

WHAT DOES GLOBAL REACH, GLOBAL IMPACT MEAN TO US?

GLOBAL REACH

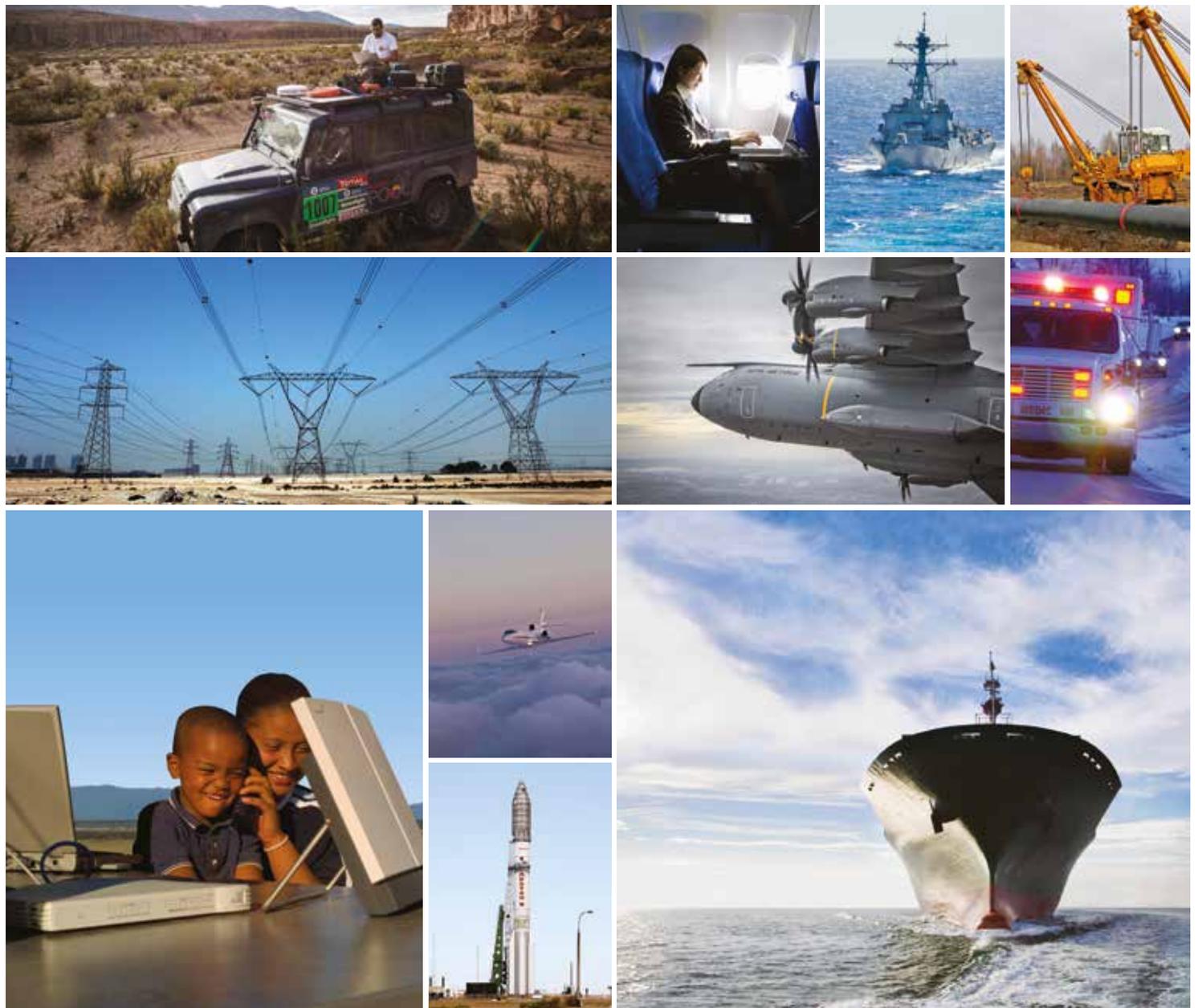
Inmarsat was founded on the vision of seamless, reliable, globally available communications. This focus remains at the heart of our business and today with the successful introduction of our fastest and most powerful high-speed broadband service – Global Xpress – we remain at the forefront of global connectivity. Our services reach across every continent and every ocean, ensuring that wherever our customers are located – on land, at sea and in the air – they can be assured that Inmarsat is ready and available to support their operation.



Scan the image montage above using the Inmarsat App to watch our Global Reach, Global Impact video.

GLOBAL IMPACT

For all our customers, reliable connectivity — from voice services to high-speed broadband — is a crucial enabler. We continually invest in our networks and work with a unique community of partners to deliver a suite of solutions that are specific to each sector. Through this strategy, we provide an environment in which ship operators can deploy advanced technologies to improve efficiency; we bring new opportunities for airlines to augment cockpit communications and deliver a new era in passenger services. And, across our other core sectors, we are delivering globally available services tailored to make a real difference.



ABOUT INMARSAT

Inmarsat is the world's leading mobile satellite communications company. Our global reach delivers connectivity to even the most remote locations on earth. Our global impact is felt by businesses, governments and individuals who rely on our space-enabled technology to meet the rapidly evolving demands of our increasingly connected world – on land, at sea or in the air.

WHAT'S INSIDE



STRATEGIC REPORT

OVERVIEW

- IFC About Inmarsat
- IFC What does Global Reach, Global Impact mean to us?
- 01 Investor proposition
- 01 Financial highlights
- 01 Business highlights
- 02 At a glance
- 04 Chairman's review

STRATEGY

- 06 Chief Executive's review
- 13 Our key performance indicators
- 14 Our markets
- 18 Our business model
- 20 Our strategy
- 22 Resources and relationships
- Business reviews:
 - 28 Maritime
 - 32 Enterprise
 - 36 Aviation
 - 40 Government
 - 44 Financial review
 - 48 Risk management

GOVERNANCE

- 52 Board of Directors
- 55 Report of the Directors
- 58 Corporate governance report
- 72 Relations with shareholders
- 73 Remuneration report
- 93 Directors' responsibility statement

FINANCIAL STATEMENTS

- 95 Independent Auditors' report
- 100 Consolidated income statement
- 100 Consolidated statement of comprehensive income
- 101 Consolidated balance sheet
- 102 Consolidated statement of changes in equity
- 103 Consolidated cash flow statement
- 104 Notes to the consolidated financial statements
- 133 Company financial statements
- 136 Notes to the Company financial statements
- 137 Glossary
- 139 Additional information



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

Get it on:
**GOOGLE PLAY
APP STORE**



inmarsat.com

INVESTOR PROPOSITION

GLOBAL MOBILE CONNECTIVITY ON LAND, AT SEA AND IN THE AIR.

WE ARE IDEALLY POSITIONED TO SEIZE THE OPPORTUNITIES...

For more than 35 years, Inmarsat has been reliably delivering seamless, resilient and highly secure communication services to customers on the move. Our wholly-owned satellites and network uniquely provide these services on a seamless global basis.

In global mobile broadband, we have the first and only global mobile Ka-band network, Global Xpress, offering a truly seamless high-speed broadband experience – a unique play on the explosive growth in broadband demand.

In airline passenger connectivity, we are uniquely positioned to seamlessly deliver reliable broadband globally and our European Aviation Network will deliver the world's most consistent and powerful passenger broadband experience.

These opportunities build upon our leading market position in the highly resilient, lower bandwidth global mobile satellite communication services that many customers require.

And through our focused investment in innovation, we will continue to deliver market-winning solutions to our customers... much more than capacity and connectivity.

...TO DELIVER VALUE FOR OUR SHAREHOLDERS.

We have increased the dividend in each of the last 10 years and have delivered material capital growth for our shareholders in 10 years as a public company.

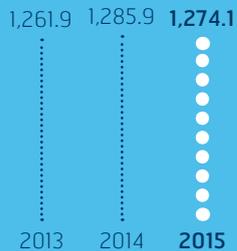


READ MORE
BUSINESS MODEL P18

FINANCIAL HIGHLIGHTS

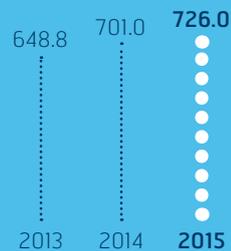
TOTAL REVENUE (\$m)

1,274.1



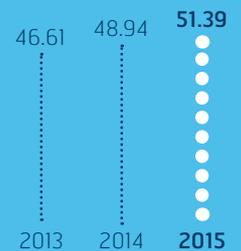
EBITDA (\$m)

726.0



DIVIDEND PER SHARE (c (\$))

51.39



BUSINESS HIGHLIGHTS

SECOND AND THIRD INMARSAT-5 SATELLITES SUCCESSFULLY LAUNCHED

GLOBAL COMMERCIAL SERVICE INTRODUCTION OF HIGH-SPEED MOBILE BROADBAND GLOBAL XPRESS SERVICES

SIGNIFICANT STEPS TAKEN TOWARDS DELIVERING TRANSFORMATIONAL AVIATION CONNECTIVITY OPPORTUNITIES

CONTRACT PLACED FOR TWO DUAL PAYLOAD INMARSAT-6 SATELLITES

AT A GLANCE POWERING GLOBAL CONNECTIVITY

WHO WE ARE

Inmarsat is the leader in global, mobile satellite communications services. Every hour of every day our voice and broadband solutions are deployed by governments, commercial enterprises and humanitarian organisations across the world. On every continent, across every ocean and in the sky, Inmarsat's wholly-owned and operated satellite constellations are delivering unparalleled reliability to support mission-critical communications, ensure safety on land, sea and air, drive innovation and bring new economic and social benefits to even the most isolated communities.

SPLIT OF REVENUE*
(as % of Group)



Maritime	51%
Government	24%
Enterprise	14%
Aviation	11%

* Excluding Central Services revenue

OUR CORE VALUES

These are the foundations for how we aspire to behave in every aspect of our working life at Inmarsat. Read more on page 23.



MARKET-DRIVEN



OPEN



ENTERPRISING



PASSIONATE

SPLIT OF EBITDA*
(as % of Group)



Maritime	53%
Government	22%
Enterprise	13%
Aviation	12%

* Excluding Central Services EBITDA

MARITIME



Powered by our advanced satellite networks and bespoke solutions that can optimise a vessel's entire operation, we offer the most dependable and versatile communications solutions to the maritime industry. Our services are secure, globally available and helping to drive a revolution in vessel performance, safety and crew welfare. From the largest commercial fleets to coastal vessels, our services are based on a unique appreciation of the challenges of living and working in a maritime environment.

ENTERPRISE



From oil and gas rigs in harsh oceans to utility companies protecting their distribution networks, and from journalists broadcasting live from trouble spots to humanitarian agencies coordinating relief efforts in disaster zones, Inmarsat delivers instant, powerful communications across every environment and on every continent. Commercial organisations and humanitarian groups rely on Inmarsat to be always there and always available.

ACTIVE FLEET BROADBAND VESSELS



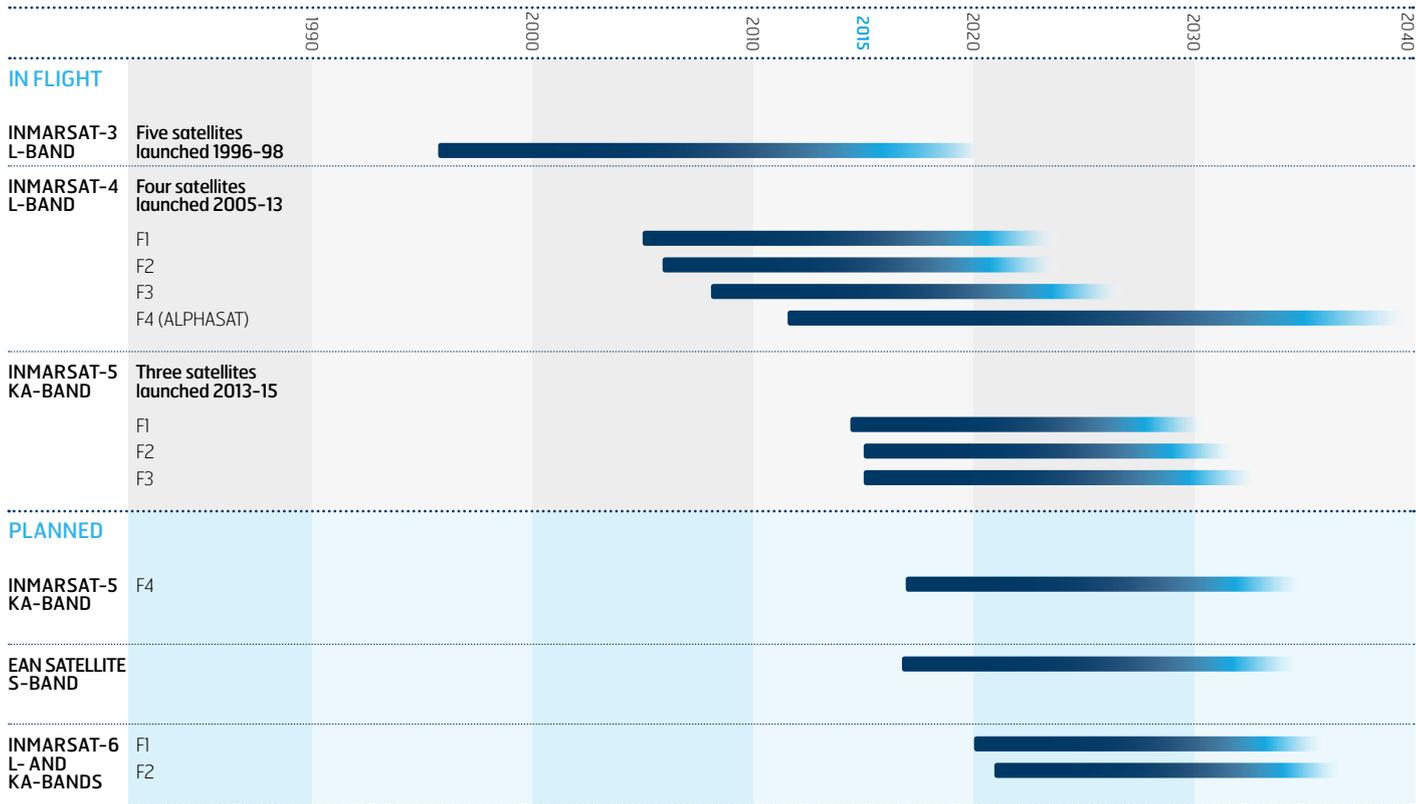
ACTIVE M2M TERMINALS



OUR LONG-TERM INVESTMENT FOR FUTURE GROWTH

Inmarsat is a world-leading commercial satellite operator with several hundred years of experience among its team of world-class satellite engineers. We have consistently flown our satellites beyond their original life expectancy and we have a flawless launch record over the last 25 years.

Expected operational life



AVIATION



From the cockpit to the cabin, Inmarsat is fuelling a new era of innovation for commercial airlines and business jet operators. The combination of our globally available SwiftBroadband and GX Aviation services, soon to be joined by our new European Aviation Network (EAN), which will deliver the world's most powerful passenger connectivity service, means we are the partner of choice for airline connectivity across every continent.

ACTIVE SWIFTBROADBAND SIMS



GOVERNMENT



For decades, Inmarsat has been a trusted partner to the US Government and today we support over 100 nations around the world. We augment a government's existing communications networks and ensure that, wherever they need to be, our secure, reliable and powerful mobile satellite networks are readily available. Through our mission-critical voice, video and data communications solutions, we support governments in maintaining their security, in ensuring public safety, and in delivering a range of remote health, education and other crucial services in regions where high-quality terrestrial networks are not available.

NEW COUNTRIES



CHAIRMAN'S REVIEW

A YEAR OF STRATEGIC PROGRESS



ANDREW SUKAWATY CHAIRMAN

CHAIRMAN'S REVIEW IN SUMMARY

FINAL DIVIDEND AND FULL-YEAR DIVIDEND INCREASES

NEW BOARD DIRECTORS BRING NEW PERSPECTIVES

OUR DIVERSIFIED BUSINESS IS RESILIENT

CONTINUED FOCUS ON SAFETY SERVICES

PLANNING FOR THE NEXT PHASE OF GROWTH

CONTINUED INVESTMENT IN NEW SATELLITES AND NETWORKS

CUSTOMER MARKET SEGMENT FOCUS DRIVES INNOVATION

2015 OVERVIEW

This, our tenth year as a listed company, has been a year of transition, preparation and investment in what we firmly believe will be the next phase of growth in the global mobile satellite sector. While we were disappointed in the delays in the final deployment of our new Global Xpress constellation and in the continued spending constraints that our government, oil and gas and maritime customers have experienced in 2015, we were, at the same time, quite pleased with the resilience of our diversified business and the progress that we've made in moving our customers to higher bandwidth data services overall. In our Aviation business, segments of our Government business and with our first customers using our new Global Xpress service we did well.

Underpinning all of this is a progression to higher bandwidth services which we believe is inevitable. It is clear that customers in areas not fully served by terrestrial wireless networks still demand the same need for broadband connectivity. Our focus remains on serving customers in those remote environments with uniform global mobile or portable connectivity that is highly reliable. The mission-critical applications our services are used for have a broad range of connectivity requirements, but more and more it is for higher bandwidth, lower and more predictable prices, smaller and lower cost terminals and high levels of reliability.

Reflecting on our tenth year as a listed company, we are proud to note for our investors that since our IPO in 2005 to the end of December 2015, our share price has increased 364%, our dividend has had a healthy increase each and every year and our total shareholder return (TSR) during this period was 584%. This compares with a TSR for the FTSE 250 of 217% and 81% for the FTSE 100; and is also strongly favourable to our industry indices.

While we are pleased with the returns we've been able to deliver to our shareholders, we have done this alongside both maintaining the quality of services that we deliver and investing in the future. In the next section Rupert Pearce, our CEO, will highlight our performance more broadly in 2015, and our plans for 2016 and beyond. He and the senior management team continue to innovate around their identified business unit needs. The most fundamental illustrations of that are our new satellite constellations, both Global Xpress and the newly announced Inmarsat-6 programme. However, a breakthrough in offering enhanced European aviation connectivity, at significantly increased data speeds, was also announced in the form of our new European Aviation Network partnership with the leading European telecoms firm, Deutsche Telekom. This is an example of an extension of our satellite services through a hybrid system to more effectively serve our aviation customers. We expect to invest more in this rapidly growing aviation segment in the years ahead.

In October we were honoured to host a visit by the Chinese President, Xi Jinping, to our Inmarsat headquarters in London.

Of course safety services in both maritime and aviation remain core to what we do. In both of these services we are investing in the next generation and enhancements to ensure that seafarers and aircraft, flying over oceans and remote areas globally, have the benefit of the latest technologies to keep them safe.

BOARD ACTIVITIES

During the course of 2015, we also evolved our Board membership by bringing on new independent members and by the retirement of one of our long-time valued members of the Board. This process will result in the continued independence of our Board and allow for a continuity of work along the way. This year we were pleased to welcome two new members to our Board: Robert Ruijter, who is our new Audit Committee Chairman and Dr Hamadou Touré, former Secretary General of the ITU (see their biographies on pages 52-54). In addition, we have formed a new Committee of the Board, the Telecoms Regulatory Committee, which will allow us to focus on vital telecoms regulation globally with our Directors who have a wealth of experience in this highly specialised and relevant geopolitical arena for us.

John Rennocks, our Deputy Chairman, decided to retire from the Board in November 2015. We thank John for his invaluable contributions over the years to the success of Inmarsat as a business. Dr Abe Peled has stepped into the role of Senior Independent Director. In addition, at the start of 2015 I stepped into the role of Non-Executive Chairman. The Corporate governance report on pages 58 to 71 summarises the changes that we have made to the Board over the course of the year and notes our intentions for succession planning before the 2017 AGM. A summary of the external Board evaluation we recently completed is also included in this Report.

In October we were honoured to host a visit by the Chinese President, Xi Jinping, to our Inmarsat headquarters in London. This was in conjunction with his State visit to the UK. After 35 years of working closely with our Chinese partners in the delivery of emergency services, maritime safety services and more commercial services to Chinese users, we were pleased to be recognised in this way.



PERFORMANCE

In 2015, our Aviation business unit performed very strongly and within our government market sector, the US Government business also showed improvement in the underlying trends. Our Maritime business was flat overall and underlying revenues in our Enterprise business increased. These four market sectors contributed to overall Mobile Satellite Services and other revenues of \$1,185.5m, with the balance of our revenues made up of payments received from a collaboration agreement with a US operator, LightSquared, now called Ligado Networks. With prudent cost management and despite a year of significant investment in the business in terms of both infrastructure and employee training, our level of EBITDA was favourable against last year.

This performance has allowed us to continue increasing our dividend payments with a 5% increase on the final dividend on last year to 31.78 cents which gave a total dividend for 2015 of 51.39 cents. This is a 5% increase for the full year dividend compared to 2014. We have increased our dividends every year since our IPO in 2005.

Rupert and the senior management team have managed the Company well through a year of transition and significant investment. The Company is well positioned in markets on land, at sea and in the air – business sectors the market analysts expect to grow over the long term. It is not without operational and competitive challenges, but we think our market-focused approach, along with the assets we continue to put in place, will allow us to continue to grow profitably in the years ahead.

Thank you to our customers for continuing to rely on us, we do not take this for granted. Thank you to our entire global workforce for continuing to work tirelessly to deliver reliable services. And of course, thank you also to our shareholders for your continued support for Inmarsat.

ANDREW SUKAWATY

Chairman

3 March 2016

BOARD OVERVIEW

Our Board confirms the Annual Report is fair, balanced and understandable



We have a majority of independent Directors with diverse and complementary experience and skills



We completed an external Board Evaluation review in 2015 with positive findings



We created a new Board Committee – the Telecoms Regulatory Committee



Non-Executive Director succession planning remains a focus



[READ MORE](#)
CORPORATE GOVERNANCE
REPORT P58

CHIEF EXECUTIVE'S REVIEW INVESTING FOR FUTURE GROWTH

2015 has been a time of concerted effort and achievement in a transitional year en-route to the establishment of our new global Inmarsat-5 network, which we expect to help deliver new growth prospects and new sector opportunities.





RUPERT PEARCE CHIEF EXECUTIVE OFFICER

Q. WHAT WOULD YOU DESCRIBE AS THE MOST IMPORTANT ACCOMPLISHMENTS AT INMARSAT IN 2015?

A. Undoubtedly the highlight of 2015 was the successful launch of our Inmarsat-5 satellite constellation to provide global coverage, which we brought into commercial service at the end of the year. We encountered delays to our launch plans in 2015, caused by successive Proton launch failures prior to our planned launch dates, but we eventually launched our second and third Inmarsat-5 satellites in February and August 2015, respectively. These launches set the stage for us to deliver meaningful Global Xpress (GX) service revenues in 2016, as we move from a transition period into the beginning of what we hope will be a substantial transformation in our growth through the diversification of our business and the introduction of exciting new products and services.

We also delivered good progress in our plans to deploy our European Aviation Network (EAN), a hybrid, integrated satellite/air-to-ground (ATG) network operating in the S-band. This will bring high-speed broadband to the European commercial and business aviation markets.

In September 2015, we announced a partnership with Deutsche Telekom to deliver a pan-European ATG network, which will be fully integrated with the S-band satellite being built for us by Thales Alenia Space. During the year we completed development contracts with other core suppliers for the EAN's satellite antenna, ATG antenna and satellite ground network. The EAN will operate on an integrated basis with our global GX aviation services, to provide our customers with the world's broadest, most capable aviation connectivity network. We are very encouraged that customer interest in these future aviation services remains strong and we were delighted that in October 2015 the Deutsche Lufthansa Group committed their European short-haul fleet (Europe's largest) to our GX services and announced that it intended to be the first airline to trial the EAN service when it becomes available, expected in 2017.

In November last year, Singapore Airlines also confirmed GX as its preferred service on its global A380, A350 and B777 fleets. In 2016, we will move into installation of GX for these new customers.

STRATEGIC SUCCESSES

- Successful launch of our Inmarsat-5 satellites to provide global coverage 
- Creating the pathway to deliver the world's first superfast mobile broadband network from one operator 
- Good progress to deploy our integrated satellite/air-to-ground European Aviation Network 
- Leading aviation companies commit to deploy our next-generation services 
- Contracted to two hybrid L-band and Ka-band Inmarsat-6 satellites providing services beyond 2030 

 **READ MORE**
OUR STRATEGY P20

CHIEF EXECUTIVE'S REVIEW CONTINUED

Finally, in late December, we entered into a contract with Airbus Defence and Space for the manufacture of two Inmarsat-6 spacecraft. These new satellites will be launched into orbit in the early 2020s to begin the replacement of the ageing Inmarsat-4 satellites. While the principal role of the first two Inmarsat-6s therefore will be to maintain our existing L-band service revenues, we have also taken the opportunity both to modernise and develop the Inmarsat-6 L-band payloads, which will allow us to upgrade and develop our future L-band services, and to add a Ka-band payload on each satellite, to provide rich, new GX services to keep our GX service offerings in the vanguard of our industry during the 2020s.

There were many other operational achievements during the year, but these three network-related activities in 2015 undoubtedly set us up well to increase our profitable growth rates in the years to come and so are particularly important. Of course, we can't talk about achievements in 2015 without mentioning the visit of the Chinese President, Xi Jinping, to our London headquarters in October. We were greatly honoured by the visit of President Xi and his welcoming and attending parties, which included HRH The Duke of York and senior British and Chinese Government ministers. This was a chance to reflect on Inmarsat's more than 35 years of trusted engagement with China across many sectors, and indeed, we believe that our new GX services will continue to build on that close cooperation. This was evidenced by us signing a MoU with the Chinese organisation CTTIC to explore the delivery of GX services together in China and the strategic 'One Belt One Road' region.

Q. HOW DID THE BUSINESS PERFORM AGAINST ITS KEY PERFORMANCE INDICATORS FOR THE YEAR?

A. Tony Bates, our CFO, covers the detail of the financials and there are financial summaries provided for each of the business segments as well. I will therefore focus on some key overall comments.

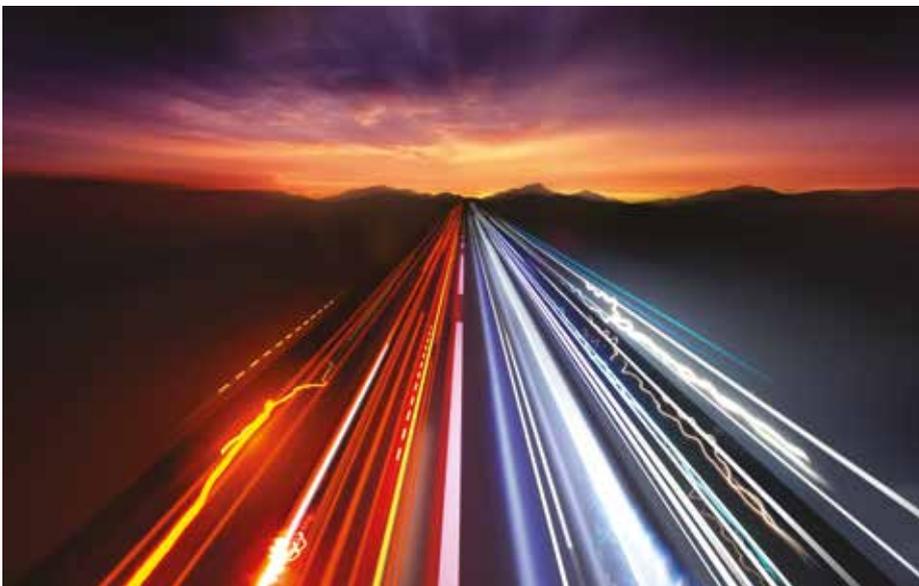
Total Group revenues were flat against last year excluding disposals. We were pleased to see growth in revenues from our Aviation and Enterprise businesses (after adjusting for disposals made in 2014). Maritime revenues were little changed, with strong growth in our two key products – FleetBroadband (FB) and XpressLink, continuing to be offset by the expected ongoing decline in the non-core legacy maritime product suite.

Looking at each of the business sectors, Maritime has delivered on many of its core ambitions with continued strong growth in FB subscribers, revenues and average revenue per user (ARPU). Subscriber growth slowed over the year, due to the increased scrappage of older ships and lay-ups of younger ships which impacted on growth in new installations and accelerated the decline in our legacy services on older vessels. We are confident of launching new FB services in the near future that will begin the process of broadening the maritime markets we serve. Similarly, we saw continued excellent progress in our XpressLink service (our bridging product to GX) serving the maritime VSAT markets, and we have now grown a base of over 2,400 installed ships and an installation backlog of ships, which we will begin to migrate to the maritime version of our GX service, called Fleet Xpress, in 2016. We also continue to operate in difficult market conditions, with global trade stagnant and the merchant maritime sector and Oil and Gas market mired in recession.

Our Government activities continue to decline year-on-year as a result of materially lower troop deployment among our core traditional customers and a reduction in government commercial satellite expenditure generally. Despite this pronounced market slowdown, our Government business has outperformed almost all of its competitors this year and the fact that our business only declined 10% year-over-year actually represents a solid performance in attritional conditions. Our relative success has been founded on a three-pronged strategy to diversify our government customer base into new verticals, to internationalise by entering some eight new geographies in the year and to bring new government-centric product and service innovation to market. We have also been helped by strong early endorsement of our new commercial and military GX services by thought-leading government customers, which augurs well for the future.

Underlying Enterprise revenues grew if you remove the effect of the retail energy assets we sold in 2014. We continue to build momentum for new evolutions of our BGAN portable data service and our voice service performed well, despite a manufacturing issue for our IsatPhone 2 voice service which led to a temporary suspension of sales in Q3. There is strong growth potential for our machine-to-machine (M2M) services, and we had an installed base across all M2M product lines of 326,000 terminals at the year end. We will continue to innovate in this area in the future. We remain confident that our strategic partnership with RigNet in the energy and resources sector will flourish on the back of the launch of GX services into this sector in 2016.

Aviation made excellent progress in 2015 alongside the excitement of early GX customer interest for passenger connectivity and the strong progress in



There is strong growth potential for our machine-to-machine services. We will continue to innovate in this area in the future.

EXECUTIVE MANAGEMENT BOARD

RUPERT PEARCE
CHIEF EXECUTIVE OFFICER

TONY BATES
CHIEF FINANCIAL OFFICER

ALISON HORROCKS
CHIEF CORPORATE AFFAIRS OFFICER
AND COMPANY SECRETARY

LEO MONDALE
PRESIDENT, AVIATION BUSINESS UNIT

GREG EWERT
PRESIDENT, ENTERPRISE BUSINESS UNIT

DEBBIE JONES
CHIEF PEOPLE OFFICER

RUY PINTO
CHIEF OPERATIONS OFFICER

MICHELE FRANCI
CHIEF TECHNOLOGY OFFICER

PAT MCDUGAL
CHIEF STRATEGY OFFICER

RONALD SPITHOUT
PRESIDENT, MARITIME BUSINESS UNIT

PETER HADINGER
PRESIDENT, US GOVERNMENT
BUSINESS UNIT

CHRIS MCLAUGHLIN
CHIEF MARKETING OFFICER

ANDY START
PRESIDENT, GLOBAL GOVERNMENT
BUSINESS UNIT

the EAN that I referred to earlier, delivering excellent year-on-year revenue growth, with especially strong growth in the business aviation services (BAS) sector. Our core Inmarsat-4 data service, SwiftBroadband, now represents two-thirds of aviation revenues and has become a very successful product in the business and general aviation sectors, as well as a forerunner of GX passenger connectivity services in the commercial air transport sector. We also made good progress in aviation safety services in 2015, trialling our new service platform, SwiftBroadband Safety, on several commercial platforms (preparatory to commercial service introduction in 2016) and announcing new service offerings including free tracking, enhanced tracking and 'black box in the cloud', which we believe will make a major contribution to enhanced global aviation safety in the future. Finally, we also progressed our potential involvement in future European air traffic management (ATM) systems, via the IRIS programme in partnership with the European Space Agency.

We are entitled to receive payments from LightSquared (a US company) in accordance with a Cooperation Agreement with them regarding spectrum use over North America. This arrangement has been ongoing for some time, even while LightSquared was in Chapter 11 bankruptcy protection; it emerged successfully from this process at the end of 2015. During 2015 we accounted for five payments from LightSquared (which we accounted for as 'other income'). We look forward to the end of Q1 2016, when LightSquared will decide the amount of spectrum

it will opt for under the current Agreement. We are preparing to support that outcome so that we continue to derive financial value from the Agreement which exists between us, and will deliver revenues and EBITDA contributions for many years, while also ensuring that our own services can grow in North America alongside the LightSquared business.

Q. WHAT WERE THE CHALLENGES THIS YEAR AND HOW DID THE BUSINESS RESPOND?

A. As a pioneer of new technology in the satellite industry, we don't shy away from difficult technological challenges, as they can present us with great business opportunities.

The biggest challenge we faced this year has been the completion of the Inmarsat-5/Global Xpress programme, an immensely complex challenge that we initiated in 2010 when we went under contract with Boeing for three Inmarsat-5 satellites. Five years later, the programme is nearing completion but remains enormously demanding in many different areas. GX is the world's first global superfast mobile broadband network and associated with such a service revolution are immense technological, logistical and operational challenges. Many Inmarsat-5 programme deliverables remain out of our sole control, which means that success demands strong collaboration skills, patience and agility from us. I've already mentioned in another answer the impact of the launch delay for two of our Inmarsat-5 satellites which pushed back the launch of global

We don't shy away from difficult technological challenges as they present great business opportunities.

commercial services for GX cumulatively by some nine months. Fortunately, we had previously put in place bridging capabilities in the maritime and government sectors and so throughout the delay we were able to sell regional GX government services as well as XpressLink services to the maritime sector, maintaining momentum towards the rollout of GX services on a global basis.

Similarly, it has been highly challenging to establish the EAN, the world's first integrated satellite/ATG network. The challenges are principally technological and regulatory. From a regulatory perspective, we need (with the support of national authorities and the European Commission) to develop a coherent and supportive regulatory framework for a hybrid satellite ATG network across the 28 member states of the European Union. And from a technological perspective we need to integrate cutting-edge satellite and ATG networks to develop powerful, agile, capable and complementary service offerings that can deliver high value-added aviation passenger connectivity

CHIEF EXECUTIVE'S REVIEW CONTINUED

and other aviation services seamlessly across the entire European landmass and coastal regions. We are meeting these challenges by working very closely with the European Commission and European telecommunication regulators, and by establishing a unique coalition of leading European innovators and industry in key geographies.

Q. WHAT ARE YOUR KEY PRIORITIES OVER THE NEXT 12 MONTHS?

A. 2016 is a year in which we aim to complete several important infrastructure programmes, and commence others, and begin an operational transformation that begins to positively impact our financial performance. We see it as 'a year of transformation' because the Inmarsat at the end of 2016 will have evolved significantly from the Inmarsat of today. Let's look at what is driving this transformation:

INFRASTRUCTURE PROGRAMMES

In 2016 we plan to:

- > Complete the initial phase of the global launch of GX services by launching the many different varieties of GX services. We must bed down the global end-to-end network and the products and services running across it, as well as the global service delivery and channel to market capabilities that we have put in place in recent years. By the end of 2016, our intention is that GX is well-established in the marketplace as a highly reliable, cutting-edge service with high relevance to a diverse range of customers.

- > Launch Inmarsat-5 F4, a satellite initially manufactured as a launch spare (to insure against a launch failure of one of the first three Inmarsat-5s) but which can now be launched to provide in-orbit redundancy as well as incremental global Ka-band capacity.
- > Complete the manufacture of our S-band satellite (to be launched in 2017) and maintain the pace of development of the EAN technology programmes (and associated European regulatory environment) to be on track for full service availability of the hybrid, integrated satellite/ATG services across Europe by mid 2017.
- > Establish the Inmarsat-6 programme with Airbus for our next-generation L-band services platform and GX evolution pathway.
- > Operationalise our application and service collaboration and delivery platform, Inmarsat Gateway, to support our certified application partner initiative.
- > Deliver on a number of important product and service development initiatives, to maintain Inmarsat services at the cutting edge in the markets that we serve.
- > Ensure an even greater focus in 2016 on cyber security, with an intention to make further strides towards being best-in-class in cyber resilience and develop cyber-as-a-service capabilities.

OPERATIONAL PROGRESS:

- > **Maritime:** commence the transition of XpressLink to Fleet Xpress (the GX maritime service) and execute a fast start to the launch of GX services to the global maritime segment, while maintaining FB growth and the global launch of new maritime services such as Fleet One and Fleet Media.

- > **Aviation:** implement the Deutsche Lufthansa and Singapore Airlines programmes and secure a number of further launch customers for GX aviation services and the EAN, while growing our global BAS services and introducing SB Safety.
- > **Government:** deliver a fast start to global GX sales to the US and international government customers, while continuing to diversify, internationalise and innovate.
- > **Enterprise:** launch GX services into the energy and resources segment on the back of our strategic partnership with RigNet, while driving our services into the transportation, agriculture, M2M, smart cities, e-commerce and new media segments.
- > Ensure successful 2016 Inmarsat Developer and Global Partner Conferences, extending and enriching the 'Inmarsat ecosystem'
- > Reorganise our business to make us faster, easier and simpler to do business with, including the introduction of improved business processes.
- > Ensure our staff are motivated and empowered to deliver the Company's objectives, and supported to achieve this through learning and development training opportunities, improved processes and systems to be more efficient and effective, allowing them to work with our partners to achieve success.

The successful execution of these plans will transform our business and ensure we are well positioned for the future.

In 2016, our Maritime business will commence the transition of XpressLink to Fleet Xpress and execute a fast start to the launch of GX services to the global maritime segment, while maintaining FleetBroadband growth and the global launch of Fleet One and Fleet Media.



We will continue to invest to capture emerging high-growth markets, such as aviation passenger connectivity.



Q. WHAT ARE THE KEY RISKS TO ACHIEVING INMARSAT'S STRATEGY?

A. Risk comes hand-in-hand with business opportunity. As such we do not regard risk as something to be driven out of our business but rather as something to be identified and intelligently assessed and managed. As such, we operate a sophisticated, organisation-wide risk management process which is fully integrated into Executive Management, Board and Audit Committee meetings and discussions.

Business risk exists throughout our activities and ranges from classical 'black swan' events such as major network outages caused by terrorism or another dramatic event, through to systemic technology-related risks such as a major cyber intrusion or unilateral technology failure (leading for example to a total satellite loss), to the normal financial, competitive, operational and market risks borne by any company operating in the technology sector. We have contingency plans in place for such events.

Looking ahead to 2016, our key strategy execution risks are as follows:

- > We are in the middle of implementing a number of major global technology platforms, including GX, the EAN and the Inmarsat Gateway. Delivering those platforms on time, to budget and to commercial expectations is crucial for our future growth and diversification strategy; we have established our planning and procedures to deliver these platforms.
- > As global mobile broadband trends continue to position mobile satellite broadband as an important enabler, not only in markets we have served in the past but also for new emerging opportunities, we see competition intensifying to serve those commercial opportunities. This makes it important that we can compete powerfully for market share and customer loyalty through core network and product innovation, through the provision of value-added services and solutions, and through intimate, agile and committed channels to market.

Q. WHAT ARE THE SIGNIFICANT OPPORTUNITIES FOR 2016?

A. We believe that our very significant investment in recent years in new, highly innovative communications platforms (such as GX, Inmarsat Gateway and the EAN) positions us powerfully for future profitable growth. We will continue to invest in completing these projects, in ensuring all our services continue to be in the vanguard of innovation and capabilities for the markets that they serve, and in making the most of our technology leadership to capture maximum market share in certain emerging high growth markets (for example the aviation passenger connectivity and M2M markets).

2016 offers specific opportunities:

- > GX services provide the opportunity to offer new services to our existing customer base, as well as to diversify our business into new markets that were hitherto unavailable to us.
- > The EAN offers the opportunity to establish a new business proposition to serve the European short-haul aviation segment, and the EU element of long-haul traffic, with highly innovative and unique aviation passenger connectivity and other services.
- > Inmarsat Gateway offers the potential for us to develop a high-powered ecosystem of certified applications partners delivering innovative, tailored and value-added services and solutions to our channel partners and end customers over our diverse global mobile broadband networks.

Q. WHERE WILL YOU FIND OPPORTUNITIES FOR MEDIUM AND LONG-TERM GROWTH?

A. When we made the investment decision in our GX Ka-band high-speed broadband programme, we did so because we saw a market opportunity to expand our business into complementary, adjacent markets. We have identified new market opportunities to use these higher speed satellite services in maritime, government, aviation, media and other markets where transferring large data volume is part of a customer's business requirements. Our stated ambition is to grow GX

revenues to an annual run-rate of \$500m by the end of 2020, five years after we started to provide GX services on a global basis.

We are also focusing on how we can increase our L-band revenues and were delighted to be able to announce an order we placed at the end of 2015 to buy two Inmarsat-6 satellites which will offer both L-band and Ka-band services. This announcement allows our existing L-band users to know that we are planning for continuity of service, which will include our maritime and aviation safety services, well into the 2030s. We are also focused on working with key countries, such as Russia, India and China, to introduce new infrastructure locally as a condition to full market access for our services in those countries.

Q. HOW DOES CSR INFLUENCE INMARSAT'S BUSINESS MODEL?

A. Inmarsat was born with a CSR mandate for maritime safety services and such activities remain a natural part of what we do today. Our heritage and public service commitment to maritime and also aviation safety remain key priorities for us and we are making enhancements in how we provide safety services to these two core areas of our business. Our handheld IsatPhone 2 was updated in 2015 to include a feature which allows users across any spectrum of business to make a safety call. Further information and examples of our attitude and approach to our responsibility for corporate, social and environmental matters can be found on our website. Additionally, in the resources and relationship section of this document, on pages 25 and 26, we've also highlighted some key areas which give us great pride to support and be involved with.

Aviation safety programmes include working closely with other EU partners as part of a programme to promote safety enhancements and additionally we have been trialling our SwiftBroadband Safety service to very positive results ahead of its launch service in 2016.

CHIEF EXECUTIVE'S REVIEW CONTINUED

We are the only authorised Global Maritime Distress and Safety System (GMDSS) provider. In 2016, we are focused on how we can further develop our maritime safety capabilities. We are proud to serve seafarers with reliable safety systems which are used by them to save lives; our Inmarsat C service safety service celebrates its 25th anniversary in 2016 and remains a vital safety service.

A specific example of where we have spent time is working with organisations in Nigeria (e-health) and Kenya (e-banking) to support local communities to become connected to the digital age by utilising our BGAN technology to connect them with the broader environment.

Q. ANY FINAL OBSERVATIONS?

A. 2015 was a transitional year for us as we made significant operational and strategic progress towards delivering the technology platforms which we believe will be the springboard for our planned future business growth. As we operate our business, we are scanning the horizon for risks which we may encounter and regularly reviewing our mitigating activities so that the business can operate efficiently and effectively as we seek to increase shareholder value.

We look forward to 2016 as a year of transformation, delivering top line growth thanks to the first year of revenues from our global GX services, alongside continued progress in the positioning of our L-band services for complementary revenue growth. Underpinning these opportunities we will continue our ongoing investment in innovation to deliver services and products which meet our partners' needs.

Our current and future success relies on the unfailing commitment of our staff and support of our partners to deliver first-class reliable services to our customers to meet their mission critical communication needs whenever and wherever required. I'd therefore like to finish by thanking these key stakeholders, our staff and our partners, for their terrific skills, efforts and professionalism in 2015.

RUPERT PEARCE
Chief Executive Officer
3 March 2016

OUR BUSINESS – AN OVERVIEW

OUR VISION

To meet the remote and mobile connectivity needs of our customers, giving them what they need to connect, reliably, securely and globally.

OUR MISSION

To provide mission-critical communications services to areas where terrestrial systems cannot go or are unavailable.

VALUES

Our values make us who we are and determine how we interact with our customers and the world at large. They are woven into the fabric of the Company through the people who work for us. Our core values help our business operate. Being passionate – this is the fuel that drives us; we work to cultivate an open environment for discussion; we encourage innovation and ingenuity to be enterprising, and are market-driven to ensure our customer success leads to our success.

OUR MARKET

We have a broad portfolio of voice and data services to satisfy our customers' communications requirements, wherever their operations are located. Our services are accessed using a variety of devices, from hand-portable satellite phones and remote site fixed installations, to vessel, vehicular and airborne mobile terminals, offering different performance options to suit their operational needs.



READ MORE
OUR MARKETS P14

OUR BUSINESS MODEL

Our business model operates to ensure we maximise the impact of our resources and relationships and add value to create benefits for all our stakeholders, with a focus on capital growth and increasing dividend returns to our shareholders.



READ MORE
OUR BUSINESS MODEL P18

OUR STRATEGY

To deliver sustained profitable growth through maximising the significant opportunities that exist in all our markets through L-band innovation, developing our Ka-band Global Xpress services, building out the European Aviation Network business and launching the Inmarsat Gateway to support and extend the delivery of our service platforms.



READ MORE
OUR STRATEGY P20

RISK MANAGEMENT

Effective risk management is fundamental to our ability to meet both our short-term and longer-term strategic objectives. We manage risk through an overarching risk management policy which helps determine our tolerance for risk.



READ MORE
RISK MANAGEMENT P48

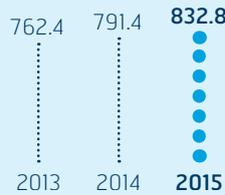
OUR KEY PERFORMANCE INDICATORS

FINANCIAL KEY PERFORMANCE INDICATORS

MSS REVENUE GROWTH

Definition: Growth in the top line demonstrates our ability to grow our customer base and increase ARPU. It also helps to maintain margins.

MSS REVENUE GROWTH (\$m)

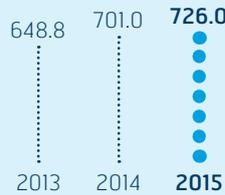


Comments: We had growth in FleetBroadband and SwiftBroadband services which are key offerings.

EBITDA

Definition: Growth in our EBITDA magnifies the impact of revenue growth on the profitability of our business.

EBITDA (\$m)

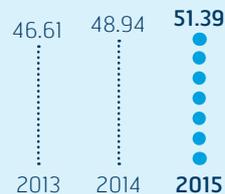


Comments: The mix in our products influences our results and we expect this to improve as we add revenue from our GX services to our owned networks and migrate XpressLink services to our network.

DIVIDEND PER SHARE

Definition: The ordinary dividend remains the primary method of shareholder return. Our target is to continue to grow dividends each year.

DIVIDEND PER SHARE (c (\$))



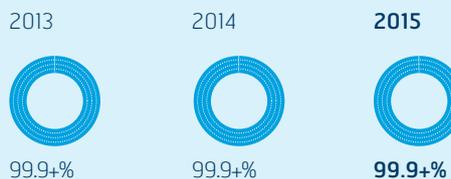
Comments: We have increased our dividend every year since our IPO in 2005. We have an outstanding record of growth.

NON-FINANCIAL KEY PERFORMANCE INDICATORS

SATELLITE NETWORK AVAILABILITY

Definition: Ensuring our network is available and reliable is essential.

INMARSAT-4 SATELLITE AND NETWORK AVAILABILITY

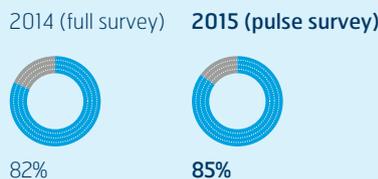


Comments: Our network service availability is critical and we must ensure this level remains high as this affects our brand and reputation if we cannot offer a reliable service to our customers.

EMPLOYEE ENGAGEMENT

Definition: We want our staff to be empowered and engaged. We undertake staff surveys and a key measure of employee engagement is how employees feel proud to work at Inmarsat. Our goal here is to be in the top quartile position.

BEING PROUD TO WORK AT INMARSAT



Comments: Our employee engagement scoring reflects high participation and strong engagement by staff.

OUR MARKETS

OVERALL MARKET, COMPETITIVE ENVIRONMENT AND TRENDS THE COMMERCIAL SATELLITE SERVICES INDUSTRY

Inmarsat operates in the global commercial satellite communication services industry, with a core positioning as a satellite operator.

Satellite communication operators typically own a fleet of satellites, operate them as a communications network, and commercialise it, mainly to satellite communication service providers worldwide.

There are essentially two main categories of satellite operators:

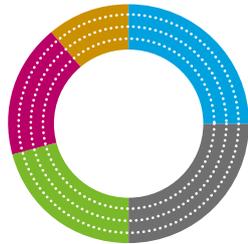
- > Mobile satellite services (MSS) operators, Inmarsat being one of them, which typically operate in L or S frequency bands, and focus on data and voice communications for mobility, corporate and governmental markets.
- > Fixed satellite services (FSS) operators, which typically operate in Ku- and C-bands, and focus on video and data communications for media, telecoms, corporate and governmental markets.

There is an increasing overlap between MSS and FSS providers through the progressive adoption by both types of operator of high throughput satellite (HTS) technology, particularly suited for broadband data communications across markets. Inmarsat has adopted this technology for its Ka-band Global Xpress constellation.

The fast-growing demand for communications globally, especially for broadband applications, is a key driver of commercial satellite services revenue growth.

According to Euroconsult (www.euroconsult.eu.com), satellite operators generated \$13.2bn wholesale revenues globally in 2014, expected to grow by over 3% pa over the next 10 years. North America and Europe each represent a quarter of the global industry's revenues.

SATELLITE OPERATORS' MARKET BY REGION, BASED ON WHOLESALE REVENUE, GLOBALLY, 2014



● North America	25%
● Europe	25%
● Asia & Oceania	21%
● Middle East & Africa	18%
● Latin America	11%

Source: Euroconsult 2015

COMPETITIVE ENVIRONMENT

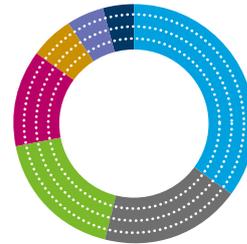
Inmarsat is one of the world's leading satellite operators.

According to Euroconsult, in 2014 around 50% of the industry's revenues are made up by the three leading fixed satellite services (FSS) operators: SES, Intelsat and Eutelsat.

Inmarsat is estimated to hold a 6% share of the global operators' market. With a history of providing safety services at sea, our key differentiators are our focus on global coverage and mobile applications. Our ability to deliver seamless, reliable, resilient and secure communications on the move remain crucial to our customers. Inmarsat also has a fully integrated operating and business model, see page 18, with both ownership and control of dedicated infrastructure assets: mainly satellites, but also ground infrastructure and a hybrid terrestrial/satellite European Aviation Network (S-band), and also significant services and distribution capabilities.

35% of the industry's revenues are held by an increasing number of regional or national operators, focusing on specific geographies or vertical markets.

SATELLITE OPERATORS' MARKET SHARES, BASED ON WHOLESALE REVENUE, GLOBALLY, 2014



● Other	35%
● SES	19%
● Intelsat	18%
● Eutelsat	13%
● Inmarsat	6%
● Telesat	5%
● JSAT	4%

Source: Euroconsult 2015

The fast-growing demand for communications globally is a key driver of commercial satellite services revenue growth.

MARKET TRENDS

Solid growth drivers of demand for mobile communication services globally

The number of mobile internet connections continues to rise globally; personal devices and machine-to-machine (M2M) connections are expected to exceed 11.5 billion by 2019 and be 1.5 times greater than the world's population (source: Cisco VNI Mobile Report, 2015).

These devices are being served by an exponentially-growing number of solutions, services and capabilities, increasingly hosted remotely, often in the cloud.

Both devices and applications are driving tremendous growth in mobile data traffic, estimated by Cisco to be an increase of 57% pa by 2019.

GLOBAL MOBILE DEVICES AND CONNECTIONS GROWTH (billions of devices)



● Non-smartphones	(61%, 27%)
● Smartphones	(29%, 40%)
● M2M	(7%, 28%)
● Laptops	(3%, 2%)
● Tablets	(1%, 3%)
● Other portable devices	(0.2%, 0.2%)

Figures in parentheses refer to 2014, 2019 device share. Source: Cisco VNI Mobile, 2015

GLOBAL MOBILE DATA TRAFFIC (Exabytes per month)



Source: Cisco VNI Mobile, 2015

Materialisation of this demand growth across mobile satellite communication services markets

Maritime: The 67,000 vessels in the global merchant maritime fleet are fast becoming floating nodes on corporate networks and the 2.5 million crew members serving on those ships are increasingly demanding to be connected with satellite broadband.

Aviation: The 25,000 commercial aircraft currently flying are entering 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 increasingly demanding to be connected while they travel.

Enterprise: The 'Internet of Everything' is demanding to become the 'Internet of Everywhere', and the energy, resources, media, aid, transport and logistics sectors are increasingly adopting richer, greener and more efficient working practices via broadband connectivity.

Government: Government and military users are at the forefront of all these trends, requiring highly reliable and secure, ubiquitous global connectivity wherever they go. Even when governments may decide to launch their own satellites, they will often want to use the services of a global operator. This is not just for their strategic and tactical activities, but also for the morale, welfare and recreation of their personnel, who have grown up in a fully-connected environment, and expect that to be supported in their workplace.

Increasing integration with terrestrial networks and ecosystems

In a world increasingly reliant on coverage and connectivity to perform mission-critical tasks via applications and solutions in the cloud or a VPN, mobile satellite communication services can offer a powerful complementary capability to terrestrial networks, delivering a complete package to end users, and providing high levels of resilience. Although the reach of terrestrial networks has extended geographically, working seamlessly with a global satellite operator provides them with the end-to-end services they need. In this context, cybersecurity is a key priority of the industry at all levels of its operations and in the services provided to customers.

The closer integration of satellite with broader information and communication ecosystems will also lead to an increasing importance of value-added services and new business models in the industry.



High throughput satellite technology changes the cost structure of satellite connectivity, and also creates new business opportunities.

Increasing HTS technology adoption and material impacts expected on the industry

Leading satellite operators are progressively adopting high throughput satellite (HTS) technology.

HTS technology changes the cost structure of satellite connectivity, by considerably increasing the capacity available, and lowering the average cost per bit. This is creating new business opportunities, and having a significant impact on the economics of satellite operators.

A significant number of HTS programmes are being launched or announced by operators, and this could lead to an unprecedented step-change in the volume of capacity available in many geographies over the coming years. This is expected to create many new market opportunities, but may also alter the balance between supply and demand.

In mobile satellite communication services markets, HTS technology adoption may also lead to increasing competition, especially from FSS operators increasingly leveraging this technology to address mobility segments of the market.

OUR MARKETS CONTINUED

MARKET VERTICALS



MARITIME

PROVISION OF VOICE, BROADBAND DATA AND SAFETY COMMUNICATIONS FOR ALL VESSEL SIZES

MAIN ADDRESSABLE MARKET SEGMENTS⁽¹⁾:

- > **Merchant shipping:** 67,000 vessels
- > **Large fishing:** 46,000 vessels
- > **Offshore supply:** 10,900 vessels
- > **Small fishing:** 324,000 vessels
- > **Leisure:** 233,000 vessels

MARKET GROWTH DYNAMICS AND DRIVERS:

- Steady market growth driven by:
- > Increasing need for data for operations and crew welfare
 - > Increasing regulatory requirements
 - > Demand for new products and applications

(1) Euroconsult 2015.

OUTLOOK:

- > Optimise value (FleetBroadband, XpressLink, Fleet Xpress)
- > Develop volume (Fleet One, FleetPhone)
- > Develop new streams of revenue with applications (Inmarsat Gateway, Fleet Media)

PERFORMANCE INDICATORS:

- > 42,000 vessels using FleetBroadband
- > 18% growth in FleetBroadband revenue in 2015
- > 2,500 vessels using XpressLink

MARITIME RETAIL REVENUE, GLOBALLY, 2014

US\$2.0bn

of which Inmarsat 2015 revenues reflect a market share of:



Source: NSR 2015, Maritime satcom markets, total retail revenue



ENTERPRISE

PROVISION OF LOW DATA-RATE, VOICE AND BROADBAND COMMUNICATIONS FOR A RANGE OF CORPORATE VERTICAL MARKETS

MAIN ADDRESSABLE MARKET SEGMENTS:

- > **Resources:** Energy, mining and utilities companies
- > **Transportation and logistics:** Mostly for M2M communications
- > **Media and aid:** Specific, occasional, limited-duration communications

MARKET GROWTH DYNAMICS AND DRIVERS:

- Market growth driven by:
- > Increasing penetration, especially of sensors for M2M communications
 - > Increasing data rates, for broadband applications

OUTLOOK:

- > Expand into new markets and verticals with key distributors
- > Build profitable growth through product innovation, leveraging refocused L-band network and new GX network

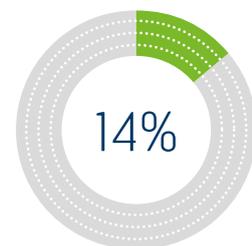
PERFORMANCE INDICATORS:

- > M2M revenues increased by 14% over 2014-15
- > Enterprise FleetBroadband revenues increased by 49% over 2014-15

ENTERPRISE RETAIL REVENUE, GLOBALLY, 2014

US\$1.2bn

of which Inmarsat 2015 revenues reflect a market share of:



Source: NSR 2015, Land mobile and SNG via satellite, total retail revenue



AVIATION

PROVISION OF DATA, VOICE, SAFETY AND BROADBAND COMMUNICATIONS FOR ALL AIRCRAFT TYPES

MAIN ADDRESSABLE MARKET SEGMENTS:

- > **Business jets:** 20,000 aircraft
- > **Commercial aviation transport:** 25,000 aircraft
- > **Safety and operations:** Commercial aircraft mainly, for air-to-ground cockpit communications

MARKET GROWTH DYNAMICS AND DRIVERS:

- High market growth driven by:
- > Strong increase of penetration, especially for commercial aircraft cabin communications
 - > Demand for higher data rates, especially for internet access on board
 - > Increasing aircraft fleets and volume of passengers
 - > Increasing regulatory requirements, particularly for safety services

OUTLOOK:

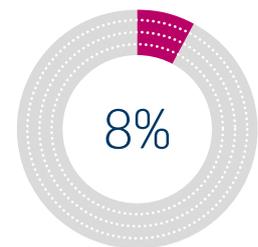
- > Maintain leadership position in Safety and operations (SwiftBroadband and Classic Aero)
- > Strong growth from broadband services business for commercial aircraft and business jets (GX and European Aviation Network)

PERFORMANCE INDICATORS:

- > Aviation revenues increased by 25% over 2014-15
- > 7,700 Classic Aero SIMs for cockpit communications, growing by over 9% over 2014-15
- > 7,200 SwiftBroadband SIMs for cabin connectivity
- > 10-year contract signed with Lufthansa to provide high-speed connectivity

AVIATION RETAIL REVENUE, GLOBALLY, 2014

US\$1.2bn
of which Inmarsat 2015 revenues reflect a market share of:



Source: NSR 2015, Aeronautical satcom markets, total retail revenue



GOVERNMENT

PROVISION OF COMMUNICATIONS SERVICES FOR GOVERNMENTAL, MILITARY AND CIVIL APPLICATIONS

MAIN ADDRESSABLE MARKET SEGMENTS:

- > **Military applications of the US Government** (still the single largest driver of global demand) and other governments worldwide
- > **Civil government applications:** Inter-governmental organisations, emergency services, coast guard, border security, state-owned utilities, election delivery and monitoring

MARKET GROWTH DYNAMICS AND DRIVERS:

- Fluctuating market growth driven by:
- > Governments' budgets, programmes and commercial spend
 - > Increasing demand from bandwidth-hungry applications, eg intelligence, surveillance, reconnaissance (ISR), special forces

OUTLOOK:

- > Grow L-band business through expansion into new countries and adjacent markets, and product innovation
- > Build strong Ka-band business with GX products, and with Milsatcom augmentation strategy, leveraging GX compatibility with government-owned systems (eg US Government's WGS)

PERFORMANCE INDICATORS:

- > Inmarsat remains the largest provider of mobile satellite services to the US Government
- > Inmarsat providing services to over 70 countries for government and military applications

GOVERNMENT RETAIL REVENUE, GLOBALLY, 2014

US\$3.7bn
of which Inmarsat 2015 revenues reflect a market share of:



Source: NSR 2015, government and military satellite communications, total retail revenue

OUR BUSINESS MODEL CREATING VALUE FOR ALL OUR STAKEHOLDERS

OUR BUSINESS MODEL

Our business model operates to ensure we maximise the impact of our resources and relationships and add value to create benefits for all our stakeholders, with a focus on capital growth and increasing dividend returns to our shareholders.

CREATING VALUE FOR OUR STAKEHOLDERS

Shareholders and bondholders: We have increased the dividend in each of the last 10 years and have delivered material capital growth for our shareholders in 10 years as a public company. We also have a strong track record of continued delivery on our commitments with bondholders.

Partners and customers: We focus on the key drivers of value for our partners and customers such as security, reliability and seamless delivery with truly global coverage and mobility.

Communities: Our maritime heritage is a key reminder to us of how we have supported mariners and the wider maritime community for over 36 years and we remain focused on doing so in the future. In addition we also promote safety services to the aviation industry. We have a strong public service responsibility which has been part of our heritage and which we remain proud to continue to pursue.

Employees: We are committed to ensuring diversity among our employees. We have well established values and qualities which operate throughout the business and we have a policy of promoting employees internally where possible.

OUR BUSINESS MODEL



USING OUR MULTIPLE RESOURCES

Our partners: We have strong relationships with all our partners, from suppliers to distributors, to strengthen our service offering.

Our technology: We continue to invest in innovation to deliver market-winning solutions to our customers, and we offer much more than capacity and connectivity. We continue to invest to differentiate our propositions from those of our peers.

Our satellite and ground networks: We have the world's first truly global mobile broadband network in the form of our Global Xpress constellation and are developing a unique European Aviation Network to deliver the world's best passenger broadband experience in Europe. These new networks supplement our market-leading position in the highly resilient lower bandwidth global mobile satellite communication services.

Our people and values: We continue to ensure we have the right people with the individual skills, competencies and experience who can create value and deliver our business objectives. Our corporate values are embedded such that all our employees understand that much of our success as a business depends on how they interpret these values. They are being passionate, open, enterprising and market-driven.

Our financial resources: Inmarsat's balance sheet strength and debt capacity allow us to support the necessary organic and inorganic investment to deliver our strategy.

DELIVERED THROUGH EXCELLENCE

Our business unit structure ensures we remain focused on the needs of our maritime, government enterprise and aviation customers and continue to innovate to deliver communications products, services and solutions that meet their evolving remote and mobile connectivity needs.

Knowing what our customers want is important for us to ensure we innovate to produce services and products which are required and will be fit for purpose, as defined by our users.

OUR ACTIVITIES SUPPORT OUR STRATEGIC PRIORITIES

We must build upon our leading market position in the highly resilient, lower bandwidth global mobile satellite communication services that many customers require.

In particular we have significant opportunities in global mobile broadband. We are the first and the only truly global mobile broadband network offered by a single operator. We have a unique play on the explosive growth in broadband demand. And in airline passenger connectivity, we are uniquely positioned through our single operator capability to deliver reliable broadband globally; while our European Aviation Network (under construction) will be able to deliver the world's most consistent and powerful passenger broadband experience.

We are developing a solutions ecosystem through our Inmarsat Gateway, a way of leveraging the developer community to deliver end-to-end applications and services for our customers that move them beyond a simple capacity and connectivity-based solution to unleash the value our capability brings to their businesses.

Finally, we will constantly focus on improving our operational efficiency to deliver profitable revenue growth and associated value creation for the business.



[READ MORE
OUR STRATEGY P20](#)



[READ MORE
RISK MANAGEMENT P48](#)



We focus on the key drivers of value for our partners and customers such as security, reliability and seamless delivery with truly global coverage and mobility.

OUR STRATEGY

A FOCUSED STRATEGY DELIVERING RESULTS

CONTINUED PURSUIT OF OUR STRATEGY

Inmarsat provides global mobile connectivity on land, at sea and in the air. Our vision is to meet the remote and mobile connectivity needs of our customers, giving them what they need to connect – reliably, securely and globally.

In support of this vision, Inmarsat continues to pursue a clear and consistent strategy to deliver sustained profitable growth through maximising the significant opportunities that exist in all our markets.

Each key market community has a critical need for our range of services across multiple applications:

- > **Maritime:** from safety services to smart shipping;
- > **Enterprise:** from M2M to smart energy;
- > **Aviation:** from safety services to passenger connectivity;
- > **Government:** from intelligence, surveillance and reconnaissance (ISR) to government augmentation.

And demand is increasing in all of our markets, driven by three major factors:

- > 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.

We are able to compete effectively in this environment due to several key differentiators that distinguish our proposition from those of our peers:

- > 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
- > solution-friendliness and simplicity to facilitate integration and applications compatibility.

These differentiators enable us to address the significant growth opportunities within existing and new communities.

Our strategy is built around the complementarity of our four platforms:

1. L-band growth

Our L-band platform (using the Inmarsat-4 satellites) delivers agile, global mobile broadband capabilities to small form-factor, low-cost highly portable devices.

2. Growth and diversity via GX

Our Ka-band platform (using the Inmarsat-5 satellites) delivers GX services) complements the L-band platform by delivering ultra-high throughput and capacity, global mobile broadband to larger and more complex product platforms.

3. Growth and diversity via S-band

Our European Aviation Network enlarges our connectivity platform for aviation passengers to deliver the world's most consistent and powerful passenger broadband experience via a compelling and complementary technology.

4. Creation of a solutions ecosystem

To support and extend the delivery of these service platforms, Inmarsat Gateway will provide a powerful applications enabler to ensure a high-quality and seamless customer solutions experience.

These four platforms are complementary and can be combined to create unique and sustainable competitive advantages. These factors will help Inmarsat to deliver sustained profitable growth and deliver benefits to all its stakeholders.

MULTIPLE CONNECTIVITY OFFERINGS TO MEET CUSTOMER REQUIREMENTS



STRATEGIC ROADMAP TO DELIVER PROFITABLE GROWTH

1 L-BAND
Inmarsat-4

2 KA-BAND
Inmarsat-5
Global Xpress

3 S-BAND
European Aviation Network
Hybrid network for passenger
connectivity

Safety Resiliency

Capacity

Coverage

Capacity

4 Inmarsat Gateway
Delivering value-added solutions for customers

STRATEGY OBJECTIVES

PROGRESS

FUTURE PRIORITIES

1 L-BAND GROWTH

- > Grow the value of our core markets
- > Innovate to expand beyond our core markets
- > Extend our geographical footprint

- > Strong growth of FleetBroadband: 18% revenue growth in 2015
- > Market expansion through product-specific initiatives, innovation and new value propositions, eg Fleet One (leisure and fishing), IsatPhone (handheld voice), IDP and BGAN M2M
- > New L-band ground infrastructure in China, Russia and India, giving access to very sizeable markets

- > Innovate to expand beyond our core markets
- > Refocus L-band offering on markets and service areas providing a sustainable competitive advantage
- > Extend Government and Enterprise businesses into identified new countries and verticals
- > Prepare Inmarsat-6, with the first satellite expected to be launched in 2020, to enable L-band (and Ka-band) growth

2 GROWTH AND DIVERSITY
VIA GX

- > Grow new superfast broadband MSS services
- > Diversify into large and growing adjacent markets

- > GX global commercial service introduction in December 2015
- > Value-added reseller agreements for GX signed with key distribution partners

- > Focus GX offering on broadband and VSAT demand across maritime, aviation, government and enterprise markets
- > Launch arrangement for our fourth GX satellite (Inmarsat-5 F4)

3 GROWTH AND DIVERSITY
VIA S-BAND

- > Create a major business growth opportunity, geographically-focused, and in line with our global aviation sector strategy
- > Provide a powerful complement to our Global Xpress capabilities

- > S-band network's core infrastructure elements all under contract, including a partnership with Deutsche Telekom to supply and manage the ground network component
- > Significant progress made on retiring regulatory risk through licensing agreements; we now have 28 satellite and 18 ground licenses

- > Complete construction of the S-band satellite, to be launched in 2017
- > Complete regulatory programme for CGC licenses

4 CREATION OF A SOLUTIONS
ECOSYSTEM

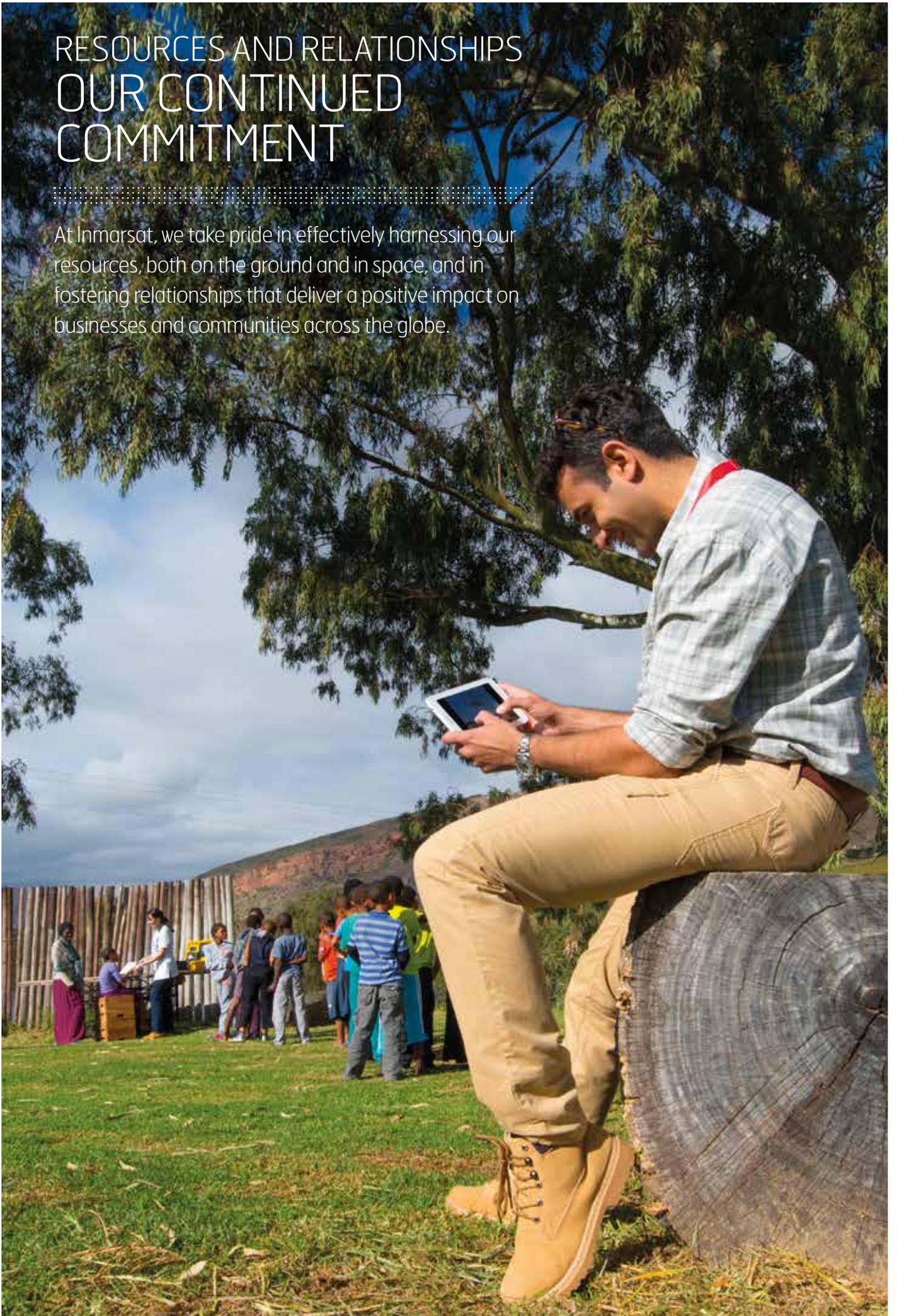
- > Tightly integrate our network with the applications and solutions that deliver value to our customers and partners
- > Create new revenue streams and business models

- > Inmarsat Gateway offers value-added services via a network-agnostic platform developed in partnership with Cisco
- > Launched certified applications partner (CAP) programme
- > Attracted 20 third-party companies in 2015 to offer innovative, tailor-made communications solutions that bring genuine business benefits for customers

- > Inmarsat Gateway commercial launch planned for H1 2016
- > Continue to develop a large and diverse community of certified applications partners
- > Offer applications, solutions and services across our network platforms
- > Strengthen cybersecurity capabilities

RESOURCES AND RELATIONSHIPS OUR CONTINUED COMMITMENT

At Inmarsat, we take pride in effectively harnessing our resources, both on the ground and in space, and in fostering relationships that deliver a positive impact on businesses and communities across the globe.



OUR PEOPLE

Building our culture at Inmarsat continues to be a priority and each year we focus on different aspects of that: 2014 was our Year of Engagement, 2015 was our Year of Enablement and 2016 will be our Year of Effectiveness. These themes have driven how we review our learning and development planning for all employees and have contributed to how we consider our overall employee environment. This includes a focus on alignment across our global business for how we operate as colleagues, a renewal of the Inmarsat qualities which relate to our behaviours at work and we have also put in place a roadmap to ensure consistency across the Group for job levels and compensation.

The following sections cover some key areas of focus in building our culture.

STAFF SURVEY

We regularly poll our global staff members to ensure they have the opportunity to share their views and feedback to the management team as to where we are doing well and any areas of concern. The last in-depth survey was conducted in 2014, garnering a 94% response rate, which our advisers, Hay Group, said exceeded the average they would generally see for similar workforces (82%). We followed-up in 2015 with a 'Pulse Survey' to assess the response to progress made on the areas raised for review. Again, we had a very strong response rate of over 75%, from our highly-engaged global workforce.

Positive scores were achieved on many important fronts. Inmarsat is well above the telecommunications' sector benchmark norm for employees feeling proud to work at Inmarsat and they feel supported in achieving a work-life balance. Positive scores were also received in areas of pay and benefits and confidence in the leadership of the business. Areas highlighted for continued focus are the need to:

- > find additional ways to communicate across a global business;
- > seek opportunities to recognise and reward good performance or manage it appropriately;
- > encourage greater discussion about career development; and
- > put in place improved work processes and work flows to help deliver objectives.



The activities identified following the 2014 staff survey have had considerable focus during 2015 as noted below:

- > **Communications:** Investment in a new intranet that is scheduled to go live in 2016 will improve the opportunities for our global staff to share information more easily and deepen their understanding about our entire business.
- > **Performance and reward:** Our benchmarking process continued to improve during 2015. We put in place an updated annual bonus plan whereby all employees in the plan have some element of bonus linked to Inmarsat plc results, to encourage teamwork and collaboration.
- > **Staff learning and development:** A significant investment was made to an ongoing, Group-wide training programme for managers, equipping them with leadership and coaching skills. We called these employee workshops 'Lead the Way' and believe they will empower managers in their daily roles and help them develop their teams to fulfil their potential. Phase two is now underway as 'Lead the Way Mastery'.
- > **Leadership:** There has been a dedicated programme of leadership skills training for the Executive Management Team and the Global Leadership Team.
- > **Systems and processes:** We now have a OnefT project which is responsible for reviewing, streamlining and improving all systems and processes across the business for the benefit of all stakeholders.
- > **Resources:** We have seen a considerable number of staff join Inmarsat in 2015 to support growth plans for the business – 337 in total. Additionally, we promoted internally for 92 positions.



We are well above the telecommunications' sector benchmark norm for employees feeling proud to work at Inmarsat.

CODE OF CONDUCT

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

We comply with local laws where we operate, and across our Group we ensure our employees comply with the UK Bribery Act and the US Foreign Corrupt Practices Act. A summary of our anti-bribery



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

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

We have a worldwide anonymous telephone service for employees to use if they have any concerns. In the last year, the external provider received one enquiry call.

VALUES

We have Inmarsat values and qualities which operate throughout the business. These are part of the induction process for our employees and are covered too as part of our induction process for Directors, including our Non-Executive Directors. Our values drive how we operate in the business and are Passion, Openness, being Enterprising and Market-driven. Our focus is how people reflect these values in dealing with each other as colleagues and any third party. We have Inmarsat qualities that are the behaviours by which we demonstrate our core values, and are one of the ways in which individual performance is assessed. These behaviours are grouped into: Efficiency, Customer Excellence, Enterprise Spirit, Open Communication, Values-based Leadership and Innovation. The ways we demonstrate the Inmarsat qualities contribute to reward generally, whether through bonus awards or promotion opportunities.

DIVERSITY OF EMPLOYEE BASE AND NON-DISCRIMINATION

We do not tolerate discrimination in any form – race, gender, age, culture, disability – against our employees, either from other employees or third

RESOURCES AND RELATIONSHIPS CONTINUED

parties. There are anonymous helplines and email addresses an employee can use if they experience or see such activity, and employees are also encouraged to speak directly to their manager. When recruiting, we value diversity in its broadest definition and work to provide opportunities for all, including for disabled employees reviewing the requirements of their working environment to accommodate practical changes as far as possible to allow them to continue in their daily work routine. If such changes were unrealistic to implement, we would review alternative employment options for the individual within the Group.

We are very proud that we have continued to have 65 different nationalities within the Inmarsat Group. This breadth of employee culture and experience supports our Global Reach, Global Impact theme as everyone is a contributor to our business operations.

We recognise the importance of diversity amongst our employees and are committed to ensuring that employees are selected and promoted on the basis of merit and ability, regardless of age, gender, race, religion, sexual orientation or disability. The gender split across the Group (including contingency workers) as at February 2016 is illustrated in the table below:

Inmarsat plc	Female		Male	
	No.	%	No.	%
Board	2	17%	10	83%
Executive Management Board	2	18%	9	82%
Senior managers	28	15%	164	85%
All employees (including contingency workers)	559	30%	1,305	70%

The percentage of females on the Executive Management Board and wider number of senior managers represent the definition as set out in the Department for Business, Innovation and Skills (BIS) requirements. The percentages set out in the table are in line with those disclosed last year.

STAFF FORUMS

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. During 2015 we held international staff forum meetings which included our elected UK Staff Reps plus HR representatives from our global operations discussing comments and questions from their colleagues. These groups extend two-way open 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 other countries, these bodies are constituted according to local requirements.

LEARNING AND DEVELOPMENT

We have a policy of promoting employees internally where possible. Where it makes sense for the business and the individual's personal development and career enhancement, we will consider moving employees to different office locations. We have established policies which address key corporate objectives in the management of employee relations, communications and employee involvement, training and personal development and equal opportunities. Employees are supported in their career development through an annual appraisal scheme, and training is provided to support this. During 2015, we provided many different levels of training. Around 300 managers (80% of

managers) benefited from manager training, whilst three Global Leadership Team meetings, attended by approximately 50 global senior managers, focused on leadership skills. Individual job-related training continued to be provided to meet the needs of the business.

HEALTH AND SAFETY

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

Our goal is to encourage strong leadership in championing the importance of, and a common-sense approach to health and safety in the workplace. We recognise the need to provide a safe working environment for our employees, contractors and any visitors. Regular health and safety audits are undertaken at key operating sites. Across the Group, we had 13 (2014: 15) accidents or near misses reported, and again we had no fatalities.

During the year we undertook the following occupational health activities:

- > Cancer awareness programme across many of our offices.
- > A 'Backs2015' initiative to encourage staff to check their posture.
- > We extended our Annual Health and Wellbeing Day to become a week of activities across our global offices.
- > We introduced an online management software tool for reporting and recording incidents.



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

- > Musculoskeletal disorders and display screen equipment related ill health.
- > Working at height.
- > Manual handling.
- > Lone working.

Specific training and awareness materials are provided to staff who are affected by these identified areas of work.

At the start of 2015, we received an International Safety Award from the British Safety Council which demonstrates Inmarsat's commitment to health, safety and wellbeing in the workplace.

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

OUR TECHNOLOGY AND INNOVATIONS

We have identified technology as one of our key resources supporting our business model. While investment in innovation is clearly important, having talented and experienced teams who understand how technology and innovation can work together is essential. Our teams watch what happens in the macro environment and see how this affects how we innovate for the future to produce services our customers want to use.

OUR PARTNERS

Our partners are critical to our business success. Our definition of partners encompasses all those we work with – manufacturers, suppliers, distributors, service providers and end users. We rely on their excellence to support the achievement of our business objectives and strengthen our service offering.

Our partners can provide local and global expertise which supplement our own capabilities – their activities support our Annual Report theme of Global Reach, Global Impact.

We need to ensure that we understand what they want from us as a partner so that we meet their expectations for working with us. We are reviewing how we partner going forwards to make us simpler and easier to do business with in respect of our contracts, pricing and other ways we interact with them. It is important for our partner relationships that we are operating fairly in our business dealings and ongoing relationships.

Our Group-led category management approach to procurement and supply management is maturing and has delivered significant financial contribution

to the Group both during 2015 and through the contract life, delivering multi-million dollar savings. Another key priority for the Global Procurement team this year has been to better understand our current vendor base. We undertake a robust due diligence process for new vendors through a pre-qualification process. This includes reviewing financial stability, compliance with relevant current legislation and customer references for similar goods and services. Additionally, we reviewed the number of vendors we trade with to allow us to establish better relationships and to enable greater leverage of our global spend in 2016. We will do this through a well-managed preferred supplier list including Group wide corporate arrangements.

Inmarsat's 99.9% satellite and ground network availability is key to saving lives at sea.



We will focus further in 2016 on building the foundations of a solid procurement function including process simplification initiatives such as invoice consolidation, increased use of purchasing cards and standard contractual frameworks – this all contributes to making us easier to do business with. This 'procurement as a service' model will help improve efficiency and reduce our overall cost of doing business which makes us more effective as a business.

We will progressively work to ensure that all our suppliers adhere to our standards of ethical behaviour, environmental, health and safety and other relevant working practises. We have been starting to review our due diligence procedures to ensure we ask for, collect and review supplier information provided to us to ensure they are organisations we want to do business with. It is important for us to work with companies who acknowledge they have a responsibility for these good working practices, especially on the environmental impact their work may have if they produce satellites, procure launches and manufacture terminals for us.

We will be including a statement in our 2016 Annual Report on the Transparency in Supply Chain clause of the Modern Slavery Act 2015 regarding slavery and human trafficking.

MEETING OUR PUBLIC RESPONSIBILITY

Our website provides considerable information about how we connect with organisations, individuals and our different partners to extend the reach of our services to support those who may need assistance either for humanitarian needs or charitable endeavours. You can find out more on www.inmarsat.com and review case studies and updates in our CSR section.

Our maritime heritage is a key reminder to us of how we have supported mariners and the wider maritime community for over 35 years and remain focused on doing so in the future. We remain the only approved provider of satellite communications services for the GMDSS and we continue to invest in the development of maritime safety services. Our SafetyNET service continues to be used to provide vital updates on reported pirate activity. The service enables ship masters to access reports of pirate movements, giving them information to know which regions to avoid with high pirate activity and allowing them to re-route if necessary.

The 2014-15 Volvo Round the World Ocean Race, of which Inmarsat is the official satellite communications provider, relies on Inmarsat safety services for the crews to maintain communication at all times, wherever they are. FleetBroadband, Inmarsat C and our handheld phone are all standard equipment for each of the yachts. Our IsatPhone was used in an emergency when one of the ships ran aground with the yacht captain praising it for helping save the crew's lives.

In addition to maritime safety services, we also promote safety services to the aviation industry for use in the cockpit. We remain committed to the provision of International Civil Aviation Organization (ICAO) approved satellite safety services, and are expanding our safety offerings through our SwiftBroadband service. We are supportive of the announcement that has come following the resolution made in early 2015 by the ICAO, the United Nations aviation body tasked with monitoring the global aviation industry, to adopt a new aircraft tracking standard.



RESOURCES AND RELATIONSHIPS CONTINUED

In 2015, we continued to support the telecommunications relief aid organisation, Télécoms Sans Frontières (TSF) (\$200,000) and paid \$115,000 to the World Maritime University as part of our support for the education of maritime specialists. These two amounts are our most significant charitable payments. The total charitable donation amount paid in 2015 was approximately \$865,000.

We are proud to have supported TSF, the telecommunications relief aid organisation, for 15 years.

Our core charitable support remains focused on the work carried out by TSF. We are very proud to have supported this wonderful charity for 15 years. TSF runs programmes on disaster relief and preparedness, training other relief organisations and regional and national disaster response agencies about the available capabilities for emergency telecommunications. TSF help these organisations respond to an emergency knowing they have the necessary training to use BGAN terminals and IsatPhone, our handheld satellite phone.

We have also continued our support for the International Telecommunications Union (ITU). This enhanced in 2015 with our signing of a MoU with ITU-D in the framework of the Smart Sustainable Development Model (SSDM) which aims to foster the use of satellite broadband services in remote or under-developed areas. We have committed to \$100,000 worth of airtime over a three-year period which will start to be drawn against when the ITU identifies a project in a suitable community.

In October 2015, we, along with world-leading satellite operators under the umbrella of the EMEA Satellite Operators Association and the Global VSAT Forum, signed a Crisis Connectivity Charter at the World Humanitarian Summit Global Consultation in Geneva to enhance connectivity in the case of humanitarian emergencies.

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

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

This year we have leveraged Inmarsat's global reach to deliver benefits across Africa to unconnected communities through a series of scalable innovation pilots. We are working alongside maternal health partners in Nigeria to ensure that 50 remote clinics, which serve a community of 50,000 women are connected to key health resources. In Kenya, we have worked closely with Equity Bank, their Foundation and the Open University to deliver financial services and education content to 200 sites in total across the country, reaching a population of 40,000.

We have worked closely with development and digital economy experts to create a global community 'STARHub'. STARHub is hosted by the Satellite Applications Catapult and brings together satellite capabilities with those exposed to poor infrastructure in Africa, Asia and South America. Other partners from the UK include the Royal African Society, Archbishop Tutu's Global eHealth Foundation, Open University, Dalberg Group, Caribou Digital and the London Institute of Space Policy and Law.

We were delighted in December 2015 to be announced as a winner at the first annual Better Satellite World Awards, organised by the Society of Satellite Professionals International. This award recognised our role in providing satellite communications, to deliver critical data to support safety services, enable NGO and humanitarian aid in times of a disaster and provide a vital communication service wherever and whenever needed.

EDUCATION

We continued with our funding of the Inmarsat Chair of Maritime Education and Training at the World Maritime University which supports the education of maritime specialists.

We encourage internships with schools and universities to provide students with the opportunity to experience first-hand the engineering and technical aspects of satellite operations.

This year's Inmarsat Summer Strategy Challenge came to a successful conclusion when students studying science, technology, engineering and mathematics (STEM) courses from City and Islington College in London presented their findings on the 'Digital Divide' to a prestigious audience of industry experts. The challenge was set using the ongoing UK Space Agency-funded Digital Frontiers project to bring internet connectivity to local communities in key growth hubs in Sub-Saharan Africa. Now in its second year the programme, with the London-based school, forms part of Inmarsat's promotion of STEM education to encourage young people to be inspired by space-enabled communications and to follow careers in the satellite world.

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

Our website contains more information on the areas of education we support including, for example, our continued support for World Space Week, an initiative started by the United Nations in 1999.





ENVIRONMENT

In 2015 Inmarsat achieved a carbon disclosure score of 95 from the Carbon Disclosure Project (CDP) annual survey. This is our highest score and elevates us to the same level as telecommunications companies such as BT and Vodafone. Annually, Inmarsat has entered the CDP and this year's responses followed a deep dive analysis of our approach to climate change. We were delighted to receive a good rating from the CDP and in 2016 plan to undertake more analysis in the area of assurance and governance.

Although the activities of the Group are judged to have a low environmental impact and are not expected to give rise to any significant, inherent environmental risks over the next 12 months, we take seriously the environmental issues of running the business and this is reflected in the additional information provided to and assessed by the CDP. Some of our environmental impacts include the use of natural resources, the consumption of energy and water and the production of a variety of waste, in addition to staff and visitors travelling for business purposes around the globe. We acknowledge that we have an impact on the local and global environment and our objective is to minimise this.

We have approximately 1,700 staff who work in over 50 locations around the world. Of those offices, warehouses and earth stations, over 80% of our staff operate from eight locations.

In 2015 we continued to consolidate leased locations and reduced our locations by eight sites. In addition we developed a Logistics Strategy with an objective to consolidate warehouse operations to three locations across the globe by mid 2017. The net effect of reducing the number of offices and warehouses will be to reduce our global CO₂ emissions and energy consumption. We plan to continue our office consolidation programme in 2016 which will also reduce our impact on the environment.

Our mission is to adopt and support the following principles:

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

We continue to monitor our energy consumption and comply with our social and legal responsibilities in terms of carbon emissions. Please see our summary of carbon emissions within the Report of the Directors on page 56. Energy efficiency is one of the key considerations when replacing obsolete and inefficient machinery.

In 2015 Inmarsat achieved compliance with the Department of Energy and Climate Change Energy Savings Opportunity Scheme. Both our London and Hague offices were reviewed under the terms of the scheme and appropriate actions taken. In 2016 Inmarsat will consider a number of energy-saving initiatives to support our compliance efforts at both sites.

We continue to review new technologies and control building operational strategies. We continue to be committed to our waste management and recycling schemes. Video conferencing and other collaboration tools allowing visual connectivity are being used to reduce the dependency on air transport and are



a popular means of communication with staff working in different locations and across different time zones.

COMMERCIAL WASTE

In the London office and at our major sites, we continue a progressive approach to waste management. Recycling is managed locally in the larger sites with the separation of plastics, paper and non-recyclable materials. In the head office in London, which is the single largest office for the Group, 100% of waste is diverted from landfill and this policy has been in place since 2009. We separate our waste into four streams: recyclable, non-recyclable, glass and confidential waste. Confidential waste is shredded and pulped to be reused in paper products. The non-recyclable material is incinerated and converted to electricity and all other waste is recycled. In 2015 our contractors collected 53 tonnes of recyclable waste from the London head office and a further 105 tonnes were sent for incineration and converted into electricity.

SPACE DEBRIS

As a satellite operator, we have adopted the highest industry standards in terms of space debris mitigation, including end-of-life graveyard manoeuvre plans for the disposal of satellites when they reach the end of their commercial life. Our final Inmarsat-2 satellite was deorbited in 2014. Its deorbit was undertaken in full compliance with the relevant ITU standards. We also deorbited a satellite we operated for an Asian partner in early 2015. We expect that during 2016 we will plan to deorbit the first of our five Inmarsat-3 satellites. We operate our satellites in geosynchronous orbit which is approximately 36,000km above the earth. This orbit has significantly less debris than in a low earth orbit which is approximately 700km above the earth and where several MSS operators have their satellite constellations.

We are also a founding member of the Space Data Association. Along with Intelsat, SES and Eutelsat we aim to improve the satellite safety of flight and make operations in space safer and more reliable.

The Strategic Report, as set out on pages 1 to 51 has been approved by the Board.

On behalf of the Board

ALISON HORROCKS
Chief Corporate Affairs Officer
and Company Secretary
3 March 2016

BUSINESS OVERVIEW

MARITIME



Delivering value and driving innovation were key to Inmarsat Maritime's strategy in 2015. The business achieved growth across its services portfolio; reinforcing its position as Inmarsat's largest market sector and leader in global maritime communications.

Inmarsat Maritime delivered a series of strategic initiatives, including the start of its Certified Application Partner programme and a strategic relationship with Rolls-Royce focused on autonomous vessels; in addition to expanding its partner eco-system.

Revenue

\$593.2m

2014: \$595.6m



EBITDA

\$459.4m

2014: \$450.4m

Number of FleetBroadband installed vessels

41,942

2014: 40,469

FleetBroadband revenue

\$359.7m

2014: \$305.9m



Scan the image above
using the Inmarsat App
to view Maritime content.

BUSINESS OVERVIEW CONTINUED



MARITIME

The Maritime business remains Inmarsat's largest single market segment, representing approximately 50% of the Company's annual MSS revenues. Though revenue was relatively flat in 2015 significant progress has been made in setting the foundations for a return to growth in 2016.

In 2015 we successfully positioned ourselves as the industry driver of innovation in maritime communications. We further expanded the Inmarsat ecosystem, with the addition of new partners (including Ericsson) and application developers and we became a technology partner in the autonomous vessel project with Rolls-Royce.

In addition, we embarked on the Certified Application Partner (CAP) programme, as a structured approach to driving the development, delivery and monetisation of premium business applications for the global maritime market. This CAP programme is focused on Inmarsat's Global Xpress broadband satellite network and gateway infrastructure. As part of this, we are actively engaging with partners to drive operational efficiency (planned maintenance, engine monitoring, chart updates, weather routing); safety and compliance (pollution monitoring, anti-piracy, telemedicine, remote surveillance); IT and security (remote IT support, cyber security, corporate e-mail); and crew welfare (internet access, news, sports, movies, TV and radio).

Despite the overall result for the maritime sector, 2015 has been a successful year for the two core products in our portfolio, FleetBroadband and XpressLink. Both these products delivered strong growth and together now account for 76% of revenue. This growth was driven by a combination of an increased number of vessels in billing and the consistent execution of our pricing policy; this promoted higher levels of usage through flat fee packages rather than 'pay as you go' services, so offering increased value to the customer and revenue growth to the business.

The strategy of migrating customers away from our legacy services continued to deliver net benefits to the business. Whilst revenue from our legacy Fleet service declined during the year, FleetBroadband delivered revenue growth of 18% and by the end of the year, we had seen a subscriber growth of 3.6% to almost 42,000 ships at higher average revenue per user.

XpressLink is our managed service based on Ku-band and L-band technologies, and is positioned as a precursor to Fleet Xpress, which is the name for the maritime Global Xpress Ka-band service. We accelerated our installation rate over the year, reducing installation lead times by a month, taking the installed base to almost 2,500 vessels by the year end (a mix of XpressLink and legacy VSAT), with a healthy backlog of over six months' installations by the end of 2015, all representing 'stock for migration' to Fleet Xpress.

For the migration itself we have developed a 'light vessel touch' hardware platform that enables us to migrate vessels in a more economical way and in a shorter timeframe. The platform will also be capable of hosting future versions of our Network Services Device software, which will form the heart of our maritime managed service capabilities.

The Maritime business continues to benefit from its focus on innovation and development of new products and services, which has helped to expand its leadership position in the maritime market and open up new revenue opportunities.

In 2015 we made an entry into the small vessel market (leisure and small fishing vessels) with Fleet One and FleetPhone. Although this is still early days for Fleet One, we made good early headway with five distribution partners, including KVH, adopting the Fleet One service as part of their portfolio on a pooled price basis highlighting their confidence in the product. We also made progress with FleetPhone, with over 10,000 units being activated by the Chinese Fujian fishing fleet during the year.



2015 has been an encouraging year for our Maritime business. We are in a strong position to return to growth in 2016.

Furthermore, we managed to install the first Fleet Media services in the second quarter of the year, signing up two distributors for the service and securing Maersk Tankers as the first customer. Feedback has been positive, and integration into the Fleet Xpress standard installation set up will accelerate the further adoption of this service.

Overall, 2015 has been an encouraging year for the Maritime business with continued growth in FleetBroadband and VSAT services and solid foundations established for the introduction of Fleet Xpress in 2016. This positions our Maritime business well for a return to growth in 2016.

FINANCIAL PERFORMANCE

Maritime revenue in the year decreased by \$2.4m (-0.4%) to \$593.2m (2014: \$595.6m) as continued strong growth in FleetBroadband and VSAT was more than offset by the much faster decline in Fleet and other mainly legacy services. The merchant maritime industry continues to face severe commercial headwinds, and this is reflected in reduced new ship orders, increasing scrappage of older ships and lay-ups of younger ships (especially in the Oil and Gas segment), impacting on growth in new installations and accelerating the decline in our legacy services on older vessels. However, we continue to defend and grow our market share in this important sector, through product and service innovation and the delivery of value-added solutions that enable a more efficient 'smart ship' operating environment globally.

During 2015, FleetBroadband continued to grow strongly, rising by \$53.8m (+17.6%) despite slowing markets. At the end of the year there were 41,942 active ships with this service, around 4% higher than the installed base of 40,469 ships at the end of 2014. The rate of growth of installations continued to slow through the year as we completed the transition of legacy Maritime services onto FleetBroadband (and this growth starts to reflect more closely intrinsic maritime sector growth dynamics) and as negative market pressures increased. Wholesale ARPU increased by 10% to an average of over \$700 for the year, mainly reflecting price increases at the start of the year.

VSAT revenue increased by \$10.3m (+12.6%) driven by a 20% increase in the installed base to almost 2,500 ships, mainly comprising XpressLink customers. VSAT ARPU was little changed over the year. The net installation run-rate increased steadily over 2015 with the underlying levels of installations and terminations both increasing. The backlog of installation orders continued to rise across the year, ending the year at over six months of installations.

Revenues from Fleet fell by 52.5% (2014: 18.6% decline). Revenues from our other mainly legacy services fell by 20.6% (2014: 10.0% growth). Together these services declined by \$66.5m during the year. These services, which often have a higher third-party component cost and hence lower margin, now represent 24% of total Maritime revenues, compared to 35% at the end of 2014.

Maritime costs fell by \$11.4m (7.9%), with the volume driven impact of VSAT cost increases being more than offset by a reduction in indirect costs and the change in mix from lower margin/higher cost mainly legacy products towards higher margin/lower cost FleetBroadband.



EUKOR ADOPTS GX SERVICES

EUKOR Car Carriers, one of the world's largest shipping companies specialising in the transportation of cars and other rolling cargo, selected Global Xpress for its fleet of 27 vessels, for connectivity across the Indian Ocean region. With plans to roll-out full global coverage in 2016, EUKOR believes that having Inmarsat on board will help it improve business operations across its global fleet which connects 220 ports; meet its customers' needs; optimise operational efficiency and monitor and improve safety and environmental performance.

Maritime EBITDA increased by \$9.0m (+2.0%) and Maritime EBITDA margin increased by 1.8% to 77.4% (2014: 75.6%) with the impact of slightly lower revenues being more than offset by the favourable cost impact of improved revenue mix and lower indirect costs.

BUSINESS OVERVIEW

ENTERPRISE



2015 saw Inmarsat's Enterprise business strengthen its focus on innovation and work with its key markets in anticipation of the forthcoming launch of industry specific Global Xpress (GX) services.

Enterprise achieved significant success in early trials of GX, including its deployment following the Nepal earthquake, strengthened its sales channel with five new GX Value Added Resellers and created a team exclusively dedicated to M2M and the Internet of Things.

Revenue⁽¹⁾

\$159.5m

2014: \$155.9m

(1) 2014 revenue adjusted to exclude disposals of energy-related assets in 2014 which delivered revenue of \$10.8m in 2014.



EBITDA

\$113.1m

2014: \$102.1m

Number of M2M devices

326,000

2014: 292,000

Number of IsatPhones

140,000

2014: 115,500



Scan the image above
using the Inmarsat App to
view Enterprise content.

BUSINESS OVERVIEW CONTINUED



ENTERPRISE

Our underlying Enterprise business, adjusted for the disposal of our retail energy-related assets, continued to grow in 2015 despite the impact of a strong US dollar and headwinds in the BGAN market over the final quarter of the year. The increase was driven by growth in machine-to-machine (M2M) and Enterprise FleetBroadband (FB) revenue.

Innovation, to both strengthen existing propositions and to open up new opportunities to provide Inmarsat services to entirely new groups of users, was the focus of the business in 2015.

Enterprise, in close coordination with our business partners, drove further innovation around Global Xpress (GX) focusing on the needs of the most demanding customers who required a globally available, high-reliability managed network.

In anticipation of the commercial launch of GX, the Enterprise business spent much of 2015 strengthening the distribution channel with four new GX Value Added Resellers (VARs) appointed, serving a number of different market verticals including the energy, aid/NGO and media markets. Also during the year extensive GX field trials took place around the globe and GX services were deployed commercially by the media in Nepal, following the devastating April 2015 earthquake. GX has been extensively tested by commercial partners which will drive accelerated adoption during 2016. Early interest in GX has been strong, particularly from customers in the energy, mining and media sectors.

In 2015 we continued to focus on developing a long-term M2M connectivity business. Under the banner of the 'Internet of Everywhere' the business created a team focused on exploiting the rapidly growing M2M and Internet of Things markets. M2M connectivity allows devices to communicate with each other and share information via the internet. Satellite communications play an increasingly

important role in M2M enablement in specific vertical markets, enabling a host of applications ranging from asset tracking and remote surveillance to Smart Grids and environmental monitoring.

The growth of the M2M business was supported by the sale of our shareholding in SkyWave to our new partner ORBCOMM which was completed at the beginning of 2015. As well as adding ORBCOMM as a powerful and highly innovative VAR for M2M services, as part of this deal, Inmarsat acquired the intellectual property in the IsatData Pro (IDP) technology and the IDP satellite network assets. Inmarsat commenced work on developing its own commercial IDP Gateway in 2015 which we expect to bring to commercial service during 2016. The commercialisation of the IDP technology enables Inmarsat to enhance its portfolio of M2M connectivity services to both existing distribution channels as well as enabling new customers and vertical markets to build its partner ecosystem. M2M saw an increase in subscribers of 11.6% and an increase in average revenue per user driven by product mix driving overall revenue up by 13.7%.

Despite the global downturn in the energy sector, we saw meaningful growth from our energy business, particularly from FleetBroadband, which continued to demonstrate its relevance to a sector with the highest needs for reliable communications. The growth in FB was in contrast to BGAN revenue which declined by 6.0% year-on-year. This reflected in part competition from low-cost solutions but also the downturn in the resources sector and lower event-driven revenue, particularly in the latter part of the year. 2015 was a year of ongoing innovation for BGAN to adapt and improve existing services to meet the evolving needs of our users. Our Enterprise business continued to leverage the well-established BGAN service to deliver new and enhanced capabilities to users in the media (BGAN HDR), the aid and development sector (BGAN Link) and the Internet of Everywhere (BGAN M2M).



A team was created to focus on exploiting the rapidly growing M2M and Internet of Things markets.

Despite a challenging year in the global market for handheld satphones, IsatPhone 2 continues to meet a key need for users around the world. IsatPhone 2 offers dependable, high-quality voice calls, text and email messaging outside cellular and fixed network coverage. Commercial sales of IsatPhone 2 were temporarily impacted by a manufacturing quality issue with a third-party vendor. As a result, satphone sales were lower year-over-year though sales returned to normal levels by the end of the year. Despite this setback the IsatPhone installed base grew over 21.2%, taking the number of IsatPhone terminals to over 140,000 with growth in both prepay and postpay offerings.

We are proud of our partnership with the UK Space Agency and its Digital Frontiers initiatives. The Enterprise business plays a central role in this £32m International Partnerships Space Programme which seeks to uncover projects where Inmarsat's robust satellite communications will be pivotal in enabling economic growth in areas which lack appropriate communications infrastructure. The year saw the launch of two pilot projects – firstly in partnership with the Equity Bank Group in Kenya to bring financial and welfare content access to remote communities and secondly in Nigeria to provide telemedicine services for pregnant women and new mothers.

FINANCIAL PERFORMANCE

Underlying revenues (ie excluding the impact of the sale of our retail energy-related assets in 2014) grew by \$3.6m (+2.3%). Reported revenue fell by \$7.2m (-4.3%) to \$159.5m (2015: \$166.7m).

The increase in underlying revenues was driven by strong growth in FB (+48.7%) and M2M revenues (+13.7%) and a one-off service upgrade supplied to a major customer in Q3. These results were offset by IsatPhone handset sales (-25.7%) and lower BGAN revenues (-6.0%).

Enterprise FB revenues grew by 48.7% in 2015, despite the downturn in the energy sector, mainly as a result of increased traffic and tariff changes, including a price increase in the fixed-to-mobile interconnect termination rates.

M2M revenues continued to grow well despite the slow-down in the energy sector as customers continued to demand connectivity to drive efficiency. By the end of the year, the total M2M installed base was over 326,000 terminals.

IsatPhone revenues were adversely impacted by a manufacturing problem experienced in Q3, which drove a 25% reduction in handset revenues for the year. IsatPhone airtime revenues were unchanged year-on-year.

BGAN revenues were down by 6.0% year-on-year, mainly driven by fewer events and lower use in the media and resources sectors than last year.

Operating costs decreased by \$18.2m (-28.2%) compared to 2014, reflecting the disposal of our retail energy-related assets in 2015, higher product margins and lower indirect costs.

Enterprise EBITDA increased by \$11.0m (+10.8%) to \$113.1m (2014: \$102.1) primarily due to growth in higher margin on-network services. This also resulted in the Enterprise EBITDA margin increasing to 70.9%, from 61.2% in 2014.



ERGON ENERGY USES BGAN M2M FOR EFFICIENT GRID MONITORING AND CONTROL

Ergon Energy maintains and manages the electric distribution network across Queensland, providing energy for over 720,000 homes and businesses, across some of the most rural parts of Australia, requiring 160,000km of power lines and more than a million power poles. The Inmarsat BGAN M2M service has given Ergon Energy access to parts of its distribution network that had previously been out of bounds, by providing cost-effective, remote monitoring and control of the power grid with a constant and reliable flow of information.

BUSINESS OVERVIEW

AVIATION



2015 was a year of dramatic developments for Inmarsat's Aviation business. Revenues grew by over 25% and a series of strategic announcements highlighted the potential for both the GX Aviation service and the European Aviation Network.

Two leading global airlines, Lufthansa Group and Singapore Airlines, signed as GX Aviation customers, while Deutsche Telekom signed a strategic partnership to help deliver unprecedented passenger connectivity to Europe's aviation industry.



Revenue

\$126.8m

2014: \$101.1m



EBITDA

\$103.7m

2014: \$87.2m

Number of SwiftBroadband active SIMs

7,200

2014: 5,400

SwiftBroadband revenue

\$84.6m

2014: \$58.8m



Scan the image above
using the Inmarsat App to
view Aviation content.

BUSINESS OVERVIEW CONTINUED



AVIATION

Inmarsat's Aviation business enjoyed another strong year in 2015, both financially and strategically, recording a revenue increase of 25.4% for the full year. Aviation's revenue growth was driven by both a higher number of connections and a higher Average Revenue Per User (ARPU). The growth was primarily driven by the continuing strength of our SwiftBroadband (SB) service in both the business and general aviation markets and air transport; SB revenues now represent two-thirds of total Aviation revenues, with approximately 7,200 active SIMs by the end of the year. Classic Aero active terminals also grew, by 9% for the year.

During the year, successful trials of GX Aviation equipment and network capabilities were conducted, including streaming videos and live radio, online conference calls, and downloading files. Successful helicopter flights were also conducted by Boeing. These have all validated the ability of GX to deliver high-speed, global, broadband connectivity in the air.

We are in advanced stages of negotiation with major airlines around the world to provide connectivity solutions for their passengers and during 2015 confirmed that Singapore Airlines will procure GX from Inmarsat's partner SITAONAIR, with the first installation scheduled for the second half of 2016.

During 2015, we also signed a 10-year contract with Lufthansa to provide high-speed connectivity services on board more than 150 of Lufthansa's European fleet from mid-2016. The agreement also provides a contractual framework to extend the agreement to other airlines within the wider Lufthansa Group. Lufthansa has also committed to trial the European Aviation Network (EAN) when it becomes commercially available. This development, alongside Inmarsat forming a strategic partnership with Deutsche Telekom to develop the ground component of EAN, represented two major steps forward for our EAN in 2015.

The strategic partnership with Deutsche Telekom will seamlessly combine satellite connectivity from Inmarsat's new S-band satellite with a LTE-based ground network to be developed and operated by Deutsche Telekom. The S-band satellite is currently being built and is planned to be launched on a SpaceX Falcon Heavy vehicle as soon as practicable after construction is completed. The ground network will comprise approximately 300 LTE sites across Europe, each with a range of some 80km, which Deutsche Telekom will build and manage. The satellite and ground networks will be integrated such that switching between them will be managed automatically by on-board cabin systems, with no impact on service delivery.

Deutsche Telekom will take a share of the wholesale airtime revenues generated by the complementary ground network. Inmarsat will supply and manage the satellite service component of the network, and will lead the marketing and sales of the integrated connectivity service to European airlines. Inmarsat and Deutsche Telekom are aiming to have the EAN ready for full service availability by mid-2017.

Connections and data traffic in the business aviation market are still growing strongly. During the year, Inmarsat started work with Honeywell Aerospace and an antennae development company, Kymeta, to develop a lighter flat panel high-speed Ka-band wireless antenna, suitable to bring higher capacity and speeds to large commercial aircraft as well as offering standard GX services to much smaller aircraft in the business aviation market.

Aviation safety services continue to be in the industry spotlight, with a range of new services being trialled in a number of jurisdictions. During the year Inmarsat announced that Hawaiian Airlines was the first commercial airline to fly with our SwiftBroadband Safety service on its Boeing 767-300 fleet. The first flight took place in June 2015, after the Supplemental Type Certificate for the service was awarded. SwiftBroadband Safety



SwiftBroadband Safety will provide an enhanced version of our existing safety service enabling organisations to receive and transmit messages faster.

will provide an enhanced version of Inmarsat's Classic Aero service, enabling Air Navigation Service Providers and Air Traffic Management organisations to receive and transmit data and messages faster and more efficiently. The SwiftBroadband Safety service is expected to be commercially available from Q2 2016.

In 2015, we also launched a partnership with Airservices Australia and other aviation industry stakeholders to trial improved flight tracking services on commercial airlines on flights to and from Australia. This followed the International Civil Aviation Authority resolution in February 2015, supported by Inmarsat, to adopt a new 15-minute tracking standard for commercial aircraft. Based on the results of the trial, Airservices Australia has now adopted the 14-minute reporting requirement as its standard operating procedure in oceanic airspace. In addition, other Air Navigation Service Providers have commenced evaluations as a result of the successful Australian trial.

Europe's ambitious programme to create the world's most advanced and secure air traffic management system also took a step forward in 2015, with the announcement by Inmarsat and the European Space Agency (ESA) of the successful completion of Phase 1 of ESA's IRIS Precursor; the 'Final Design Review' to validate the architecture and system design, and the safety and security of

ESA's IRIS programme. ESA's IRIS programme is part of the European Union's Single European Skies Air Traffic Management Joint Undertaking, which aims to address the €4bn cost resulting from the shortcomings of the current European Air Traffic Management system.

Aviation remains a major growth market, with connectivity into the cockpit and the cabin, in both large commercial aircraft and smaller business jets, expected to see strong growth over the coming years. Growth in connectivity will be driven by the increasing number of aircraft in the sky, the need for more capable and sophisticated operational and safety services in the cockpit, and the increasing demand from passengers that they be online when they are on board an aircraft.

FINANCIAL PERFORMANCE

Aviation revenue for the year grew by \$25.7m (+25.4%) to \$126.8m (2014: \$101.1m), with SB now accounting for two-thirds of total Aviation revenues in the year. Aviation's revenue growth was driven by both higher connections and a higher ARPU, both in our SB service, in the business and general aviation markets and air transport markets, and in our legacy Classic Aero service.

SB revenue growth continued to benefit from the impact of the 'take-or-pay' contracts signed with several key distribution partners in mid-2014. These contracts applied pricing discounts retrospectively to the start of 2014 in return for minimum revenue commitments in the full years 2014 and 2015.

SB revenue increased by 43.7%, with active SIMs growing by 31.9% to c. 7,200. SB ARPU grew by 8.6% to just under \$1,100 per month. Classic Aero revenue increased by 9.7%, with active SIMs growing by 8.6% to c. 7,700. Classic Aero ARPU grew by 0.9% to just over \$320 per month.



INMARSAT AND LUFTHANSA GROUP PARTNERSHIP

Inmarsat's 10-year strategic partnership with Lufthansa Group to provide next-generation connectivity services was formalised in October 2015. Inmarsat GX Aviation will power connectivity services on board more than 150 Lufthansa aircraft, enabling passengers to make the most of broadband internet access on their own mobile devices via a wireless network on board. Lufthansa will also trial Inmarsat's EAN, which combines an S-band satellite with a complementary LTE ground network being provided by Deutsche Telekom, in 2017.

Operating costs increased by \$9.2m (-66.2%) to \$23.1m (2014: \$13.9m) due to increased headcount and other costs associated with the pursuit and delivery of the major growth opportunities in cabin connectivity. We will invest further in these areas over the coming years to maximise the longer-term opportunities for growth.

Aviation EBITDA increased by \$16.5m (+18.9%) to \$103.7m (2014: \$87.2m). However, the EBITDA margin decreased to 81.8% (2014: 86.3%) reflecting the additional costs noted above.

BUSINESS OVERVIEW

GOVERNMENT



The government market has been challenging. 2015 saw the first signs of a more positive environment as declines slowed.

The position of Inmarsat's Government business was strengthened with the start of global GX services.

The US Government was an early adopter of and the first to use the service in all three GX regions. Six nations (US, France, UK, Australia, Germany and Japan) have now contracted for GX services.



Revenue

\$286.6m

2014: \$319.9m

EBITDA

\$191.0m

2014: \$216.4m

Number of new countries

8

2014: 13



Scan the image above
using the Inmarsat App to
view Government content.

BUSINESS OVERVIEW CONTINUED



GOVERNMENT

Inmarsat saw promising signs in government SATCOM markets as 2015 drew to a close, having weathered the storms of shrinking and volatile worldwide government spending in recent years. US and coalition nations reached the lowest levels of deployed land forces in many years, resulting in historically low MSS revenue early in the year. However, with increased concerns for global security as 2015 progressed, we saw slower declines by the close of the year. Inmarsat's focus on programmes to augment military systems, diversify into new verticals and geographies and launch innovative, unique products has been key to improving the resilience of our Government revenue in this difficult market. Inmarsat's alignment with growth opportunities, specifically, airborne intelligence, surveillance and reconnaissance (AISR) and special forces' missions, has established a platform for future growth.

In addition to the troop deployments, industry consolidation has led to increased competitive intensity and continued downward pressure on government pricing and margins in 2015. Despite this, Inmarsat's Ku FSS retail VSAT business in the US showed signs of stabilisation with a number of key programme wins.

As the US Government's demand shifted to rapid, highly mobile communication capabilities in support of AISR-driven missions, Inmarsat's wholesale government revenue shifted in 2015 to reflect growing enthusiasm for Global Xpress (GX).

Global rollout of GX on the Inmarsat-5 satellites has been a strong driver in re-orienting the business towards a return to growth. US Government customers have been the first users on each of the three deployed Inmarsat-5 satellites. Inmarsat's strategy of seamlessly augmenting existing fleets of government spacecraft has enabled existing military SATCOM terminal users to quickly and easily access additional capacity and coverage where needed. At the same time, our introduction of GX managed

services have provided cost-effective global mobility to users worldwide who are currently unserved or underserved by military SATCOM. Six nations have now contracted for GX services, and many more have the system under evaluation.

Inmarsat has continued to work with its technology partners to deliver additional innovative GX products and services to government users. These have included the launch of a lower-cost maritime terminal capable of operating on Inmarsat's military and commercial Ka-band services as well as on government military Ka-band satellites; the demonstration of a GX military helicopter service capable of delivering super-fast wideband (10Mbps) through the rotor blades; and the launch of a roof-mounted terminal for rapid deployment and emergency response vehicles. Furthermore, Inmarsat together with its partners, achieved a significant milestone in successfully demonstrating the largest bandwidth Protected Tactical Waveform test over a satellite to date. This critical capability will bolster the US Government's ability to offer protected communications using Inmarsat's commercial satellites.

Innovation has also been maintained in the high mobility government L-band market. Through the year, users have continued to migrate from legacy Inmarsat-3 services to better value and more efficient Inmarsat-4 services. Inmarsat has seized this opportunity to leverage the resulting release of capacity to deliver more dynamic lease-based services. These innovations include the L-band Tactical Satellite (L-TAC) service, which enables existing secure government radios to extend their range many-fold by accessing Inmarsat's satellites using a simple additional antenna unit. In 2015, the L-TAC service has been extended to include aircraft, and a civilian variant has been launched for police and emergency services. L-TAC customers have grown to nine nations, and the service has been widely applauded for its life-saving capability.



Inmarsat has continued to work with its technology partners to deliver additional innovative GX products and services to government users.

In response to governments' ever-increasing demand for reliable, higher throughput SATCOM, Inmarsat, together with its partners, have launched a number of innovative products into this growing market. Examples include the airborne ISR service, LAISR, which has been operational in both the Americas and EMEA regions; the L-band Advanced Communications Element (LACE) terminal prototype, which demonstrated record-setting bi-directional links at 10Mbps from a miniature terminal; and further enhancements to BGAN, which allowed Inmarsat to deliver High Data Rate (HDR) and Low Profile BGAN services.

In the US Government market, the industry saw awards for major US Navy and Air Force SATCOM contracts delayed by competitor protest actions; we expect the outcome to be known in 2016. The extension of large framework contracts in Australia, France, UK, Canada, Germany and New Zealand demonstrate Inmarsat's continued competitiveness in the major global defence markets. Meanwhile, the strategy of increasing diversification into new geographies and less volatile non-defence verticals has continued to succeed. Wins have ranged from fire-brigade solutions in Australia, border security in the Middle East, disaster response in China, presidential protection in Africa, government helicopters in Mexico and telemedicine in Brazil. Inmarsat is staying the course, with unique trusted capabilities well matched to governments' evolving

needs: optimal reliability with ubiquitous global coverage and diversity of assets; availability to transfer high-speed data without degradation; compatibility with Milsatcom; and flexibility, which frees commanders from estimating and pre-ordering bandwidth before missions.

FINANCIAL PERFORMANCE

Government revenues in the year continued to decrease, falling by \$33.3m (-10.4%) to \$286.6m (2014: \$319.9m). This decline reflects the continued impact of troop withdrawals and the reduction in government commercial satellite expenditure generally. Government revenues are to some degree event and project driven, and in 2015, we won a material new short-term contract in the US but saw a major reduction in the expenditure by one other government. The combination of all of these factors meant that the rate of decline in government revenues slowed to 10.4% compared to a decline of 21.7% in 2014.

In the US, government revenues fell by 12.7% (2014: 31.7%) reflecting one significant short-term contract win, the end of one major contract, the introduction of GX and encouraging revenue growth for new L-band products including Assured Access, L-TAC and LAISR. Outside the US, revenues declined by 7.1% (2014: 0.7% growth) due to the renewal of one major contract in Q1 2015 with a lower value and a different usage profile. Our other non-US markets grew in aggregate, with the markets that we have entered more recently – eight in 2015 – generally providing growth and the more established government markets continuing to see lower expenditure.

Operating costs in the year fell by \$7.9m (-7.6%) to \$95.6m (2014: \$103.5m) mainly reflecting the mix and volume impact of the reduction in revenue.



L-BAND TACTICAL SATELLITE

US and allied military forces rely on Inmarsat's worldwide L-band Tactical Satellite (L-TAC) service to augment and extend their UHF and VHF capabilities, allowing them to use existing tactical radios over Inmarsat's L-band satellites – saving money and saving lives. When it became necessary to move a satellite with active L-TAC users over 28,000km from its original location over Africa to the Indian Ocean region, Inmarsat created 120 customised beams and switched their positions on a daily basis to maintain coverage over critical areas for troops. On the ground, the user experience was 'service as usual' with no unexpected interruptions or degradation of service.

Total Government EBITDA in the year fell by \$25.4m (-11.7%) to \$191.0m (2014: \$216.4m) and the EBITDA margin of 66.6% remained consistent with 2014 (2014: 67.6%) reflecting the issues noted above.

FINANCIAL REVIEW

STRONG PERFORMANCE IN 2015



TONY BATES CHIEF FINANCIAL OFFICER

During the year ended 31 December 2015, total reported Group revenue decreased by \$11.8m (-0.9%) to \$1,274.1m (2014: \$1,285.9m). After excluding the impact of the sale of retail energy-related assets by Enterprise in 2014 (-\$10.8m), total Group revenue fell by \$1.0m.

The virtually unchanged underlying revenue year-over-year reflects continuing growth in Aviation (+\$25.7m), Enterprise (+\$3.6m) and LightSquared revenue (+\$13.2m) but a market driven decrease in Government (-\$33.3m) and a small decline in Maritime revenues (-\$2.4m).

Total Group revenue in the year included wholesale Mobile Satellite Services (MSS) revenue of \$832.8m, 5.2% higher than in 2014 (\$791.4m), with higher wholesale MSS revenue in Maritime and Aviation more than offsetting the decline in Government wholesale MSS revenue.

GROUP RESULTS

These results give the consolidated operating results and financial condition of Inmarsat plc for the year ended 31 December 2015.

(\$ in millions)	2015	2014	Change
Revenues	1,274.1	1,285.9	(0.9%)
Employee benefit costs	(260.4)	(237.3)	9.7%
Network and satellite operations costs	(180.0)	(205.7)	(12.5%)
Other operating costs	(147.2)	(174.1)	(15.5%)
Own work capitalised	39.5	32.2	22.7%
Total operating costs	(548.1)	(584.9)	(6.3%)
EBITDA	726.0	701.0	3.6%
Depreciation and amortisation	(311.2)	(291.8)	3.3%
Gain/(loss) on disposal of assets	9.3	(1.2)	(875.0%)
Impairment loss	(0.2)	(1.3)	(84.6%)
Share of profit of associates	2.5	2.6	(3.8%)
Operating profit	426.4	409.3	4.2%
Financing income	1.8	8.1	(77.8%)
Financing costs	(90.2)	(75.1)	20.1%
Net financing costs	(88.4)	(67.0)	31.9%
Profit before tax	338.0	342.3	(1.3%)
Taxation charge	(56.0)	(1.2)	4,566.7%
Profit for the year	282.0	341.1	(17.3%)

REVENUES – BY REPORTING SEGMENT

2015						
(\$ in millions)	Maritime	Government	Enterprise	Aviation	Central Services	Total
Revenue						
MSS and other	593.2	286.6	159.5	126.8	19.4	1,185.5
LightSquared	–	–	–	–	88.6	88.6
Total revenue	593.2	286.6	159.5	126.8	108.0	1,274.1

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

Operating costs in the year fell by \$36.8m (-6.3%) to \$548.1m (2014: \$584.9m). \$9.2m of the reduction was related to the sale of retail energy-related assets by Enterprise in 2014. The remaining \$27.6m reduction was due to improved product mix, which more than offset the additional growth investment in Aviation and the additional costs of the new Global Xpress (GX) infrastructure as it enters commercial operations.

EBITDA in the full year increased by \$25.0m (+3.6%) to \$726.0m (2014: \$701.0m) and the Group's EBITDA margin increased to 57.0%, from 54.5% in 2014, reflecting the issues above.

Depreciation and amortisation increased by \$19.4m to \$311.2m (2014: \$291.8m) reflecting the entry into service of the Inmarsat-5 (I-5) satellites, with depreciation commencing in December 2014 for I-5 F1 and December 2015 for I-5 F2 and I-5 F3. There was a gain of \$9.4m from the disposal of the SkyWave investment in the first quarter of 2015 and the Group operating profit increased by \$17.1m to \$426.4m (2014: \$409.3m).

Profit before tax in the year was \$338.0m (2014: \$342.3m).

The tax charge for the year was \$56.0m, an increase of \$54.8m (2014: \$1.2m). This increase was primarily due to the non-recurrence of the 2014 release of a \$53.1m provision made in 2013 for a potential tax liability, which was successfully settled by the Company in 2014. The underlying effective tax rate was 20.8% compared to 21.3% in 2014, with the reduction being mainly driven by the UK tax rate reduction from 21% to 20%.

Profit after tax was \$282.0m, compared to \$341.1m in 2014, and basic earnings per share was 63 cents (2014: 76 cents).

LIGHTSQUARED COOPERATION AGREEMENT

In December 2007, we entered into a Cooperation Agreement with LightSquared designed to enable ancillary terrestrial component (ATC) services in North America, while protecting the continued deployment and growth of our own MSS business. In May 2012, LightSquared filed for a reorganisation under Chapter 11 of the US Bankruptcy Code. For the majority of 2015, payments from LightSquared were subject to significant uncertainty and so Inmarsat only recognised revenue from LightSquared when it was received in cash. In December 2015 LightSquared emerged from bankruptcy protection and raised new capital so from the fourth quarter Inmarsat has returned to accruals-based accounting. This has resulted in the recognition of a further \$17.9m of revenue and EBITDA in the fourth quarter and in the full year 2015. This accrued revenue was received from LightSquared in January 2016.

At 31 December 2015, 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, continues to be uncertain.

By the end of March 2016 LightSquared must decide the amount of spectrum it wishes to opt for under the current Cooperation Agreement. That in turn will determine the revenue that will result for Inmarsat and the costs and timing of the resulting spectrum reorganisation.

CENTRAL SERVICES BUSINESS UNIT RESULTS

(\$ in millions)	Year ended 31 December		
	2015	2014	Change
Revenue			
LightSquared	88.6	75.4	17.5%
Other	19.4	27.2	(28.7%)
Total revenue	108.0	102.6	5.3%
Operating costs	(249.2)	(257.7)	(3.3%)
EBITDA	(141.2)	(155.1)	9.0%
Capital expenditure	393.5	332.2	18.5%

Central Services revenue for the year increased by \$5.4m to \$108.0m (2014: \$102.6m) and the EBITDA net cost for the year decreased by \$13.9m to \$141.2m (2014: \$155.1m). This was primarily due to increased LightSquared revenue, which rose by \$13.2m (+17.5%) to \$88.6m (2014: \$75.4m) including the impact of a change from cash to accrual revenue recognition as LightSquared emerged from bankruptcy and obtained new funding.

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 on 28 August 2015. The construction of I-5 F4 and of our S-band satellite for European aviation both remain on schedule for completion in 2016. In December, we signed a contract with Airbus for the delivery of two new Inmarsat-6 (I-6) satellites. Service availability levels remained high across all our networks and all GX regions integrated into the operational network.

Despite the high levels of activity experienced across all of the Central Services functions, operating costs in the full year decreased by \$8.5m (-3.3%) to \$249.2m (2014: \$257.7m), with foreign exchange gains in 2015 and one-off inventory write downs in 2014 offsetting underlying cost increases required to support for the new GX infrastructure.

FINANCIAL REVIEW CONTINUED

RECONCILIATION OF EBITDA TO PROFIT AFTER TAX

(\$ in millions)	Year ended 31 December		
	2015	2014	Change
EBITDA	726.0	701.0	3.6%
Depreciation and amortisation	(311.2)	(291.8)	6.6%
Impairment loss	(0.2)	(1.3)	(84.6%)
Other	11.8	1.4	742.9%
Operating profit	426.4	409.3	4.2%
Net financing costs	(88.4)	(67.0)	31.9%
Taxation charge	(56.0)	(1.2)	4,566.7%
Profit for the period	282.0	341.1	(17.3%)

OPERATING PROFIT

Depreciation and amortisation increased by \$19.4m to \$311.2m (2014: \$291.8m) as the I-5 satellites entered commercial service in December 2015. Other balances refer to the gain on disposal of the SkyWave investment and the share of profit of associates for the year.

As a result of the factors discussed above, operating profit for the year was \$426.4m, an increase of \$17.1m (4.2%), compared with 2014.

The Group has cash and cash equivalents of \$177.3m at year end and available but undrawn borrowing facilities of \$578.9m.

NET FINANCING COST

The net finance charge in the year increased by \$21.4m to \$88.4m (2014: \$67.0m), reflecting a number of one-off factors in the prior year including an adjustment to the expected maturity date of the Convertible Bonds and refinancing of the Group's Senior Notes. The underlying interest charge reduced compared to the prior year due to two main factors. The new Senior Notes issued in June 2014 incur a lower rate of interest and capitalised interest was lower as a result of the lower interest rate and the delay to I-5 F3.

TAXATION

The tax charge for 2015 was \$56.0m, an increase of \$54.8m compared with 2014, which resulted in an effective tax rate for 2015 of 16.6% compared to 0.4% for 2014. This increase was primarily due to the 2014 release of a \$53.1m provision made in 2013 for a potential tax liability which had arisen in relation to the Inmarsat-4 satellites.

The underlying effective tax rate is 20.8% for 2015 and 21.3% for 2014. This is calculated after excluding the impact of non-recurring items, being the revaluation of UK deferred tax balances in 2015 for the substantively enacted reduction of the UK rate of corporation tax to 18% which will take place in future periods, and adjustments in respect of prior periods (which include the impact of the release of the provision for potential tax liabilities for 2014 referred to above).

The remaining difference in the underlying effective tax rate between 2014 and 2015 arises primarily from the reduction in the UK rate of corporation tax from 21% to 20%. With the reduction becoming effective on 1 April 2015, this had the effect of lowering the average UK statutory rate applicable to current year taxable profits to 20.25% (2014: 21.5%).

The tax charge for 2015 was in excess of the cash tax paid in the year (\$12.9m). This arose principally due to a refund of UK corporation tax overpaid in prior years which was received during 2015.

DISPOSALS

In January 2015, the Group completed the sale of its 19% holding in SkyWave Mobile Communications to ORBCOMM Inc. for total proceeds of \$32.9m and recognised an after-tax gain of \$8.1m. The share sale was one part of a suite of agreements with ORBCOMM, covering the joint ownership and future development and commercialisation of the IsatData Pro technology. As part of these agreements the Group acquired SkyWave's satellite network assets, hosted at three Inmarsat Satellite Access Stations, for \$7.5m.

PROFIT AFTER TAX

Profit after tax was \$282.0m, compared to \$341.1m in 2014, and basic earnings per share was 63 cents (2014: 76 cents).

EARNINGS PER SHARE

Basic and diluted earnings per share for profit attributable to the equity holders of the Company were 63 cents and 62 cents, respectively, compared with 76 cents and 69 cents in 2014, respectively.

DIVIDENDS

The Board will recommend to shareholders that a final dividend of 31.78 cents per share in respect of the year ended 31 December 2015 (2014: 30.26 cents), be paid on 27 May 2016 to ordinary shareholders on the register of members at the close of business on 13 May 2016.

Shareholders will be asked to approve the final dividend payment at the Annual General Meeting on 5 May 2016. Dividend payments will be made in Pounds Sterling based on the exchange rate prevailing in the London market four business days prior to payment.

The 2015 final dividend is not recorded as a liability in the financial statements at 31 December 2015. The total dividends paid and proposed in respect of the year ended 31 December 2015 total 51.39 cents per ordinary share, an increase of 5% over 2014.

GROUP CASH FLOW

During the year, free cash flow was \$132.4m (2014: \$150.1m). The decrease over 2014 is primarily due to higher capital expenditure (see next page) partially offset by more cash generated from operations. The prior year change in working capital included the release of \$43.8m of LightSquared deferred income (nothing released in 2015). Overdue receivables in 2015 were also reduced by around \$25m through improved collections.

GROUP CASH FLOW

(\$ in millions)	Year ended 31 December	
	2015	2014
EBITDA	726.0	701.0
Non-cash items	15.7	17.2
Change in working capital	(24.7)	(64.8)
Cash generated from operations	717.0	653.4
Capital expenditure	(493.6)	(405.7)
Net interest paid	(78.1)	(88.1)
Tax paid	(12.9)	(9.5)
Free cash flow	132.4	150.1
Acquisition of subsidiaries and other investments	—	(46.2)
Proceeds on disposal of assets	32.9	27.5
Dividends paid	(223.7)	(212.6)
Other movement including foreign exchange	2.4	0.1
Net cash flow	(56.0)	(81.1)
Increase in cash from borrowings	26.3	144.7
Net (decrease)/increase in cash and cash equivalents	(29.7)	63.6
Opening net borrowings	1,900.7	1,812.8
Net cash flow	56.0	81.1
Non-cash movements ⁽¹⁾	29.1	6.8
Closing net borrowings	1,985.8	1,900.7

(1) Includes the impact of deferred financing costs and a non-recurring credit in 2014 to re-base the convertible bonds.

CAPITAL EXPENDITURE

In order to assist investors' further understanding of capital expenditure we report capital expenditure broken down into three main categories of investment, shown in the table below.

(\$ in millions)	Year ended 31 December	
	2015	2014
Major infrastructure projects ⁽¹⁾	354.1	256.9
Success-based capex ⁽¹⁾	29.1	25.8
Other (eg maintenance, product development, R&D) ⁽¹⁾	78.6	100.1
Cash flow timing ⁽²⁾	31.8	22.9
Total cash capital expenditure	493.6	405.7

(1) Capital expenditure is shown on an accruals basis, excluding capitalised interest.
(2) Cash flow timing represents the difference between accrued capex and the actual cash flows.

'Major infrastructure projects' capex consists of satellite design, build and launch costs and ground network infrastructure costs. 2015 expenditure in this category included expenditure on the I-5 and S-band satellites and an initial investment in two I-6 satellites.

'Success-based capex' consists of capital equipment installed on ships, aircraft and other customer platforms. This expenditure ties closely to near term new revenues. In 2015 this principally relates to expenditure on fitting out ships with maritime customer equipment, but going forward will also include an increasing amount of aircraft fit-out costs.

'Other' capex investments consists primarily of maintenance, IT and capitalised R&D costs. In 2015 this investment was spread across a number of projects, the most material of which pertained to the development of RFIC technology, costs associated with creating a fourth full service L-band region, and enhancements to the Group's billing and accounting systems.

GROUP LIQUIDITY AND CAPITAL RESOURCES

At 31 December 2015, the Group had cash and cash equivalents of \$177.3m and available but undrawn borrowing facilities of \$578.9m under our Senior Credit Facility and the 2014 Ex-Im Bank Facility.

The Group maintains tax provisions in respect of ongoing enquiries with tax authorities. In the event all such enquiries were settled as currently provided for, we estimate that the Group would incur a cash tax outflow of approximately \$80.0m in 2016 or 2017. The enquiries remain ongoing at this time.

GROUP BALANCE SHEET

The table below shows the condensed consolidated Group balance sheet:

(\$ in millions)	At 31 December	
	2015	2014
Non-current assets	3,712.3	3,510.9
Current assets	533.8	581.0
Total assets	4,246.1	4,091.9
Current liabilities	(719.6)	(682.7)
Non-current liabilities	(2,276.6)	(2,226.1)
Total liabilities	(2,996.2)	(2,908.8)
Net assets	1,249.9	1,183.1

The increase in the Group's non-current assets of \$201.4m is largely due to our ongoing investment in the GX infrastructure and the development of our new S-band programme, less depreciation. Over \$340m was invested in these two programmes during 2015.

The net decrease in current assets of \$47.2m is due to a number of factors including a decrease in cash and cash equivalents of \$27.1m to \$177.3m, and a decrease in assets held for sale to nil at December 2015 (2014: \$32.9m). The prior year balance related to the SkyWave disposal that had been remeasured to fair value. Partially offsetting these was an increase in trade and other receivables by \$19.3m to \$324.7m (2014: \$305.4m), primarily attributable to the accrual of LightSquared revenue due on 31 December 2015.

The increase in current liabilities of \$36.9m to \$719.6m (2014: \$682.7m) is mainly due to three issues. The current tax liability increased by \$41.9m, representing a current tax charge in excess of payments made in the year, principally due to a refund of corporation tax overpaid in prior years. Current borrowings increased by \$11.3m due to drawdowns on the 2011 Ex-Im Bank Facility which has commenced its repayment period of equal semi-annual instalments. Partially offsetting these increases was a \$10.0m reduction in trade and other payables.

The increase in non-current liabilities of \$50.5m is primarily due to an increase in non-current borrowings of \$46.7m to \$2,033.7m (2014: \$1,987.0m) at 31 December 2015. There were three main components of this increase; a net increase in drawdowns on the Ex-Im Bank Facilities of \$77.2m (a portion of which is sitting in current borrowings and discussed above), accretion of \$25.5m on the Convertible Bonds, offset by a \$44.0m repayment and reduction in the EIB Facility.

TONY BATES
Chief Financial Officer
3 March 2016

RISK MANAGEMENT

RISK FRAMEWORK

Effective risk management is fundamental to our ability to meet both our short-term and longer-term strategic objectives. The Group's approach to risk is brought together in an overarching risk management policy. As well as setting out how risk is managed the policy sets out the Group's tolerance for risk and how this is measured across identified macro and business risks. We identify and monitor financial and non-financial risks facing the business. The Board believes that the behaviour of individuals across the business is key to underpinning an effective risk management culture. Across the Group an investment has been made in the articulation and communication of the Inmarsat values in helping promote the right set of values to support effective risk management.

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 initially identified and reviewed in each business area, then on a quarterly basis risk registers are formally reviewed by senior management on a central Risk Committee represented by each component part of the business. As part of this review, risks are scored in terms of probability of occurrence and value at risk,

both before and after mitigation. This helps the business understand both what risks it is continuing to carry but also where the key mitigating controls are within the business. These risk registers are consolidated in a robust and systematic way to identify the Group's principal risks. The key Group risks are further discussed and reviewed by the Executive Management Team, who are also responsible for reviewing their own risk areas. Each quarter, the resulting risk summary is distributed to and discussed by the Audit Committee and the Board, who has overall responsibility for the risk management framework.

During 2015 the risk management process has been reviewed and a number of updates made. The Board as part of the year-end process has considered top down risks particularly those that lie outside the normal operations of the business so may be overlooked by the bottom up risk assessment process. Secondly risks are now formally considered on both a gross and a net basis after mitigation. Finally, an increased emphasis is being placed on how risks, once identified, are managed through effective mitigation.

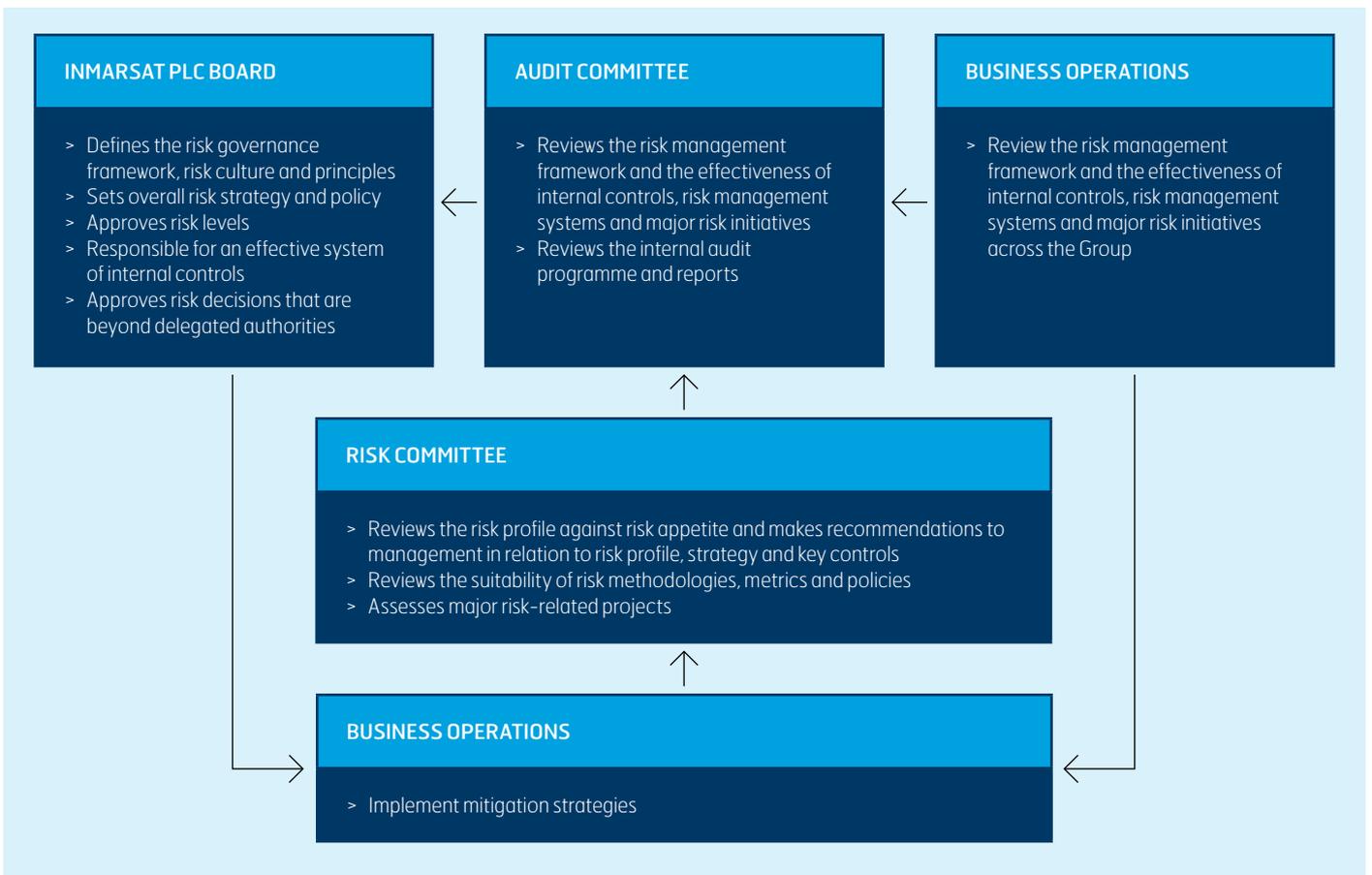
The Board regularly considers the risks faced by the business, and the actions being taken to mitigate those risks. As part of the Long Range

Business Plan and risk management processes particularly, the Board will determine the level of risk carried and the extent of mitigating activity required to deliver an acceptable level of net risk.

The Board defines the risk governance framework and sets the overall risk strategy and the Audit Committee reviews the risk management framework and the effectiveness of internal controls particularly with regard to financial controls. This includes reviewing the internal audit programme and related reports to ensure that all key mitigating controls are being regularly assessed and where issues are identified that they are being addressed on a timely basis. Assurance on broader risk controls is provided by a combination of internal management information, internal audits, external audits and Board oversight. There is also an externally supported whistleblowing facility.

The management of risk is embedded in our everyday business activities and culture, with all our employees having an important role to play. The diligence applied by staff to consider risk is reflected in business cases which are submitted for approval across the company, and ongoing projects have risks reported on a regular basis.

RISK MANAGEMENT PROCESS



PRINCIPAL RISKS

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 or known to us. Some such risks may currently be regarded as immaterial and could turn out to be material. We accept risk is an inherent part of doing business; and we manage the risks based on a balance of risk and reward determined through careful assessment of both the potential likelihood and impact as well as risk appetite. We consider reputational as well as financial impact, recognising the value attributable to our brand. The Group faces a number of ongoing operational risks including litigation, credit and foreign exchange risk and the risks associated with dealing with tax authorities in multiple jurisdictions. In addition the Group is exposed to a broader set of less well defined risks including reputational risk of those risks relating to the global economy. The importance of these risks will vary over time and will be kept under constant review. 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.

In accordance with the provisions of the UK Corporate Governance Code 2014, the Board has taken into consideration the principal risks in the context of determining whether to adopt the going concern basis of accounting and when assessing the prospects of the Company for the purpose of preparing the viability statement which can be found on page 51. The going concern statement in provided on page 55 in the Report of the Directors.

Our principal risks and uncertainties are discussed on the next few pages and are as summarised in the Preliminary Results Statement distributed on 3 March 2016. These have been subject to robust assessment and review. This summary, however, is not intended to be an exhaustive analysis of all risks and uncertainties affecting our business and are not listed in any order of priority.

In identifying the principal risks set out below we have disclosed those risks that we currently consider to be the most significant to the Group at the date of this Annual Report. These principal risks are also linked to our strategic objectives (page 20).

At the end of 2015, we reviewed our key risks and this has led to a more streamlined set of principal risks from the prior year; this has led to a number of risks being characterised as secondary risks. These include legal, regulatory and compliance; the relationship with LightSquared; taxation and capital funding; the effectiveness of core business systems and processes; and the retention and motivation of management and employees.

The gross risk movement from prior year for each principal risk and uncertainty has been assessed as either no change; an increased gross risk exposure or a reduced gross risk exposure.

The key principal risks identified are shown below:

PRINCIPAL RISKS AND UNCERTAINTIES

We show against each risk how it links to our strategy (see page 20) and the movement of each risk during the year.

STRATEGIC OBJECTIVES

- ① L-BAND GROWTH
- ② GROWTH AND DIVERSITY VIA GX
- ③ GROWTH AND DIVERSITY VIA S-BAND
- ④ CREATION OF A SOLUTIONS ECOSYSTEM

MOVEMENT DURING YEAR

- ⬆ INCREASED RISK IN 2015
- ⊖ NO CHANGE IN 2015
- ⬆ DECREASED RISK IN 2015

SATELLITES AND OUR NETWORK

LINK TO STRATEGY: ① ② ③ ④

MOVEMENT: ⊖

RISK

Our satellites and network fail to operate effectively which affects revenues and our reputation

BACKGROUND AND IMPACT

We face risks when we launch our satellites and while they are in operation. There are only a few companies who provide service to build and launch our satellites and if they encounter problems our launch may be delayed or fail. Our network may also not be able to cope with the demand from users.

MITIGATION

We have our resident quality assurance teams to oversee the manufacture and assembly of our satellites and launch vehicles. Our control centre has highly trained professionals with significant experience in operating satellites who constantly monitor satellite performance and ensure any necessary action is taken promptly. 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.

RISK MANAGEMENT CONTINUED

NEXT GENERATION SERVICES

LINK TO STRATEGY: ① ② ③ ④

MOVEMENT: ↕

RISK

Our product and service innovation fail to meet market and customer expectations

BACKGROUND AND IMPACT

We may fail to critically assess our market, technological changes, customer requirements and competitors' strategy and to exploit market opportunities. We may develop next generation services that will not meet these market opportunities, or these developments could have delays or cost overruns impacting on our market position, revenue or returns on investment.

MITIGATION

We have professional, experienced teams who focus on large-scale programmes and develop close relationships with third parties we use to deliver them. We critically review our detailed business cases before we proceed and regularly assess our progress against the original business cases. We thoroughly review and approve major development of new services or technology. We work closely with our partners to ensure our services and technology meet the demand of our customers, to identify new customers and to migrate existing customers who would benefit from our new services.

Our significant programmes currently underway are: GX programme for high throughput mobile broadband service using Inmarsat-5 satellite Ka-band capacity, S-band satellite programme for aviation passenger connectivity and Inmarsat-6 satellite programme to expand our L-band/Ka-band capacity to provide new and more advanced services.

SPECTRUM

LINK TO STRATEGY: ① ② ③

MOVEMENT: ↕

RISK

Our ability to use spectrum changes and affects our ability to provide our service and generate revenues

BACKGROUND AND IMPACT

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 regularly improve the efficiency of our spectrum usage through innovation and system enhancement. We also educate and inform regulators and governments as to the unique socio-economic contribution of our mobile satellite services.

CYBER SECURITY

LINK TO STRATEGY: ① ② ③ ④

MOVEMENT: ↕

RISK

Our cyber security systems do not protect our business operations robustly

BACKGROUND AND IMPACT

Our satellites, networks, systems and processes may be vulnerable to security risks from unauthorised access, computer viruses, denial of services and other security attacks. Our customers may not use our services if we could not demonstrate that our services are reliable and meet certain cyber security requirements.

MITIGATION

We have implemented industry-standard security measures, and have increased our investment in state-of-the-art cyber countermeasures and enhanced cyber security operations to improve detection and response to incidences.

CRITICAL CUSTOMERS

LINK TO STRATEGY: ① ② ③ ④

MOVEMENT: ↕

RISK

If our distributors fail to effectively distribute our services this can affect revenue generation

BACKGROUND AND IMPACT

We rely on our distribution channel for part of our revenue and they might not sell our services effectively or competitively. We provide our services to many government organisations around the world which may have conflicting requirements, and our revenue may be affected by governments' reduction in spending and their other political priorities.

MITIGATION

We build strong relationships with all our partners and provide them with excellent services to sell in their markets. We encourage sharing of information and developing ideas through direct meetings with our partners and through our regional and global conferences.

We continue to improve the reliability of our satellites and services which are critical to our users. We have introduced new services including GX services, which are well suited to our customers.

CRITICAL SUPPLIERS

LINK TO STRATEGY: ① ② ③ ④

MOVEMENT: ⊖

RISK

If key suppliers fail to meet our requirements, we may not deliver best value for our business

BACKGROUND AND IMPACT

We rely on a limited number of third-party suppliers and partners in the production of our satellites, systems, terminals and products and we may have limited control over availability, quality and delivery.

MITIGATION

We work closely with our suppliers to review programme plans, delivery quality and timing to ensure that they meet our requirements.

VIABILITY STATEMENT

In accordance with provision C.2.2 of the UK Corporate Governance Code 2014, the Directors have assessed the viability of the Group over a three-year period, taking into account the Group's current position and the potential impact of the principal risks documented on pages 49 to 51 of the Annual Report.

ASSESSMENT PERIOD

The Directors have determined that a three-year period to 31 December 2018 is an appropriate period over which to provide its viability statement. This is the key period of focus within the Group's strategic planning process and it reflects the period over which the Group has reasonable visibility of both customer contracts and product development programmes. It is also consistent with the period over which the business provides guidance to the market on future revenue and capital expenditure.

ASSESSMENT PROCESS

The Long Range Business Plan (the Plan), which is updated annually, formed the basis for the viability assessment. The Plan, as a matter of routine, takes account of 'business as usual risks' including slower revenue growth, increased operating costs, higher working capital requirements and adverse outcomes to disputed items. In completing the viability assessment, the Plan was tested against a number of severe but plausible principal risk scenarios. Each scenario was tested and the financial impact estimated based upon a combination of internal estimates and data available from reliable external sources. Mitigation strategies were identified and costed in conjunction with internal experts to calculate the net likely financial impact of each scenario. When determining the scenarios each of the principal risks was considered with satellites and network, cyber, critical partners and political risks identified for more extensive stress testing. The Audit Committee reviewed and discussed the process undertaken by management.

CONCLUSION

Based on this assessment, the Directors confirm that they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period to 31 December 2018.

The Group is exposed to particularly high levels of risk when a satellite is launched though this is routinely mitigated through launch insurance, for which there is a well-developed market. Once satellites have been successfully placed into orbit, the experience of the last 35 years is that failures are rare, which is due in part to the high levels of redundancy that are routinely built into the satellites and ground network. Looking beyond the risks associated with the satellites and our network the geographical and sector diversification of the Group's operations help minimise the risk of a loss that might endanger the viability of the Group.

BOARD OF DIRECTORS



1.



2.



3.



4.



9.



10.



11.



12.

1. ANDREW SUKAWATY NON-EXECUTIVE CHAIRMAN

Date of Appointment:

Non-Executive Chairman – January 2015
Executive Chairman – January 2012 to December 2014
Executive Chairman and Chief Executive Officer – March 2004 to December 2011
Chairman – December 2003

Committee Membership: Chairman of the Telecoms Regulatory Committee and member 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 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:

Executive in Residence for Warburg Pincus.
Senior Independent Director of Sky Plc.

2. RUPERT PEARCE CHIEF EXECUTIVE OFFICER

Date of Appointment:

Executive Director – July 2011
Chief Executive Officer – January 2012

Background and relevant experience: Rupert has been Inmarsat's Chief Executive Officer since January 2012. He 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. Before Atlas Venture, 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 Fullbright Fellowship in US securities law, studying at the Georgetown Law Center. He has been a visiting fellow of the Imperial College Business School, London, lecturing on the school's Entrepreneurship programme, and is the co-author of 'Raising Venture Capital' (Wiley).

External Appointments: None.

3. TONY BATES CHIEF FINANCIAL OFFICER

Date of Appointment:

June 2014
Background and relevant experience: Tony was previously the Group CFO of hibu plc (previously Yell Group Plc) where he played a leading role in the multi-billion pound refinancing of the Group and in the delivery of a much lower cost operating model. Prior to hibu, Tony was Chief Operating Officer of Colt Group S.A., the pan-European business telecoms operator. His previous senior management experience was mainly with EMI Group Plc, latterly as Group Finance Director. Tony holds a First Class Honours degree in Management Sciences from the University of Manchester Institute of Science and Technology. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

External Appointments: None.

4. SIMON BAX INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of Appointment:

June 2013
Committee Membership: Chairman of the Remuneration Committee
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. Simon holds an Honours degree in History from Cambridge University and is a chartered accountant.

External Appointments:

Chairman of WiSpire Limited.
Chairman of Archant Limited.
Director of Archant Employee Benefit Trustee Company Limited.
Non-Executive Director of SVG Capital Plc.
Director of the British Bobsleigh and Skeleton Association.
Member of the Gonville and Caius Development Campaign Board.
Member of the Academy of Motion Pictures Arts and Sciences.
Member of the British Academy of Film and Television Arts.



5.



6.



7.



8.



13.

5. SIR BRYAN CARSBERG INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of Appointment: June 2005

Committee Membership: Member of the Audit, Remuneration and Telecoms Regulatory Committees

Background and relevant experience: Sir Bryan is a Chartered Accountant. He served 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, a 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 Actual Experience plc.

6. STEPHEN DAVIDSON INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of Appointment: June 2005

Committee Membership: Member of the Audit, Remuneration and Nominations Committees

Background and relevant experience: Stephen held various positions in Investment Banking, finally at WestLB 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:

Non-Executive Chairman of Datatec Ltd.

Non-Executive Chairman of Actual Experience plc.

Non-Executive Chairman of PRS for Music.

Non-Executive Director of Restore Plc.

Deputy Chairman of Jaywing Group plc.

Director of Informa plc.

7. KATHLEEN FLAHERTY INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of Appointment: May 2006

Committee Membership: Member of the Remuneration Committee

Background and relevant experience: Kathleen 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 emeritus of the McCormick Advisory Board and its executive committee of Northwestern University.

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

Date of Appointment: May 2014

Committee Membership: Member of the Remuneration Committee

Background and relevant experience: General Kehler retired from the US Air Force in January 2014 with over 38 years' 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 advisor to McKinsey and Company.

Special advisor to Northrop Grumman Corporation.

BOARD OF DIRECTORS CONTINUED

9. AMBASSADOR JANICE OBUCHOWSKI INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of Appointment: May 2009

Committee Membership: Member of the Audit Committee

Background and relevant experience: Janice held several senior positions both in the US Government and in the private sector. She was formerly Head of Delegation and US Ambassador to the World Radiocommunications Conference, Assistant Secretary for Communications and information at the Department of Commerce and Senior Advisor to the Chairman at the Federal Communications Commission in the US.

External Appointments:

President of Freedom Technologies Inc.

Non-Executive Director of Orbital ATK.

Non-Executive Director of CSG Systems, Inc.

10. DR ABRAHAM PELED SENIOR INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of Appointment: June 2013

Committee Membership: Chairman of the Nominations Committee

Background and relevant experience: In November 2015 Abe was appointed our Senior Independent Director. Abe was Chief Executive Officer of NDS Group plc from 1995 to 2012, a digital pay-TV technology company, and served as Chairman and Chief Executive Officer 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 Elon. Abe has a BSc and MSc in Electrical Engineering and a PhD in Digital Signal Processing. In March 2013, Abe was awarded the Lifetime Achievement Award by Digital TV Europe.

External Appointments:

Partner of CyberCloud Ventures.

Senior advisor on technology businesses to Permira.

Chairman of TeamViewer GmbH.

Member of the Operating Committee of Metalogix Inc.

11. ROBERT RUIJTER INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of Appointment: February 2015

Committee Membership: Chairman 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 Finance Officer of KLM Royal Dutch Airlines from 2001 until its merger with Air France in 2004, and as Chief Finance 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.

Non-Executive Director of Interxion N.V.

Chairman of the Supervisory Board of Delta Lloyd N.V.

12. DR HAMADOUN TOURÉ INDEPENDENT NON-EXECUTIVE DIRECTOR

Date of Appointment: March 2015

Committee Membership: Member of the Nominations and Telecoms Regulatory Committees

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. As such he was a Member of the UN Chief Executive Board (CEB) and served as Chairman of the UN ICT Network. He was the founding member of the Broadband Commission for Digital Development and served as co-vice chair until his retirement from the ITU. In October 2015 Hamadoun was appointed as Founding Executive Director of SMART Africa Alliance. He was a Member of the Advisory Board of the International Multilateral Partnership Against Cyber Threats (IMPACT) until December 2014. He has also had a distinguished career in the satellite industry. Hamadoun holds a Master's Degree in Electrical Engineering from the Telecommunications Institute of St-Petersburg (Russian Federation) and a PhD in Electrical Engineering from the University of Informatics and Telecoms of Moscow (Russian Federation).

External Appointments:

Founding Executive Director of SMART Africa Alliance.

Founder of 7Star Holding.

13. ALISON HORROCKS CHIEF CORPORATE AFFAIRS OFFICER 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 the Inmarsat 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.

External Appointments: None.

BOARD DIVERSITY

BOARD EXPERIENCE

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

BOARD COMPOSITION

Executive: 2 Male: 10
Non-Executive: 10 Female: 2

BOARD TENURE

0-3 Years: 6 4-8 Years: 2 9+ Years: 4

NATIONALITIES



The Netherlands



UK



Mali



US

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2015



ALISON HORROCKS
CHIEF CORPORATE AFFAIRS OFFICER AND COMPANY SECRETARY

The Directors have pleasure in submitting their report and the audited financial statements for the year ended 31 December 2015.

This report has been prepared in accordance with requirements outlined within Companies Act 2006 and forms part of the management report as required under Disclosure and Transparency Rule 4. Certain information that fulfils the requirements of the Report of the Directors can be found elsewhere in this document and is referred to below. This information is incorporated into the Report of the Directors by reference.

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

RESPONSIBILITY STATEMENT

As required under the Disclosure and Transparency Rules a statement made by the Board regarding the preparation of the financial statements is set out on page 93.

BUSINESS REVIEW, STRATEGIC REPORT AND FUTURE DEVELOPMENTS

The Business reviews are set out on pages 28 to 43 and the Strategic Report is set out in pages 1 to 51 and they are incorporated into this Report by reference. These sections also provide details of likely future developments within the Group.

CORPORATE GOVERNANCE REPORT

Under Disclosure and Transparency Rule 7, a requirement exists for certain parts of the Corporate governance report to be outlined in the Report of the Directors. This information is laid out in the Corporate governance report on pages 58 to 71.

POST-BALANCE SHEET EVENTS

There were no such events required to be disclosed.

RESULTS AND DIVIDENDS

The results for the year are shown in the Consolidated Income Statement on page 100.

A final dividend of 31.78 cents will be paid on 27 May 2016 to shareholders on the share register at the close of business on 13 May 2016. Dividend payments are made in Pounds Sterling based on the exchange rate prevailing in the London market four business days prior to payment.

From 6 April 2016 the Dividend Tax Credit will be replaced by a new Dividend Allowance in the form of a 0% tax rate on the first £5,000 of dividend income per year. Full details of the change and how this may affect your dividend payment in May 2016 will be included in the Annual Report mailing.

INTEREST CAPITALISATION

The Group capitalised \$35.3m during the period under review. The \$35.3m of interest capitalised in the period has been treated as fully tax deductible in the UK.

BRANCHES

The Group has activities operated through many jurisdictions.

CAPITAL STRUCTURE AND RIGHTS ATTACHING TO SHARES

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

The Company has one class of ordinary share which carries no rights to fixed income. On a poll, each member is entitled to one vote for each share of Euro 0.0005 held. All 138,086 ordinary shares held by the Inmarsat Employee Share Ownership Trust carry voting rights.

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

GOING CONCERN

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

VIABILITY STATEMENT

The viability report containing a broader assessment by the Board of the Company's ongoing viability is set out on page 51.

ON-MARKET PURCHASE AUTHORITY

The Directors' authorities are determined by UK legislation and the Articles of Association. At the 2015 AGM, the Directors were authorised by shareholders to allot ordinary shares up to agreed limits and to have the ability to make market purchases of ordinary shares. Shareholders are being requested to renew these authorities at the 2016 AGM.

INDEMNITIES AND INSURANCE

Details of the Directors' and Officers' liability insurance and the indemnities provided to the Directors, Company Secretary and certain employees where they serve as directors of subsidiaries at the Group's request are provided on page 62 in the Corporate governance report.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2015 CONTINUED

EMPLOYMENT POLICIES AND EMPLOYEE INVOLVEMENT

Details of the employment policies and employee involvement are provided in the Resources and relationships section of this Report and are also in the Corporate governance report.

LONG-TERM INCENTIVE SCHEMES

Details of the long-term incentive schemes can be found on page 92 of the Remuneration report.

HEALTH AND SAFETY

The Group is committed to maintaining high standards of health and safety for its employees, customers, visitors, contractors and anyone affected by its business activities. During 2015, we have continued to work closely with our subsidiary companies to harmonise health and safety best practice. Rupert Pearce, our CEO, is the Director designated for health and safety matters at Board level.

ENVIRONMENTAL PERFORMANCE AND STRATEGY

We operate in over 50 locations with a combined workforce of approximately 1,700 staff. Due to our diversity of activities the Company recognises it has some impacts affecting the local and global environment. However, it should be noted that the satellite industry and our own business is low on the scale of carbon generators. We have provided details of our objectives for how we manage our environmental activities on page 27. The information below summarises the report generated over the year regarding our actual performance.

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

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

GREENHOUSE GAS EMISSIONS

This section has been prepared in accordance with our regulatory obligation to report greenhouse gas (GHG) emissions pursuant to Section 7 of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

The table below shows our greenhouse gas emissions for the years ended 31 December 2015 and 2014:

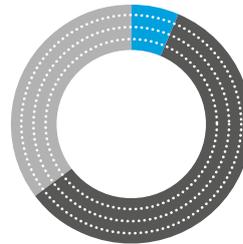
Global greenhouse gas emissions (tonnes CO ₂ e)	2015	2014
Combustion of fuel and operation of facilities (Scope 1)	1,741	1,822
Electricity, heat, steam and cooling purchased for our own use (Scope 2)	15,810	16,397
Total Scope 1 and 2	17,551	18,219
GHG emissions intensity: tCO ₂ e per million megabytes of IP over our BGAN network	27.8	39.8
Other indirect emissions (Scope 3)	9,562	3,392

Emissions from the consumption of electricity outside the UK are reported in tCO₂ rather than tCO₂e because UK Government emissions factors for overseas electricity currently account for carbon dioxide emissions only. The emissions intensity calculation is based on a figure of 630.6 million MB of IP.

Since 2014 our absolute Scope 1 and 2 emissions have decreased by 4%. This decrease in emissions has occurred despite a large increase in activity over our BGAN network. Consequently, our emissions intensity has decreased 30% from 39.8 to 27.8 tCO₂e per million MB of IP over our BGAN network.

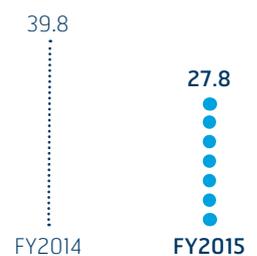
We have also chosen to voluntarily disclose a selection of our Scope 3 emissions. This year we have expanded the scope of this to include water and waste, in addition to business travel which we had been previously been

TOTAL EMISSIONS 2015
(tCO₂e)



● Scope 1	1,741
● Scope 2	15,810
● Scope 3	9,562

EMISSIONS INTENSITY – SCOPE 1 and 2
(tCO₂e/million MB)



reporting. Our Scope 3 emissions have increased significantly, primarily as a result of increased business travel associated with two satellite launches that occurred in 2015, as well as a number of new projects in various locations around the globe.

METHODOLOGY

We quantify and report our organisational GHG emissions according to ISO 14064-1:2006. Consumption data has been collated by our energy consultant, Carbon Credentials, and has been converted into CO₂ equivalent using the UK Government 2015 Conversion Factors for Company Reporting in order to calculate emissions from corresponding activity data. We have also utilised certain data used for compliance with the CRC Energy Efficiency Scheme and the Energy Savings Opportunity Scheme (ESOS) when compiling our GHG disclosure.

REPORTING BOUNDARIES AND LIMITATIONS

We consolidate our organisational boundary according to the operational control approach and have adopted a materiality threshold of 10% for GHG reporting purposes. As a result, emissions from locations with fewer than 15 staff on-site have been reasonably estimated as immaterial and are thus excluded from our GHG disclosure. Emissions from all significant sites have been disclosed, which includes our top five highest consuming locations: Perth (Australia), London (United Kingdom), Burum (The Netherlands), Paumalu (United States) and Palm Bay (United States).

The GHG sources that constitute our operational boundary for the 2015 reporting period are:

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

ASSUMPTIONS AND ESTIMATIONS

In some cases, missing data has been estimated using either extrapolation of available data from the reporting period or data from 2014 as a proxy. Furthermore, due to improved emissions calculation processes and the introduction of additional emissions sources we have also restated the emissions figures for 2014. This allows us to make a more accurate comparison of performance between 2014 and 2015.

IMPROVING PERFORMANCE

Since establishing our global environmental data programme in 2014 with Carbon Credentials, we have expanded the scope of this programme; with quarterly reporting of energy consumption and emissions at several sites. The purpose of this is to continually monitor consumption in order to identify opportunities to improve energy performance. We have also begun to monitor additional environmental impacts, such as water and waste, where this data is available.

In 2015 we submitted a response to the CDP Climate Change programme gaining a score of 95 C. Within this disclosure we reported the key business risks and opportunities that climate change presents to Inmarsat.

PRINCIPAL RISKS AND UNCERTAINTIES

Details of principal risks and uncertainties are provided on pages 49 to 51.

FINANCIAL RISK MANAGEMENT

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

POLITICAL DONATIONS

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

INTERESTS IN VOTING RIGHTS

As at 3 March 2016, the Company had been notified, in accordance with chapter 5 of the Financial Services Authority's Disclosure and Transparency Rules, of the following significant interests:

Shareholder	Percentage of voting rights over ordinary shares of €0.0005 each
Lansdowne Partners Limited	11.72%
BlackRock Inc	7.51%
Aberdeen Asset Managers	5.00%
Jupiter Asset Management Limited	4.82%
Artemis Investment Management	3.70%
AXA Investment Management	3.39%

Voting rights are based on the information we believe is a disclosable interest to the Company, adjusted for the issued share capital as at 3 March 2016.

RULES GOVERNING DIRECTORS' APPOINTMENTS

Rules governing Directors' appointments are provided on page 66 of the Corporate governance report.

DIRECTORS' POWER

Details of Directors' powers are provided on pages 60 and 61 of the Corporate governance report.

DIRECTORS AND THEIR INTERESTS

A full list of the individuals who were Directors of the Company during the financial year ended 31 December 2015 is set out below:

Andrew Sukawaty, Rupert Pearce, Tony Bates, Stephen Davidson, Janice Obuchowski, Kathleen Flaherty, General C. Robert Kehler (Rtd), Sir Bryan Carsberg, Dr Abe Peled, Robert Ruijter, Simon Bax and Dr Hamadoun Touré.

John Rennocks was a Director for part of 2015.

Details of each Director's interests in the Company's ordinary shares and share awards held are set out in full on page 91.

Details of the Directors' conflicts of interest policy are provided on pages 62.

ARTICLES OF ASSOCIATION

The Articles of Association can be amended by special resolution of the shareholders.

AUDITOR

Each of the Directors has confirmed that:

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

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

A resolution to re-appoint Deloitte LLP as Auditor of the Company and to authorise the Board of Directors to determine its remuneration will be proposed at the 2016 AGM.

2016 ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 5 May 2016 at 10.00am at 99 City Road, London EC1Y 1AX. The Notice of Meeting which sets out the resolutions to be proposed at the forthcoming AGM is enclosed with this Annual Report.

By order of the Board

ALISON HORROCKS FCIS
Chief Corporate Affairs Officer
and Company Secretary
3 March 2016

CORPORATE GOVERNANCE



ANDREW SUKAWATY
CHAIRMAN

CHAIRMAN'S INTRODUCTION

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

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

Our governance framework includes the changes introduced by the UK Corporate Governance Code (the Code) and the Large and Medium-sized Companies and Groups (Accounts and Report) (Amendment) Regulations 2013 (the Regulations). We comply with the Code with one exception that I, as Chairman, was not considered independent on appointment because I was previously an executive director. However we have a strong Senior Independent Director, Dr Abe Peled, who provides additional independence to respond to any shareholder queries. This independence was previously provided by John Rennocks who also had the title of Deputy Chairman whilst I held an executive position.

During 2015 there were changes in Board membership which I've summarised in my opening Chairman's statement on pages 4 and 5 and also note later in this Report. With changes in chairmanship of three of our Committees during 2015, and the establishment of a new Committee, called the Telecoms Regulatory Committee which focuses on this critical area of our business operations, the Board unanimously believes that discussion and debate has continued to be at a high standard and the three new Chairmen have adapted well in taking on their additional responsibilities.

We also include a statement made by the Directors, on page 93, that they consider the Annual Report, taken as a whole, to be fair, balanced and understandable. The processes including financial controls and reporting, and risk management, which underpin and support our confidence in making this statement are long-established and embedded into our business. In addition our Internal Audit Department reviewed the narrative sections of the Annual Report. In line with its terms of reference, a subset of the Disclosure Committee also reviews the Annual Report to ensure it contains all necessary disclosures to fairly present the Company's and the Group's financial condition and results of operations. Our external auditors review the narrative sections of the Annual Report to identify any material inconsistencies with the financial statements. Our Board members receive drafts of the Annual Report in sufficient time to facilitate their review and input.

The scale of investment and transformation of the Company over the last few years has necessitated us to look at our culture and behaviours to ensure we take the best from all the businesses we've acquired over the years and implement these across our global workforce. Our values and behaviours are part of the framework which support how we work with partners and between employees. We act with integrity and we see this within our Board discussions, and how this cascades down through the business from the Executive Management Board. We are very proud of Inmarsat's brand and are focused on protecting its integrity for the future.

As Chairman I am able to call on a broad and diverse range of skills and experience from all my Directors; the blend of experience, nationalities and range of cultural experience within the Board is valuable to us as we fulfil our duties to manage the business. Succession planning for the Non-Executive Directors remains a key focus for the Nominations Committee and the Board as we plan for the retirement of our original Directors who joined the Board in 2005. To support this transition, Stephen Davidson will retire before the 2017 AGM and we will continue to review future Non-Executive Director succession planning annually going forwards.

We hope the information in this Report will help you to understand how your Board runs the Company, manages risks, monitors internal controls, and how decisions have been made.

ANDREW SUKAWATY
Chairman
3 March 2016

LEADERSHIP THE BOARD

OVERALL SUMMARY STATEMENT ON CORPORATE GOVERNANCE

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

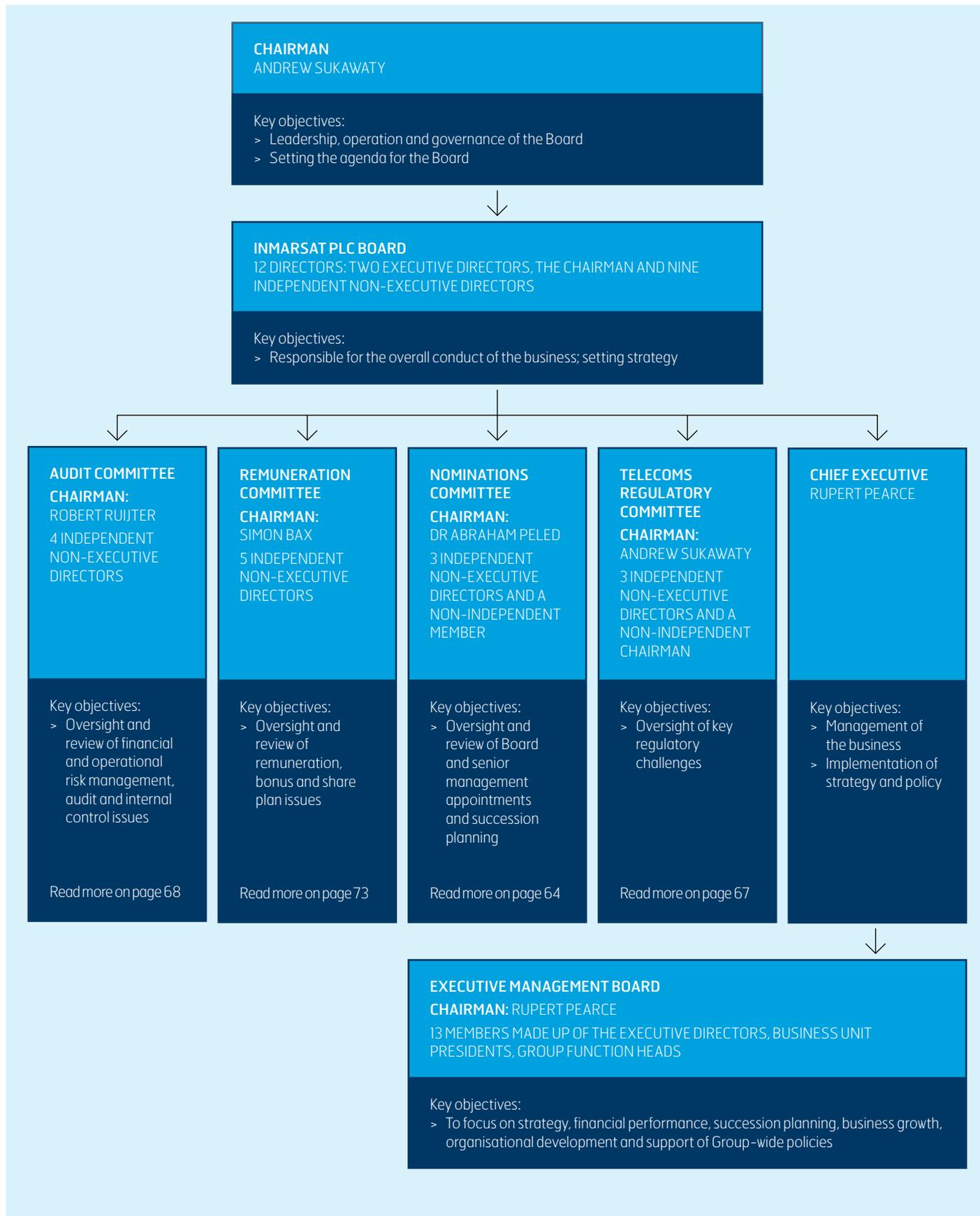
During 2015, Andrew Sukawaty was Chairman. He did not meet the independence criteria on appointment as he had previously been an Executive Director. Although the Code recommends that the Chairman is independent on appointment, the Board unanimously believes that his wide experience means that he remains extremely well qualified to lead the Company as its Chairman and has the skills and experience to ensure that the Board continues to function effectively. The recently appointed Senior Independent Director, Dr Abe Peled, who took over the role from John Rennocks upon his retirement in November 2015, plays a key role within the Company on any matters which may be raised of a governance nature.

HOW THE BOARD OPERATES

To ensure effective corporate governance, your Board has structured its governance framework as set out on the next page.

The Board has established Committees to assist it in exercising its authority and in 2015 created an additional Committee – the Telecoms Regulatory Committee. The permanent Committees of the Board are therefore the Audit, Remuneration, Nominations and Telecoms Regulatory Committees. Each Committee has Terms of Reference under which authority is delegated by the Board. A copy can be found on our website at www.inmarsat.com. Reports of the Committees can be found on pages 64 to 92.

BOARD COMMITTEES



CORPORATE GOVERNANCE CONTINUED

ROLE OF THE BOARD

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

Our Board is ultimately accountable to the shareholders for:

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

Responsibility for implementing strategy within the Group's operations and for day-to-day management of the business is delegated to the Chief Executive Officer who, as part of the Executive Management Board, cascades this responsibility through the Group. The CEO is empowered by the Board to handle all business activities up to a designated level of authorisation and to report to the Board for guidance, support and approval on other matters which require Board input. A list of the members of the Executive Board is provided on page 9.

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

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

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

BOARD MEETING CALENDAR AND REGULAR AGENDA ITEMS DISCUSSED:

	Q1	Q2	Q3	Q4
Review and approval of preliminary results	✓			
Review and approval of full year dividend	✓			
Risk review	✓	✓	✓	✓
CEO commentary against business priorities	✓	✓	✓	✓
CFO financial review	✓	✓	✓	✓
Business Unit and Central Services presentations covering financial results and operational activity	✓	✓	✓	✓
Regular competition and strategy overview	✓	✓	✓	✓
Health and Safety update	✓			
Annual review of Bribery Act compliance	✓			
Board evaluation output and recommendations	✓			
Review and approval of first quarter results		✓		
Cyber security presentations		✓		
Two-day strategy discussion		✓		
Review of forward agenda items		✓		✓
Review and approval of half year results			✓	
Interim dividend approval			✓	
Deep dive risk review			✓	
Review and approval of long range business plan			✓	
Two-day Board meeting held in Washington DC			✓	
Regulatory strategy update			✓	
Review and approval of Q3 results				✓
Annual review of conflicts of interest register				✓
Preparation for Board evaluation				✓
Annual treasury policy approval				✓
Approve following year's budget				✓
Annual detailed report on the performance of the satellite constellations				✓

KEY ROLES AND RESPONSIBILITIES

THE CHAIRMAN

Andrew Sukawaty

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

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

THE CHIEF EXECUTIVE OFFICER

Rupert Pearce

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

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

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

THE SENIOR INDEPENDENT DIRECTOR

Dr Abe Peled

The Senior Independent Director is responsible for:

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

THE COMPANY SECRETARY

Alison Horrocks

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

To determine their independence, all Non-Executive Directors are reviewed by the Nominations Committee annually against any circumstances relevant to their current or ongoing independence as set out in the Code and recommendations are made to the Board. Following such review, the Board considers all the Non-Executive Directors to be independent and free of any circumstances that could materially interfere with their ability to provide a strong and valuable contribution to the Board's deliberations, or which could interfere with the individual Director's ability to also act in the best interests of the Group. The Nominations Committee additionally considers the independence carefully once a Non-Executive Director has served for nine years or more to assess whether their contribution to the Board remains valuable and valid to support the Company's strategic objectives.

EXECUTIVE MANAGEMENT BOARD

The Chief Executive chairs the Executive Management Board which meets on a weekly basis. As part of its remit, this team focuses on the Group's strategy, financial reviews and long range business planning, the competitive landscape, operational updates from all areas of the business, risk review, learning and development and organisational development. 2016 will see a focus on a change management programme covering enhancements in processes and systems, and a review of operational structure to better support our staff and our partners. The Executive Management Board includes the Executive Directors, the Business Unit Presidents and the key functional heads. The names of the Executive Management team are shown on page 9.

GOVERNANCE AND CONDUCT OF BOARD MEETINGS

Our Board meets as often as necessary to effectively conduct its business. During 2015, the Board met eight times, with one of those meetings being held over two days in Washington DC. During 2015 there was an additional overseas Board meeting held at our Palm Bay office in Florida and in 2016 we will have our two-day strategy event at our office in Ålesund, Norway. These meetings in local offices provide the Board with exposure to our staff and business operations outside the London headquarters. Key management are invited to attend all Board meetings to present on specific business issues which will include an operations update for each of the Business Units and central services divisions, covering commercial, technology and operational matters. Unscheduled supplementary meetings also take place as and when necessary.

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

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

CORPORATE GOVERNANCE CONTINUED

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

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

INDEMNIFICATION OF DIRECTORS

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

CONFLICTS OF INTEREST

The Company has in place procedures for managing conflicts of interest and is aware of any potential conflict through an annual review of the other commitments of its Directors. We are satisfied these commitments do not conflict with their duties as Directors of Inmarsat. During the year, where there were agenda items being raised for discussion which could have the perception of a conflict of interest for the individual Director, these were discussed at the relevant Board meeting and agreed in each case there were no conflicts of interest identified. The Company's Articles of Association contain provisions to allow the Directors to authorise potential conflicts of interest so that a Director is not in breach of his/her duty under company law. As noted above, and happened in practice, should a Director become aware that they have an interest, directly or indirectly, in an existing or proposed transaction with the Company, they are required to notify this to the Company Secretary. Directors have a continuing duty to notify any changes to their conflicts of interest to the Company Secretary and any changes are noted in the conflicts register.

BOARD MEETING ATTENDANCE

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

NUMBER OF SCHEDULED BOARD MEETINGS HELD AND MEETING ATTENDANCE IN 2015

	Meetings	Percentage attendance
Andrew Sukawaty (Chairman)	8/8	100%
Rupert Pearce	8/8	100%
Tony Bates	8/8	100%
Simon Bax	8/8	100%
Sir Bryan Carsberg	8/8	100%
Stephen Davidson	8/8	100%
Kathleen Flaherty	8/8	100%
General C. Robert Kehler (Rtd)	8/8	100%
Dr Abraham Peled	8/8	100%
Janice Obuchowski	8/8	100%
Robert Ruijter ⁽¹⁾	7/7	100%
Dr Hamadoun Touré ⁽²⁾	7/7	100%
John Rennocks ⁽³⁾	7/7	100%

(1) Appointed on 1 February 2015.

(2) Appointed on 1 March 2015.

(3) Retired on 6 November 2015.

RISK MANAGEMENT PROCESS

An overview of the Group's framework for identifying and managing risk, both at an operational and strategic level, is set out on pages 48 and 51 in the Strategic Report. The Board has responsibility for managing risk and although the Audit Committee has responsibility for the risk management process it does not delegate overall responsibility for risk to either the Audit Committee or management. As noted in the detailed risk report in the Strategic Report, the Board has asked for a review of the risk process system to focus on key significant risks and updates on mitigating activities.

The Board have annual updates on the Company's policies for compliance with the UK Bribery Act, and the US Foreign Corrupt Practices Act (FCPA) requirements and health and safety. As part of our commitment to preventing bribery and establishing a culture that does not tolerate corruption wherever and in whatever form it may be encountered, we have a formal Board-approved anti-corruption policy and a summary of the anti-bribery policy is included on our website. We have appropriate procedures in place, in line with guidance provided by the Ministry of Justice to ensure compliance with current legislation. An independently managed, confidential whistleblowing helpline (email and telephone) is available to employees to use and there was only one enquiry phone call made to it during 2015.

The Company recognises the importance of electronic information, systems and network security (cyber security). We are increasingly required to be compliant with, or align to, various legal, contractual and regulatory standards and codes of practice relative to information security governance and the preservation of the confidentiality, integrity and availability of customer or internal data and services. This is part of a broader programme supported by a dedicated cyber security team whose primary role is to safeguard the Company to meet its legal and regulatory obligations, maintain business continuity and limit damage to business interests by preventing and reducing the occurrence of security incidents and their impact upon business operations.

In addition, the Company has been steadily increasing its investments on cyber, not only in terms of leadership resources and additional skills but also in terms of considering opportunities to influence upcoming cyber standards in its core markets and exploring options to offer cyber-as-a-service to some of its key customer communities.

INTERNAL CONTROLS

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

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

The Board and the Audit Committee have carried out a review of the effectiveness of the system of internal controls during the year ended 31 December 2015 and for the period up to the date of approval of the consolidated financial statements contained in the Annual Report. The review covered all material controls, including financial, operational and compliance controls and risk management systems. The Board confirms that the actions it considers necessary have been, or are being taken to remedy any significant failings or weaknesses identified from its review of the system of internal control. This has involved considering the matters reported to it and developing plans and programmes that it considers are reasonable in the circumstances. The Board also confirms that it has not been advised of material weaknesses in the part of the internal control system that relates to financial reporting.

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

- > **Risk management:** an overarching risk management policy is in place which sets out the tolerance for risk within the Group and how this is measured across identified macro and business risks. As required by the policy, management operates a risk management process to identify, evaluate and report significant risks within the business and to report to the Board on how those risks are being managed. Risks are highlighted through a number of different reviews and culminate in a risk register, monitored by Risk Committees across the Group, which identify the risk area, the probability of the risk occurring, the impact if it does occur and the actions being taken to manage the risk to the desired level. All the risk registers are reviewed by senior management and provided quarterly to the Board and to the Audit Committee. Details of the risk process and key risks are shown on pages 48 to 51 in the Strategic Report.
- > **Management structure:** there is a clearly defined organisational structure throughout the Group with established lines of reporting and delegation of authority based on job responsibilities and experience. Within the business, senior management meetings occur regularly to allow prompt discussion of relevant business issues. A process of self-certification is used where Directors and senior managers are required to detail and certify controls in operation to mitigate risk in key process areas. They also confirm annually, in writing, that risk management processes are in place and are operating effectively.
- > **Financial reporting:** monthly management accounts provide relevant, reliable and up-to-date financial and non-financial information to management and the Board. Analysis is undertaken of differences between actual results and the annual budget on a monthly basis. Annual plans, forecasts, performance targets and long range financial plans allow management to monitor the key business and financial activities, and the progress towards achieving the financial objectives. The annual budget is approved by the Board. The Group reports half-yearly based on a standardised reporting process, and in addition, also reports on a quarterly basis.
- > **Information systems:** information systems are developed to support the Group's long-term objectives and are managed by professionally staffed teams. Appropriate policies and procedures are in place covering all significant areas of the business.
- > **Contractual commitments:** there are clearly defined policies and procedures for entering into contractual commitments. These include detailed requirements that must be completed prior to submitting proposals and/or tenders for work, both in respect of the commercial, control and risk management aspects of the obligations being entered into. New business plan approval processes and a new procurement process have been introduced which will further strengthen the review of contractual commitments before any such commitment is agreed to.
- > **Monitoring of controls:** the Audit Committee receives regular reports from the internal and external auditors and assures itself that the internal control environment of the Group is operating effectively. There are formal policies and procedures in place to ensure the integrity and accuracy of the accounting records and to safeguard the Group's assets. Significant capital projects and acquisitions and disposals require Board approval. There are formal procedures by which staff can, in confidence, raise concerns about possible improprieties in financial and pensions administration and other matters – often referred to as 'whistleblowing' procedures. A new worldwide anonymous whistleblowing programme was introduced in 2014 and has continued in operation during the year with monthly reports issued by the external provider to the Company Secretary and Head of Internal Audit. Arrangements are in place for proportionate and independent investigation and appropriate follow-up action with the results being reported to the Audit Committee.

DIRECTORS' REMUNERATION

Details of the Company's remuneration policy and Directors' remuneration are contained in the Directors' Remuneration report on pages 73 to 92.

CORPORATE GOVERNANCE CONTINUED

EFFECTIVENESS REPORT OF THE NOMINATIONS COMMITTEE



DR ABRAHAM PELED
CHAIRMAN, NOMINATIONS COMMITTEE

“I am delighted to become Chairman of this Committee. We continue to contribute our time and experience to enable good decision making by the Committee to support the business.”

2015 KEY ACHIEVEMENTS

We supported the appointment of two additional talented Non-Executive Directors who joined the Board in 2015

We reviewed the independence of our longer-serving Directors and determined they continue to demonstrate the right qualities of independence and judgement

We reviewed the senior management succession plan, and considered the talent available below the Executive Management Board level

MEMBERS IN 2015

Scheduled meetings attended

Dr Abraham Peled (Chairman)	✓	✓
Stephen Davidson	✓	✓
Andrew Sukawaty	✓	✓
Dr Hamadoun Touré	✓	✓
John Rennocks	✓	✓

AREA OF FOCUS FOR 2015

An area of focus for the Committee has been Non-Executive Director succession planning. We purposefully increased the size of the Board starting in 2014 to allow time for new Directors to come up to speed on our business activities and ambitions before longer-serving Directors retired. We have found this has worked very well and the new Directors have brought an additional skill-set and breadth of experience to Board discussions.

The Nominations Committee comprises a majority of independent, Non-Executive Directors. The Nominations Committee meets as and when necessary, generally at least once a year. The Chairmanship moved from Andrew Sukawaty to Dr Abe Peled in November 2015 as it was determined it would be more appropriate for an independent Director to chair this Committee. Dr Abe Peled had previously been a member of the Committee. Andrew Sukawaty remains a member of the Committee and the others are Stephen Davidson and Dr Hamadoun Touré. John Rennocks participated in meetings up until his retirement in November 2015. During 2015 the Committee met twice.

The Committee has responsibility for nominating candidates for appointment as Directors to the Board, bearing in mind the need for diversity (including gender) consideration, and ensuring a broad representation of skills across the Board. In doing this, the Committee will give full consideration to succession planning and the leadership needs of the Company. The Committee also makes recommendations to the Board on the composition of the Board's Committees and will review and make recommendations in relation to the structure, size and composition of the Board including the diversity and balance of skills, knowledge and experience, and the independence of the Non-Executive Directors, including the tenure of each Director.

The Nominations Committee will also make recommendations to the Board concerning the annual reappointment by shareholders of any Non-Executive Director as he or she reaches their sixth year of reappointment and separately with a view to assessing their continuing independence thereafter, particularly when Directors are seeking to be reappointed after serving nine years. The Committee also has responsibility for approving any changes to Executive Directors including senior management appointments. All currently appointed Directors will retire at the 2016 AGM and offer themselves for reappointment, or offer themselves for appointment as appropriate. As noted earlier in the Corporate governance report, the Committee has agreed that it was appropriate that although some Directors had exceeded their original term of office, they remain independent in their contribution, and should be invited to serve for a longer period and therefore the three longest-serving Directors are considered independent.

COMPOSITION

Our Board comprises Directors drawn from a wide range of professional backgrounds. All our Directors bring strong judgement to the Board's deliberations. The Non-Executive Directors we appointed in 2014 and 2015 have all contributed very effectively to Board discussions and have demonstrated their increasing knowledge of how the Company operates and its business. We took the decision to appoint these additional Directors while retaining the expertise of existing Directors thus enabling us to have an orderly retirement process of longer serving Board Directors over the coming years. In 2014 we appointed Retired General C. Robert Kehler and in 2015 we appointed Robert Ruijter and Dr Hamadoun Touré; John Rennocks retired in November 2015. At the beginning of 2015, Andrew Sukawaty also became Non-Executive Chairman. Tony Bates joined us as our Chief Financial Officer in June 2014 and he has received strong endorsement from the full Board for his performance.

As at 3 March 2016, the composition of the Board is two Executive Directors, nine Non-Executive Directors and a Non-Executive Chairman. With the exception of Robert Ruijter and Dr Hamadoun Touré, all Directors served throughout the year. The names of the Directors on our Board, their relevant skills and experience are set out in their biographical details and can be found on pages 52 to 54.

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

At the 2016 AGM, several of our Directors will have served for nine years, or longer. Stephen Davidson will retire ahead of the 2017 AGM so that we continue the transition of Directors on the Board which started in 2014. We will ensure an orderly succession of our longer serving Directors which will be reviewed annually by the Nominations Committee. For the 2016 AGM, the Nominations Committee has considered the matter carefully and believes that the longer service Directors continue to demonstrate the qualities of independence and judgement in carrying out their roles. This independence is observed at Board meetings in the way the Directors constructively challenge management and approach meetings fully briefed and are fully engaged in the discussion. The Nominations Committee discusses their independence and considers that the longer serving Directors remain fully independent. Their length of service, resulting experience and knowledge of the Company is of great benefit to the Board. The subject of their independence will be kept under review. We expect that our newer Non-Executive Directors will have been able to benefit from the experience of our longer serving Directors through the phased retirement plans we will be putting in place. This confirmation of independence has been supported by the Board as part of the recommendation for all Directors to stand for re-election. The three longest-serving Directors – Stephen Davidson and Sir Bryan Carsberg and Kathleen Flaherty – will therefore all stand for re-election at the 2016 AGM.

SUCCESSION PLANNING

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

In appointing Non-Executive Directors, the Board's practice is to use a combination of external recruitment consultants and personal referrals. The Non-Executive Directors who were appointed in 2015 were personal recommendations from a Director or a recommendation made to a Director.

In considering the skills required for new Non-Executive Directors, there was specific focus on seeking an individual who was a qualified financial expert. Robert Ruijter had immense financial experience, plus his operational experience was an excellent fit for coming onto the Board and becoming a member, and subsequently Chairman, of the Audit Committee. Dr Hamadoun Touré has deep experience within international organisations handling regulatory issues and championing the cause of bringing broadband communications to rural areas, particularly in Africa. Additionally he has industry experience having previously worked as a satellite engineer. Dr Hamadoun Touré is a member of the Nominations Committee and in 2015 we created a separate Committee which focuses on regulatory activities where we will be able to draw on his considerable recent experience to assist our awareness of regulatory affairs. We had identified the desire to extend the mix of Directors from a cultural point of view and Rob Ruijter and Dr Hamadoun Touré provide the Board with diversity of nationality as well as skills and previous experience. As part of the recruitment process, the individuals generally met the Chairman of the Board, the CEO, the Chairmen of the Audit and Remuneration Committees and the Company Secretary. Other members of the Board were also given the opportunity to meet them.

The Committee, when reviewing succession planning, considers diversity in its broadest sense and takes this into account in its recommendations to the Board. It takes into account the challenges and opportunities facing the Company; diversity, including gender; and what skills and expertise are needed on the Board and from senior management in the future. Gender is one element of the considerations made in appointing senior management and Board members and as part of general recruitment practices across the Group. The Committee has not set quotas for the percentage of women in the workforce but is supportive of the need generally to encourage diversity when employees and Directors (Executive and Non-Executive) are recruited. The Committee gives full consideration to succession planning in the course of its work and receives updated management succession plans which look at succession planning for the Executive Management Board and identifies the next layer of management below them who are identified as those with potential for promotion to senior management positions. This document is updated at least annually to reflect changes in senior management.

INDUCTION AND ONGOING PROFESSIONAL DEVELOPMENT

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

For professional ongoing development, the Board receives presentations relevant to the Company's business and updates on any changes in legislation which may affect the Company's operations. The Company Secretary supplies all Directors with information on relevant legal and best practice. As part of their annual performance evaluation, Directors are given the opportunity to discuss training and development needs. During 2015, the Directors received external refresher training from the Company's corporate lawyers on the responsibilities of Directors in a listed company. Whilst the Chairman takes ultimate responsibility for overseeing the Directors' training and development needs, each Director is expected to ask about any specific training needs. They also take steps to ensure they are adequately informed about the Company and their responsibilities as a Director and attend external briefings and receive information updates. The Board is confident that its members have the knowledge, ability and experience to perform the functions required of a Director of a listed company.

BOARD EVALUATION

In 2012 the Company undertook an external evaluation, facilitated by Duncan Reed of Condign Board Consulting. The Chairman asked Mr Reed to undertake the second external review for 2015 in order to bring some consistency of knowledge of the Directors' responses from the previous external evaluation, and therefore to be able to make comparisons and assess progress. Neither Mr Reed nor Condign Board Consulting have any other commercial relationships with Inmarsat.

One of the key areas of discussion concerned what may need to change for the Board – in its role, the way it spends its time and organises itself – to maximise the chances of implementing the evolving strategy and delivering performance.

CORPORATE GOVERNANCE CONTINUED

A summary of the findings from Mr Reed, also reflecting some of his views about what he found, is extracted from the Report and noted below:

- > A functional and effective Board of committed, experienced and perceptive individuals. Also an exceptionally diverse group, to an extent rare on all but the biggest company boards of the FTSE top 20.
- > Since the last external evaluation, the Board has been augmented with persons of clear relevance to Inmarsat's present and future shape, and who are proving themselves equal to the requirements placed on them.
- > Striking and maintaining the right balance of challenge with support is one of the most important tasks for any chairman and also for his colleagues. This is a balance that is indeed being made here.
- > Placing decisions and discussions in their full environmental context is a good and established feature of this Board's modus operandi. Equally, this discipline could and should be extended more consistently to one area that has been of greater contention, namely remuneration.
- > Encouragingly, the Board is also consulted at a strategic level well before decisions are made (by the Executive Management). Sometimes, and to its credit, the Board has even prompted the executive team to proceed with projects which otherwise the executive team were unsure about, or may even have chosen to leave alone.
- > In summary, this is a Board that takes seriously its role both to oversee the 'control' functions of the business and also to provide a framework of entrepreneurial leadership – as the Corporate Governance Code enjoins. In this sense, the 'tone from the top' has been impeccable as a sense of shared purpose is evident even where roles and functions clearly differ.

The evaluation exercise also reviewed the work of the Committees and their own effectiveness. Potential areas for future review were noted as follows:

- > **Audit Committee:** in relation to its risk function, to consider the output of some 'realistic disaster scenarios' reviewed by the Executive Management Board.
- > **Nominations Committee:** to discuss a detailed Board rotation and succession plan with the Chairman, to crystallise it, and to agree action points; and to consider reviewing the management succession plan more than once a year if there are senior management organisational changes.
- > **Remuneration Committee:** to consider providing a 'Masterclass' on pay construct and the people proposition for Committee members, and to ensure that the full internal and external environmental context is given due consideration, including payout history, and the use of a sectoral comparator group.

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

Key elements arising from the 2014 Board evaluation review which were noted in last year's Annual Report are shown below with an update as to what happened during the year:

- > Additional focus on succession planning for Executive Directors and senior management: During 2015 there was additional focus on this topic with the CEO articulating the succession planning strategy and process.
- > Broaden the strategy discussion content for the two-day Board meeting and include additional targeted strategic discussion at Board meetings as appropriate: The 2015 strategy session was broader in context, with key management members invited who could provide added insight to the discussions. It was also agreed to include strategy updates as a regular agenda for Board meetings.

- > Greater visibility as to customer satisfaction and how it is measured: This remains an ongoing exercise for management to undertake and provide an update to the Board.
- > Plan for a retirement cycle for longer serving Non-Executive Directors: This has been a discussion item by the Nominations Committee and also was part of the discussion from the 2015 external evaluation.

Some of the recommendations from the 2015 external evaluation are:

- > Improving the use of the Board's time which may involve splitting more meetings over two days.
- > Ensuring that presentations to the Board include a comprehensive executive summary.
- > Request for the risk register to be focused on key risks faced by the Company and accountability for mitigating actions.
- > Ensuring that the Board receives early updates on proposals from management on significant transactional issues to receive early support.
- > A review at each meeting of upcoming items for the subsequent meetings.

EXTERNAL DIRECTORSHIPS

The Board believes, in principle, in the benefit of Executive Directors accepting Non-Executive Directorships of other companies in order to widen their skills and knowledge for the benefit of the Company. All such appointments require the prior approval of the Board and the number of appointments is limited to two. Details of these directorships can be found in their biographies on pages 52 to 54 and details of the fees paid to them can be found on page 83 of the Remuneration report.

APPOINTMENT AND REAPPOINTMENT

The Directors may appoint additional members to join the Board during the year. Directors appointed in this way will, upon the recommendation of the Board, offer themselves for election by shareholders at the first AGM after their appointment. The reappointment of Directors is subject to their ongoing commitment to Board activities and satisfactory performance. All Directors will stand for reappointment annually in accordance with the provision of the Code. The Nominations Committee confirmed to the Board that the contributions made by the Directors offering themselves for reappointment at the 2016 AGM continues to benefit the Board and the Company should support their reappointment. Non-Executive Directors are appointed initially for three years and all Non-Executive Directors may not, unless agreed by the Board, remain in office for a period longer than six years, or two terms in office, whichever is the shorter.

As already set out earlier in this Report on page 65, three of our Non-Executive Directors, Stephen Davidson, Kathleen Flaherty and Sir Bryan Carsberg are being supported by the Board for re-appointment as independent Non-Executive Directors even though they will have served for longer than nine years.

ACCOUNTABILITY

REPORT OF THE TELECOMS REGULATORY COMMITTEE



ANDREW SUKAWATY
CHAIRMAN, TELECOMS REGULATORY COMMITTEE

“We believe that the creation of this Committee will provide focus from members of our Board with significant regulatory experience. This is a key area which affects all parts of the Company’s business operations – both now and in the future.”

2015 KEY ACHIEVEMENTS

We created the terms of reference to establish this new Board Committee in May 2015

We provided inputs to assist the Company prepare for a significant regulatory conference in 2015

We provided overview guidance on developing regulatory activities

MEMBERS IN 2015

Scheduled meetings attended

Andrew Sukawaty (Chairman)



Sir Bryan Carsberg



Janice Obuchowski



Dr Hamadoun Touré



AREA OF FOCUS FOR 2015

A key focus for the Committee during 2015 was to contribute oversight and guidance for the Company’s preparation and participation in the 2015 World Radio Conference. This expertise was used to help management in discussions covering issues which related to Inmarsat specifically as well as the broader satellite industry.

The Telecoms Regulatory Committee was created in May 2015, specifically to ensure there was focus from the Board on this key area which affected all parts of the Company’s business operations – both now and in the future. The Committee comprises a majority of independent Non-Executive Directors and meets as and when necessary, generally twice a year. Andrew Sukawaty is Chairman. During 2015 the Committee met twice.

The Telecoms Regulatory Committee is authorised by the Board to:

- > review key regulatory challenges facing the business of the Company and the strategy and action plans proposed to meet such challenges;
- > discuss the Company’s strategy for acquisition of spectrum and frequency rights;
- > facilitate high level engagement with governments, regulatory bodies and international organisations as identified by the Company;
- > review upcoming key regulatory meetings, the proposed agendas and events and the Company’s plans to cover such events;
- > support the Company in various countries to secure authorisations for market access as identified by the Company;
- > obtain the advice and assistance of any of the Company’s executives having particular expertise in such matters; and
- > to review, and advise on, the ongoing appropriateness and relevance of the Company’s regulatory policy and strategy as presented by the Company’s executives and provide guidance on proactive measures proposed by the Company to maintain its leading position and competitiveness in the industry.

A key focus for the Company during 2015 was the preparation and participation at the 2015 World Radio Conference, which spans a month, with discussions covering issues which related to Inmarsat specifically as well as the broader satellite industry. The inputs of the Committee members to provide guidance and sharing views with the management team who were representing the Company at these discussions was extremely valuable and contributed to the Company achieving its objectives.

CORPORATE GOVERNANCE CONTINUED

REPORT OF THE AUDIT COMMITTEE



ROBERT RUIJTER
CHAIRMAN, AUDIT COMMITTEE

“I’m delighted to have been appointed Chairman of the Committee, taking over the responsibility from John Rennocks. Our Committee has strong members who are focused to deliver the highest quality debate and discussion on the key matters brought forward to us for review.”

2015 KEY ACHIEVEMENTS

We ensured a smooth transition of the Committee chairmanship

We discussed and planned for a retender of the audit firm

We recommended to put in place an enhanced risk management process

MEMBERS IN 2015

Scheduled meetings attended

Robert Ruijter (Chairman)	✓	✓	✓	✓
Sir Bryan Carsberg	✓	✓	✓	✓
Stephen Davidson	✓	✓	✓	✓
Janice Obuchowski	✓	✓	✓	✓
John Rennocks ⁽¹⁾	✓	✓	✓	✓

(1) Mr Rennocks retired from the Board on 6 November 2015.

AREA OF FOCUS FOR 2015

The Committee requested and received changes to the risk management process to focus on principal risks and their mitigation. This data supported the viability exercise which was performed by management to test the long range business plan against a number of severe but plausible principal risk scenarios. The Committee felt that based on all contributions, the viability statement could be supported for Board approval.

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

The table below shows who makes up the Audit Committee and their attendance at meetings during 2015. Robert Ruijter joined the Committee on 1 February 2015 and became Chairman in November 2015, assuming the role from John Rennocks when he retired. All members, apart from Mrs Obuchowski, are considered financial experts.

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

The Audit Committee has particular responsibility for:

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

The Board requested that the Committee advise whether it believes the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company’s position, performance, business model and strategy. The Committee’s terms of reference have been amended to reflect this, and have been generally updated to reflect best practice, and can be found on our website. Details about the Committee’s assessment are shown at the end of this Report.

There is a forward agenda used for the year’s activities which focus on:

- > review of the annual financial statements and the results of the annual external audit and review of the external auditor’s quarterly and interim review work and relevant quarterly and interim financial reporting and the external audit plan;
- > review of risk management reports;
- > review of the preparation of the viability statement for use in the 2015 Preliminary Statement and Annual Report; and
- > review of internal audit plans and findings and recommendations.

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

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

During the reporting year to 31 December 2015, the activities of the Audit Committee were:

- > ensure a smooth transition of Audit Committee chairmanship;
- > discussion and planning for the change in Audit Partner following his completing his five-year term of office;
- > discussion and planning for a retender of the audit firm in accordance with rotation requirements for external auditors as Deloitte has been Auditor to the Company for 10 years;
- > confirming to the Board that the Annual Report and Accounts is fair, balanced and understandable;
- > review and endorsement, prior to submission to the Board, half-year and full-year financial statements, interim management statements and results announcements;
- > review and approval of internal audit reports, and findings and recommendations arising from the reports;
- > review and approval of risk management updates and the annual risk management process;
- > agreement of external and internal annual audit plans;
- > receiving updates on management responses to audit recommendations; and
- > reviewing key accounting judgements relating to specific transactions as well as changes to any accounting policies affecting the Group's financial position.

Reviews by the Committee of audit plans and risk reports include all Group operations. Detailed risk reporting is used for all Group companies and business operations. One of our subsidiary companies, Inmarsat Group Ltd, is required to produce quarterly financial statements, as required by its loan agreements, which are reviewed and approved by the Committee. The quarterly review of the risk reports and the process adopted to manage risk is a key area of focus for the Committee.

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

The Company Secretary, as Chairman of the Disclosure Committee (the role of which is detailed on page 63), reported on matters that affected the quality and timely disclosure of financial and other material information to the Board. This enabled the Audit Committee to review and clarify the completeness of financial reporting disclosures prior to their release by the Board.

SIGNIFICANT ACCOUNTING MATTERS

During 2015, the Audit Committee considered the significant accounting matters described below. In addressing these issues the Committee considered the appropriateness of management's accounting estimates and key judgements, outlined in note 4 to the consolidated financial statements. The Committee discussed these with the external auditor during the year and, where appropriate, details of how they have been addressed are provided in the Independent Auditors' report on pages 95 to 99.

REVENUE RECOGNITION

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

The Group's accounting policies with regards to revenue recognition remain unchanged from the prior year, with the exception of the Group's accounting for 'take or pay' revenue contracts. Inmarsat enters into 'take or pay' type contracts where the customer contracts to pay for a certain amount of airtime over a period. The customer does not always utilise all of the airtime that they have the contractual right to use over the contract period. Such unexercised rights are often referred to as 'breakage'.

Historically Inmarsat has recognised revenue in line with customer usage and only recognised breakage in the final period of a customer contract. From the beginning of 2015, the Group recognised breakage as revenue in proportion to the pattern of rights exercised by the customer rather than being recognised as a lump sum at the end of the contractual period. The end of the contractual period coincides with the year end, so the change in accounting policy only impacts the timing of quarterly revenue recognition and has no impact on the full year results. This accounting treatment has been discussed and agreed with the external auditor.

The Audit Committee has therefore concluded that the Group's revenue recognition policies continue to be in line with IFRS requirements.

REVENUE IN RESPECT OF THE LIGHTSQUARED COOPERATION AGREEMENT

The Audit Committee continues to review the accounting treatment for the recognition of revenue and costs in respect of each phase of the LightSquared Cooperation Agreement. In December 2015 LightSquared emerged from bankruptcy protection and raised substantial new capital. Consequently, it is more likely that LightSquared will honour its financial obligations to Inmarsat and so, in the fourth quarter, Inmarsat returned to an accruals basis for recognition of revenue in relation to Phase 2 of the Cooperation Agreement.

Deferred income in respect of Phase 1 from LightSquared continues to be carried on the balance sheet. Although the cash has been received, the timing of the recognition of this deferred income, together with any related future costs and taxes, is dependent upon a number of factors that continue to be uncertain. Both the percentage of completion and straight-line method have been used to recognise revenue and costs relating to Phase 1 of the Cooperation Agreement in the past. The Group continues to monitor the situation and will determine the appropriate revenue recognition treatment over the course of 2016.

The Audit Committee has deemed the current accounting treatment of all phases of the Cooperation Agreement appropriate.

CORPORATE GOVERNANCE CONTINUED

TAXATION

The calculation of some of the Group's potential tax assets and liabilities involves a degree of estimation and judgement in respect of certain items, whose tax treatment cannot be finalised until resolution has been reached with the relevant tax authority, or, as appropriate, through a formal legal process. Issues can, and often do, take a number of years to resolve.

The Committee addresses these matters through a range of reporting from senior management and a process of challenging the appropriateness of management's views including the degree to which these are supported by professional advice from external legal and other advisory firms. This is also an area of higher audit risk and, accordingly, the Committee received detailed verbal and written reporting from the external auditor on these matters. Following these procedures, the Audit Committee deemed the income tax assets and liabilities balances for the year, as well as the Group's contingent liability disclosure in respect of income taxes, to be appropriate.

CAPITALISATION OF SPACE SEGMENT ASSETS AND ASSOCIATED BORROWING COSTS

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

- > whether the capitalisation criteria of the underlying IFRS have been met;
- > allocation of an appropriate asset class and associated useful economic life in accordance with Group policies;
- > whether an asset is deemed to be substantially complete and as a result capitalisation of borrowing costs should cease; and
- > whether an asset is ready for use and as a result further capitalisation of costs should cease and depreciation should commence.

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

GOODWILL AND OTHER INTANGIBLE ASSETS IMPAIRMENT REVIEW

The Group has significant goodwill and other intangible asset balances. As explained in our accounting policies in note 2 to the consolidated financial statements, intangible assets with an indefinite useful life are reviewed annually for impairment. Goodwill is the only indefinite life intangible asset held by the Group.

The Committee received a detailed report regarding the assumptions used in each impairment review. The key assumptions applied in the calculation relate to the future performance expectations of the business. The Committee has confirmed: consistency of the methodology applied, use of the Board-approved long-range business plan (updated for any relevant changes), appropriateness of terminal growth rates, and discount rates.

The Committee agrees with the impairment review carried out by management and are satisfied that there is no impairment of the carrying value of goodwill or other intangible assets.

INTERNAL AUDIT

Monitoring and review of the scope, extent and effectiveness of the activity of the internal Audit Department is an agenda item at each Committee meeting. The internal Auditor presents reports at each meeting covering updates on internal audit activities, results of audits and follow up actions required and their annual audit plan. These may cover areas such as revenue assurance, accounting operations review following the implementation of a Group-wide financial accounting system, review of annual bonus calculations and IT security and systems reviews.

During 2015, there has been more linkage between the internal Auditor's reports and the key risks identified by the Company. The Committee can see clearly from the risk reports which risks have been reviewed by the internal Auditor as part of their annual review. The Chairman of the Committee meets with the internal Auditor as required but generally at least once a year.

EXTERNAL AUDITOR

The Financial Reporting Council issued a guide for Audit Committees to help them evaluate auditor effectiveness. There are several criteria included within the report and while the Committee did not undertake a formal review, it received inputs from different sources such as the Auditors themselves, as well as management and the input from the members of the Committee itself which assisted it to determine that the Auditor and its work were effective. At each of the Audit Committee meetings, the Auditor would report on any issues it perceived regarding quality control and where it thought judgements had been applied by management and if it agreed with these, or offered an alternative view if appropriate. The findings and reports from the Auditor help the Audit Committee make any assessments about the need to update processes or undertake further review work on any particular issues.

In accordance with the Competition and Markets Authority requirements regarding the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014, we are undertaking a competitive tender process of our external Auditor. A competitive tender process is a process where the Company invites and evaluates bids for the provision of statutory audit services from two or more auditors. Given that our current Auditor was appointed in 2006, we are required to undertake a competitive tender for the 2016 financial year audit. Given their length of tenure, it is possible for Deloitte, the existing Auditor, to be reappointed as a result of the tender. We would expect the appointment of the external Auditor to be made shortly after the Annual General Meeting in May 2016 (which will see Deloitte being re-appointed subject to the ongoing tender process). If Deloitte is unsuccessful, a new Auditor will be appointed after the 2016 Annual General Meeting and shareholders will be invited to confirm that appointment at the 2017 Annual General Meeting. With the additional EU directive now completed, if we appoint the existing Auditor as part of the retender process, they could remain in place for an additional 10 years after the retender.

Auditor objectivity and independence is safeguarded through a variety of mechanisms. To ensure the Auditor's independence, the Committee annually reviews the Company's relationship with Deloitte and receives summaries at each Audit Committee meeting from the Auditor as to their independence. The Committee concluded that it continues to have an objective and professional relationship with Deloitte and that there are sufficient controls and processes in place to ensure the required level of independence. The external Auditor is required to change the audit partner responsible for the Group audit every five years. The current audit partner was appointed in 2011 and the final audit he will be responsible for is the 2015 financial year. A new audit partner has been identified and will take over as the lead for the 2016 reporting period if Deloitte is successful in the retender process. A resolution to appoint Auditors at the 2016 AGM will be put forward to shareholders. During the year, Deloitte charged the Group US\$1.8m (2014: US\$2.6m) for audit and audit-related services.

NON-AUDIT SERVICES

The Company's Auditor may also be used to provide specialist advice where, as a result of their position as Auditor, they either must, or are best placed to, perform the work in question. A formal policy is in place in relation to the provision of non-audit services by the Auditor to ensure that there is adequate protection of their independence and objectivity. Inmarsat's policy is to adopt a strict 70% cap for allowable non-audit services. To ensure the policy is adequately controlled, we adopt several processes, which were enforced during 2015. Fees charged by Deloitte in respect of non-audit services require the prior approval of the Audit Committee, except where the fee is less than £50,000. Any commitments above this amount will require the Audit Committee Chairman's approval. A summary is supplied to the Audit Committee at each meeting where amounts have been committed below £50,000. Separate engagement letters are signed by our CFO for each audit and non-audit engagement with Deloitte.

Using 2014, 2013 and 2012 for calculating the average audit fees paid to Deloitte, the cap on non-audit services as it relates to 2015 will be \$1m, and this amount in 2015 was \$600k compared to \$1m in 2014. A breakdown of the fees paid to Deloitte during the year is set out in note 6 to the consolidated financial statements.

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

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

FAIR, BALANCED AND UNDERSTANDABLE

We have included more focus this year on linking the various sections of the Annual Report to make it easier for shareholders to navigate to find the information they need, while not diluting the level of transparency in our disclosures. When forming its opinion as to whether the Annual Report and Accounts is fair, balanced and understandable, the Committee reflected on the information it had received and its discussions throughout the year.

In particular, the Committee considered:

IS THE REPORT FAIR?

- > Is the whole story presented and has any sensitive material been omitted that should have been included?
- > Is the reporting on the business segments in the narrative reporting consistent with those used for the financial reporting in the financial statements?
- > Are the key messages in the narrative reflected in the financial reporting?
- > Are the KPIs disclosed at an appropriate level based on the financial reporting?

IS THE REPORT BALANCED?

- > Is there a good level of consistency between the narrative reporting in the front and the financial reporting in the back of the report, and does the messaging reflected in each remain consistent when read independently of each other?
- > Is the Annual Report properly a document for shareholders?
- > Are the statutory and adjusted measures explained clearly with appropriate prominence?
- > Are the key judgements referred to in the narrative reporting and the significant issues reported in this Audit Committee Report consistent with the disclosures of key estimation uncertainties and critical judgements set out in the financial statements?
- > How do these compare with the risks that Deloitte plan to include in their audit report?

IS THE REPORT UNDERSTANDABLE?

- > Is there a clear and understandable framework to the report?
- > Are the important messages highlighted appropriately throughout the document?
- > Is the layout clear with good linkage throughout in a manner that reflects the whole story?

CONCLUSION

Following its review, the Committee was of the opinion that the 2015 Annual Report and Accounts is representative of the year and presents a fair, balanced and understandable overview, providing the necessary information for shareholders to assess the Group's position, performance, business model and strategy.

RELATIONS WITH SHAREHOLDERS

The Company recognises the importance of communicating with its shareholders to ensure that its strategy and performance are understood and that it remains accountable to shareholders. The Board as a whole is responsible for ensuring that a satisfactory dialogue with shareholders takes place, whilst the Chief Executive Officer and Chief Financial Officer ensure that the views of shareholders are communicated to the Board as a whole. The Board ensures that the Group's strategic plans have been carefully reviewed in terms of their ability to deliver long-term shareholder value.

In October 2015, the Company held a Capital Markets Day which was attended by investors, bankers, and other interested parties. The presentations covered the Company's major business opportunities with presentations from each of the key business areas. Positive feedback as to the content and provision of information was received; a copy of the presentation has been made available on the Company's website.

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

This audited 2015 Annual Report will be made available to shareholders and all results are posted on the Company's website, as are presentations made in respect of the full-year results.



GROUP WEBSITE

WWW.INMARSAT.COM

INVESTOR PAGE

WWW.INMARSAT.COM/ABOUT-US/INVESTOR-RELATIONS/

SHAREHOLDER SERVICES

WWW.INMARSAT.COM/ABOUT-US/INVESTOR-RELATIONS/

STRATEGY PRESENTATIONS

WWW.INMARSAT.COM/ABOUT-US/INVESTOR-RELATIONS/STRATEGY-PRESENTATIONS/

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

During 2015, there continued to be ongoing communications through a combination of face-to-face meetings, phone calls and email correspondence with many investors regarding remuneration issues. Before the 2015 AGM, updates were provided to several significant and influential shareholders regarding changes in some elements of Executive Director Remuneration. Further information about these changes is contained in the Annual Statement from the Remuneration Committee Chairman, in the Remuneration report on pages 73 to 92.

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

ANNUAL GENERAL MEETING

Shareholders are welcome at the Company's AGM where they will have an opportunity to meet the Board. The notice of the AGM is sent to all shareholders at least 20 working days before the meeting. The Chairmen of the Audit and the Remuneration Committees, together with as many Directors as possible, will attend the 2016 AGM and be available to answer shareholders' questions. Voting on all resolutions at the AGM is on a poll. The proxy votes cast, including details of votes withheld, are disclosed on our website and announced to the UK Listing Authority through a Regulatory Information Service immediately after the meeting. Facilities are provided for shareholders to vote electronically either through Electronic Proxy Voting or through CREST.

Details of our results announcements for 2016 are shown below:



5 MAY 2016
AGM AND Q1 2016 RESULTS



4 AUGUST 2016*
INTERIM RESULTS FOR THE HALF YEAR TO 30 JUNE 2016



3 NOVEMBER 2016*
Q3 2016 RESULTS

* These dates are provisional and may change.

REMUNERATION REPORT



SIMON BAX
CHAIRMAN, REMUNERATION COMMITTEE

ANNUAL STATEMENT

DEAR SHAREHOLDER

I was appointed Chairman of this Committee in May 2015 and am therefore pleased to present, on behalf of the Board, my first Directors' Remuneration report, covering the year ended 31 December 2015.

Similar to last year, this Report is split into three sections: the Chairman's Annual Statement, the Remuneration Policy, and the Annual Report on Remuneration. Our Remuneration Policy, detailed on pages 74 to 81, remains consistent with that approved by shareholders at the 2014 AGM, and is reproduced in full for both ease of reference and in order to provide context to the decisions taken by the Committee during the year.

During 2015 we have continued the delivery of our strategic objectives which saw significant progress for our aviation business with the European Aviation Network initiative and also the introduction of global service of our Global Xpress Ka-band satellite constellation. We have also delivered good financial results and returns for shareholders.

In July 2015, the Committee undertook the annual review of our Executive Directors' salaries. This review took into account a number of factors including external benchmarking against the FTSE 50-150 (excluding Investment Trusts), comparable companies in our sector, an assessment of individual experience and performance, and pay conditions across the Group. Following this review, the Committee agreed to award an increase of 9% to the CEO and of 3% to the CFO, effective July 2015. This compares with an average salary increase of 3% across the Group. As set out in this year's, and previous years' reports, our CEO was appointed at a below-market salary and we committed to moving him up gradually to the appropriate level to reflect his demonstrated development in the CEO role and the performance of the business. 2015 is the last year we anticipate making a material adjustment to his salary.

For 2015, Executive Directors will receive bonuses of 90.6% (CEO) and 103.1% (CFO) of their respective salaries. The bonuses reflect both the good financial performance of the Company and the exceptional individual contributions made by each of the Executive Directors over the last year. A summary of performance against targets is included on pages 83 and 84.

In March 2015, Executive Directors were each granted a Performance Share Award (PSA) based on performance over the three financial years to 31 December 2017. As we explained in our 2014 Remuneration report, we introduced strategic objectives as a performance measure in 2015 as all elements of those objectives are key drivers to our future success. These awards will vest to the extent that challenging EBITDA, relative total shareholder return (TSR) and strategic targets are achieved over the period. Half of the share award made under the 2013 PSA vested on performance to 31 December 2015; full payout against the TSR target reflects the strong performance of the Company against the benchmark index over that period. The EBITDA target was not achieved principally as a consequence of US Government sequestration and its impact on our government business, and delays outside our control impacting the timing of our Global Xpress satellites from their original launch dates.

For 2016, the financial element of the annual bonus (representing 70% of the total bonus) will continue to be measured by reference to EBITDA and revenue. The element on individual performance and contribution will not be weighted more than 30% of the total bonus, as now. The Bonus Share Award (BSA) will operate on a similar basis to 2015: performance will relate to achievement of EBITDA (60% of total award) and revenue (30%) targets, and additionally a non-financial metric related to the management of a strategic contract (10%). No changes are proposed to the Performance Share Award (PSA) for 2016, which will continue to be based on relative TSR, EBITDA and strategic objectives. Further detail on the implementation of policy for 2016 is included on page 87.

The Committee will continue to monitor market trends throughout 2016 in order to assess ongoing requirements for the Company's remuneration practices, and will consult with shareholders ahead of making significant changes to the remuneration structure. The appropriateness of a longer PSA time horizon will be considered by the Committee in time for our next policy vote at our 2017 AGM.

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

As was my predecessor, I am available to meet and discuss our Remuneration Policy with shareholders.

SIMON BAX
Chairman, Remuneration Committee
3 March 2016

REMUNERATION REPORT CONTINUED

DIRECTORS' REMUNERATION POLICY

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

- > References to financial years have been updated where appropriate;
- > Share awards made after the 2014 AGM have been renamed BSAs and PSAs following shareholder approval of the Executive Share Plan (ESP) at the 2014 AGM;
- > Minor revisions have been made to the performance metrics for BSA and PSA awards, and the annual bonus, from 2015 and details are shown on pages 87 and 88; and
- > Pay-for-performance scenario charts have been updated to reflect 2016 salaries, benefits and pension contributions.

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

Component	How does this link to strategy	What happens in practice	What amounts can be paid	How do we assess performance
BASIC SALARY	Paying market-competitive base salaries, commensurate with the individual's role, responsibilities and experience allows us to recruit and retain Executive Directors of the calibre required to implement our strategy.	Salaries are reviewed annually with any increase usually made in July or following a material change in responsibilities. The Committee will determine any increases to be made. Any increase is determined by a formal appraisal by the Committee, taking into account market pay levels, a review of salaries against companies of similar size, complexity and type, Group performance, as well as the remuneration arrangements operated throughout the Group, with reference to UK-based employees in particular for pay comparison levels.	Salary increases will be applied in line with the outcome of an annual salary review. The maximum annual salary increase will normally be in line with the average increase applied to the UK workforce. However, larger increases may be awarded in certain circumstances including, but not limited to, an increase in scope or responsibility of the role; to apply salary progression for a newly appointed Director; where the Director's salary has fallen behind market positioning. Where increases are awarded in excess of that for the UK employee population, the Committee will provide the rationale in the relevant year's Annual Report on Remuneration. As previously disclosed to shareholders, 2015 is the last year where it is anticipated that the CEO's salary will increase at a greater level than that for the general employee population as his salary was intentionally set below market rates on appointment because he was new to the role as CEO.	not applicable

Component	How does this link to strategy	What happens in practice	What amounts can be paid	How do we assess performance
BENEFITS IN KIND	We provide cost-effective benefits which support the wellbeing of employees.	<p>Provision of death, disability and medical insurance cover (which can include spouse and dependents cover). Life assurance of 4 x salary, paid holiday and medical check-ups are also provided.</p> <p>If required, the Company would provide access to independent financial and legal advice on a case-by-case basis.</p> <p>Cash in lieu of a company car was previously provided to one Director although it is not anticipated this will be offered generally to Executive Directors.</p> <p>These benefits are non-pensionable.</p>	<p>The benefits provided may vary by role and levels of cover provided reflect market practice and the individual circumstances of the Executive Directors.</p> <p>It is not anticipated that the current cost of benefits (as set out in the Annual Report on Remuneration) would increase materially over the period for which this policy will apply.</p> <p>The Committee retains the discretion to approve a higher cost in exceptional circumstances (eg relocation) or in circumstances where factors outside the Company's control have changed materially (eg market increases in insurance costs).</p>	not applicable
PENSION	We provide defined contribution pension arrangements, or cash in lieu of pension.	<p>The Executive Directors are eligible to participate in the Company's defined contribution pension plan arrangements or other similar pension plans as appropriate to the Executive Director's nationality or location. The Company also operates an auto-enrolment pension scheme which an Executive Director could participate in instead of the main pension plan.</p> <p>Contributions are based on a percentage of salary which is currently limited to a pensions cap.</p>	<p>Maximum employer contributions are currently 12.5% of the capped salary under the terms of the UK pension plan.</p> <p>The Committee may review pension contribution levels in the future as benchmarking reflects that the current contribution levels and method of calculation are off-market. Any increase in contributions would not result in a pension contribution in excess of 20% of the uncapped basic salary.</p>	not applicable
ANNUAL CASH BONUS	<p>We provide an annual bonus to incentivise the achievement of annual financial and operational goals in line with Group strategy.</p> <p>Performance metrics are selected to support the annual business strategy which we believe also lead to enhancement of shareholder value.</p>	<p>Bonus payment levels are determined by the Committee annually by reference to performance against targets set at the start of the financial year. Personal objectives are set annually by the Committee.</p> <p>In exceptional circumstances, the Committee has the ability to exercise discretion to override the formulaic bonus outcome within the limits of the scheme where it believes the outcome is not truly reflective of performance, and to reflect the actual delivery of value to shareholders. Any discretionary adjustments will be detailed in the following year's Annual Report on Remuneration.</p> <p>The Committee may exercise its discretion to clawback bonuses in certain exceptional circumstances which may include (but are not limited to) gross misconduct, fraud or a significant downward revision of the financial results of the Group.</p>	<p>Maximum opportunity: 125% of salary.</p> <p>Target opportunity: 75% of salary.</p>	<p>Bonus is based on achievement of annual financial and personal objectives.</p> <p>The personal element will not be weighted more than 30% of the total in any year</p> <p>Details of the measures and weightings applicable for the financial year under review are provided in the Annual Report on Remuneration. The Committee may change the measures used if other measures are deemed more suitable to allow delivery of the Company's strategy.</p>

REMUNERATION REPORT CONTINUED

Component	How does this link to strategy	What happens in practice	What amounts can be paid	How do we assess performance
BONUS SHARE AWARD (BSA)	<p>We provide the opportunity to participate in the BSA as it links the delivery of short-term financial and operational performance to sustained shareholder value creation.</p> <p>Participation in the BSA reinforces continued delivery of the LRBP.</p>	<p>We make annual monetary awards which convert to a number of shares subject to achievement of agreed annual financial targets. The resulting shares vest over the subsequent three years, subject to continued employment.</p> <p>Additional shares in lieu of accrued dividends over the vesting period are awarded only on the number of shares that vest.</p> <p>Unvested awards and vested awards that have not yet been transferred to the Executive Director are subject to adjustment for malus and clawback, ie forfeiture or reduction in exceptional circumstances. Such circumstances may include (but are not limited to) gross misconduct, fraud or a significant downward revision of the previously reported financial results of the Group.</p>	<p>Maximum opportunity for all Executive Directors is up to 200% of salary (300% in exceptional circumstances).</p> <p>The Committee's current intention is to make awards of up to 200% and 175% of salary for the CEO and CFO, respectively.</p> <p>Threshold performance results in 60% conversion of the monetary award into shares.</p>	<p>The Committee sets annual performance measures (currently based on the same financial objectives as for the annual cash bonus plan) and may change these for future awards as it considers appropriate.</p>
PERFORMANCE SHARE AWARD (PSA)	<p>We believe the PSA aligns executives' interests with long-term shareholder value creation through rewarding the delivery of a mix of financial measures and relative TSR.</p> <p>The financial performance measures in the PSA reflect the value drivers in the LRBP.</p>	<p>We make annual awards of shares, which vest after at least three years subject to performance over a three-year period.</p> <p>Additional shares in lieu of accrued dividends over the vesting period are awarded only on the number of shares that vest.</p> <p>Unvested awards are subject to adjustment for malus and clawback, ie forfeiture or reduction in exceptional circumstances. Such circumstances may include (but are not limited to) gross misconduct, fraud or a significant downward revision of the previously reported financial results of the Group.</p>	<p>Maximum opportunity for all Executive Directors is up to 200% of salary (300% in exceptional circumstances).</p> <p>Threshold performance will result in the vesting of 30%/0%/0% of the maximum award under the TSR/EBITDA/strategic performance elements.</p> <p>The intended award levels are included in the Annual Report on Remuneration on page 88.</p>	<p>The performance measures and respective weightings may vary year-on-year to reflect strategic priorities, and will include a financial market measure. Measures for outstanding PSPs include an element for relative TSR and EBITDA, and PSAs from 2015 include a third element linked to strategic performance.</p> <p>Details of the measures and weightings applicable for the financial year under review are provided in the Annual Report on Remuneration. Changes to weightings and performance targets will be retrospectively explained to shareholders.</p>
EMPLOYEE SHARE PLANS	<p>To encourage share ownership across all employees as allowed by HMRC and relevant local laws.</p>	<p>We operate employee share savings plans for our global workforce where, depending on location, savings periods of between two and three years operate.</p> <p>We will look at opportunities to offer other employee share plans in the future.</p>	<p>Participation levels set by HMRC or relevant local laws from time to time.</p>	<p>not applicable</p>

REPLACEMENT SHARE PLANS

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

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

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

PAYMENTS FROM EXISTING VARIABLE PAY AWARDS

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

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

PERFORMANCE MEASUREMENT SELECTION

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

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

The PSA currently has three performance requirements, which are EBITDA growth, the Company's TSR performance against the FTSE 50-150 excluding investment trusts, and strategic objectives. All three performance metrics are linked to our long-term business strategy, and support shareholder value creation.

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

REMUNERATION POLICY FOR OTHER EMPLOYEES

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

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

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

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

SHAREHOLDING GUIDELINES

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

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

PAY SCENARIO CHARTS

The following charts provide an estimate of the potential future reward opportunities for the two current Executive Directors (CEO and CFO), and the potential split between the different elements of pay under three different performance scenarios: 'Minimum', 'Target' and 'Maximum'. Potential reward opportunities are based on Inmarsat's current Remuneration Policy, applied to salaries, benefits and pensions as at 1 January 2016. Note that the projected values exclude the impact of any share price movement.

Each element of remuneration reflects the following assumptions:

- > **Minimum:** includes fixed remuneration only, ie base salary, taxable benefits and pension or cash allowance.
- > **Target:** includes fixed remuneration plus the amounts for on-target performance under the annual cash bonus plan (60% of maximum) and BSA (60% of maximum monetary value of 185% and 175% of salary for the CEO and CFO respectively), and threshold performance under the PSA (30%/0%/0% of maximum under the TSR/EBITDA/strategic performance elements, based on maximum opportunities of 185% and 175% of salary for the CEO and CFO respectively).
- > **Maximum:** includes fixed remuneration and maximum payment under all incentive plans.

PAY FOR PERFORMANCE (\$'000s)



REMUNERATION REPORT CONTINUED

APPROACH TO RECRUITMENT REMUNERATION

EXTERNAL APPOINTMENTS

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

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

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

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

INTERNAL APPOINTMENTS

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

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

NON-EXECUTIVE DIRECTORS

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

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

SERVICE CONTRACTS AND EXIT PAYMENT POLICY

Executive Director	Date of service contract	Term of office	Notice period
Rupert Pearce	18 January 2012	Indefinite until termination by either party	12 months' written notice by Company or Director
Tony Bates	21 February 2014	Indefinite until termination by either party	12 months' written notice by Company and 6 months' written notice by the Director

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

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

The Committee reserves the right to make additional exit payments where such payments are made in good faith:

- > in discharge of an existing legal obligation (or by way of damages for breach of such an obligation); or
- > by way of settlement or compromise of any claim arising in connection with the termination of a Director's office or employment.

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

REMUNERATION REPORT CONTINUED

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

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

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

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

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

NON-EXECUTIVE DIRECTORS

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

(1) Andrew Sukawaty became Non-Executive Chairman with effect from 1 January 2015. He was previously Executive Chairman.

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

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

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

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

EXTERNAL APPOINTMENTS

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

CONSIDERATION OF CONDITIONS ELSEWHERE IN THE COMPANY

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

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

CONSIDERATION OF SHAREHOLDER VIEWS

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

ANNUAL REPORT ON REMUNERATION

The following section provides details of how Inmarsat's Remuneration Policy was implemented during the financial year ending 31 December 2015 and how the Committee intends to implement the policy in 2016.

The Regulations require our external auditors to report to shareholders on the audited information within this Report and to state whether, in their opinion, the relevant sections have been prepared in accordance with the Act. The external auditors' opinion is set out on pages 95 to 99 and we have clearly marked the audited sections of the Report.

REMUNERATION COMMITTEE MEMBERSHIP IN 2015

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

Number of scheduled meetings in 2015	Attendance
Simon Bax (Committee Chairman) since 6 May 2015	4/4
Stephen Davidson (Committee Chairman) until 6 May 2015	4/4
Sir Bryan Carsberg	4/4
Kathleen Flaherty	4/4
General C. Robert Kehler (Rtd)	4/4

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

- > annual review of Executive Director salaries;
- > review of performance outcomes for the annual bonus, BSA and PSA in respect of performance to 31 December 2014 and anticipated award levels for schemes maturing in 2015 as these are finalised in the March meeting following the year end;
- > review of potential changes to the operation of the BSA and PSA;
- > calibration of award levels and targets for the 2015 BSA and PSA awards for the Executive Directors;
- > review of incentive plans across the Group;
- > review of the Non-Executive Chairman's fee;
- > preparation of the Directors' Remuneration report;
- > consideration of shareholder views on issues which may have arisen during the year and comments from those who were contacted ahead of the 2015 AGM; and
- > preparation for the 2015 AGM.

ADVISERS

During 2015, the Committee was advised internally by Andrew Sukawaty (Chairman), Rupert Pearce (CEO), Tony Bates (CFO), Debbie Jones (Chief People Officer), Alison Horrocks (Chief Corporate Affairs Officer and Company Secretary) and Matt Smith (Head of Reward). John Rennocks, the Company's former Deputy Chairman and SID, also attended meetings, as has Dr Abe Peled who became SID in November 2015. No member of management is present at a Committee meeting when their own arrangements are being discussed.

REMUNERATION REPORT CONTINUED

Kepler (a brand of Mercer) was appointed by the Committee after consultation with the Board in September 2012 following a tendering process, and has continued to act as the Committee's independent external adviser during the year. Kepler's responsibilities include a mandate to review our remuneration principles and practices against corporate governance best practice. Kepler reports directly to the Committee Chairman and is a signatory of the Code of Conduct for Remuneration Consultants (which can be found at www.remunerationconsultantsgroup.com). Kepler provides no non-remuneration-related services to the Company and is therefore considered independent. Kepler's parent, Mercer, provides unrelated services to the Company in the areas of pension investment advice and actuarial services to the Trustee to the Inmarsat UK Pension Plan. During 2015, Kepler's fees were based on time and materials, and fees (excluding VAT and expenses) totalled £51,150 (2014: £36,300).

SUMMARY OF SHAREHOLDER VOTING AT THE 2015 AGM

The following table shows the results of the advisory shareholder vote on the Annual Report on Remuneration of the 2014 Directors' Remuneration report at the 2015 AGM:

	Annual Report on Remuneration	
	Total number of votes	% of votes cast
For (including discretionary)	233,600,610	71.61%
Against	92,600,415	28.39%
Total votes cast (excluding withheld votes)	326,201,025	100%
Votes withheld	30,166,200	n/a

The current Remuneration Policy was approved by shareholders with a 97% vote for at the 2014 AGM.

The Annual Report on Remuneration was approved by shareholders with a 72% vote for. The Committee is mindful of some shareholders who voted against, and understand that this largely reflected some shareholders' views on the introduction of strategic measures within the PSA from 2015. The Committee takes seriously shareholders' voting on the Directors' Remuneration report, and consulted with the Company's major shareholders in early 2015 in advance of introducing strategic measures in the PSA, and we had further discussions with shareholders later in the year. Whilst many shareholders were in favour of the strategic measures, others preferred to use purely financial objectives. The Committee considered these views when finalising its plans for the structure for the 2015 PSA. The Committee continued to believe that the strategic measures are focused on the long-term operational future of the business and will ultimately drive shareholder value and it was appropriate therefore to include them as a performance measure. The Company continues to commit to retaining an element of the PSA based on financial performance.

The Committee will continue to engage with shareholders to facilitate their understanding of the Company, the environment in which it operates and how this translates into our executive Remuneration Policy.

SINGLE TOTAL FIGURE OF REMUNERATION FOR EXECUTIVE DIRECTORS (AUDITED)

The table below sets out a single figure for the total remuneration received by each Executive Director for the year ended 31 December 2015 and the prior year:

£'000	Rupert Pearce		Tony Bates	
	2015	2014	2015	2014
Basic salary	542	485	457	263
Taxable benefits ⁽¹⁾	9	8	6	3
Pension ⁽²⁾	16	16	16	9
Annual bonus ⁽³⁾	491	622	471	563
Bonus Share Award ⁽⁴⁾	1,037	677	787	450
Long-term incentives ⁽⁵⁾	510	786	–	–
Total	2,605	2,594	1,737	1,288

- (1) The taxable benefits received by the Executive Directors include healthcare benefits and benefits relating to staff entertaining. The tax due in respect of the staff entertainment benefit is settled by the Company. The Company also reimburses the travel costs incurred by Directors for travel to Board meetings where these do not take place in the country in which they are domiciled. These travel expenses are subject to a specific deduction under HMRC rules and are not taxable.
- (2) Represents the pension payment made by the employer to the individual Director as cash in lieu of pension (see page 86 for details).
- (3) Represents the annual bonus payment in relation to the financial years ended 31 December 2015 and 2014 (see pages 83 and 84 for details).
- (4) Represents the face value of the shares as at March 2015 to be awarded under the Bonus Share Award in relation to the financial year ended 31 December 2015 and awarded under the Bonus Share Award in relation to the financial year ended 31 December 2014 (see pages 84 and 85 for details).
- (5) PSA granted in 2012, which vested in March 2015 based on performance to 31 December 2014, is valued using the share price on the date of vesting of £9.41. This amount has been revised from last year's report to reflect the actual share price on vesting plus reinvested dividends on vested shares. 50% of the 2013 award will vest in March 2016 based on performance. As the share price on the date of vesting is currently unknown the value shown is estimated using the average market value over the last quarter of 2015 of £10.36.

Mr Sukawaty was included in the table in 2014 as an Executive Director. His 2014 remuneration comprised a basic salary of £615k, taxable benefits of £38k, pension of £88k, and annual bonus of £738k. His Bonus Share Award totalled £1,181k and long-term incentives of £1,222k. His total remuneration was £3,882k for 2014. In 2015, he received a fee as Non-Executive Chairman, detailed on page 83. Details of benefits he received from share awards that vested are shown on page 85.

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

The table below sets out a single figure for the total remuneration received by each Non-Executive Director for the year ended 31 December 2015 and the prior year:

£'000	Base fee		Additional fees		Taxable benefits ⁽¹⁾		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Andrew Sukawaty ⁽²⁾	299.1	–	–	–	20.0	–	319.1	–
Simon Bax	52.2	50.8	8.1	4.5	0.2	–	60.5	55.3
Sir Bryan Carsberg	52.2	50.8	10.1	9.0	0.8	1.0	63.1	59.8
Stephen Davidson	52.2	50.8	17.4	19.0	1.2	1.0	70.8	69.8
Kathleen Flaherty	52.2	50.8	4.5	4.5	–	–	56.7	55.3
General C. Robert Kehler (Rtd) ⁽³⁾	105.1	67.0	4.5	3.0	–	–	109.6	70.0
Janice Obuchowski	52.2	50.8	5.6	4.5	–	–	57.8	55.3
Dr Abraham Peled ⁽⁴⁾	54.5	50.8	5.6	4.5	–	–	60.1	55.3
Robert Ruijter ⁽⁵⁾	49.8	–	3.1	–	–	–	52.9	–
Dr Hamadoun Touré ⁽⁶⁾	46.6	–	3.8	–	–	–	50.4	–
John Rennocks ⁽⁷⁾	83.8	95.5	8.3	10.0	2.0	1.0	94.1	105.5
Total	899.9	467.3	71.0	59.0	24.2	3.0	995.1	529.3

Fees converted to GBP, where relevant, using an exchange rate of \$1.51 = £1.00.

- (1) The taxable benefits received by the Non-Executive Directors were associated with accommodation costs incurred with attendance at two-day Board meetings. The tax due in respect of these benefits is settled by the Company. The Company also reimburses the travel costs incurred by the Non-Executive Directors for travel to Board meetings where these do not take place in the country in which they are domiciled. These travel expenses are subject to a specific deduction under HMRC rules and are not tax deductible.
- (2) As set out in the 2014 Directors' Remuneration report, Mr Sukawaty continues to receive healthcare cover as a continuation of the cover provided to him over the last 10 years. Mr Sukawaty's outstanding PSA awards (made to him when he was Executive Chairman) will also vest to him on a time pro-rata basis on their respective normal vesting dates, subject to performance and continued employment (see page 85 for vesting details). Mr Sukawaty's salary as Executive Chairman is shown immediately above this table.
- (3) The fees for General C. Robert Kehler (Rtd) include a fee of £52,942 as a Non-Executive Director of Inmarsat Inc, a wholly owned subsidiary in the US.
- (4) Dr Peled was appointed as Senior Independent Director as of 6 November 2015.
- (5) Mr Ruijter was appointed to the Board as a Non-Executive Director on 1 February 2015.
- (6) Dr Touré was appointed to the Board as a Non-Executive Director on 1 March 2015. In addition to the fees reported in the table above, a consultancy firm which used the services of Dr Touré during 2015 charged the Company a fee of \$30,000 for 30 days' consultancy, and other costs including travel, entertaining and hotel accommodation of approximately \$9,700. This work was not undertaken by Dr Touré in his capacity as a Non-Executive Director and related to a specific project which required focused time commitment. It is not expected that he will provide consultancy services on a regular basis.
- (7) Mr Rennocks retired from the Board on 6 November 2015.

INCENTIVE OUTCOMES FOR THE YEAR ENDED 31 DECEMBER 2015

ANNUAL CASH BONUS IN RESPECT OF 2015 PERFORMANCE

In 2015, the annual cash bonus was based on the achievement of Group financial targets and individual performance objectives.

As part of a process of refocusing on Group performance and more closely aligning the bonus schemes across the Group, 2015 performance was measured by reference to revenue (33%) and EBITDA targets (67%). Revenue and EBITDA are two measures which have strong line-of-sight, are easily understood and are two of our key reporting metrics to shareholders. The same performance metrics are used in the annual bonus plan for all employees. The Committee has the ability to apply up to 30% of the maximum bonus opportunity potential in consideration of the achievement of personal objectives.

In line with the previous approach, the Committee will disclose the 2015 financial targets in next year's Annual Report on Remuneration. We believe the targets used are commercially sensitive if made public in the same reporting period as to which they apply.

Examples of the personal objectives for the Executive Directors for 2015 are noted below. Some have been excluded where we believe they may be commercially sensitive if published.

CEO:

- > Deliver on the 2015 financial budget as to revenues and EBITDA performance.
- > Ensure the on-time launch and deployment of Inmarsat-5 F2 and F3.
- > Maintain the Global Xpress Ka-band programme to enable global service launch on time and to budget.
- > Manage the Company's position regarding LightSquared while it is in bankruptcy.
- > Make meaningful progress for the aviation opportunity in Europe.

CFO:

- > Deliver on the 2015 financial budget as to revenues and EBITDA performance.
- > Complete SAP financial system roll-out on time and to budget.
- > Ensure new internal and external financial reporting is in place and operating well.
- > Establish a Group-wide procurement strategy and capability to deliver cost savings to the business.

REMUNERATION REPORT CONTINUED

In 2015, revenues were \$1,274m, which exceeded target performance but fell short of stretch. EBITDA was \$726m, which exceeded stretch performance. However, in considering the underlying performance of the business, the Remuneration Committee felt that contributions from a strategic contract should be only partially applied as a fair reflection of the performance of the Company overall. On a formulaic basis, the bonus payout in respect of financial performance is 92.5% of maximum. However, the Committee used its discretion to adjust downwards the payout to be 75% of that element (which translates into 65.6% of salary for each of the Executive Directors out of a maximum of 87.5% of salary linked to financial performance).

The Committee also considered the Executive Directors' achievement of personal objectives during the year, and payout in respect of personal performance was 25% and 37.5% of salary for the CEO and the CFO, respectively.

The maximum and target annual bonus amounts that could be made and actual cash bonus which will be awarded to each Executive Director are set out in the next table.

Executive Director	Target bonus (% of salary)	Maximum bonus (% of salary)	Actual bonus outcome for 2015 financial year (% of salary)	Bonus paid for the 2014 financial year (% of salary)
Rupert Pearce	75%	125%	90.6%	120%
Tony Bates	75%	125%	103.1%	125%

ANNUAL CASH BONUS IN RESPECT OF 2014 PERFORMANCE

Last year, the Company committed to disclosing the 2014 bonus financial targets in this year's Annual Report on Remuneration. The targets and actual performance against them are set out below.

Measure	Weighting (% of financial element)	Performance targets \$m		Actual performance \$m	Payout (% of financial element)
		On-target	Stretch		
Revenue	50%	1,109	1,192	1,286	50%
Opex	35%	394	375	372	35%
Capex	15%	610	581	425	15%
TOTAL	100%				100%
EBITDA	Underpin for ABP	\$619m	\$619m	\$701m	Underpin met

In determining the final bonus outcome, the Committee also considered broader Company performance. Taking into account the Company's outperformance of stretch targets for all the financial measures and its achievement of the EBITDA underpin, and the wider performance and contributions of the CEO and CFO in 2014, the overall bonus outcomes were 120% and 125% of salary for the CEO and CFO, respectively. The Committee believes these outcomes are warranted and reflect strong Company and individual performance in 2014. Examples of the personal objectives for the Executive Directors for 2014 were provided in last year's Annual Report on Remuneration.

BSP AWARD IN RESPECT OF 2014 PERFORMANCE

Details of the financial targets and actual performance against targets in respect of the 2014 BSP award are provided in the 'Annual cash bonus in respect of 2014 performance' section above.

BSP AWARD IN RESPECT OF 2015

An allocation of shares was made on 27 March 2015 at a share price of £9.3375 in respect of the March 2015 BSA monetary awards. The confirmation of these awards is based on Company performance for the financial year ended 31 December 2015. The performance targets were achieved in full and the full number of shares originally allocated in March 2015 will be awarded in March 2016. Under the BSA, the maximum number of shares is awarded for target performance and does not increase for outperformance. The performance measures, weightings and actual performance against target were as follows:

Performance measure	Weighting (% of maximum)	Actual performance against target
Revenue	33%	Revenues were \$1,274m, which exceeded threshold and target performance, and therefore the full allocation is made
EBITDA	66%	EBITDA was \$726m, which exceeded threshold and target performance, and therefore the full allocation is made

Based on performance achieved against each of the measures, 100% of the allocated shares will be awarded and will vest in March 2017, 2018 and 2019.

The table below shows the confirmation of the number of shares awarded for the 2015 BSP Award.

Executive Director	Maximum monetary award	Share price on date of allocation (27 March 2015)	Number of shares allocated in March 2015	Conversion rate based on performance for year ended 31 December 2015	Confirmed number of shares awarded in March 2016
Rupert Pearce	£1,037,294	£9.34	111,089	100%	111,089
Tony Bates	£787,496	£9.34	84,337	100%	84,337

2013 PSP VESTING

On 19 March 2013, the then Executive Chairman and CEO received PSP awards of 201,262 and 98,435 shares. Vesting of the awards was dependent on three-year TSR vs. the FTSE 350 (excluding investment trusts) and three-year EBITDA growth, both measured over the three years to 31 December 2015 and weighted equally. There was no re-testing of performance. Performance targets for these awards are as follows:

Performance measure	Weighting (% of maximum award)	Performance targets
3-year TSR vs. FTSE 350 (excluding investment trusts)	50%	Below median: nil vesting Median: 30% vesting Upper quartile: 100% vesting (straight-line vesting applies between median and upper quartile)
3-year EBITDA growth pa	50%	Less than 1%: nil vesting 1%: 0% vesting 3.5%: 100% vesting (straight-line vesting applies between 1% and 3.5%)

The EBITDA target was not achieved for the three-year period, and therefore there is no vesting due for 50% of the total award. As explained in the Remuneration Committee Chairman's Annual Statement, EBITDA was not achieved because of some specific factors, including the effect of US sequestration on our government business and the delay of the launches of our Inmarsat-5 satellites which were beyond our control. In respect of relative TSR, the Company's performance was at the 75th percentile vs. the FTSE 350 (excluding investment trusts), which gave a vesting outcome of 50% of the total award. The total amount that will vest on 19 March 2016, subject to continued employment, will therefore be 50% of the maximum award.

The then Executive Chairman's (now Non-Executive Chairman) 2013 PSA award is reduced on a time pro-rata basis for the period he served as an Executive Director, ie 19 March 2013 to 31 December 2014. Therefore, 59,819 shares, plus shares added in lieu of accrued dividends, will vest to the Chairman on 19 March 2016.

SCHEME INTERESTS AWARDED IN 2015 (AUDITED)

BSP AWARD IN RESPECT OF 2014

An allocation of shares was made in respect of the March 2014 BSP monetary awards based on Company performance for the year ended 31 December 2014. The share award was based on the mid-market closing price of the Company's ordinary shares following the announcement of the Preliminary Results in March 2015. As advised in the 2014 Annual Report the conversion rate was 100% of the monetary amount into an award of shares which vest in equal tranches in March 2016, 2017 and 2018, subject to continued employment.

Executive Director	Maximum monetary award	Conversion rate	Date of share award	Awards made during the year	Market price at date of award in March 2015	Face value at date of award
Rupert Pearce	£676,500	100%	6 March 2015	75,947	£8.91	£676,500
Tony Bates	£450,000	100%	6 March 2015	50,519	£8.91	£450,000

The then Executive Chairman (now Non-Executive Chairman), received a monetary award of £1,181,148 in March 2014 which was converted into 132,601 shares in March 2015, with a face value at date of award of £1,181,148. The Chairman is eligible to receive these shares when they vest as he was an Executive Director during the entire performance period.

2015 PSA

In March 2015, the Executive Directors received PSA share awards which will vest subject to performance over the three years to 31 December 2017.

Executive Director	Date of grant	Awards made during the year	Market price at date of award	Face value at date of award	Award as % of salary	Vesting date
Rupert Pearce	30 March 2015	111,089	£9.34	£1,037,294	200%	30 March 2018
Tony Bates	30 March 2015	84,337	£9.34	£787,497	175%	30 March 2018

REMUNERATION REPORT CONTINUED

The award levels fall within the normal maximum permitted under the Remuneration Policy, and were determined taking into account the overall market pay data, the performance of the Company and the individuals' strong personal performance and contribution to shareholder value creation over the year.

Vesting of the awards will be dependent on three-year TSR vs. the FTSE 50-150 (excluding investment trusts), three-year EBITDA growth and achievement of specific strategic objectives. As discussed in the 2014 Annual Report, 2015 was the first year we introduced the use of strategic objectives as a performance measure in our long-term share plan. The Company believes that it is important for management to be focused on delivering critical strategic programmes which will drive long-term shareholder value creation. The strategic objectives described below are the ones identified to deliver this value. The targets will be measured over the three years to 31 December 2017 and weighted 30%/30%/40% respectively. There will be no re-testing of performance. Performance targets for these awards, and part-cycle updates on achievement against the strategic objectives, are as follows:

Performance measure	Weighting (% of maximum award)	Performance targets
3-year TSR vs. FTSE 50-150 (excluding investment trusts)	30%	Below median: nil vesting Median: 30% vesting Upper quartile: 100% vesting (straight-line vesting applies between median and upper quartile)
3-year EBITDA growth pa	30%	Less than 4%: nil vesting 10%: 100% vesting (straight-line vesting applies between 4% and 10%)
Strategic objectives	40%	<p>The key areas are:</p> <ul style="list-style-type: none"> > Global Xpress: Completion of the successful launch and market entry for next generation of Inmarsat-5 satellites Part-cycle update: at the end of 2015, three Inmarsat-5 satellites had been successfully launched and global service was announced. > S-band: Putting in place all key building blocks of the aviation business case which will support material revenues beyond 2017 Part-cycle update: we have received 28 MSS licenses and 18 ACGC licenses. We also announced the European Aviation Network which included a partnership with Deutsche Telekom and a flight trial by Lufthansa of the system in 2017. > L-band: Sustaining L-band revenues despite migration of services from L-band to Global Xpress Ka-band, through a re-orientation, expansion and globalisation of L-band services Part-cycle update: at the end of 2015, we had continued our focus on L-band product and solution development such as a smaller maritime terminal for fishing vessels, continued development of a core module to be used in chip sets and developing our offering for the machine-to-machine market. <p>Achievement against strategic objectives will be considered as a whole.</p> <p>There are specific objectives within each area, and further details of the objectives and key achievements will be disclosed in detail at the end of the performance period.</p>

PENSION (AUDITED)

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

Pensionable salary is currently limited to basic salary and subject to a specific earnings cap which we apply for participants in our UK Pension Plan.

Neither Mr Pearce nor Mr Bates is a member of the UK defined contribution pension plan. The normal retirement date under the UK pension plan is age 65 with an employee able to retire from age 55.

The current employer contributions (subject to the cap of £145,200 for the 2014/15 tax year and £147,600 for the 2015/16 tax year) are 12.5% of capped salary. This amount is reduced for the cost to the Company of the employer national insurance. The effect of which is that the Executive Directors receive an equivalent 11% of capped salary:

Rupert Pearce	£16k, equivalent to 2.8% of salary, was paid in 2015
Tony Bates	£16k, equivalent to 3.4% of salary, was paid in 2015

EXIT PAYMENTS MADE IN THE YEAR (AUDITED)

There were no exit payments made in 2015.

PAYMENTS TO PAST DIRECTORS (AUDITED)

No payments were made to past Directors.

EXTERNAL APPOINTMENTS

The Executive Directors do not currently hold positions in other companies as Non-Executive Directors.

IMPLEMENTATION OF REMUNERATION POLICY FOR 2016**BASE SALARY**

The table below shows the Executive Directors' salaries as at July 2014 and July 2015. Salaries will next be reviewed in July 2016, which is the same time for the general workforce.

Executive Director	Salary at 1 July 2015 £'000	% change	Salary at 1 July 2014 £'000
Rupert Pearce	566	9%	519
Tony Bates	464	3%	450

We have already indicated to shareholders that the Committee expected to increase Mr Pearce's salary gradually over a period of time to reflect his demonstrated development in the CEO role and the performance of the business. Mr Pearce was appointed as CEO in 2012 on a salary that was significantly below the median level for a FTSE 50-150 CEO. Mr Pearce received no increase in 2013, in line with the salary freeze for the wider employee population. We made an initial increase in 2014 which reflected Mr Pearce's continued strong performance in his role and significant contribution to the business, and took into account the 2013 salary freeze. A salary of £519,000 remained bottom quartile for a FTSE 50-150 CEO; in this context, the Committee made an increase in July 2015 of 9% to £565,710. This salary level remains significantly behind the median salary for a FTSE 50-150 CEO.

The salary increase applied across the business in 2015 (excluding that for the Executive Directors) was 3%. Mr Bates, our CFO, received an increase of 3% in July 2015, which was in line with the awards made across the UK employee base which was 2%. Salary increases across the Group averaged 3%, and averaged 4% for non-UK employees. Both the CEO and CFO's salaries will next be reviewed in July 2016, taking into account market pay levels and pay increases for the wider employee population.

PENSION

Cash payments in lieu of employer pension contributions for 2016 will be made in accordance with the Remuneration Policy table set out on pages 74 to 76, and will be on the same basis as those made in 2015.

ANNUAL CASH BONUS

The maximum annual bonus opportunity for Executive Directors in 2016 will remain unchanged from the opportunity in 2015, and will be 125% of salary.

The Annual Bonus will continue to have a financial element and an element linked to personal performance. The financial element of the bonus, totalling 70% of maximum bonus opportunity, will continue to be measured by reference to EBITDA (67% of the maximum award) and revenue (33%). As in 2015, the Committee will have the ability to apply up to 30% of the maximum bonus opportunity potential in consideration of the achievement of personal objectives.

2016 SHARE AWARDS:**BSA**

In March 2016, a monetary BSA award will be made and nominally converted to shares immediately as happened in 2015. As in previous years, the level of award will not be confirmed until the results for 2016 have been determined and may be lower (but not higher) than the initial award. There is no change to the vesting timetable: the shares will vest in equal tranches in March 2018, 2019 and 2020, subject to continued employment. With the nominal conversion of the shares at the outset, this more closely aligns the value delivered to participants under this award with the value created for shareholders over the same period.

It is expected that the level of award in March 2016 will be 185% and 175% of salary for Mr Pearce and Mr Bates, respectively. The performance measures will include the same as the financial metrics used in the 2016 annual bonus. 60% of the award will be linked to EBITDA and 30% to revenue. Additionally, there will be a new non-financial measure (10% of the award) linked to the management of a strategic contract. The Remuneration Committee reviewed the award levels and believe they are appropriate in the context of the Company's ambitions for growth and how each of the Executive Directors will contribute personally towards overall Group performance. The award levels are in line with market benchmark levels for FTSE 50-150 companies (excluding investment trusts) when considered as part of a total package.

REMUNERATION REPORT CONTINUED

PSA

A PSA award will be made in March 2016, and it is expected that the level of award will be 185% of salary for Mr Pearce and 175% for Mr Bates. The Remuneration Committee reviewed the award levels, and believe they are appropriate in the context of Company's ambitions for growth and how each of the Executive Directors will contribute personally towards overall Group performance. The award levels are in line with market benchmark levels for FTSE 50-150 companies (excluding investment trusts) when considered as part of a total package.

The PSA awards in 2016 will operate on the same basis as they did in 2015. Awards vest after three years based upon the same three performance conditions, measured over the three years to 31 December 2018. The targets are as follows:

Performance measure	Weighting (% of maximum award)	Performance targets
3-year TSR vs. FTSE 50-150 (excluding investment trusts)	30%	Below median: nil vesting Median: 30% vesting Upper quartile: 100% vesting (straight-line vesting applies between median and upper quartile)
3-year EBITDA growth pa	30%	Less than 5%: nil vesting 11%: 100% vesting (straight-line vesting applies between 5% and 11%)
Strategic objectives	40%	The key areas are: <ul style="list-style-type: none"> > Global Xpress: Complete successful market entry for next generation Inmarsat-5 satellites > Aviation: Putting in place all key building blocks of the aviation business case which will support material revenues beyond 2017 > L-band: Aggressively work to sustain L-band revenues despite migration of services from L-band to Global Xpress Ka-band, ongoing US sequestration and increasing competition > Strategic contract: Maximise the near and medium term income opportunities from this key strategic contract <p>Achievement against strategic objectives will be considered as a whole.</p> <p>There are specific objectives within each area, and further details of the objectives and key achievements will be disclosed in detail at the end of the performance period.</p>

The Committee will be considering the appropriateness of a five-year PSA horizon in a comprehensive remuneration review later in 2016, and any such changes will be reflected in the policy to be put to shareholders at the May 2017 AGM, to take effect from awards to be made in March 2018.

NON-EXECUTIVE DIRECTOR FEES

Fees paid as follows for a Non-Executive Director	Amount
Basic fee	£52,942
Chairman of the Audit Committee	£10,000
Chairman of the Remuneration Committee	£10,000
Chairman of the Nominations Committee	£5,000
Chairman of the Telecoms Regulatory Committee	£5,000
Committee membership (per Committee)	£4,500
SID (inclusive of all additional Committee fees)	£99,621
Non-Executive Chairman (inclusive of any Committee Chairmanship/member fees)	£303,261

Fees will next be reviewed in July 2016 and any increases will be for the decision of the Board, excluding the Non-Executive Directors. The Non-Executive Chairman also receives healthcare cover (£14.6k in 2015).

The Telecoms Regulatory Committee is a new Committee of the Board established in 2015 and details about this can be found in the Corporate governance report on page 67.

TOTAL SHAREHOLDER RETURN

The following graph shows the Company's performance over the last seven years, measured by total shareholder return on a holding in the Company's shares compared to a hypothetical holding of shares in the FTSE 350 index (excluding investment trusts). The FTSE 350 index has been selected as it provides a view of our performance against a broad equity market index, and Inmarsat is a constituent of the index. The Committee will review the appropriateness of the comparator group used in future reports to shareholders.

TOTAL SHAREHOLDER RETURN



Source: Datastream

CEO SEVEN-YEAR EARNINGS HISTORY (AUDITED)

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

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

Year ended		31 Dec 2009	31 Dec 2010	31 Dec 2011	31 Dec 2012	31 Dec 2013	31 Dec 2014	31 Dec 2015
Single remuneration figure ⁽¹⁾	AS	£2.218m	£3.661m	£2.819m	£3.850m ⁽²⁾	£2.511m ⁽²⁾	£4.427m ⁽²⁾	–
	RP	–	–	–	£1.596m	£1.434m	£2.595m	£2.605m
Annual bonus outcome (% of maximum)	AS	98%	100%	84%	–	–	–	–
	RP	–	–	–	91%	83%	96%	90.6%
BSP conversion (% of maximum monetary value)	AS	100%	100%	98%	–	–	–	–
	RP	–	–	–	100%	73%	100%	100%
PSP award vesting (% of maximum)	AS	100%	100%	Nil	–	–	–	–
	RP	–	–	–	Nil	Nil	54.47%	50%

(1) Please refer to page 82 for detail of the single remuneration figure.

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

REMUNERATION REPORT CONTINUED

PERCENTAGE CHANGE IN CEO REMUNERATION

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

	Change in remuneration from 2014 to 2015			
	CEO			Other UK employees
	2015 £'000	2014 £'000	% change	% change
Salary	542.0	484.8	11.9% ⁽¹⁾	2% ⁽⁴⁾
Taxable benefits ⁽²⁾	1.9	1.9	1.7%	4%
Short-term incentives ⁽³⁾	1,528.7	1,298.9	17.7%	-30.1% ⁽⁵⁾
Total	2,073.0	1,785.6	16.1%	-8.1%

(1) The CEO's salaries shown relate to the average salaries paid in respect of each of the financial years. The actual salary increase the CEO received at 1 July 2015 was 9%.

(2) Taxable benefits include healthcare benefits; for the CEO it is different compared to the single remuneration figure as the amount here excludes costs for staff entertainment.

(3) Represents the annual bonus payment for the financial year just ended plus the monetary value of the shares to be awarded under the Bonus Share Award corresponding to the financial year just ended.

(4) The number of employees is based on those who were in employment for the whole year. Effective July 2015, salary increases of approximately 2% to the eligible Other UK employee workforce were awarded with 4% awarded on average to non-UK employees and 3% awarded on average across all employees.

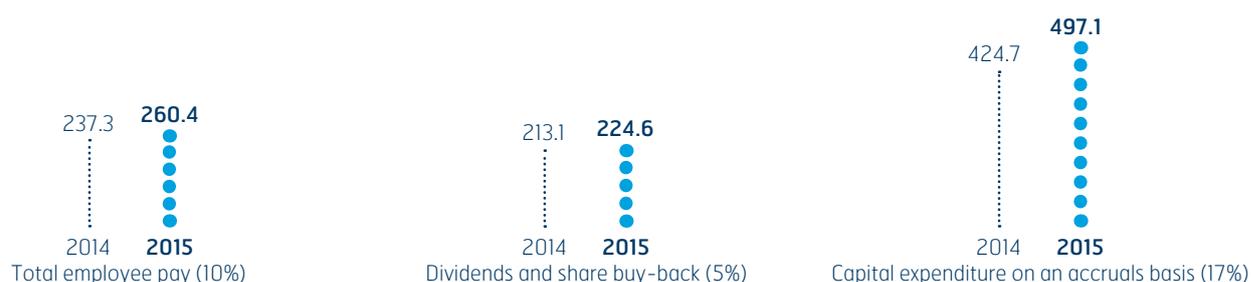
(5) The short-term incentive result for UK employees does not reflect the result for Group employees generally, which show a percentage change of 9% for global employees, excluding the UK workforce. The CEO's results are more aligned with the result for the Group as a whole. The re-alignment of the CEO's salary in 2014 and 2015 discussed previously in this Report, also impacts both the salary and bonus levels.

The reporting periods are 1 January to 31 December 2014 and 2015.

RELATIVE IMPORTANCE OF SPEND ON PAY

To assist in understanding the relative importance of spend on pay, the below shows remuneration for all employees in comparison to distributions to shareholders (dividends and share buy-back) and other significant spend. Capital expenditure has been presented as a measure of significant spend as it shows the investment being made in the Company's future growth. Our business model creates value that is distributed in the form of remuneration to employees, returns to shareholders and funds which are reinvested in the business. We have invested significantly in recent years in the business while at the same time reviewing pay levels to be competitive and securing good returns to shareholders through increasing capital value in the share price and increasing dividend payments. We are focused on putting in place a sound platform for the long-term success of the Group.

RELATIVE SPEND ON PAY (US\$m)



DIRECTORS' SHAREHOLDING (AUDITED)

The table below shows the shareholding of each Director against their respective shareholding requirement as at 31 December 2015 based on a share price of £11.38 as at 31 December 2015:

	Shares held		Unvested and subject to deferral ⁽¹⁾	Unvested and subject to performance conditions ⁽²⁾	Shareholding required (% salary)	Current ⁽³⁾ shareholding (% salary)	Requirement met?
	Shares held as at 31 Dec 2015	Shares held as at 31 Dec 2014					
Rupert Pearce	747,046	660,252	334,969	306,478	500%	2,177%	Yes
Tony Bates	–	–	139,262	143,253	500%	342%	No ⁽⁴⁾
Andrew Sukawaty	937,228	937,228	414,889	23,005			
Simon Bax	7,000	7,000					
Sir Bryan Carsberg	16,327	16,327					
Stephen Davidson	1,500	1,500					
Kathleen Flaherty	3,073	3,073					
General C. Robert Kehler (Rtd)	1,000	–					
Janice Obuchowski	7,000	7,000					
Dr Abraham Peled	10,000	10,000					
Robert Ruijter	–	–					
Dr Hamadoun Touré	10,000	–					

(1) The unvested and subject to deferral column includes 50% of the 2013 PSA as performance has been tested.
(2) The unvested and subject to performance conditions column includes PSP/PSA awards made in 2014 and 2015.
(3) Includes the unvested and subject to deferral shares under the BSP/BSA.
(4) Mr Bates joined the Company in June 2014. The shareholding guideline of 5x salary is to be achieved over a five to seven-year period.

Several of our Non-Executive Directors have share interests in excess of 1x salary, although there is no formal shareholding requirement. There were no changes in Directors' interests from 31 December 2015 to 3 March 2016.

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

This information is accurate as at 31 December 2015.

INMARSAT SHARES AVE SCHEME (2012 AWARD)

	Options held at 1 January 2015	Granted during the year	Exercised during the year	Options held at 31 December 2015	Option price per share	Date from which exercisable	Expiry date
Rupert Pearce	1,960	–	–	1,960	£4.59	February 2016	July 2016

The Chairman, Andrew Sukawaty, held 1,960 options over shares under the Inmarsat 2005 Sharesave scheme at an option price of £4.59. These options are exercisable between 1 February 2016 and 31 July 2016. The award was made when Mr Sukawaty was an executive.

REMUNERATION REPORT CONTINUED

INMARSAT BONUS SHARE AWARDS

	Share awards held at 1 January 2015	Awarded during the year	Reinvested dividends during the year ⁽¹⁾	Vested during the year ⁽²⁾	Share awards held at 31 December 2015	Award price	Vesting date
Rupert Pearce							
Share award made in March 2012	21,584	–	–	21,584	–	£4.55	Fully vested: 2015 last vesting date
Share award made in March 2013	68,428	–	1,117	34,212	35,333	£6.50	May 2014, March 2015 and March 2016
Share award made in March 2014	74,557	–	1,623	24,851	51,329	£6.89	March 2015, March 2016 and March 2017
Share award made in March 2015	–	75,947	–	–	–	£8.91	March 2016, March 2017 and March 2018
Tony Bates							
Share award made in March 2015	–	50,519	1,650	–	52,169	£8.91	March 2016, March 2017 and March 2018
Andrew Sukawaty⁽³⁾							
Share award made in March 2012	122,468	–	–	122,468	–	£4.549	Fully vested: 2015 last vesting date
Share award made in March 2013	174,107	–	2,845	87,052	89,900	£6.50	May 2014, March 2015 and March 2016
Share award made in March 2014	178,325	–	3,885	59,439	122,771	£6.89	March 2015, March 2016 and March 2017
Share award made in March 2015	–	132,061	4,333	–	136,934	£8.91	March 2016, March 2017 and March 2018

Mr Pearce and Mr Bates received conditional BSA awards in March 2015 of 111,089 and 84,337 shares in respect of the allocation made in March 2015 respectively. The 2015 BSA share awards will be converted in full as the performance conditions have been met.

- (1) The number of shares subject to the award increases by the number of shares that the Executive Director could have purchased with the value of dividends they would have received on their award, based on the share price on the ex-dividend date.
- (2) On 20 March 2015, Mr Pearce sold sufficient shares to cover tax and national insurance and retained the balance at a price of £9.31 per share, representing a monetary value of vested shares of £1,104,604. Mr Sukawaty disposed of all the vested shares, representing a monetary value of £2,504,008 at the same price.
- (3) Mr Sukawaty, as Non-Executive Chairman, remains entitled to receive the shares when they vest as they were awarded and earned while he was an Executive Director.

INMARSAT PERFORMANCE SHARE AWARDS

	Share awards held at 1 January 2015	Awarded during the year	Reinvested dividends during the year ⁽¹⁾	Vested during the year	Lapsed during the year	Share awards held at 31 December 2015	Award price	Vesting date
Rupert Pearce								
Award made in 2012 ⁽³⁾	135,462	–	17,804	83,483	69,783	–	£4.54	May 2015
Award made in 2013 ⁽⁴⁾	98,435	–	–	–	–	98,435	£6.87	March 2016
Award made in 2014	96,954	–	–	–	–	96,954	£6.98	March 2017
Award made in 2015	–	111,089	–	–	–	111,089	£9.34	March 2018
Tony Bates								
Award made in 2014	58,919	–	–	–	–	58,919	£7.64	March 2017
Award made in 2015	–	84,337	–	–	–	84,337	£9.34	March 2018
Andrew Sukawaty⁽²⁾								
Award made in 2012 ⁽³⁾	304,663	–	40,049	187,763	156,949	–	£4.54	May 2015
Award made in 2013 ⁽⁴⁾	201,262	–	–	–	–	201,262	£6.87	March 2016
Award made in 2014	176,207	–	–	–	–	176,207	£6.98	March 2017

- (1) The number of shares subject to the award increases by the number of shares that the Executive Director could have purchased with the value of dividends they would have received on their award, based on the share price on the ex-dividend date.
- (2) Mr Sukawaty's outstanding PSA awards (made to him when he was Executive Chairman) will vest to him on a time pro-rata basis on their respective normal vesting dates, subject to performance and continued employment.
- (3) 54.47% of the 2012 PSP vested in 2015.
- (4) 50% of the 2013 PSP will vest in March 2016.

APPROVAL

This report was approved by the Board of Directors on 3 March 2016 and signed on its behalf by:

SIMON BAX
Chairman, Remuneration Committee

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the Parent Company financial statements under IFRSs as adopted by the European Union. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

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

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

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

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- > the financial statements, prepared in accordance with IFRSs, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- > the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- > the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy. This statement has been given in accordance with IFRS accounting standards.

By order of the Board

RUPERT PEARCE

Director

3 March 2016

FINANCIAL STATEMENTS

95 Independent Auditors' Report to the Members of Inmarsat plc

Consolidated financial statements

- 100 Consolidated income statement
- 100 Consolidated statement of comprehensive income
- 101 Consolidated balance sheet
- 102 Consolidated statement of changes in equity
- 103 Consolidated cash flow statement

Notes to the consolidated financial statements

- 104 Note 1. General information
- 104 Note 2. Principal accounting policies
- 108 Note 3. Financial risk management
- 109 Note 4. Critical accounting estimates and key judgements
- 110 Note 5. Segmental information
- 111 Note 6. Operating profit
- 111 Note 7. Employee benefit costs
- 111 Note 8. Key management compensation
- 112 Note 9. Net financing costs
- 112 Note 10. Taxation
- 112 Note 11. Net foreign exchange loss/(gain)
- 112 Note 12. Dividends
- 113 Note 13. Property, plant and equipment
- 114 Note 14. Intangible assets
- 115 Note 15. Investments
- 115 Note 16. Cash and cash equivalents
- 115 Note 17. Trade and other receivables
- 115 Note 18. Inventories
- 116 Note 19. Net borrowings
- 117 Note 20. Trade and other payables
- 117 Note 21. Provisions
- 118 Note 22. Current deferred taxation
- 120 Note 23. Reconciliation of net cash from operations
- 120 Note 24. Share capital
- 120 Note 25. Employee share options and awards
- 122 Note 26. Reserves
- 123 Note 27. Earnings per share
- 123 Note 28. Pensions and post-employment benefits
- 127 Note 29. Operating lease and other commitments
- 127 Note 30. Capital risk management
- 128 Note 31. Financial instruments
- 130 Note 32. Capital commitments
- 130 Note 33. Disposal
- 130 Note 34. Contingent liability
- 130 Note 35. Related party transactions
- 131 Note 36. Principal subsidiary undertakings

Company financial statements

- 133 Company balance sheet
- 134 Consolidated statement of changes in equity
- 135 Company cash flow statement

Notes to the Company financial statements

- 136 Note A) Principal accounting policies
- 136 Note B) Income statement
- 136 Note C) Financial instruments
- 136 Note D) Reconciliation of net cash from operations

137 Glossary

139 Additional Information

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF INMARSAT PLC

OPINION ON THE FINANCIAL STATEMENTS OF INMARSAT PLC

In our opinion:

- > the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2015 and of the Group's profit for the year then ended;
- > the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union;
- > the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- > the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The financial statements comprise the Group income statement, Group statement of comprehensive income, Group and Parent Company balance sheet, Group and Parent Company statement of changes in equity, Group and Parent Company cash flow statement and the related notes 1 to 36. The financial reporting framework that has been applied in their preparation is applicable law and IFRS as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

GOING CONCERN AND THE DIRECTORS' ASSESSMENT OF THE PRINCIPAL RISKS THAT WOULD THREATEN THE SOLVENCY OR LIQUIDITY OF THE GROUP

As required by the Listing Rules we have reviewed the Directors' statement regarding the appropriateness of the going concern basis of accounting contained within note 2 to the financial statements and the Directors' statement on the longer-term viability of the Group contained within the Risk management section of the Strategic Report on page 51.

We have nothing material to add or draw attention to in relation to:

- > the Directors' confirmation on pages 48 to 51 that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
- > the disclosures on pages 48 to 51 that describe those risks and explain how they are being managed or mitigated;
- > the Directors' statement in note 2 to the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements; and
- > the Director's explanation on pages 48 to 51 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We agreed with the Directors' adoption of the going concern basis of accounting and we did not identify any such material uncertainties. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

INDEPENDENCE

We are required to comply with the Financial Reporting Council's Ethical Standards for Auditors and we confirm that we are independent of the Group and we have fulfilled our other ethical responsibilities in accordance with those standards. We also confirm we have not provided any of the prohibited non-audit services referred to in those standards.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INMARSAT PLC CONTINUED

OUR ASSESSMENT OF RISKS OF MATERIAL MISSTATEMENT

The assessed risks of material misstatement described below are those that had the greatest effect on our audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.

Risk	How the scope of our audit responded to the risk
<p>Revenue recognition – Accuracy and occurrence of subscription and usage-based airtime services Subscription and usage-based airtime revenue is the largest revenue stream within the business. This revenue originates from both the I-3 and I-4 constellations sold on a wholesale and retail basis along with the resale of capacity from other satellite operators.</p>	<p>We have tested the design, implementation and operating effectiveness of the key automated and manual controls relating to subscription and usage-based airtime revenue across the Group's principal billing systems.</p> <p>We have performed substantive analytical procedures to develop an expectation of revenue based upon usage data and subscription numbers which are the key drivers of each airtime revenue stream. We have also held meetings with the Vice Presidents of each of the Group's five market-facing business units to corroborate the key movements and trends in revenue within the year.</p>
<p>A significant risk has been identified in respect of both the occurrence and accuracy of airtime subscription and usage-based airtime revenue due to the highly material nature of this balance and the high volume of transaction leading to heightened susceptibility to manipulation.</p>	<p>To address the risk relating to occurrence of airtime revenue streams we have reviewed the reconciliation between the general ledger and the billing systems.</p> <p>We audited the accuracy of revenue by agreeing a sample of revenue transactions back to the customer contracts with the distribution partner (wholesale customers) and published tariffs (retail customers).</p>
<p>Revenue recognition – Capacity contracts with take or pay features A number of the Group's satellite capacity contracts with customers have a 'take or pay' feature. The accounting policy for such agreements is set out in note 2 of the financial statements. There is a risk that revenue associated with take or pay arrangements could be recorded in an incorrect period, leading to a material error within the financial statements.</p>	<p>We have obtained and reviewed the underlying contracts for all material 'take or pay' agreements. We have considered the terms of these contracts to evaluate whether the revenue recognised is in accordance with IAS 18 and other accounting standards and guidance.</p> <p>We have corroborated our understanding of the existence of such take or pay agreements through meeting with senior management both within finance and the market-facing business units to understand the commercial developments during the financial year.</p>
<p>This risk is especially pertinent due to the material nature of these contracts, their non-standard terms, and the fact that any new contracts entered into may not necessarily run concurrently with calendar years.</p>	
<p>Accounting for the LightSquared Cooperation Agreement The Group continues to hold a material balance of \$208.8m deferred revenue in respect of the LightSquared Cooperation Agreement. The Group's accounting policy in respect of this agreement is summarised in note 4c to the financial statements. We consider that risks exist in relation to revenue and cost recognition for the agreement, as the accounting policy is reliant on management judgement, and there is a high degree of uncertainty surrounding the future of the commercial relationship with LightSquared.</p>	<p>We have met with senior management throughout the year to corroborate our understanding of the commercial developments with LightSquared and to understand any potential impact this may have on accounting for the agreement, as well as any technical developments which may impact the quantum of future compensation costs that the Group may incur.</p> <p>We have tested the design and implementation of controls in respect of the recognition of previously deferred revenue and accounting for the payments received this year from LightSquared.</p> <p>We have assessed the level of uncertainty regarding the possible form of the cooperation agreement in the future, and the impact this has on the deferred revenue on the balance sheet.</p> <p>We have performed substantive testing to confirm the cash received from LightSquared during the year, and have further considered whether management's recognition of these amounts on an accruals basis is appropriate.</p>
<p>Further, there is a cut-off risk in respect of the quarterly payments receivable from LightSquared. As discussed in note 4c to the financial statements, Inmarsat has accrued for the payment of \$17.9m due on 31 December 2015.</p>	

Risk	How the scope of our audit responded to the risk
<p>Accounting for major capital projects The Group capitalises significant internal labour costs, external costs and qualifying borrowing costs in respect of major capital projects, most notably relating to satellite programmes and associated infrastructure such as the Global Xpress programme and European Aviation Network.</p> <p>There is a risk in respect of valuation and allocation of assets, that costs which do not meet the criteria for capitalisation in accordance with IAS 16, IAS 38 and IAS 23 are inappropriately recorded on the balance sheet rather than expensed or that costs continue to be held on the balance sheet despite no longer meeting the relevant capitalisation criteria. The Group's policy on the capitalisation of assets is included in note 2 to the financial statements.</p> <p>Included in note 13 to the financial statements is property, plant and equipment with a net book value of \$2,860m, of which \$2,164m relates to space segment assets, and \$604m relates to assets in the course of construction.</p> <p>Included in note 14 to the financial statements are intangible assets with a net book value of \$772m. As disclosed in note 9 to the financial statements, capitalised borrowing costs totalled \$35m in the year.</p>	<p>We have tested the design and implementation of controls in respect of the processes and procedures which govern the capitalisation of development costs.</p> <p>We have met the project leaders for the most financially significant capital projects, which account for 78% of current year capital expenditure, to corroborate the project status, feasibility of completion, and performance against budget, including investigating any derivations from budget.</p> <p>Furthermore, we have carried out substantive testing in relation to each element of capitalised costs including inspecting supporting evidence for a sample of the capitalised costs, understanding the nature of the costs capitalised and considering whether they are consistent with the originally approved budget.</p> <p>In relation to borrowing costs we obtained the supporting calculations, verified the inputs to the calculation, including testing a sample of cash payments, tested the mechanical accuracy of the model, and reviewed the model to determine whether the borrowing costs for completed projects are no longer being capitalised.</p>
<p>Implementation of a new global ERP During the year the Group implemented one instance of their accounting software system in all locations with the exception of certain parts of the Government and Enterprise business units. This represents over 91% of the Group's revenues.</p> <p>There is a risk that the data that has been migrated to the new global instance of the accounting software system was not accurate or complete.</p>	<p>We reviewed management's project plan and the appropriateness of governance controls around the identification of data to be moved across during the roll-out of the software, including the testing of appropriate approvals.</p> <p>We reviewed the process of initial mapping to ensure the existing system configuration, data mapping, timelines, periods, and sub-ledger configurations underlying the existing data were understood.</p> <p>We tested the design and implementation of controls to ensure the data quality and appropriateness, including whether the data moved across to the new instance of the software had received appropriately senior reviews and approval.</p> <p>We performed substantive testing on the data of ledgers and sub-ledgers before and after the implementation to ensure their completeness and accuracy, including performing reconciliations between the two systems.</p> <p>We used system interrogation software called eQSmart to assess and monitor the levels of system security, implemented authorisations and system enforced segregation of duties in the new global instance of accounting software.</p>

Last year our report included four other risks which are not included in our report this year:

- > change in segmental reporting (this change was completed last year);
- > the assessment of the carrying amount of goodwill and intangible assets (our work last year was focused on the re-designation of cash-generating units which has not occurred this year);
- > accounting for the acquisition of Globe Wireless LLC (the acquisition was completed last year); and
- > working capital provisions (the policy was new last year and is now well established).

Included for the first time this year, are the following risks:

- > implementation of a new global ERP (this occurred during the year);
- > revenue recognition – capacity contracts with take or pay features (these contracts can be material in nature and involve management judgement).

The description of risks above should be read in conjunction with the significant issues considered by the Audit Committee discussed on page 69.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INMARSAT PLC CONTINUED

OUR APPLICATION OF MATERIALITY

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

We determined materiality for the Group to be \$12.4m (2014: \$11.2m). This was calculated before 31 December 2015 and was based on 5% of forecast adjusted profit before tax (2014: 5%), which was in line with actual performance, and therefore resulted in 5% of actual adjusted profit before tax (2014: 5%), and less than 1% (2014: less than 1%) of equity. Pre-tax profit has been chosen as the basis for determining materiality as we determine this to be the most relevant measure to users of the financial statements. This has been adjusted to remove the impact of volatility arising from the revenue and costs associated with the LightSquared Cooperation Agreement (discussed in note 4c to the financial statements). The basis for determining materiality has not changed since last year.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of \$250,000 (2014: \$225,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work at four locations, being London, United Kingdom; St John's, Canada; Palm Bay, United States; and Reston, United States.

Following the Group finance transformation, and the move on to one global instance of the Group's accounting software system, we changed our audit approach to reflect the fact that the composition of components has changed. With the exception of one specific part of the US Government business, where we used a component audit team, we performed the Group audit with one integrated team, led from London. The supervision of the audit team included the London team visiting the members of the audit team located in St John's and Palm Bay.

We determined there to be three components in the Group, being the core Inmarsat business unit headquartered in London, the US Government retail business in Reston, USA and a separate element of the Enterprise business in Sydney, Australia (TC Communications). These two businesses in Reston and Sydney were determined to be separate components as they had a separate financial control environment during the year. The core Inmarsat and US Government components were subject to a full audit scope, whilst limited scope procedures were performed on TC Communications due to the financial insignificance of this component.

The components subject to a full scope audit represent the principal business units and account for 99.7% (2014: 100%) of the Group's net assets, 99.3% (2014: 100%) of the Group's revenue and 99.4% (2014: 100%) of the Group's profit before tax. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our audit work at the three locations was executed at levels of materiality applicable to each individual entity which were lower than Group materiality and ranged from \$5m to \$11.1m (2014: \$4.5m to \$9.0m).

For the first time the scope of our audit also included consideration of the Group's longer-term viability statement, which was prepared in accordance with the UK Corporate Governance Code. Our conclusions in respect of this work are set out above.

At the Parent Company level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

The Group audit team ensured that a senior member of the Group audit team visited the US Government component in the current year. For this component we involved the component audit partner and manager in our team briefing, discussed their risk assessment and reviewed documentation of the findings from their work.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

- > the part of the Directors' Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- > the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

ADEQUACY OF EXPLANATIONS RECEIVED AND ACCOUNTING RECORDS

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- > we have not received all the information and explanations we require for our audit; or
- > adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- > the Parent Company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

DIRECTORS' REMUNERATION

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' Remuneration report to be audited is not in agreement with the accounting records and returns. We have nothing to report arising from these matters.

CORPORATE GOVERNANCE STATEMENT

Under the Listing Rules we are also required to review part of the Corporate Governance Statement relating to the Company's compliance with certain provisions of the UK Corporate Governance Code. We have nothing to report arising from our review.

OUR DUTY TO READ OTHER INFORMATION IN THE ANNUAL REPORT

Under International Standards on Auditing (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- > materially inconsistent with the information in the audited financial statements; or
- > apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- > otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed. We confirm that we have not identified any such inconsistencies or misleading statements.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). We also comply with International Standard on Quality Control 1 (UK and Ireland). Our audit methodology and tools aim to ensure that our quality control procedures are effective, understood and applied. Our quality controls and systems include our dedicated professional standards review team and independent partner reviews.

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

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

STEPHEN GRIGGS FCA

Senior Statutory Auditor

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor
London, United Kingdom

3 March 2016

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

(\$ in millions)	Note	2015	2014
Revenues		1,274.1	1,285.9
Employee benefit costs	7	(260.4)	(237.3)
Network and satellite operations costs		(180.0)	(205.7)
Other operating costs		(147.2)	(174.1)
Own work capitalised		39.5	32.2
Total net operating costs		(548.1)	(584.9)
EBITDA		726.0	701.0
Depreciation and amortisation	6	(311.2)	(291.8)
Gain/(loss) on disposal of assets		9.3	(1.2)
Impairment loss	6	(0.2)	(1.3)
Share of profit of associates	15	2.5	2.6
Operating profit		426.4	409.3
Financing income	9	1.8	8.1
Financing cost	9	(90.2)	(75.1)
Net financing costs	9	(88.4)	(67.0)
Profit before tax		338.0	342.3
Taxation charge	10	(56.0)	(1.2)
Profit for the year		282.0	341.1
Attributable to:			
Equity holders		281.4	340.5
Non-controlling interest		0.6	0.6
Earnings per share for profit attributable to the equity holders of the company (expressed in \$ per share)			
– Basic	27	0.63	0.76
– Diluted	27	0.62	0.69

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

(\$ in millions)	Note	2015	2014
Profit for the year		282.0	341.1
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to the income statement:			
Gain on measurement of available-for-sale financial asset		–	9.4
Transfer to income statement on disposal of available-for-sale financial asset		(9.4)	–
Foreign exchange translation differences		(0.7)	(0.6)
Net gain/(loss) on cash flow hedges	26	2.9	(12.7)
Tax credited directly to equity	10	1.0	1.1
Items that will not be reclassified subsequently to the income statement:			
Remeasurement of the defined benefit asset and post-employment benefits	28	3.0	3.4
Tax charged directly to equity	10	(0.6)	(0.6)
Other comprehensive loss, net of tax		(3.8)	–
Total comprehensive income, net of tax		278.2	341.1
Attributable to:			
Equity holders		277.6	340.5
Non-controlling interest		0.6	0.6

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2015

(\$ in millions)	Note	2015	2014
Assets			
Non-current assets			
Property, plant and equipment	13	2,860.2	2,649.4
Intangible assets	14	772.0	799.6
Investments	15	12.1	10.8
Other receivables	17	23.4	24.4
Deferred tax assets	22	44.6	26.7
		3,712.3	3,510.9
Current assets			
Cash and cash equivalents	16	177.3	204.4
Trade and other receivables	17	324.7	305.4
Inventories	18	25.0	28.4
Current tax assets	22	3.8	8.5
Derivative financial instruments	31	–	1.4
Restricted cash	16	3.0	–
Assets held for sale	33	–	32.9
		533.8	581.0
Total assets		4,246.1	4,091.9
Liabilities			
Current liabilities			
Borrowings	19	129.4	118.1
Trade and other payables	20	464.9	474.9
Provisions	21	1.8	3.4
Current tax liabilities	22	123.2	81.3
Derivative financial instruments	31	0.3	5.0
		719.6	682.7
Non-current liabilities			
Borrowings	19	2,033.7	1,987.0
Other payables	20	42.9	45.6
Provisions	21	2.5	7.2
Deferred tax liabilities	22	197.5	186.3
		2,276.6	2,226.1
Total liabilities		2,996.2	2,908.8
Net assets		1,249.9	1,183.1
Shareholders' equity			
Ordinary shares	24	0.3	0.3
Share premium		687.6	687.6
Equity reserve		56.9	56.9
Other reserves		71.8	66.7
Retained earnings		432.7	371.1
Equity attributable to shareholders		1,249.3	1,182.6
Non-controlling interest		0.6	0.5
Total equity		1,249.9	1,183.1

The consolidated financial statements of the Group on pages 100 to 132 were approved by the Board of Directors on 3 March 2016 and were signed on its behalf by:

RUPERT PEARCE
Chief Executive Officer

TONY BATES
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

(\$ in millions)	Ordinary share capital	Share premium account	Equity reserve	Share option reserve	Cash flow hedge reserve ⁽¹⁾	Revaluation reserve	Currency reserve	Other reserve ⁽²⁾	Retained earnings	Non-controlling interest	Total
Balance at 1 January 2014	0.3	687.4	56.9	61.5	8.6	0.6	0.2	(8.0)	240.0	0.3	1,047.8
Share options charge	–	–	–	1.0	–	–	–	5.6	0.6	–	7.2
Issue of share capital	–	0.2	–	–	–	–	–	–	–	–	0.2
Dividends paid	–	–	–	–	–	–	–	–	(212.8)	(0.3)	(213.1)
Transfer to liabilities directly associated with assets held for sale	–	–	–	–	–	–	–	–	–	(0.1)	(0.1)
Comprehensive income:											
Profit for the year	–	–	–	–	–	–	–	–	340.5	0.6	341.1
Other comprehensive loss – before tax	–	–	–	–	(12.7)	9.4	(0.6)	–	3.4	–	(0.5)
Other comprehensive loss – tax	–	–	–	–	2.5	(1.4)	–	–	(0.6)	–	0.5
Balance at 31 December 2014	0.3	687.6	56.9	62.5	(1.6)	8.6	(0.4)	(2.4)	371.1	0.5	1,183.1
Share options charge	–	–	–	11.3	–	–	–	–	1.9	–	13.2
Dividends paid	–	–	–	–	–	–	–	–	(224.1)	(0.5)	(224.6)
Comprehensive income:											
Profit for the year	–	–	–	–	–	–	–	–	281.4	0.6	282.0
Other comprehensive loss – before tax	–	–	–	–	2.9	(9.4)	(0.7)	–	3.0	–	(4.2)
Other comprehensive loss – tax	–	–	–	–	(0.4)	1.4	–	–	(0.6)	–	0.4
Balance at 31 December 2015	0.3	687.6	56.9	73.8	0.9	0.6	(1.1)	(2.4)	432.7	0.6	1,249.9

(1) Note 26.

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

(\$ in millions)	Note	2015	2014
Cash flow from operating activities			
Cash generated from operations	23	717.0	653.4
Interest received		1.4	0.9
Tax paid		(12.9)	(9.5)
Net cash from operating activities		705.5	644.8
Cash flow from investing activities			
Purchase of property, plant and equipment		(433.5)	(345.9)
Additions to capitalised development costs and other intangibles		(20.8)	(29.0)
Own work capitalised		(39.3)	(30.8)
Acquisition of subsidiaries and other investments		–	(46.2)
Proceeds on disposal of assets	33	32.9	27.5
Net cash used in investing activities		(460.7)	(424.4)
Cash flow from financing activities			
Dividends paid		(223.7)	(212.6)
Repayment of EIB Facility	19	(44.0)	(44.1)
Drawdown of Ex-Im Bank Facilities	19	136.7	106.9
Repayment of Ex-Im Bank Facilities	19	(59.5)	(13.4)
Redemption of Senior Notes due 2017		–	(882.8)
Gross issuance proceeds of Senior Notes due 2022		–	991.9
Interest paid		(79.5)	(89.0)
Arrangement costs of financing		(6.9)	(13.8)
Net proceeds from the issue of ordinary shares		–	0.2
Other financing activities		1.7	0.3
Net cash used in financing activities		(275.2)	(156.4)
Foreign exchange adjustment		0.7	(0.4)
Net (decrease)/increase in cash and cash equivalents		(29.7)	63.6
Cash and cash equivalents			
At the beginning of the year		204.4	140.8
Net (decrease)/increase in cash and cash equivalents		(29.7)	63.6
At the end of the year		174.7	204.4
Comprising:			
Cash at bank and in hand	16	53.6	40.7
Short-term deposits with original maturity of less than three months	16	123.7	163.7
Bank overdrafts	19	(2.6)	–
Cash and cash equivalents at the end of the year		174.7	204.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

BASIS OF PREPARATION

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

GOING CONCERN

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

Further discussion of the Group's business activities, together with factors likely to affect its future development, performance and position are set out in the Strategic Report which encompasses the Chairman's review, the Chief Executive's review, the Financial review and the viability statement on pages 1 to 51.

BASIS OF ACCOUNTING

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

ACCOUNTING POLICY CHANGES

New and amended accounting standards adopted by the Group

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

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

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

IFRS 15 will require the Group to apportion revenue earned from contracts to each deliverable that qualifies as a 'performance obligation'. The transaction price receivable from customers must be allocated to each performance obligation on a relative stand-alone selling price basis, based on a five-step model. The Group is currently assessing the impact of this standard on the financial statements.

IFRS 16 'Leases' will be effective for periods beginning on or after 1 January 2019, subject to endorsement by the EU. The standard sets out requirements for recognising assets and liabilities in respect of leases, and will supersede the existing accounting guidance in IAS 17 'Leases' and the related interpretations.

IFRS 16 will require the Group, where it is the lessee, to recognise assets and liabilities for most leases, however there is little change to IAS 17 where the Group is the lessor. The Group is currently assessing the impact of this standard on the financial statements.

IFRS 9 'Financial Instruments' will be effective for periods beginning on or after 1 January 2018, subject to endorsement by the EU. The standard will impact the classification and measurement of financial instruments and will supersede IAS 39 'Financial Instruments: Recognition and Measurement'. While the Group has not finalised its assessment of this standard, it does not expect the changes to have a material impact on the financial statements.

There are no other IFRS or IFRIC Interpretations that are not yet effective that would be expected to have a material impact on the Group.

BASIS OF CONSOLIDATION

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

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

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

BUSINESS COMBINATIONS

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

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

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

FOREIGN CURRENCY TRANSLATION

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

The hedged rate between US Dollar and Pound Sterling for 2015 for the Group's Sterling operating expenditures was US\$1.59/£1.00 (2014: US\$1.54/£1.00).

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

REVENUE

Mobile satellite communications services revenue results from utilisation charges that are recognised as revenue in the period during which the services are provided. Deferred income attributable to mobile satellite communications services or subscription fees represents the unearned balances remaining from amounts received from customers pursuant to prepaid contracts. Revenue from the sale of prepaid credit is deferred until such time as the customer uses the airtime, or the credit expires. The Group also enters into minimum spend contracts with customers, known as 'take-or-pay' contracts, whereby customers agree to purchase a minimum amount of mobile satellite communications services over a fixed period. Any unused portion of the prepaid contracts or the take-or-pay contracts ('breakage') is recognised in revenue in line with service provision when reasonable assurance as to the breakage amount exists, or otherwise when the contract expires. Mobile satellite communications services lease revenues are recorded on a straight-line basis over the term of the contract concerned, which is typically between one and 12 months, unless another systematic basis is deemed more appropriate.

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

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

FINANCING INCOME AND FINANCING COST

Financing income comprises interest receivable on funds invested and the net interest on the net defined benefit asset and post-employment liability.

Financing costs comprise interest payable on borrowings including the Senior Notes and Convertible Bonds, accretion of the liability component of the Convertible Bonds, amortisation of deferred financing costs and the unwind of the discount on deferred satellite liabilities.

FINANCIAL ASSETS

Trade and other receivables

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

Cash and cash equivalents

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

FINANCIAL LIABILITIES AND EQUITY

Equity instruments

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

Trade and other payables

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

Borrowings

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

The Group holds convertible bonds which comprise both a liability and an equity component. They are accounted for and presented separately using split accounting according to the substance of the contractual arrangement. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole, the amount separately determined for the liability component. The equity component remains unchanged throughout the life of the option once its value is determined at issuance. The liability component is initially recognised at the present value of the capital and interest payments using a discount rate for a similar instrument with the same terms and conditions but without the convertibility option. After initial recognition, it is recognised at amortised cost using the effective interest method with an interest expense recognised in the income statement and a cash outflow resulting from coupon payments to bond holders. The split between the equity and liability components is made at issuance and not revalued for subsequent changes in market interest rates, share prices, or other event that changes the likelihood that the conversion option will be exercised.

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

Derivative financial instruments

The Group may use derivative financial instruments to manage its exposure to fluctuations in foreign exchange rates and interest rates. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading or speculative purposes.

Derivatives are initially recognised and measured at fair value on the date the derivative contract is entered into and subsequently measured at fair value. The gain or loss on remeasurement is recognised in the income statement except where the derivative is designated as a cash flow hedging instrument. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity. The gain or loss relating to any ineffective portion is recognised immediately in the income statement. Amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects profit or loss. Changes in the fair value of any derivative instruments that are not hedge accounted are recognised immediately in the income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2. PRINCIPAL ACCOUNTING POLICIES continued

Cash flow hedges

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

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

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

EMPLOYEE BENEFITS

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

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

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

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

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

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

CURRENT TAX

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

DEFERRED INCOME TAX

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a

transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

RESEARCH AND DEVELOPMENT COSTS

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

PROPERTY, PLANT AND EQUIPMENT

Space segment assets

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

Assets in the course of construction

These assets will be transferred to space segment assets and depreciated over the life of the satellites or services once they become operational and placed into service. No depreciation has yet been charged on these assets.

Capitalised borrowing costs

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

Other fixed assets

Other fixed assets are stated at historical cost less accumulated depreciation.

Depreciation

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

Derecognition

A fixed asset is derecognised upon disposal or when no future economic benefit is expected from its use or disposal. Any gain or loss arising on derecognition of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in the income statement.

GOVERNMENT GRANTS

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

INTANGIBLE ASSETS

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

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

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

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

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

IMPAIRMENT REVIEWS

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

The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

LEASES

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

NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

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

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

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

INVENTORIES

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

PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event. It is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the income statement.

Asset retirement obligations

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 Group does not hold or issue derivative financial instruments for speculative or trading purposes.

(A) MARKET RISK

(i) Foreign exchange risk

The functional currency of Inmarsat plc is the US Dollar. The vast majority of the Group's long-term borrowings are denominated in US Dollars, the majority of its revenue is earned in US Dollars and the 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 22% (2014: 24%) of the Group's operating costs are denominated in Pounds Sterling. The Group operates internationally, resulting in approximately 2% and 43% 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.

As at 31 December 2015 it is estimated that:

- > a hypothetical 1% inflation of the hedged US Dollar/Sterling exchange rate (US\$1.47/£1.00 to US\$1.49/£1.00) would have increased the 2015 profit before tax by approximately \$0.1m (2014: \$1.1m);
- > 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 2015 would have decreased equity by \$0.1m and \$nil, respectively (2014: \$1.0m and \$0.1m, respectively), primarily as a result of the changes in fair value of derivative instruments designated as cash flow hedges.

Management believes that a 1% sensitivity rate provides a reasonable basis upon which to assess expected changes in foreign exchange rates.

(ii) Price risk

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

(B) INTEREST RATE RISK

Given the Group has no significant interest-bearing assets (except cash and cash equivalents and non-current other receivables), income and operating cash flows are substantially independent of changes in market interest rates. Interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The EIB Facility is at a variable rate whilst the Senior Notes due 2022, the Convertible Bonds and the Ex-Im Bank Facilities are at fixed rates.

As at 31 December 2015, 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 \$0.9m (2014: \$0.3m). 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	2015	2014
Cash and cash equivalents	16	177.3	204.4
Trade receivables, other receivables and accrued income	31	310.8	242.1
Derivative financial instruments	31	–	1.4
Total credit risk		488.1	447.9

The Group's average age of trade receivables as at 31 December 2015 (excluding the impact of LightSquared) was approximately 61 days (as at 31 December 2014: 66 days). At 31 December 2015, \$156.2m (2014: \$174.5m) 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. The provision for uncollectible trade receivables has decreased to \$16.1m as at 31 December 2015 (2014: \$18.4m).

For 2015, one (2014: one) distribution partner comprised approximately 11.4% (2014: 12.2%) of the Group's total revenues. This same customer comprised 16.4% (2014: 20.3%) 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 2015 or 2014, or for 10% of the Group's accounts receivable as at 31 December 2015 or 31 December 2014.

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

(\$ in millions)	2015	2014
Between 1 and 30 days overdue	30.2	40.2
Between 31 and 120 days overdue	9.0	16.4
Over 120 days overdue	1.4	0.2
As at 31 December	40.6	56.8

(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	2015	2014
Cash and cash equivalents	16	177.3	204.4
Available but undrawn borrowing facilities ⁽¹⁾	19	578.9	990.3
Total available liquidity		756.2	1,194.7

(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 KEY JUDGEMENTS

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

(A) IMPAIRMENT REVIEW

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

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

(\$ in millions)	Allocated goodwill	Pre-tax discount rate	Long-term growth rate
Maritime	215.5	8.9%	2.0%
Enterprise	54.8	8.9%	2.0%
Aviation	46.4	8.9%	2.0%
US Government	50.6	8.9%	2.0%
Global Government	54.8	8.9%	2.0%
Total Group	422.1		

Cash flow projections

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

Long-term growth rates

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

Discount rates

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

(B) 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 2015 in respect of arrangements which were entered into in prior periods (see note 34).

(C) REVENUE IN RESPECT OF THE LIGHTSQUARED COOPERATION AGREEMENT

In December 2007, Inmarsat and LightSquared LP, Skyterra (Canada) Inc. and LightSquared Inc. (together LightSquared⁽¹⁾) 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 cash payments of \$648.8m have been received under the Cooperation Agreement, including \$70.8m in 2015 (2014: \$31.6m). The Group has, thus far, recognised \$457.8m of revenue and \$23.4m of operating costs under all phases of the agreement. For the year ended 31 December 2015, the Group recognised \$88.6m of revenue with no associated operating costs, in respect of all phases (year ended 31 December 2014: \$75.4m and \$0.2m, respectively).

In May 2012, LightSquared filed for a reorganisation under Chapter 11 of the US Bankruptcy Code. For the majority of 2015, payments from LightSquared were subject to significant uncertainty and so Inmarsat only recognised revenue from LightSquared when it was received in cash. In December 2015 LightSquared emerged from bankruptcy protection and raised new capital so from the fourth quarter Inmarsat has returned to accruals-based accounting for recognition of revenue in relation to Phase 2 of the Cooperation Agreement. This has resulted in the recognition of a further \$17.9m of revenue and EBITDA in the fourth quarter and in the full year 2015. This accrued revenue was received from LightSquared in January 2016.

At 31 December 2015, deferred income remaining in respect of Phase 1 of 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, is dependent upon a number of factors that continue to be uncertain. The key area of uncertainty relates to the amount of spectrum LightSquared will choose to lease from Inmarsat under the current Cooperation Agreement, a decision is expected by the end of March 2016. That in turn will determine the revenue that will result for Inmarsat and the costs and timing of the resulting spectrum reorganisation.

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

The key judgements involved in the capitalisation of space segment assets and associated borrowings costs are:

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

(1) On 11 February 2016 LightSquared announced a name change to Ligado Networks LLC. We continue to refer to the company as LightSquared in these results, reflecting the position throughout 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

5. SEGMENTAL INFORMATION

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

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

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

Details of these business units are given on pages 28 to 43.

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

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

SEGMENT RESULTS

(\$ in millions)	2015					Total
	Maritime	Government	Enterprise ⁽¹⁾	Aviation	Central Services ⁽²⁾	
Revenue						
MSS and other	593.2	286.6	159.5	126.8	19.4	1,185.5
LightSquared	–	–	–	–	88.6	88.6
Total revenue	593.2	286.6	159.5	126.8	108.0	1,274.1
Net operating costs	(133.8)	(95.6)	(46.4)	(23.1)	(249.2)	(548.1)
EBITDA	459.4	191.0	113.1	103.7	(141.2)	726.0
Depreciation and amortisation	–	–	–	–	(311.2)	(311.2)
Impairment losses	–	–	–	–	(0.2)	(0.2)
Other	–	–	–	–	11.8	11.8
Operating profit	459.4	191.0	113.1	103.7	(440.8)	426.4
Net financing cost	–	–	–	–	–	(88.4)
Profit before tax	–	–	–	–	–	338.0
Taxation	–	–	–	–	–	(56.0)
Profit for the year	–	–	–	–	–	282.0
Capital expenditure⁽³⁾	31.0	1.5	0.4	70.7	393.5	497.1

(1) Enterprise excludes the disposals made during the first half of 2015.

(2) Central services include revenue from LightSquared of \$88.6m (2014: \$75.4m).

(3) Capital expenditure is stated using the accruals basis.

(\$ 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	–	–	–	–	(291.8)	(291.8)
Impairment losses	–	–	–	–	(1.3)	(1.3)
Other	–	–	–	–	1.4	1.4
Operating profit	450.4	216.4	102.1	87.2	(446.8)	409.3
Net financing costs	–	–	–	–	–	(67.0)
Profit before tax	–	–	–	–	–	342.3
Taxation	–	–	–	–	–	(1.2)
Profit for the year	–	–	–	–	–	341.1
Capital expenditure	35.3	5.6	3.3	48.3	332.2	424.7

(1) Includes Globe Wireless from 1 January 2014.

SEGMENTAL ANALYSIS BY GEOGRAPHY

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

(\$ in millions)	2015		2014	
	Revenue	Non-current segment assets	Revenue	Non-current segment assets
United Kingdom	104.0	795.0	82.4	799.2
Rest of Europe	319.0	271.8	476.9	619.0
North America	541.8	695.5	391.2	755.8
Asia and Pacific	254.9	60.4	282.7	68.9
Rest of the world	54.4	0.1	52.7	0.1
Unallocated ⁽¹⁾	–	1,889.5	–	1,267.9
	1,274.1	3,712.3	1,285.9	3,510.9

(1) Unallocated items relate to satellites which are in orbit.

6. OPERATING PROFIT

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

Operating profit is stated after charging the following items:

(\$ in millions)	Note	2015	2014
Depreciation of property, plant and equipment	13	239.5	220.1
Amortisation of intangible assets	14	71.7	71.7
Impairment of property, plant and equipment	13	–	0.4
Impairment of intangible assets	14	0.4	0.3
(Gain)/impairment of non-current other receivables		(0.2)	0.6
Operating lease rentals:			
Land and buildings		15.4	20.3
Services equipment, fixtures and fittings		–	1.7
Cost of inventories recognised as an expense		31.9	46.9
Write downs of inventories recognised as an expense	18	3.9	12.3
Research and development costs expensed		13.6	20.0

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

(\$ in millions)	2015	2014
Audit fees:		
Annual audit of the Company	0.2	0.2
Annual audit of subsidiary companies	0.9	1.2
Total audit fees	1.1	1.4
Audit-related assurance services ⁽¹⁾	0.1	0.2
Total audit and audit-related fees	1.2	1.6
Tax advisory services	0.6	0.9
Other services ⁽²⁾	–	0.1
Total non-audit fees	0.6	1.0
Total auditor's remuneration	1.8	2.6

(1) Fees paid for audit-related assurance services refer to the half year and quarterly reviews of the Group's interim condensed consolidated financial statements.
(2) Other services in 2014 related to a corporate financing transaction.

7. EMPLOYEE BENEFIT COSTS

(\$ in millions)	Note	2015	2014
Wages and salaries		215.8	200.8
Social security costs		19.0	16.5
Share options charge (including employers' national insurance contribution)		14.2	11.3
Defined contribution pension plan costs		8.2	7.0
Defined benefit pension plan costs ⁽¹⁾	28	3.1	1.4
Post-employment benefits costs ⁽¹⁾	28	0.1	0.3
Total employee benefit costs		260.4	237.3

(1) Defined benefit pension plan costs and post-employment benefits costs include the service cost and gain on curtailment in 2015 (see note 28).

EMPLOYEE NUMBERS

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

	2015	2014
By activity:		
Operations	785	784
Sales and marketing	340	300
Development and engineering	213	156
Administration	349	352
	1,687	1,592
By segment:		
Maritime	378	356
Enterprise	74	70
Government	196	181
Aviation	68	28
Central Services	971	957
	1,687	1,592

8. KEY MANAGEMENT COMPENSATION

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

(\$ in millions)	2015	2014
Short-term benefits	4.5	6.0
Company contributions to defined contribution pension schemes ⁽¹⁾	–	0.2
Share-based payments ⁽²⁾	5.9	6.7
	10.4	12.9

(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.

The Remuneration report contains full disclosure of Directors' remuneration on page 82. In both the current and prior year, no Director has been a member of the Group's defined contribution pension plan.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

9. NET FINANCING COSTS

(\$ in millions)	2015	2014
Bank interest receivable and other interest	(1.4)	(1.5)
Net amortisation of premium on Senior Notes due 2017	—	(6.0)
Net interest on the net defined benefit asset and post-employment liability	(0.4)	(0.6)
Total financing income	(1.8)	(8.1)
Interest on Senior Notes and credit facilities	74.1	84.3
Interest on Convertible Bonds	30.7	(18.3)
Unwinding of discount on deferred satellite liabilities	0.9	1.4
Amortisation of debt issue costs	7.9	16.0
Amortisation of discount on Senior Notes due 2022	1.1	0.5
Redemption premium on Senior Notes due 2017	—	32.8
Other interest	10.8	0.3
Financing cost	125.5	117.0
Less: Amounts capitalised in the cost of qualifying assets	(35.3)	(41.9)
Total financing cost	90.2	75.1
Net financing cost	88.4	67.0

During 2014, a non-recurring credit of \$48.5m was recognised on the Convertible Bonds arising from an adjustment to the expected maturity date, due to the expiration of the bond holder's redemption option in November 2014.

Borrowing costs capitalised in the cost of qualifying assets during the year are calculated by applying a capitalisation rate to expenditures on such assets. The average interest capitalisation rate for the year was 7.0% (2014: 3.8%).

10. TAXATION

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

(\$ in millions)	2015	2014
Current tax:		
Current year	37.0	41.0
Adjustments in respect of prior periods	24.0	(45.9)
Total current tax	61.0	(4.9)
Deferred tax:		
Origination and reversal of temporary differences	33.7	18.1
Adjustments in respect of prior periods	(17.9)	(9.3)
Adjustments due to reduction in the UK corporation tax rate	(20.8)	(2.7)
Total deferred tax	(5.0)	6.1
Total taxation charge	56.0	1.2

Of the total \$55.2m adjustment in respect of prior periods recognised in 2014, \$53.1m related to the release of a provision for potential tax liabilities in relation to the Inmarsat-4 satellites.

The effective tax rate was 20.25% (2014: 21.50%) and is reconciled below:

(\$ in millions)	2015	2014
Profit before tax	338.0	342.3
Income tax at 20.25% (2014: 21.50%)	(68.4)	(73.6)
Differences in overseas tax rates	(2.3)	2.4
Adjustments in respect of prior periods	(6.1)	55.2
Adjustments due to reduction in the UK corporation tax rate	20.8	2.7
Impact of prior year losses not previously recognised	—	6.9
Impact of prior year temporary differences recognised (excluding losses)	—	8.7
Impact of current year losses not recognised	(0.6)	(1.7)
Other non-deductible expenses/non-taxable income	0.6	(1.8)
Total taxation charge	(56.0)	(1.2)

Tax credited directly to equity:

(\$ in millions)	2015	2014
Current tax credit on share options	0.8	0.4
Deferred tax credit on share options	1.1	0.2
Total tax credited directly to equity	1.9	0.6

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

(\$ in millions)	2015	2014
Current tax credit on cash flow hedges	(0.2)	0.2
Deferred tax (charged)/credit relating to gains on cash flow hedges	(0.2)	2.3
Deferred tax credit/(charged) on remeasurement of defined benefit asset and post-employment benefits	(0.6)	(0.6)
Deferred tax credit/(charged) on remeasurement of available for sale financial asset	1.4	(1.4)
Total tax credited directly to other comprehensive income	0.4	0.5

11. NET FOREIGN EXCHANGE (GAINS)/LOSSES

(\$ in millions)	Note	2015	2014
Pension and post-retirement liability	28	(0.4)	(0.8)
Other operating (income)/costs		(2.9)	2.7
Total foreign exchange (gain)/losses		(3.3)	1.9

12. DIVIDENDS

During 2015, the 2015 interim dividend of \$88.1m (19.61 cents per ordinary share) and the 2014 final dividend of \$136.0m (30.26 cents per ordinary share) were paid to the Company's shareholders. During 2014, the 2014 interim dividend of \$83.7m (18.68 cents per ordinary share) and the 2013 final dividend of \$129.1m (28.82 cents per ordinary share) were paid to the Company's shareholders.

A final dividend for the 2015 financial year of 31.78 cents per ordinary share, amounting to a total dividend of \$142.8m, is to be proposed at the Annual General Meeting on 5 May 2016. In accordance with IAS 10, these financial statements do not reflect this final dividend payable.

(\$ in cents)	2015	2014
Interim dividend paid per ordinary share	19.61	18.68
Final dividend per ordinary share	31.78	30.26
Total dividend per ordinary share	51.39	48.94

13. PROPERTY, PLANT AND EQUIPMENT

(\$ in millions)	Freehold land and buildings	Service equipment, fixtures and fittings	Space segment	Assets in the course of construction	Total
Cost:					
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
Additions	0.3	30.5	90.4	326.3	447.5
Disposals	–	(18.1)	(7.9)	(0.1)	(26.1)
Transfers from assets in the course of construction and reclassifications ⁽¹⁾	0.1	73.8	733.3	(802.2)	5.0
31 December 2015	17.3	328.3	3,548.5	603.9	4,498.0
Accumulated depreciation:					
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)
Charge for the year	(1.3)	(21.9)	(216.3)	–	(239.5)
Disposals	–	16.9	6.9	–	23.8
Reclassifications ⁽¹⁾	–	(32.9)	33.0	–	0.1
31 December 2015	(9.9)	(243.2)	(1,384.7)	–	(1,637.8)
Net book amount at 31 December 2014	8.3	36.8	1,524.4	1,079.9	2,649.4
Net book amount at 31 December 2015	7.4	85.1	2,163.8	603.9	2,860.2

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

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

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

Freehold land is not depreciated. At 31 December 2015 and 2014, the Group was carrying certain freehold land and buildings with a net book value of nil. Had they been revalued on a market basis, their carrying amount at 31 December 2015 would have been \$33.2m (2014: \$12.5m). Market valuation is based on the Directors' best estimates.

In 2015 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 2015 were \$1.7m (2014: \$1.7m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

14. INTANGIBLE ASSETS

(\$ in millions)	Goodwill	Trademarks	Software	Intellectual property	Terminal development and network access costs	Customer relationships	Spectrum rights, orbital slots and licences	Total
Cost:								
31 December 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
Additions	–	0.7	22.4	–	16.9	–	9.6	49.6
Disposals	–	–	(26.7)	–	–	–	–	(26.7)
Reclassifications ⁽¹⁾	–	3.7	(23.1)	–	4.3	–	10.1	(5.0)
31 December 2015	781.3	25.3	221.7	14.7	180.5	403.8	46.6	1,673.9
Accumulated amortisation and impairment losses:								
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)
Charge for the year	–	(1.0)	(24.0)	–	(12.2)	(32.1)	(2.4)	(71.7)
Disposals	–	–	26.7	–	–	–	–	26.7
Impairment losses	–	–	–	–	–	(0.4)	–	(0.4)
Reclassifications ⁽¹⁾	–	–	7.8	–	(7.8)	–	(0.1)	(0.1)
31 December 2015	(359.2)	(12.1)	(156.4)	(14.7)	(108.3)	(239.5)	(11.7)	(901.9)
Net book amount at 31 December 2014	422.1	9.8	82.2	–	71.0	196.8	17.7	799.6
Net book amount at 31 December 2015	422.1	13.2	65.3	–	72.2	164.3	34.9	772.0

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

Goodwill represents the excess of consideration paid on an acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to CGUs for the purpose of impairment testing.

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

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

The Group capitalises development costs associated with the development and enhancement of user terminals and associated network access costs as intangible assets. Costs directly relating to the Group's BGAN family and 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 were amortised over their useful lives of 5 years, these were fully amortised during the year.

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

15. INVESTMENTS

(\$ in millions)	At 31 December 2015	At 31 December 2014
Interest in associates	12.1	10.8

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

Cash dividends received from the associates for the year ended 31 December 2015 total \$1.2m (2014: \$1.1m). The Group's aggregate share of its associates' profits for the year is \$2.5m (2014: \$2.6m) and has been recognised in the income statement.

16. CASH AND CASH EQUIVALENTS

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

(\$ in millions)	At 31 December 2015	At 31 December 2014
Cash at bank and in hand	53.6	40.7
Short-term deposits with original maturity of less than three months	123.7	163.7
Cash and cash equivalents	177.3	204.4

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

(\$ in millions)	Note	At 31 December 2015	At 31 December 2014
Cash and cash equivalents		177.3	204.4
Bank overdrafts	19	(2.6)	—
Net cash and cash equivalents		174.7	204.4

At 31 December 2015, the Group has \$3.0m (2014: \$nil) of restricted cash held in escrow in relation to the disposal of SkyWave.

17. TRADE AND OTHER RECEIVABLES

(\$ in millions)	At 31 December 2015	At 31 December 2014
Current:		
Trade receivables	196.8	220.4
Other receivables	35.9	7.3
Prepayments and accrued income	92.0	77.7
Total trade and other receivables	324.7	305.4
Non-current:		
Prepayments and accrued income	—	3.9
Defined benefit pension asset	19.0	18.0
Other receivables	4.4	2.5
Total other receivables	23.4	24.4

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

(\$ in millions)	2015	2014
1 January	18.7	10.5
Charged to the provision in respect of the current year	13.3	9.0
Utilised in the year	(1.0)	(0.5)
Provision released in the year	(14.9)	(0.3)
As at 31 December⁽¹⁾	16.1	18.7

(1) The maturity of the Group's provision for uncollectable trade receivables for the year ended 31 December 2015 is \$1.6m between 1 and 30 days overdue, \$4.2m between 31 and 120 days overdue and \$10.3m over 120 days overdue (2014: \$4.2m between 1 and 30 days overdue, \$7.8m between 31 and 120 days overdue and \$6.7m over 120 days).

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

18. INVENTORIES

(\$ in millions)	At 31 December 2015	At 31 December 2014
Finished goods	24.6	28.0
Work in progress	0.4	0.4
Total inventories	25.0	28.4

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

(\$ in millions)	At 31 December 2015	At 31 December 2014
1 January	15.1	3.5
Charged to the allowance in respect of the current year	3.9	12.3
Provision released in the year	(1.8)	(0.7)
As at 31 December	17.2	15.1

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

19. NET BORROWINGS

(\$ in millions)	At 31 December 2015			At 31 December 2014		
	Amount	Deferred financing cost	Net balance	Amount	Deferred financing cost	Net balance
Current:						
Bank overdrafts	2.6	–	2.6	–	–	–
Deferred satellite payments	1.8	–	1.8	5.9	–	5.9
EIB Facility	44.1	–	44.1	44.1	–	44.1
Ex-Im Bank Facilities	80.9	–	80.9	68.1	–	68.1
Total current borrowings	129.4	–	129.4	118.1	–	118.1
Non-current:						
Deferred satellite payments	14.5	–	14.5	17.4	–	17.4
Senior Notes due 2022	1,000.0	(7.3)	992.7	1,000.0	(8.7)	991.3
– Net issuance discount	(6.5)	–	(6.5)	(7.6)	–	(7.6)
EIB Facility	88.1	(0.4)	87.7	132.1	(0.6)	131.5
Ex-Im Bank Facilities	633.3	(18.0)	615.3	568.9	(18.9)	550.0
Convertible Bonds	326.6	–	326.6	301.3	–	301.3
– Accretion of principal	3.4	–	3.4	3.1	–	3.1
Total non-current borrowings	2,059.4	(25.7)	2,033.7	2,015.2	(28.2)	1,987.0
Total borrowings	2,188.8	(25.7)	2,163.1	2,133.3	(28.2)	2,105.1
Cash and cash equivalents	(177.3)	–	(177.3)	(204.4)	–	(204.4)
Net borrowings	2,011.5	(25.7)	1,985.8	1,928.9	(28.2)	1,900.7

EIB FACILITY

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

EX-IM BANK FACILITIES

The Group has two direct financing agreements with the Export-Import Bank (the Ex-Im Bank Facilities) of the United States. The \$700.0m facility signed in 2011 was available to be drawn down for four years and is now repayable in equal semi-annual instalments over a further 8.5 years. Drawings under this facility incur interest at a fixed rate of 3.11% for the life of the loan. In November 2014, the Group signed a seven year \$185.9m facility which has a total availability period of two years and will then be repayable in equal semi-annual instalments over a further five years. Drawings under this facility incur interest at a fixed rate of 1.96% for the life of the loan.

SENIOR NOTES DUE 2022

On 4 June 2014, the Group issued \$1.0bn of 4.875% Senior Notes due 15 May 2022. The aggregate gross proceeds were \$992.1m, net of \$7.9m issuance discount.

CONVERTIBLE BONDS

In 2007, the Group issued \$287.7m of 1.75% Convertible Bonds due 9 November 2017. The bonds are convertible into ordinary shares of the Company and have a 1.75% per annum coupon payable semi-annually and a yield to maturity of 4.5%. The total number of ordinary shares to be issued if all bonds are converted is 23.3 million shares and the conversion price at 31 December 2015 was \$12.31. The conversion price is subject to periodic adjustment if dividends paid on ordinary shares exceed defined levels.

SENIOR CREDIT FACILITY

On 22 May 2015, the Group signed a 5-year \$500.5m revolving credit facility (Senior Credit Facility). Advances under the facility bear interest at a rate equal to the applicable USD LIBOR, plus a margin of between 0.70% and 1.70% determined by reference to the ratio of net debt to EBITDA. At 31 December 2015, there were no drawings under the Senior Credit Facility.

CONVERTIBLE BONDS

The net proceeds received from the issue of the Convertible Bonds were initially split into a liability component of \$224.3m and an equity component of \$56.9m. The equity component represents the fair value of the option to convert the liability into equity of the Group as follows:

(\$ in millions)	
Fair value of Convertible Bonds issued	287.7
Cost of issue	(6.5)
Net proceeds	281.2
Equity component	(56.9)
Liability component at date of issue	224.3
Cumulative interest charged to 31 December 2014	111.5
Cumulative amortisation of debt issue costs to 31 December 2014	5.1
Cumulative coupon interest to 31 December 2014	(35.6)
Cumulative redemption of convertible bond to 31 December 2014	(0.9)
Liability component at 31 December 2014	304.4
Interest charged	30.7
Coupon interest	(5.1)
Liability component at 31 December 2015	330.0

The interest charged for the year is calculated by applying an effective interest rate of 9.88% to the liability component. The total interest charge is split between the coupon interest charge of \$5.1m and accreted interest of \$25.7m. The coupon interest is paid semi-annually in May and November each year until maturity. Similarly, the bonds accrete semi-annually in May and November each year until maturity. During 2014, a non-recurring credit of \$48.5m was recognised against interest charged on the Convertible Bonds arising from an adjustment to the expected maturity date.

The Directors consider the carrying value of borrowings, other than the Senior Notes due 2022, Convertible Bonds and the Ex-Im Bank 2011 Facility to approximate to their fair value (see note 31). The effective interest rates at the balance sheet dates were as follows:

Effective interest rate %	2015	2014
Bank overdrafts	1.25	1.25
EIB Facility	1.66	1.57
Senior Notes due 2022	4.875	4.875
Ex-Im Bank 2011 Facility	3.11	3.11
Ex-Im Bank 2014 Facility	1.96	1.96
Deferred satellite payments	4.00	4.70
Convertible Bonds	9.88	9.88

20. TRADE AND OTHER PAYABLES

(\$ in millions)	At 31 December 2015	At 31 December 2014
Current:		
Trade payables	91.6	136.5
Deferred consideration	1.5	2.0
Other taxation and social security payables	7.9	5.1
Other payables	6.8	3.3
Accruals and deferred income ⁽¹⁾	357.1	328.0
Total trade and other payables	464.9	474.9
Non-current:		
Deferred consideration	0.5	0.4
Other payables	24.1	25.2
Defined benefit pension and post-employment liability ⁽²⁾	18.3	20.0
Total other payables	42.9	45.6

- (1) The deferred income balance includes \$208.8m relating to payments received from LightSquared. The balance has not been changed since the prior year as there were no associated costs incurred. This balance is expected to unwind over the forthcoming years.
- (2) The Group has reclassified its defined benefit pension and post-employment liability to other payables from provisions during the year. Prior year comparatives have been restated.

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

21. PROVISIONS

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

(\$ in millions)	Asset retirement obligations	Other provisions	Total
Current:			
At 1 January 2014	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)
At 31 December 2014	0.3	3.1	3.4
Charged in respect of current year	–	3.7	3.7
Utilised in current year	–	(5.2)	(5.2)
Revision in estimated timing of settlement	(0.1)	–	(0.1)
At 31 December 2015	0.2	1.6	1.8

The Group's other provisions relate primarily to restructuring charges. The associated cash flows in respect of the restructuring provisions outstanding at 31 December 2015 are expected to occur within one year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

21. PROVISIONS continued

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

(\$ in millions)	Asset retirement obligations	Other provisions	Total
Non-current:			
At 31 December 2013	1.2	1.6	2.8
Charged to income statement in respect of current year	0.1	4.2	4.3
Utilised in current year	–	(0.1)	(0.1)
Revision in estimated timing of settlement	0.2	–	0.2
At 31 December 2014	1.5	5.7	7.2
Utilised in current year	–	(2.3)	(2.3)
Transfer to property, plant and equipment	–	(2.5)	(2.5)
Revision in estimated timing of settlement	0.1	–	0.1
At 31 December 2015	1.6	0.9	2.5

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

In the prior year, the Group's pension and post-employment liabilities were classified as provisions. At 31 December 2015, these balances have been reclassified to 'other payables' in note 20. Prior year comparatives have been restated.

22. CURRENT AND DEFERRED TAXATION

The current tax asset of \$3.8m and current tax liability of \$123.2m (2014: \$8.5m and \$81.3m, respectively), represent the income tax payable in respect of current and prior periods less amounts paid.

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

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

(\$ in millions)	At 31 December 2015			At 31 December 2014		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, plant and equipment and intangible assets	(35.1)	184.3	149.2	(10.5)	166.2	155.7
Borrowing costs capitalised in the cost of qualifying assets	–	41.7	41.7	–	37.7	37.7
Other	(11.0)	1.3	(9.7)	(7.2)	1.2	(6.0)
Pension and post-employment benefits	(0.7)	1.2	0.5	(1.1)	0.8	(0.3)
Share options	(7.8)	–	(7.8)	(6.9)	–	(6.9)
Tax losses	(21.0)	–	(21.0)	(20.6)	–	(20.6)
Net deferred tax liabilities	(75.6)	228.5	152.9	(46.3)	205.9	159.6

Deferred 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 tax assets and liabilities included in the net deferred tax balance is shown below:

(\$ in millions)	At 31 December 2015	At 31 December 2014
Deferred tax assets	(44.6)	(26.7)
Deferred tax liabilities	197.5	186.3
Net deferred tax liabilities	152.9	159.6

Movement in temporary differences during the year:

(\$ in millions)	At 1 January 2015	Recognised in income	Recognised in equity	Recognised in other comprehensive income	At 31 December 2015
Property, plant and equipment and intangible assets	155.7	(6.5)	–	–	149.2
Borrowing costs capitalised in the cost of qualifying assets	37.7	4.0	–	–	41.7
Other	(6.0)	(2.5)	–	(1.2)	(9.7)
Pension and post-employment benefits	(0.3)	0.2	–	0.6	0.5
Share options	(6.9)	0.2	(1.1)	–	(7.8)
Tax losses	(20.6)	(0.4)	–	–	(21.0)
Total	159.6	(5.0)	(1.1)	(0.6)	152.9

(\$ in millions)	At 1 January 2014	Globe Wireless acquisition	Recognised in income	Recognised in equity	Recognised in other comprehensive income	At 31 December 2014
Property, plant and equipment and intangible assets	143.7	1.2	10.8	–	–	155.7
Borrowing costs capitalised in the cost of qualifying assets	30.5	–	7.2	–	–	37.7
Other	(3.2)	–	(1.9)	–	(0.9)	(6.0)
Pension and post-employment benefits	(0.8)	–	(0.1)	–	0.6	(0.3)
Share options	(6.6)	–	(0.1)	(0.2)	–	(6.9)
Tax losses	(10.8)	–	(9.8)	–	–	(20.6)
Total	152.8	1.2	6.1	(0.2)	(0.3)	159.6

Total unprovided deferred tax assets:

(\$ in millions)	At 31 December 2015	At 31 December 2014
Temporary timing differences	(0.3)	–
Unused income tax losses	(3.7)	(3.1)
Unused capital losses	(24.2)	(25.1)
Total	(28.2)	(28.2)

Overseas dividends received are largely exempt from UK tax but may be subject to foreign withholding taxes. The unrecognised gross temporary difference in respect of the unremitted earnings of those overseas subsidiaries affected by such taxes is \$nil (2014: \$nil), resulting in a deferred tax liability of \$nil (2014: \$nil).

The Budget announced by the Chancellor on 8 July 2015 included changes to the main rates of corporation tax for UK companies. The standard rate of corporation tax remains 20% for the financial year 1 April 2016 however there will be a further reduction to 19% with effect from 1 April 2017, and to 18% from 1 April 2020. The deferred tax assets and liabilities at the balance sheet date are calculated taking account of the forecast impact of the reduction of the corporation tax rate from 20% to the substantively enacted rate of 18%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

23. RECONCILIATION OF NET CASH FROM OPERATIONS

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

(\$ in millions)	2015	2014
Profit for the year	282.0	341.1
Adjustments for:		
Taxation charge	56.0	1.2
Financing costs	90.2	75.1
Financing income	(1.8)	(8.1)
Operating profit	426.4	409.3
Depreciation and amortisation	311.2	291.8
(Gain)/loss on disposal of assets	(9.3)	1.2
Impairment loss	0.2	1.3
Share of profit of associates	(2.5)	(2.6)
EBITDA	726.0	701.0
Dividends received from associates	1.2	1.1
Non-cash employee benefit costs	14.2	11.3
Forward exchange contracts	(2.4)	2.1
Non-cash foreign exchange movements	2.7	2.7
Changes in net working capital:		
Decrease/(increase) in trade and other receivables	5.6	(8.7)
Decrease in inventories	2.4	3.1
Decrease in trade and other payables	(26.8)	(61.3)
(Decrease)/increase in provisions	(5.9)	2.1
Cash generated from operations	717.0	653.4

24. SHARE CAPITAL

(\$ in millions)	At 31 December 2015	At 31 December 2014
Authorised:		
1,166,610,560 ordinary shares of €0.0005 each (2014: 1,166,610,560)	0.7	0.7
Allotted, issued and fully paid:		
449,588,539 ordinary shares of €0.0005 each (2014: 448,321,387)	0.3	0.3
	0.3	0.3

During the year ended 31 December 2015, a total of 1,267,152 (2014: 20,265) ordinary shares of €0.0005 each were allotted and issued by the Company under its employee share schemes. No shares were repurchased during 2015 or 2014.

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. In 2014, the Inmarsat plc Executive Share Plan (ESP) was approved by shareholders and replaced the previous Executive Share Plans. Share awards since May 2014 have been made in accordance with the new share plan rules. Under the ESP the Company can grant Bonus Share Awards (BSA) and Performance Share Awards (PSA), which replicate the previous Bonus Share Plan (BSP) and Performance Share Plan (PSP) awards. The costs of these awards are recognised in the income statement (see note 7) based on the fair value of the awards on the grant date. Further information on how these are calculated can be found on the next page and under 'Employee benefits' in the principal accounting policies on page 106.

STAFF VALUE PARTICIPATION PLAN

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

A summary of all share activity within the Trust, which reflects the options outstanding under the 2004 Plan as at 31 December 2015, is as follows:

	Shares available for grant	2004 Plan options outstanding	Weighted average exercise price per option
Balance at 1 January 2014	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
Exercised – Bonus Share Plan	(136,557)	–	
Balance at 31 December 2015	87,571	–	
Exercisable at 31 December 2015	87,571	50,515	
Exercise price per tranche		€1.00	

The weighted average of the remaining contractual life for the 2004 Plan at 31 December 2015 is one year.

BONUS SHARE AWARD

Awards have been made regularly under the BSA to Executive Directors and certain members of senior management. Further information on awards granted to Directors can be found in the Remuneration report on page 92.

Awards are made in the form of a conditional allocation of shares. The performance conditions attached to the BSA are non-market-based performance conditions. Any dividends paid by the Company will accrue and be added as additional shares upon vesting.

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

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

The Remuneration Committee has approved a Long-Term Incentive Plan (LTIP), for the Group's Business Unit presidents and certain members of staff. The three-year plan relates to the 2012 to 2014 financial years and awards 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. For the 2015 financial year this plan has now been replaced and the participants of the LTIP are now included within the 2015 BSA scheme.

PERFORMANCE SHARE AWARD

The PSA makes regular annual awards to Executive Directors and certain members of senior management. Further information on awards granted to Directors can be found in the Remuneration report on page 92. 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. For the 2015 award, the vesting schedule has been restructured so that 30% of the reward is linked to the performance of TSR for Executive Directors (for any participants below Executive Director level this is linked to revenue growth over the three-year period of the awards), 30% is linked to EBITDA and 40% is linked to strategic objectives set out prior to the grant date of the scheme.

The fair values and the assumptions used in the calculation of PSA awards vesting or due to vest in 2015 or after are as follows:

Grant date	Performance Share Awards			
	19 March 2015	19 March 2014	19 March 2013	30 March 2012
Grant price	£9.34	£7.08	£7.00	£4.60
Exercise price	nil	nil	nil	nil
Bad leaver rate	12%	0%	0%	0%
Vesting period	3 years	3 years	3 years	3 years
Volatility	22.8%	32.7%	34.1%	33.9%
Fair value per share option	£8.94	£5.52	£5.76	£3.61

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 2015 is 1.2 and 1.4 years, respectively.

UK SHARESAVE SCHEME AND INTERNATIONAL SHARESAVE PLAN

The UK Sharesave Scheme is an approved HM Revenue and Customs scheme. A grant made in December 2012 with an option price of £4.59 (reflecting the maximum discount permitted of 20%) will mature in February 2016.

The International Sharesave Plan mirrors the operation of the UK Sharesave Scheme as closely as possible. Participants are given either the opportunity to receive options in the same way as the UK Sharesave Scheme, or the spread between the share price at the date of exercise and the grant price, delivered (at the Company's discretion) in cash or shares. It is the Company's intention to satisfy the awards using shares, some of which are held by the Trust and some of which will be newly-issued. A grant made in December 2012 with an option price of £4.59 matured 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 2015 is 0.5 years for each plan.

EMPLOYEE STOCK PURCHASE PLAN

The Employee Stock Purchase Plan (ESPP) is for US and Canadian employees to purchase the Company's stock at a 15% discount using funds accumulated by an aggregate of 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. This plan has now ended and the balance of exercisable awards at 31 December 2015 is nil.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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:

	Sharesave Scheme (UK and International) 18 December 2012	ESPP 26 November 2012
Grant date		
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 2015 (excluding the 2004 Plan which is noted above) is as follows:

	SIP (UK)	BSA ⁽¹⁾	PSA	Sharesave (UK)	Sharesave (International)	ESPP	Total
Balance at 1 January 2015	392,077	1,822,685	1,688,080	515,734	288,192	85,999	4,792,767
Granted/allocated	–	1,669,800	597,956	–	–	–	2,267,756
Forfeited and lapsed	–	(314,412)	(582,930)	(21,423)	(71,025)	–	(989,790)
Exercised	(134,173)	(920,815)	(394,358)	(13,230)	(3,420)	(85,999)	(1,551,995)
Balance at 31 December 2015	257,904	2,257,258	1,308,748	481,081	213,747	–	4,518,738
Exercisable at 31 December 2015	257,904	–	–	–	–	–	257,904
Exercise price per share	n/a	nil	nil	£4.59	£4.59	£4.94	

(1) Includes the Business Unit LTIP scheme.

26. RESERVES

Cash flow hedge reserve:

(\$ in millions)	2015	2014
Balance at 1 January	(1.6)	8.6
Gain/(loss) recognised on cash flow hedges:		
Forward exchange contracts	–	(3.0)
FX movement through cash flow hedge reserve	–	0.1
Income tax (credited)/charged directly to equity	–	0.2
Reclassified to the income statement ⁽¹⁾ :		
Forward exchange contracts	3.1	(11.7)
FX movement through cash flow hedge reserve	(0.2)	1.9
Income tax (charged)/credited related to amounts transferred to the income statement	(0.4)	2.3
Balance at 31 December	0.9	(1.6)

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

(\$ in millions)	2015	2014
Total net operating costs	2.9	(9.8)
Income tax (credit)/expense	(0.4)	2.3
Total reclassified (charged/(credited)) to the income statement in the year	2.5	(7.5)

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

27. EARNINGS PER SHARE

Earnings per share for the year ended 31 December 2015 has been calculated based on profit attributable to equity holders for the year and the weighted average number of ordinary shares in issue (excluding shares held by the Employee Benefit Trust).

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares. These represent share options and awards granted to employees under the employee share plans. At 30 September 2014, the Convertible Bonds were dilutive due to the credit recognised to interest expense from re-basing the bonds to mature in November 2017. At 31 December 2015, the Convertible Bonds were not included in the calculation of diluted earnings per share as they were antidilutive.

(\$ in millions)	2015	2014
Profit attributable to equity holders of the Company	281.4	340.5
Interest on convertible bonds (net of tax)	–	(14.4)
Profit attributable to equity holders for diluted earnings per share	281.4	326.1

(millions)	2015	2014
Weighted average number of ordinary shares in issue	449.2	448.1
Potentially dilutive ordinary shares	4.4	27.2
Weighted average number of ordinary shares for diluted earnings per share	453.6	475.3

(\$ per share)	2015	2014
Basic earnings per share	0.63	0.76
Diluted earnings per share	0.62	0.69

28. PENSIONS AND POST-EMPLOYMENT BENEFITS

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

The Group operates defined benefit pension schemes in the United Kingdom and The Netherlands. The Group's principal defined benefit pension plan is the Inmarsat Global scheme, which is a UK funded scheme with assets held in a separate fund administered by a corporate trustee; the scheme is closed to new employees.

The 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 2014. 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 2015, are set out below.

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

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

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

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

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

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

	At 31 December 2015	At 31 December 2014
Weighted average actuarial assumptions:		
Discount rate	3.92%	3.74%
Future salary increases	3.14%	3.05%
Medical cost trend rate	3.50%	3.40%
Future pension increases	3.01%	3.39%

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 2015	Life expectancy 2014
Male current age 65	88.5	88.6
Female current age 65	89.6	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 2015 and 2014, mortality has been assumed to follow the SAPS tables with -1 year age rating for males and CMI 2013 improvement with a long-term trend of 1.5%.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

28. PENSIONS AND POST-EMPLOYMENT BENEFITS continued

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%	(5.7%)	(31.3%)
Decrease in discount factor of 0.25%	6.2%	31.5%
Increase in inflation of 0.25%	6.1%	30.2%
Decrease in inflation of 0.25%	(5.8%)	(28.0%)
Mortality: -2 years for males and -1 year for females	2.9%	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%	(7.2%)	–
Increase in inflation of 0.5%	12.1%	–
Increase in healthcare cost trend rate of 1%	22.1%	22.9%
Decrease in healthcare cost trend rate of 1%	(17.2%)	(17.7%)

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

Amounts recognised in the balance sheet are:

(\$ in millions)	At 31 December 2015	At 31 December 2014
Present value of funded defined benefit obligations (pension)	(109.2)	(116.2)
Present value of unfunded defined benefit obligations (pension)	(0.7)	(1.0)
Present value of unfunded defined benefit obligations (post-employment benefits)	(17.0)	(18.4)
Fair value of defined benefit assets	127.6	133.6
Net defined benefit asset/(liability) recognised in the balance sheet	0.7	(2.0)

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

(\$ in millions)	Note	At 31 December 2015	At 31 December 2014
Defined benefit pension asset	17	19.0	18.0
Defined benefit pension and post-employment liability	20	(18.3)	(20.0)

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 2014	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
Current service cost	2.7	0.2
Past service cost	–	(0.1)
Interest cost	4.4	0.7
Remeasurement losses:		
Actuarial gains arising from changes in demographic assumptions	(1.5)	–
Actuarial gains arising from changes in financial assumptions	(2.5)	(0.7)
Actuarial gains arising from experience adjustments	(2.9)	–
Foreign exchange loss	(7.4)	(1.1)
Benefits paid	(1.4)	(0.4)
Contributions by pension participants	1.3	–
At 31 December 2015	109.9	17.0

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

(\$ in millions)	2015	2014
At 1 January	133.6	114.0
Interest income	5.1	5.0
Remeasurement gains/(losses):		
Experience return on plan asset (excluding interest income)	(4.5)	17.7
Actuarial gains arising from changes in demographic assumptions	–	0.3
Actuarial (loss)/gains arising from changes in financial assumptions	(0.1)	1.6
Contributions by employer	1.8	1.5
Contributions by pension participants	1.3	1.5
Benefits paid	(1.1)	(0.6)
Assets distributed on settlement	–	(1.3)
Expenses paid (included in service cost)	(0.4)	(0.4)
Foreign exchange gain	(8.1)	(5.7)
At 31 December	127.6	133.6

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

(\$ in millions)	2015		2014	
	Defined benefit pension plan	Post-employment benefits	Defined benefit pension plan	Post-employment benefits
Current service cost	3.1	0.2	2.8	0.2
Past service (gain)/cost	–	(0.1)	–	0.1
Gain on curtailment	–	–	(1.4)	–
Net interest (income)/expense	(0.7)	0.7	(0.6)	0.8
Foreign exchange (gain)/loss	0.7	(1.1)	0.3	(1.1)
	3.1	(0.3)	1.1	–

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)	2015		2014	
	Defined benefit pension plan	Post-employment benefits	Defined benefit pension plan	Post-employment benefits
Actuarial gains arising from changes in demographic assumptions	(1.5)	–	(0.3)	–
Actuarial gains arising from changes in financial assumptions	(2.4)	(0.7)	13.3	1.3
Actuarial gains arising from changes in experience adjustment	(2.9)	–	–	–
Return on plan asset (excluding interest income)	4.5	–	(17.7)	–
Remeasurement of the net defined benefit asset and liability	(2.3)	(0.7)	(4.7)	1.3

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

	At 31 December 2015		At 31 December 2014	
	Value (\$ in millions)	Percentage of total plan assets (%)	Value (\$ in millions)	Percentage of total plan assets (%)
Equities	36.6	32.93%	44.0	32.93%
Cash	0.1	0.07%	0.1	0.08%
Bonds	70.0	55.31%	73.9	55.31%
Other	20.9	11.68%	15.6	11.68%
Fair value of scheme assets	127.6		133.6	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

28. PENSIONS AND POST-EMPLOYMENT BENEFITS *continued*

The Inmarsat Global defined benefit plan assets, which contribute over 95% of the total Group assets, are all invested in pooled investment funds, the majority of which are priced daily, except for the High Lease-to-Value Property, Alternatives and Multi Asset Credit funds, which are priced monthly. The allocations to each of the investment funds as at 31 December 2015 are as follows:

Fund	Legal structure	Allocation (%)
Passive Global Equity	Mercer QIF CCF	7.1
Global Small Cap Equity	MGI Funds PLC	6.1
Global Fundamental (RAFI) Equity	Mercer QIF CCF	7.1
Emerging Markets Equity	MGI Funds PLC	5.5
Global Low Volatility Equity	MGI Funds PLC	3.1
Eurozone Equity	MGI Funds PLC	1.1
Emerging Markets Debt	MGI Funds PLC	2.8
Global High Yield Bonds	MGI Funds PLC	2.6
Alternatives	Mercer QIF Fund PLC	9.0
High Lease-to-Value Property	Mercer QIF CCF	2.7
Private Debt	Mercer Private Investment Partners (Offshore) LLP	0.9
Multi Asset Credit	Mercer QIF Fund PLC	2.2
Total growth portfolio		50.2
Long Flexible Enhanced Matching Fixed	Mercer QIF Fund PLC	3.7
Short Flexible Enhanced Matching Real	Mercer QIF Fund PLC	1.4
Medium Flexible Enhanced Matching Real	Mercer QIF Fund PLC	9.0
Long Flexible Enhanced Matching Real	Mercer QIF Fund PLC	10.1
UK Credit	Mercer PIF Fund PLC	15.3
UK Inflation Linked Bonds	MGI Funds PLC	10.3
Total matching portfolio		49.8
Total assets		100.0

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

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

The duration of the defined benefit liabilities within the Inmarsat Global defined benefit plan is approximately 24 years. The defined benefit obligation within that plan is split as follows:

Active members	51%
Deferred members	38%
Pensioner members	11%

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

The estimated contributions expected to be paid into the Inmarsat Global defined benefit pension plan during 2016 are \$1.2m. In 2015 actual contributions under this plan were \$1.0m (2014: \$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 2014. The current Schedule of Contributions requires the Company to pay 15% of pensionable salary in respect of the additional accrual of future benefits for members of the defined benefit tier of the Pensionbuilder section and any notional member contributions payable under the SMART arrangement. Contributions in respect of the Defined Contribution tier and the Pensionsaver section are paid in addition.

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

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)	At 31 December 2015			At 31 December 2014		
	Non-cancellable operating leases	Other unrecognised contractual commitments	Total	Non-cancellable operating leases	Other unrecognised contractual commitments	Total
Within one year	22.9	22.9	45.8	16.1	13.7	29.8
Within two to five years	45.6	18.7	64.3	51.9	24.0	75.9
After five years	51.1	0.7	51.8	64.1	–	64.1
	119.6	42.3	161.9	132.1	37.7	169.8

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 2015 relating to the aforementioned head office lease is \$0.5m over one year (at 31 December 2014: \$1.1m over two years).

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

(\$ in millions)	At 31 December 2015	At 31 December 2014
Within one year	5.2	27.2
Within two to five years	6.1	15.9
	11.3	43.1

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

(\$ in millions)	At 31 December 2015	At 31 December 2014
Within one year	29.0	32.1
Within two to five years	2.5	12.0
	31.5	44.1

30. CAPITAL RISK MANAGEMENT

The following table summarises the capital of the Group:

(\$ in millions)	At 31 December 2015	At 31 December 2014
As per balance sheet		
Cash and cash equivalents	(177.3)	(204.4)
Borrowings	2,163.1	2,105.1
Net borrowings	1,985.8	1,900.7
Equity attributable to shareholders of the parent	1,249.3	1,182.6
Capital	3,235.1	3,083.3

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

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

The net borrowings (gross of deferred finance costs) to EBITDA ratio for the year ended 31 December 2015 is 2.77 (2014: 2.75).

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

No changes were made in the Group's objectives, policies or processes for managing capital during the current or preceding year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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;
- > 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)	At 31 December 2015			At 31 December 2014		
	Loans and receivables	Total	Loans and receivables	Derivatives used for hedging	Available-for-sale	Total
Assets as per balance sheet						
Trade receivables and other ⁽¹⁾	310.8	310.8	242.1	–	–	242.1
Cash and cash equivalents	177.3	177.3	204.4	–	–	204.4
Derivative financial instruments	–	–	–	1.4	–	1.4
Investments	–	–	–	–	32.9	32.9
	488.1	488.1	446.5	1.4	32.9	480.8

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

(\$ in millions)	At 31 December 2015			At 31 December 2014		
	Derivatives used for hedging	Other financial liabilities	Total	Derivatives used for hedging	Other financial liabilities	Total
Liabilities as per balance sheet						
Borrowings	–	2,163.1	2,163.1	–	2,105.1	2,105.1
Trade payables and other ⁽¹⁾	–	190.5	190.5	–	221.4	221.4
Derivative financial instruments	0.3	–	0.3	5.0	–	5.0
	0.3	2,353.6	2,353.9	5.0	2,326.5	2,331.5

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

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

(\$ in millions)	At 31 December 2015				Total
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	
Borrowings ⁽¹⁾	204.4	554.3	535.6	1,301.3	2,595.6
Trade payables and other	166.8	1.4	21.0	1.3	190.5
Derivative financial instruments	0.3	—	—	—	0.3
	371.5	555.7	556.6	1,302.6	2,786.4

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

(\$ in millions)	At 31 December 2014				Total
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	
Borrowings ⁽¹⁾	195.4	276.0	876.9	1,276.6	2,624.9
Trade payables and other	195.8	1.9	22.3	1.4	221.4
Derivative financial instruments	5.0	—	—	—	5.0
	396.2	277.9	899.2	1,278.0	2,851.3

(1) Includes interest obligations on the Senior Notes due 2017, EIB Facility, Ex-Im Bank 2011 Facility and Convertible Bonds. The interest obligations assume no changes in floating interest rates from the year end.

FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

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

The fair values at the balance sheet date were:

(\$ in millions)	At 31 December 2015	At 31 December 2014
Financial assets:		
Forward foreign currency contracts – designated cash flow hedges	—	1.4
Forward foreign currency contracts – undesignated	—	—
Total derivative financial assets	—	1.4
Current portion of derivative financial assets	—	1.4
Non-current portion of derivative financial assets	—	—
Financial liabilities:		
Forward foreign currency contracts – designated cash flow hedges	—	4.5
Forward foreign currency contracts – undesignated	0.3	0.5
Total derivative financial liabilities	0.3	5.0
Current portion of derivative financial liabilities	0.3	5.0

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

The fair value of foreign exchange contracts performed by management are based upon a valuation provided by the counterparty and are classified as level 2 in the fair value hierarchy according to IFRS 7. The fair value of foreign exchange contracts is based upon the difference between the contract amount at the current forward rate at each period end and the contract amount at the contract rate, discounted at a variable risk-free rate at the period end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31. FINANCIAL INSTRUMENTS continued FORWARD FOREIGN EXCHANGE

The following tables set out the face value and fair value of forward foreign exchange contracts outstanding for the Group as at 31 December 2015 and 2014:

Outstanding forward foreign exchange contracts (in millions)	At 31 December 2015			
	Face value	Maturing within 1 year	Maturing between 1 and 2 years	Fair value (US\$)
GBP contracts	£10.0	£10.0	—	(0.3)

Outstanding forward foreign exchange contracts (in millions)	At 31 December 2014			
	Face value	Maturing within 1 year	Maturing between 1 and 2 years	Fair value (US\$)
GBP contracts	£66.0	£66.0	—	(2.1)
Euro contracts	€6.0	€6.0	—	(0.8)
Canadian Dollar contracts	\$18.0	\$18.0	—	(0.7)
				(3.6)

NON-DERIVATIVE FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

FAIR VALUE OF NON-DERIVATIVE FINANCIAL ASSETS AND FINANCIAL LIABILITIES

With the exception of the Senior Notes due 2022, the Ex-Im Bank Facilities and the Convertible Bonds, the fair values of all non-derivative financial instruments approximate to the carrying value in the balance sheet. The fair value of Senior Notes due 2022, Ex-Im Bank Facilities and Convertible Bonds are classified as level 2 in the fair value hierarchy according to IFRS 7.

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

- > the fair values of cash at bank, overdrafts and short-term deposits approximate their carrying values because of the short-term maturity of these instruments (see note 16);
- > the fair value of trade and other receivables and payables, accrued income and costs, and deferred consideration approximate their carrying values (see notes 17 and 20 respectively);
- > the carrying amount of deferred satellite payments represents the present value of future payments discounted, using an appropriate rate, at the period end. This carrying amount approximately equals fair value (see note 19);
- > the Senior Notes due 2022 are reflected in the balance sheet net of unamortised arrangement costs and net issuance premium of \$7.3m and \$6.5m, respectively (see note 19). The fair values of the Senior Notes due 2022 are based on the market price of the bonds and are reflected in the next table;
- > the EIB Facility is reflected in the balance sheet net of unamortised arrangement costs of \$0.4m (2014: \$0.6m). The fair value approximates the carrying value (see note 19);
- > the Ex-Im Bank Facilities are reflected in the balance sheet net of unamortised arrangement costs of \$18.0m (2014: \$18.9m). The fair value of the 2011 facility has been based on the implicit interest rate of the 2014 facility (see note 19); and

- > the liability component of the Convertible Bonds is reflected in the balance sheet on an amortised cost basis, net of unamortised arrangement costs of \$nil (2014: \$nil) (see note 19). The fair value of the Convertible Bonds is based on the market price of the bonds and is reflected in the table below.

(in millions)	At 31 December 2015		At 31 December 2014	
	Carrying amount	Fair value amount	Carrying amount	Fair value amount
Senior Notes due 2022	1,000.0	996.3	1,000.0	992.5
Ex-Im Bank Facilities	714.2	741.4	637.0	637.0
Convertible Bonds	326.6	498.6	301.3	418.7

32. CAPITAL COMMITMENTS

The Group had authorised and contracted but not provided for capital commitments as at 31 December 2015 of \$1,219.9m (2014: \$504.0m). These amounts primarily represent commitments in respect of the Group's GX, S-band and I-6 satellite programmes.

33. DISPOSAL

In January 2015, the Group completed the sale of its 19% holding in SkyWave Mobile Communications to ORBCOMM Inc. for total proceeds of \$32.9m and recognised an after-tax gain of \$8.1m. The share sale was one part of a suite of agreements with ORBCOMM Inc., covering the joint ownership and future development and commercialisation of the IsatData Pro (IDP) technology. As part of these agreements the Group acquired SkyWave's satellite network assets, hosted at three Inmarsat Satellite Access Stations, for \$7.5m.

34. CONTINGENT LIABILITY

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

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

For the year ended 31 December 2014, the Group disclosed contingent liabilities in respect of outstanding tax issues with HMRC for which no provision had been made, totalling \$18m. During the year, HMRC concluded their review relating to \$12m of this amount with no adjustment to the filed position. The remaining exposure is covered within the balance sheet tax provision.

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 2015 financial year was \$37.4m, \$nil and \$22.8m, respectively (2014: \$34.0m, \$0.1m and \$22.0m, respectively). The amount receivable from the related parties at 31 December 2015 was \$13.1m, \$nil and \$2.2m, respectively (2014: \$14.5m, \$0.8m and \$2.7m, respectively).

Amounts owing to the Executive and Non-Executive Directors as at 31 December 2015 and 2014 were \$1m and \$6.2m, respectively, and relate to remuneration earned in the normal course of operations (see note 8).

36. SUBSIDIARIES

At 31 December 2015, the Company had investments in the following subsidiaries and associates:

	Principal activity	Country of incorporation and operation	Interest in issued ordinary share capital at 31 December 2015	Interest in issued ordinary share capital at 31 December 2014
Inmarsat Holdings Limited	Holding company	England and Wales	100%	100%
Inmarsat Group Limited	Holding company	England and Wales	100%	100%
Inmarsat Finance PLC	Finance company	England and Wales	100%	100%
Inmarsat Investments Limited	Holding company	England and Wales	100%	100%
Inmarsat Ventures Limited	Operating company	England and Wales	100%	100%
Inmarsat Global Limited	Satellite telecommunications	England and Wales	100%	100%
ISAT Global Xpress OOO	Operating company	Russian Federation	100%	100%
Inmarsat Brasil Limitada	Operating company	Brazil	100%	100%
Inmarsat Leasing (Two) Limited	Satellite leasing	England and Wales	100%	100%
Inmarsat New Zealand Limited	Operating company	New Zealand	100%	100%
Inmarsat Services Limited	Operating company	England and Wales	100%	100%
PT ISAT	Operating company	Indonesia	100%	100%
Inmarsat Communications Company LLC	Operating company	United Arab Emirates	49%	49%
Inmarsat Group Holdings Inc.	Operating company	United States	100%	100%
ISAT US Inc.	Operating company	United States	100%	100%
Segovia, Inc.	Operating company	United States	100%	100%
Stratos Government Services Inc.	Operating company	United States	100%	100%
Segovia Commercial Services Inc.	Operating company	United States	100%	100%
Inmarsat Solutions (US) Inc.	Operating company	United States	100%	100%
Inmarsat Inc.	Holding company	United States	100%	100%
Inmarsat US Investments Limited	Holding company	England and Wales	100%	100%
Europasat	Operating company	England and Wales	100%	100%
Inmarsat Employment Company Limited	Employment company	Jersey	100%	100%
Inmarsat Trustee Company Limited	Dormant	England and Wales	100%	100%
Inmarsat Finance III Limited	Operating company	England and Wales	100%	100%
Inmarsat Solutions Limited	Holding company	England and Wales	100%	100%
Inmarsat Canada Holdings Inc.	Holding company	Canada	100%	100%
Inmarsat Solutions (Canada) Inc.	Operating company	Canada	100%	100%
Stratos Holdings (Cyprus) Limited	Holding company	Cyprus	100%	100%
Stratos de Mexico S.A de C.V	Dormant	Mexico	100%	100%
Stratos Gesellschaft für satelliten-kommunikation mbH.	Operating company	Germany	100%	100%
Stratos Global Japan KK	Holding company	Japan	100%	100%
Stratos Global Holdings Limited	Dormant	England and Wales	100%	100%
Stratos Broadband Communications	Dormant	Kazakhstan	100%	100%
Stratos Investments BV	Holding company	The Netherlands	100%	100%
Inmarsat Solutions B.V.	Operating company	The Netherlands	100%	100%
Inmarsat Solutions SA (PTY) Limited	Operating company	South Africa	90%	90%
Inmarsat Spain S.A.	Operating company	Spain	100%	100%
Inmarsat Hong Kong Limited	Operating company	Hong Kong	100%	100%
Xantic Brazil Limited	Dormant	Brazil	100%	100%
Inmarsat BV	Operating company	The Netherlands	100%	100%
Inmarsat (IP) Company Limited	Operating company	England and Wales	100%	100%
Inmarsat Employee Share Plan Trustees Limited	Dormant	England and Wales	100%	100%
Inmarsat Hellas Satellite Services SA	Satellite telecommunications	Greece	100%	100%
Inmarsat Leasing Limited	Dormant	England and Wales	100%	100%
Inmarsat Navigation Ventures Limited	Operating company	England and Wales	100%	100%
Inmarsat Launch Company Limited	Operating company	Isle of Man	100%	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

36. SUBSIDIARIES continued

	Principal activity	Country of incorporation and operation	Interest in issued ordinary share capital at 31 December 2015	Interest in issued ordinary share capital at 31 December 2014
Inmarsat Global Xpress Limited	Operating company	England and Wales	100%	100%
Inmarsat SA	Operating company	Switzerland	100%	100%
NewWave Broadband Limited	Operating company	England and Wales	100%	100%
Inmarsat Solutions Global Limited	Operating company	England and Wales	100%	100%
Inmarsat Solutions AS	Operating company	Norway	100%	100%
Inmarsat Solutions Pte. Limited	Operating company	Singapore	100%	100%
Inmarsat Solutions ehf.	Operating company	Iceland	51%	51%
Inmarsat Australia Pty Limited	Operating company	Australia	100%	100%
Allsatphones Pty Limited	Operating company	Australia	100%	100%
Inmarsat KK	Operating company	Japan	100%	100%
Inmarsat Solutions (Shanghai) Co. Limited	Operating company	China	100%	100%
Inmarsat India Private Limited	Operating company	India	100%	–
NTS Maritime Limited	Associate	Cyprus	49%	49%
Navarino Telecom SA	Associate	Cyprus	–	49%
Navarino UK Limited	Associate	England and Wales	49%	–
JSAT Mobile Communications Inc	Associate	Japan	26.67%	26.67%

In accordance with s479A of the Companies Act 2006, the following companies are exempt from the requirements relating to the audit of individual accounts for the year ended 31 December 2015: Inmarsat Trustee Company Limited (03688399), Stratos Global Holdings Limited (04113448), Inmarsat Employee Share Plan Trustees Limited (03669306) and Inmarsat Leasing Limited (02487502).

COMPANY BALANCE SHEET

AT 31 DECEMBER 2015

(\$ in millions)	2015	2014
Assets		
Non-current assets		
Investments ⁽¹⁾	1,089.3	1,079.6
Other receivables ⁽²⁾	77.8	73.3
Deferred tax assets	0.8	0.1
	1,167.9	1,153.0
Current assets		
Cash and cash equivalents	1.8	1.7
Trade and other receivables ⁽³⁾	1.2	1.2
Current tax assets	5.1	–
	8.1	2.9
Total assets	1,176.0	1,155.9
Liabilities		
Current liabilities		
Trade and other payables ⁽⁴⁾	17.5	9.0
Current tax liabilities	–	4.1
Borrowings ⁽⁵⁾	–	–
	17.5	13.1
Non-current liabilities		
Borrowings ⁽⁵⁾	330.0	304.4
Total liabilities	347.5	317.5
Net assets	828.5	838.4
Shareholders' equity		
Ordinary shares	0.3	0.3
Share premium	687.6	687.6
Convertible Bonds reserve	56.9	56.9
Other reserves	70.9	59.6
Retained earnings	12.8	34.0
Total equity	828.5	838.4

(1) Investments consist of a \$1,007.8m investment in Inmarsat Holdings Limited (2014: \$1,007.8m) and \$81.5m of capital contributions to Group companies in respect of share-based payments (2014: \$71.8m).

(2) Other receivables consist of \$77.8m amounts due from Group companies (2014: \$73.3m).

(3) Trade and other receivables consist of \$1.2m amounts due from Group companies (2014: \$1.2m).

(4) Trade and other payables consists of \$1.8m due to shareholders in respect of dividends paid during 2015 (2014: \$1.6m), accruals of \$4.2m (2014: \$2.8m) and amounts due to Group companies of \$11.5m (2014: \$4.6m).

(5) Borrowings comprise the Convertible Bonds discussed in note 19 to the consolidated financial statements.

The financial statements of the Company, registered number 4886072, on pages 133 to 136 were approved by the Board of Directors on 3 March 2016 and signed on its behalf by:

RUPERT PEARCE
Chief Executive Officer

TONY BATES
Chief Financial Officer

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

(£ in millions)	Ordinary share capital	Share premium account	Equity reserve	Share option reserve	Other reserve ⁽¹⁾	Retained earnings	Total
Balance at 1 January 2014	0.3	687.4	56.9	61.5	(8.5)	8.5	806.1
Profit for the year	–	–	–	–	–	238.7	238.7
Issue of share capital	–	0.2	–	–	–	–	0.2
Dividends paid	–	–	–	–	–	(212.8)	(212.8)
Share options charge	–	–	–	1.0	5.6	(0.4)	6.2
Balance at 31 December 2014	0.3	687.6	56.9	62.5	(2.9)	34.0	838.4
Profit for the year	–	–	–	–	–	202.7	202.7
Dividends paid	–	–	–	–	–	(224.1)	(224.1)
Share options charge	–	–	–	11.3	–	0.2	11.5
Balance at 31 December 2015	0.3	687.6	56.9	73.8	(2.9)	12.8	828.5

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

COMPANY CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

(\$ in millions)	2015	2014
Cash flow from operating activities		
Cash generated from operations	4.7	4.9
Net cash from operating activities	4.7	4.9
Cash flow from investing activities		
Dividends received from Group companies	224.1	225.8
Net cash from investing activities	224.1	225.8
Cash flow from financing activities		
Dividends paid to shareholders	(223.7)	(212.6)
Interest paid on Convertible Bonds	(5.0)	(5.0)
Intercompany funding	–	(13.0)
Net cash used in financing activities	(228.7)	(230.6)
Net increase in cash and cash equivalents	0.1	0.1
Movement in cash and cash equivalents		
At the beginning of the year	1.7	1.6
Net increase in cash and cash equivalents	0.1	0.1
At the end of the year	1.8	1.7
Comprising:		
Cash at bank and in hand	1.8	1.7
	1.8	1.7

NOTES TO THE COMPANY FINANCIAL STATEMENTS

A) PRINCIPAL ACCOUNTING POLICIES

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 statements.

B) INCOME STATEMENT

The Company has taken advantage of the exemption available under Section 408 of Companies Act 2006 and has not presented an income statement. The profit for the year ended 31 December 2015 was \$202.7m (2014: \$238.7m).

AUDITOR'S REMUNERATION

During the year, the Company paid its external auditor \$0.1m for statutory audit services (2014: \$0.2m).

EMPLOYEE COSTS AND DIRECTORS' REMUNERATION

The average monthly number of people employed during the year was two (2014: one). Total staff costs for 2015 were \$6.7m (2014: \$0.5m). 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.

C) 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 \$79.0m (2014: \$74.5m) amounts due from Group companies and \$11.5m (2014: \$4.6m) 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.

D) RECONCILIATION OF NET CASH FROM OPERATIONS

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

(\$ in millions)	2015	2014
Profit for the year	202.7	238.7
Adjustments for:		
Taxation (credit)/charge	(5.6)	7.8
Financing costs ⁽¹⁾	30.9	(17.1)
Financing income	(4.1)	(3.6)
Dividend receivable	(224.1)	(225.8)
Non-cash employee benefit costs	1.9	(1.8)
Changes in net working capital:		
(Increase)/decrease in trade and other receivables	(0.5)	(0.4)
Increase in trade and other payables	3.5	7.1
Cash generated from operations	4.7	4.9

(1) The 2014 balance includes the impact of a non-recurring adjustment to interest on the Convertible Bonds.

GLOSSARY OF TERMS

Due to the technical nature of satellite communications and financial reporting we use a number of terms and abbreviations in this Annual Report and Accounts that are widely used within those industries but are less commonly used by our broader community of stakeholders. The principal ones are summarised below.

A

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.

ALPHASAT

A satellite developed with the European Space Agency and launched in 2013. It supplements our Inmarsat-4 satellite constellation.

ATC

Ancillary Terrestrial Components provide communications services from ground stations either as stand-alone services or to complement satellite services.

ATG (ALSO CGC)

For our European Aviation Network, the satellite and CGC components are integrated and the CGC is not stand alone. ATG means the air to ground terrestrial component of the EAN.

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

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.

GX

GlobalXpress is 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-3 (I-3), INMARSAT-4 (I-4), INMARSAT-5 (I-5), INMARSAT-6 (I-6)

The second, third, fourth, fifth and sixth 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.

GLOSSARY OF TERMS CONTINUED

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 Inmarsat-3 and Inmarsat-4 satellites and also by our planned Inmarsat-6 satellites.

LIGHTSQUARED

A Cooperation Agreement between Inmarsat, LightSquared LP, Skyterra (Canada) Inc. and LightSquared Inc. for the use of L-band in North America. On 11 February 2016 LightSquared announced a name change to Ligado Networks. We continue to refer to the company as LightSquared in these results, reflecting the position throughout 2015.

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. We also use the term S-band to refer to the S-band programme in general.

SCOPE 1, 2 AND 3 EMISSIONS

Carbon emissions as defined by the greenhouse gas protocol.

Scope 1: All direct greenhouse gas emissions.

Scope 2: Indirect emissions from purchased electricity, heat or steam.

Scope 3: Other indirect emissions including travel.

SEP/INMARSAT GATEWAY

Our Service Enablement Platform for GX delivering customer support, network services and an app store, it also opens up our networks to innovators through a developer portal. This is also now referred to as the Inmarsat Gateway.

SWIFTBROADBAND

A global service providing voice and high-speed data simultaneously through a single installation on an aircraft.

T

TÉLÉCOMS SANS FRONTIÈRES (TSF)

The telecommunications relief aid organisation, it is a core beneficiary of our charitable support.

TERMINALS

The consumer hardware used to receive and transmit voice and data from earth across our satellite network. It includes antenna enabled hardware such as satellite phones and on-board antennas.

V

VSAT

Very Small Aperture Terminals are small mobile two-way satellite antennas able to receive and transmit voice and broadband data to a satellite. VSAT services are typically charged using a fixed monthly fee.

X

XPRESSLINK

XpressLink is a fully-integrated Ku-band and L-band service with VSAT and FleetBroadband terminals.

ADDITIONAL INFORMATION

FIVE-YEAR SUMMARY

(\$ in millions)	2015	2014	2013	2012	2011
Revenues	1,274.1	1,285.9	1,261.9	1,337.8	1,408.5
EBITDA	726.0	701.0	648.8	694.7	854.4
EBITDA %	57.0%	54.5%	51.4%	51.9%	60.7%
Profit before tax	338.0	342.3	189.1	293.6	366.9
Profit for year	282.0	341.1	102.6	217.4	249.5
Net cash inflow from operating activities	705.5	644.8	597.1	659.5	881.6
Net cash used in investing activities	(460.7)	(424.4)	(583.7)	(499.1)	(702.0)
Net cash used in financing activities	(275.2)	(156.4)	(204.5)	(11.1)	(340.5)
Total assets	4,246.1	4,091.9	3,868.8	3,753.0	3,409.1
Total liabilities	(2,996.2)	(2,908.8)	(2,821.0)	(2,627.1)	(2,328.0)
Shareholders' equity	1,249.9	1,183.1	1,047.8	1,125.9	1,081.1

Notes:

Segovia is included in the results from 12 January 2010.

Ship Equip is included in the results from 28 April 2011.

NewWave Broadband is included in the results from 13 January 2012.

TC Comms is included in the results from 8 May 2013.

Globe Wireless is included in the results from 1 January 2014.

FINANCIAL CALENDAR 2016

5 May	Annual General Meeting
12 May	Ex-dividend date for 2015 final dividend
13 May	Record date for 2015 final dividend
27 May	2015 final dividend payment date
August	2016 interim results
October	2016 interim dividend payment

REGISTERED OFFICE

99 City Road
London EC1Y 1AX
Tel: +44 (0)20 7728 1000
Fax: +44 (0)20 7728 1044
www.inmarsat.com

REGISTERED NUMBER

4886072 England and Wales

AUDITOR

Deloitte LLP
2 New Street Square
London EC4A 3BZ

SOLICITORS

Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ

BROKERS

J.P. Morgan Cazenove
25 Bank Street
London E14 5JP

Credit Suisse
1 Cabot Square
London E14 4QJ

REGISTRARS

Equiniti Limited
PO Box 4630
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report constitute 'forward-looking statements' within the meaning of the US Private Securities Litigation Reform Act of 1995. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results, to be materially different from those projected in the forward-looking statements. These factors include: general economic and business conditions; changes in technology; timing or delay in signing, commencement, implementation and performance of programmes, or the delivery of products or services under them; structural change in the satellite industry; relationships with customers; competition; and ability to attract personnel. You are cautioned not to rely on these forward-looking statements, which speak only as of the date of this Annual Report.

Inmarsat undertakes no obligation to update or revise any forward-looking statement to reflect any change in its expectations or any change in events, conditions or circumstances, except where it would be required to do so under applicable law.



Designed and produced by Gather
www.gather.london

The paper used in this Report is derived
from sustainable sources

.....
CarbonNeutral® printing company



Inmarsat plc
99 City Road
London
EC1Y 1AX
United Kingdom
inmarsat.com