	4.53%	4.53%
Risk free interest rate	0.46%	0.36%
Fair value per option	£1.45	£1.34

UK Share Incentive Plan

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

A summary of share awards and option activity as at 31 December 2014 (excluding the 2004 Plan which is noted above) is as follows:

	SIP (UK)	BSA[1]	PSA	Sharesave (UK)	Sharesave (International)	ESPP	Total
Balance at 31 December 2013	463,557	1,824,135	1,474,278	570,927	313,317	114,693	4,760,907
Granted/allocated	–	910,830	531,136	–	–	–	1,441,966
Forfeited and lapsed	–	(116,627)	(317,334)	(43,219)	(24,138)	(21,390)	(522,708)
Exercised	(71,480)	–	–	(11,974)	(987)	(7,304)	(91,745)
Transferred/sold	–	(795,653)	–	–	–	–	(795,653)
Balance at 31 December 2014	**392,077**	**1,822,685**	**1,688,080**	**515,734**	**288,192**	**85,999**	**4,792,767**
Exercisable at 31 December 2014	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Exercise price per share	**n/a**	**nil**	**nil**	**£4.59**	**£4.59**	**£4.94**	

(1) Includes the Business Unit LTIP scheme.

26. RESERVES

Cash flow hedge reserve:

(US$ in millions)	2014	2013
Balance as at 1 January	**8.6**	(2.5)
Gain/(loss) recognised on cash flow hedges:		
Forward exchange contracts	**(3.0)**	11.6
FX movement through cash flow hedge reserve	**0.1**	(1.5)
Income tax charged directly to equity	**0.2**	(2.1)
Reclassified to the Income Statement[1]:		
Forward exchange contracts	**(11.7)**	(3.4)
Interest rate swaps	**–**	9.4
FX movement through cash flow hedge reserve	**1.9**	0.2
Income tax credited/(charged) related to amounts transferred to the Income Statement[1]	**2.3**	(1.5)
Reclassified and capitalised on the Balance Sheet:		
Forward exchange contracts	**–**	(0.8)
Forward exchange contracts previously derecognised as ineffective[2]	**–**	(0.9)
FX movement through cash flow hedge reserve	**–**	0.1
Balance as at 31 December	**(1.6)**	8.6

(1) Gains and losses reclassified from equity into the Income Statement during the period are included in the following Income Statement lines:
(2) Forward exchange contracts previously derecognised as they were deemed ineffective were released from the cash flow hedge reserve and capitalised on the Balance Sheet in line with the underlying expenditure.

(US$ in millions)	2014	2013
Total net operating costs	**(9.8)**	(3.2)
Interest payable and similar charges	**–**	9.4
Income tax expense	**2.3**	(1.5)
Total reclassified ((credited)/charged) to the Income Statement in the year	**(7.5)**	4.7

Gains and losses relating to the effective portion of cash flow hedges are recognised in Other Comprehensive Income and the Cash flow hedge reserve. When a hedged item is recognised in the Income Statement the cumulative deferred gain or loss in Other Comprehensive Income and the Cash flow hedge reserve is reclassified to the Income Statement. When a hedged item is recognised as a non-financial asset or liability in the Balance Sheet the accumulated gain or loss is transferred from the Cash flow hedge reserve and included in the initial measurement of its cost.

27. EARNINGS PER SHARE AND ADJUSTED EARNINGS PER SHARE

BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding those held in the employee share trust.

(US$ in millions, except share and per share amounts)	2014	2013
Profit attributable to equity holders of the Company	**340.5**	102.0
Weighted average number of ordinary shares in issue	**448,089,231**	448,167,216
Basic earnings per share	**0.76**	0.23

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

27. EARNINGS PER SHARE AND ADJUSTED EARNINGS PER SHARE CONTINUED

DILUTED EARNINGS PER SHARE

Diluted earnings per share is calculated by increasing the weighted average number of shares used in basic earnings per share calculation by any potentially dilutive ordinary shares. Potentially dilutive ordinary shares exist in respect of employee share options and awards from the Group's employee share plans. A calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options and awards and value of related future employee services.

For 2014, the Convertible Bonds are dilutive due to the credit recognised to interest expense from re-basing the bonds to mature in November 2017 (note 19). For 2013, the Convertible Bonds were not included in the calculation of diluted earnings per share as they were anti-dilutive.

(US$ in millions, except share and per share amounts)	2014	2013
Profit attributable to equity holders of the Company	340.5	102.0
Interest on convertible bonds (net of tax)	(14.4)	–
Profit attributable to equity holders of the Company for diluted earnings per share	326.1	102.0
Weighted average number of ordinary shares in issue	448,089,231	448,167,216
Share options	4,540,198	4,588,215
Convertible bonds	22,664,251	–
Weighted average number of ordinary shares for diluted earnings per share	475,293,680	452,755,431
Diluted earnings per share	0.69	0.23

ADJUSTED EARNINGS PER SHARE

(US$ in millions, except share and per share amounts)	2014	2013 (restated)(1)
Profit attributable to equity holders of the Company	340.5	102.0
Adjustments for:		
Provision in respect of tax liability on historic transaction	(53.1)	53.1
LightSquared Cooperation Agreement (net of tax)	(59.0)	(6.9)
Impairment losses (net of tax)	0.9	159.2
Adjusted profit attributable to equity holders of the Company	229.3	307.4
Weighted average number of ordinary shares in issue	448,089,231	448,167,216
Adjusted basic earnings per share	0.51	0.69

(1) Adjusted earnings per share for the year ended 31 December 2013 has been restated to reflect the impact of the 2013 tax provision.

ADJUSTED DILUTED EARNINGS PER SHARE

(US$ in millions, except share and per share amounts)	2014	2013 (restated)(1)
Profit attributable to equity holders of the Company	340.5	102.0
Interest on convertible bonds (net of tax)	(14.4)	–
Profit attributable to equity holders of the Company for diluted earnings per share	326.1	102.0
Adjustments for:		
Provision in respect of tax liability on historic transaction	(53.1)	53.1
LightSquared Cooperation Agreement (net of tax)	(59.0)	(6.9)
Impairment losses (net of tax)	0.9	159.2
Profit attributable to equity holders of the Company for diluted earnings per share	214.9	307.4
Weighted average number of ordinary shares in issue	448,089,231	448,167,216
Share options	4,540,198	4,588,215
Convertible bonds	22,664,251	–
Weighted average number of ordinary shares for diluted earnings per share	475,293,680	452,755,431
Adjusted diluted earnings per share	0.45	0.68

(1) Adjusted diluted earnings per share for the year ended 31 December 2013 has been restated to reflect the impact of the 2013 tax provision.

28. PENSION ARRANGEMENTS AND POST-EMPLOYMENT BENEFITS

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

The Group operates defined benefit pension schemes in the United Kingdom, the Netherlands and Norway. The Group's principal defined benefit pension plan is the Inmarsat Global scheme, which is a UK funded scheme with assets held in a separate fund administered by a corporate trustee; the scheme is closed to new employees.

The 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 2011. 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 2014, are set out below.

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

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:

	As at 31 December 2014	As at 31 December 2013
Weighted average actuarial assumptions used at 31 December:		
Discount rate	3.74%	4.72%
Future salary increases	3.05%	3.43%
Medical cost trend rate(1)	3.40%	4.00%
Future pension increases	3.39%	3.32%

(1) With effect from 1 January 2012, an inflationary cap on premiums for the Inmarsat Global post-retirement healthcare benefit scheme was introduced, set at CPI plus 1%. The Group will pay the annual premium and any increase in percentage terms to the premium, up to a percentage amount capped at no more than CPI plus 1%. Any increase to the annual premium above the inflationary cap will be payable by the members of the scheme.

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

	Life expectancy 2014	Life expectancy 2013
Male current age 65	88.6	88.2
Female current age 65	90.2	90.2

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 2014 and 2013, mortality has been assumed to follow the SAPS tables with -1 year age rating for males and CMI 2011 improvement with a long-term trend of 1.5%.

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

Inmarsat Global defined benefit scheme:

Change in assumption	Impact on benefit obligation increase/ (decrease)	Impact on projected pension cost increase/ (decrease)
Increase in discount factor of 0.25%	(5.9%)	(31.3%)
Decrease in discount factor of 0.25%	6.4%	31.5%
Increase in inflation of 0.25%	6.4%	30.2%
Decrease in inflation of 0.25%	(5.9%)	(28.0%)
Mortality: -2 years for males and -1 year for females	2.6%	11.8%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

28. PENSION ARRANGEMENTS AND POST-EMPLOYMENT BENEFITS CONTINUED

Inmarsat Global post-retirement healthcare benefit scheme:

Change in assumption	Impact on benefit obligation increase/(decrease)	Impact on service cost increase/(decrease)
Increase in discount factor of 0.5%	(8.9%)	–
Increase in inflation of 0.5%	10.2%	–
Increase in healthcare cost trend rate of 1%	21.7%	20.3%
Decrease in healthcare cost trend rate of 1%	(16.9%)	(15.7%)

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:

(US$ in millions)	As at 31 December 2014	As at 31 December 2013
Present value of funded defined benefit obligations (pension)	**(116.2)**	(101.9)
Present value of unfunded defined benefit obligations (pension)	**(1.0)**	(1.2)
Present value of unfunded defined benefit obligations (post-employment benefits)	**(18.4)**	(17.4)
Fair value of defined benefit assets	**133.6**	114.0
Net defined benefit liability recognised in the Balance Sheet	**(2.0)**	(6.5)

The above net liability is recognised in the Balance Sheet as follows:

(US$ in millions)	Note	As at 31 December 2014	As at 31 December 2013
Pension asset	17	**18.0**	14.6
Defined benefit liability	21	**(20.0)**	(21.1)

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

(US$ in millions)	Defined benefit pension plan	Post-employment benefits
At 1 January 2013	88.3	16.5
Current service cost	3.0	0.2
Interest cost	3.9	0.8
Remeasurement losses/(gains):		
Actuarial losses arising from changes in demographic assumptions	0.4	–
Actuarial losses/(gains) arising from changes in financial assumptions	4.9	(0.1)
Foreign exchange losses	2.8	0.3
Benefits paid	(1.5)	(0.3)
Contributions by pension participants	1.3	–
At 31 December 2013	103.1	17.4
Current service cost	**2.4**	**0.2**
Past service cost	**–**	**0.1**
Interest cost	**4.4**	**0.8**
Remeasurement losses:		
Actuarial losses arising from changes in financial assumptions	**14.9**	**1.3**
Gain on curtailment	**(1.4)**	**–**
Liabilities extinguished on settlement	**(1.3)**	**–**
Foreign exchange losses	**(5.4)**	**(1.1)**
Benefits paid	**(0.8)**	**(0.3)**
Contributions by pension participants	**1.3**	**–**
At 31 December 2014	**117.2**	**18.4**

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

(US$ in millions)	As at 31 December 2014	As at 31 December 2013
At 1 January	114.0	96.1
Interest income	5.0	4.5
Remeasurement gains:		
Experience return on plan asset (excluding interest income)	17.7	7.4
Actuarial gains arising from changes in demographic assumptions	0.3	0.2
Actuarial gains arising from changes in financial assumptions	1.6	0.3
Contributions by employer	1.5	2.1
Contributions by pension participants	1.5	1.4
Benefits paid	(0.6)	(0.8)
Assets distributed on settlement	(1.3)	–
Expenses paid (included in service cost)	(0.4)	(0.6)
Foreign exchange gains	(5.7)	3.4
At 31 December	133.6	114.0

Amounts recognised in the Income Statement in respect of the plans are as follows:

	2014		2013	
(US$ in millions)	Defined benefit pension plan	Post-employment benefits	Defined benefit pension plan	Post-employment benefits
Current service cost	2.8	0.2	3.6	0.2
Past service cost	–	0.1	–	–
Gain on curtailment	(1.4)	–	–	–
Net interest (income)/expense	(0.6)	0.8	(0.6)	0.8
Foreign exchange (gain)/loss	0.3	(1.1)	(0.6)	0.3
	1.1	–	2.4	1.3

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

Amounts recognised in the Statement of Comprehensive Income in respect of the plans are as follows:

	2014		2013	
(US$ in millions)	Defined benefit pension plan	Post-employment benefits	Defined benefit pension plan	Post-employment benefits
Actuarial (gains)/losses arising from changes in demographic assumptions	(0.3)	–	0.2	–
Actuarial losses/(gains) arising from changes in financial assumptions	13.3	1.3	4.6	(0.1)
Return on plan asset (excluding interest income)	(17.7)	–	(7.4)	–
Remeasurement of the net defined benefit asset and liability	(4.7)	1.3	(2.6)	(0.1)

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

	As at 31 December 2014		As at 31 December 2013	
	Value (US$ in millions)	Percentage of total plan assets %	Value (US$ in millions)	Percentage of total plan assets %
Equities	44.0	32.93%	39.0	34.21%
Cash	0.1	0.08%	0.2	0.17%
Bonds	73.9	55.31%	60.2	52.81%
Other	15.6	11.68%	14.6	12.81%
Fair value of scheme assets	133.6		114.0	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

28. PENSION ARRANGEMENTS AND POST-EMPLOYMENT BENEFITS CONTINUED

The Inmarsat Global defined benefit plan assets, which contribute over 95% of the total Group assets, are all invested in pooled investment funds, all of which are priced daily, except for the High Lease-to-Value Property and Alternatives funds, which are priced monthly. The allocations to each of the investment funds as at 31 December 2014 are as follows:

Fund	Legal structure	Allocation (%)
Passive Global Equity	Mercer QIF CCF	8.0
Global Small Cap Equity	MGI Funds PLC	6.2
Global Fundamental (RAFI) Equity	Mercer QIF CCF	8.0
Emerging Markets Equity	MGI Funds PLC	8.7
Global Low Volatility Equity	MGI Funds PLC	3.6
Emerging Markets Debt	MGI Funds PLC	2.8
Global High Yield Bonds	MGI Funds PLC	1.0
Alternatives	Mercer QIF Fund PLC	5.4
High Lease-to-Value Property	Mercer QIF CCF	2.6
Private Debt	Mercer Private Investment Partners (Offshore) LLP	0.6
Multi Asset Credit	Mercer QIF Fund PLC	3.1
Total growth portfolio		50.0
Inflation-Linked LDI Bonds	Mercer QIF Fund PLC	1.5
Flexible Enhanced Matching Real	Mercer QIF Fund PLC	30.9
UK Credit	Mercer PIF Fund PLC	15.1
UK Inflation Linked Bonds	MGI Funds PLC	2.5
Total matching portfolio		50.0
Total assets		100.0

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

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

The duration of the defined benefit liabilities within the Inmarsat Global defined benefit plan is approximately 27 years. The defined benefit obligation within that plan is split as follows:

Active members	69%
Deferred members	26%
Pensioner members	5%

The average age of the non-pensioner and pensioner members at the date of the last statutory funding valuation for the Inmarsat Global defined benefit plan (31 December 2011) was 52 years and 67 years, respectively.

The estimated contributions expected to be paid into the Inmarsat Global defined benefit pension plan during 2015 are $1.1m (2014: actual $1.2m).

Under the current Inmarsat Global defined benefit plan Recovery Plan and Schedule of Contributions there are no further contributions due in respect of the past service deficit revealed as part of the last statutory funding valuation as at 31 December 2011. The current Schedule of Contributions requires the Company to pay 15% of pensionable salary in respect of the additional accrual of future benefits for members of the defined benefit tier of the Pensionbuilder section and any notional member contributions payable under the SMART arrangement. Contributions in respect of the Defined Contribution tier and the Pensionsaver section are paid in addition.

The next statutory funding valuation of the Plan will be carried out as at 31 December 2014. As part of this the Trustees and Company will be required to agree a pattern of contributions to cover any deficit revealed by the valuation, along with the rate payable for future accrual of benefits. This could lead to an increase or decrease from the current level of contributions.

29. ACQUISITIONS

ACQUISITION OF TC COMMUNICATIONS

On 8 May 2013, the Group acquired the shares of TC Communications Pty Ltd ('TC Comms'), a company based in Australia. The operations of TC Comms have been integrated within the Government and Enterprise reporting segments. During 2014, TC Comms changed its name to Inmarsat Australia Pty Ltd.

ACQUISITION OF GLOBE WIRELESS

Effective from 1 January 2014, the Group acquired the mobile satellite communications business and substantially all of the related assets of Globe Wireless LLC, for cash consideration of $45.2m. Globe Wireless is a leading provider of value-added maritime communications services to the shipping market. The acquisition of Globe Wireless will benefit Inmarsat's Maritime operating segment, with operating synergies and revenue growth expected from the acquisition.

The acquisition of Globe Wireless has been accounted for using the acquisition method of accounting in accordance with IFRS 3, 'Business Combinations'. The consolidated results of the Group for the year ended 31 December 2014 include the financial results of Globe Wireless from 1 January 2014 (the effective date of the transaction). 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.

During the year ended 31 December 2014, the allocation of the purchase consideration was finalised. As a result of this review, we recognised identifiable intangible assets of $23.6m (refer to table below) and goodwill of $14.7m. Goodwill represents the excess of the purchase consideration over the fair value of the assets and liabilities acquired. Qualitatively, goodwill represents, among other factors, the assembled workforce, which is not separately identified as part of the purchase price allocation. The goodwill balance also represents the benefit to the Group of the operating synergies and revenue growth expected from the acquisition.

The final allocation of the purchase consideration to the net assets and liabilities of Globe Wireless is as follows:

Grant date	Book value	Fair value adjustments	Fair value at acquisition date
Net assets acquired:			
Intangible assets(1)	12.7	10.9	23.6
Property, plant and equipment	3.2	–	3.2
Other assets	0.2	–	0.2
Total non-current assets	**16.1**	**10.9**	**27.0**
Trade and other receivables(2)	22.0	–	22.0
Inventories	3.7	–	3.7
Other assets	2.4	–	2.4
Total current assets	**28.1**	**–**	**28.1**
Trade and other payables	(14.8)	–	(14.8)
Deferred revenue	(3.0)	–	(3.0)
Other liabilities	(4.7)	–	(4.7)
Deferred income tax liabilities	–	(1.2)	(1.2)
Non-current other payables	(0.9)	–	(0.9)
Total liabilities	**(23.4)**	**(1.2)**	**(24.6)**
Identifiable net assets	**20.8**	**9.7**	**30.5**
Cash consideration			45.2
Goodwill recognised(3)			**14.7**

(1) The allocation of intangible assets consists of $16.0m of customer relationships, $3.5m for software, $3.5m for technology and $0.6m in relation to trade names, which are to be amortised over their useful lives of 14, 3 to 5, 5, and 5 years, respectively.
(2) The book value of trade receivables of $15.2m, included within trade and other receivables, approximates to their fair value and the entire balance is deemed collectable.
(3) Of the $14.7m goodwill balance recognised, 75% of the goodwill is deductible for tax purposes at the rate of 7% on a declining-balance basis.

The increase in the Group's revenues in the year ended 31 December 2014 included $55.1m due to the acquisition of Globe Wireless. The impact is shown net of intercompany eliminations and adjustments as Globe Wireless is an established distribution partner of Inmarsat; therefore the stand-alone results of Globe Wireless do not represent a corresponding increase in Group results.

30. OPERATING LEASE AND OTHER COMMITMENTS

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

	As at 31 December 2014			As at 31 December 2013		
(US$ in millions)	Non-cancellable operating leases	Other unrecognised contractual commitments	Total	Non-cancellable operating leases	Other unrecognised contractual commitments	Total
Within one year	**16.1**	**13.7**	**29.8**	18.0	21.8	39.8
Within two to five years	**51.9**	**24.0**	**75.9**	55.8	27.6	83.4
After five years	**64.1**	**–**	**64.1**	74.5	–	74.5
	132.1	**37.7**	**169.8**	148.3	49.4	197.7

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

The total of future sublease payments expected to be received under non-cancellable subleases at 31 December 2014 relating to the aforementioned head office lease is $1.1m over one year (as at 31 December 2013: $2.6m over two years).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30. OPERATING LEASE AND OTHER COMMITMENTS CONTINUED

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

(US$ in millions)	As at 31 December 2014	As at 31 December 2013
Within one year	27.2	43.6
Within two to five years	15.9	28.8
	43.1	72.4

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

(US$ in millions)	As at 31 December 2014	As at 31 December 2013
Within one year	32.1	40.7
Within two to five years	12.0	–
	44.1	40.7

31. CAPITAL RISK MANAGEMENT

The following table summarises the capital of the Group:

(US$ in millions)	As at 31 December 2014	As at 31 December 2013
As per Balance Sheet		
Cash and cash equivalents	(204.4)	(144.3)
Borrowings	2,105.1	1,957.1
Net borrowings	1,900.7	1,812.8
Equity attributable to shareholders of the parent	1,182.6	1,047.5
Capital	3,083.3	2,860.3

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

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

The net borrowings (gross of deferred finance costs) to EBITDA ratio for the year ended 31 December 2014 is 2.75 (2013: 2.84).

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

No changes were made in the Group's objectives, policies or processes for managing capital during the years ended 31 December 2014 and 2013.

32. FINANCIAL INSTRUMENTS

TREASURY MANAGEMENT AND STRATEGY

The Group's treasury activities are managed by its corporate finance department under the direction of a Treasury Review Committee whose chairman is the Chief Financial Officer, and are consistent with Board-approved treasury policies and guidelines. 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;
> economically hedging both contracted and anticipated foreign currency cash flows on a minimum 12 months rolling basis with the option of covering exposures up to a maximum of three years forward;
> interest rate hedging; and
> maximising return on short-term investments based on counterparty limits and credit ratings.

Treasury activities are only transacted with counterparties who are approved relationship banks.

The Group's foreign exchange policy is implemented primarily through the use of forward purchases of foreign currencies. The treasury department is, however, authorised to use purchased options, futures and other derivative instruments, but only to the extent that such instruments form part of the hedging policy so as to establish a known rate of exchange.

Having arranged the purchase of foreign currency in line with the anticipated requirement for that currency over each financial year, an average rate of exchange is calculated from the agreed currency transactions. This average rate is applied as per requirements of IAS 21. The policy is designed to minimise the impact of currency gains and losses in the Income Statement; gains and losses will arise to the extent that the level of actual payments in the period are different from those that were forecast.

FINANCIAL INSTRUMENTS BY CATEGORY

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

	As at 31 December 2014				As at 31 December 2013			
	Loans and receivables	Derivatives used for hedging	Available-for-sale	Total	Loans and receivables	Derivatives used for hedging	Available-for-sale	Total
Assets as per Balance Sheet								
Trade receivables and other[1]	242.1	–	–	242.1	239.2	–	–	239.2
Cash and cash equivalents	204.4	–	–	204.4	144.3	–	–	144.3
Derivative financial instruments	–	1.4	–	1.4	–	12.8	–	12.8
Investments	–	–	32.9	32.9	–	–	23.5	23.5
	446.5	1.4	32.9	480.8	383.5	12.8	23.5	419.8

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

(US$ in millions)	As at 31 December 2014			As at 31 December 2013		
	Derivatives used for hedging	Other financial liabilities	Total	Derivatives used for hedging	Other financial liabilities	Total
Liabilities as per Balance Sheet						
Borrowings	–	2,105.1	2,105.1	–	1,957.1	1,957.1
Trade payables and other[1]	–	221.4	221.4	–	219.3	219.3
Derivative financial instruments	5.0	–	5.0	0.5	–	0.5
	5.0	2,326.5	2,331.5	0.5	2,176.4	2,176.9

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

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

(US$ in millions)	As at 31 December 2014				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Borrowings[1]	195.4	276.0	876.9	1,276.6	2,624.9
Trade payables and other	195.8	1.9	22.3	1.4	221.4
Derivative financial instruments	5.0	–	–	–	5.0
	396.2	277.9	899.2	1,278.0	2,851.3

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

(US$ in millions)	As at 31 December 2013				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Borrowings[1]	487.0	189.4	1,343.7	303.4	2,323.5
Trade payables and other	193.1	1.3	23.3	1.6	219.3
Derivative financial instruments	0.5	–	–	–	0.5
	680.6	190.7	1,367.0	305.0	2,543.3

(1) Includes interest obligations on the Senior Notes due 2017, EIB Facility, Ex-Im Bank 2011 Facility and Convertible Bonds. The interest obligations do not take into account the impact of interest rate swaps and assume no changes in floating interest rates from the year end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

32. FINANCIAL INSTRUMENTS CONTINUED

FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

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

The fair values at the Balance Sheet date were:

(US$ in millions)	As at 31 December 2014	As at 31 December 2013
Financial assets:		
Forward foreign currency contracts – designated cash flow hedges	1.4	12.1
Forward foreign currency contracts – undesignated	–	0.7
Total derivative financial assets	1.4	12.8
Current portion of derivative financial assets	1.4	9.2
Non-current portion of derivative financial assets	–	3.6
Financial liabilities:		
Forward foreign currency contracts – designated cash flow hedges	4.5	0.5
Forward foreign currency contracts – undesignated	0.5	–
Total derivative financial liabilities	5.0	0.5
Current portion of derivative financial liabilities	5.0	0.5

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

The fair value of foreign exchange contracts performed by management are based upon a valuation provided by the counterparty and are classified as level 2 in the fair value hierarchy according to IFRS 7. The fair value of foreign exchange contracts is based upon the difference between the contract amount at the current forward rate at each period end and the contract amount at the contract rate, discounted at a variable risk-free rate at the period end.

FORWARD FOREIGN EXCHANGE

The following table sets out the face value and fair value of forward foreign exchange contracts outstanding for the Group as at 31 December 2014 and 2013:

	As at 31 December 2014			
Outstanding forward foreign exchange contracts (in millions)	Face value	Maturing within 1 year	Maturing between 1 and 2 years	Fair value (US$)
GBP contracts	£66.0	£66.0	–	(2.1)
Euro contracts	€6.0	€6.0	–	(0.8)
Canadian Dollar contracts	$18.0	$18.0	–	(0.7)
				(3.6)

	As at 31 December 2013			
Outstanding forward foreign exchange contracts (in millions)	Face value	Maturing within 1 year	Maturing between 1 and 2 years	Fair value (US$)
GBP contracts	£99.7	£74.7	£25.0	12.6
Euro contracts	€4.8	€4.8	–	0.2
Canadian Dollar contracts	$16.8	$16.8	–	(0.5)
				12.3

NON-DERIVATIVE FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

FAIR VALUE OF NON-DERIVATIVE FINANCIAL ASSETS AND FINANCIAL LIABILITIES

With the exception of the Senior Notes due 2022 and Convertible Bonds, the fair values of all non-derivative financial instruments approximate to the carrying value in the Balance Sheet.

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);
> an investment classified as available-for-sale was carried at fair value in the Balance Sheet, which was determined according to the binding agreement with a third party for the sale of the asset (see note 15);
> the carrying amount of deferred satellite payments represents the present value of future payments discounted, using an appropriate rate, at the period end. This carrying amount approximately equals fair value (see note 19);
> the Senior Notes due 2022 are reflected in the Balance Sheet net of unamortised arrangement costs and net issuance premium of $8.7m and $7.6m, 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 table below;
> the EIB Facility is reflected in the Balance Sheet net of unamortised arrangement costs of $0.6m (2013: $1.1m). The fair value approximates the carrying value (see note 19);
> the Ex-Im Bank Facilities are reflected in the Balance Sheet net of unamortised arrangement costs of $18.9m (2013: $18.1m). The fair value approximates the carrying value (see note 19); and
> the liability component of the Convertible Bonds is reflected in the Balance Sheet on an amortised cost basis, net of unamortised arrangement costs of $nil (2013: $1.0m) (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.

	As at 31 December 2014		As at 31 December 2013	
(US$ in millions)	Carrying amount	Fair value amount	Carrying amount	Fair value amount
Senior Notes due 2017	–	–	850.0	885.6
Senior Notes due 2022	1,000.0	992.5	–	–
Convertible Bonds	301.3	418.7	325.6	392.0

33. DISPOSAL GROUPS HELD FOR SALE

On 7 November 2014, the Group announced that it had entered into binding agreements to sell its 19% holding in SkyWave to ORBCOMM Inc. for total proceeds of $32.9m. The investment in SkyWave, with a carrying amount of $23.5m, was reclassified to assets held for sale. As the investment had been categorised as an available-for-sale financial asset, it was remeasured to its fair value of $32.9m as at 31 December 2014. The resulting gain was recognised through other comprehensive income. The sale subsequently closed on 2 January 2015 and the gain was reclassified to profit at that time.

On 3 February 2014, following regulatory and other approvals, the Group announced completion of the sale of the majority of its retail energy business to RigNet, Inc. ('RigNet'). The sale included the Group's microwave and WiMAX networks in the US Gulf of Mexico, VSAT interests in the UK, the US and Canada, telecommunications systems integration business operating worldwide and retail L-band energy satcoms business. In addition, the Group sold its interest in retail energy-related teleport assets located in Moscow. Total fair value of the net assets of the disposal group as at 31 December 2013 was $23.8m and included assets classified as held for sale of $42.8m and liabilities directly associated with assets held for sale of $19.0m. Total proceeds on the sale of the retail energy business and related assets were $27.0m.

34. CAPITAL COMMITMENTS

The Group had authorised and contracted but not provided for capital commitments as at 31 December 2014 of $504.0m (2013: $713.3m). These amounts primarily represent commitments in respect of the Group's GX and S-Band satellite programmes.

35. CONTINGENT LIABILITY

The Group has received enquiries from Her Majesty's Revenue and Customs ('HMRC') in respect of arrangements which have been entered into in prior periods. The potential tax liability in relation to these enquiries is estimated to be in the region of $18m. The Group has sought external advice and management does not believe that a material economic outflow is probable; therefore no provision has been recorded in these financial statements. However, this disclosure has been made in light of the ongoing enquiries being made by HMRC.

No accurate estimation of the time required to settle this matter can currently be given.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

36. RELATED PARTY TRANSACTIONS

In the normal course of operations the Group engages in transactions with its equity-owned investees NTS Maritime Limited, Navarino Telecom SA and JSAT Mobile Communications Inc. These transactions represent sales of airtime and equipment and are measured at the amounts exchanged. Group revenue from the related parties for the 2014 financial year was $34.0m, $0.1m and $22.0m, respectively (2013: $31.3m, $0.8m and $19.4m, respectively). The amount receivable from the related parties at 31 December 2014 was $14.5m, $0.8m and $2.7m, respectively (2013: $14.8m, $0.3m and $3.1m, respectively).

Amounts owing to the Executive and Non-Executive Directors as at 31 December 2014 and 2013 were $6.2m and 3.4m, respectively, and relate to remuneration earned in the normal course of operations (see note 8).

37. PRINCIPAL SUBSIDIARY UNDERTAKINGS

At 31 December 2014, the Company had investments in the following principal subsidiaries that have a significant impact on the consolidated results and total assets of the Group. To avoid a statement of excessive length, details of subsidiaries and associates which are not significant have been omitted from this list. A full list of subsidiaries and associates will be annexed to the Company's next annual return to be filed with the Registrar of Companies.

	Principal activity	Country of incorporation and operation	Interest in issued ordinary share capital at 31 December 2014	Interest in issued ordinary share capital at 31 December 2013
Inmarsat Finance plc	Finance company	England and Wales	100%	100%
Inmarsat Global Limited	Satellite telecommunications	England and Wales	100%	100%
Inmarsat Group Limited	Holding company	England and Wales	100%	100%
Inmarsat Investments Limited	Holding company	England and Wales	100%	100%
Inmarsat Leasing (Two) Limited	Satellite leasing	England and Wales	100%	100%
Inmarsat Navigation Ventures Limited	Operating company	England and Wales	100%	100%
Inmarsat Hellas Satellite Services SA	Satellite telecommunications	Greece	100%	100%
Inmarsat Employment Company Limited	Employment company	Jersey	100%	100%
Inmarsat Canada Holdings Inc.	Holding company	Canada	100%	100%
Inmarsat Solutions B.V.	Operating company	The Netherlands	100%	100%
Inmarsat Solutions (US) Inc.	Operating company	USA	100%	100%
Segovia, Inc.	Operating company	USA	100%	100%
Inmarsat Solutions Pte Limited	Operating company	Singapore	100%	100%
Inmarsat Solutions AS	Operating company	Norway	100%	100%
Inmarsat Mobile Networks Inc.	Operating company	USA	100%	100%
Inmarsat New Zealand Limited	Operating company	New Zealand	100%	100%
Inmarsat Solutions (Canada) Inc.	Operating company	Canada	100%	100%
Inmarsat Solutions Global Limited	Operating company	England and Wales	100%	100%
TC Communications Pty Ltd (1)	Operating company	Australia	100%	100%

(1) TC Communications Pty Ltd was renamed Inmarsat Australia Pty Ltd in October 2014.

38. EVENTS AFTER THE BALANCE SHEET DATE

On 7 November 2014, the Group announced that it had entered into binding agreements to sell its 19% holding in SkyWave to ORBCOMM Inc. for total proceeds of $32.9m. Subsequently, the sale closed on 2 January 2015. As at 31 December 2014, the Group reclassified the investment in SkyWave to assets held for sale and remeasured the asset to fair market value, recognising an after-tax gain of $8.0m, in other comprehensive income. The gain was reclassified to profit in 2015.

During 2014, LightSquared elected to restart Phase 2 of the Cooperation Agreement and as a result, recommenced quarterly payments to Inmarsat. On 2 January 2015, Inmarsat issued a default notice to LightSquared indicating the $17.5m payment due 31 December 2014 had not been received in accordance with the quarterly payment schedule. However, this payment was subsequently received on 25 February 2015. As at 31 December 2014, no revenue had been recognised in respect of the payment owing from LightSquared, due to the uncertainty of receiving the payment.

Subsequent to 31 December 2014, other than the events discussed above, there have been no other material events which would affect the information reflected in the consolidated financial statements of the Group.

COMPANY BALANCE SHEET

(US$ in millions)	As at 31 December 2014	As at 31 December 2013
Assets		
Non-current assets		
Investments[1]	**1,079.6**	1,071.1
Other receivables[2]	**73.3**	56.3
Deferred income tax asset	**0.1**	1.0
	1,153.0	1,128.4
Current assets		
Cash and cash equivalents	**1.7**	1.6
Trade and other receivables[3]	**1.2**	1.2
Current income tax asset	**–**	8.4
	2.9	11.2
Total assets	**1,155.9**	1,139.6
Liabilities		
Current liabilities		
Trade and other payables[4]	**9.0**	5.9
Current income tax liabilities	**4.1**	–
Borrowings[5]	**–**	327.6
	13.1	333.5
Non-current liabilities		
Borrowings[5]	**304.4**	–
Total liabilities	**317.5**	333.5
Net assets	**838.4**	806.1
Shareholders' equity		
Ordinary shares	**0.3**	0.3
Share premium	**687.6**	687.4
Convertible Bonds reserve	**56.9**	56.9
Other reserves	**59.6**	53.0
Retained earnings	**34.0**	8.5
Total equity	**838.4**	806.1

(1) Investments consist of a $1,007.8m investment in Inmarsat Holdings Limited (2013: $1,007.8m) and $71.8m of capital contributions to Group companies in respect of share-based payments (2013: $63.3m).
(2) Other receivables consist of $73.3m amounts due from Group companies (2013: $56.3m).
(3) Trade and other receivables consist of $1.2m amounts due from Group companies (2013: $1.2m).
(4) Trade and other payables consists of $1.6m due to shareholders in respect of dividends paid during 2014 (2013: $1.4m), accruals of $2.8m (2013: $3.1m) and amounts due to Group companies of $4.6m (2013: $1.4m).
(5) Borrowings comprise the Convertible Bonds discussed in note 19 to the consolidated financial statements.

The financial statements of the Company, registered number 4886072, on pages 131 to 133 were approved by the Board of Directors on 5 March 2015 and signed on its behalf by:

RUPERT PEARCE
CHIEF EXECUTIVE OFFICER

TONY BATES
CHIEF FINANCIAL OFFICER

COMPANY CASH FLOW STATEMENT

(US$ in millions)	2014	2013
Cash flow from operating activities		
Cash used in operations	4.9	(1.8)
Interest received	–	0.3
Net cash used in operating activities	4.9	(1.5)
Cash flow from investing activities		
Dividends received from Group companies	225.8	157.8
Net cash from investing activities	225.8	157.8
Cash flow from financing activities		
Dividends paid to shareholders	(212.6)	(200.5)
Interest paid on Convertible Bonds	(5.0)	(5.0)
Intercompany funding	(13.0)	49.2
Net cash used in financing activities	(230.6)	(156.3)
Net increase in cash and cash equivalents	0.1	–
Movement in cash and cash equivalents		
At beginning of year	1.6	1.6
Net decrease in cash and cash equivalents	0.1	–
As reported on the Balance Sheet (net of bank overdrafts)	1.7	1.6
At end of year, comprising		
Cash at bank and in hand	1.7	1.6
	1.7	1.6

COMPANY STATEMENT OF CHANGES IN EQUITY

(US$ in millions)	Ordinary share capital	Share premium account	Convertible Bonds reserve	Share option reserve	Other reserve[1]	Accumulated profit	Total
Balance at 1 January 2013	0.3	687.4	56.9	56.5	(12.0)	77.4	866.5
Profit for the year	–	–	–	–	–	133.2	133.2
Dividends paid	–	–	–	–	–	(202.4)	(202.4)
Share options charge	–	–	–	5.0	3.5	0.3	8.8
Balance at 31 December 2013	0.3	687.4	56.9	61.5	(8.5)	8.5	806.1
Profit for the year	–	–	–	–	–	238.7	238.7
Issue of share capital	–	0.2	–	–	–	–	0.2
Dividends paid	–	–	–	–	–	(212.8)	(212.8)
Share options charge	–	–	–	1.0	5.6	(0.4)	6.2
Balance at 31 December 2014	0.3	687.6	56.9	62.5	(2.9)	34.0	838.4

(1) The other reserve relates to ordinary shares held by the employee share trust.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF ACCOUNTING

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

The 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 accounts.

INCOME STATEMENT

The Company has taken advantage of the exemption available under Section 408 of Companies Act 2006 and has not presented an Income Statement. The profit for the year ended 31 December 2014 was $238.7m (2013: $133.2m).

AUDITOR'S REMUNERATION

During the year, the Company paid its external auditor $0.2m for statutory audit services (2013: $0.2m).

EMPLOYEE COSTS AND DIRECTORS' REMUNERATION

The average monthly number of people employed during the year was one (2013: one). Total staff costs for 2014 were $0.5m (2013: $3.0m). 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

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

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 32 to the consolidated financial statements.

The differences between the Group and the Company in relation to intercompany balances are $74.5m (2013: $57.5m) amounts due from Group companies and $4.6m (2013: $1.4m) amounts due to Group companies, which eliminate on consolidation. The Directors consider the carrying value of the intercompany balances to approximate to their fair value.

CASH USED IN OPERATIONS

Reconciliation of profit for the year to net cash outflow from operating activities.

(US$ in millions)	2014	2013
Profit for the year	**238.7**	133.2
Adjustments for:		
Income tax expense/(credit)	**7.8**	(2.6)
Finance expense[1]	**(17.1)**	30.6
Finance income	**(3.6)**	(3.2)
Dividend receivable	**(225.8)**	(157.8)
Non-cash employee benefit costs	**(1.8)**	1.2
Changes in net working capital:		
(Increase)/decrease in trade and other receivables	**(0.4)**	0.6
Increase/(decrease) in trade and other payables	**7.1**	(3.8)
Cash inflow from/(used in) operations	**4.9**	(1.8)

(1) Includes the impact of a non-recurring adjustment to interest on the Convertible Bonds.

GLOSSARY OF TERMS

Due to the technical nature of satellite communications and financial reporting we use a number of terms and abbreviations in this Annual Report and Accounts that are widely used within those industries but are less commonly used by our broader community of stakeholders. The principal ones are summarised below.

A

ACARS
Aircraft Communications Addressing and Reporting System is a digital datalink system for transmission of short messages between aircraft and ground stations via airband radio or satellites.

ACTIVE TERMINAL
A terminal that has been used to access commercial services at any time during the preceding 12 months and is registered with one of our services at the period end. It includes the average number of certain handheld terminals active on a daily basis during the final month of a period and excludes M2M terminals.

ADS-C
Automatic Dependent Surveillance – Contact provides an automated two-way surveillance technology through which periodic reporting rates can be specified between air traffic control systems and aircraft avionics systems.

ALPHASAT
A satellite developed with the European Space Agency and launched in 2013. It supplements our I4 satellite constellation.

ATC (ALSO ACGC OR CTC)
'Ancillary Terrestrial Components' provide communications services from ground stations either as stand-alone services or to complement satellite services.

B

BAND
The radio spectrum is divided into different bands which each cover a section of frequencies that are usually used for a similar purpose. Bands are allocated to specific uses at international level by the ITU and regulated at a national level by domestic organisations and governments.

BGAN
'Broadband Global Area Network' is a high-speed data satellite network that spans the globe.

C

COMMISSIONED TERMINAL
A terminal that is registered with one of our services at the period end.

CAGR
The Compound Annual Rate of Growth measures average annual growth over a period of time and is a key performance indicator for our MSS wholesale revenues.

CGU
A cash generating unit is the smallest group of assets that generates cash inflows largely independently from the other parts of the business and which represents the lowest level at which goodwill is monitored within the business.

THE COMPANY
Where we refer to the Company we are referring to Inmarsat plc, the holding company of the Inmarsat Group.

D

DEFINED BENEFIT AND DEFINED CONTRIBUTION SCHEMES
Defined benefit pensions schemes provide post-employment benefits based on an employee's final salary. Defined contribution pension schemes are schemes into which Inmarsat makes fixed contributions based on a percentage of an employee's salary.

E

EBITDA
'Earnings before interest, tax, depreciation and amortisation' is a key performance indicator used in the commercial and financial management of the business. It is a non-GAAP measure under IFRS.

F

FANS
Future Air Navigation System. FANS-I/A design is a range of FANS products. FANS is an avionics system which provides direct data link communication between the pilot and Air Traffic Controller.

FLEETBROADBAND
Our flagship maritime service providing voice and broadband data services across the world's oceans.

G

GAAP
Generally Accepted Accounting Principles is the standard financial reporting framework as defined by a body of accounting standards and other guidance used in a given jurisdiction (see IFRS).

GEOSTATIONARY ORBIT
A circular geosynchronous orbit directly above the Earth's equator. Satellites in geosynchronous orbit match their orbit to the orbit of the earth and so remain permanently in the same area of the sky.

GLOBAL XPRESS (GX)
The first high-speed broadband satellite network to span the globe, from a single operator. It uses powerful beams able to reach small antennas on earth providing digital connections for aviation, land and maritime use.

GMDSS
Global Maritime Distress and Safety Service. Inmarsat is the only approved provider of this Maritime Safety Service by the International Maritime Organization (IMO).

GROUND STATIONS
Our Ground Stations connect Inmarsat satellites to terrestrial networks and the internet. They are manned 24/7 in locations across the globe and continuously monitored from our network operations centre in London.

THE GROUP
The Group refers to Inmarsat plc and all of its subsidiaries. We may also use 'we' and 'our' in reference to the Group, depending on the context.

GSPS
Global Satellite Phone Services are our handheld products and services including IsatPhone Pro and IsatPhone 2.

I

IAS OR IFRS
International Accounting Standards or International Financial Reporting Standards are the accounting standards issued by the International Accounting Standards Board. IFRS is also used to refer to international GAAP as a whole.

ICAO
International Civil Aviation Organization.

INMARSAT-2 (I-2), INMARSAT-4 (I-4), INMARSAT-5 (I-5)
The second, fourth and fifth generations of Inmarsat satellites. Individual satellites in each constellation are numbered F1, F2, F3, etc, so I-5 F2 refers to the second satellite launched in the fifth generation of Inmarsat satellites.

ITU
International Telecommunications Union.

K

KA-BAND
The frequency band used by our GX satellites, it has higher bandwidth than other bands allowing more data to be transmitted over the same satellite capacity.

KU-BAND
A frequency band used by a number of our products and services that we procure from other satellite network operators to complement our own spectrum.

L

L-BAND
The frequency band used by our I-3 and I-4 satellites.

LIGHTSQUARED
A cooperation agreement between Inmarsat, LightSquared LP, Skyterra Inc and LightSquared Inc for the use of L-band in North America.

M

M2M
Machine-to-machine services and products.

MSS
Mobile Satellite Services.

MBPS
Megabits per second are the units used to measure data transfer rates in the satellite communications industry.

N

NETWORK AND SATELLITE OPERATIONS COSTS
The costs of operating our ground stations.

O

OWN WORK CAPITALISED
Employee-related costs including salary and travel costs incurred in bringing property, plant and equipment into use. Own work capitalised is capitalised as part of the total cost of an asset.

R

RIGNET INC
A distribution partner and the company that acquired the retail energy business that we disposed of in 2014.

S

SAS
Satellite Access Station is another term for a Ground Station.

S-BAND
The band width we are using for a high-speed broadband service under development for the EU aviation industry. The programme will see an Inmarsat S-band satellite fully integrated with a ground network being developed with our technology partner Alcatel-Lucent. We also use the term S-band to refer to the S-band programme in general.

SCOPE 1, 2 AND 3 EMISSIONS
Carbon emissions as defined by the greenhouse gas protocol.
Scope 1: All direct greenhouse gas emissions.
Scope 2: Indirect emissions from purchased electricity, heat or steam.
Scope 3: Other indirect emissions including travel.

SEP/INMARSAT GATEWAY
Our Service Enablement Platform for GX delivering customer support, network services and an app store, it also opens up our networks to innovators through a developer portal. This is also now referred to as the Inmarsat Gateway.

SWIFTBROADBAND
A global service providing voice and high-speed data simultaneously through a single installation on an aircraft.

T

TÉLÉCOMS SANS FRONTIÈRES (TSF)
The telecommunications relief aid organisation, it is a core beneficiary of our charitable support.

TERMINALS
The consumer hardware used to receive and transmit voice and data from earth across our satellite network. It includes antenna enabled hardware such as satellite phones and on-board antennas.

V

VSAT
Very Small Aperture Terminals are small mobile two-way satellite antennas able to receive and transmit voice and broadband data to a satellite. VSAT services are typically charged using a fixed monthly fee.

X

XPRESSLINK (XL)
Xpresslink is a fully-integrated Ku-band and L-band service with VSAT and FleetBroadband terminals.

ADDITIONAL INFORMATION

FIVE-YEAR SUMMARY

(US$ in millions)	2014	2013	2012	2011	2010
Revenues	**1,285.9**	1,261.9	1,337.8	1,408.5	1,171.6
EBITDA	**701.0**	648.8	694.7	854.4	696.1
EBITDA %	**54.5%**	51.4%	51.9%	60.7%	59.4%
Profit before income tax	**342.3**	189.1	293.6	366.9	333.5
Profit for year	**341.1**	102.6	217.4	249.5	261.1
Net cash inflow from operating activities	**644.8**	597.1	659.5	881.6	744.3
Net cash used in investing activities	**(424.4)**	(583.7)	(499.1)	(702.0)	(295.5)
Net cash used in financing activities	**(156.4)**	(204.5)	(11.1)	(340.5)	(331.5)
Total assets	**4,091.9**	3,868.8	3,753.0	3,409.1	3,158.0
Total liabilities	**(2,908.8)**	(2,821.0)	(2,627.1)	(2,328.0)	(2,069.3)
Shareholders' equity	**1,183.1**	1,047.8	1,125.9	1,081.1	1,088.7

Notes:
Segovia is included in the results from 12 January 2010.
Ship Equip is included in the results from 28 April 2011.
NewWave is included in the results from 13 January 2012.
TC Comms is included in the results from 8 May 2013.
Globe Wireless is included in the results from 1 January 2014.

FINANCIAL CALENDAR 2015

6 May	Annual General Meeting
14 May	Ex-dividend date for 2014 final dividend
15 May	Record date for 2014 final dividend
29 May	2014 final dividend payment date
August	2015 interim results
October	2015 interim dividend payment

INMARSAT CORPORATE CONTACTS
Christopher McLaughlin, Senior Vice President, External Affairs
David Boyd, Head of Investor Relations

REGISTERED OFFICE
99 City Road
London EC1Y 1AX
Tel: +44 (0)20 7728 1000
Fax: +44 (0)20 7728 1044
www.inmarsat.com

REGISTERED NUMBER
4886072 England and Wales

AUDITOR
Deloitte LLP
2 New Street Square
London EC4A 3BZ

SOLICITORS
Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ

BROKERS
J.P. Morgan Cazenove
25 Bank Street
London E14 5JP

Credit Suisse
1 Cabot Square
London E14 4QJ

REGISTRARS
Equiniti Limited
PO Box 4630
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report constitute 'forward-looking statements' within the meaning of the US Private Securities Litigation Reform Act of 1995. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results, to be materially different from those projected in the forward-looking statements. These factors include: general economic and business conditions; changes in technology; timing or delay in signing, commencement, implementation and performance of programmes, or the delivery of products or services under them; structural change in the satellite industry; relationships with customers; competition; and ability to attract personnel. You are cautioned not to rely on these forward-looking statements, which speak only as of the date of this Annual Report.

Inmarsat undertakes no obligation to update or revise any forward-looking statement to reflect any change in its expectations or any change in events, conditions or circumstances, except where it would be required to do so under applicable law.

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C016486

Designed and produced by Gather
www.gather.london

The paper used in this Report is derived from sustainable sources

CarbonNeutral® printing company

The mobile satellite company™

Inmarsat plc
99 City Road
London
EC1Y 1AX
United Kingdom
inmarsat.com