



INMARSAT GROUP LIMITED

ANNUAL FINANCIAL INFORMATION DISCLOSURE

FOR THE YEAR ENDED 31 DECEMBER 2014

CONTENTS

	<u>Page</u>
CHAIRMAN'S REVIEW.....	1
CHIEF EXECUTIVE'S REVIEW.....	3
2014 FINANCIAL REVIEW	18
BOARD OF DIRECTORS	26
GLOSSARY OF TERMS.....	29
CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS.....	32

APPENDIX A – 2014 CONSOLIDATED FINANCIAL STATEMENTS OF INMARSAT GROUP LIMITED

CHAIRMAN'S REVIEW

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.

BOARD ACTIVITIES

The Inmarsat plc Board continues to add value to the Group 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 Hamadou 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, the 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.

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.

CHIEF EXECUTIVE'S REVIEW

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 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.

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 GPS 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.

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.

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 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 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.

EXECUTIVE MANAGEMENT BOARD

RUPERT PEARCE
Chief Executive Officer

RUY PINTO
Group Chief Operations
Officer

ALISON HORROCKS
Executive Vice President,
Corporate Governance
and Company Secretary

MIRIAM MURPHY
Group General Counsel

TONY BATES
Chief Financial Officer

GREG EWERT
President, Enterprise
Business Unit

DEBBIE JONES
Executive Vice President,
Corporate Development

RONALD SPITHOUT
President, Maritime
Business Unit

MICHELE FRANCI
Chief Technology Officer

PETER HADINGER
President, US
Government Business
Unit

LEO MONDALE
President, Aviation
Business Unit

ANDY START
President, Global
Government Business
Unit

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.

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.

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.

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.

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 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

A FOCUSED STRATEGY DELIVERING RESULTS

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 <ul style="list-style-type: none">• Grow value of our core markets• Innovate to expand beyond our core markets• Extend our geographic footprint | 2. CREATION OF A SOLUTIONS ECOSYSTEM <ul style="list-style-type: none">• New value drivers and differentiators• New revenue streams and business models | 3. GROWTH AND DIVERSITY VIA GX AND S-BAND <ul style="list-style-type: none">• New super-broadband MSS services• Diversification into new user/terminal markets• Aviation passenger connectivity in Europe | 4. DELIVER SUSTAINED PROFITABLE GROWTH <ul style="list-style-type: none">• Maintain highly efficient business model• Free cash flow expansion enabling future investment to deliver growth |
|---|---|--|--|

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.

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 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.

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 Inmarsat plc 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

INMARSAT PLC BOARD

- Defines the risk governance framework, risk culture and principles
- Sets overall risk strategy and policy
- Approves risk levels
- Responsible for an effective system of internal controls
- Approves risk decisions that are beyond delegated authorities

AUDIT COMMITTEE

- Reviews the risk management framework and the effectiveness of internal controls, risk management systems and major risk initiatives
- Reviews the internal audit programme and reports

BUSINESS OPERATIONS

- Review the risk management framework and the effectiveness of internal controls, risk management systems and major risk initiatives across the Group

RISK COMMITTEE

- Reviews the risk profile against risk appetite and makes recommendations to management in relation to risk profile, strategy and key controls
- Reviews the suitability of risk methodologies, metrics and policies
- Assesses major risk-related projects

BUSINESS OPERATIONS

- Implement mitigation strategies

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.

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.

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.

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.

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

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.

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.

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.

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 base – 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. 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.

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.

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 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.

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.

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.

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.

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.

2014 FINANCIAL REVIEW

CHANGES TO REPORTING SEGMENTS

The Group 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 Group Limited for the year ended 31 December 2014.

(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)	(235.5)	(12.7%)
Other operating costs	(174.1)	(163.1)	6.7%
Own work capitalised	32.2	30.2	6.6%
Total operating costs	(584.9)	(613.2)	(4.6%)
EBITDA	701.0	648.7	8.1%
EBITDA excluding LightSquared	625.8	639.7	(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	238.3	71.8%
Finance income	8.0	5.5	45.5%
Finance expense	(95.6)	(27.4)	248.9%
Net finance expense	(87.6)	(21.9)	300.0%
Profit before income tax	321.7	216.4	48.7%
Income tax credit/(expense)	10.9	(89.0)	(112.2%)
Profit for the year	332.6	127.4	161.1%

REVENUES – BY REPORTING SEGMENT

(US\$ in millions)						2014
	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.

Total operating costs in the year decreased by \$28.3m compared with 2013. Employee benefit costs decreased by \$7.5m (-3.1%) to \$237.3m, and network and satellite operations costs reduced by \$29.8m (-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 \$52.3m (+8.1%) to \$701.0m (2013: \$648.7m). 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 \$171.0m to \$409.3m (2013: \$238.3m).

The net finance charge in the year increased by \$65.7m to \$87.6m (2013: \$21.9m), reflecting a number of one-off factors relating to the refinancing of the Group's Senior Notes in the first half. Although there was an increase in net borrowings during the year the underlying interest charge was broadly flat, due to the lower average borrowing cost. Profit before tax in the year was \$321.7m (2013: \$216.4m)

The income tax credit for the year was \$10.9m, an increase of \$99.9m (2013: expense of \$89.0m). This increase 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.

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.

BUSINESS UNIT RESULTS

MARITIME BUSINESS UNIT

(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%

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

(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%)

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.

AVIATION BUSINESS UNIT

(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%

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

(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%)

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.

CENTRAL SERVICES BUSINESS UNIT

(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)	(252.3)	2.1%
EBITDA	(155.1)	(218.5)	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)	(587.1)	31.9%

Central Services revenues and EBITDA for the year increased by \$68.8m, and \$63.4m 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: \$252.3m), 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 \$171.0m (71.8%), compared with 2013.

RECONCILIATION OF OPERATING PROFIT TO PROFIT AFTER TAX

(US\$ in millions)	Year ended 31 December		
	2014	2013	Increase/ (decrease)
Operating profit	409.3	238.3	71.8%
Net finance expense	(87.6)	(21.9)	300.0%
Income tax expense	10.9	(89.0)	(112.2%)
Profit after tax	332.6	127.4	161.1%

NET FINANCE EXPENSE

The net finance charge in the year increased by \$65.7m to \$87.6m (2013: \$21.9m), 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). 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.

INCOME TAX EXPENSE

The tax credit for 2014 was \$10.9m, an increase of \$99.9m compared with the tax charge of \$80.0m in 2013. Profit before tax increased from \$216.4m to \$321.7m 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 \$332.6m (2013: \$127.4m).

DIVIDENDS

The Company paid dividends during the year ended 31 December 2014 of \$83.7m and \$142.1m for the 2014 interim dividend and the 2013 final dividend, respectively (year ended 31 December 2013: \$35.0m and \$122.8m for the 2013 interim dividend and the 2012 final dividend, respectively).

GROUP CASH FLOW

During the year, free cash flow was \$149.5m (2013: -\$78.0m). The increase is primarily due to a reduction in capital expenditure and higher EBITDA in 2014. The movement in working capital of \$70.4m 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.

(US\$ in millions)	Year ended 31 December	
	2014	2013
EBITDA	701.0	648.7
Non-cash items	17.2	15.9
Change in net working capital	(70.4)	(48.3)
Cash generated from operations	647.8	616.3
Capital expenditure	(405.7)	(580.9)
Net cash interest paid	(83.0)	(93.1)
Cash tax paid	(9.6)	(20.3)
Free cash flow	149.5	(78.0)
Acquisition of subsidiaries and other investments	(46.2)	(3.3)
Proceeds on disposal of assets	27.5	0.5
Dividends paid to shareholders	(226.1)	(158.0)
Intercompany funding	13.0	(49.2)
Other movement including foreign exchange	0.8	(0.4)
Net cash flow	(81.5)	(293.3)
Opening net borrowings	1,486.8	1,188.7
Net cash flow	81.5	293.3
Other	29.7	4.8
Closing net borrowings	1,598.0	1,486.8

GROUP LIQUIDITY AND CAPITAL RESOURCES

At 31 December 2014, the Group had cash and cash equivalents of \$202.7m and available but undrawn borrowing facilities of \$990.3m 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.

The net increase in current assets of \$75.4m 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.

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 \$138.5m is due to an increase in non-current borrowings of \$124.6m to \$1,682.6m during the year. 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.

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	591.0	515.6
Total assets	4,101.9	3,871.8
Current liabilities	(749.3)	(773.5)
Non-current liabilities	(1,921.8)	(1,783.3)
Total liabilities	(2,671.1)	(2,556.8)
Net assets	1,430.8	1,315.0

BOARD OF DIRECTORS

Management of Inmarsat Finance plc and Inmarsat Group Limited

Board of Directors

The Directors of Inmarsat Finance plc and Inmarsat Group Limited are Andrew Sukawaty, Rupert Pearce, Tony Bates, and Alison Horrocks.

Audit Committees

The Audit Committees of both Inmarsat Finance plc and Inmarsat Group Limited are comprised of Andrew Sukawaty, Rupert Pearce, Tony Bates, and Alison Horrocks, none of whom is considered independent. We believe that the members of each Audit Committee of Inmarsat Finance plc and Inmarsat Group Limited have sufficient experience to perform their responsibilities.

Management of Inmarsat plc

Board of Directors

Inmarsat plc is the ultimate parent company of Inmarsat Finance plc and Inmarsat Group Limited. The address for each director is c/o Inmarsat plc, 99 City Road, London EC1Y 1AX, United Kingdom.

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.

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.

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.

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.

SIR BRYAN CARSBURG
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.

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.

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.

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.

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.

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.

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.

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).

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.

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.

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

TELECOMS SANS FRONTIERES (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.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements. These forward-looking statements include matters that are not historical facts. Statements containing the words “believe”, “expect”, “intend”, “may”, “estimate” or, in each case, their negatives, and words of similar meaning are forward-looking.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that the Group’s actual financial condition, results of operations and cash flows, and the development of the industry in which we operate, may differ materially from those made in or suggested by the forward-looking statements contained in this document. In addition, even if the Group’s financial condition, results of operations and cash flows, and the development of the industry in which we operate are consistent with the forward-looking statements in this document, those results or developments may not be indicative of results or developments in subsequent periods. Important facts that could cause the Group’s actual results of operations, financial condition or cash flows, or the development of the industry in which we operate, to differ from current expectations include those risk factors disclosed in the sections entitled “Business”, “Operating and Financial Review” and “Risk Factors”.

As a consequence, the Group’s future financial condition, results of operations and cash flows, as well as the development of the industry in which we operate, may differ from those expressed in any forward-looking statements made by us or on the Group’s behalf.

APPENDIX A

2014 CONSOLIDATED FINANCIAL STATEMENTS OF INMARSAT GROUP LIMITED

Inmarsat Group Limited

(Registered Number: 4886115)

**Annual Report and Financial Statements
For the year ended 31 December 2014**

Inmarsat Group Limited

Strategic Review

For the year ended 31 December 2014

Principal activities

The Group is the leading provider of global mobile satellite communications services (“MSS”), providing data and voice connectivity to end-users worldwide, with over 30 years of experience in designing, launching and operating satellite-based networks. We have an in-orbit fleet of 10 owned and operated L-band satellites in geostationary orbit and in December 2013 successfully launched our first Inmarsat-5 Ka-band satellite.

In addition to our established L-band satellite services business, we are implementing our Global Xpress (“GX”) programme, a US\$1.6 billion investment project. GX will offer seamless global coverage and deliver Ka-band satellite services with broadband speeds of up to 50 Mbps for users in the government, maritime, enterprise and aviation sectors. GX services will be supported by an operational constellation of three Ka-band satellites (with a fourth satellite current planned to be an operational spare), the Inmarsat-5 satellites, being built by Boeing Space and Intelligence Systems (“Boeing”).

Key financial and other performance indicators

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

(US\$ in millions)	2014	2013	Increase/(decrease)
Revenue	1,285.9	1,261.9	2%
Operating profit	409.3	238.3	72%
Profit after tax	332.6	127.4	161%
Net assets	1,430.8	1,315.0	9%
Average number of employees	1,592	1,622	(2%)

Revenue increased year-on-year due to increased revenue in respect of the LightSquared Cooperation Agreement and underlying revenue growth in Maritime, Enterprise, and Aviation, partially off-set by a further decline in our Government business revenue and the net impact of acquisitions and disposals. Operating profit increased year-on-year due to the increased revenues, overall reduction in operating costs and a decrease in the impairment charge year-on-year, which were partially offset by an increase in depreciation and amortisation. Profit after tax increased year-on-year due to the factors described above as well as a decrease in income tax year-on-year.

Principal risks and uncertainties

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

Our principal risks and uncertainties are discussed below; however this summary 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.

Satellites

Our satellites are subject to significant operational risks at launch or while in orbit which, if they were to occur, could adversely affect our revenues, profitability and liquidity. Although we expect to maintain commercially prudent levels of launch and in-orbit insurance, this may be insufficient to cover all losses if we had a satellite failure. Even if our insurance cover was sufficient, delays in building and launching a replacement satellite could adversely affect our revenues, profitability and liquidity.

Inmarsat Group Limited
Strategic Review (continued)
For the year ended 31 December 2014

As the majority of the customer traffic on our network is mobile in nature, the utilisation of our network capacity fluctuates and can be concentrated based on geography and other factors, such as the time of day or major events. For example, key shipping routes will tend to experience higher average traffic volumes than oceanic areas generally. Our ability to serve concentrated levels of traffic is limited by the capacity of our satellites and our ability to move capacity around our network. Although we have designed our network to accommodate expected geographic patterns and peak demand, our network could become congested if concentrated demand exceeds our expectations. Such congestion on a sustained basis could damage our reputation for service availability and harm our results from operations.

Critical Partners

Although we have wholly-owned distribution capabilities, we continue to rely in part on other third party distribution partners and service providers to sell our services to end-users, and they determine the prices end-users pay. There is a risk that our distribution partners or service providers could fail to distribute our services effectively, or fail to offer services at prices which are competitive. In addition, the loss of any key distribution partners could materially affect our routes to market, reduce customer choice or represent a significant bad debt risk. Alternatively, changes in our business model could affect the willingness of third party distribution partners to continue to offer our services.

Spectrum

We rely on radio spectrum to provide our services. This has historically been allocated by the International Telecommunications Union without charge, and usage is coordinated with other satellite operators in our spectrum band. In the future, we may not be successful in coordinating our satellite operations under applicable international regulations and procedures or in obtaining sufficient spectrum or orbital resources necessary for our operations.

Regulation

Our business is subject to regulation and we face increasing regulation with respect to the transmission of our satellite signals. The provision of our mobile satellite communication services in some countries could cause us to incur additional costs, could expose us to fines and could limit our ability to provide services.

Next generation services and satellites

We are currently in the process of implementing a major investment programme, GX, which includes the deployment of a global network of Ka-band satellites. This programme, which includes satellites, ground network, terminals and related services, may be subject to delays and/or material cost overruns. There can be no assurance that the development of new satellites, ground networks, or terminals and/or the introduction of new services will proceed according to anticipated schedules or cost estimates, or that the level of demand for the new services will justify the cost of setting up and providing such new services. A delay in the completion of such networks and/or services and/or the launch or deployment or operation of such satellites and/or new services, or increases in the associated costs, could have a material adverse effect on our revenue, profitability and liquidity.

Inmarsat Group Limited
Strategic Review (continued)
For the year ended 31 December 2014

Competition

Although Inmarsat is a market leader in MSS, the global communications industry is highly competitive. We face competition today from a number of communications technologies in the various target sectors for our services. It is likely that we will continue to face increasing competition from other network operators in some or all of our target sectors in the future, particularly from existing mobile satellite network operators. In addition, communications providers who operate private networks using VSAT or hybrid systems also continue to target MSS users. While we believe that our L-band product offerings remain competitive in the markets we serve and that our investment in GX will position us favourably to compete with VSAT providers in the future, technological innovation in VSAT, together with increased C-band, Ku-band and Ka-band coverage and commoditisation, have increased, and we believe will continue to increase, the competitiveness of VSAT and hybrid systems in some traditional MSS sectors, including the maritime and aviation sectors. Furthermore, the gradual extension of terrestrial wireline and wireless communications networks to areas not currently served by them may reduce demand for some of our land mobile services in those areas.

Development of hybrid networks, including Ancillary Terrestrial Component (“ATC”)

Proposed ATC services in North America or other countries may result in increased competition for the right to use L-band spectrum, and such competition may make it difficult for us to obtain or retain the spectrum resources we require for our existing and future services. We cannot be certain that the development of hybrid networks, including ATC, in North America or other countries will not result in harmful interference to our operations. If we are unable to prevent or mitigate against such interference it could have an effect on our operations, revenues, profitability and liquidity.

LightSquared Cooperation Agreement

Our Cooperation Agreement with LightSquared may present us with operational and financial risks. If fully implemented, the Cooperation Agreement will ultimately result in a reduction in available L-band spectrum for Inmarsat services over North America and the need for our L-band services to coexist in North America with ATC services in adjacent frequencies. Whilst we believe that we can continue to operate our services over North America with minimal impact to our users, following the launch of ATC services by LightSquared, there is a risk that our L-band services may be congested, interrupted and/or interfered with, which could have an adverse effect on our future L-band service performance in North America.

By order of the Board
Alison Horrocks FCIS
Company Secretary
30 April 2015

Inmarsat Group Limited

Directors' Report

For the year ended 31 December 2014

Directors' Report

The Directors have pleasure in submitting their report and the audited financial statements for Inmarsat Group Limited (the 'Company' or together with its subsidiaries, the 'Group') for the year ended 31 December 2014.

Directors and their interests

The Directors who were in office on 1 January 2014 and who served during the year were as follows:

- Tony Bates (appointed 2 June 2014)
- Alison Horrocks
- Rick Medlock (resigned as a Director on 3 January 2014)
- Rupert Pearce
- Andrew Sukawaty

None of the Directors, at any time during the year ended 31 December 2014 or subsequently, have had any interests in any shares of the Company or its subsidiaries.

Dividend

The Company paid dividends during the year ended 31 December 2014 of US\$83.7m and US\$142.1m for the 2014 interim dividend and the 2013 final dividend, respectively (year ended 31 December 2013: US\$35.0m and US\$122.8m for the 2013 interim dividend and the 2012 final interim dividend, respectively).

No final dividend for the year ended 31 December 2014 has been declared or paid.

Financial instruments

Details of the financial risk management objectives and policies of the Company are the same as the Group. These details are explained in notes 3 and 31 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.

Post balance sheet events

Details of material post balance sheet events are included in note 37 to the consolidated financial statements.

Employees

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

We have established policies which address key corporate objectives in the management of employee relations, communications and employee involvement, training and personal development and equal opportunities. Employees are assisted in their career development through an annual appraisal scheme, and training is provided to support this. We do not discriminate against anyone who has a disability when considering career development opportunities. If an employee becomes disabled whilst working for us, we would review the requirements of their working environment to accommodate practical changes as far as possible to allow them to continue in their daily work routine. If such changes were unrealistic to implement, we would review alternative employment options for the individual within the Company.

Inmarsat Group Limited
Directors' Report (continued)
For the year ended 31 December 2014

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

The Inmarsat plc Board receives an annual update on Health and Safety activity across the Group. Rupert Pearce, CEO, has been identified as the Director having responsibility for health and safety issues at Inmarsat plc Board level. We have a dedicated Health & Safety Manager who is located in our headquarters office and our subsidiary operations have identified individuals responsible for health and safety across their operations. Our goal is to encourage strong leadership in championing the importance of, and a common-sense approach to health and safety in the workplace. We recognise the need to provide a safe working environment for our employees, contractors and any visitors. Regular health and safety audits are undertaken at operating sites across the Group, with inspections during 2014 at premises in the UK, Canada and the US. Across the Group, less than 15 accidents were reported, which is lower than in 2013, and we had no fatalities. We again received very positive feedback from our employees to our global 'healthy wellbeing programme' which is run annually in November. We believe our 'healthy wellbeing programme' has a positive impact on staff productivity and effectiveness of the business; the programme aims to improve the general health and wellbeing of the working-age population and support staff with health conditions.

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

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

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

Political donations

No political donations were made during the year. 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 of the ultimate parent company, Inmarsat plc, are asked annually to give authority at that company's Annual General Meeting for Inmarsat plc and its subsidiaries to make political donations and to incur political expenditure.

Indemnities and insurance

Inmarsat plc (the Group's ultimate parent company) maintains appropriate insurance to cover Directors' and Officers' liability for itself and its subsidiaries as permitted under the Articles of Association. The insurance covers individual Directors' and Officers' personal legal liability and legal defence costs for claims arising out of actions taken in connection with Group business. Neither the insurance nor the indemnity provides cover where the Director/Officer is proved to have acted fraudulently or dishonestly. The Directors, the Company Secretary, and certain employees serving as directors of subsidiaries at the Group's request have been granted indemnities on terms consistent with the applicable statutory provisions. No amount has been paid under any of these indemnities during the year.

Inmarsat Group Limited
Directors' Report (continued)
For the year ended 31 December 2014

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 Group'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 Group'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. An elective resolution was passed on 12 July 2004 dispensing with the requirement to appoint an auditor annually. Therefore, Deloitte LLP are deemed to continue as auditor.

Directors' responsibilities statement

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

Company law requires the Directors to prepare such financial statements for each financial year. Under that law, the Directors are required to prepare the Company's financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union 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 Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- 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 proper accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group 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 Group 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.

By order of the Board
Alison Horrocks FCIS
Company Secretary
30 April 2015

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

We have audited the financial statements of Inmarsat Group Limited for the year ended 31 December 2014 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes 1 to 37, and the Company Balance Sheet, the Company Statement of Changes in Equity, the Company Cash Flow Statement and related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (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.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2014 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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

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

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

David Griffin, FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
30 April 2015

Consolidated Income Statement

(\$ in millions)	Note	2014	2013
Revenue		1,285.9	1,261.9
Employee benefit costs	7	(237.3)	(244.8)
Network and satellite operations costs		(205.7)	(235.5)
Other operating costs		(174.1)	(163.1)
Own work capitalised		32.2	30.2
Total net operating costs		(584.9)	(613.2)
EBITDA		701.0	648.7
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	238.3
Finance income	9	8.0	5.5
Finance expense	9	(95.6)	(27.4)
Net finance expense	9	(87.6)	(21.9)
Profit before income tax	6	321.7	216.4
Income tax credit/(expense)	10	10.9	(89.0)
Profit for the year		332.6	127.4
Attributable to:			
Equity holders		332.0	126.8
Non-controlling interest		0.6	0.6
		332.6	127.4

Consolidated Statement of Comprehensive Income

(\$ in millions)	Note	2014	2013
Profit for the year		332.6	127.4
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	27	3.4	2.7
Tax charged directly to equity	10	(0.6)	(0.6)
Total other comprehensive income		–	13.0
Total comprehensive income		332.6	140.4
Attributable to:			
Equity holders		332.0	139.8
Non-controlling interest		0.6	0.6

Consolidated Balance Sheet

(\$ 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	31	–	3.6
		3,510.9	3,356.2
Current assets			
Cash and cash equivalents	16	202.7	143.1
Trade and other receivables	17	317.1	281.2
Inventories	18	28.4	27.7
Current income tax assets	22	8.5	11.6
Derivative financial instruments	31	1.4	9.2
Assets held for sale	32	32.9	42.8
		591.0	515.6
Total assets		4,101.9	3,871.8
Liabilities			
Current liabilities			
Borrowings	19	118.1	71.9
Trade and other payables	20	545.6	569.2
Provisions	21	3.4	4.3
Current income tax liabilities	22	77.2	108.6
Derivative financial instruments	31	5.0	0.5
Liabilities directly associated with assets held for sale	32	–	19.0
		749.3	773.5
Non-current liabilities			
Borrowings	19	1,682.6	1,558.0
Other payables	20	25.6	26.2
Provisions	21	27.2	23.9
Deferred income tax liabilities	22	186.4	175.2
		1,921.8	1,783.3
Total liabilities		2,671.1	2,556.8
Net assets		1,430.8	1,315.0
Shareholders' equity			
Ordinary shares	24	0.4	0.4
Share premium		677.4	677.4
Other reserves		406.2	400.6
Retained earnings		346.3	236.3
Equity attributable to shareholders		1,430.3	1,314.7
Non-controlling interest		0.5	0.3
Total equity		1,430.8	1,315.0

The consolidated financial statements of the Inmarsat Group Limited, registered number 4886115 on pages 8 to 55 were approved by the Board of Directors on 30 April 2015 and were signed on its behalf by:

Rupert Pearce
Director

Tony Bates
Director

Consolidated Statement of Changes in Equity

(\$ in millions)	Ordinary share capital	Share premium account	Share option reserve	Cash flow hedge reserve	Revaluation reserve	Currency reserve	Capital contribution reserve	Retained earnings	Non- controlling interest	Total
Balance at 1 January 2013	0.4	677.4	54.8	(2.5)	0.6	0.4	327.8	263.8	1.1	1,323.8
Share options charge	–	–	8.6	–	–	–	–	1.4	–	10.0
Dividends paid	–	–	–	–	–	–	–	(157.8)	(0.2)	(158.0)
Transfer to liabilities directly associated with assets held for sale	–	–	–	–	–	–	–	–	(1.2)	(1.2)
Comprehensive Income:										
Profit for the period	–	–	–	–	–	–	–	126.8	0.6	127.4
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	0.4	677.4	63.4	8.6	0.6	0.2	327.8	236.3	0.3	1,315.0
Share options charge	–	–	8.4	–	–	–	–	1.0	–	9.4
Dividends paid	–	–	–	–	–	–	–	(225.8)	(0.3)	(226.1)
Transfer to liabilities directly associated with assets held for sale	–	–	–	–	–	–	–	–	(0.1)	(0.1)
Comprehensive Income:										
Profit for the period	–	–	–	–	–	–	–	332.0	0.6	332.6
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	0.4	677.4	71.8	(1.6)	8.6	(0.4)	327.8	346.3	0.5	1,430.8

Consolidated Cash Flow Statement

(\$ in millions)	Note	2014	2013
Cash flows from operating activities			
Cash generated from operations	23	647.8	616.3
Interest received		0.9	2.4
Income taxes paid		(9.6)	(20.3)
Net cash inflow from operating activities		639.1	598.4
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	28	(46.2)	(3.2)
Proceeds on disposal of assets	32	27.5	–
Net cash used in investing activities		(424.4)	(583.7)
Cash flows from financing activities			
Dividends paid to Parent Company	12	(225.8)	(157.8)
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		(83.9)	(95.5)
Arrangement costs of financing	19	(13.8)	(5.0)
Intercompany funding		13.0	(49.2)
Other financing activities		1.2	(0.3)
Net cash used in financing activities		(150.8)	(205.9)
Foreign exchange adjustment		(0.4)	(0.1)
Net increase/(decrease) in cash and cash equivalents		63.5	(191.3)
Cash and cash equivalents			
At the beginning of the year		139.2	330.5
Net increase/(decrease) in cash and cash equivalents		63.5	(191.3)
At the end of the year	16	202.7	139.2
Comprising:			
Cash at bank and in hand	16	39.0	49.2
Short-term deposits with original maturity of less than three months	16	163.7	93.9
Bank overdrafts	16	–	(3.9)
		202.7	139.2

Inmarsat Group Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

1. General information

Inmarsat Group Limited (the 'Company' or, together with its subsidiaries, the 'Group') is a company incorporated in the United Kingdom and domiciled in England and Wales. The address of its registered office is 99 City Road, London EC1Y 1AX, United Kingdom. The nature of the Group's operations and its principal activities are set out in note 5.

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

2. Principal accounting policies

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 Group Limited continues to adopt the going concern basis in preparing the consolidated financial statements.

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
- 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
- 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.

Inmarsat Group Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2014

2. Principal accounting policies (continued)

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.

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

Inmarsat Group Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2014

2. Principal accounting policies (continued)

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 1 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.

Inmarsat Group Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2014

2. Principal accounting policies (continued)

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

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.

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.

Inmarsat Group Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2014

2. Principal accounting policies (continued)

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.

Inmarsat Group Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2014

2. Principal accounting policies (continued)

Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases by the lessee. Rentals 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.

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.

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.

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 31). The management of the Group does not hold or issue derivative financial instruments for speculative or trading purposes.

Inmarsat Group Limited
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2014

3. Financial risk management (continued)

(a) Market risk

(i) Foreign exchange risk

The functional currency of the Group 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 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:

(\$ in millions)	Note	2014	2013
Cash and cash equivalents	16	202.7	143.1
Trade receivables, other receivables and accrued income	17	253.9	243.3
Derivative financial instruments	31	1.4	12.8
Total credit risk		458.0	399.2

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

Inmarsat Group Limited
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2014

3. Financial risk management (continued)

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:

(\$ 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.

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

(\$ in millions)	Note	2014	2013
Cash and cash equivalents	16	202.7	143.1
Available but undrawn borrowing facilities ⁽¹⁾	19	990.3	906.5
Total available liquidity		1,193.0	1,049.6

(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.

Inmarsat Group Limited
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2014

4. Critical accounting estimates and judgements in applying accounting policies (continued)

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

(\$ in millions)	Allocated Goodwill	Pre-tax Discount rate	Long-term growth rate
Maritime	215.5	9.1%	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 32).

(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 27).

Inmarsat Group Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2014

4. Critical accounting estimates and judgements in applying accounting policies (continued)

(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 34).

(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.

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

Inmarsat Group Limited
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2014

5. Segmental information (continued)

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. The tables below represent segmental information based on the revised basis with 2013 restated accordingly.

(\$ in millions)	2014					Total
	Maritime ⁽¹⁾	Government	Enterprise	Aviation	Central Services	
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						(87.6)
Profit before income tax						321.7
Income tax expense						10.9
Profit for the year						332.6
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 28).

(\$ in millions)	2013 (restated)					Total
	Maritime	Government	Enterprise	Aviation	Central Services	
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)	(252.3)	(613.2)
EBITDA	416.5	267.9	115.6	67.2	(218.5)	648.7
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	(587.1)	238.3
Net finance expense						(21.9)
Profit before income tax						216.4
Income tax expense						(89.0)
Profit for the year						127.4
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.

Inmarsat Group Limited
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2014

5. Segmental information (continued)

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.

(\$ in millions)	2014		2013	
	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:

(\$ 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

Inmarsat Group Limited
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2014

6. Profit before income tax (continued)

The total remuneration paid to the Group's auditor and other member firms of Deloitte Touche Tohmatsu Limited is analysed below:

(\$ in millions)	2014	2013
Audit fees:		
Audit of the parent company	–	–
Audit of subsidiaries	1.2	1.1
	1.2	1.1
Audit-related fees:		
Audit-related assurance services	0.2	0.3
Total audit and audit-related fees	1.4	1.4
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	2.4	2.7

(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).

7. Employee benefit costs (including the Executive Directors)

(\$ 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⁾	27	1.4	3.6
Post-employment benefits costs ⁽¹⁾	27	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 27).

Inmarsat Group Limited
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2014

7. Employee benefit costs (including the Executive Directors) (continued)

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

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

(\$ in millions)	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 Group as Chief Financial Officer of Inmarsat plc and was appointed as an Executive Director, effective the same date. Rick Medlock resigned from his position as Chief Financial Officer of Inmarsat plc and as an Executive Director of the Group on 3 January 2014.

Inmarsat Group Limited
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2014

9. Net finance expense

(\$ in millions)	2014	2013
Interest on Senior Notes and credit facilities	84.3	84.9
Interest rate swaps	–	8.0
Unwinding of discount on deferred satellite liabilities	1.4	1.8
Amortisation of debt issue costs	15.0	7.3
Amortisation of discount on Senior Notes due 2022	0.5	–
Redemption premium on Senior Notes due 2017	32.8	–
Intercompany interest expense	3.3	3.6
Other interest	0.2	0.9
Finance expense	137.5	106.5
Less: Amounts capitalised in the cost of qualifying assets	(41.9)	(79.1)
Total finance expense	95.6	27.4
Bank interest receivable and other interest	1.4	3.0
Net amortisation of premium on Senior Notes due 2017	6.0	1.5
Pension and post-employment liability finance income	0.6	0.1
Intercompany interest income	–	0.9
Total finance income	8.0	5.5
Net finance expense	87.6	21.9

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 credit/(expense) recognised in the Income Statement:

(\$ in millions)	2014	2013
Current tax expense		
Current year	(36.8)	(36.2)
Adjustments in respect of prior periods	53.4	(41.0)
Total current tax credit/(expense)	16.6	(77.2)
Deferred tax expense		
Origination and reversal of temporary differences	(17.6)	(30.2)
Adjustments in respect of prior periods	9.2	(4.9)
Adjustments due to reduction in the UK corporation tax rate	2.7	23.3
Total deferred tax expense	(5.7)	(11.8)
Total income tax credit/(expense)	10.9	(89.0)

Of the total \$62.6m 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.

Inmarsat Group Limited
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2014

10. Income tax expense (continued)

Reconciliation of effective tax rate:

(\$ in millions)	2014	2013
Profit before tax	321.7	216.4
Income tax at 21.50% (2013: 23.25%)	(69.2)	(50.3)
Differences in overseas tax rates	2.4	0.6
Adjustments in respect of prior periods	62.6	(45.9)
Adjustments due to reduction in the UK corporation tax rate	2.7	23.3
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	(1.5)	(2.0)
Total income tax credit/(expense)	10.9	(89.0)

Tax credited directly to equity:

(\$ in millions)	2014	2013
Current tax credit on share options	0.4	–
Deferred tax credit on share options	0.6	1.4
Total tax credited directly to equity	1.0	1.4

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

(\$ 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)

Inmarsat Group Limited
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2014

11. Net foreign exchange losses/(gains)

(\$ in millions)	Note	2014	2013
Pension and post-retirement liability	27	(0.8)	(0.3)
Other operating costs		2.7	(1.1)
Total foreign exchange losses/(gains)		1.9	(1.4)

12. Dividends

The Company paid dividends during the year ended 31 December 2014 of \$83.7m and \$142.1m for the 2014 interim dividend and the 2013 final dividend, respectively (year ended 31 December 2013: \$35.0m and \$122.8m for the 2013 interim dividend and the 2012 final dividend, respectively).

13. Property, plant and equipment

(\$ in millions)	Freehold land and buildings	Services equipment, fixtures and fittings	Space segment	Assets in the course of construction	Total
Cost:					
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.

Inmarsat Group Limited
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2014

13. Property, plant and equipment (continued)

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

Space segment assets:

Satellites	13–15 years
Other space segment, including ground infrastructure	5–12 years
Fixtures and fittings, and services-related equipment	3–15 years
Buildings	20 years

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).

14. Intangible assets

(\$ 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

Inmarsat Group Limited
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2014

14. Intangible assets (continued)

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

(\$ 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.

(\$ in millions)	As at 31 December 2014	As at 31 December 2013
Cash at bank and in hand	39.0	49.2
Short-term deposits with original maturity of less than three months	163.7	93.9
Cash and cash equivalents	202.7	143.1

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

(\$ in millions)	Note	As at 31 December 2014	As at 31 December 2013
Cash and cash equivalents		202.7	143.1
Bank overdrafts	19	–	(3.9)
Net cash and cash equivalents		202.7	139.2

Inmarsat Group Limited
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2014

17. Trade and other receivables

(\$ in millions)	As at 31 December 2014	As at 31 December 2013 (restated)
Current:		
Trade receivables	220.4	194.9
Other receivables	7.3	20.5
Amounts due from Parent undertakings	11.7	4.1
Prepayments and accrued income	77.7	61.7
Total trade and other receivables	317.1	281.2
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.

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

(\$ in millions)	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

(\$ 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:

(\$ in millions)	2014	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.

Inmarsat Group Limited
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2014

19. Borrowings

(\$ in millions)	As at 31 December 2014			As at 31 December 2013		
	Gross amount	Deferred finance cost ⁽¹⁾	Net balance	Gross amount	Deferred finance cost ⁽¹⁾	Net balance
Current:						
Bank overdrafts	–	–	–	3.9	–	3.9
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
Total current borrowings	118.1	–	118.1	71.9	–	71.9
Non-current:						
Deferred satellite payments ⁽²⁾	17.4	–	17.4	23.6	–	23.6
Senior Notes due 2017 ⁽⁶⁾	–	–	–	850.0	(8.7)	841.3
– Net issuance premium	–	–	–	5.9	–	5.9
Senior Notes due 2022 ⁽⁷⁾	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
Total non-current borrowings	1,710.8	(28.2)	1,682.6	1,585.9	(27.9)	1,558.0
Total borrowings⁽⁸⁾	1,828.9	(28.2)	1,800.7	1,657.8	(27.9)	1,629.9

(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 four 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 two years and will then be repayable in equal semi-annual instalments over a further five 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) 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.

(7) 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.

(8) In 2011, the Group signed a five-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.

Inmarsat Group Limited
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2014

19. Borrowings (continued)

Maturity of borrowings

The maturity of non-current borrowings is as follows:

(\$ in millions)	As at 31 December 2014	As at 31 December 2013
Between one and two years	130.6	103.6
Between two and five years	384.4	1,173.5
After five years	1,167.6	280.9
	1,682.6	1,558.0

The Directors consider the carrying value of borrowings, other than the Senior Notes due 2022, to approximate to their fair value (see note 31). 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

20. Trade and other payables

(\$ in millions)	As at 31 December 2014	As at 31 December 2013
Current:		
Trade payables	136.6	132.4
Deferred consideration	2.0	3.1
Other taxation and social security payables	5.1	5.2
Other creditors	1.7	1.1
Amounts due to Parent undertakings	74.5	57.4
Accruals and deferred income ⁽¹⁾	325.7	370.0
Total trade and other payables	545.6	569.2
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.

Inmarsat Group Limited
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2014

21. Provisions

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

(\$ 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.

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

(\$ in millions)	Post-employment benefits	Pension obligations	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.

Inmarsat Group Limited
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2014

22. Current and deferred income tax assets and liabilities

The current income tax asset of \$8.5m and current income tax liability of \$77.2m (2013: \$11.6m and \$108.6m, respectively), represent the income tax payable in respect of current and prior periods less amounts paid.

Recognised deferred income tax assets and liabilities

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

(\$ in millions)	As at 31 December 2014			As at 31 December 2013		
	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)	(7.1)	4.0	(3.1)
Pension and post-employment benefits	(1.1)	0.8	(0.3)	(1.1)	0.3	(0.8)
Share options	(6.8)	–	(6.8)	(5.6)	–	(5.6)
Loss carry forwards	(20.6)	–	(20.6)	(10.8)	–	(10.8)
Net deferred income tax liabilities	(46.2)	205.9	159.7	(24.9)	178.8	153.9

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

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

(\$ in millions)	As at 31 December 2014	As at 31 December 2013
Deferred income tax assets	(26.7)	(21.3)
Deferred income tax liabilities	186.4	175.2
Net deferred income tax liabilities	159.7	153.9

Movement in temporary differences during the year:

(\$ 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	(3.3)	–	(1.8)	(0.9)	(6.0)
Pension and post-employment benefits	(0.8)	–	(0.1)	0.6	(0.3)
Share options	(5.6)	–	(0.6)	(0.6)	(6.8)
Loss carry forwards	(10.8)	–	(9.8)	–	(20.6)
Total	153.7	1.2	5.7	(0.9)	159.7

(\$ 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
Other	13.9	–	–	9.9	3.6	27.4
Pension and post-employment benefits	(1.4)	–	–	–	0.6	(0.8)
Share options	(3.3)	–	–	(0.9)	(1.4)	(5.6)
Loss carry forwards	(7.9)	0.1	–	(3.0)	–	(10.8)
Total	140.2	0.1	(1.0)	11.8	2.8	153.9

Inmarsat Group Limited
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2014

22. Current and deferred income tax assets and liabilities (continued)

Total unprovided deferred tax assets:

(\$ 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 was 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%.

23. Cash generated from operations

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

(\$ in millions)	2014	2013
Profit for the year	332.6	127.4
Adjustments for:		
Depreciation and amortisation	291.8	232.0
Income tax expense	(10.9)	89.0
Finance expense	95.6	27.4
Finance income	(8.0)	(5.5)
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	(16.3)	(10.2)
Decrease/(increase) in inventories	3.1	(6.5)
Decrease in trade and other payables	(59.2)	(34.0)
Increase in provisions	2.0	2.4
Cash generated from operations	647.8	616.3

Inmarsat Group Limited
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2014

24. Share capital

(\$ in millions)	As at 31 December 2014	As at 31 December 2013
Authorised:		
630,780,000 ordinary shares of €0.0005 each (2013: 630,780,000)	0.4	0.4
	0.4	0.4
Allotted, issued and fully paid:		
610,500,000 ordinary shares of €0.0005 each (2013: 610,500,000)	0.4	0.4
	0.4	0.4

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

25. Employee share options and awards

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 15. Given that these schemes operate at an Inmarsat plc group level, the information below is for the Inmarsat plc group as a whole.

Staff Value Participation Plan

All options granted under the Staff Value Participation Plan (the '2004 Plan') have now vested and are exercisable. Whenever options are exercised under the 2004 Plan, the holder must pay a de minimis charge of €1 for each tranche of options exercised. The options expire 10 years from the date of grant. Shares are transferred to the option holders from the Inmarsat Employees' Share Ownership Plan Trust (the 'Trust') (resident in 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. Awards are made in the form of a conditional allocation of shares. The performance conditions attached to the BSA are non-market based performance conditions. Any dividends paid by the Company will accrue and be added as additional shares upon vesting.

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

As the BSA provides non-contributory share awards that have an entitlement to dividends and no market-based performance conditions attached, the fair value of the awards is the value of the grant. This is due to the fact that regardless of the market price

Inmarsat Group Limited
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2014

25. Employee share options and awards (continued)

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. 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.

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			
	18 May 2011	30 March 2012	19 March 2013	19 March 2014
Grant date				
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 & 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.

Inmarsat Group Limited
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2014

25. Employee share options and awards (continued)

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

Inmarsat Group Limited
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2014

26. Reserves

Cash flow hedge reserve:

(\$ 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:

(\$ 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

(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.

Gains and losses relating to the effective portion of cash flow hedges are recognised in Other Comprehensive Income and the Cash flow hedge reserve. When a hedged item is recognised in the Income Statement the cumulative deferred gain or loss in Other Comprehensive Income and the Cash flow hedge reserve is reclassified to the Income Statement. When a hedged item is recognised as a non-financial asset or liability in the Balance Sheet the accumulated gain or loss is transferred from the Cash flow hedge reserve and included in the initial measurement of its cost.

Inmarsat Group Limited
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2014

27. Pension arrangements and post-employment benefits

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

The Group operates defined benefit pension schemes in the United Kingdom, 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.

Inmarsat Group Limited
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2014

27. Pension arrangements and post-employment benefits (continued)

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

	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%

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%)

Inmarsat Group Limited
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2014

27. Pension arrangements and post-employment benefits (continued)

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

Amounts recognised in the Balance Sheet are:

(\$ 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:

(\$ 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:

(\$ 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

Inmarsat Group Limited
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2014

27. Pension arrangements and post-employment benefits (continued)

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

(\$ in millions)	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:

(\$ in millions)	2014		2013	
	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:

(\$ in millions)	2014		2013	
	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)

Inmarsat Group Limited
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2014

27. Pension arrangements and post-employment benefits (continued)

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 (\$ in millions)	Percentage of total plan assets (%)	Value (\$ 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	

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.

Inmarsat Group Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2014

27. Pension arrangements and post-employment benefits (continued)

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.

28. 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.

Inmarsat Group Limited
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2014

28. Acquisitions (continued)

The final allocation of the purchase consideration to the net assets and liabilities of Globe Wireless is as follows:

(\$ in millions)	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.

29. Operating lease and other commitments

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

(\$ in millions)	As at 31 December 2014			As at 31 December 2013		
	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).

Inmarsat Group Limited
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2014

29. Operating lease and other commitments (continued)

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

(\$ 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:

(\$ 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

30. Capital risk management

The following table summarises the capital of the Group:

(\$ in millions)	As at 31 December 2014	As at 31 December 2013
As per Balance Sheet		
Cash and cash equivalents	(202.7)	(143.1)
Borrowings	1,800.7	1,629.9
Net borrowings	1,598.0	1,486.8
Equity attributable to shareholders of the parent	1,430.8	1,314.7
Capital	3,028.8	2,801.5

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

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

The net borrowings (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.

Inmarsat Group Limited
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2014

31. 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:

(\$ in millions)	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⁾	253.9	–	–	253.9	243.3	–	–	243.3
Cash and cash equivalents	202.7	–	–	202.7	143.1	–	–	143.1
Derivative financial instruments	–	1.4	–	1.4	–	12.8	–	12.8
Investments	–	–	32.9	32.9	–	–	23.5	23.5
	456.6	1.4	32.9	490.9	386.4	12.8	23.5	422.7

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

(\$ 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	–	1,800.7	1,800.7	–	1,629.9	1,629.9
Trade payables and other ⁽¹⁾	–	293.6	293.6	–	270.9	270.9
Derivative financial instruments	5.0	–	5.0	0.5	–	0.5
	5.0	2,094.3	2,099.3	0.5	1,900.8	1,901.3

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

Inmarsat Group Limited
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2014

31. Financial instruments (continued)

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

(\$ in millions)	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⁾	118.1	130.6	384.4	1,167.6	1,800.7
Trade payables and other	268.0	1.9	22.3	1.4	293.6
Derivative financial instruments	5.0	–	–	–	5.0
	391.1	132.5	406.7	1,169.0	2,099.3

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

(\$ 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⁾	154.2	189.4	1,343.7	303.4	1,990.7
Trade payables and other	244.7	1.3	23.3	1.6	270.9
Derivative financial instruments	0.5	–	–	–	0.5
	399.4	190.7	1,367.0	305.0	2,262.1

(1) Includes interest obligations on the Senior Notes due 2017, EIB Facility, and Ex-Im Bank 2011 Facility. 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.

Fair values of derivative financial instruments

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

The fair values at the Balance Sheet date were:

(\$ in millions)	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

Inmarsat Group Limited
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2014

31. Financial instruments (continued)

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			Fair value (\$)
	Face value	Maturing within 1 year	Maturing between 1 and 2 years	
Outstanding forward foreign exchange contracts (in millions)				
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			Fair value (\$)
	Face value	Maturing within 1 year	Maturing between 1 and 2 years	
Outstanding forward foreign exchange contracts (in millions)				
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.

Inmarsat Group Limited
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2014

31. Financial instruments (continued)

Fair value of non-derivative financial assets and financial liabilities

With the exception of the Senior Notes due 2022 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); and
- 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);

(\$ in millions)	As at 31 December 2014		As at 31 December 2013	
	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	–	–

32. Disposal groups and assets 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.

Inmarsat Group Limited
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2014

33. 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.

34. 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.

35. 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).

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

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

(\$ in millions)	2014	2013
Transactions with Inmarsat plc:		
Intercompany interest receivable	–	0.8
Intercompany interest payable	3.3	3.6
Repayment of amounts due to fellow group companies	–	49.2
Other net trading	4.2	5.1
Receipt of intercompany funding	13.0	–
Transactions with Inmarsat Holdings Limited:		
Intercompany interest receivable	–	0.1
Repayment of amounts due to fellow group companies	–	–
Other net trading	4.4	0.2

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

(\$ in millions)	As at 31 December 2014	As at 31 December 2013
Outstanding balances with Inmarsat plc:		
Amounts due to fellow Group companies	(74.5)	(57.4)
Amounts due from fellow Group companies	4.6	1.4
Outstanding balances with Inmarsat Holdings Limited:		
Amounts due from fellow Group companies	7.1	2.7
Amounts due to fellow Group companies	–	–

Inmarsat Group Limited
Notes to the Consolidated Financial Statements (continued)
For the year ended 31 December 2014

36. 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 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%
Inmarsat Australia Pty Limited ⁽¹⁾	Operating company	Australia	100%	100%

(1) TC Communications Pty Ltd was renamed Inmarsat Australia Pty Ltd in October 2014

37. 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.

Inmarsat Group Limited
 Company Balance Sheet
 As at 31 December 2014

(\$ in millions)	As at 31 December 2014	As at 31 December 2013
Assets		
Non-current assets		
Investments ⁽¹⁾	1,003.7	1,003.7
Total non-current assets	1,003.7	1,003.7
Total assets	1,003.7	1,003.7
Liabilities		
Current liabilities		
Trade and other payables ⁽²⁾	0.1	0.1
Total current liabilities	0.1	0.1
Total liabilities	0.1	0.1
Net assets	1,003.6	1,003.6
Shareholders' equity		
Ordinary shares	0.4	0.4
Share premium	677.5	677.5
Capital contribution reserve	325.7	325.7
Retained earnings	–	–
Total equity	1,003.6	1,003.6

(1) Investments consist of a \$1,003.6m investment in Inmarsat Investments Limited (2013: \$1,003.6m) and \$0.1m investment in Inmarsat Finance plc (2013: \$0.1m).

(2) Trade and other payables consists of \$0.1m due to Group companies (2013: \$0.1m).

The financial statements of the Company, registered number 4886072, on pages 56 to 58 were approved by the Board of Directors on 30 April 2015 and signed on its behalf by:

Rupert Pearce
 Director

Inmarsat Group Limited
Company Cash Flow Statement
For the year ended 31 December 2014

(\$ in millions)	2014	2013
Net cash used in operating activities	–	–
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 Parent Company	(225.8)	(157.8)
Net cash used in financing activities	(225.8)	(157.8)
Net increase in cash and cash equivalents	–	–
Movement in cash and cash equivalents		
At beginning of year	–	–
Net decrease in cash and cash equivalents	–	–
As reported on the Balance Sheet (net of bank overdrafts)	–	–
At end of year, comprising		
Cash at bank and in hand	–	–
	–	–

Inmarsat Group Limited
Company Statement of Changes in Equity
For the year end 31 December 2014

(\$ in millions)	Ordinary share capital	Share premium account	Capital contribution reserve	Retained earnings	Total
Balance at 1 January 2013	0.4	677.5	325.7	–	1,003.6
Profit for the year	–	–	–	157.8	157.8
Dividends paid	–	–	–	(157.8)	(157.8)
Balance at 31 December 2013	0.4	677.5	325.7	–	1,003.6
Profit for the year	–	–	–	225.8	225.8
Dividends paid	–	–	–	(225.8)	(225.8)
Balance at 31 December 2014	0.4	677.5	325.7	–	1,003.6

(1) The other reserve relates to ordinary shares held by the employee share trust.

Notes to the Company 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 31 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: US1.4m) 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.

(\$ in millions)	2014	2013
Profit for the year	225.8	157.8
Adjustments for:		
Dividend receivable	(225.8)	(157.8)
Cash inflow from operations	–	–