Inmarsat Group Limited

Annual Financial Information Disclosure

For the year ended 31 December 2011

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FORWARD-LOOKING STATEMENTS

This disclosure document forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"). These forward-looking statements include, but are not limited to, all matters that are not historical facts. Statements containing the words "aim", "anticipate", "believe", "continue", "could", "estimate", "expect", "intend", "forecast", "may", "plan", "potential", "predict", "project", "should", "will" or, in each case, their negative and words of similar meaning are forward-looking.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that our actual financial condition, results of operations and cash flows, and the development of the industry in which we operate, may differ materially from those made in or suggested by the forward-looking statements contained in this disclosure document. In addition, even if our financial condition, results of operations and cash flows, and the development of the industry in which we operate, are consistent with the forward-looking statements contained in this disclosure document, those results or developments may not be indicative of results or developments in subsequent periods. Important facts that could cause our actual results of operations, financial condition or cash flows, or development of the industry in which we operate, to differ from our current expectations include, but are not limited to:

- the difficult global business environment in which we currently operate;
- significant competition within the global communications industry;
- our dependence on key distribution partners, who generate a significant portion of our revenues;
- use by our competitors of L-band spectrum to integrate ancillary terrestrial component services into their satellite networks leading to possible interference with our services;
- our possible inability to obtain sufficient rights to the L-band, C-band and Ka-band spectrum required to operate our satellite networks to their expected capacity;
- the operational and financial risks associated with our Cooperation Agreement with LightSquared;
- our reliance on third-party distributors to provide ground infrastructure for certain of our services;
- our reliance on third parties to manufacture and supply terminals for end-users to access our services and our inability to control the availability of such terminals;
- our foreign exchange risk;
- our possible inability to recruit and retain management or employees necessary for our business;
- the significant operational risks relating to our satellites and ground network;
- the implementation risks associated with our next generation service, Global Xpress;
- the potential security risks to our network or the networks of our distribution partners;
- the construction or launch delays of our new or proposed satellites or launch failures or satellite damage or destruction during launch;
- the changes in the expected useful lives of our satellites;
- the possible inability to obtain and maintain insurance for our satellites;
- the introduction of new technologies by our competitors which may reduce demand for our services or render our technologies obsolete;

- the possibility that we may inadvertently infringe upon patents or proprietary rights owned by third parties;
- the possible adverse impact of increasing regulation relating to the transmission of our satellite signals and the provision of our services in certain countries;
- the possible adverse impact of regulatory challenges and additional governmental regulations;
- the possible adverse impact of our substantial leverage and ability to meet significant debt service obligations, including payments under the Notes; and
- the additional risks and uncertainties listed under the section entitled "*Risk Factors*" and elsewhere in this disclosure document.

As a consequence, our current plans, anticipated actions and future financial condition, results of operations and cash flows, as well as the anticipated development of the industry in which we operate, may differ from those expressed in any forward-looking statements made by us or on our behalf. We urge you to read this disclosure document and the information incorporated by reference herein, including the sections entitled "*Risk Factors*", "*Operating and Financial Review*" and "*Business*" for a more complete discussion of the factors that could affect our future performance and the industry in which we operate. These factors and this cautionary statement expressly qualify all forward-looking statements.

INDUSTRY AND MARKET DATA

We operate in an industry for which it is difficult to obtain precise industry and market information. Market data and certain economic and industry data and forecasts used in, and statements regarding our position in the industry made in, this disclosure document were estimated or derived based upon assumptions we deem reasonable, including, *inter alia*, from internal surveys, market research, government and other publicly available information, reports prepared by consultants and independent industry publications. While we believe these statements to be reliable, they have not been independently verified, and neither we nor the Initial Purchasers make any representation or warranty as to the accuracy or completeness of such information as set forth in this disclosure document. Additionally, industry publications and such reports generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed and in some instances state that they do not assume liability for such information. We cannot therefore assure you of the accuracy and completeness of such information as we have not independently verified such information.

NON-IFRS FINANCIAL MEASURES

In addition to IFRS measures, we use a number of non-IFRS measures in order to provide readers with a better understanding of the underlying performance of our business, and to improve comparability of our results for the periods concerned. Where such non-IFRS measures are given, this is clearly indicated and the comparable IFRS measure is also given.

EBITDA, Adjusted EBITDA, Free Cash Flow, Net Borrowings and the related ratios presented, or incorporated by reference, in this disclosure document are supplemental measures of our performance and liquidity that are not required by, or presented in accordance with IFRS.

EBITDA

EBITDA is generally defined as profit before income tax, net interest payable and depreciation and amortisation. However, we define EBITDA to additionally exclude gain on disposal of assets, acquisition-related adjustments, impairment losses and share of results of associates (as so calculated, "**EBITDA**"). EBITDA excludes acquisition-related adjustments that are required to be expensed in accordance with IFRS 3 (Revised 2008) "Business Combinations" because we do not believe that they relate to our trading performance. Other items are excluded because, although they may be individually or collectively material, they are not considered to be representative of the trading performance of our businesses during the periods under review. Other companies may define EBITDA differently and, as a result, our measure of EBITDA may not be directly comparable to the EBITDA of other companies.

EBITDA and the related ratios are supplemental measures of our performance and liquidity under IFRS that are not required by, or presented in accordance with IFRS. Furthermore, EBITDA is not a measurement of our financial performance under IFRS and should not be considered as an alternative to profit for the period, operating profit or any other performance measures derived in accordance with IFRS.

We believe EBITDA among other measures facilitates operating performance comparisons from period to period and management decision making. It also facilitates operating performance comparisons from company to company. EBITDA eliminates potential differences caused by variations in capital structures (affecting interest expense), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses) and the age and book depreciation and amortisation of tangible and intangible assets (affecting relative depreciation and amortisation expense). We also present EBITDA because we believe it is frequently used by securities analysts, investors and other interested parties in evaluating similar issuers, the vast majority of which present EBITDA when reporting their results.

Nevertheless, EBITDA has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations, as reported under IFRS. Some of these limitations are:

- it does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- it does not reflect changes in, or cash requirements for, our working capital needs;
- it does not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on our debt;
- although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements; and
- it is not adjusted for all non-cash income or expense items that are reflected in our statements of cash flows; and other companies in our industry may calculate these measures differently than we do, limiting their usefulness as a comparative measure.

As a result of these limitations, EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our IFRS results and using EBITDA measures only supplementally. See "*Operating and Financial Review*" and the consolidated financial statements included in this disclosure document.

Adjusted EBITDA

We define Adjusted EBITDA ("**Adjusted EBITDA**") as EBITDA adjusted to exclude the EBITDA contribution associated with our Cooperation Agreement with LightSquared (as defined herein). As explained in more detail herein, LightSquared has recently failed to make a payment under the Cooperation Agreement and we cannot provide any assurance that any further payments will be received from LightSquared.

Free Cash Flow

We define free cash flow ("**FCF**") as cash generated from operations less capital expenditure (including own work capitalised), net interest and cash tax payments. Other companies may define FCF differently and, as a result, our measure of FCF may not be directly comparable to the FCF of other companies.

FCF is a supplemental measure of our performance and liquidity under IFRS that is not required by, or presented in accordance with IFRS. Furthermore, FCF is not a measurement of our performance or liquidity under IFRS and should not be considered as an alternative to profit for the period and operating profit as a measure of our performance and net cash generated from operating activities as a measure of our liquidity, or any other performance measures derived in accordance with IFRS.

We believe FCF is an important financial measure for use in evaluating our financial performance and liquidity, which measures our ability to generate additional cash from our business operations. We believe it is

important to view FCF as a measure that provides supplemental information to our entire statement of cash flows. See "*Operating and Financial Review*" and the consolidated financial statements included in this disclosure document.

Net Borrowings

We define net borrowings ("**Net Borrowings**") as total borrowings, before deducting any unamortised debt issuance cost, less cash at bank and in hand less short-term deposits with an original maturity of less than three months. We use Net Borrowings as a part of our internal debt analysis. We believe that Net Borrowings is a useful measure as it indicates the level of borrowings after taking account of the financial assets within our business that could be utilised to pay down the outstanding borrowings. See "*Operating and Financial Review*" and the consolidated financial statements included in this disclosure document.

Scope

The following disclosure document, unless otherwise stated, covers the period from 1 January 2011 to 4 April 2012, the date on which the disclosure document and consolidated financial statements of Inmarsat Group Limited were approved by the Directors. The consolidated financial statements are presented for years ended 31 December 2011, 2010 and 2009 (as comparatives to the 2010 consolidated financial statements).

On 30 June 2010, we completed a reorganisation plan under which the ownership of Inmarsat Finance III Limited ("Finance III") and all its subsidiaries (including Stratos Wireless Inc. and its subsidiaries, together "Stratos"), was transferred within the Inmarsat group (the "Group Reorganisation"). The ownership in Finance III was passed down the Inmarsat chain of companies to Inmarsat Ventures Limited by way of a series of share-for-share transactions. As a result of the Group Reorganisation, Stratos became an indirect wholly-owned subsidiary of Inmarsat Group Limited. Accounting for internal reorganisations is outside the scope of IFRS 3, "Business Combinations" and IFRS does not contain additional guidance. Therefore, in accordance with IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", we are entitled to consider the pronouncements of other standard setting bodies, such as UK GAAP. We have accounted for the Group Reorganisation using merger accounting principles. The key features of this accounting are:

- the carrying value of the assets and liabilities "acquired" by us are not adjusted to fair values on consolidation;
- any difference between the value of consideration provided and net assets acquired is not recognised as goodwill, but is adjusted against reserves;
- the premium above nominal value for any shares issued is recognised as a group reconstruction reserve rather than as share premium;
- the results and cash flows of all the combining entities are recognised in the consolidated financial statements from the beginning of the financial period in which the combination occurred (i.e. 1 January 2010); and
- the corresponding prior year figures (i.e. for the year ended 31 December 2009) are restated as if Inmarsat Group Limited had always been the parent undertaking of the new group of companies.

We have included the 2010 and comparative 2009 revised audited Consolidated Financial Statements within this disclosure document. Commentary on the results of operations for 2010 compared to 2009 has been presented in the *'Operating and Financial Review'* section of this disclosure document.

THE MOBILE SATELLITE COMMUNICATIONS SERVICES INDUSTRY

We believe that we are the leading provider of global MSS. We were established by the International Maritime Organisation, a United Nations body (the "**IMO**"), as the first provider of MSS, initially to provide mobile satellite communications and safety services to ships at sea. Since that time, we have developed and expanded our service offerings from low-speed analogue voice and data services offered to maritime end-users, to high-speed digital voice and data services to a variety of end-users, including land and aeronautical end-users.

A network of satellites can provide communications services virtually anywhere on the globe. Accordingly, satellite networks can play an important role in augmenting and complementing terrestrial communications networks by extending offerings of communications services to users beyond the reach of those networks. MSS operators can provide connectivity to the ocean regions, meeting the needs of the commercial and leisure maritime community. Many of the regions where significant natural disasters and political conflicts occur are also beyond the reach of high-bandwidth terrestrial wireline and wireless networks, and these types of networks are often unavailable at such times. Similarly, commercial and private aircraft can only access terrestrial wireless networks when flying over populated areas where such networks are available and have to rely on satellite services elsewhere.

MSS operators use satellites that are located either in geostationary orbit ("**GEO**", orbiting approximately 22,300 miles above the earth), medium earth orbit ("**MEO**", orbiting approximately 5,000 to 10,000 miles above the earth) or low earth orbit ("**LEO**", orbiting approximately 300 to 1,000 miles above the earth).

Our satellites are in geostationary orbit, orbiting the earth above the equator at the same speed as the earth rotates, and therefore remain above the same point relative to the earth's surface. A geostationary orbit reduces the number of satellites required to provide global network coverage. Three such geostationary satellites are sufficient to provide coverage for most of the earth's surface, and consequently, users rarely have to switch from one satellite to another, thus reducing the possibility of an interrupted signal. Lower orbit satellites (i.e., MEO and LEO, which include those used by our competitors, Iridium and Globalstar) move very quickly relative to the earth's rotation, requiring more complicated tracking equipment and operations. Since they are closer to the earth, these lower orbit satellites "see" a smaller portion of the earth's surface, requiring "constellations" of several dozen satellites to provide equivalent geographical coverage.

Orbital slots for geostationary satellites are points on the geostationary arc where satellites are permitted to operate. Orbital slots are designated by both location and frequency band. The number of orbital slots is limited. The right to use an orbital slot must be authorised under national and international regulatory regimes for the frequency bands in which a satellite will operate, and satellites operating in the same frequency bands must be sufficiently far apart to avoid interference with one another. See "*Regulation*". Once the use of particular frequencies at an orbital slot has been licensed and coordinated, the use is protected against interference from other operations at the same or adjacent slots.

Frequency allocation across the various areas of the globe is managed by the ITU, an organisation related to the United Nations within which public and private sectors cooperate for the regulation, standardisation, coordination and development of international telecommunications.

The most common frequency bands used on geostationary satellites are as follows:

- *Ku- and Ka-bands (10-30 GHz).* Ku- and Ka-band radio frequencies have much greater bandwidth than the other frequencies discussed herein, and are typically used for direct-to-home TV broadcasting and broadband communications, as well as for VSAT services, including mobile applications. Ku- and Ka-band radio frequencies are susceptible to atmospheric interference, and user equipment requires highly-stabilised antennae with high-performance pointing systems to operate effectively.

- *C-band (4-8 GHz).* The C-band radio frequency has generally been used by FSS and VSAT operators for TV distribution, data and voice communications. C-band frequencies are less susceptible to terrestrial and atmospheric interference than Ku- and Ka-bands, but still require larger stabilised antennae (oriented to face at a satellite at all times) to transmit and receive signals effectively.

- *L- and S-bands (1.5-1.6 GHz and 2-2.5 GHz, respectively)*. L- and S-band radio frequencies have longer wavelengths, which makes them less prone to degradation from external noise, such as rain, than services provided over the higher-frequencies discussed here. The user equipment does not require the same ability to focus on a satellite as higher frequency services and tend to be small and portable. However, L- and S-band frequencies typically deliver less bandwidth than other frequencies discussed above.

L-band system operators have successfully increased the aggregate bandwidth capabilities of their satellite communications services through the use of technologies that allow a satellite to direct and shape separate, narrow spot beams to different areas of the earth. Spot beams concentrate extra power in areas of high demand. By narrowing the satellite's beam, the same frequency can be used simultaneously in a number of geographic areas, as well as making it possible to supply standard services to smaller, simpler terminals. Accordingly, the aggregate bandwidth available for services can be increased.

We currently operate our services at frequencies in the L- and C-band spectrum and intend to offer services in the Ka-band spectrum in due course through our new Global Xpress programme. Global Xpress will comprise high bandwidth, global, fixed and mobile satellite communications services.

We also offer a new hybrid service called XpressLink which combines Ku- and L-band services in an offering targeting the maritime market.

The Demand for MSS

The demand for MSS has grown rapidly during the past two decades. We believe that a number of factors will continue to drive growth in the demand for MSS, such as the increasing reliance by businesses on communications networks, together with advances in portable computing and more mobile workforces, which are driving significant growth in demand for mobile communications services. We also believe that demand among businesses for data-intensive content, applications and services delivered over communications networks is growing. We expect this increased demand in turn to drive growth in the use of high-bandwidth mobile communications networks.

Demand for voice, video and other bandwidth-intensive communications services from government, media and aid organisations tends to increase substantially in areas affected by political conflict and natural disasters. Past events in Afghanistan and Iraq have resulted both in substantial short-term, and sustained, increases in our revenues from the provision of MSS.

OUR BUSINESS

Overview

We believe that we are the leading provider of global MSS, providing data and voice connectivity to end-users worldwide. We have over 30 years of experience in designing, launching and operating our satellite-based network. With an in-orbit fleet of 10 owned and operated geostationary satellites, we provide a comprehensive portfolio of global MSS for use at sea, on land and in the air. We estimate based on market share, that we have the leading MSS position in both the maritime and aviation sectors. Our services include voice and broadband data, which support safety communications as well as standard office applications, such as e-mail, internet, secure VPN access and videoconferencing. Our revenues, EBITDA and operating profit for the year ended 31 December 2011 were US$1,408.5 million, US$854.2 million and US$466.3 million, respectively.

We have a successful launch and operating record. We have launched three generations of satellites and have never experienced a satellite failure either upon launch or in orbit. Our current fleet of satellites includes two Inmarsat-2 satellites, launched in the early 1990s, five Inmarsat-3 satellites, launched between 1996 and 1998, and three Inmarsat-4 satellites, launched in March and November 2005 and August 2008. Our Inmarsat-2 and Inmarsat-3 satellites have remained in commercial operation beyond their original design lives. We currently expect that the last of our Inmarsat-2 satellites will be in commercial operation until 2014, and expect that the last of our Inmarsat-3 satellites will be in commercial operation until 2018. Our Inmarsat-2 and Inmarsat-3 satellites are used to offer our Existing and Evolved Services, which include all of our services offered prior to the start of services on our Inmarsat-4 satellites. Our Inmarsat-4 satellites provide our broadband services, GSPS and certain M2M services, as well as provide continuity for our Existing and Evolved Services.

Our Alphasat satellite and Inmarsat-5 satellites are currently under construction. Our Alphasat satellite, scheduled to launch in 2013, will supplement and add resilience to our Inmarsat-4 constellation of satellites. Our three Inmarsat-5 satellites, scheduled to launch in 2013 and 2014, will enable us to provide Ka-band services which will be significantly faster than those we are able to offer over our L-band satellite constellations. We refer to these Ka-band services as Global Xpress. The Inmarsat-5 satellites, when launched, will add significant capacity to our network and will have an expected commercial life beyond 2028.

Data rates for our services have increased with each satellite generation. Our Existing and Evolved Services are available at transmission rates of up to 128 kbps, although higher rates are possible where multiple terminals are used in conjunction with channel bonding equipment. Our broadband services include our BGAN service to the land mobile sector, our FleetBroadband service to the maritime sector and our SwiftBroadband service to the aviation sector. Our Inmarsat-4 satellites provide BGAN service at transmission rates of up to 492 kbps, FleetBroadband service at transmission rates of up to 432 kbps and SwiftBroadband service at transmission rates of up to 432 kbps. Our broadband services support higher-bandwidth applications, including videoconferencing, live videostreaming and large file transfer, together with standard office applications such as e-mail, internet, secure LAN access and voice telephony. These services have the same characteristics that our end-users have historically enjoyed, including reliability, ease of use and security, and are supported by terminals that are smaller, more portable and less expensive than the terminals used to access our Existing and Evolved Services.

In July 2011, we launched XpressLink, a global broadband service for the maritime industry. XpressLink offers enhanced Ku-band coverage and bandwidth, and leverages the global capabilities of FleetBroadband's L-band service to offer a fully-integrated managed service. XpressLink also provides a pathway to our Ka-band service by offering terminals that are upgradable to our Global Xpress service. Customers can use these services now, knowing that they can upgrade to a higher capacity service in the near future. We are currently developing our Global Xpress programme, which will enable us to offer seamless global coverage and deliver MSS broadband speeds of up to 50Mbps for users in the government, maritime, energy, enterprise and aviation sectors. Global Xpress will combine the services offered on our new Ka-band Inmarsat-5 satellites, with our highly resilient existing L-band services which we believe will present a compelling service package to our customers offering choice, quality and reliability.

We operate our business in two segments: Inmarsat Global and Inmarsat Solutions.

Inmarsat Global sells our global MSS services on a wholesale on-demand basis via a well-established, global network of distribution partners, including our Inmarsat Solutions business. Inmarsat Global's distribution

partners provide our services to end-users, either directly or indirectly through service providers. Inmarsat Global has a network of over 30 distribution partners and over 600 service providers who are present in over 100 countries on six continents and who provide our services to end-users worldwide. Inmarsat Global continues to target and evaluate new distribution opportunities as they arise. Pursuant to its Distribution Agreements, Inmarsat Global charges our distribution partners wholesale rates according to the types of services they distribute to end-users.

Inmarsat Solutions offers a broad portfolio of remote telecommunications solutions to end-user customers either directly or indirectly through service providers, offering services over the mobile and fixed satellite systems of a number of the leading global and regional satellite system operators, predominantly the Inmarsat satellite system, and through their owned and operated microwave and satellite telecommunications facilities. Inmarsat Solutions also provides secure IP managed solutions and services to government defence users, including the U.S. Army and other U.S. military services and government agencies.

History of Inmarsat

We were formed in 1979 as an international governmental organisation under treaty, with an initial objective to provide communications and safety services to ships at sea. We were established with a mandate to operate profitably and to generate returns on the invested capital. In 1999, we were privatised and became a private limited company under English law. As a result of privatisation, amongst other things, we became subject to normal corporate taxation, and we began funding ourselves independently in the international capital markets for the first time.

In December 2003, funds advised by Apax Partners and Permira Funds acquired a 51.7 per cent. controlling interest in us. In June 2005, Inmarsat plc, our ultimate parent company, completed an initial public offering and listed its ordinary shares on the London Stock Exchange. Subsequent to the initial public offering, Apax Partners and Permira Funds sold their holdings in the ordinary shares of Inmarsat plc.

In April 2009, Inmarsat plc completed the acquisition of Stratos, Inmarsat Global's largest distribution partner. In June 2010, we completed the Group Reorganisation under which the ownership of Stratos and its subsidiaries was transferred within the Group such that Stratos became an indirect wholly-owned subsidiary of Inmarsat Group Limited and therefore subject to the terms of Inmarsat's outstanding debt, including the Notes. In January 2010, we acquired the business assets of Segovia, which provides secure IP managed solutions and services to U.S. government agencies and other commercial customers. Segovia now does business as "Inmarsat Government". In April 2011, we acquired Ship Equip, which provides VSAT maritime communications services to the shipping, offshore energy and fishing markets. We currently include the Stratos, Segovia and Ship Equip businesses in a single reporting segment, Inmarsat Solutions.

Key Strengths

We believe that we are the leader in the global mobile satellite communications industry, with leading positions in the maritime, land mobile and aviation sectors. The following key strengths enhance our position:

- ***Unique Global Communications Network***. Inmarsat Global owns and operates an in-orbit fleet of 10 geostationary satellites, including three Inmarsat-4 satellites, all of which use the L-band spectrum, which is suited to mobile communications, to provide a comprehensive portfolio of on-demand and leased data and voice services on a global basis. We have global spectrum rights which we believe would be difficult for any new market entrant to replicate. The quality and coverage of our network is further underpinned by the fact that we are currently the only provider of satellite services for the operation of the GMDSS, which maritime sector regulations require for all cargo vessels over 300 gross tons and for all passenger vessels that travel in international waters. In addition, we also comply with ICAO standards for the provision of aviation safety systems, such as air traffic management and aircraft operational control.

- ***Large Installed End-User Base.*** As of 31 December 2011, we had over 318,700 active terminals accessing our data, voice and broadband services, which in many instances are accessed by multiple end-users, such as those on board ships and aircraft. We also had over 220,000 active terminals accessing our M2M services. We believe that this large installed base of active terminals contributes to

our stable revenues, due to the significant cost and effort required by end-users to switch to an alternative communications system. Government and military end-users, in particular the U.S. Department of Defense and the UK Ministry of Defence, are large users of our communications network. We believe that government and military end-users account for between 35 per cent. and 40 per cent. of our revenues. We believe that their rapidly growing mobile high-speed data and voice communications needs, together with an increasing willingness to procure from commercial service providers, position us favourably to increase both traditional sales of our on-demand services and leasing of our satellite capacity to government and military end-users. Our corporate end-users tend to have a high degree of day-to-day reliance on our services to support mission critical operations which contributes to our revenue stability. International aid organisations rely on our services when responding to global events, including aid relief missions in response to natural disasters.

- ***Established Global Distribution Network***. Inmarsat Global currently has over 30 distribution partners (which includes our owned distributors within Inmarsat Solutions) who sell our services to end-users, either directly or through a network of over 600 service providers. Some of our distribution partners and service providers specialise in the delivery of services to key end-user market sectors and offer specialist applications and value-added services in addition to our airtime. We believe our Inmarsat Solutions business and the terms of Inmarsat Global's Distribution Agreements increase our ability to influence the price and positioning of our services to end-users and improve the performance of our business over time.

- ***High Margins and Strong EBITDA Growth***. For the past 11 years, Inmarsat Global's Adjusted EBITDA margin (Adjusted EBITDA as a percentage of revenues excluding revenue and EBITDA associated with our Cooperation Agreement with LightSquared) has exceeded 63 per cent. and Inmarsat Global's Adjusted EBITDA has grown from US$289.7 million in 2000 to US$529.9 million for the year ended 31 December 2011 (an Adjusted EBITDA margin of 70 per cent.). Inmarsat Global's wholesale business model results in our distribution partners and service providers incurring most of the marketing and associated subscriber, or end-user, acquisition costs, and consequently we believe that Inmarsat Global's Adjusted EBITDA margins compare favourably to those of other communications service providers.

- ***Global Services Portfolio in Place to Capitalise on Growth Opportunities.*** We offer broadband services into each of our three market sectors. We believe our broadband services enable us to capitalise on the growth opportunities presented by increasing demand for high-bandwidth mobile communication services, as evidenced by the strong growth in data services we have experienced in recent years. The incremental capacity of our Inmarsat-4 network has also allowed us to add a handheld global satellite phone service to our service offering. We launched our IsatPhone Pro service, a GSPS product, in July 2010 and now have over 50,000 active subscribers to the service. In addition, in July 2011, we commercially launched our XpressLink service, a new global broadband service for the maritime industry which offers enhanced Ku-band coverage and bandwidth and leverages the global capabilities of FleetBroadband's L-band service to offer a fully-integrated managed service. XpressLink also provides an upgrade path for customers to our planned Global Xpress service.

- ***Over 30-Year History of Innovation, Technical Excellence and Reliability***. We have over 30 years of experience in designing, implementing and operating global mobile satellite communications networks, and have a track record of high-quality services and reliability. We have never experienced a satellite failure in our operating history and, throughout our operating history, we have pioneered innovations in satellite communication services to make higher data speeds available to smaller and lighter mobile terminals. In addition, over the three years ended 31 December 2011, our average satellite communications network availability exceeded 99.9 per cent. We believe our reliability is particularly attractive to government, military and enterprise-level users whose operations typically require mission and business critical communications support. This reliability will be further strengthened from 2013 following the successful launch of our new Alphasat satellite which will provide in-orbit redundancy for the Inmarsat-4 network.

- ***Experienced Management Team***. We have a highly experienced management team with a proven record of managing growth-oriented companies. Members of our senior management team have held senior positions at a number of public companies, including Sprint PCS, NDS Group plc and Lockheed

Martin. Our Chief Technology Officer, Senior Vice President of Satellite and Network Operations and Vice President of Satellite and Launch Vehicles each have over 20 years of experience in the satellite industry with many successful launch campaigns and satellite deployments and are supported by a world class technical team that has been in place since Inmarsat launched the Inmarsat-2 satellites in the early 1990s.

Strategies

Our goal is to grow our existing business and find new growth opportunities. We plan to:

- ***Maintain Revenue Growth and Strong Cash Flow Generation by Increasing Sales of Our Existing Services and Rolling Out New Services.*** We intend to maintain revenue and cash generation by leveraging our portfolio of services and our leading position in the maritime, land mobile and aviation sectors to increase sales of our existing services, while maintaining our cost control. We continue to experience new subscriber take-up of our broadband services: FleetBroadband, BGAN and SwiftBroadband. In addition, we are gaining market share in the market for handheld satellite phones and our IsatPhone Pro service recently passed 50,000 active subscribers. We are targeting further growth from our new XpressLink service and from opportunities in in-flight passenger connectivity services and M2M services. In addition, we are continuing to develop new service enhancements for existing services to retain and grow user revenues.

- ***Launch Our Inmarsat-5 Satellites and Introduce Global Xpress Services***. We intend to continue developing our US$1.2 billion Inmarsat-5 programme, which will enable us to offer seamless global coverage and deliver Global Xpress services at MSS broadband speeds of up to 50Mbps for users in the government, maritime, energy, enterprise and aviation sectors at highly competitive price points. Global Xpress services will be available over a global network of three Ka-band Inmarsat-5 satellites, which are currently under construction by Boeing Space and Intelligence Systems, with the first expected to launch in 2013, providing regional service, and two further launches in 2014, supporting a global service. Global Xpress will combine the services offered on our new Ka-band Inmarsat-5 satellites with our highly resilient existing L-band services which we believe will present a compelling service package to our customers offering choice, quality and reliability.

- ***Leverage the Assets and Capabilities of Inmarsat Solutions to Provide Unique Solutions to End Users.*** On 3 January 2012, Inmarsat plc announced an internal reorganisation into business units aimed at bringing Inmarsat closer to its end customers while maintaining its reliance on a primarily independent distribution channel. We are bringing together elements of our acquisitions completed in 2009, 2010 and 2011 to align resources for the benefit of future operational efficiency. This reorganisation will improve our ability to respond more quickly and flexibly to customer requirements and support full end-to-end customer solutions, thereby increasing our share of our customers' total communications spend.

- ***Seek to Develop Appropriate Value Realisation Opportunities from Our Spectrum Allocations.*** We believe that our Cooperation Agreement with LightSquared is indicative of a likelihood that spectrum shortages will become common in many countries and that some regulatory authorities will therefore adopt an increasingly flexible approach to the terrestrial usage of the radio spectrum currently allocated for satellite usage. We will actively seek to create value from our spectrum allocations where this can be done in a way that is consistent with our other strategic objectives.

Geographical Markets

Our Inmarsat Global business operates in one business segment, principally the supply of wholesale airtime, equipment and services to distribution partners and other wholesale partners of the Inmarsat Global business, including entering into spectrum coordination agreements.

Our Inmarsat Solutions business (comprising the acquired businesses of Stratos, Segovia and Ship Equip) also operates in one business segment, principally the supply of advanced mobile and fixed-site remote telecommunications services, customised turnkey remote telecommunications solutions, value-added services, equipment and engineering services to end-users. Our Inmarsat Solutions business segment includes the results of Segovia from 12 January 2010 and Ship Equip from 28 April 2011.

Revenues are allocated to countries based on the billing address of the customer. For Inmarsat Global this is the distribution partner who receives the invoice for the service, because these distribution partners sell services directly or indirectly to end-users, who may be located elsewhere, and as we do not contract directly with them, it is not possible for us to provide the geographical distribution of end-users. For our Inmarsat Solutions business, this is the billing address of the customer for whom the service is provided.

The table below provides a breakdown of our revenue for the three years ended 31 December 2011 by geographical region:

	Year ended 31 December		
	2011	**2010**	**2009**
	(US$ in millions)		
Europe	509.3	560.5	515.9
North America	630.2	357.3	259.4
Asia-Pacific	211.0	184.9	202.4
Rest of the world	58.0	68.9	60.4
Total revenues	**1,408.5**	**1,171.6**	**1,038.1**

Our Services

Inmarsat Global Services

Inmarsat Global's principal services are MSS, which, in 2011, accounted for 75 per cent. of our revenue as compared with 95 per cent. in 2010. End-users access our MSS at sea, on land and in the air. We provide mobile data and voice services on a wholesale, on-demand basis through user terminals that vary based on bandwidth capability, size, mobility, and cost and lease capacity. Some of our services are available only in specified sectors (e.g., maritime-only applications), while others are available across a number of market sectors.

Our Existing and Evolved Services

Existing and Evolved Services are those services that were introduced on our Inmarsat-2 and Inmarsat-3 satellites. All of our current Existing and Evolved Services can also be supported by our Inmarsat-4 satellites. Since 1982, our Existing and Evolved digital data and voice products have been improving, with the introduction of higher data speeds, helping to consolidate our position in the maritime sector, facilitating our entry into the land mobile and aviation sectors and adding increasingly high-speed data products to our portfolio which we have grown for over 30 years.

Our Broadband Services

The broadband capability offered by our Inmarsat-4 satellites has allowed us to introduce a new generation of broadband MSS. These services are referred to as BGAN, FleetBroadband and SwiftBroadband. These services use Internet Protocol ("**IP**") technology to provide higher data speeds than are possible using Existing and Evolved Services.

FleetBroadband (Maritime)

Our FleetBroadband services were first launched in November 2007 and have been available globally since February 2009 targeting the maritime sector. These services offer voice and high-speed IP data service at transmission rates of up to 432 kbps. FleetBroadband was the first maritime communications service to provide cost-effective broadband data and voice, simultaneously, on a global basis. Operational systems can run online while multiple users simultaneously access e-mail, the internet and make phone calls, all via a single terminal. In addition, in 2009, we began to actively encourage the migration of our maritime end-users from our Existing and Evolved Services to our FleetBroadband service. We did this by announcing certain termination dates and price increases for older services, as well as through offering lower prices on FleetBroadband, for example per megabyte transmitted.

We launched our FleetBroadband 150 service in May 2009. FleetBroadband 150 was introduced to target and expand the addressable markets for smaller vessels, coastal merchant vessels and the fishing and marine leisure sectors, offering voice connection of landline quality, accessible simultaneously with an internet connection of up to 150 kbps, and simple-to-use SMS.

BGAN (Land Mobile)

Our BGAN service was our first broadband service, and was first launched in December 2005 and has been available on a global basis since February 2009. BGAN offers end-users secure, reliable broadband internet and telephony capability for high-speed data applications using portable terminals connecting via USB, Bluetooth, WiFi or Ethernet, depending on terminal type. The service supports data transmission rates of up to 492 kbps, similar to, and in some cases higher than, the transmission rates for third generation (“**3G**”) terrestrial wireless networks, with the option of 64 kbps Integrated Services Digital Network (“**ISDN**”) or IP streaming at certain rates between 8 and 384 kbps. BGAN also offers a premium X-Stream service allowing a guaranteed minimum symmetrical video streaming rate of up to 450 kbps.

SwiftBroadband (Aviation)

In October 2007, we launched our SwiftBroadband services to the aviation sector, which can be accessed by end-users through dedicated terminals specifically designed for use on aircraft. SwiftBroadband offers simultaneous voice and data connectivity of up to 432 kbps.

SwiftBroadband is suitable for a range of applications from aircraft operation and management to cabin applications such as e-mail, internet access, SMS text messaging and integration into in-flight entertainment systems. SwiftBroadband is also being deployed commercially and in trials for the in-flight use of cellular phones, personal digital assistants (“**PDAs**”), such as Blackberrys, and for Wi-Fi browsing services.

In October 2010, we introduced a new class of our SwiftBroadband service, SwiftBroadband 200 (“**SB200**”). SB200 is designed to extend the benefits of Inmarsat aviation services to smaller aircraft and provides a lower cost option for IP data service up to 200 kbps.

We are currently developing aviation safety services to be supported by SwiftBroadband. These services continue to build on our heritage of providing safety services through our Existing and Evolved Services to the aviation market.

Other Inmarsat-4 Services

GSPS

In June 2010, we launched our first global handheld satellite phone service, the IsatPhone Pro. The IsatPhone Pro is the first handheld satellite phone to be purpose-built for the Inmarsat network. The IsatPhone Pro is targeted primarily at professional users in the government, media, aid, oil and gas, mining and construction sectors. It offers satellite telephony, with Bluetooth for hands-free use, voicemail, SMS and email messaging, with a data capability which became available at the end of March 2011.

Machine-to-Machine Services (“M2M”)

Inmarsat Global has recently launched two new services focusing on the M2M market. In August 2011, together with our partner Skywave Mobile Communications, we announced the launch of IsatData Pro, a new service designed to enable data packet communication with remote assets at much greater data speeds than are possible with any comparable competitive terminal. In January 2012, we launched a new M2M terminal for our BGAN service, which is our broadband service for land-based users. The BGAN M2M service offers an end-to-end IP data capability for real-time applications, including smart metering, SCADA, monitoring and other infrastructure telemetry solutions. Our target markets for this new service are utilities, oil and gas and retail banking.

XpressLink

In July 2011, we launched XpressLink, our new managed global broadband service for the maritime industry. XpressLink offers enhanced Ku-band coverage and bandwidth and leverages the global capabilities of FleetBroadband’s L-band service to offer a fully-integrated managed service. XpressLink also provides customers with a bridge to our Ka-band service by offering upgradable terminals to our Global Xpress service.

XpressLink is designed to compete with existing maritime VSAT service offerings that often rely on Inmarsat Services to provide back-up and resilience in areas where VSAT maybe unavailable or affected by adverse weather. By bundling a Ku-band VSAT service, originally developed by Ship Equip, with our FleetBroadband service we have a strong service offering today, with the further advantage that end-users can upgrade to Global Xpress. No other VSAT operator today can offer either element of this service package. As a result we believe XpressLink will allow us to develop a maritime user-base for Global Xpress well ahead of the planned service launch.

Global Xpress Services

Global Xpress services will be available over a global network of three Ka-band Inmarsat-5 satellites, which are currently under construction by Boeing Space and Intelligence Systems, with the first expected to launch in 2013, providing regional service, and two further launches in 2014, supporting a global service. Global Xpress will combine the services offered on our new Ka-band Inmarsat-5 satellites with our highly resilient existing L-band services which we believe will present a compelling service package to our customers offering choice, quality and reliability. Global Xpress will offer mobile connectivity at speeds (up to 50 Mbps to antennas of 60cm diameter) which are significantly faster than we are able to offer over our L-band satellites and significantly greater than VSAT competitors using Ku-band, which is currently the industry standard. We expect to offer terminals which will allow users to access the Global Xpress services on fixed and mobile platforms at sea, on land, and in the air.

Services to End-Users

Services to Maritime End-Users

We provide MSS to the maritime sector. In 2011, the maritime sector represented 50 per cent. of our total MSS revenues, of which approximately 25 per cent. was generated by voice services and 75 per cent. was generated by data services (as compared with 50 per cent., 27 per cent. and 73 per cent., respectively, in 2010).

We provide the following Existing and Evolved Services to the maritime sector: Inmarsat B, Inmarsat C, Inmarsat M, Mini M and Fleet. We also offer a broadband service, FleetBroadband, as well as leasing services to the maritime sector. These products offer voice services and data transmission rates ranging from 600 bps to 432 kbps.

End-users of our services in the maritime sector include companies engaged in merchant shipping, passenger transport, fishing, energy and leisure, as well as government and maritime patrol organisations (such as navies and coast guards). Merchant shipping accounts for the bulk of our maritime revenues, as those ships spend the majority of their time at sea away from coastal areas and out of reach of terrestrial communication services.

All of our existing maritime services are available globally (excluding extreme polar regions).

Maritime end-users utilise our satellite communications services for the following:

- *Data and information applications*. Ships' crews and passengers use our services to send and receive e-mail and data files, and to receive other information services such as electronic newspapers, weather reports, emergency bulletins and electronic charts and their updates. The new data speeds we now offer through FleetBroadband allow video conferencing and internet browsing for business and crew welfare purposes.

- *Vessel management, procurement and asset tracking*. Ship operators use our services to manage inventory on board ships and to transmit data, such as course, speed and fuel stock. Our services can be integrated with a global positioning system to provide a position reporting capability. Many fishing vessels are required to carry terminals using our services to monitor catches and to ensure compliance with geographic fishing restrictions. Furthermore, pursuant to the IMO resolution relating to long range identification and tracking, new security regulations have been introduced requiring tracking of merchant vessels in territorial waters.

- *Voice services for passengers and crew*. Voice services are used for both vessel operations and social communications for crew welfare. Merchant shipping operators increasingly use our services to provide phone cards and/or payphones for crew use with preferential rates.

- *Safety.* In addition to our commercial activities, we provide GMDSS safety services to the maritime sector. Ships in distress use our safety services to alert a maritime rescue coordination centre of their situation and position. The rescue coordination centre then uses our services to coordinate rescue efforts among ships in the area. The IMO requires all cargo vessels over 300 gross tons and all passenger vessels, irrespective of size, that travel in international waters to carry distress and safety terminals that use our services. We are currently recognised by the IMO as the sole provider of the satellite communications services required for GMDSS. We have also introduced further safety services: "505" for maritime users who do not have access to GMDSS services and our FleetBroadband voice distress service.

Services to Land Mobile End-Users

We provide MSS to the land mobile sector globally, providing services to areas not served or not served well by existing terrestrial communications networks. We believe that increasing workforce mobility and widespread demand for reliable mobile communications devices capable of delivering higher data rates should contribute to increasing demand for our land mobile data services by users operating outside the coverage of terrestrial networks.

For 2011, the land mobile sector represented 21 per cent. of our total MSS revenues, of which voice services generated approximately 5 per cent. and data services generated approximately 95 per cent. These figures are unchanged from 2010.

Military and government agencies constitute the largest end-users in the land mobile sector and, similar to maritime end-users, demand reliable, high quality services. In addition to military and government users, aid organisations, media, construction, energy and transport companies utilise our land mobile services. Global security concerns, such as the recent conflicts and events in Afghanistan, Iraq and North Africa as well as relief missions in response to natural disasters tend to drive periods of increased usage of our services.

We provide the following Existing and Evolved Services to the land mobile sector: Inmarsat B, Inmarsat C, Inmarsat D+, Inmarsat M, Mini M and GAN. We also offer BGAN, GSPS and M2M services which include IsatM2M, IsatData Pro and BGAN M2M. These products offer data transmission rates up to 492 kbps (or higher, where multiple terminals are bonded).

Our land mobile end-users utilise our satellite communications services for:

- *Voice, Data and Videophone*. Media companies and multinational corporations use our services for video conferencing, business telephony and to provide pay telephony services for employees in communities inadequately served by terrestrial networks. Media organisations transmit live broadcast-quality voice, live videophone and store-and-forward video footage and still images using our services.

- *Mobile and Remote Office Connectivity*. A variety of enterprises use our services to place and receive voice calls, access data, e-mail, digital images, internet and facilitate corporate network connectivity.

- *M2M Services*. Our M2M services are used to monitor the location of assets or transport fleets and to conduct two-way communications with drivers. Governments and multinational corporations use our services to run applications that enable the remote operation of facilities such as lighthouses, oil pipelines and utilities networks.

We offer both data and voice services to land mobile sector end-users. All of our land mobile services are available globally (excluding the extreme polar regions).

Services to Aviation End-Users

We provide MSS to the aviation sector. In 2011, the aviation sector represented 14 per cent. of our total MSS revenues, unchanged from 2010. In the aviation sector, our satellite communications services are used by government users, corporate jet operators, and commercial airlines. Avionics from our hardware partners have become factory options or standard equipment on a range of aircraft in business aviation and air transport.

We provide the following Existing and Evolved Services to the aviation sector: Aero C, Aero H/H+, Aero I, Aero L, Mini M and Swift 64. We also offer a broadband service, SwiftBroadband, to the aviation sector. These services offer voice and data communication rates ranging from 600 bps up to 432 kbps per channel. The Aero L, I, H and H+ services are compliant with ICAO's standards for provision of safety services.

Aviation users utilise our satellite communications services for:

- *Air Traffic Control Communications ("safety services").* Aircraft crew and air traffic controllers use our services for data and voice communication between the flight deck and ground based control facilities. This includes ADS (Automatic Dependent Surveillance) for waypoint position reporting, ACARS/FANS (Aircraft Communication and Reporting System/Future Air Navigation System) for data link messages between the controller and an aircraft and CPDLC (Controller Pilot Data Link Communication) for clearance and information services. Examples of our safety services include user co-ordinated revisions of flight plans en route and transmission of aircraft systems' data to the ground.

- *Operational Communications.* Aircraft crew and airline ground operations use our services for air-to-ground telephony and data communications. For example, aircraft systems' "mission critical" condition data can be transmitted to the ground or administrative data can be transferred to the aircraft.

- *In-flight Passenger Communications.* Our services are used for air-to-ground telephony, data services, communications and as the enabler for in-flight mobile phone systems allowing passengers to communicate using their own mobile phones, Blackberrys and other PDAs or to access the internet via Wi-Fi services.

Leasing

We lease capacity on our satellites to distribution partners who in turn provide the capacity to end-users. We entered into the Lease Agreements that took effect from 15 April 2009 with our distribution partners that lease our satellite capacity to end-users for exclusive use for a pre-arranged, fixed term (as opposed to on-demand services). See "*Material Contracts—Distribution Agreements—Lease Services Provider Agreements*". Typically, the end-user lease contracts are short-term, with terms of up to one year, although they can be as long as five years. We also lease specialised satellite navigation transponders on our Inmarsat-3 and Inmarsat-4 satellites primarily for the provision of navigation services to U.S. and European civil aviation organisations, for up to five years. In 2011, the leasing sector represented 15 per cent., of our total MSS revenues, as compared with 15 per cent. for the year ended 31 December 2010.

Other Income

We also generate revenue from the provision of technical support to other satellite operators, the provision of conference facilities, leasing surplus office space to external organisations and from the sale of terminals and other communication equipment primarily in respect of our GSPS service. In 2011 and 2010, "other income" also included revenue under our Cooperation Agreement with LightSquared (see below).

LightSquared Cooperation Agreement

In December 2007, we entered into a Cooperation Agreement with LightSquared.

As of the date of this disclosure document, LightSquared has made payments in respect of the Cooperation Agreement totalling US$490.2 million, of which US$308.1 million was received during 2011 and US$29.6 million was received in January 2012. Revenue from our Cooperation Agreement with LightSquared is recorded within our Inmarsat Global segment as "other income", and was the primary driver of our overall revenue growth for 2011. As of 31 December 2011, we had recognised US$221.3 million of revenue and US$11.6 million of operating costs under the Cooperation Agreement and at 31 December 2011, we had recorded US$239.3 million of deferred income within trade and other payables on our balance sheet.

On 17 August 2010, LightSquared triggered Phase 1 of the Cooperation Agreement under which we are entitled to receive US$118.8 million for the Phase 1 transition. In addition, we are entitled to receive US$250.0 million towards the costs associated with implementing the Phase 1 transition.

To date, under Phase 1 of the Cooperation Agreement, LightSquared has made payments totalling US$312.5 million. We are accounting for the Phase 1 payments using the percentage of completion method. We have recognised US$95.6 million of revenue and US$11.1 million of operating costs during 2011 (2010: US$17.5 million and US$0.4 million, respectively).

On 28 January 2011, we received notice from LightSquared triggering the commencement of transition to Phase 2 of the Cooperation Agreement. In order to activate Phase 2, we began a phased transition to a further spectrum plan that increases the total spectrum capacity available to LightSquared for ATC services in North America. In return, with effect from 28 January 2011 we are entitled to receive payments of US$115.0 million per annum (payable quarterly in advance), increasing at a rate of 3 per cent. annually. The payments in respect of Phase 2 are recognised on a straight-line basis over the period to which the payment relates. Under Phase 2 of the Cooperation Agreement, LightSquared has made payments totalling US$137.7 million and we have recognised US$108.1 million of this as revenue in 2011 in relation to Phase 2.

On 15 April 2011, we signed an amendment to the Cooperation Agreement, in which we may (at our option) accelerate delivery of part of the spectrum plan under Phase 2 by up to nine months from the date that we originally agreed with LightSquared in December 2007. Under the terms of the amendment, which we refer to as Phase 1.5, LightSquared has agreed to pay the Group certain amounts dependent on when we deliver that part of the Phase 2 spectrum plan. In connection with Phase 1.5, we received a payment of US$40.0 million on 29 April 2011 and the maximum total amount that could be earned under the amendment is US$105.0 million. The total costs to deliver Phase 1.5 are not expected to exceed the payment already received. Under Phase 1.5 of the Cooperation Agreement, LightSquared has made payments totalling US$40.0 million. During the year ended 31 December 2011, we recognised US$0.1 million of revenue and US$0.1 million of operating costs in respect of Phase 1.5.

On 20 January 2012, we delivered the Phase 1 transition completion notice to LightSquared indicating that our obligations in respect of the Phase 1 spectrum reorganisation were complete. A payment of US$56.25 million became due upon the completion of the Phase 1 transition. This payment has not been received. On 20 February 2012 we issued a notice of default to LightSquared under the Cooperation Agreement. This notice triggers a period of 60 calendar days (ending on 20 April 2012) during which LightSquared can remedy the default before Inmarsat is entitled to enforce its rights and remedies under the agreement for payment default, including pre-agreed spectrum arrangements and termination of certain LightSquared rights under the Cooperation Agreement. Inmarsat and LightSquared continue discussions regarding the future of the Cooperation Agreement, but we cannot provide any assurance that these discussions will result in any further payments being received from LightSquared. See *"Recent Developments" and* "*Risk Factors—Risk Relating to Our Business—We are subject to operational and financial risks in relation to our Cooperation Agreement with LightSquared*". The revenue generation of Inmarsat Global's MSS and Inmarsat Solutions businesses is unaffected by the LightSquared developments.

End-User Terminals

Our data and voice services are provided over a range of communications terminals with different bandwidth capabilities, sizes, mobility and cost. Some of these terminals also provide maritime and aviation safety services. As size and portability are not as critical for maritime and aviation based users, the terminals available to these users are often larger, more expensive and satisfy the users' requirements for stabilisation and more stringent pointing capabilities.

Specialised third parties manufacture our user terminals (and will manufacture our Global Xpress terminals) and, except in the case of GSPS terminals, sell them to end-users directly or via their own independent sales channels, as do our distribution partners and service providers. In the case of GSPS terminals, we sell these terminals directly to our distribution partners. We establish the performance specifications of all terminals used to access our services with the terminal manufacturers. This helps us to ensure that our service quality objectives are met.

Inmarsat Global manufactures GSPS terminals using a contract manufacturer and sells these to our GSPS distribution partners for onward sale to service providers and end-users.

Our broadband and GSPS terminals are designed to provide access via our Inmarsat-4 satellites. These terminals use the same Subscriber Identity Module ("**SIM**") cards as terrestrial wireless terminals. This interoperability enables distribution partners and service providers to deliver a single bill to users for both their mobile satellite and terrestrial communications services.

Distribution

We appoint distribution partners who we believe will be effective in selling our services. Inmarsat Global currently has over 30 distribution partners who provide our services to end-users, either directly or indirectly through a network of over 600 service providers. Inmarsat Solutions is Inmarsat Global's largest distribution partner and accounted for 39 per cent. of Inmarsat Global's MSS revenues in 2011. Vizada is our largest independent distribution partner and accounted for 33 per cent. of Inmarsat Global's MSS revenues in 2011.

Our distribution partners have all signed Distribution Agreements with us. With respect to Inmarsat services, Inmarsat Solutions remains subject to the terms of our Distribution Agreements and purchases services from Inmarsat Global on a basis consistent with terms offered to other distributors. The majority of our Distribution Agreements came into force in April 2009 and provided us with improved terms and flexibility when compared with the previous agreements. Our Distribution Agreements have no fixed term and include provisions allowing for new services to be added in the future without requiring a new agreement. See *"Material Contracts—Distribution Agreements"*.

While our Distribution Agreements specify the prices distributors pay for our services on a wholesale basis, we do not control or set the price charged by our independent distributors to end-users or service providers. However, Inmarsat Solutions is free to set and change end-user pricing, which therefore provides flexibility to implement pricing strategies which might not be immediately supported by other distributors, but which we believe will be effective in driving demand.

Land Earth Station Operators

Our Existing and Evolved Services are transmitted via LESs owned by certain of our distributors and this arrangement is governed by separate bilateral agreements. With the acquisition of Stratos, we acquired a network of LESs for our Existing and Evolved Services and therefore now have the capability to provide network ground infrastructure for all of our services. Our broadband services, GSPS and certain other services are transmitted exclusively on our Inmarsat-4 ground network infrastructure and this arrangement is captured within our Distribution Agreements.

Inmarsat Solutions Services

Our Inmarsat Solutions segment offers a broad portfolio of remote telecommunications solutions to end-user customers, offering services over the mobile and fixed satellite systems of a number of leading global and regional satellite system operators, predominantly the Inmarsat satellite system, and through their owned and operated microwave and satellite telecommunications facilities. Inmarsat Solutions also provides customised turnkey remote telecommunications solutions, value-added services, equipment and engineering services.

Inmarsat MSS

Inmarsat Solutions provides MSS, primarily over the Inmarsat satellite system, directly to end-users, or through a network of service providers. It provides Inmarsat Global's Existing and Evolved Services, such as GAN, Inmarsat C and Fleet, through its terrestrial network, including LESs located in Australia, Canada, the Netherlands and New Zealand. Revenues from services provided over the Inmarsat satellite system, Inmarsat MSS revenues, in 2011 accounted for approximately 56 per cent. of the Inmarsat Solutions revenue, compared to 61 per cent. for 2010.

Broadband and Other MSS

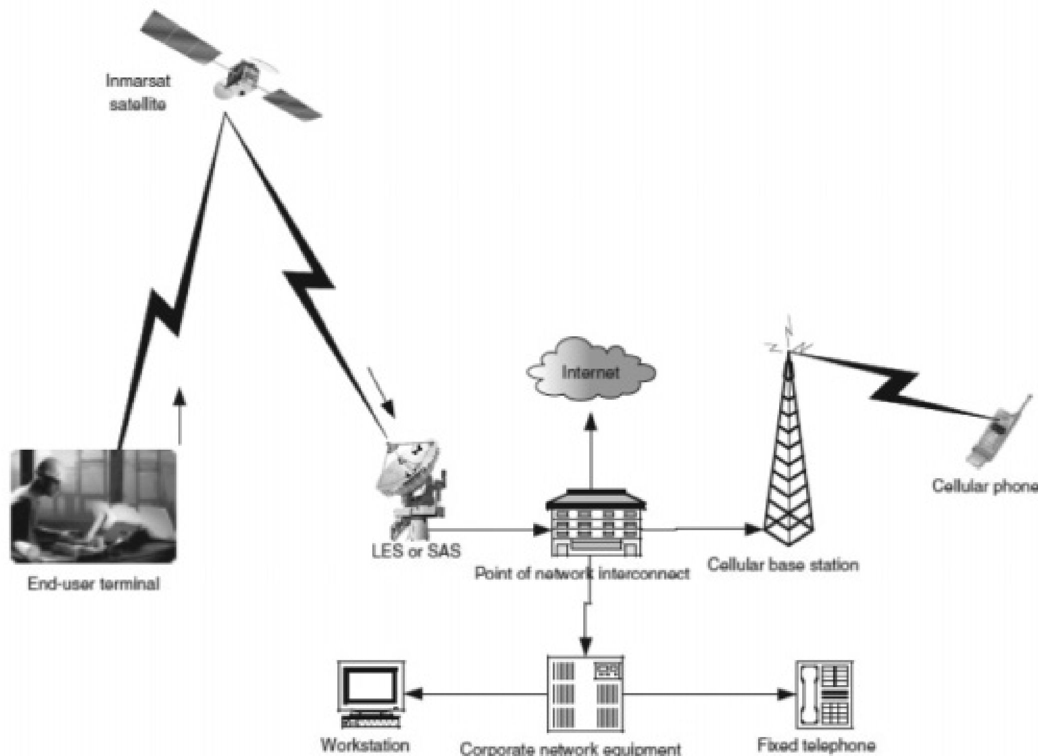
During the first quarter of 2011, Inmarsat Solutions reorganised its operations to include its former Broadband business into the same structure as its non-Inmarsat MSS operations. As a result, the former Broadband revenue has been combined in the category "Broadband and Other MSS" revenues. This primarily

consists of sales of VSAT and microwave services, mobile terminal and equipment sales, rental and repairs, mobile telecommunications services sourced on a wholesale basis from other MSS providers, network services provided to certain distributors and other ancillary services. Also included within Broadband and Other MSS are revenues from our Inmarsat Government and Inmarsat Maritime business units (being substantially the legacy Segovia and Ship Equip businesses, respectively).

Inmarsat Solutions provides VSAT services, with space segment sourced on a wholesale basis from a number of leading fixed satellite system operators, with VSAT hubs located in the United States, the United Kingdom, Canada and Russia. The VSAT network enables integrated data and voice telecommunications between remote fixed sites and land-based offices. In addition, Inmarsat Solutions operates an extensive digital microwave network in the U.S. Gulf of Mexico, utilised primarily by oil and gas companies operating offshore rigs and platforms in the Gulf of Mexico. Services also include the sale and rental of equipment and repairs and maintenance associated with microwave and VSAT technologies as well as turnkey engineering services for construction and internal and external communication requirements. Inmarsat Government provides secure IP managed solutions and services to U.S. government agencies and other commercial customers. Our Inmarsat Maritime business unit provides maritime VSAT services and our XpressLink service predominantely to ship operators and has an installed base of over 1,000 vessels under contract. During 2011, the total revenue derived from Broadband and Other MSS accounted for approximately 44 per cent. of total Inmarsat Solutions revenues, compared to 39 per cent. in 2010.

Our Network

The following diagram illustrates how our network carries a data or voice transmission from an end-user terminal to a terrestrial network for delivery to a wireless telephone, or to a computer or telephone connected to a corporate network.



Our network is one of the largest satellite-based global mobile communications networks in the world. It comprises:

- our in-orbit fleet of 10 owned satellites in geostationary orbit located approximately 22,300 miles above the earth;

- LESs owned by us and our distribution partners that transmit and receive our Existing and Evolved Services to and from our satellites;
- three SASs comprising a total of seven antennae, all of which transmit and receive traffic for our broadband and certain other Inmarsat-4 services to and from our satellite network;
- in respect of GSPS, to transmit and receive our GSPS traffic to and from our satellite network, we have established a gateway in Subic Bay (Philippines) in cooperation with Philippines Long Distance Telephone Company and gateways in Fucino (Italy) and Paumalu, Hawaii (U.S.) which are part of our SAS facilities; and
- a range of wireline communications links to terrestrial communications networks, which in some cases, are procured or provided by our distribution partners.

Our network is supported by four prime and three back-up tracking, telemetry and control stations and four principal network co-ordination stations owned by third parties located at different points around the globe. Our network operations centre and satellite control centre are in London. These facilities are further supported by a fully redundant disaster recovery site elsewhere. See "*—Ground Infrastructure*".

Our Satellites

The key characteristics of our existing geostationary satellites are summarised in the following table:

Key characteristics	Inmarsat-2	Inmarsat-3	Inmarsat-4
Number of satellites	4 (2 in orbit)	5 (all in orbit)	3 (all in orbit)
Coverage and spot beams	Global beam	Global beam and six wide spot beams (1)	Global beam, 19 wide spot beams (1) and 200+ narrow spot beams (2)
Launch dates	October 1990 - April 1992	April 1996 - February 1998	March 2005; November 2005; and August 2008
Orbital position (on the equator)	142W, 109E	64E, 15.5W, 178E, 54W, 25E	143.5E, 25E, 98W
Geographic coverage	Regional	Global (other than extreme polar regions)	Global (other than extreme polar regions)
Manufacturer	British Aerospace	Lockheed Martin	Astrium
Payload (3)	Hughes	Marconi	Astrium
Launch vehicle	Delta, Ariane	Atlas Centaur, Proton, Ariane	Atlas V (first launch), Sea Launch (second launch), and Proton (third launch)
Cost (including launch insurance)	US$675.0 million	US$895.0 million	US$1.1 billion
End of Life (4)	2014	2018	2023

(1) A wide spot beam has an average diameter of approximately 3,400 kilometres (2,100 miles), covering an area approximately the size of the continental United States.

(2) A narrow spot beam has an average diameter of approximately 800 kilometres (500 miles), when pointed directly at the geographical regional immediately below the satellite (the "**sub-satellite point**"). This equates to an area approximately the size of Kenya. As the spot beam geographical coverage progressively moves away from the sub-satellite point, the geographical area covered by a narrow spot beam also progressively increases.

(3) Payload refers to communications subsystem.

(4) We calculate end of life estimates for our fleet of in-orbit satellites based on the latest information available for several factors. These factors include operational history, projections for remaining fuel on board, and the observed degradation of on-board systems in comparison to available redundancy. End of life estimates are subject to change and involve a degree of uncertainty.

Inmarsat-2 and Inmarsat-3 Satellites

Each of our Inmarsat-2 satellites and Inmarsat-3 satellites covers up to one third of the earth's surface, giving our existing services global reach (except for the extreme polar regions).

Our satellites take advantage of the relatively wide coverage patterns of the antennae of mobile ground terminals with which they communicate to operate in orbits slightly inclined to the equator, thus reducing their station-keeping fuel requirements and thereby extending their operating lifetimes. The satellites contain on board fuel to support both regular position maintenance manoeuvres and possible relocations to new orbital locations. All manoeuvres consume on-board fuel and therefore reduce the remaining operating life of a satellite. We have managed the manoeuvres of our satellites in order to optimise the usable life of our satellite fleet.

In 2006, we de-orbited the first of our Inmarsat-2 satellites and in March 2012 we commenced a process to de-orbit a second Inmarsat-2 satellite. We currently have two Inmarsat-2 satellites remaining operational in orbit.

Inmarsat-4 Satellites

Each of our Inmarsat-4 satellites has more than 200 narrow spot beams and 19 wide spot beams in addition to its global beam. These satellites support our broadband data services by incorporating higher-power transponders that can be focused into narrower beams than our earlier satellites. The satellites also employ technology that enables us to adjust the size, shape and power of spot beams to meet changing user demand. The design of the spot beams on our Inmarsat-4 satellites allows us to use the available spectrum more than 12 times more efficiently than is possible on our Inmarsat-3 satellites. Each Inmarsat-4 satellite is 60 times more powerful than an Inmarsat-3 satellite (measured by maximum equivalent isotopic radiated power ("**EIRP**") on the narrowest spot beam), and each of our Inmarsat-4 satellites is capable of providing approximately 16 times more communications capacity than each of our Inmarsat-3 satellites, based on estimates of forward and return data rates of GAN services on the Inmarsat-3 satellites and BGAN on our Inmarsat-4 satellites.

Alphasat Programme

On 8 November 2007, Inmarsat entered into a contract with Astrium for the construction of a new satellite called Alphasat to be deployed over the EMEA region. The Alphasat programme is currently on schedule for delivery and launch in 2013. We are contracted with Arianespace for the launch of this satellite using an Ariane 5 ECA launch vehicle. The launch of Alphasat will enhance our Inmarsat-4 network and provide resilience to the risk of a satellite failure. With Alphasat deployed we will have in-orbit redundancy, meaning a failure of either Alphasat or any one Inmarsat-4 satellite would not effect our ability to continue to offer global coverage via the remaining satellites. Alphasat has a design life of 15 years.

The Alphasat satellite will be capable of providing our services across the complete 41 MHz of L-band mobile satellite spectrum available over the EMEA region. This capability provides greater flexibility in spectrum utilisation compared to the current Inmarsat-4 satellite for the EMEA region which is limited to providing service across 27 MHz of the L-band. In addition, we expect Alphasat's advanced digital processor capability and optimised antenna coverage will allow up to 50 per cent. more capacity for our services as compared to an Inmarsat-4 satellite. The total cost of the Alphasat programme, including manufacture and launch of the satellite, is expected to be in the region of US$350.0 million.

Inmarsat-5 Satellites and the Global Xpress Programme

In August 2010, we announced a contract for three Ka-band Inmarsat-5 satellites to be built by Boeing Satellite Systems International, Inc. We have contracted with International Launch Services for the launch of the three Inmarsat-5 satellites, each using a Proton launch vehicle. The Inmarsat-5 satellites will form the space segment component of a major new investment programme to deliver our new Global Xpress service. Global Xpress will comprise super-high bandwidth, global, fixed and mobile satellite communications services, and represents an incremental long-term growth opportunity. The total expected cost of the Global Xpress programme is US$1.2 billion, including three satellites, launch vehicles, insurance, ground infrastructure, terminal development and other related costs. We currently expect to launch the first Inmarsat-5 satellite in 2013 and to offer Global Xpress services on a global basis from late 2014. Each Inmarsat-5 satellite has a design life of 15 years.

In connection with the Global Xpress programme, we have also signed contracts for the development of the ground segment and terminals. On 18 February 2011, we signed a contract with iDirect which covers a turn-key solution for the development of the Inmarsat-5 ground segment, deployment of certain ground equipment (RFS antennas and hub equipment) at six SASs providing dual site redundancy per satellite, the development of

satellite terminal core module ("**CM**") technology, the subsequent sale and distribution of CMs, and the supply of 27 Satellite Reference Terminals. In addition, in 2011, we signed contracts with SeaTel Inc. and Thrane & Thrane for the manufacture of satellite terminals, with availability starting in 2013.

Ground Infrastructure

Ground Infrastructure for our Inmarsat-2 and Inmarsat-3 Satellites

Our existing Inmarsat-2 and Inmarsat-3 satellites receive and transmit our Existing and Evolved Services through a network of LESs that are owned by us or our distribution partners. Inmarsat Solutions operates a terrestrial-based network, including LESs located in Australia, Canada, the Netherlands and New Zealand. These LESs procure or provide the connections required to link our satellite system with terrestrial communications networks.

Our satellites are controlled from our satellite control and network operations centre in London via tracking, telemetry and control ground stations situated in the United States, Canada, Italy, Norway, China, New Zealand and Russia. Typically, with a repetition rate of about every 16 seconds, our satellites transmit a set of data about themselves comprising thousands of parameters. From our satellite control centre we manage each satellite's on-board system, maintain each satellite within its designated orbital location and monitor the performance data transmitted from each satellite, taking corrective actions as required. Our network coordination stations allocate channels among the LESs in their regions. Our satellite control centre, our six ground stations, our one backup station and our four principal network coordination stations are all connected by a variety of leased communications links.

Our operation and control infrastructure is designed to ensure that redundant facilities are available should components in our operation and control system fail. Most of our satellites can be controlled from two ground stations and we have a fully redundant back-up control centre that mirrors the functionality of our primary satellite control and network operations centre in London. During the three years ended 31 December 2011, our satellite communications network average availability exceeded 99.9 per cent.

Ground Infrastructure for Our Inmarsat-4 Satellites

Our existing Inmarsat-4 satellites receive and transmit our broadband services and certain other services through a network of SASs that are owned by us. Two of our SASs, located at Fucino (Italy) and at Burum (the Netherlands), transmit and receive our services via the EMEA satellite, located at 25 East longitude. These two stations provide complete site redundancy in case of partial or total outage of one SAS. In early 2009, a new SAS located at Paumalu, Hawaii (U.S.) commenced operations for the Americas satellite at 98 West longitude and the Asia-Pacific satellite at 143.5 East longitude.

For our SAS sites in Italy and the U.S. we incur costs for the operation of these facilities as part of respective service contracts with Telespazio S.p.A and Intelsat Limited that form part of our network and satellite operations costs.

In respect of GSPS over the Asia-Pacific satellite, we have additionally established a gateway in Subic Bay, Philippines in cooperation with Philippine Long Distance Telephone Company.

Ground Infrastructure for Our Inmarsat-5 Satellites

As noted earlier, we have entered into a contract with iDirect for the development of the Inmarsat-5 ground segment infrastructure. Sites in Greece and Italy have been selected as the Global Xpress SASs for the Indian Ocean region satellite. Contracts with OTE S.A. and Telespazio S.p.A for these sites have also been signed. SAS sites for the Atlantic and Pacific Ocean region satellites are currently being evaluated.

Billing

Our billing systems collect and process data relating to all of the communications services we provide.

For our Inmarsat Global business, the majority of services are charges on a usage basis, either by connection duration measured in minutes or by volume of data transmitted measured in kilobytes or megabytes. We also offer a number of rate plans, some of which feature advance payment in return for reduced rates and the facility

to utilise the associated traffic allowance over an extended period of time or multiple terminals. We also utilise certain of our satellites to provide dedicated leased capacity to our distribution partners for several of our services, and to provide specialised navigational transponder facilities. Lease charges are determined by satellite availability, lease duration, and the capacity, measured by service type, power and bandwidth, provided under the lease.

Services provided on a usage basis are invoiced monthly and payable by the distribution partner on a monthly basis. Where capacity is leased, invoices are generated and payable by the distribution partner on a basis appropriate to the duration of the lease. Typically, for leases of 12 months or less, invoices are payable for the entire period prior to commencement of the lease. Leases which are high value or for longer than 12 months are typically payable quarterly in advance.

Within our Inmarsat Solutions business, charges for telecommunication services that are usage based are typically billed monthly determined on the number of dedicated circuits or data lines provided or leased, data units transmitted or minutes used. In addition, Inmarsat Solutions offers numerous rate plans which have separate billing arrangements depending on the plan structure. Charges for equipment, prepaid telecommunication cards and other services are billed upon fulfilment of the goods or service in accordance with the customer contract.

The non-MSS businesses of Inmarsat Solutions, such as the microwave network previously operated by Stratos, the VSAT network previously operated by Ship Equip, and the managed network services previously provided by Segovia, each make use of their own billing systems appropriate for the nature of the services provided. These services generally provide a certain amount of network capacity for a certain period rather than being provided on a usage basis.

Insurance of Our Business and Insurable Assets

In-orbit Insurance

We maintain commercially prudent levels of in-orbit insurance for our fleet of three Inmarsat-4 satellites. Our current in-orbit insurance policy is renewable in August 2012. The cost of obtaining insurance may vary as a result of either satellite failures or general conditions in the insurance market. For future years, in-orbit insurance for our Inmarsat-4 satellites may not continue to be available on commercially reasonable terms, or at all. See "*Risk Factors—Risks Relating to Our Technology and the Operation and Development of Our Network—We may be unable to obtain and maintain insurance for our satellites, and the insurance we obtain may not cover all losses we experience. Even if our insurance were sufficient, delays in launching a replacement satellite could adversely affect our revenues, profitability and liquidity*".

We do not maintain in-orbit insurance for our Inmarsat-2 or Inmarsat-3 satellites due to the high level of operational flexibility and redundancy in our satellite fleet as a whole.

Launch Insurance

We have obtained launch insurance for our Alphasat and Inmarsat-5 satellites. Launch insurance typically covers the "net book value" of the insured satellite, which for this purpose includes the cost of the relevant satellite, related launch insurance premiums, the cost of purchasing a satellite launch vehicle and related services and capitalized costs. Our launch insurance includes one year of in-orbit insurance for each satellite. We have also obtained a level of in-orbit insurance for our Alphasat and Inmarsat-5 satellites for a further four years.

Third-party Liability Insurance

We also maintain third-party legal liability insurance. This insurance cover is in respect of sums which we may become legally obligated to pay for bodily injury or property damage caused by an occurrence related to services provided through our network or arising out of the ownership and/or operation of the Inmarsat fleet of satellites and including liability arising under the Convention on International Liability for Damage Caused by Space Objects (TIAS 7762) and the United Kingdom Outer Space Act 1986.

Intellectual Property

Our Brand

Our main brand is "Inmarsat". The word "Inmarsat" is a trade mark licensed to us exclusively and perpetually by the International Mobile Satellite Organisation ("**IMSO**"). We have the right to have IMSO apply for registration of this trade mark in the name of the IMSO in any country in the world. The trade mark is currently registered for equipment and services that are important to our business in many countries, including Australia, Brazil, Canada, the Netherlands, Belgium, Luxembourg, China, France, Germany, Norway, Singapore, Mexico, New Zealand, the United Arab Emirates, Egypt, Japan, Russia, South Africa, the United Kingdom and the United States.

Our licence from IMSO allows us to grant sub-licenses. We have granted non-exclusive and royalty-free sub-licences to, among others, our distribution partners and service providers to use the Inmarsat brand on the basis of the IMSO License.

Protecting Our Technological Developments

We use reasonable efforts to protect certain significant technology by filing patent applications in key jurisdictions. Our key jurisdictions vary depending on the technology involved. Patent applications have ordinarily been filed in the United States, key European countries, Hong Kong, China, Canada, Mexico, the United Arab Emirates and Japan. Priority applications are usually filed in the United Kingdom.

In addition to the above, or where patent protection is not possible or practicable for us to obtain, we seek to protect significant information about our technology, or "know-how", by releasing it only to those third parties who have a reasonable need to access it and who have signed confidentiality agreements or licence agreements containing strict confidentiality obligations.

Key Operational Software

We own some of the key operational software used in our satellite control and network operations centre because it was created by our employees or by outside consultants who have transferred their intellectual property rights in that software to us. The main software suites of this kind are an off–air monitoring system, an Inmarsat network monitoring system, both of which are used in our network operations centre, and the Inmarsat storm satellite support system suite of software used to control our satellite fleet and ground stations. In certain circumstances we commercially supply our satellite control software to third parties, as a way of reducing maintenance costs, funding additional safety features for satellite control and retaining critical operational skills in the business.

The rest of our operational software is custom software designed by either third parties who have retained the intellectual property rights in it, but licensed those rights to us (normally on a non–exclusive, royalty–free, perpetual, worldwide basis) for use for Inmarsat Purposes, or by our employees based on existing software supplied by third parties who have granted to us licences to adapt that software.

All of our key operational software is supported by appropriate technical maintenance and support arrangements that are either provided by our own employees or by third parties.

Competition

The global communications industry is highly competitive. We face competition from a number of communications technologies in a number of the target sectors for our services. It is likely that we will continue to face significant competition in some or all of our target sectors in the future.

Global MSS Competitors

We currently face competition from two MSS operators, Iridium, which provides satellite services on a global basis, and Globalstar, which provides satellite services on a multi-regional basis. Both Iridium and Globalstar operate in different frequencies to us (the "big LEO" band), and as a result, their operations do not interfere with our L-band operations or compete for spectrum in the L-band.

After commencing operations in 1998, Iridium filed for U.S. bankruptcy protection in March 2000 and recommenced service in early 2001. Since then, we have faced increasing competition from Iridium in some of our most material target sectors, particularly in relation to voice and our lower speed data services in the maritime and land mobile sectors. In 2006, Iridium introduced a packet data service called Short Burst Data which competes with our M2M services. In 2009, Iridium launched a higher rate data service, OpenPort, targeted at the maritime sector which competes with our Existing and Evolved Services and the low end of our FleetBroadband capability.

Iridium has announced plans to deploy a constellation of new satellites, called Iridium NEXT, with enhanced service capability including broadband data services. In June 2010, Iridium announced a contract for new satellites with Thales Alenia Space and currently expects to begin launching the new satellites in 2015. As a result, competition from Iridium in our MSS sectors could intensify after the deployment of the Iridium NEXT satellites.

Globalstar, which operates a multi-regional low-earth orbit system, began introducing commercial services in 2000. In February 2002, Globalstar filed for bankruptcy protection, which it exited in 2004 following its acquisition by Thermo Capital Partners. Globalstar was listed publicly on the NASDAQ exchange in October 2006. Despite near-global satellite coverage, Globalstar's service is available only on a multi-regional basis as a consequence of gaps in its ground transmission facilities and the fact that, unlike the Iridium fleet, its satellites do not contain inter-satellite links for the space-routing of transmissions to its ground transmission facilities. Globalstar has announced plans to reduce such gaps. The Globalstar system provides data and voice services at transmission rates of up to 9.6 kbps.

In February 2007, Globalstar announced that it was experiencing accelerated degradation of the amplifiers for its satellite communications in many of its satellites. This degradation has resulted in an adverse impact on Globalstar's ability to provide uninterrupted two-way voice and data services on a continuous basis in any given location. Despite successfully launching eight spare satellites during 2007 (which do not have the amplifier problem), two-way service availability remained limited and has resulted in a lower level of competition from Globalstar since the degradation problems were announced.

In December 2006, Globalstar signed a contract with Thales Alenia Space for a new constellation of 48 satellites and successfully launched the first six of these satellites in October 2010, with two further successful launches of six satellites each taking place in 2011. Globalstar has announced its intention to build and launch a total of 24 of the 48 new satellites, with the next six scheduled for launch in the second half of 2012, but is yet to announce plans for the remaining 24 satellites.

Globalstar has also announced contracts with Hughes Network Systems and Ericsson Inc to develop and implement elements of its next-generation ground network. Completion of the second generation satellite constellation and next-generation network is intended to enable customers to access data speeds of up to 256 kbps and could increase the level of competition we face in certain of our MSS sectors.

Regional MSS Competitors

Our regional mobile satellite competitors currently include Thuraya, principally in the Middle East, Africa and Asia, and LightSquared in the Americas.

Thuraya offers voice and data services at transmission rates of up to 444 kbps in Europe, Northern and Central Africa, the Middle East, much of Asia and Australia over two geostationary satellites. Thuraya also supports GSM roaming services. In addition to its plans for 4G-LTE ATC services, LightSquared also offers voice and low-speed data or machine-to-machine services in the Americas using vehicle-mounted devices that are smaller in size and less expensive than comparable Inmarsat terminals and compete with terminals offered by SkyWave.

On 14 November 2010 LightSquared launched the first of two new satellites, SkyTerra 1, to support its ATC services. A second satellite was also contracted to be built and may be launched in due course. Although LightSquared has indicated that the primary purpose of the new satellites is to support ATC services that do not compete directly with our MSS services, the new satellites may extend the life of the previously existing

LightSquared M2M services or provide the capability to offer services that may compete with us in the future over the Americas. Thuraya and LightSquared both operate in the L-band, LightSquared in Region 2 (the Americas) and Thuraya in Region 3 (Asia and Australia) and Region 1 (Europe, Middle East and Africa), and therefore compete with us for spectrum allocations in the L-band.

We may face additional competition in regional markets in the future. DBSD North America, Inc. **("DBSD")** (formerly ICO) and TerreStar Networks Inc. **("TerreStar")** have previously announced that they are planning to deploy an integrated MSS/ATC service in North America and have each successfully launched one satellite for this purpose. However, DBSD and Terrestar entered bankruptcy proceedings in 2009 and 2010 respectively. In March 2012, DISH Network Corporation **("DISH")**, announced the completion of the acquisition of DBSD and of substantially all the assets of Terrestar. DISH has indicated that the primary purpose of the acquisitions is to make use of those companies' spectrum allocations for ATC purposes in the United States. It is, however, possible that renewed satellite investment in these networks could increase competition for our MSS business in the future.

VSAT Service Competitors

We face growing competition, principally in our maritime sector, from communications providers of VSAT services. For maritime customers, these providers include Harris CapRock Communications, Vizada, MTN Satellite Communications, KVH Industries and Intelsat. For aviation customers, these providers include Panasonic Avionics Corporation, Arinc and Row 44. These and other operators operate private networks using VSATs or hybrid systems to target government and commercial users. VSATs are fixed, transportable or mobile terminals that access higher bandwidth services provided over satellite systems operating in the C-band, Ku-band and Ka-band radio frequencies. As well as new operators entering this area, the addition of further FSS satellite capacity and coverage is providing further competitive price pressure on the cost to end-users of VSAT services. Communication services provided by VSATs are primarily targeted at users who have a need for high-volume or high-bandwidth data services, although new entrants into the sector are offering lower volume and bandwidth products in competition with our services. The coverage area of VSAT services is not as extensive as the coverage area of MSS services, but is growing rapidly to meet demand and is expected to be substantially global within the next few years.

In January 2012, KVH Industries began offering a product that integrates Iridium OpenPort with its VSAT service to provide a back-up service when the VSAT terminal is out of its coverage area or out of service. This may further increase the competitive threat to our maritime business from KVH's VSAT product.

Technological innovation in VSAT equipment, together with increased C-band, Ku-band and Ka-band coverage, has increased, and we believe will continue to increase the competitiveness of VSAT and hybrid systems in some traditional MSS sectors by permitting smaller, more flexible and less expensive VSAT systems. In addition, our recently announced plans to enter the VSAT market with our Global Xpress service has contributed to a further intensification of competition from VSAT service providers.

Certain satellite operators are investing in Ka-band capacity to support business plans primarily aimed at consumer broadband and enterprise services. These include Eutelsat, Viasat and Hughes Network Services. Although satellites designed for these services typically have limited geographic coverage to focus service delivery on specific geographic markets, they will have the ability to offer other types of service, including MSS. These operators may be able to use these satellite systems to offer regional or multi-regional MSS services in competition with our Global Xpress services.

Terrestrial Competitors

We generally provide services primarily in areas that terrestrial networks do not serve at all or for which they are not the most cost effective or technologically best suited solution.

However, gradual extensions of terrestrial wireline and wireless communications networks and technologies to areas not currently served by them may reduce demand for our existing services and other services that we expect to provide. We expect that future extensions of terrestrial networks will be driven by economic returns generated by extending wireline or wireless networks. We also expect that many underdeveloped areas will be

too sparsely populated to generate returns on investment required to build terrestrial communications networks. Unlike our terrestrial competitors, we can provide communications services to these underdeveloped areas at no incremental cost.

Employees

The following table sets out the average numbers of persons we employed for the years ended 31 December 2011, 2010 and 2009 by main category of activity:

	2011			2010			2009		
	Inmarsat Global	Inmarsat Solutions	Total	Inmarsat Global	Inmarsat Solutions	Total	Inmarsat Global	Inmarsat Solutions	Total
Category of activity									
Operations	203	455	658	191	358	549	181	341	522
Sales and marketing	96	188	284	92	143	235	87	132	219
Development and engineering	94	71	165	78	98	176	79	49	128
Administration	146	290	436	139	255	394	136	238	374
Total	**539**	**1,004**	**1,543**	**500**	**854**	**1,354**	**483**	**760**	**1,243**

In 2011, the total compensation paid to (or accrued with respect to) our employees was US$206.5 million as compared with US$181.7 million in 2010.

Our multicultural workforce comprises more than 50 nationalities, which is important to the operation of our global business.

We do not recognise an official labour union although some of our employees have individual membership in such unions.

We believe that relations with our employees are good. We have ensured that employees are fully informed and involved in the business through the use of various communications methods including briefing sessions and discussions with groups of employees, circulation of newsletters, company announcements, information releases and dissemination of information through normal management channels. Employees are actively encouraged to attend internal training courses to learn about our business, products and services. Staff forums and a works council are established in some of the operating businesses in accordance with local legislative requirements.

We have a positive attitude towards the development of all its employees and do not discriminate between employees or potential employees on grounds of race, ethnic or national origin, sex, age, marital status or religious beliefs.

We give full consideration to applications from disabled persons and to the continuing employment of staff that become disabled, including making reasonable adjustments where appropriate or considering such staff members for alternative positions.

Facilities

The table below sets out information regarding certain of our material facilities.

Facility	Principal Use	Owned/ Leased	Area (ft^2)	Lease expiration
99 City Road, London, United Kingdom	Head office	Leased	39,000	2029

The lease for 99 City Road is a 25 year operating lease which has an average annual rental over this period of approximately £6.0 million.

We believe that our current facilities are in good condition and adequate to meet the requirements of our present operations.

Legal Proceedings

As of the date of this disclosure document, we are not engaged in or aware of any pending or threatened legal or arbitration proceedings that could have a material effect on our financial position.

REGULATION

Introduction

Our business is regulated by a number of national and international regulatory authorities. We are subject to the regulatory authority of the UK government, as well as of the national authorities in the countries in which we operate. We are also subject to the regulations of various international organisations, including the ITU, IMSO and the European Union.

The regulation of our business can be divided into three broad categories:

(i) rules governing the operation of our satellite system, which can in turn be divided into four areas:

- launch and operation of satellites;
- allocation and licensing of space orbital locations and associated electromagnetic spectrum;
- licensing of ground infrastructure; and
- licensing of end-user terminals (at sea, on land or in the air) and telecommunications services;

(ii) antitrust and competition laws, which are generally applicable to national and international businesses; and

(iii) other regulations, including rules restricting the export of satellite-related equipment and technology and public service obligations applicable to our business.

Regulation of Our Satellite System

UK Outer Space Act 1986

Our activities in outer space are regulated by the UK Outer Space Act 1986, which implements into UK law obligations under various international treaties. The Outer Space Act prohibits us from, among other things, operating a space object and carrying on any activity in outer space without a licence from the UK Secretary of State for Business, Innovation and Skills issued under the Outer Space Act. Accordingly, we have obtained licenses under the Outer Space Act for our ten in-orbit satellites.

Under the UK Outer Space Act, we are obliged to provide an indemnity to the UK government for an unlimited amount for any claims brought against it as a result of our licensed activities (for example, any actions brought against the UK government if one of our satellites were to collide with another spacecraft). We are also required by our licences to obtain insurance of up to £100.0 million per satellite to be used to pay any sums to the UK government in respect of this indemnity, which amount may be increased in the future by the UK government. We have obtained the required insurance for all our in-orbit satellites.

International Telecommunication Union Filings and Co-ordination Procedures

The ITU is the United Nations treaty organisation responsible for worldwide cooperation and standardisation in the telecommunications sector. The ITU registers radio frequency bands and orbital locations used by satellites and publishes the ITU's radio regulations (the "**Radio Regulations**"), which set out detailed rules for use of radio spectrum.

Pursuant to the Radio Regulations, national regulators are required to file technical information with the ITU relating to the proposed satellite systems of operators under their jurisdiction. Ground-based transmission facilities operated by us or our distribution partners, called LESs, which connect our satellites to terrestrial communications networks, are also subject to the Radio Regulations.

All necessary filings for our in-orbit satellites have been made on our behalf by the UK Radiocommunications Agency (which, from 29 December 2003, was incorporated into and replaced by The Office of Communications ("**Ofcom**")). Once filings have been made with the ITU, a frequency co-ordination process follows to ensure that each operator's services do not cause unacceptable interference to the services of other operators. The negotiations are conducted by the national administrations with the assistance of satellite operators. The timetable and procedures for co-ordination are also governed by the Radio Regulations. We have co-ordinated frequencies in the mobile satellite services spectrum at L-band (1.5 and 1.6 GHz) for communication between our satellites and end-user terminals, as well as frequencies in the C-band (4 and 6 GHz) for communications between LESs and our satellites. We also have co-ordinated frequencies in the C-band for our tracking, telemetry and command signals to and from our satellites.

Frequencies in the L-band are allocated in a regional multilateral co-ordination process which should take place annually through two separate and independent regional operator review meetings among satellite operators using frequencies in the L-band. One meeting involves operators whose satellites cover North America, while the other involves operators whose satellites cover Europe, Africa, Asia and the Pacific. The outcome of these meetings also determines the use of frequencies in South America. In each case, satellite operators co-ordinate frequencies and assign spectrum by consensus. It is always possible to agree frequency allocation and co-ordination on a bilateral basis between operators outside this multilateral process, subject to non-interference with third parties. With respect to the Americas, there has not been a unanimous agreement among all operators for a number of years. Instead we have successfully operated through a combination of maintaining consistency with the last agreed parameters, and bilateral arrangements with other operators.

The 2007 World Radio Conference considered the identification of frequency bands for terrestrial IMT (3rd and 4th generation mobile) systems. C-band (3400 - 4200 MHz), which is used for our satellite feeder and telemetry links, was one of the candidate bands. The ubiquitous use of these systems is not compatible with the operation of satellite earth stations, such as the LESs/SASs, in the same band and in the same geographical area. As a result, in countries where IMT systems are deployed in the C-band, the existing LESs/SASs could suffer interference and accordingly, we may be unable to deploy new earth stations. Many countries have already licenced broadband wireless access systems, which are similar to IMT systems, in the C-band and others are expected to follow suit.

At the 2007 World Radio Conference, the "no change" campaign, led by Inmarsat and other major satellite players, successfully prevented a global C-band identification for IMT services. The lack of harmonised identification for IMT contributed in slowing down the momentum for IMT deployment in C-band. There were, however, several countries which identified the C-band portion of 3400-3600 MHz for IMT through country footnotes to the Radio Regulations. These footnotes included technical constraints which will help to ensure protection of earth stations from IMT operations in neighbouring countries. However, protection within national boundaries of countries intending to deploy IMT in the C-band still needs to be discussed with the individual administrations. As a result, we are continuing to pursue protection of each LES and SAS through registration of stations with the ITU and discussion with LES operators and national administrations.

The recently concluded 2012 World Radio Conference included in the agenda an item on identification of additional spectrum for IMT, with no limitation on the amount or frequency range to be considered. It is expected that C-band will be targeted again and potentially L-band and S-band could also be considered. We intend to work in the ITU and other regulatory organisations in preparation for, and during, the 2015 World Radio Conference to ensure the continued protection of the frequency bands of interest to Inmarsat.

In December 2007 we signed the Cooperation Agreement with LightSquared for the efficient use of L-band spectrum over North America. The Cooperation Agreement includes conditional provisions for the co-ordination of the parties' respective existing and planned satellites serving the Americas and for the reorganisation of our spectrum and that of LightSquared over the Americas to provide contiguous spectrum in larger blocks for both our operations and efficient re-use of L-band spectrum. The purpose of the agreement is to increase spectrum efficiency and protect both MSS and ATC operations from inter-system interference.

The Cooperation Agreement also provides for the parties to cooperate with a view to facilitating the deployment by LightSquared of a North American hybrid MSS/ATC network, subject to certain pre-conditions which have not yet been satisfied. Should LightSquared deploy such a network, it is obliged both to support our

activities necessary to implement the necessary inter-system and spectrum coordination, as well as pay us substantial sums in return for increasing the total spectrum capacity available to LightSquared. However, in the event that LightSquared is found to be in breach of the Cooperation Agreement, the parties have made provision for the unwinding of their ATC collaboration to an agreed spectrum coordination outcome that is expected to support each party's respective independent business activities in the Americas for the foreseeable future. As detailed below, LightSquared is currently facing regulatory challenges to its plans for deploying its planned network, and the future of its MSS/ATC network is uncertain.

In August 2010, Inmarsat announced plans for a new constellation of three satellites, called Inmarsat-5, in the Ka-band to provide a mobile broadband service known as Global Xpress. These three satellites will be deployed respectively at orbital locations in the Indian Ocean Region ("**IOR**"), Atlantic Ocean Region ("**AOR**") and Pacific Ocean Region ("**POR**") in order to provide global coverage for Global Xpress services. In order to secure rights to orbital slots and spectrum for these satellites, Inmarsat has made a number of ITU networks filings, both through Ofcom and through the Norwegian Post and Telecommunication Authority. The number of filings made will provide flexibility in the frequency coordination process. Coordination of these filings is ongoing and is expected to result in coordinated access to orbital locations for the Inmarsat-5 satellites in time for launch. Coordination agreements have already been concluded with some of the operators potentially affected by Inmarsat-5.

Some frequency bands planned to be used by Global Xpress user terminals are shared with terrestrial services. In these cases, coordination is required. Such coordination will be undertaken on a country by country basis as part of the licensing process.

In general, increased competition for spectrum and orbital locations (and/or disputes with parties to regional co–ordination processes) may make it difficult for us to retain rights to use the spectrum and orbital resources we require either generally or in relation to particular regions or countries. We cannot guarantee that, in the future, we will be able to retain spectrum and orbital rights sufficient to provide our existing or future services. We also cannot determine to what extent regulatory authorities will charge us or our distribution partners for the use of MSS spectrum or how much would need to be paid to acquire or retain such spectrum in the future. To the extent we or our distribution partners are unable to retain the rights to use such spectrum or are required to pay for such use (by spectrum auctions or otherwise), our ability to provide services may either be limited or become more costly, which may harm our business or our results of operations.

Use of Mobile Satellite Service Spectrum to Provide Terrestrial Communications Services

In January 2003, under the ATC Ruling, the Federal Communication Commission ("**FCC**") decided to permit mobile satellite service operators to use their assigned mobile satellite service frequencies to provide ancillary terrestrial wireless communication services in the United States as part of an integrated MSS/ATC service.

On 8 November 2004, the FCC issued an order granting LightSquared (then known as MSV, and later known as SkyTerra) an ATC licence and approving several waivers of the ATC Ruling that LightSquared requested, while deferring ruling on certain additional waivers. On 10 February 2005, following a series of petitions and requests for reconsideration, the FCC clarified the ATC Ruling by a memorandum order and opinion which, *inter alia*, settled the applicable rules on inter-system interference and other general requirements for integrated MSS/ATC systems. The Cooperation Agreement entered into between Inmarsat and LightSquared provides a framework for collaboration on hybrid MSS/ATC services in the L-band, and would provide the vehicle for these companies to participate in an MSS/ATC deployment. LightSquared subsequently received approval from the U.S. FCC for a modification of its ATC authorisation relating to waivers of certain technical rules applicable to its ATC licence, to reflect the multilateral coordination agreement reached between LightSquared and Inmarsat.

In early 2011, LightSquared received a waiver of the FCC's ATC rules to allow it to provide terrestrial-only handsets, but this waiver was subject to a pre-condition that LightSquared be able to demonstrate that its deployment did not create unacceptable interference to GPS transmissions. This issue became controversial over the course of 2011 and early 2012, with GPS interests claiming that LightSquared would interfere with GPS, culminating in the FCC seeking comment in a Public Notice released in February 2012 on whether it should vacate its 2011 waiver, and also suspending LightSquared's underlying ATC authorisation because of the GPS interference concerns. The FCC has not yet issued a ruling in response to that Public Notice.

Globalstar was granted an ATC license in early 2006. On 31 October 2008, the FCC granted Globalstar's request that its ATC authority be modified to authorise the provision of MSS/ATC services using TDD WiMAX, WCDMA, TD-CDMA and LTE packet switched data protocols. The FCC also allowed Globalstar to lease a portion of its spectrum to Open Range Communications, Inc. ("**Open Range**") for ATC use and granted a temporary waiver of certain ATC gating criteria, including satellite coverage, integrated service, and spare satellite requirements. In September 2010, the FCC denied Globalstar's request for an extension of the temporary waiver and suspended Globalstar's ATC authority until it comes into compliance with the gating criteria. The FCC also granted special temporary authority to allow Open Range to continue ATC operations using spectrum leased from Globalstar. Open Range filed for bankruptcy in October 2011, discontinued service in November, and is currently in the process of liquidating its assets. On 18 March 2011, the FCC authorized Globalstar to operate U.S. earth stations to access its French-licensed second-generation satellites. Globalstar launched 18 second-generation satellites in 2010 and 2011, and plans to launch six additional second-generation satellites during the second half of 2012 (for a total of 24). The authorization included the same ATC authority covered under Globalstar's first-generation satellite licence, but did not modify or lift the suspension of Globalstar's ATC authority pending compliance with the gating criteria.

Previously, the FCC granted DBSD and TerreStar ATC authority on their MSS spectrum on an integrated basis with their MSS satellite networks. Both DBSD and TerreStar subsequently entered bankruptcy. In September 2010, TerreStar began providing commercial wholesale satellite roaming service as part of an AT&T Mobility offering and continued the service during bankruptcy.

On 2 March 2012, the FCC approved the transfer of 2 GHz MSS and ATC authorizations held by DBSD and TerreStar to DISH, which consummated the transaction on 12 March 2012. At the same time, the FCC denied the parties' request for a waiver of the integrated service and spare satellite gating requirements to enable terrestrial-only service. However, the FCC has initiated a rulemaking proceeding proposing flexible terrestrial use of spectrum in the 2 GHz band.

The implementation of ATC services by MSS operators in the United States or other countries may result in increased competition for the right to use L-band spectrum, and such competition may make it difficult for us to obtain or retain spectrum resources we require for our existing and future services. See "*Risk Factors—Risks Relating to Our Business—The development of combined satellite and terrestrial networks could interfere with our services*". In addition, the FCC's decision to permit integrated MSS/ATC services was based on certain assumptions, particularly relating to the level of interference that the provision of integrated MSS/ATC services would likely cause to other MSS operators, such as us, who use the L-band spectrum. If the FCC's assumptions with respect to the use of L-band spectrum for integrated MSS/ATC services prove inaccurate, or a significant level of integrated MSS/ATC services is provided in the United States, the provision of integrated MSS/ATC services could interfere with our satellites and user terminals, which may adversely impact our services. For example, the use of certain L-band spectrum to provide integrated MSS/ATC services in the United States could interfere with our satellites providing communications services outside the United States where the "footprint" of those satellites overlaps the United States. Such interference could limit our ability to provide services that are transmitted through any satellite visible to the United States. One of our Inmarsat-2, three of our Inmarsat-3 and two of our Inmarsat-4 satellites are visible to the United States. In addition, users of our terminals in the United States could suffer interruptions to our services if they try to use their terminals near ATC terrestrial base stations used to provide integrated MSS/ATC services. In the event that we anticipate significant usage of mobile user terminals near ATC terrestrial base stations, it may be necessary for the manufacturers of the mobile terminals to modify their products to make them less susceptible to interference, or for us to develop new call set-up procedures which will redirect traffic to frequencies that are adequately removed from transmissions by nearby ATC base stations. Certain provisions in our Cooperation Agreement with LightSquared are also designed to offset the impact that deployment of ATC in the United States would have on users of Inmarsat services.

Other jurisdictions are considering and could implement similar regulatory regimes in the future. In May 2004, Industry Canada, the Canadian regulator, decided in principle to allow ATC services in Canada. The European Commission Decision 2007/98/EC of 14 February 2007 on the harmonised use of radio spectrum in the 2 GHz frequency bands for the implementation of systems providing mobile satellite services confirms this as being satellite spectrum and allows the installation of a complementary terrestrial component. On 13 May 2009, following the ESAP, the European Commission selected two operators, Inmarsat Ventures Limited and Solaris Mobile Limited, as the successful applicants and awarded each of them 30 MHz each of contiguous 2 GHz

frequencies for use in a pan-European satellite and complementary terrestrial deployment. Following the expiry in May 2011 of a two-year period in which to deploy the system, the European Commission adopted on 10 October Decision 2011/667 which allows it to coordinate the efforts of EU Member States to decide on an additional "reasonable time to comply" and deploy a commercial service or, if need be, to adopt appropriate enforcement measures. The enforcement process has at this moment not been triggered.

Other National Satellite Operator Authorisations

While in the majority of countries we have not been required to obtain specific telecommunications or spectrum licences to transmit our satellite signals or offer our existing services, we have obtained specific telecommunications or frequency licences with respect to our existing services in a number of countries. We have also registered as a provider of space capacity, as required by national laws, in several countries. Additional countries are considering whether to implement such licence requirements. In some countries, we have been required to comply with additional or unique licensing requirements. To date, the requirements imposed on us to obtain these licences have been minimal and the associated costs are reasonable.

Increasingly, regulatory authorities are imposing fees and introducing new regulatory requirements on businesses that use radio frequencies, which could significantly affect our business, including by imposing new and unforeseen additional costs and limiting our ability to provide existing or new services. We cannot determine to what extent regulatory authorities will charge us or our distribution partners for the use of spectrum, or how much would need to be paid to acquire or retain such spectrum in the future. To the extent we or our distribution partners are unable to retain the rights to use such spectrum or are required to pay large amounts for such use (by spectrum auctions or otherwise), our ability to provide services may either be limited or become more costly, which may harm our business or the results of our operations.

Regulation of Use of Ground Infrastructure

Our agreements with our distribution partners who operate the LESs that connect our satellites to terrestrial communications networks include provisions to ensure that they hold the appropriate licences to operate their LESs. We provide assistance to our distribution partners both by ensuring they are aware of licences they may be required to hold in the jurisdictions where they sell our services, and by assisting them to obtain the necessary licenses.

Our satellite control and network operations centre in London does not require individual licences under UK communications law. The ground stations that control and monitor our satellites are operated by third parties (under service contracts with us) who are responsible for ensuring that they are appropriately licensed under national regulations.

The ground infrastructure that we use for our broadband services comprises fewer LESs than we have relied upon for the distribution of our Existing and Evolved Services. However, it is possible that the regulatory authorities in some countries may require us to establish SASs in their countries as a condition of distributing our broadband services in those countries. In respect of the SASs for our L-band broadband services, which we own and/or operate in Italy and the Netherlands, we have already obtained the necessary licences for the operation of those stations as network facilities. We have also obtained licences from the FCC for operation of several antennae at a SAS that we own and operate in Paumalu, Hawaii (U.S.) for our broadband, some Existing and Evolved Services and our new GSPS service. The Paumalu SAS is similar in design and operation to the SASs in Italy and the Netherlands.

For Global Xpress, sites have been selected in Italy and Greece. The licence in Italy has been obtained and the application for Greece is being finalized. Additional sites will be selected for the AOR and POR satellites, and these will require licences in much the same way as the L-band SAS sites.

For a further discussion of the regulatory risks we currently and in the future may face, see "*Risk Factors—Regulatory Risks—Our business is subject to regulation and we face increasing regulation with respect to the transmission of our satellite signals and the provision of our MSS in some countries, which could require us to incur additional costs, could expose us to fines and could limit our ability to provide existing and new services in some countries*".

Licensing of End-User Terminals and Provision of Telecommunications Services

We, together with our distribution partners and their service providers, are subject to increasing regulation in many countries with respect to the distribution of our services to end-users, particularly in the land mobile sector.

Different regulatory regimes apply to the use of end-user terminals depending on where they are located and whether they are installed in ships or aircraft or are for land use.

Regulatory authorities in approximately 180 countries permit the use of terminals to access our services. Most of these countries require end-users (and, in some cases, distribution partners) to obtain a licence for such use. We have assessed the conditions of use that will apply to our planned Global Xpress service in over 100 countries and we are working closely with our distribution partners to develop optimal access strategies for each of these jurisdictions, particularly with respect to in-country provision of service.

Maritime Terminals

Terminals for using our services installed on board ships are licensed by the country to whose jurisdiction the ship in question is subject. The licensing of terminals is generally part of a broader licence that covers all the communications equipment on the ship. The International Agreement on the Use of Inmarsat Ship Earth Stations within the Territorial Sea and Ports came into force on 12 September 1993. 46 countries are parties to this agreement, which permits the operation of terminals in the territorial seas and ports of the signatory countries. In countries which are not party to this agreement, national law may nevertheless permit the use of our terminals. For example, in the United States, (which is not party to this international agreement), foreign ships are authorised to use their communications equipment in domestic territorial waters and ports under Section 306 of the U.S. Communications Act of 1934, as amended (the "**Communications Act**").

Land Terminals

In many of the countries that permit terminals to be used in their territory, the end-users and/or distribution partners of our services must obtain licences under national laws relating to use of radio frequency. In addition, distribution partners may be required to obtain licences relating to the provision of telecommunications services.

A number of countries, particularly in the Middle East and Central Europe, continue to maintain a monopoly on providing communication services or have onerous national security requirements that may effectively prevent us from offering (or restrict our ability to offer) satellite communications services to land-based users. In some countries, end-users are required to apply and obtain permission to use terminals to access our existing and new services, and in some cases to pay relatively high application fees. These requirements could deter some end-users from using terminals in those countries.

In Europe, terminals do not generally require individual licences. This eliminates the need for the regulator to issue individual licences for multiple, identical terminals. This follows the spirit of EU Directive 2002/20/EC on the authorisation of electronic communications networks and services which foresees that "*the least onerous authorisation system possible should be used to allow the provision of electronic communications networks and services in order to stimulate the development of new electronic communication services and pan-European communications networks and services and to allow service providers and consumers to benefit from the economies of scale of the single market*". The subject of free circulation of satellite terminals has also been dealt with substantially in the European Conference of Postal and Telecommunications Administration/The Electronic Communications Committee, which has recently adopted a decision that encourages administrations not to require any licence of any kind as a condition to allow for free circulation and use of mobile satellite terminals. A specific decision is under preparation for ESOMPs (Earth Stations on Mobile Platforms) which will cover Ka-band terminals. However, it is expected that the circulation of terminals will continue to be subject to service provision licences resulting from those member states seeking payment for the use of frequencies or seeking to licence the service.

For our planned Global Xpress services, certain regions have no allocation in the Ka-band spectrum for MSS. We therefore plan to provide services using existing FSS allocations in these regions. There are already existing precedents for the introduction of mobility in allocations for FSS in C- and Ku-band. Moreover, there are reports from ITU and CEPT that recommend the framework and conditions for Ka-band allocations. However, certain countries may take time or may require an explicit ITU endorsement before allowing the use of mobile terminals in the Ka-band.

The terms of and cost to the end-user of obtaining individual licences vary by jurisdiction. We have actively participated in the European Conference of Postal and Telecommunications Administration project teams and working groups and proposed a harmonisation of the interpretation of "free circulation" to mean an exemption at all levels of any kind of licencing burden which many administrations within the European Union have endorsed. In general, the cost of terminal licences is decreasing worldwide, and the period of time an end-user may remain in a jurisdiction with a terminal before requiring a licence is increasing.

In the United States, the FCC issues blanket licences for many types of communications devices. Various companies have applied for, and been granted, blanket licences to cover a number of different types of terminals, which access our services in the United States. On 22 October 2009, Inmarsat Hawaii Inc. was awarded by the FCC, a blanket user terminal licence for certain land Existing and Evolved and BGAN terminals. In addition, on 3 September 2009, the FCC granted Inmarsat Hawaii Inc. authority to provide international facilities-based service in accordance with Section 214 of the Communications Act.

Aviation Terminals

Terminals installed on aircraft using our services are licenced by the country to whose jurisdiction the aircraft in question is subject. The licencing of equipment to use our services is generally part of a broader licence that covers all the communications equipment on the aircraft. ICAO Resolution A29-19 recommends that countries grant general permission for the use of communications equipment aboard foreign-registered aircraft operating within their territory, subject to a number of limitations. In exceptional cases (e.g., Australia), the use of aviation terminals for passenger communications is subject to achieving compliance with national requirements on the security of communications or equivalent requirements.

Equipment Testing and Verification

In addition to licences for the use of spectrum, terminals must also comply with applicable technical requirements. These technical requirements are intended to minimise radio interference to other communications services and ensure product safety.

In Europe, there is full harmonisation of these standards and associated type approvals. European Directive 99/5 provides that European Union member states will allow a mobile satellite terminal to be placed on the market if it bears a mark confirming conformity with the technical requirements of the Directive.

In the United States, the FCC is responsible for ensuring that communications devices comply with technical requirements for minimising radio interference and human exposure to radio emissions. The FCC requires that equipment be tested either by the manufacturer or by a private testing organisation to ensure compliance with the applicable technical requirements. For other classes of device, the FCC requires submission of an application, which must be approved by the FCC, or in some instances may be approved by a private testing organisation.

In the Asia-Pacific region, in the case of Japan, completion of national type testing and verification approval is an integral part of the authorisation of new telecommunication services.

Other Communications Regulatory Issues

Universal Service Funds

Some countries, such as the United States, India, Kenya and Australia, require a number of telecommunications service providers to contribute funds to "universal service" programmes. These programmes in turn use the funds to subsidise consumers' access to services in high-cost areas, such as rural markets, subsidise access for low-income customers and provide other services deemed to be socially desirable. We, as well as our distribution partners and their service providers, may be required to make contributions to these programmes, which may increase the cost of providing services over our system.

Law Enforcement and National Security Requirements

Generally, communications networks operate under national regulations that require operators to provide assistance to law enforcement and security agencies. These national regulations typically require operators of communications networks to assist in call interception by providing to such agencies call interception or information relating to persons or organisations subject to security or criminal investigations, surveillance or prosecutions under the relevant national jurisdictions.

We and our distribution partners who operate LESs are required to comply with these regulations in a number of jurisdictions, which may restrict our ability to offer our services in some countries or increase our costs.

Numbering

The ITU controls the assignment of country codes used for placing telephone calls between different countries. Inmarsat was formerly assigned the codes 871, 872, 873 and 874, with the applicable code determined by the location (ocean region) of the Inmarsat terminal in question. Inmarsat was assigned the code 870 in 2005. In conformity with an agreement with the ITU, all Inmarsat services were to migrate to this code by the end of 2008. In accordance with the agreement with the ITU, we formally handed back the codes 871-4 at the final 2008 meeting of ITU-T Study Group 2 (the committee which manages the assignment of the codes within the ITU). A letter of acknowledgement was sent to us on 8 January 2009 by the Director of the ITU "T" Sector and formal notification to the telecommunications community via the ITU-T Operational Bulletin number 925, dated 1 February 2009, reclaiming the assignment of code 871-4 from Inmarsat and re-assigning such codes to the category of "Spare".

Antitrust and Competition Laws

EU Law

EU law prohibits anti-competitive agreements and the abuse of dominant market positions through Articles 81 and 82 of the Treaty of Rome, as amended (previously Articles 85 and 86). All European Union member states, including the United Kingdom, have similar prohibitions in national law, modelled upon Articles 81 and 82.

Arrangements prohibited under Article 81(l) are void under Article 81(2). Until May 2004, the European Commission had the power to exempt agreements formally notified to it under Article 81(3). Since May 2004, when Regulation 1/2003 came into force, notifications of agreements to the European Commission have no longer been possible and it is up to the parties to assess whether the terms of the contract comply with the requirements of Article 81. Since, May 2004, national competition authorities and courts of the member states have had the power to apply Article 81(3). We have therefore evaluated the terms of our Distribution Agreements in light of Article 81. For more information, see "*Risk Factors—Regulatory Risks—Our contractual relationships with our distribution partners may be subject to regulatory challenge, which could require us to renegotiate the contractual relationships and could result in the imposition of fines*".

Article 82 prohibits the abuse of a dominant market position insofar as it may affect trade between EU member states. Antitrust authorities may determine that we have market power in one or more business sectors. We have implemented an antitrust compliance programme to decrease our risk of entering into any agreements which might restrict competition without obtaining the appropriate clearance or that we would engage in any business practices that might be considered abusive.

The European Commission can impose fines (up to 10 per cent. of a company's worldwide annual group revenues) for breaches of Articles 81 and 82. The existence of our antitrust compliance programme may be a mitigating factor in determining the level of such fine. In addition, civil litigation may be brought by third parties claiming damages caused by anti-competitive practices and agreements.

U.S. Law

U.S. antitrust laws are generally applicable to our distribution partners who operate LESs in the United States, and, under some circumstances, could be applicable to us. These laws prohibit, among other things, the monopolisation of markets (including attempted monopolisation and conspiracies to monopolise) and agreements that restrain trade, such as agreements among competitors to fix prices. If U.S. authorities were to determine that we, and/or our distribution partners who operate LESs in the United States, have violated any U.S. antitrust laws, heightened regulatory burdens and/or sanctions could be imposed.

Other Regulation

U.S. Export Control Requirements

The United States regulates the export and re-export of commercial communications satellites and most satellite-related components, subsystems, software and technology as defense articles under the Arms Export Control Act. Exports of these items from the United States require licensing by the U.S. Department of State after consultation with the U.S. Department of Defense. Technical cooperation arrangements between U.S. and UK companies also require approval. The launch location and launch-related technical arrangements for U.S. satellites, and for foreign satellites containing regulated U.S. origin components, also require separate approval by the U.S. State Department. The timing of U.S. licence processing can be difficult to predict; licences are often issued with commercially significant conditions and restrictions, and the use of some launch locations that may have pricing or other advantages may not be approved.

A number of satellite components and satellite-related services for our Inmarsat-4 satellites were sourced from U.S. suppliers and we have successfully obtained all relevant licences and approvals from the U.S. State Department. We cannot, however assure you that our U.S. suppliers will be able to secure requisite licences in a timely fashion, that those licences will permit transfer of all items requested, that launches will be permitted in locations that we may prefer, or that licences, when approved, will not contain conditions or restrictions that pose significant commercial or technical problems. Such occurrences could delay the launch of any future satellites.

Our sale of GSPS terminals to our distribution partners is also governed by U.S. export and re-export controls. While we contractually require our distribution partners to implement these controls within their distribution chain and with end-users, there is no assurance that end-users comply with these controls.

IMSO Requirements

IMSO oversees our provision of satellite communications services to support GMDSS. If we were to breach this public service obligation, IMSO has various powers to compel us to perform those obligations. The IMO has agreed to the admission of other GMDSS suppliers subject to relevant approvals of their GMDSS services being obtained. We are currently the sole provider of satellite communications services required for GMDSS.

IMSO holds a special rights non-voting redeemable preference share in Inmarsat Ventures Limited (the "**Special Share**"). The Special Share carries rights including an effective veto power over any amendment to our public service obligations for GMDSS and over any resolution to effect the voluntary winding-up of Inmarsat Ventures Limited. See "*Principal Shareholders—Inmarsat Ventures Limited Special Share*".

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Management of Inmarsat Finance plc and Inmarsat Group Limited

Board of Directors

The directors of Inmarsat Finance plc and Inmarsat Group Limited are Andrew Sukawaty, Rupert Pearce, Alison Horrocks and Rick Medlock.

Audit Committees

The audit committee of each of Inmarsat Finance plc and Inmarsat Group Limited comprises Andrew Sukawaty, Rupert Pearce and Alison Horrocks, none of whom the board of directors of Inmarsat Finance plc nor the board of directors of Inmarsat Group Limited considers to be an audit committee financial expert, and none of whom is independent (as such term is defined under the rules adopted by the New York Stock Exchange pursuant to the Sarbanes-Oxley Act of 2002). We believe that the members of the audit committee of each of Inmarsat Finance plc and Inmarsat Group Limited have sufficient experience to perform their responsibilities. Neither Inmarsat Finance plc nor Inmarsat Group Limited is required under its respective law of incorporation to include financial experts on its audit committee.

Management of Inmarsat plc

Board of Directors

Inmarsat plc is the ultimate parent company of Inmarsat Finance plc and Inmarsat Group Limited.

The table below sets out the names of the directors of Inmarsat plc and their current positions.

Name	Position
Andrew Sukawaty	Executive Chairman
Rupert Pearce	Executive Director and Chief Executive Officer
Rick Medlock	Executive Director and Chief Financial Officer
Sir Bryan Carsberg	Non-executive Director—Independent Director
Stephen Davidson	Non-executive Director—Independent Director
Admiral James Ellis Jr (ret.)	Non-executive Director—Independent Director
Kathleen Flaherty	Non-executive Director—Independent Director
Janice Obuchowski	Non-executive Director—Independent Director
John Rennocks	Non-executive Director—Independent Director and Deputy Chairman

The address for each director is c/o Inmarsat plc, 99 City Road, London EC1Y 1AX, United Kingdom.

Andrew Sukawaty joined the Board as Chairman in December 2003 and was appointed Chief Executive Officer in March 2004. Mr Sukawaty moved to the sole role of Executive Chairman on 1 January 2012. He is non-executive chairman of Ziggo BV. Between 1996 and 2000, he served as chief executive officer and president of Sprint PCS. He was chief executive officer of NTL Limited from 1993 to 1996. Previously, he held various management positions with U.S. West and AT&T. He has served on various listed company boards as a non-executive director. Mr Sukawaty holds a BBA from the University of Wisconsin and an MBA from the University of Minnesota.

Rupert Pearce joined the Board as an executive director in July 2011 and became our Chief Executive Officer in January 2012. His previous positions in Inmarsat were as General Counsel and Senior Vice President, Inmarsat Enterprises. Previously he worked for Atlas Venture, a venture capital company, where he was a partner working with the firm's European and U.S. investment teams on investment, divestment, M&A and corporate finance transactions and was a member of the firm's investment and exit committees. He was previously a partner at the international law firm Linklaters, where he spent 13 years specialising in corporate finance, M&A and private equity transactions. He received an MA in Modern History from Oxford University and won the 1995 Fulbright Fellowship in U.S. securities law, studying at the Georgetown Law Centre.

Rick Medlock joined the Board in September 2004 and is Chief Financial Officer. Between 1996 and 2004, he had served as chief financial officer and company secretary of NDS Group plc (Nasdaq and Euronext). Mr Medlock previously served as chief financial officer of several private equity backed technology companies

in the United Kingdom and the United States. Mr Medlock is also a non-executive director of Cheapflights Media Limited and chairman of their Audit Committee. He is a Fellow of the Institute of Chartered Accountants of England and Wales. Mr Medlock holds an MA in Economics from Cambridge University.

Sir Bryan Carsberg joined the Board in June 2005 as a non-executive director. He is an independent, non-executive director of Novae Group plc. He was the first Director General of Telecommunications (Head of Oftel, the telecommunications regulator that preceded Ofcom) from 1984 to 1992, Director General of Fair Trading from 1992 to 1995 and Secretary General of the International Accounting Standards Committee (predecessor of the International Accounting Standards Board) from 1995 to 2001. He has been an independent, non-executive chairman and director of various other companies as well. Sir Bryan is a Fellow of the Institute of Chartered Accountants of England and Wales and an Honorary Fellow of the Institute of Actuaries; he was knighted in January 1989. He holds an M.Sc. (Econ) from the University of London (London School of Economics).

Stephen Davidson joined the Board in June 2005 as a non-executive director. Mr Davidson is Chairman of Datatec Limited and Mecom Group plc and is also a non-executive director of several other companies. He has held various positions in investment banking, most recently at West LB Panmure where he was Global Head of Media and Telecoms Investment Banking then Vice Chairman of Investment Banking. From 1992 to 1998 he was Finance Director then Chief Executive Officer of Telewest Communications plc. He was Chairman of the Cable Communications Association from 1996 to 1998. He holds an MA (first class) in Mathematics and Statistics from the University of Aberdeen.

Admiral James Ellis Jr (ret.) joined the Board in June 2005, as a non-executive director. He is President and Chief Executive Officer of the Institute of Nuclear Power Operations, with headquarters in Atlanta, Georgia. Admiral Ellis also serves as a Director of the Lockheed Martin Corporation and Level 3 Communications. Admiral Ellis retired from the U.S. Navy in 2004 as Commander, United States Strategic Command. He was responsible for the global command and control of U.S. strategic forces to meet decisive national security objectives. Admiral Ellis is a graduate of the U.S. Naval Academy and was designated a Naval Aviator in 1971 and held a variety of sea and shore assignments in the United States and abroad. He holds Master of Science degrees in Aerospace Engineering and in Aeronautical Systems.

Kathleen Flaherty joined the Board in May 2006 as a non-executive director. She is a non-executive director of Yell Group plc and a member of the McCormick Advisory Board and sits on its executive committee of Northwestern University. She previously served as a non-executive director of GenTek, Inc. (Nasdaq), Marconi Corporation plc, telent plc, CMS Energy Corporation (NYSE) and Consumers Energy Company (NYSE). Previous executive positions include Chief Marketing Officer at AT&T; President and Chief Operating Officer of Winstar International; Senior Vice President, Global Product Architecture for MCI Communications, Inc and Marketing Director for National Business Communications at BT. Ms Flaherty graduated from Northwestern University with a Ph.D. in Industrial Engineering and Management Sciences.

Janice Obuchowski joined the Board in May 2009 as a non-executive director. She is currently a non-executive director on the public company boards of Orbital Sciences Corporation and CSG Systems, Inc where she has responsibility for chairing committees for both those companies. Mrs Obuchowski has held several senior positions, both in the U.S. government and in the private sector. She served as Head of Delegation and as the U.S. Ambassador to the World Radiocommunications Conference 2003 and was Assistant Secretary for Communications and Information at the Department of Commerce leading the National Telecommunications and Information Administration under President George H.W. Bush. Earlier in her career she held several positions at the FCC, including Senior Advisor to the Chairman. Mrs Obuchowski is President and founder of Freedom Technologies, Inc. Mrs Obuchowski has previously held non-executive director positions with Qualcomm and Stratos.

John Rennocks joined the Board in January 2005 as a non-executive director. He is our Deputy Chairman and Senior Independent Director. He is a non-executive chairman of Diploma plc and Intelligent Energy plc, and a non-executive director of several other companies. He has broad experience in emerging energy sources, support services and manufacturing. Mr Rennocks previously served as a director of Inmarsat Ventures plc, and as Executive Director-Finance for British Steel plc/Corus Group plc, Powergen plc and Smith & Nephew plc. Mr Rennocks is a Fellow of the Institute of Chartered Accountants of England and Wales.

Senior Management

In addition to the executive directors on the Board, our day-to-day management is conducted by the following senior managers:

Name	Position
Rich Harris	Senior Vice President—Legal and Regulatory Affairs
David Helfgott	Senior Vice President—Business Development & Strategy
Alison Horrocks	Senior Vice President—Corporate Governance and Company Secretary
Debbie Jones	Senior Vice President—Corporate Development
Perry Melton	Chief Strategy Officer
Leo Mondale	Managing Director, Global Xpress
James Parm	President, Inmarsat Solutions
Ruy Pinto	Chief Technology Officer

The following is a brief biography of the above senior managers:

Rich Harris was appointed Inmarsat's Senior Vice President, Legal and Regulatory Affairs in January 2012. Previously he served as Senior Vice President and Chief Legal Officer at Segovia, Inmarsat's wholly-owned subsidiary in Herndon, Virginia (USA). From 2004 through 2010, he served as Senior Vice President, Chief Legal Officer and Corporate Secretary at Stratos Global Corporation, prior to and following the acquisition by Inmarsat. Before Stratos, he served as General Counsel of Worldwide Retail Exchange, now Agentrics, an internet platform for the consumer retail market. He received a BA in Economics from the University of Pennsylvania and a JD from the Yale Law School.

David Helfgott joined Inmarsat in 2011 and is currently Senior Vice President of Business Development and Strategy. Mr Helfgott will be assuming the role as President, Inmarsat Government, our U.S. government business unit. Prior to joining Inmarsat, he held leadership positions in the satellite communications and intelligence, surveillance, reconnaissance (ISR) technology market including as president of the wireless ISR technology business unit of Cobham plc, as president and CEO of DataPath Inc. and SES Americom Government Services. Mr Helfgott holds an MBA from the Darden School and a bachelor's degree from the University of Virginia.

Alison Horrocks joined us in 1999 and is our Senior Vice President, Corporate Governance and Company Secretary. She has acted as Secretary to the Board since its inception and also serves the boards of Inmarsat plc's other main operating companies. Between 1988 and 1999, she was group company secretary of International Public Relations plc, a worldwide public relations company. She is a Fellow of the Institute of Chartered Secretaries and Administrators.

Debbie Jones joined us in 2000. She is currently our Senior Vice President, Corporate Development. Ms Jones is a non-executive director of Capital Law LLP. Between 1995 and 2000, she was the senior human resources adviser for Eversheds Solicitors. Between 1988 and 1995, she was the head of personnel at Companies House in Cardiff. Prior to this, Ms Jones held various operational, information technology supervisory and management positions at the Department of Trade and Industry and the Office for National Statistics. She is a member of the Chartered Institute of Personnel and Development.

Perry Melton has been with us since 1992 and was appointed as Chief Strategy Officer in January 2012. Previously he was our Chief Operating Officer from January 2009 to December 2011 and has previous experience with us as Vice President of Sales and Marketing, Vice President of Strategic Development, manager of the Inmarsat-4 satellite investment planning team and head of procurement and contracts. Between 1982 and 1992, Mr Melton gained considerable experience in the space and information systems industries working in various finance and contracts positions with Lockheed Martin. Mr Melton was educated at University of Notre Dame, U.S. where he received a BA degree in English Literature.

Leo Mondale joined Inmarsat in 2004 and since September 2010 has been the Managing Director for our Global Xpress programme. Previously he served as Vice President of Business Development and Strategy. Before joining Inmarsat, Mr Mondale held a variety of senior positions in the satellite and aerospace industries, including as partner in Thaler Associates, a defense industry advisory firm, and as President of Arianespace Inc.,

responsible for the European launch services firm's sales, marketing and governmental affairs in the United States. Mr Mondale also held a range of posts, including Senior VP and Chief Financial Officer at Iridium. Mr Mondale holds a Bachelor of Arts degree from the University of Minnesota and was awarded a Juris Doctor degree from the George Washington University, Washington, D.C.

James Parm has, since January 2012, been President of our Inmarsat Solutions business which leads the development and execution of Inmarsat's global go-to-market strategy and oversees the businesses that serve the Maritime, Government and various enterprise markets. Prior to joining Inmarsat, Mr Parm served for eight years as President and Chief Executive Officer of Stratos and for three years as its Chief Operating Officer. Prior to joining Stratos, Mr Parm was President and Chief Executive Officer of Shell Offshore Services Company. He received a Bachelor of Science in Electrical Engineering from Michigan Technological University and an MBA from Tulane University's A.B. Freeman School of Business.

Ruy Pinto joined Inmarsat in 1990 and became our Chief Technical Officer in January 2012, responsible for technology matters across the Inmarsat Group. From 2009 to 2011, Mr Pinto was Vice President of Satellite and Network Operations responsible for network and satellite operations, spectrum management and yield optimisation functions for the product portfolio, as well as navigation services. His previous roles in Inmarsat focused on satellite operations. Mr Pinto is Chair of UK Space, the UK space industry trade association. He has a background in electronics and data communications. Mr. Pinto graduated with a degree in Electronics Engineering in 1981 from the Rio de Janeiro Catholic University in Brazil, followed by a post-graduate degree in Digital Telecommunications Systems in 1983.

There are no family relationships between any director and senior management.

Board Practices

Corporate Governance

Inmarsat plc has established audit, remuneration and nominations committees.

Audit Committee

The audit committee of the Board comprises John Rennocks (Chairman), Sir Bryan Carsberg, Stephen Davidson and Janice Obuchowski. All members of the audit committee are independent, non–executive directors and three of the members have significant, recent and relevant financial experience. By invitation, the meetings of the audit committee may be attended by the Executive Chairman, Chief Executive Officer, Chief Financial Officer and the internal and external auditors.

The audit committee has particular responsibility for monitoring the adequacy and effectiveness of the operation of internal controls and risk management and ensuring that our financial statements present a true and fair view of our financial position. Its duties include 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 the independence and objectivity of the internal and external auditors.

During 2011, the audit committee reviewed and endorsed, prior to submission to the Board, half–year and full–year financial statements, interim management statements and results announcements and the quarterly financial reports for Inmarsat plc and Inmarsat Group Limited. It considered internal audit reports and risk management updates, agreed external and internal audit plans and received updates on management responses to audit recommendations and approved the review of accounting policies. Progress on implementation of processes to meet the requirements of the UK Bribery Act were also provided to the committee. Reviews by the committee of audit plans and risk reports include all Group operations. Detailed standardised risk reporting is used for all Group companies. During 2011, the Senior Statutory Auditor of the external auditor completed a five-year term working with the Company and a new Senior Statutory Auditor has been appointed.

Our Secretary, as Chairman of the Disclosure Committee, reported on matters that affected the quality and timely disclosure of financial and other material information to the Board, to the public markets and to shareholders. This enabled the audit committee to review and clarify the completeness of financial reporting disclosures prior to their release by the Board.

Remuneration Committee

The remuneration committee of the Board comprises Stephen Davidson (Chairman), Sir Bryan Carsberg, Admiral James Ellis Jr (ret.) and Kathleen Flaherty. All committee members are independent, non–executive directors.

The remuneration committee, on behalf of the Board, meets as and when necessary to review and approve as appropriate the remuneration of the executive directors and senior management and major remuneration plans for Inmarsat Group Limited and its subsidiaries as a whole. The remuneration committee appraises the Executive Chairman against written objectives. Similarly, the Executive Chairman appraises the other executive directors and makes a recommendation to the remuneration committee relating to their bonus achievements. The remuneration committee approves the setting of objectives for all of the executive directors and authorises their annual bonus payments for achievement of objectives. The remuneration committee provides remuneration packages necessary and sufficient to attract, retain and motivate executive directors. The remuneration committee is empowered to recommend the grant of share options under the existing share option plans and to make awards under the short and long–term incentive plans. The remuneration committee considers there to be an appropriate balance between fixed and variable remuneration and between short and long–term variable components of remuneration. All of the decisions of the remuneration committee on remuneration matters in 2011 were reported to and endorsed by the Board.

Nominations Committee

The nominations committee of the Board comprises Andrew Sukawaty (Chairman), John Rennocks, Admiral James Ellis Jr (ret.) and Stephen Davidson.

The nominations committee meets as and when necessary. The nominations committee has responsibility for nominating to the Board, candidates for appointment as directors, bearing in mind the need for diversity and a broad representation of skills across the Board. The nominations committee will also make recommendations to the Board concerning the re–appointment of any independent, non–executive director of the Board at the conclusion of his or her specified term; the election and re–election of any director by shareholders in accordance with the provisions of the UK Corporate Governance Code; and changes to senior management, including executive directors.

Compensation

In the year ended 31 December 2011, we paid or accrued compensation (including salary, bonus, benefits and pension, excluding compensation resulting from the vesting of share awards) of US$14.0 million to the executive directors and senior management who were in place at 31 December 2011 (comprising eight individuals). This includes compensation in all capacities with respect to Inmarsat plc and its subsidiaries.

The following table sets out the total compensation for the prior and current directors of Inmarsat plc for the year ended 31 December 2011:

	Year ended 31 December 2011				
	Salaries/ Fees	**Bonus**	**Benefits**	**Total**	**Pension**
	(GBP in thousands)				
Executive directors					
Rick Medlock	331	214	6	551	15
Andrew Sukawaty [1]	615	645	29	1,289	79
Rupert Pearce [2]	131	90	2	223	6
Non–executive directors					
Sir Bryan Carsberg	55	—	—	55	—
Stephen Davidson	62	—	—	62	—
Admiral James Ellis Jr (ret.) [3]	144	—	—	144	—
Kathleen Flaherty	53	—	—	53	—
Janice Obuchowski	53	—	—	53	—
John Rennocks	99	—	—	99	—
	1,543	**949**	**37**	**2,529**	**100**

(1) The pension for Andrew Sukawaty includes an annual salary supplement in lieu of employer pension contributions.

(2) The annual basic salary for Rupert Pearce in 2011 was £252,650. The basic salary and bonus shown in the above table were pro-rated from his date of appointment of 6 July 2011.

(3) The fee for Admiral James Ellis Jr (ret.) included a fee as a director of Inmarsat Inc, a wholly–owned subsidiary of Inmarsat plc in the United States. As at 31 December 2011, this fee was US$76,905 per annum (as compared with US$80,645 per annum as at 31 December 2010).

Service Agreements

Messrs Sukawaty and Medlock, executive directors of Inmarsat plc, both have service agreements dated 17 June 2005. Mr Pearce has a service agreement dated 18 January 2012 with an effective date of 1 January 2012.

The Board had agreed in 2010 that it would separate the roles of Chairman and Chief Executive Officer. It was announced in July 2011 that with effect from 1 January 2012, Mr Sukawaty would remain as Executive Chairman for at least two years and that Mr Pearce would become Chief Executive Officer. Mr Pearce joined the Board on 6 July 2011. The employment of all three executive directors is for an indefinite period and continues until either party terminates it. Either party may terminate the employment by giving to the other not less than 12 months' written notice.

Fees for non-executive directors are determined annually by the Board as a whole, taking advice as appropriate and reflecting the time commitment and responsibilities of the role. No increase was awarded in 2011. The non-executive directors fees are not pensionable. Non-executive directors' fees currently comprise a basic fee of £50,000 per annum plus additional fees of £5,000 per annum for committee chairmanship of the audit and nominations committees, £7,500 per annum for chairmanship of the remuneration committee and £2,500 per annum for each committee membership. The Executive Chairman who is Chairman of the nominations committee does not receive a fee for this position.

The Deputy Chairman and Senior Independent Director receives a basic fee of £94,085 per annum (which includes fees for any committee membership) plus a fee of £5,000 per annum for chairmanship of the audit committee.

Admiral James Ellis Jr (ret.) also receives a fee in respect of his directorship of Inmarsat Inc which is currently US$76,905 per annum.

Non-executive directors do not participate in any annual bonus nor in the pension scheme, healthcare arrangements nor in any of the incentive plans. We repay the reasonable expenses they incur in carrying out their duties as directors.

Non-executive directors have letters of appointment instead of service contracts.

Pension Plans

Since April 1999, we have operated the following pension schemes to provide benefits to employees.

Pensionsaver Plan

This defined contribution plan is established pursuant to a trust deed and is managed by a trustee company. All UK employees on regular appointment or fixed-term staff (if provided for in their contract of employment) who are aged 18 or over may join this plan. Employees may be able to transfer benefits into this plan from other UK approved pension plans. Contributions to this plan are age-related and subject to a scheme specific cap. All contributions, including those we make, are invested in a retirement account in the employee's name. On retirement, the employee's account is used to provide a pension of the employee's choice with the option to take part of the account as a tax-free cash payment. In addition, we pay the cost of the employee's life insurance and disability scheme benefits.

Pensionbuilder Plan

This plan is established pursuant to a trust deed and managed by a trustee company. This plan combines a defined benefit tier with a defined contribution tier. This plan provides benefits based on the employee's salary up to a maximum of a scheme specific cap. The defined benefit tier provides a pension determined by the employee's pensionable service, final pensionable salary and career average salary.

The defined contribution tier provides benefits determined by contributions paid into the employee's retirement account, investment growth on those contributions and the cost of buying a pension at retirement. Only employees who were contributing members of the Inmarsat Staff Pension and Death Benefit Plan on 31 December 1998 were eligible to join this plan. This plan has been closed to new entrants. In addition, we pay the cost of the employee's life insurance and disability scheme benefits.

International Pension Plan

This plan is established pursuant to a trust deed and is managed by trustees. Contributions by the employee and our contributions are fixed according to the employee's age. Contributions are paid into an individual account held in the name of the trustees. An employee's plan is invested by a professional pension fund manager that we recommend and who is appointed by the trustees. At retirement, the employee can take the value of his/her plan as a lump sum payment or use his or her plan to buy a pension. Pensions started from 1 April 2006 will be subject to the UK Inland Revenue rules in that generally only part of the funds can be taken as a lump sum. All our non–UK tax domiciled employees who were employees of our predecessor, the International Mobile Satellite Organisation, before 1 January 1999 were eligible to join this plan and such employees joining us on or after 1 January 1999 were eligible to join this plan once they reached the age of 18. From April 2006, only staff based outside the UK may join this plan. In addition, we pay the cost of the employee's life insurance and disability scheme benefits.

Inmarsat Funded Unapproved Retirement Benefits Plan

This plan was for former members of the Inmarsat Staff Pension and Death Benefit Plan at 31 December 1998. This plan is established under a formal trust deed. This plan was closed and frozen on 31 March 2006. No new entrants or contributions are allowed into this plan. Benefits are now administered through the defined contribution tier of the Pensionbuilder plan. At retirement, the employee can take the value of his/her plan as a lump sum payment or use his or her plan to buy a pension.

Inmarsat Inc 401(k) Pension Plan

This plan is established pursuant to a trust and is managed by a trustee. This plan is provided for our employees who are U.S. citizens or permanent residents in the U.S. Both we and the employee make contributions to this plan. Contributions are paid into individual accounts held in an employee's name. The accounts are invested by a professional pension fund manager. On retirement, an employee can take the value of his account as a cash lump sum payment or in regular instalments. Contributions to this plan are restricted by Internal Revenue Service ("**IRS**") limits. If the limit is exceeded, contributions that cannot be made to this plan will, subject to relevant rules, be invested in the Inmarsat International pension plan (for staff who joined prior to 1999 only). The total amount of contributions made will not be affected by which plan is used. In addition, we make contributions equal to a percentage of the difference between pensionable salary (meaning basic salary under the previous pension plan, grossed up for UK tax liabilities) and gross salary (for staff who joined prior to 1999 only). In addition, we pay the cost of providing lump sum life insurance and disability benefits under separate arrangements.

Before the incorporation of Inmarsat Ventures Limited in April 1999, other pension schemes were operated to provide benefits to employees. These other schemes were wound up prior to our incorporation. There may be liabilities related to the winding–up of these schemes of which we are not currently aware. To date, none have been notified.

Other Pension Plans

We also have other pension plans which are in place for subsidiary companies around the world, none of which are material in terms of liability.

Shares and Stock Options

The non–executive directors hold no options over the shares of Inmarsat plc. See "—*Share Ownership*".

See "*Principal Shareholders*" for directors' interests in Inmarsat plc.

Share Ownership

See "*Principal Shareholders*" for a description of share ownership of Inmarsat plc shares by directors and management.

Eligible employees are allowed to participate in grants of share options and are also able to exercise share options under various share option plans.

Awards under all of Inmarsat plc's share plans (including the long–term incentive plans for executive directors and management) will normally be made only during the six weeks following the announcement by Inmarsat plc of its results for any period and at any other time when the grant of awards will not be prohibited by the Model Code for share transactions as required by the Financial Services Authority or Inmarsat plc's own share dealing code.

In any ten–year period, the number of shares which may be issued or placed under option under any executive share plan established by Inmarsat plc, may not exceed 5 per cent. of its issued ordinary share capital from time to time. In any ten–year period, the number of shares which may be issued or placed under option, under all employee share plans established by Inmarsat plc, may not exceed 10 per cent. of its issued ordinary share capital from time to time.

Options and awards granted before the initial public offering of Inmarsat plc are not counted towards the above limits.

*Inmarsat 2004 Staff Value Participation Plan (the "**2004 Plan**")*

The 2004 Plan was adopted in November 2004. 280,800 A ordinary shares in Inmarsat plc were available to be granted under the 2004 Plan to our eligible directors or employees. All options under 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. The options expire 10 years from the date of grant.

Following the exercise of options granted under the 2004 Plan, shares are transferred to the optionholders from the Inmarsat Employees' Share Ownership Plan Trust. No new shares are issued to satisfy the exercise of these options.

No executive director or member of senior management at the date of grant participated in the 2004 Plan.

*Inmarsat 2005 Sharesave Scheme (the "**Sharesave Scheme**")*

The Sharesave Scheme is a HM Revenue & Customs approved scheme open to all permanent employees paying UK PAYE (Pay as Your Earn, withholding tax scheme), including executive directors. The maximum that can be saved each month is £250 and savings plus interest may be used to acquire shares by exercising the related option at the end of the three–year savings contract.

A second grant under the Sharesave Scheme was made in December 2008 with an option grant price of £3.06 per ordinary share (a 20 per cent. discount to market value). This matured on 1 February 2012. The executive directors and certain members of senior management have exercised their options in relation to this Sharesave award.

*Inmarsat 2005 International Sharesave Scheme (the "**International Sharesave Scheme**")*

The International Sharesave Scheme is open to eligible employees based outside the UK who do not pay UK PAYE. The International Sharesave Scheme was established to replicate the UK approved Sharesave Scheme as closely as possible. Employees receive the gain on the growth in share price when they exercise their options and retain the savings they have made.

A second grant under the International Sharesave Scheme was made in December 2008 and used the same grant price as the UK Sharesave Scheme. Those members of senior management who participated in this award have exercised their options.

*Inmarsat 2005 Share Incentive Plan (the "**SIP**")*

The most recent award under the SIP was made in April 2010. The SIP is a HM Revenue & Customs approved plan open to all permanent employees paying UK PAYE and operates in conjunction with a UK tax–resident trust which holds shares on behalf of participating employees. Under the SIP, Inmarsat plc can award "Free Shares" (up to a maximum value of £3,000) to employees. Employees can also acquire "Partnership Shares" from their salary up to a maximum of £1,500 per annum and Inmarsat plc will match this with up to two free "Matching Shares" per "Partnership Share" (equivalent to a maximum value of £3,000 per annum).

Arrangements were put in place for eligible employees based outside the UK to replicate the UK approved SIP as closely as possible. The same market value per ordinary share was used as for the approved SIP. Awards under these arrangements have been made using shares held by the Inmarsat Employees' Share Ownership Plan Trust (the "**Trust**").

No executive director has applied to participate in any of the SIP awards.

*Inmarsat 2005 Bonus Share Plan (the "**BSP**")*

The BSP awards shares subject to performance conditions, in addition to a participant's cash bonus. A monetary award is made which is then converted to a number of shares the following year subject to achievement of agreed financial targets. Bonus share awards then generally vest in three equal tranches on the first, second and third anniversaries following the year the monetary award is converted to a share award.

The levels of bonus share award that can be made are equivalent to 200 per cent. of the maximum annual cash bonus which may be paid and in exceptional circumstances, equivalent to 300 per cent. of the maximum annual cash bonus. The remuneration committee will use these new limits carefully and does not intend automatically to make share awards at the higher level. For both the Chairman and Chief Executive Officer, the maximum annual cash bonus opportunity is 125 per cent. of basic salary and for the other executive director, the maximum annual cash bonus opportunity is 100 per cent. of basic salary.

For the bonus share award, the remuneration committee sets the annual performance targets in respect of the financial year relating to the award. To date, these have been the same financial targets as those used for the annual cash bonus comprising four financial measures. The remuneration committee can determine how dividends paid during the vesting period shall be awarded to participants. For the awards made to date, dividends accrue in the form of ordinary shares which are added to the original award of shares and vest in line with the relevant award.

The targets for the 2011 BSP award were substantially but not fully achieved. Therefore the monetary value of the award made in May 2011 was converted at a rate of 97.65 per cent. into ordinary shares. These shares will vest in three equal instalments in March 2013, 2014 and 2015. A monetary award under the 2012 BSP was made in March 2012 to executive directors and certain senior management. The number of shares to be allocated in respect of this award in March 2013 will depend upon the financial performance of Inmarsat plc (our ultimate parent company) in 2012.

*Inmarsat 2005 Performance Share Plan (the "**PSP**")*

The PSP provides for an award of shares, which vest based on corporate performance measured over a three-year period. The PSP is intended for the participation of executive directors and certain members of senior management.

The maximum number of shares, subject to an award to an individual in any financial year, may be equal to 200 per cent. of annual basic salary as at the award date (other than in exceptional circumstances, such as on recruitment or retention where larger awards of up to 300 per cent. of annual basic salary may be made). It is not the intention of the remuneration committee to automatically make share awards up to the increased levels.

The remuneration committee has the discretion to increase the size of a participant's award to reflect the value of reinvested dividends that are paid during the vesting period. This may be paid as either shares or the cash equivalent. The intention of the remuneration committee is to pay this in shares at the end of the three year performance period.

The existing outstanding awards made in 2010 and 2011 will vest based upon the achievement of the performance criteria, being the performance of Inmarsat plc against an index and EBITDA growth. The performance conditions applicable to the existing awards will be determined by reference to the relative total shareholder return **(“TSR”)** performance of Inmarsat plc against companies within the FTSE 350 Index (excluding investment trusts) and its EBITDA performance at the end of the relevant three-year performance period.

The PSP awards made in 2009 will not vest in 2012 as although the EBITDA target exceeded the upper range of performance, the TSR performance was not achieved at the median level. There are no provisions for re-testing of performance under the PSP. The performance tests for the current unvested PSP awards made in 2010 and 2011 require EBITDA growth of between 5-8 per cent. with TSR being at least median to trigger any vesting and to be in the upper quartile to trigger maximum vesting.

The remuneration committee believes that the constituents of the FTSE 350 Index (excluding investment trusts) represent the most appropriate comparator group against which to measure the performance of Inmarsat plc. The committee does not believe that there is another suitable comparator group which can be used. Growth in EBITDA was selected to reflect the primary driver of value for Inmarsat plc and this also remains appropriate at the moment for future awards.

For awards to be made in 2012 and onwards, the two performance elements of EBITDA and TSR will continue to be used, although they will be tested separately. Previously the two tests were related by formula and the committee believes it is more effective to simply test performance under the PSP by testing each measure separately. An award was made in March 2012 to executive directors and certain senior management.

It is intended that future awards under the PSP will also be made.

Chief Executive Officer Share Award

In September 2007, the remuneration committee made Andrew Sukawaty, Chairman and Chief Executive Officer until 31 December 2011, an exceptional award of one million incentive shares with a performance condition linked to share price growth (the “**CEO Share Award**”). The plan matures on 30 September 2012. No shares will be earned unless, by this date, the share price reaches a minimum price of £5.50. For performance above this level, shares will be earned pro rata up to a share price of £7.25 at which the full award will be earned. Up to a further 700,000 shares could be earned if the performance exceeds £7.25 per share. If the share price is below £7.25, none of the additional shares would be earned and between £7.25 and £9.25, shares would be earned pro rata up to a share price of £9.25.

The share price performance condition will be assessed on the basis of the average closing price of the shares of the Company over the last 60 days to 30 September 2012. Additional shares will accrue representing the value of dividends paid during the performance period on the number of shares that ultimately vest. Good leaver provisions would result in a scaled award pro rata for time and performance. In the event of a change of control of the Group, the award would be reduced taking account of time and performance against the original share price targets.

The remuneration committee anticipates that if an award of shares is made under this scheme, then the share price performance will have out-performed the FTSE 350 Index (excluding investment trusts). However, in the event that this is not the case, the committee retains the discretion to scale back the award of shares by up to 50 per cent. of the proposed share award.

CEO Deferred Share Bonus Award

Mr Sukawaty received a deferred share bonus award (the “**CEO Deferred Share Bonus Award**”) of 125,000 shares on 16 December 2009. The shares, plus additional shares in lieu of accrued dividends, will vest on 30 September 2012 as the EBITDA growth performance condition for the 2010 financial year has already been achieved.

Mr Sukawaty will continue to be included in future awards under the PSP and BSP as determined by the remuneration committee at each award date.

Directors' Share Options and Share Awards

Information in respect of share options and share awards held by the executive directors of Inmarsat plc during the year to 31 December 2011 is set out below. No other director has received share options.

Inmarsat 2005 Sharesave Scheme	Options held at 1 January 2011 (or date of appointment)	Granted during the year	Exercised during the year	Options held at 31 December 2011	Exercise Price	Market price on Exercise	Date from which exercisable	Expiry Date
Andrew Sukawaty . . .	3,137	—	—	3,137	£3.06	—	February 2012	July 2012
Rupert Pearce	3,137	—	—	3,137	£3.06	—	February 2012	July 2012
Rick Medlock	3,137	—	—	3,137	£3.06	—	February 2012	July 2012

All directors exercised their share options on 1 February 2012 and continue to hold the shares as part of their beneficial holding.

Inmarsat 2005 Bonus Share Plan	Share awards held at 1 January 2011 (or date of appointment)	Awarded during the year	Reinvested dividends during the year (1)	Vested during the year (2)	Share awards held at 31 December 2011	Share price at date of award	Vesting Date
Award made in March 2007							
Andrew Sukawaty	23,655	—	1,287	24,942	—	£4.58	—
Rupert Pearce	—	—	—	—	—	—	—
Rick Medlock	20,890	—	1,136	22,026		£4.58	—
Award made in March 2008 (3)							
Andrew Sukawaty	66,202	—	3,604	34,903	34,903	£4.59	March 2012
Rupert Pearce	35,354	—	1,923	18,638	18,638	£4.59	March 2012
Rick Medlock	60,440	—	3,290	31,865	31,865	£4.59	March 2012
Award made in March 2009 (4)							
Andrew Sukawaty	59,870	—	3,259	21,043	42,086	£7.68	March 2012 and 2013
Rupert Pearce	32,552	—	1,771	11,441	22,882	£7.68	March 2012 and 2013
Rick Medlock	41,905	—	2,280	14,728	29,457	£7.68	March 2012 and 2013
Award made in March 2010 (5)							
Andrew Sukawaty	—	91,103	—	—	91,103	£7.68	March 2012, 2013 and 2014
Rupert Pearce	—	42,009	—	—	42,009	£7.68	March 2012, 2013 and 2014
Rick Medlock	—	53,019	—	—	53,019	£7.68	March 2012, 2013 and 2014

(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 13 May 2011, the three executives sold sufficient shares to cover tax and national insurance and retained the balance. Details of the monetary values of the shares sold to cover the tax/national insurance are: Mr Sukawaty sold 42,168 vested shares at a price of £6.09 per share, representing a monetary value of £256,803, Mr Pearce sold 25,396 vested shares at a price of £6.09 per shares, representing a monetary value of £154,662 and Mr Medlock sold 35,772 vested shares at a price of £6.09 per share, representing a monetary value of £217,851

(3) The shares vest in three equal instalments with the remaining instalment in March 2012.

(4) The shares vest in three equal instalments with the remaining two instalments in March 2012 and 2013.

(5) The shares vest in three equal instalments with the final instalment in March 2014.

The targets for the 2011 BSP award were substantially but not fully achieved. As a result, the monetary value of the award made in May 2011 will be converted at a rate of 97.65 per cent. into ordinary shares following the announcement of the 2011 financial results. These shares will vest in three equal instalments in March 2013, 2014 and 2015. The monetary value of the award made in May 2011 was £1,490,175, £262,650 and £330,839 for Messrs Sukawaty, Pearce and Medlock respectively and these amounts will be scaled back as noted above.

Various BSP awards vested in March 2012, and on 12 March 2012 the three executive directors sold sufficient shares to cover tax and national insurance and retained the balance number of shares. Details of the monetary values of the shares sold to cover the tax/national insurance are: Mr Sukawaty sold 46,333 vested shares at a price of £4.87 per share, representing a monetary value of £225,642; Mr Pearce sold 23,645 vested shares at a price of £4.87 per share, representing a monetary value of £115,151; and Mr Medlock sold 34,441 shares at a price of £4.87 per share, representing a monetary value of £167,728.

Inmarsat 2005 Performance Share Plan	Share awards held at 1 January 2011 (or date of appointment)	Awarded during the year	Reinvested dividends during the year[(1)]	Vested during the year[(2)]	Share awards held at 31 December 2011	Share price at date of award	Vesting Date
Andrew Sukawaty							
Awarded 2008	100,284	—	12,994	113,278	—	—	—
Awarded 2009[(3)]	100,667	—	—	—	100,667	£4.57	March 2012
Awarded 2010	75,648	—	—	—	75,648	£7.91	March 2013
Awarded 2011		100,613	—	—	100,613	£6.11	May 2014
Rupert Pearce							
Awarded 2009[(3)]	54,735	—	—	—	54,735	£4.57	March 2012
Awarded 2010	32,258	—	—	—	32,258	£7.91	March 2013
Awarded 2011		42,987	—	—	42,987	£6.11	May 2014
Rick Medlock							
Awarded 2008	91,555	—	11,860	103,415			
Awarded 2009[(3)]	70,460	—	—	—	70,460	£4.57	March 2012
Awarded 2010	40,712	—			40,712	£7.91	March 2013
Awarded 2011		54,147			54,147	£6.11	May 2014

(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) The award vested in full after the announcement of the 2010 Preliminary Results. The performance conditions of the plan were achieved at the upper levels to permit full vesting. On 13 May 2011, the three executives sold sufficient shares to cover tax and national insurance and retained the balance. Details of the monetary values of the shares sold to cover the tax/national insurance are: Mr Sukawaty sold 59,052 shares at a price of £6.09, representing a monetary value of £359,627. Mr Pearce sold 15,767 shares at a price of £6.09 per shares, representing a monetary value of £96,021 and Mr Medlock sold 53,911 shares at a price of £6.09, representing a monetary value of £328,318.

(3) No amount of the 2009 PSP will vest.

Share Awards to the Chief Executive Officer	Share awards held at 1 January 2011	Awarded during the year	Vested during the year	Share awards held at 31 December 2011	Share price at date of award	Vesting Date
CEO Share Award[(1)]						
Andrew Sukawaty	1,000,000	—	—	1,000,000	£4.49	30 September 2012
CEO Deferred Share Bonus Award						
Andrew Sukawaty	125,000	—	—	125,000	£6.59	30 September 2012

(1) The award may be increased by 700,000 shares subject to the achievement of certain performance conditions.

The market price of the ordinary shares at 31 December 2011 was 404.7p and the range during the year was 389.3p to 719.5p.

Directors' Interests

The interests of the directors of Inmarsat plc in the share capital of Inmarsat plc as at 31 March 2012 and their connected persons are shown below:

	Interest in ordinary shares of €0.0005 each as at 31 March 2012
Executive Directors	
Rick Medlock	324,447
Rupert Pearce	575,686
Andrew Sukawaty	777,596
Non–executive Directors	
Sir Bryan Carsberg	16,327
Stephen Davidson	1,500
Admiral James Ellis Jr (ret.)	21,727
Kathleen Flaherty	3,073
Janice Obuchowski	7,000
John Rennocks	44,900

OPERATING AND FINANCIAL REVIEW

*The following is a discussion of the consolidated results of operations and financial condition of Inmarsat Group Limited (the "**Company**") and its consolidated subsidiaries (together with the Company, the "**Group**"), based on the audited consolidated financial statements as of and for the years ended 31 December 2011, 2010 and 2009 (prepared in accordance with IFRS, as adopted for use in the European Union and IFRS as issued by the IASB). Our consolidated financial statements have been prepared as if the Global Reorganisation had occurred on 1 January 2009. You should read the following discussion in conjunction with the consolidated financial statements and the related notes thereto included elsewhere in this disclosure document.*

The following discussion contains forward-looking statements that involve risks and uncertainties. The forward-looking statements are not historical facts, but are rather based on our current expectations, estimates, assumptions and projections about our industry, business and future financial results. Actual results could differ materially from the results contemplated by these forward-looking statements because of a number of factors, including those discussed in the sections entitled "Risk Factors," "Forward-Looking Statements" and other sections of this disclosure document.

Overview

We believe that we are the leading provider of global MSS, providing data and voice connectivity to end-users worldwide. We have over 30 years of experience in designing, launching and operating our satellite-based network. With an in-orbit fleet of 10 owned and operated geostationary satellites, we provide a comprehensive portfolio of global MSS for use at sea, on land and in the air. We estimate based on market share, that we have the leading MSS position in both the maritime and aviation sectors. Our services include voice and broadband data, which support safety communications as well as standard office applications, such as e-mail, internet, secure VPN access and videoconferencing. Our revenues, EBITDA and operating profit for the year ended 31 December 2011 were US$1,408.5 million, US$854.2 million and US$466.3 million, respectively.

Our Alphasat satellite and Inmarsat-5 satellites are currently under construction. Our Alphasat satellite, scheduled to launch in 2013, will supplement and add resilience to our Inmarsat-4 constellation of satellites. Our three Inmarsat-5 satellites, scheduled to launch in 2013 and 2014, will enable us to provide Ka-band services which will be significantly faster than those we are able to offer over our L-band satellite constellations. We refer to these Ka-band services as Global Xpress. The Inmarsat-5 satellites, when launched, will add significant capacity to our network and will have an expected commercial life beyond 2028.

We operate our business in two segments: Inmarsat Global and Inmarsat Solutions.

Inmarsat Global sells our global MSS services on a wholesale on-demand basis via a well-established, global network of distribution partners, including our Inmarsat Solutions business. Inmarsat Global's distribution partners provide our services to end-users, either directly or indirectly through service providers. Inmarsat Global has a network of over 30 distribution partners and over 600 service providers who are present in over 100 countries on six continents and who provide our services to end-users worldwide. We continue to target and evaluate new distribution opportunities as they arise. Pursuant to our Distribution Agreements, we charge our distribution partners wholesale rates according to the types of services they distribute to end-users.

Inmarsat Solutions offers a broad portfolio of remote telecommunications solutions to end-user customers either directly or indirectly through service providers, offering services over the mobile and fixed satellite systems of a number of leading global and regional satellite system operators, predominantly the Inmarsat satellite system, and through their owned and operated microwave and satellite telecommunications facilities. Inmarsat Solutions also provides secure IP managed solutions and services to government defence users, including the U.S. Army and other U.S. military services and government agencies.

We report our results of operations in US dollars.

Recent Developments

On 3 April 2012, our parent company, Inmarsat plc, made the following announcement:

"Following our previous announcement of 20 February 2012, Inmarsat today noted that a further payment due from LightSquared under the terms of the Cooperation Agreement has not been received. A scheduled payment of US$29.6 million in relation to Phase 2 of the Cooperation Agreement was due on 31 March 2012 and has not been received.

In relation to this non-payment, Inmarsat has today issued a further notice of default to LightSquared under the Cooperation Agreement. This notice triggers a period of 60 calendar days during which LightSquared can remedy the non-payment before Inmarsat is entitled to enforce its rights and remedies under the agreement for payment default, including pre-agreed spectrum arrangements and termination of certain LightSquared rights under the Cooperation Agreement.

In addition, on 30 March 2012, we issued a completion notice to LightSquared in relation to Phase 1.5 of the Cooperation Agreement. Under this completion notice, a further material payment from LightSquared will fall due on 4 April 2012. Given the non-payment events already announced in relation to Phase 1 and Phase 2, further payments under the Cooperation Agreement, including this payment in relation to Phase 1.5, remain highly uncertain.

Inmarsat does not plan to make any further public statements with regard to non-payment events under the Cooperation Agreement. Although Inmarsat and LightSquared remain in discussions regarding the future of the Cooperation Agreement, Inmarsat, as previously stated, cannot provide any assurance that these discussions will result in any further payments being received from LightSquared."

Vertical Market Reorganisation

On 3 January 2012, we announced a new organisational structure for our Inmarsat Solutions business that will align its operations more closely to our core vertical market segments and strengthen our support to both direct and indirect distribution of services (the "**Vertical Market Reorganisation**").

With the reorganisation, Inmarsat Solutions has become responsible for our global direct and indirect sales, marketing and delivery. Inmarsat Solutions now operates through four new market-facing business units:

- Inmarsat Maritime, focusing on worldwide commercial maritime opportunities;
- Inmarsat Government, focusing on US government opportunities, both military and civil;
- Inmarsat Government Global, focusing on worldwide non-US civil and military government opportunities; and
- Inmarsat Enterprise, focusing on worldwide energy, industry, media, carriers, commercial aviation and M2M opportunities.

The Stratos, Segovia and Ship Equip operations are now providing their services within the relevant business units, and are using the "Inmarsat" brand name. Although we have changed the organisational structure of Inmarsat Solutions, we continue to report our results for our two primary segments, Inmarsat Global and Inmarsat Solutions.

Significant Factors Affecting Our Results of Operations

Effect of Customer Migration to FleetBroadband

Beginning in 2009, we began to actively encourage the migration of our maritime end-users from our Existing and Evolved Services to our FleetBroadband service. We did this by announcing certain termination dates and price increases for older services, as well as through offering lower prices on FleetBroadband, for example per megabyte transmitted.

In 2010 and 2011, our maritime revenues were adversely impacted by faster-than-expected migration of customers to our FleetBroadband service. Customer migration has constrained our rate of maritime data revenue growth as the price of services using FleetBroadband is typically lower than the price of equivalent services on the terminals being replaced. However, in 2011 we saw strong growth in FleetBroadband average revenue per user (“**ARPU**”) as the year progressed. Growth in FleetBroadband ARPU continues to support our view that maritime customers are increasing their usage with FleetBroadband and we believe this trend will offset over time the revenue impact of service migration.

While the pace of customer migration has constrained our maritime revenue growth, we believe that, in the longer term, customer migration has many benefits. New terminals which are installed on ships typically have extended life, sometimes exceeding 10 years, which means that we can expect to retain customers for a long period. The newer services offer more capability and increased customer satisfaction and usage, resulting in higher ARPU being achieved. In addition, FleetBroadband services are more efficient, reducing the burden on our network, particularly in respect of spectrum utilisation.

As a further result of the migration process, we have continued to see maritime voice revenues being negatively impacted by product mix changes, as users transition from our older services to our newer FleetBroadband service where the price of voice services is lower, and also by the effect of users substituting voice usage with email and Voice Over IP (“**VOIP**”), which we record as data revenues.

Effect of Reduced Traffic Levels from Government Users in Afghanistan

Our services are used by government and aid agencies in response to events around the world, including in areas of unrest. In the past we experienced significant usage of our services due to events, such as those in Iraq, which today have reduced to normalised levels. In recent years, we experienced similar high usage patterns principally due to military action in Afghanistan and, in 2011, from events in Japan and North Africa. In 2011, although our MSS revenue from Afghanistan declined materially, much of this decline was offset by high usage levels from the events in Japan and North Africa. However, higher usage in Japan was over a short period and, towards the end of the year, usage from North Africa began to fall back to normal levels as events in the region abated. We believe our revenue from Afghanistan will continue to decline due to reduced military activity and gradual troop withdrawal programmes. Although we continue to see new growth in BGAN usage from new subscribers, this growth will be unlikely to fully offset declines due to reduced revenue from Afghanistan in 2012. As a result, we expect the results reported for certain MSS revenue categories to continue to be adversely impacted by lower revenue from Afghanistan.

Effect of Segovia and Ship Equip Acquisitions

We acquired Segovia on 12 January 2010, and Ship Equip on 28 April 2011. These acquisitions had a significant impact on our results of operations in our Inmarsat Solutions segment in both the years ended 31 December 2010 and 2011. Our results of operations for the year ended 31 December 2010 include almost a full year of results for Segovia. Our results of operations for the year ended 31 December 2011 includes eight months of the results of Ship Equip.

Effect of LightSquared Cooperation Agreement

In December 2007, we entered into a Cooperation Agreement with LightSquared.

As of the date of this disclosure document, LightSquared has made payments in respect of the Cooperation Agreement totalling US$490.2 million, of which US$308.1 million was received during 2011 and US$29.6 million was received in January 2012. Revenue from our Cooperation Agreement with LightSquared is recorded within our Inmarsat Global segment as “other income”, and was the primary driver of our overall revenue growth for 2011. As of 31 December 2011, we had recognised US$221.3 million of revenue and US$11.6 million of operating costs under the Cooperation Agreement and at 31 December 2011, we had recorded US$239.3 million of deferred income within trade and other payables on our balance sheet.

The table below sets out the contribution of our Cooperation Agreement with LightSquared to our profit for the years indicated:

	Year ended 31 December	
	2011	2010
	(US$ in millions)	
Revenue	203.8	17.5
Net operating costs	(11.2)	(0.4)
EBITDA	**192.6**	**17.1**
Income tax expense	(51.0)	(4.8)
Profit for the year	**141.6**	**12.3**

On 17 August 2010, LightSquared triggered Phase 1 of the Cooperation Agreement under which we are entitled to receive US$118.8 million for transitioning to a modified spectrum plan ("**Phase 1 transition**"). In addition, we are entitled to receive US$250.0 million towards the costs associated with implementing the Phase 1 transition.

To date, under Phase 1 of the Cooperation Agreement, LightSquared has made payments totalling US$312.5 million. We are accounting for the Phase 1 payments using the percentage of completion method. We have recognised US$95.6 million of revenue and US$11.1 million of operating costs during 2011 (2010: US$17.5 million and US$0.4 million, respectively).

On 28 January 2011, we received notice from LightSquared triggering the commencement of transition to Phase 2 of the Cooperation Agreement. In order to activate Phase 2, we began a phased transition to a further spectrum plan that increases the total spectrum capacity available to LightSquared for ATC services in North America. In return, with effect from 28 January 2011 we are entitled to receive payments of US$115.0 million per annum (payable quarterly in advance), increasing at a rate of 3 per cent. annually. The payments in respect of Phase 2 are recognised on a straight-line basis over the period to which the payment relates. Under Phase 2 of the Cooperation Agreement, LightSquared has made payments totalling US$137.7 million and we have recognised US$108.1 million of this as revenue in 2011 in relation to Phase 2.

On 15 April 2011, we signed an amendment to the Cooperation Agreement, in which we may (at our option) accelerate delivery of part of the spectrum plan under Phase 2 by up to nine months from the date that we originally agreed with LightSquared in December 2007. Under the terms of the amendment, which we refer to as Phase 1.5, LightSquared has agreed to pay us certain amounts dependent on when we deliver that part of the Phase 2 spectrum plan. In connection with Phase 1.5, we received a payment of US$40.0 million on 29 April 2011 and the maximum total amount that could be earned under the amendment is US$105.0 million. The total costs to deliver Phase 1.5 are not expected to exceed the payment already received. Under Phase 1.5 of the Cooperation Agreement, LightSquared has made payments totalling US$40.0 million. During the year ended 31 December 2011, we recognised US$0.1 million of revenue and US$0.1 million of operating costs in respect of Phase 1.5.

On 20 January 2012, we delivered the Phase 1 transition completion notice to LightSquared indicating that our obligations in respect of the Phase 1 spectrum reorganisation were complete. A payment of US$56.25 million became due upon the completion of the Phase 1 transition. This payment has not been received. On 20 February 2012 we issued a notice of default to LightSquared under the Cooperation Agreement. This notice triggers a period of 60 calendar days (ending on 20 April 2012) during which LightSquared can remedy the default before Inmarsat is entitled to enforce its rights and remedies under the agreement for payment default, including pre-agreed spectrum arrangements and termination of certain LightSquared rights under the Cooperation Agreement. Inmarsat and LightSquared continue discussions regarding the future of the Cooperation Agreement, but we cannot provide any assurance that these discussions will result in any further payments being received from LightSquared. See *"Recent Developments"* and "*Risk Factors—Risks Relating to Our Business—We are subject to operational and financial risks in relation to our Cooperation Agreement with LightSquared*". The revenue generation of Inmarsat Global's MSS and Inmarsat Solutions businesses is unaffected by the LightSquared developments.

Effect of Fluctuations in US Dollar Relative to Pound Sterling

We use the US dollar as our functional and reporting currency. While almost all of our revenues are denominated in US dollars, a significant portion of our operating expenses and a proportion of our capital expenditures are denominated in currencies other than the US dollar.

Our primary exchange rate risk is against pounds sterling. Our existing currency hedging arrangements largely mitigate fluctuations in the US dollar. As our hedging arrangements are relatively short-term (generally up to 24 months), continued fluctuation in the US dollar will affect our results of operations in 2012 and future periods.

Our hedged rate between US dollar and pounds sterling for the year ended 31 December 2011 was US$1.51/£1.00. Our hedged rate between US dollars and pounds sterling as at 31 December 2010 was US$1.49/£1.00 (as compared with US$1.92/£1.00 as at 31 December 2009). We have completed our hedging arrangements for our anticipated sterling costs in 2012 and as a result expect our hedge rate of exchange for 2012 to be US$1.48/£1.00.

For information regarding our hedging strategy with respect to foreign exchange risk, see *"—Quantitative and Qualitative Disclosures about Market Risk—Foreign Exchange Risk"*.

Results of Operations

We report two operating segments, Inmarsat Global and Inmarsat Solutions. The Inmarsat Solutions segment includes Stratos (consolidated in our financial statements from 1 January 2009), Segovia (acquired on 12 January 2010) and Ship Equip (acquired on 28 April 2011) businesses.

The tables below set out our results of operations and as a percentage of total revenues for the periods under review:

	Year ended 31 December					
	2011		2010		2009	
	US$ in millions	%	US$ in millions	%	US$ in millions	%
Inmarsat Global	958.4	68.0	764.1	65.2	694.8	66.9
Inmarsat Solutions	758.2	53.9	716.8	61.2	644.1	62.1
	1,716.6	121.9	1,480.9	126.4	1,338.9	129.0
Intercompany eliminations and adjustments	(308.1)	(21.9)	(309.3)	(26.4)	(300.8)	(29.0)
Total revenues	**1,408.5**	**100.0**	**1,171.6**	**100.0**	**1,038.1**	**100.0**
Employee benefit costs	(206.5)	(14.7)	(181.7)	(15.5)	(190.0)	(18.3)
Network and satellite operations costs	(241.7)	(17.2)	(217.1)	(18.5)	(193.4)	(18.6)
Other operating costs	(127.2)	(9.0)	(94.3)	(8.1)	(82.7)	(8.0)
Own work capitalised	21.1	1.5	17.1	1.5	21.9	2.1
Total net operating costs	**(554.3)**	**(39.4)**	**(476.0)**	**(40.6)**	**(444.2)**	**(42.8)**
EBITDA	**854.2**	**60.6**	**695.6**	**59.4**	**593.9**	**57.2**
Depreciation and amortisation	(245.8)	(17.5)	(234.6)	(20.0)	(231.6)	(22.3)
Gain on disposal of assets	—	—	—	—	2.1	0.2
Acquisition-related adjustments	(2.1)	(0.1)	(2.1)	(0.2)	(8.8)	(0.9)
Impairment losses	(141.5)	(10.0)	—	—	—	—
Share of results of associates	1.5	0.1	1.2	0.1	0.9	0.1
Operating profit	**466.3**	**33.1**	**460.1**	**39.3**	**356.5**	**34.3**
Net interest payable	(71.3)	(5.1)	(112.2)	(9.6)	(136.9)	(13.2)
Profit before income tax	**395.0**	**28.0**	**347.9**	**29.7**	**219.6**	**21.1**
Income tax expense	(120.2)	(8.5)	(76.2)	(6.5)	(50.9)	(4.9)
Profit for the year	**274.8**	**19.5**	**271.7**	**23.2**	**168.7**	**16.2**

(1) EBITDA is a non-IFRS measure.

Group Results for the Years ended 31 December 2011 and 31 December 2010

Revenues

Total Group revenues for 2011 increased by 20 per cent. compared with 2010. The table below sets out the components, by segment, of the Group's total revenue for each of the years indicated:

	Year ended 31 December		
	2011	**2010**	**%**
	(US$ in millions)		
Inmarsat Global	958.4	764.1	25.4
Inmarsat Solutions	758.2	716.8	5.8
	1,716.6	1,480.9	15.9
Intercompany eliminations and adjustments	(308.1)	(309.3)	—
Total revenue	**1,408.5**	**1,171.6**	**20.2**

A discussion of revenues for each of Inmarsat Global and Inmarsat Solutions is set forth in more detail below.

Net operating costs

Total Group net operating costs for 2011 increased by 16.4 per cent. compared with 2010. The table below sets out the components, by segment, of the Group's net operating costs for each of the years indicated:

	Year ended 31 December		
	2011	**2010**	**%**
	(US$ in millions)		
Inmarsat Global	235.9	191.8	23.0
Inmarsat Solutions	625.3	593.3	5.4
	861.2	785.1	9.7
Intercompany eliminations and adjustments	(306.9)	(309.1)	—
Total net operating costs	**554.3**	**476.0**	**16.4**

A discussion of net operating costs for each of Inmarsat Global and Inmarsat Solutions is set forth in more detail below.

EBITDA

Group EBITDA for 2011 increased by 23 per cent. compared with 2010. EBITDA margin has increased to 60.6 per cent. for 2011, compared with 59.4 per cent. for 2010, primarily as a result of the inclusion of revenue from LightSquared.

Depreciation and amortisation

The increase in depreciation and amortisation of US$11.2 million is due to the inclusion of depreciation on the assets of Ship Equip (with effect from the date of acquisition, 28 April 2011) and additional depreciation on additions to tangible fixed assets in Stratos. Partially offsetting the increase is a reduction in depreciation due to the Inmarsat-3 satellites becoming fully depreciated in November 2011.

Acquisition-related adjustments

During 2011, we recorded an adjustment of US$2.1 million (2010: US$2.1 million) relating to increased consideration in respect of our acquisition of Segovia. This is due to the better-than-expected performance of Segovia against the 2011 and 2010 earn-out targets. In line with IFRS 3, the contingent consideration adjustment is charged as an expense to the income statement.

Impairment losses

We recorded an impairment loss of US$141.5 million during 2011. This includes a US$120.0 million impairment of goodwill that was originally recognised when we acquired Stratos. Operating profit forecasts for the Stratos cash generating unit ("**CGU**") have been adjusted downwards due to both internal and external

factors. Firstly, changes in prices between Inmarsat Global and the distribution channel have not been passed onto end customers of Stratos, resulting in reduced margins for the Stratos CGU. Secondly, in connection with our commitments under the Cooperation Agreement with LightSquared, we expect to discontinue certain customer leases for Inmarsat B and certain other services which will directly impact the Stratos CGU. We expect to retain the majority of this customer business through agreements using our non-lease services, albeit at lower margins for the Stratos CGU and we may not retain all of the business. Thirdly, a reduction in Inmarsat MSS revenues, changes in product mix and competitive pricing have all contributed to lower revenues during 2011. The combination of these factors will continue to erode operating profits at the Inmarsat Solutions level, particularly in respect of the Stratos CGU, and therefore have been reflected in the revised forecasts, giving rise to the impairment of the Stratos CGU. In Group terms, some of the factors that give rise to the impairment of the Stratos CGU at the Inmarsat Solutions level, have an offsetting positive benefit at the Inmarsat Global level and should not give rise to an equivalent gross impact at the Group level. In addition, we wrote off US$21.5 million of intangible assets associated with the Stratos, Segovia and Ship Equip trade names following the rebranding and reorganisation of the Inmarsat Solutions business.

Share of results of associates

During 2011, we recorded US$1.5 million in respect of earnings from associates compared with US$1.2 million during 2010. The earnings from associates arose from equity accounted investments held by Inmarsat Solutions.

Operating profit

During 2011, operating profit was US$466.3 million, an increase of US$6.2 million, or 1.3 per cent., compared with 2010. The contribution to operating profit from LightSquared during 2011 of US$192.6 million was partially offset by the impairment losses of US$141.5 million.

Interest

Net interest payable for 2011 was US$71.3 million, a decrease of US$40.9 million, or 36 per cent., compared with 2010.

Interest payable for 2011 was US$76.2 million, a decrease of US$38.3 million, or 33 per cent., compared with 2010. The decrease in 2011 is due to interest of US$24.4 million which was capitalised as borrowing costs attributable to the construction of our Alphasat and Inmarsat-5 satellites and associated ground infrastructure, compared with US$6.6 million capitalised in 2010. In addition, we incurred lower interest on Inmarsat Solutions' borrowings in 2011 compared with 2010. Intercompany interest payable decreased by US$12.3 million due to previously outstanding intercompany loans being substantially repaid or otherwise eliminated prior to the Group Reorganisation in June 2010. Partially offsetting the decrease in interest payable was US$7.9 million of unwinding interest in respect of the Segovia deferred consideration recorded in 2011, compared with US$5.1 million in 2010. Furthermore, in 2011 we recorded US$3.8 million of charges in connection with certain refinancing activities, compared to US$8.9 million in 2010.

Interest receivable for 2011 was US$4.9 million compared with US$2.3 million for 2010. The increase is primarily due to a hedge accounting gain of US$3.0 million recorded in 2011 in relation to the repayment of Ship Equip long-term debt and higher interest on cash deposits in 2011 compared with 2010, partially offset by a decrease in intercompany interest receivable.

Profit before tax

For 2011, profit before tax was US$395.0 million, an increase of US$47.1 million, or 13.5 per cent. compared with 2010. The increase is due primarily to increased revenues as a result of our Cooperation Agreement with LightSquared and decreased net interest payable during 2011. The increase is partially offset by increased Group operating costs, increased depreciation and amortisation and the impairment losses, during 2011.

Income tax expense

The tax charge for 2011 was US$120.2 million, an increase of US$44.0 million, or 58 per cent., compared with 2010. The increase in the tax charge is largely driven by the underlying increase in profits before impairment losses for 2011. This was partially offset by the change in the UK main rate of corporation tax from 28 per cent. in 2010 to 26 per cent. with effect from 1 April 2011. In addition, the 2010 tax charge was reduced due to US$7.0 million of non-recurring current year tax benefits and a US$13.6 million credit on prior year tax positions compared with a US$11.5 million credit on prior year positions in 2011.

The effective tax rate for 2011 was 30.4 per cent. compared with 21.9 per cent. for 2010. The increase in the effective tax rate is primarily driven by the non-deductible impairment of Stratos goodwill (US$31.8 million). In the absence of the above adjustments, the effective rates would have been 25.3 per cent. for 2011 and 27.8 per cent. for 2010 and the difference is mainly due to the reduction in tax rates already mentioned.

Profit for the period

As a result of the factors discussed above, profit for 2011 was US$274.8 million, an increase of US$3.1 million, or 1.1 per cent., compared with 2010.

Inmarsat Global Results for the Years ended 31 December 2011 and 31 December 2010

Revenues

During 2011, revenues from Inmarsat Global were US$958.4 million, an increase of US$194.3 million, or 25 per cent., compared with 2010. Revenue from our Cooperation Agreement with LightSquared, recorded as other income, was the primary driver of overall revenue growth for 2011. Total MSS revenues decreased US$6.7 million, or 0.9 per cent., year on year. Revenue from our FleetBroadband, SwiftBroadband and BGAN services grew during 2011 compared with 2010. This growth has been offset by the decline in revenue from our BGAN and GAN services due to reduced traffic levels from Afghanistan and a decline in maritime voice revenues due to the impact of product mix changes and the substitution of voice usage for email and Voice Over IP. In addition, we experienced a decline in revenues from our older services such as Inmarsat B, Mini M, Fleet and GAN, as well as from Swift 64, year on year. The table below sets out the components of Inmarsat Global's revenue for each of the years indicated:

	2011	2010	Increase/ (decrease)
	(US$ in millions)		%
Revenues			
Maritime sector:			
Voice services	90.2	98.1	(8.1)
Data services	268.7	262.5	2.4
Total maritime sector	**358.9**	**360.6**	**(0.5)**
Land mobile sector:			
Voice services	7.7	7.3	5.5
Data services	144.0	146.4	(1.6)
Total land mobile sector	**151.7**	**153.7**	**(1.3)**
Aviation sector	99.5	101.0	(1.5)
Leasing	110.2	111.7	(1.3)
Total MSS revenue	**720.3**	**727.0**	**(0.9)**
Other income (including LightSquared)	238.1	37.1	542
Total revenue	**958.4**	**764.1**	**25.4**

Total active terminal numbers as at 31 December 2011 increased by 12.8 per cent., compared with 31 December 2010. The table below sets out the active terminals by sector for each of the years indicated:

	As at 31 December		
	2011	2010	Increase
	(000's)		%
Active terminals [1]			
Maritime	186.9	181.7	2.9
Land mobile	118.3	88.5	33.7
Aviation	13.5	12.4	8.9
Total active terminals	**318.7**	**282.6**	**12.8**

(1) Active terminals are the number of subscribers or terminals that have been used to access commercial services (except certain handheld terminals) at any time during the preceding twelve-month period and registered at 31 December. Active terminals also include the average number of certain handheld terminals active on a daily basis during the period. Active terminals exclude terminals (Inmarsat D+, IsatM2M and IsatData Pro (collectively referred to as "M2M terminals")) used to access our M2M or telemetry services. At 31 December 2011, we had 220,453 (2010: 215,895) M2M terminals.

The growth of active terminals in the maritime sector is due to our FleetBroadband service, where we have seen active terminal numbers grow by 61 per cent. year over year. This growth has been partially offset by the decline in active terminals of older services such as Inmarsat B and Fleet. The growth of active terminals in the land mobile sector is due to our IsatPhone Pro service, which was introduced at the end of June 2010. In the aviation sector, we have seen growth in SwiftBroadband active terminals of 80 per cent. year over year, partially offset by the decline in older aviation services such as Swift 64.

Maritime Sector. During 2011, revenues from the maritime sector were US$358.9 million, a decrease of US$1.7 million, or 0.5 per cent., compared with 2010.

Revenues from data services in the maritime sector during 2011 were US$268.7 million, an increase of US$6.2 million, or 2.4 per cent., compared with 2010. Although our 2011 revenues were adversely impacted by continuing customer migration to our FleetBroadband service, we have seen strong growth in FleetBroadband ARPU as the year progressed. Customer migration has constrained our rate of revenue growth as the price of services using FleetBroadband is typically less than the price of equivalent services on the terminals being replaced. Growth in FleetBroadband ARPU continues to support our view that maritime customers are increasing their usage with FleetBroadband and we believe this trend will over time offset the revenue impact of service migration. In addition, we are implementing a number of pricing initiatives to further incentivise customer migration to FleetBroadband, the take up of fixed-term value-added pricing plans, and to improve the yield from certain older services. We began to implement these initiatives in the third quarter of 2011 and further initiatives will take effect in 2012.

FleetBroadband terminal activations remained strong throughout 2011 and we added 9,818 terminals. We believe that the ongoing challenging economic and competitive environment for the shipping industry continues to impact our rate of revenue growth, and we have experienced increased competition from VSAT offerings since the announcement of our Global Xpress service.

Revenue from our Inmarsat B service continues to decline due to the natural run-off and migration of this mature service. Active Inmarsat B terminal numbers are reducing due to older ships being decommissioned or re-fitted with FleetBroadband terminals. In addition, there was a decrease in revenues from our Fleet, Mini M and Inmarsat C services, as many of these customers also transition to our FleetBroadband service.

Revenues from voice services in the maritime sector during 2011 were US$90.2 million, a decrease of US$7.9 million, or 8.1 per cent., compared with 2010. We have continued to see voice revenues being negatively impacted by product mix changes as users transition from our older services to our newer FleetBroadband service where the price of voice services is lower and also by the substitution effect of voice usage moving to email and Voice Over IP, which we record as data revenues. In addition, to encourage higher usage, we introduced new lower voice pricing for FleetBroadband customers with effect from 1 April 2011. We believe that the current economic environment for the shipping industry and increased competition are also factors impacting our voice revenues in the maritime sector.

Land Mobile Sector. During 2011, revenues from the land mobile sector were US$151.7 million, a decrease of US$2.0 million, or 1.3 per cent., compared with 2010.

Revenues from data services in the land mobile sector during 2011 were US$144.0 million, a decrease of US$2.4 million, or 1.6 per cent., compared with 2010. During 2011, a substantial increase in BGAN revenues resulted from additional usage driven by events in North Africa and Japan, partially offseting a decline in BGAN and GAN revenue due to ongoing reduced traffic levels from government users in Afghanistan. We believe our revenue from Afghanistan is in decline due to reduced military activity and gradual troop withdrawal programmes. Although we continue to see new growth in BGAN usage from new subscribers, this growth will be unlikely to fully offset declines due to reduced revenue from Afghanistan.

Revenues from voice services in the land mobile sector during 2011 were US$7.7 million, an increase of US$0.4 million, or 5.5 per cent., compared with 2010. The increase is due to growth in revenues from our IsatPhone Pro service, which was launched in 2010 to readdress the voice opportunity. While we remain encouraged by the strength of sales of our IsatPhone Pro terminals, traffic and revenue growth has developed more slowly than anticipated. Offsetting the revenues from our IsatPhone Pro service, we continue to experience declining voice traffic volumes resulting from competition, principally for our Mini M and BGAN services, from other MSS operators.

Aviation Sector. During 2011, revenues from the aviation sector were US$99.5 million, a decrease of US$1.5 million, or 1.5 per cent., compared with 2010. Swift 64 revenues recorded in our aviation sector, declined year on year primarily due to certain government customers switching to existing underutilised leases. However, this decline has been partially offset by strong growth in revenues from our SwiftBroadband service which grew to US$13.0 million in 2011, compared with US$5.7 million in 2010. Our low-speed data services also benefited from increased industry demand.

Leasing. During 2011, revenues from leasing were US$110.2 million, a decrease of US$1.5 million, or 1.3 per cent., compared with 2010. The decrease is a result of the non-renewal of an aviation contract and the reduction of a maritime contract, towards the end of 2010, partially offset by increased revenues from an additional contract for land-based services, and a new contract with the US Federal Aviation Administration.

A range of factors is expected to affect results from our leasing business in 2012. We expect some leases relating to Afghanistan not to be renewed, or to be reduced in value. We also expect certain leases for our Inmarsat B maritime service not to be renewed, or to transition to our XpressLink service. While we expect to retain the majority of this customer business through migration to our non-lease services, we may not retain all the business or achieve the same revenue value. As a result, while we expect leasing revenue to be lower in 2012 year over year, we expect there will be some offsetting gains in other business lines, mostly in our maritime sector.

Other income. Other income for 2011 was US$238.1 million, an increase of US$201.0 million, or 542 per cent. compared with 2010. The increase is primarily due to revenue recorded in respect of the LightSquared Cooperation Agreement (during 2011 we recorded US$203.8 million, compared with US$17.5 million for 2010). During 2011, we recorded US$18.1 million of revenue relating to the sale of terminals and accessories (predominantly in relation to IsatPhone Pro) compared with US$9.0 million in 2010.

Net operating costs

Net operating costs for 2011 increased by 23 per cent., compared with 2010. Included within net operating costs for 2011 are net costs in relation to our Global Xpress programme totalling US$11.2 million (2010: US$2.7 million) and costs in relation to the LightSquared Cooperation Agreement of US$11.2 million (2010: US$0.4 million).

The table below sets out the components of Inmarsat Global's net operating costs for each of the years indicated:

	2011	2010	Increase
	(US$ in millions)		%
Employee benefit costs	105.1	91.6	14.7
Network and satellite operations costs	45.7	43.7	4.6
Other operating costs	101.5	70.5	44.0
Own work capitalised	(16.4)	(14.0)	17.1
Net operating costs	**235.9**	**191.8**	**23.0**

Impact of hedged foreign exchange rate. The functional currency of the Group's principal subsidiaries is US dollars. Approximately 50 per cent. of Inmarsat Global's costs are denominated in pounds sterling. Inmarsat Global's hedged rate of exchange for 2011 is US$1.51/£1.00 compared with US$1.49/£1.00 in 2010, which does not give rise to a material variance in comparative costs.

Employee benefit costs. Employee benefit costs increased by US$13.5 million for 2011, compared with 2010. The increase is due primarily to additional staff costs due to an increase in total full-time equivalent headcount (567 at 31 December 2011 compared with 510 at 31 December 2010). Headcount has increased primarily to support our Global Xpress programme.

Network and satellite operations costs. Network and satellite operations costs increased by US$2.0 million for 2011 compared with 2010, primarily as a result of increased service contract costs and software maintenance.

Other operating costs. Other operating costs for 2011 increased by US$31.0 million compared with 2010. The increase relates partially to higher direct cost of sales of US$13.3 million due to IsatPhone Pro terminal sales and increased interconnect charges due to increased traffic. In addition, other operating costs increased by US$10.5 million due to activities in relation to our Global Xpress programme and our Cooperation Agreement with LightSquared. Furthermore in 2011, we expensed US$2.0 million of fees in relation to our acquisition of Ship Equip, recorded a redundancy provision of US$2.6 million in connection with our Vertical Market Reorganisation and recorded a foreign exchange loss of US$1.4 million, compared with US$0.2 million in 2010.

Own work capitalised. The increase in own work capitalised for 2011 of US$2.4 million, compared with 2010, is predominantly a result of increased activity on our Global Xpress programme.

Operating profit

	2011	2010	Increase/ (decrease)
	(US$ in millions)		%
Total revenue	958.4	764.1	25.4
Net operating costs	(235.9)	(191.8)	23.0
EBITDA [(1)]	**722.5**	**572.3**	**26.2**
EBITDA margin	*75.4%*	*74.9%*	—
Depreciation and amortisation	(161.9)	(169.4)	(4.4)
Operating profit	**560.6**	**402.9**	**39.1**

(1) EBITDA is a non-IFRS measure and has been calculated as shown in the table above. This calculation is consistent with our definition of EBITDA. In addition, elsewhere in this disclosure document, we use a measure of Adjusted EBITDA for Inmarsat Global which is a non-IFRS measure, and which we define as Inmarsat Global's EBITDA excluding the EBITDA contribution associated with our Cooperation Agreement with LightSquared (US$192.6 million in 2011 and US$17.1 million in 2010). See "*Non-IFRS Financial Measures*".

The increase in operating profit for 2011 of US$157.7 million, compared with 2010, is a result of higher revenues and lower depreciation and amortisation, partially offset by higher net operating costs.

Inmarsat Solutions Results for the Years ended 31 December 2011 and 31 December 2010

On 12 January 2010, we acquired the business assets of Segovia. On 28 April 2011, we completed the acquisition of Ship Equip. We include the Stratos, Segovia and Ship Equip businesses in a single reporting segment, Inmarsat Solutions.

Revenues

During 2011, revenues from Inmarsat Solutions increased by 5.8 per cent., compared with 2010. The table below sets out the components of Inmarsat Solutions' revenues for each of the years indicated:

	2011	2010	Increase/ (decrease)
	(US$ in millions)		%
Inmarsat MSS	423.4	433.7	(2.4)
Broadband and Other MSS [1]	334.8	283.1	18.3
Total revenue	**758.2**	**716.8**	**5.8**

(1) Includes Segovia from 12 January 2010 and Ship Equip from 28 April 2011

Inmarsat MSS. Revenues derived from Inmarsat MSS for 2011 decreased by US$10.3 million, or 2.4 per cent., compared to 2010. Generally, the market sector trends we discuss in relation to our MSS revenue at our Inmarsat Global business have a very similar impact on revenues reported for Inmarsat MSS at the Inmarsat Solutions level. In addition, competitive pricing, as a result of the market entry of new Inmarsat distributors, continued to negatively impact revenues from Inmarsat broadband services.

For 2011, Inmarsat Solutions' share of Inmarsat Global's MSS revenues was 39 per cent., broadly in line with 2010.

Broadband and Other MSS. During the first quarter of 2011, Stratos reorganised its operations to include its former Broadband business into the same structure as its MSS operations. As a result, the former Broadband revenue has been combined in the category "Broadband and Other MSS" revenues. This primarily consists of sales of VSAT and microwave services, mobile terminal and equipment sales, rental and repairs, mobile telecommunications services sourced on a wholesale basis from other MSS providers, network services provided to certain distributors and other ancillary services. Also included within "Broadband and Other MSS" are revenues from Segovia, which provides secure IP managed solutions and services to United States government agencies and other commercial customers and Ship Equip which provides VSAT maritime communications services to the shipping, offshore energy and fishing markets.

Revenues from Broadband and Other MSS during 2011 increased by US$51.7 million, or 18.3 per cent., compared with 2010. The increase is due to the inclusion of Ship Equip and increased revenues primarily from mobile satellite services in our Segovia business. There were also increases in other ancillary revenues in Stratos which were offset by a reduction in network services provided by Stratos to other Inmarsat distributors and decreased sales of mobile terminals and equipment.

In 2012, we expect overall growth in Inmarsat Solutions to come from our maritime XpressLink service as recent business wins are implemented and as new contracts are signed, as well as from a full year contribution from our Ship Equip acquisition.

Net operating costs

Net operating costs in 2011 increased by US$32.0 million, or 5.4 per cent., compared to 2010, primarily as a result of the inclusion of Ship Equip. The table below sets out the components of Inmarsat Solutions' net operating costs and shows the allocation of costs to the Group's cost categories for each of the periods indicated:

	2011	2010	Increase
	(US$ in millions)		%
Cost of goods and services	538.0	517.5	4.0
Operating costs	87.3	75.8	15.2
Total operating costs	**625.3**	**593.3**	**5.4**
Allocated as follows:			
Employee benefit costs	101.4	90.0	12.7
Network and satellite operations costs [1]	497.2	479.7	3.6
Other operating costs	31.4	26.7	17.6
Own work capitalised	(4.7)	(3.1)	51.6
Net operating costs	**625.3**	**593.3**	**5.4**

(1) Includes the cost of airtime from satellite operators, including intercompany purchases from Inmarsat Global.

Cost of goods and services. Cost of goods and services includes variable expenses such as the cost of airtime and satellite capacity purchased from satellite operators (predominantly from Inmarsat Global), cost of equipment, materials and services, and variable labour costs related to Stratos' repair and service workforce. Cost of goods and services also includes costs such as network infrastructure operating costs, customer support centre costs, telecommunications services purchased from terrestrial providers, rents and salaries that do not vary significantly with changes in volumes of goods and services sold.

Cost of goods and services during 2011 increased by US$20.5 million, compared to 2010. The increase is predominantly due to the addition of Ship Equip costs.

Operating costs. Operating costs during 2011 increased by US$11.5 million, compared to 2010. The increase is primarily due to the inclusion of Ship Equip, partially offset by a decrease in operating costs in Stratos. The decrease in operating costs in Stratos is due primarily to lower salaries and benefits cost, lower professional fees and lower bad debt expense.

Operating (loss)/profit

	2011	2010	Increase/ (decrease)
	(US$ in millions)		%
Total revenue	758.2	716.8	5.8
Cost of goods and services	(538.0)	(517.5)	4.0
Gross margin	**220.2**	**199.3**	**10.5**
Gross margin	*29.0%*	*27.8%*	
Operating costs	(87.3)	(75.8)	15.2
EBITDA[1]	**132.9**	**123.5**	**7.6**
EBITDA margin	*17.5%*	*17.2%*	
Depreciation and amortisation	(83.9)	(65.2)	28.7
Acquisition-related adjustments	(2.1)	(2.1)	—
Impairment losses	(141.5)	—	—
Share of results of associate	1.5	1.2	25.0
Operating (loss)/profit	**(93.1)**	**57.4**	**(262)**

(1) EBITDA is a non-IFRS measure and has been calculated as shown in the table above. This calculation is consistent with our definition of EBITDA. See "*Non-IFRS Financial Measures*".

Inmarsat Solutions' operating profit for 2011 decreased by US$150.5 million, compared to 2010. The decrease is primarily due to impairment losses of US$120.0 million relating to the impairment of goodwill that was originally recognised when we acquired Stratos and US$21.5 million for the reduction of the carrying amounts of the Stratos, Segovia and Ship Equip trade names to US$nil. Additionally, depreciation and amortisation increased, primarily as a result of the addition of Ship Equip and increased capital expenditures in Stratos. Furthermore, gross margin contributed by Stratos has decreased primarily as a result of a reduction in Inmarsat MSS revenues, changes in product mix and competitive pricing.

The decrease in operating profit has been partially offset by the inclusion of the results of Ship Equip from 28 April 2011.

Gross margin consists of revenues less cost of goods and services. Gross margin and gross margin percentage for Inmarsat Solutions in 2011 increased as a result of the addition of Ship Equip which has a higher gross margin. In our Inmarsat Solutions business, we expect Inmarsat MSS revenue to continue to be impacted by the factors described above in relation to Inmarsat MSS revenues in 2011. In addition, competition from other Inmarsat distributors and service migration to both other Inmarsat broadband services and to XpressLink will also constrain growth in Inmarsat MSS revenues. The structural revenue impact on Inmarsat MSS revenues is expected to contribute to lower gross margin and lower EBITDA in our Inmarsat Solutions business year over year.

Group Results for the Years ended 31 December 2010 and 31 December 2009

Revenues

Total Group revenues for 2010 increased by 12.9 per cent. compared with 2009. The table below sets out the components, by segment, of the Group's total revenue for each of the years indicated:

	2010	2009	Increase/ (decrease)
	(US$ in millions)		%
Inmarsat Global	764.1	694.8	10.0
Inmarsat Solutions	716.8	644.1	11.3
	1,480.9	1,338.9	10.6
Intercompany eliminations and adjustments	(309.3)	(300.8)	—
Total revenue	**1,171.6**	**1,038.1**	**12.9**

A discussion of revenues for each of Inmarsat Global and Inmarsat Solutions is set forth in more detail below.

Net operating costs

Total Group net operating costs for 2010 increased by 7.2 per cent. compared with 2009. The table below sets out the components, by segment, of the Group's net operating costs for each of the years indicated:

	2010	2009	Increase/ (decrease)
	(US$ in millions)		%
Inmarsat Global	191.8	199.6	(3.9)
Inmarsat Solutions	593.3	543.6	9.1
	785.1	743.2	5.6
Intercompany eliminations and adjustments	(309.1)	(299.0)	—
Total net operating costs	**476.0**	**444.2**	**7.2**

A discussion of net operating costs for each of Inmarsat Global and Inmarsat Solutions is set forth in more detail below.

EBITDA

Group EBITDA for 2010 increased by 17.1 per cent. compared with 2009. EBITDA margin has increased to 59 per cent. for 2010, compared with 57 per cent. for 2009, primarily as a result of the inclusion of the results of Segovia from 12 January 2010, the inclusion of revenue from our Cooperation Agreement with LightSquared and increased margins in Inmarsat Global due to MSS revenue growth.

Depreciation and amortisation

The increase in depreciation and amortisation of US$3.0 million is due to the inclusion of the results of Segovia from 12 January 2010 and depreciation of assets relating to GSPS following commercial launch at the end of June 2010. Partially offsetting the increase is a reduction in depreciation due to four out of the five Inmarsat-3 satellites becoming fully depreciated.

Gain on disposal of assets

No gain on disposal of assets was recognised during 2010. The gain on disposal of assets recognised during 2009 of US$2.1 million arose from the transfer and disposal of assets by Inmarsat Solutions.

Share of results of associates

During 2010, we recorded US$1.2 million in respect of earnings from associates compared to US$0.9 million during 2009. The earnings from associates arose from equity accounted investments held by Inmarsat Solutions.

Acquisition-related adjustments

During 2010, we recorded an adjustment of US$2.1 million relating to increased contingent consideration in respect of our acquisition of Segovia. In line with IFRS 3, the contingent consideration adjustment is charged as an expense to the income statement. This is due to the better than expected performance of Segovia against the earn-out targets in 2010. During 2009, we recorded a US$8.8 million adjustment to the carrying amount of goodwill following the recognition of a deferred tax asset relating to unutilised capital allowances arising in Inmarsat Solutions' UK entities.

Operating profit

As a result of the factors discussed above, operating profit during 2010 was US$460.1 million, an increase of US$103.6 million, or 29 per cent., compared with 2009.

Interest

Net interest payable for 2010 was US$112.2 million, a decrease of US$24.7 million, or 18.0 per cent., compared with 2009.

Interest payable for 2010 was US$114.5 million, a decrease of US$25.7 million, or 18.3 per cent., compared with 2009. Accounting for the majority of the decrease were the one-off items amounting to US$29.3 million that we incurred in 2009 in connection with our refinancing activity. In addition, we incurred lower interest on our Original Notes and credit facilities as a result of the refinancing and we recorded a small unrealised foreign exchange gain on Inmarsat Global's pension and post-retirement scheme liabilities in 2010 compared to a loss in 2009.

Partially offsetting the decrease in interest payable is an increase in interest incurred on the interest rate swaps. In addition we recognised net redemption premia of US$3.1 million and wrote-off US$5.8 million of unamortised arrangement costs in respect of the Stratos refinancing in 2010.

Interest receivable for 2010 was US$2.3 million compared to US$3.3 million in 2009.

Profit before tax

For 2010, profit before tax was US$347.9 million, an increase of US$128.3 million, or 58 per cent. compared with 2009. The increase is due primarily to increased underlying Group revenues and EBITDA, the inclusion of revenue in respect of our Cooperation Agreement with LightSquared, the inclusion of Segovia's results from 12 January 2010 and decreased net interest payable. The increase is partially offset by increased underlying Group operating costs in the year.

Income tax expense

The tax charge for 2010 was US$76.2 million, an increase of US$25.3 million, or 50 per cent., compared with 2009. The increase in the tax charge is largely driven by the underlying increase in profits for 2010 and the inclusion of the results of Segovia from 12 January 2010.

The effective tax rate for 2010 was 21.9 per cent. compared to 23.2 per cent. for 2009. The 2010 effective tax rate was reduced by US$7.0 million of non-recurring current year tax benefits and a US$13.5 million credit on prior year tax positions. The 2009 effective tax rate was reduced due to a one-off tax credit of US$8.8 million recognised during 2009, which arose from the recognition of a deferred tax asset relating to unutilised capital allowances in Inmarsat Solutions' UK entities.

Profit for the period

As a result of the factors discussed above, profit for 2010 was US$271.7 million, an increase of US$103.0 million, or 61 per cent., compared with 2009.

Inmarsat Global Results for the Years ended 31 December 2010 and 31 December 2009

Revenues

During 2010, revenues from Inmarsat Global were US$764.1 million, an increase of US$69.3 million, or 10.0 per cent., compared with 2009. Growth in MSS revenues accounted for 6.4 percentage points of the overall percentage total revenue growth year on year. Revenues from the LightSquared Cooperation Agreement accounted for 2.5 percentage points and revenues from the sale of terminals accounted for 1.0 percentage point, of the overall percentage growth in total revenue year over year. The growth in MSS revenues was driven by services such as BGAN, Swift 64 and FleetBroadband, as well as from new leasing business. The table below sets out the components of Inmarsat Global's revenue for each of the years indicated:

	2010	2009	Increase/ (decrease)
	(US$ in millions)		%
Revenues			
Maritime sector:			
Voice services	98.1	104.7	(6.3)
Data services	262.5	252.3	4.0
Total maritime sector	**360.6**	**357.0**	**1.0**
Land mobile sector:			
Voice services	7.3	8.5	(14.1)
Data services	146.4	138.0	6.1
Total land mobile sector	**153.7**	**146.5**	**4.9**
Aviation sector	101.0	75.8	33.2
Leasing	111.7	103.5	7.9
Total MSS revenue	**727.0**	**682.8**	**6.5**
Other income (including LightSquared)	37.1	12.0	209
Total revenue	**764.1**	**694.8**	**10.0**

Total active terminal numbers as at 31 December 2010 increased by 10.1 per cent., compared with 31 December 2009. The table below sets out the active terminals by sector for each of the years indicated:

	As at 31 December		
	2010	**2009**	**Increase/ (decrease)**
	(000's)		
Active terminals [(1)]			
Maritime	181.7	171.8	5.8
Land mobile	88.5	73.7	20.1
Aviation	12.4	11.1	11.7
Total active terminals	**282.6**	**256.6**	**10.1**

(1) Active terminals are the number of subscribers or terminals that have been used to access commercial services (except certain handheld terminals) at any time during the preceding twelve-month period and registered at 31 December. Active terminals also include the average number of certain handheld terminals active on a daily basis during the period. Active terminals exclude our M2M terminals. At 31 December 2010, we had 215,895 M2M terminals.

Seasonality—Impact of volume discounts. There is generally very little seasonality in the markets we serve, although data traffic tends to slow down at holiday periods, e.g. Christmas. However, in previous years our Volume Discount Scheme ("**VDS**") led to significant seasonality in our revenues. The terms of the VDS changed following the signing of the new distribution agreements by Inmarsat Global's distribution partners, effective from 1 May 2009. This resulted in the removal of volume discounts on BGAN services and the implementation of a more even phasing of discounts during the year with respect to Existing and Evolved Services. Historically, volume discounts under the old VDS progressively increased over the course of the year, with lower discount levels in early quarters and higher discount levels in later quarters. Volume discounts for the period 1 January 2009 to 30 April 2009 were based on the old VDS, condensed from a twelve-month period into a four-month period. Volume discounts after 1 May 2009 were based on the new structure where discounts remain constant throughout the period.

During 2010, volume discounts were US$41.8 million, a decrease of US$11.6 million, or 22 per cent., compared with 2009. The decrease reflects the changes in the VDS discussed above and lower revenues from the services remaining eligible for VDS. Although we removed our BGAN services from the VDS, we have implemented certain price reductions for BGAN services, resulting in a neutral position for wholesale BGAN prices.

Maritime Sector. During 2010, revenues from the maritime sector were US$360.6 million, an increase of US$3.6 million, or 1.0 per cent., compared with 2009.

Revenues from data services in the maritime sector during 2010 were US$262.5 million, an increase of US$10.2 million, or 4.0 per cent., compared with 2009. The increase in revenues from data services reflected strong growth in our FleetBroadband service. We added over 10,000 FleetBroadband terminals in the year, more than double the number added in 2009. We believe that the accelerated adoption of our FleetBroadband service partially constrained our rate of revenue growth as the price of services using FleetBroadband was typically less than the price of equivalent services on the terminals being replaced or upgraded. However, over time, we expect to offset this effect through usage growth in response to increased service capability and faster speeds available through FleetBroadband. Although a lesser factor, competition from VSAT service offerings also increased since the announcement of our Global Xpress service. In addition, we believe the challenging economic and competitive environment for the shipping industry during 2010 also impacted our rate of revenue growth when compared to prior periods.

As expected, revenue from our Inmarsat B service decreased due to the natural run-off of this mature service, which will be discontinued on 31 December 2014. Active Inmarsat B terminal numbers reduced due to older ships being decommissioned or re-fitted with FleetBroadband terminals. In addition, there was a decrease in revenues from our Mini M service, where there is an expected long-term decline in demand for fax and low speed data. The rates of decline of both these services accelerated as 2010 progressed.

Revenues from voice services in the maritime sector during 2010 were US$98.1 million, a decrease of US$6.6 million or 6.3 per cent. compared with 2009. Growth in demand for voice services among users of our FleetBroadband service was more than offset by the ongoing decline in our mature Inmarsat B and Mini M services. The decline in revenues from voice services in the maritime sector can be attributed to a combination of factors, including the economic environment for the shipping industry, the substitution effect of voice usage to email and Voice Over IP and some increased competition. Revenues were also negatively impacted by product mix changes as users transition from our older services to our newer FleetBroadband service where the price of voice services is lower.

Land Mobile Sector. During 2010, revenues from the land mobile sector were US$153.7 million, an increase of US$7.2 million, or 4.9 per cent., compared with 2009.

Revenues from data services in the land mobile sector during 2010 were US$146.4 million, an increase of US$8.4 million, or 6.1 per cent., compared with 2009. Growth in BGAN revenue was partially offset by the decline in GAN high-speed data traffic, particularly following reduced traffic levels from government users in the Middle East. Usage of our BGAN service in this region has historically been volatile and has affected our results from time to time.

Revenues from BGAN services for 2010 were US$117.4 million, an increase of US$18.7 million, or 18.9 per cent., compared with 2009. These figures include voice, data and subscription revenues. As at 31 December 2010, active BGAN subscribers were 49,172 compared with 33,571 as at 31 December 2009, an increase of 15,601 or 46 per cent. year on year. BGAN subscribers included 5,800 low usage subscribers activated at the end of March 2010 for the May 2010 election in the Philippines. Disaster relief efforts by aid agencies and government organisations and additional usage by media companies, in response to the earthquakes in Haiti and Chile, resulted in an estimated US$5.5 million in incremental BGAN revenues during 2010.

Revenues from voice services in the land mobile sector during 2010 were US$7.3 million, a decrease of US$1.2 million, or 14.1 per cent., compared with 2009. We continued to experience declining traffic volumes resulting from competition, principally for our Mini M service, from other MSS operators, saw growth in our BGAN voice service which accounted for over 50 per cent. of voice revenues in 2010. Although we launched our handheld satellite phone, IsatPhone Pro, at the end of June 2010, the early stage of service introduction meant it made no material contribution during the year.

Aviation Sector. During 2010, revenues from the aviation sector were US$101.0 million, an increase of US$25.2 million, or 33 per cent., compared with 2009. The increase was a result of continued demand for our Swift 64 high-speed data service which experienced a 4.1 per cent. increase in active channels compared with 2009. In addition, we experienced strong growth in revenues from our SwiftBroadband service, which gained widespread industry acceptance, with growth in active channels of 140 per cent. year on year. Our low-speed data services also benefited from increased industry demand. Our Swift 64 and SwiftBroadband services target the government aircraft and business jet markets as well as being used by commercial airlines.

Leasing. During 2010, revenues from leasing were US$111.7 million, an increase of US$8.2 million, or 7.9 per cent., compared with 2009. The increase was a result of additional government contracts for land-based services and the expansion of Swift 64 leases for certain aviation customers, partially offset by the non-renewal of an aviation contract and the reduction of a maritime contract, towards the end of 2010.

Other income. Other income for 2010 was US$37.1 million, an increase of US$25.1 million or 209 per cent., compared with 2009. The increase was predominantly due to US$17.5 million of revenue recorded in respect of the LightSquared Cooperation Agreement and US$8.1 million of revenue relating to the sale of IsatPhone Pro terminals and accessories.

Net operating costs

Net operating costs in 2010 decreased by 3.9 per cent. compared with 2009. The table below sets out the components of Inmarsat Global's net operating costs for each of the years indicated:

	2010	2009	Increase/ (decrease)
	(US$ in millions)		%
Employee benefit costs	91.6	110.4	(17.0)
Network and satellite operations costs	43.7	43.2	1.2
Other operating costs	70.5	65.2	8.1
Own work capitalised	(14.0)	(19.2)	(27.1)
Net operating costs	**191.8**	**199.6**	**(3.9)**

Impact of hedged foreign exchange rate. Net operating costs in 2010 were affected by a favourable movement in Inmarsat Global's hedged rate of exchange from US$1.92/£1.00 in 2009 to US$1.49/£1.00 in 2010. The movement in the hedged rate of exchange in the year has resulted in a decrease in comparative costs of US$26.0 million.

Employee benefit costs. Employee benefit costs decreased by US$18.8 million in 2010 compared to 2009, due primarily to the favourable movement in Inmarsat Global's hedged rate of exchange. In addition, we recorded costs in respect of an award of shares to employees under the Share Incentive Plan in 2009. Partially offsetting the decrease were additional staff costs due to an increase in total full-time equivalent headcount (509 at 31 December 2010 compared to 489 at 31 December 2009) and employee cost increases in 2010.

Network and satellite operations costs. Network and satellite operations costs for 2010 were broadly in line with 2009.

Other operating costs. Other operating costs for 2010 increased by US$5.3 million compared to 2009. The increase relates predominantly to a foreign exchange loss of US$0.6 million in 2010, compared to a foreign exchange gain of US$8.3 million in 2009 and to higher direct cost of sales due to IsatPhone Pro terminal sales. Partially offsetting the increase was a decrease in accommodation costs due to the favourable movement in Inmarsat Global's hedged rate of exchange. In addition, we expensed US$3.9 million of fees in relation to our acquisition of Segovia, in 2009. We did not expense any fees in relation to the Segovia acquisition in 2010.

Own work capitalised. The decrease in own work capitalised for 2010 of US$5.2 million, compared 2009, is predominantly a result of the movement in the Group's hedged rate of exchange.

Operating profit

	2010	2009	Increase/ (decrease)
	(US$ in millions)		%
Total revenue	764.1	694.8	10.0
Net operating costs	(191.8)	(199.6)	(3.9)
EBITDA[(1)]	**572.3**	**495.2**	**15.6**
EBITDA margin	*74.9%*	*71.3%*	—
Depreciation and amortisation	(169.4)	(179.9)	(5.8)
Operating profit	**402.9**	**315.3**	**27.8**

(1) EBITDA is a non-IFRS measure and has been calculated as shown in the table above. This calculation is consistent with our definition of EBITDA. See "*Non-IFRS Financial Measures—EBITDA*".

The increase in operating profit for 2010 of US$87.6 million, compared to 2009, was a result of higher revenues, lower net operating costs and lower depreciation and amortisation.

Inmarsat Solutions Results for the Years ended 31 December 2010 and 31 December 2009

On 12 January 2010, we acquired the business assets of Segovia. As a result of a group reorganisation completed in 2010 and the acquisition of Segovia, we included the Stratos and Segovia businesses in a single operating segment, Inmarsat Solutions.

Revenues

During 2010, revenues from Inmarsat Solutions increased by 11.3 per cent., compared with 2009, primarily as a result of the inclusion of almost a full year of revenues of Segovia in the Inmarsat Solutions operating segment. The table below sets out the components of Inmarsat Solutions revenues for each of the years indicated:

	2010	2009	Increase/ (decrease)
	(US$ in millions)		%
Inmarsat MSS	433.7	427.1	1.5
Broadband and Other MSS [(1)]	283.1	217.0	30.5
Total revenue	**716.8**	**644.1**	**11.3**

(1) Includes Segovia from 12 January 2010.

Inmarsat MSS. Revenues derived from Inmarsat MSS for 2010 increased by US$6.6 million, or 1.5 per cent. compared with 2009. The increase was primarily due to increases in the aviation, maritime and leasing sectors, partially offset by a decrease in the land mobile sector. Competitive pricing, as a result of the market entry of new Inmarsat distributors, continued to negatively impact revenues from Inmarsat broadband services. Inmarsat's Existing and Evolved Services offered by Inmarsat Solutions have also experienced pricing pressure.

For 2010, Inmarsat Solutions share of Inmarsat Global's MSS revenues was 40 per cent., broadly in line with 2009.

Broadband and Other MSS. During 2010, revenues from Broadband and Other MSS services increased by US$66.1 million, or 30 per cent., compared with 2009. The increase is primarily due to the inclusion of Segovia revenues during 2010 and increased revenues from our microwave network in the Gulf of Mexico. Partially offsetting the increase was a decrease in VSAT revenue as a result of the expiry of certain contracts, the sale of certain customer contracts in Germany, decreased revenue from VSAT and microwave network equipment sales and a reduction in network services provided to other Inmarsat distributors.

Net operating costs

Net operating costs in 2010 increased by US$49.7 million or 9.1 per cent., compared with 2009 primarily as a result of the inclusion of the operating costs of Segovia in the Inmarsat Solutions operating segment. The table below sets out the components of Inmarsat Solutions net operating costs and shows the allocation of costs to the Group's cost categories for each of the years indicated:

	2010	2009	Increase/ (decrease)
	(US$ in millions)		%
Cost of goods and services	517.5	479.5	7.9
Operating costs	75.8	64.1	18.3
Total operating costs	**593.3**	**543.6**	**9.1**
Allocated as follows:			
Employee benefit costs	90.0	79.6	13.1
Network and satellite operations costs [(1)]	479.7	448.0	7.1
Other operating costs	26.7	18.7	42.8
Own work capitalised	(3.1)	(2.7)	14.8
Net operating costs	**593.3**	**543.6**	**9.1**

(1) Includes the cost of airtime from satellite operators, including intercompany purchases from Inmarsat Global.

Cost of goods and services. Cost of goods and services during 2010 increased by US$38.0 million, compared with 2009. The increase is predominantly due to the addition of Segovia, as well as increased cost of airtime and equipment as a result of the increase in revenues and higher network infrastructure operating costs resulting primarily from higher salary costs and exchange rates. Partially offsetting the increase in cost of goods and services was a decrease in costs relating to the Broadband business, predominantly due to the reduction of costs as a result of lower revenue and ceasing operations in Germany.

Operating costs. Operating costs during 2010 increased by US$11.7 million, compared with 2009. The increase is primarily due to the addition of Segovia, partially offset by a decrease in the operating expenses for the remaining Inmarsat Solutions business, mainly as a result of a decrease in salaries and benefits costs due to reduced incentive plan costs.

Operating profit	2010	2009	Increase/ (decrease)
	(US$ in millions)		%
Total revenue	**716.8**	**644.1**	**11.3**
Cost of goods and services	(517.5)	(479.5)	7.9
Gross margin	**199.3**	**164.6**	**21.1**
Gross margin	*27.8%*	*25.6%*	—
Operating costs	(75.8)	(64.1)	18.3
EBITDA[(1)]	**123.5**	**100.5**	**22.9**
EBITDA margin	*17.2%*	*15.6%*	—
Depreciation and amortisation	(65.2)	(51.7)	26.1
Share of results of associate	1.2	0.9	33.3
Gain on disposal of assets	—	2.1	(100.0)
Acquisition–related adjustments	(2.1)	(8.8)	(76.1)
Operating profit	**57.4**	**43.0**	**33.5**

(1) EBITDA is a non-IFRS measure and has been calculated as shown in the table above. This calculation is consistent with our definition of EBITDA. See "*Non-IFRS Financial Measures—EBITDA*".

Inmarsat Solutions' operating profit for 2010 increased by US$14.4 million, compared with 2009, primarily as a result of the addition of Segovia, partially offset by the US$2.1 million additional deferred consideration in respect of the acquisition of Segovia.

Gross margin and gross margin percentage for 2010 increased as a result of the addition of Segovia, partially offset by changes in MSS product mix and declines in the VSAT business. Changes in product mix include the increased sales of equipment, which have a lower gross margin, and a migration by customers to lower margin services such as BGAN and FleetBroadband. In addition, margins were negatively impacted by competitive pricing as discussed earlier.

Liquidity and Capital Resources

Historically, our principal uses of cash have been for capital expenditure, to fund the development, marketing and distribution of new services, to fund our working capital requirements, service our debt obligations and pay dividends to Inmarsat plc. We have funded those requirements with cash flows from our operating activities as well as from debt financing.

At 31 December 2011, the Group had cash and cash equivalents of US$165.7 million and available but undrawn borrowing facilities of US$1,172.7 million under our Senior Credit Facilities. We believe our liquidity position is more than sufficient to meet the Group's needs for the foreseeable future. In addition, we remain well positioned to access the capital markets when needed to meet new financing needs or to improve our liquidity or change the mix of our liquidity sources.

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.

Historical Cash Flows

The following table sets out our historical cash flows for each of the years presented.

	2011	2010	2009
	(US$ in millions)		
Net cash from operating activities	882.2	744.5	621.2
Net cash used in investing activities, excluding capital expenditure	(171.0)	(114.8)	(11.1)
Capital expenditure, including own work capitalised	(531.0)	(180.7)	(162.6)
Dividends paid	(323.4)	(165.0)	(144.9)
Net cash used in financing activities, excluding dividends paid	(14.9)	(187.3)	(227.1)
Foreign exchange adjustment	0.2	(0.1)	(0.4)
Net (decrease)/increase in cash and cash equivalents	**(157.9)**	**96.6**	**75.1**

Net Cash From Operating Activities

Net cash from operating activities represents net cash from operations, returns on investments and taxation.

Net cash generated from operating activities during the year ended 31 December 2011 was US$882.2 million as compared with US$744.5 million during the year ended 31 December 2010. The increase of US$137.7 million primarily relates to increased EBITDA, partially offset by movements in working capital and higher cash tax paid.

Net cash from operating activities during the year ended 31 December 2010 was US$744.5 million as compared with US$621.2 million during the year ended 31 December 2009. The increase related to movements in working capital primarily due to deferred revenue in respect of payments received from LightSquared and higher EBITDA in 2010, offset by movements in working capital.

Net Cash Used in Investing Activities Excluding Capital Expenditure

Net cash used in investing activities excluding capital expenditure represents cash used for financial investments and cash movements resulting from acquisitions and disposals.

Net cash used in investing activities excluding capital expenditure during the year ended 31 December 2011 was US$171.0 million as compared with US$114.8 million for the year ended 31 December 2010. The increase of US$56.2 million related primarily to our acquisition of Ship Equip for US$113.2 million, the settlement of the deferred consideration relating to the acquisition of Segovia of US$12.3 million and the accelerated settlement of the remainder of the Segovia deferred consideration of US$36.1 million.

Net cash used in investing activities excluding capital expenditure during the year ended 31 December 2010 was US$114.8 million as compared with US$11.1 million for the year ended 31 December 2009. The increase of US$103.7 million primarily relates to the acquisition of Segovia for an initial cash consideration of US$110.0 million in 2010. In the year ended 31 December 2009 we paid US$11.9 million (including transaction fees) for our investment in SkyWave.

Net Cash Used in Financing Activities Excluding Dividends Paid

Financing activities excluding dividends paid represent cash movements that resulted in changes to the size and composition of contributed equity and borrowings, including the servicing of borrowings.

Net cash used in financing activities, excluding the payment of dividends, during the year ended 31 December 2011 was US$14.9 million as compared with US$187.3 million during the year ended 31 December 2010, a decrease of US$172.4 million. During the year ended 31 December 2011, we repaid US$200.0 million outstanding under our old Senior Credit Facility, repaid US$44.7 million of outstanding debt in Ship Equip (net of US$3.0 million of hedge gains), paid cash interest of US$74.7 million and paid arrangement costs in respect of new borrowing facilities of US$22.4 million. We received US$277.3 million from the drawdown of our Ex-Im Bank Facility during 2011 and US$50.0 million of shareholder funding.

Net cash used in financing activities, excluding the payment of dividends, during the year ended 31 December 2010 was US$187.3 million as compared to US$227.1 million during the year ended 31 December 2009. During the year ended 31 December 2010, we repaid US$90.0 million principal of our old Senior Credit Facility, drew down US$308.4 million from the EIB Facility, repaid US$209.2 million principal of the Stratos Senior Credit Facility and redeemed US$65.5 million principal of the Stratos Senior Unsecured Notes. In addition, the Group paid cash interest of US$88.3 million, arrangement fees in respect of new borrowing facilities of US$3.3 million, US$14.9 million of shareholder funding and purchased US$24.4 million principal amount of its own debt securities.

Capital Expenditures

Capital expenditure, including own work capitalised, during the year ended 31 December 2011 was US$531.0 million as compared with US$180.7 million during the year ended 31 December 2010, an increase of US$350.3 million. The increase was primarily due to expenditure on our US$1.2 billion Global Xpress programme. Capital expenditure may fluctuate with the timing of milestone payments on current projects. Inmarsat Solutions' cash outflow in respect of capital expenditure for property, plant and equipment and additions to capitalised development costs, including software, was US$43.0 million for the year ended 31 December 2011 (31 December 2010: US$26.4 million).

For 2012, we anticipate spending on a cash basis between US$650 million and US$700 million on capital expenditure, primarily on our Global Xpress and Alphasat programmes.

Dividends Paid

Dividends paid to Inmarsat Holdings Limited during the year ended 31 December 2011 were US$323.4 million as compared with US$165.0 million during the year ended 31 December 2010. The increase was primarily due to dividends paid totalling US$150.0 million to Inmarsat plc (our ultimate parent company) to fund its share repurchase programme.

Dividends paid to Inmarsat Holdings Limited during the year ended 31 December 2010 were US$165.0 million in dividends as compared with US$144.9 million during the year ended 31 December 2009.

Free Cash Flow

We define free cash flow ("**FCF**") as cash generated from operations less capital expenditure, including own work capitalised, net interest and cash tax payments. See "*Non-IRFS Financial Measures—FCF.*" The table below sets out our FCF for each of the periods presented:

	2011	2010	2009
	(US$ in millions)		
Cash generated from operations	992.1	786.2	644.9
Capital expenditure, including own work capitalised	(531.0)	(180.7)	(162.6)
Net cash interest paid	(72.0)	(87.1)	(104.6)
Cash tax paid	(112.6)	(42.9)	(24.6)
Free cash flow	276.5	475.5	353.1

We generated positive FCF of US$276.5 million, US$475.5 million and US$353.1 million in the years ended 31 December 2011, 2010 and 2009, respectively. FCF for the year ended 31 December 2011 decreased by US$199.0 million, or 42 per cent., compared with the FCF for the year ended 31 December 2010. The decrease is due to an increase in capital expenditure, primarily on our Global Xpress and Alphasat programmes, and cash tax paid, offset in part by decreased cash interest paid and increased cash generated from operations, which is primarily as a result of amounts received from LightSquared in 2011. FCF for the year ended 31 December 2010 increased by US$122.4 million, or 35 per cent., compared with the year ended 31 December 2009. The increase was due to an increase in EBITDA as a result of higher revenues and lower operating costs and a favourable movement in working capital due mainly to the amounts received from LightSquared in respect of our Cooperation Agreement with them. In addition we experienced reduced cash interest paid, offset in part by increased cash tax paid and capital expenditure, which included milestone payments in respect of our Inmarsat-5 investment.

We primarily use our FCF to fund dividends to our parent company and to meet debt repayments when due. See "—*Dividend Policy*".

Group Balance Sheet

The following table sets out the consolidated Group balance sheet for each of the years presented:

	As at 31 December		
	2011	**2010**	**2009**
	(US$ in millions)		
Non-current assets	2,937.1	2,525.8	2,454.7
Current assets	457.3	618.9	485.9
Total assets	**3,394.4**	**3,144.7**	**2,940.6**
Current liabilities	(812.9)	(473.1)	(370.4)
Non-current liabilities	(1,368.3)	(1,649.5)	(1,998.7)
Total liabilities	**(2,181.2)**	**(2,122.6)**	**(2,369.1)**
Net assets	**1,213.2**	**1,022.1**	**571.5**

Non-current assets. In 2011, the increase in our non-current assets of US$411.3 million was due primarily to the recognition of US$112.6 million of non-current assets and US$66.6 million of goodwill following the acquisition of Ship Equip on 28 April 2011 and additions during 2011. The increase was offset in part by US$120.0 million impairment of goodwill that was originally recognised when we acquired Stratos, the write-off of US$21.5 million of intangible assets associated with the Stratos, Segovia and ShipEquip trade names following the Vertical Market Reorganisation of the Inmarsat Solutions business and the decrease in derivative financial instruments relating to our foreign exchange rate hedging and depreciation and amortisation of capital assets, during 2011. In 2010, the increase in the our non-current assets of US$71.1 million was due primarily to the recognition of US$117.0 million of non-current assets and US$27.2 million of goodwill following the acquisition of the assets and liabilities of Segovia on 12 January 2010 and additions during 2010. The increase was offset in part by the decrease in derivative financial instruments relating to our foreign exchange rate hedging of US$5.1 million, the decrease of other receivables of US$21.3 million and depreciation and amortisation of capital assets, during 2010.

Current assets. In 2011, the decrease in current assets of US$161.6 million was due predominantly to the decrease in cash and cash equivalents from US$323.1 million at 31 December 2010 to US$165.7 million at 31 December 2011. The decrease in cash and cash equivalents was due primarily to cash paid in relation to our acquisition of Ship Equip, the purchase of capital assets and the settlement of the Segovia deferred consideration, partially offset by cash received in relation to our Cooperation Agreement with LightSquared. In 2010, the increase in current assets of US$133.0 million was due predominantly to the increase in cash and cash equivalents from US$226.7 million at 31 December 2009 to US$323.1 million at 31 December 2010. The increase in cash and cash equivalents was due primarily to cash received in relation to our Cooperation Agreement with LightSquared. In addition, trade and other receivables increased by US$25.0 million to US$262.6 million at 31 December 2010, inventory increased by US$10.7 million to US$20.2 million at 31 December 2010, and we recorded US$5.6 million restricted funds relating to Segovia at 31 December 2010. Partially offsetting the increase was a decrease in derivative financial instruments relating to foreign exchange rate hedging of US$4.7 million to US$7.4 million at 31 December 2010.

Current liabilities. In 2011, the increase in current liabilities of US$339.8 million relates primarily to an increase in amounts due to parent undertakings, due to excess funds being loaned to us and deferred revenue recognised in relation to our Cooperation Agreement with LightSquared, during 2011. In 2010, the increase in current liabilities of US$102.7 million relates primarily to deferred revenue recognised in relation to our Cooperation Agreement with LightSquared. In addition, current income tax liabilities increased by US$10.6 million to US$51.0 million at 31 December 2010. Partially offsetting the increase in current liabilities was the decrease in short-term borrowings of US$50.8 million to US$59.0 million at 31 December 2010. This decrease in short-term borrowings was due to the repayment of US$90.0 million of our old Senior Credit Facility, offset by borrowings of US$50.0 million under the old Senior Credit Facility being transferred from non-current to current in the year.

Non-current liabilities. In 2011, the decrease in non-current liabilities of US$281.2 million relates primarily to the decrease in borrowings due to the elimination of the previous subordinated parent company loan (by way of a capital contribution from Inmarsat Holdings Limited, our parent company), the repayment of the non-current portion of the old Senior Credit Facility of US$150.0 million and the transfer of US$44.1 million of the EIB Facility to current borrowings, offset in part by the receipt of US$277.3 million from the drawdown of the Ex-Im Bank Facility. In addition, during 2011, other payables decreased due to the early settlement of the Segovia deferred consideration, provisions decreased due to a reduction in the Inmarsat Global post-retirement liability provision following the review of actuarial assumptions for accounting purposes. Partially offsetting the decrease was the increase in deferred income tax liabilities, due predominantly to a deferred tax liability recognised on the acquisition of Ship Equip. In 2010, the decrease in non-current liabilities of US$349.2 million relates primarily to the decrease in non-current borrowings and to the reduction in provisions of US$13.3 million to US$42.5 million at 31 December 2010, which was due predominantly to Inmarsat Global's pension and post-retirement scheme liabilities following the review of actuarial assumptions for accounting purposes at 31 December 2010. Partially offsetting the decrease was the increase in other payables and deferred income tax of US$30.7 million and US$14.1 million, respectively. The decrease in net non-current borrowings of US$381.4 million in 2010 is due to a number of offsetting transactions during the year. We drew down US$308.4 million under the EIB Facility, repaid the entire outstanding amount of US$209.2 million of the Stratos Senior Credit Facility and redeemed the outstanding Stratos Senior Unsecured Notes of US$62.4 million (US$150.0 million principal amount of the Stratos Senior Unsecured Notes less US$87.6 million principal amount which was held by the Group at the date of redemption) and borrowings of US$50.0 million under our old Senior Credit Facility were transferred from non-current to current in the year. In addition, during 2009, as a result of the Group Reorganisation certain loans from Inmarsat plc and Inmarsat Holdings Limited (both of which are outside the Group) were substantially repaid or eliminated.

Debt

We had Net Borrowings at 31 December 2011 of US$1,108.3 million, primarily comprising the Senior Notes Due 2017, drawings on the EIB Facility of US$308.4 million, drawings on the Ex-Im Bank Facility of US$277.3 million and deferred satellite payments of US$34.7 million, net of cash and cash equivalents of US$165.7 million.

The following table sets out the components of our Net Borrowings (gross of deferred finance costs) for each of the periods presented.

	As at 31 December	
	2011	**2010**
	(US$ in millions)	
Previous senior credit facility	—	200.0
EIB Facility	308.4	308.4
Ex-Im Bank Facility	277.3	—
Original Notes	650.0	650.0
Issuance discount on Original Notes	(3.6)	(4.2)
Deferred satellite payments [1]	34.7	40.8
Bank overdrafts	1.2	0.7
Subordinated parent company loan [2]	—	325.7
Intercompany loan [3]	6.0	5.7
Total borrowings	**1,274.0**	**1,527.1**
Cash and cash equivalents	(165.7)	(323.1)
Net Borrowings (gross of deferred finance costs) [4]	**1,108.3**	**1,204.0**

(1) Deferred satellite payments represent the net present value of future payments to the relevant satellite manufacturer which are dependent on the future performance of each satellite and are recognised when the satellite becomes operational.

(2) A review of the Group's structure in November 2011 led to a capital contribution from the Company's parent company (Inmarsat Holdings Limited) eliminating the previous subordinated parent company loan.

(3) Intercompany loans are subordinated to the Senior Credit Facilities and the Notes pursuant to the terms of the Intercreditor Agreement.

(4) See "*Non-IFRS Financial Measures—Net Borrowings*". For the purposes of this table, indebtedness is reflected at its principal amount (other than the unamortised issuance discount on the Original Notes). Under IFRS, however, for purpose of our balance sheet, indebtedness is stated at the net proceeds received (i.e., including any premium or discount, as well as and after deducting any unamortised debt issuance costs). As at 31 December 2011, this table excludes the impact of deferred financing fees related to the EIB Facility of US$2.2 million, the Ex-Im Bank Facility of US$14.5 million and the Original Notes of US$9.2 million (which are netted against the principal outstanding under the EIB Facility, Ex-Im Bank Facility and the Original Notes, respectively, in the consolidated financial statements). Debt issuance costs are amortised using the effective interest rate method over the life of the debt to which they relate, approximately eight years for the EIB Facility, 12.5 years for the Ex-Im Bank Facility and eight years for the Original Notes.

As at 31 December 2011, we had US$1,172.7 million of borrowing availability under our Senior Credit Facilities. We expect our Net Borrowings to increase in the coming periods due to our Global Xpress and Alphasat capital investment programmes. Our Senior Credit Facilities require us to maintain specified financial ratios. See "*Descriptions of Certain Financing Arrangements*".

Contractual Obligations

The following table summarises contractual obligations, commercial commitments and principal payments under our debt instruments as of 31 December 2011.

	Payments due by period				
	Total	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
	(US$ in millions)				
Long-term debt obligations [(1)]	1,194.0	—	89.0	152.5	952.5
Short-term debt obligations [(2)]	45.3	45.3	—	—	—
Capital commitments [(3)]	1,086.7	555.6	462.6	48.1	20.4
Operating leases [(4)]	188.2	25.1	39.9	28.9	94.3
Other non-cancellable agreements [(5)]	4.0	1.1	0.4	2.5	—
Total contractual obligations	**2,518.2**	**627.1**	**591.9**	**232.0**	**1,067.2**

(1) Includes US$264.3 million under the EIB Facility, US$277.3 million under the Ex-Im Bank Facility, US$650.0 million in aggregate principal amount of the Original Notes, US$3.6 million of discount on the Original Notes and US$6.0 million of intercompany loans. In addition the values exclude interest obligations on the EIB Facility, Ex-Im Bank Facility and the Original Notes.

(2) Includes US$44.1 million under the EIB Facility and a US$1.2 million overdraft. Our interest obligation on the EIB Facility has not been included.

(3) Includes our obligations in respect of the deferred satellite payments.

(4) Relates to the 25-year lease of our head office building at 99 City Road, London, United Kingdom and to network and satellite services contracts.

(5) Relates to warranty costs.

Parent Company Obligations

Dividends. Our ultimate parent company, Inmarsat plc, has a dividend policy that is designed to make distributions to public shareholders from the underlying cash flow generation of all its subsidiaries. Since Inmarsat plc was listed on the London Stock Exchange in June 2005, holders of the ordinary shares have received dividend payments twice a year, usually paid in May and October.

Share repurchase programme. On 4 August 2011, Inmarsat plc, announced a share repurchase programme of up to US$250 million, with a target implementation period of 12 months. As of 31 December 2011, 13.9 million ordinary shares have been repurchased at a total cost of US$98.4 million.

Convertible bonds. On 16 November 2007, Inmarsat plc issued US$287.7 million in principal amount of 1.75 per cent. convertible bonds due 2017 (the "**Convertible Bonds**"). The Convertible Bonds are convertible into ordinary shares of Inmarsat plc and have a 1.75 per cent. per annum coupon payable semi-annually and an

original yield to maturity of 4.50 per cent. The Convertible Bonds have an initial conversion premium of 32.5 per cent. over the reference share price of £4.6193 representing approximately 5 per cent. of Inmarsat plc's then current issued share capital. The initial conversion price is US$12.694 and the total number of ordinary shares to be issued if all Convertible Bonds are converted is 22.7 million shares. Inmarsat plc has an option to call the Convertible Bonds after seven years at their accreted principal amount under certain circumstances. In addition, holders of the Convertible Bonds have the right to require Inmarsat plc to redeem their Convertible Bonds at their accreted principal amount on 16 November 2012 and 16 November 2014 or following the occurrence of certain change of control events.

Subject to our operating performance and the terms of the Notes, we expect to make dividend payments to Inmarsat Holdings Limited in connection with Inmarsat plc's dividend policy. In addition, from time to time, we may pay additional dividends to Inmarsat Holdings Limited in connection with other general corporate purposes of Inmarsat plc, including its share repurchase programme and its obligations under the Convertible Bonds described above.

Research and Development

Our research and development include costs relating to the development of our satellites and new technologies and products, such as our GSPS and related network infrastructure. Research and development costs were US$6.3 million during the year ended 31 December 2011 as compared with US$4.4 million and US$3.5 million during the years ended 31 December 2010 and 2009, respectively.

Off Balance Sheet Arrangements and Contingencies

We do not currently have any off-balance sheet arrangements other than operating leases. See "*Contractual Obligations*" and note 29 to our audited consolidated financial statements for the year ended 31 December 2011 are set forth elsewhere herein.

Quantitative and Qualitative Disclosures about Market Risk

The following discussion of estimated amounts generated from a sensitivity analysis is "forward looking", and involves risks and uncertainties. Our actual results could differ materially from those we project due to actual developments in the global financial markets. Such risks principally include country risk, legal risk and political risk that are not represented in the following analyses. The discussion should be read in conjunction with "*—Critical Accounting Policies—Financial Instruments and Hedging Activities*".

Foreign Exchange Risk

The US dollar is our functional currency. Our long-term borrowings are denominated in US dollars, the majority of our revenue is earned in US dollars and the vast majority of our capital expenditure is denominated in US dollars, which are therefore not subject to risks associated with fluctuating foreign currency rates of exchange. However, approximately 50 per cent. (2010 and 2009: 60 per cent.) of Inmarsat Global's operating costs are denominated in pounds sterling. Inmarsat Solutions operates internationally, resulting in approximately 5-10 per cent. of revenue and expenditure being denominated in currencies other than the US dollar. Therefore, we are exposed to the effect of a fluctuating US dollar against other currencies and our exposures are carefully managed to avoid variability in future cash flows and earnings caused by volatile foreign exchange rates. Our primary exchange rate exposure is against pounds sterling.

In order to manage our foreign exchange exposure, we have developed a hedging strategy that requires us to purchase foreign currency to cover our forecast short positions in major currencies. Our hedging policy regarding operating expenses requires us to hedge not less than 50 per cent. of our forecast exposures for the next 12 months and allows us to hedge up to 100 per cent. of our forecast exposures for the next 36 months. In recent years we have been typically 100 per cent. hedged for at least 12 months forward on a rolling basis. The currency exposure that we hedge is principally our forecasted sterling costs for salaries and other overhead expenses, as well as other currency expenses from time to time. In addition, our contract with Astrium for the construction of the Alphasat satellite is denominated in Euros. In 2008, we placed forward contracts to hedge 100 per cent. of the pre-launch payments under this contract and therefore have no further material exposure under the contract.

We apply the average exchange rate of the forward currency contracts to all non-financial assets and liabilities during the respective financial year in which we have arranged hedging.

The following table shows information about our foreign exchange forward contracts as at 31 December 2011. We entered into all these instruments for hedging purposes, and we account for them as such under IFRS because they applied to specific expenditure. The table presents the value of the contracts at the contract exchange rate and at the forward rate at the period end, as well as the fair value of the contracts.

	As at 31 December 2011	
	Face value	**Fair value (US$)**
	(in millions)	
Outstanding forward foreign exchange contracts		
GBP contracts	£ 70.5	4.4
Euro contracts	€ 85.1	(2.1)
C$ contracts	C$19.5	(0.5)
		1.8

(1) The fair value represents the difference between the value of the contracts in dollars at the forward rate as of 31 December 2011 and the value of the contracts in dollars at the contract exchange rate.

Interest Rate Risk

Given we have no significant interest-bearing assets (except cash and cash equivalents), 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 us to cash flow interest rate risk. The Revolving Credit Facility and the EIB Facility are at variable rates whilst the Notes and the Ex-Im Bank Facility are at fixed rates.

Our policy is to ensure certainty of the interest charge by fixing interest rates on 60-100 per cent. of forecast net debt for the next two years on a rolling basis. We manage our cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, we agree with other parties to exchange, at specific intervals (primarily quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at 31 December 2011:

	As at 31 December 2011		
	Average contracted fixed interest rate	**Notional principal amount**	**Fair value**
	%	**(US$ in millions)**	
Outstanding floating for fixed contracts			
Less than 1 year	—	—	(8.8)
1 to 2 years	4.93	200.0	(8.4)
2 to 5 years	—	—	—
5 years +	—	—	—
		200.0	**(17.2)**

Under the interest rate swaps we received quarterly floating interest (three-month USD LIBOR) to offset floating interest payable. Gains or losses will reverse in our income statement when the swaps expire. In the year ended 31 December 2009, we recognised a credit of US$0.6 million directly in our income statement as a result of ineffectiveness arising on the designated interest rate swaps (2011 and 2010: US$nil).

In the future, we may hedge against our exposure to interest rate risk that we will incur from time to time on other borrowings.

As at 31 December 2011, if interest rates on net borrowings changed by 1 per cent., with all other variables held constant, our profit after tax for the year would have been impacted by US$2.1 million (as compared with US$0.5 million and US$0.2 million for the years ended 31 December 2010 and 2009, respectively). This is primarily due to our exposure to interest rates on our 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 amount of liability outstanding at each balance sheet date was outstanding for the whole year.

Critical Accounting Policies

Our accounting policies are more fully described in the notes to our audited consolidated financial statements included elsewhere in this disclosure document. However, certain of our accounting policies are particularly important to the presentation of our results of operations and require the application of significant judgment made by our management.

The preparation of the consolidated financial statements in conformity with IFRS requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the reported period. These assumptions and estimates are generally based on factors such as historical experience, trends in our industry and information available from our customers and third parties. The amounts that actually arise in future periods may differ from these estimates, with changes being recognised in the profit and loss account as and when the carrying value is changed.

Our management believes that the most critical accounting policies that involve management judgments and estimates are those set forth below:

Estimated impairment of goodwill

The Group annually undertakes tests to determine whether goodwill has suffered any impairment.

For the purpose of testing for impairment, goodwill is specifically allocated to one of four CGUs which have been identified, being Inmarsat Global, Stratos, Segovia and Ship Equip. Goodwill that arose on the acquisition of Inmarsat Ventures Limited represents goodwill of the Inmarsat CGU only. Goodwill that arose on the acquisition of Stratos has been allocated to the Stratos CGU. Goodwill that arose on the acquisition of Segovia and Ship Equip has been allocated to the Segovia and Ship Equip CGU, respectively. As at 31 December 2011, the carrying amount of goodwill allocated to the Inmarsat, Stratos, Segovia and Ship Equip CGUs was US$406.2 million, US$142.5 million, US$27.2 million and US$66.6 million, respectively.

As at 31 December 2010, the Stratos goodwill was allocated between two separate CGUs, Stratos MSS and Stratos Broadband. In performing the impairment test for the year ended 31 December 2011, the impact of internal restructuring which began in December 2010 was taken into account. Based on the operation of the new structure, interdependency of assets and bundling of revenue, it is no longer possible to identify cash flows attributable to the previous CGUs. Therefore, for the 2011 financial year the use of two separate CGUs was no longer appropriate and they were combined into one joint “Stratos” CGU. As at 31 December 2010, the carrying amount of goodwill allocated to the Inmarsat Global, Stratos MSS, Stratos Broadband and Segovia CGUs was US$406.2 million, US$241.4 million, US$21.1 million and US$27.2 million, respectively. Goodwill of US$262.5 million which was previously allocated between the old Stratos MSS and Stratos Broadband CGUs has been combined to form goodwill of the single Stratos CGU.

Goodwill is tested for impairment by comparing the carrying amount of the CGU with its value in use. The key assumptions used in calculating the value in use are as follows:

Recoverable amount

The recoverable amount of each CGU is based on the value in use, which is determined using cash flow projections derived from financial plans approved by management covering a five-year period. They reflect management’s expectations of revenue, EBITDA growth, capital expenditure, working capital and operating cash flows, based on past experience and future expectations of business performance. Cash flows beyond the five-year period have been extrapolated using perpetuity growth rates.

Growth rates

Long-term growth rates of between 2.5 per cent.-3.0 per cent. (2010: 2.5 per cent.-3.0 per cent.) have been applied to extrapolate the cash flows into perpetuity. The growth rate has been determined using long-term historical growth rates of the CGU and management's expectation of future growth.

Discount rate

The pre-tax rate used to discount the cash flow projections in respect of the Group for 2011 was between 11.6 per cent.-17.2 per cent. (2010: 10.5 per cent.-14.0 per cent.). The discount rate reflects the time value of money and is derived from the Group's weighted average cost of capital, adjusted for the risk associated with each individual CGU.

An impairment charge of US$120.0 million in respect of the Stratos CGU was recorded in the year ended 31 December 2011 (2010: US$nil). Operating profit forecasts for the Stratos CGU have been adjusted downwards due to both internal and external factors. Firstly, price increases implemented by Inmarsat Global have not been passed onto Stratos' end-customers, resulting in reduced margins for the Stratos CGU. Secondly, a reduction in Inmarsat MSS revenues, changes in product mix and competitive pricing have all contributed to lower revenues during 2011. The combination of these factors will continue to erode operating profits at the Inmarsat Solutions level, particularly in respect of the Stratos CGU, and therefore have been reflected in the revised forecasts, giving rise to the impairment of the Stratos CGU. A long-term growth rate of 2.5 per cent. was applied to extrapolate the Stratos CGU cash flow projections into perpetuity and a pre-tax discount rate of 13.8 per cent. used to discount the cash flow projections.

Pension arrangements and post-retirement healthcare benefit assumptions

The Group has applied a rate of return on assets of 6.65 per cent. per annum (2010: 7.78 per cent. per annum) which represents the expected return on asset holdings in the future. The discount rate used to calculate the pension and post-retirement healthcare benefits liability was 4.74 per cent. (2010: 5.40 per cent.).

Income tax

The Group's income tax balance is the sum of the total current and deferred tax balances. The calculation of this, and of the Group's 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.

Revenue in respect of the LightSquared Cooperation Agreement

There are a number of phases under the Cooperation Agreement with LightSquared. Please refer to "—*Significant Factors Affecting Our Results of Operations—Effect of LightSquared Cooperation Agreement*".

Under Phase 1 the Group will receive payments totalling US$118.8 million in respect of its work to transition to a modified spectrum plan, which will be accounted for based on the time spent by Inmarsat's engineers as a percentage of the expected time to complete the spectrum re-banding exercise over an 18-month transition period. In addition, Inmarsat will receive US$250.0 million towards the costs that the Group will incur on network and terminal modifications which will be recognised according to the costs incurred to date as a percentage of management's best estimate of the total that will be incurred. These costs are expected to be incurred over the period to 2014. Under Phase 1 of the Cooperation Agreement, LightSquared has made payments totalling US$312.5 million. During the year ended 31 December 2011, the Group has recognised US$95.6 million of revenue and US$11.1 million of operating costs in respect of Phase 1 (year ended 31 December 2010: US$17.5 million and US$0.4 million, respectively).

Under Phase 2, the Group will support a phased transition to a further spectrum plan that increases the total capacity available to LightSquared. In return, the Group will receive payments of US$115.0 million per annum, increasing at a rate of 3 per cent. annually, with effect from January 2011. The deliverables under Phase 2 can be

split into two distinct periods: 1) To transition to a spectrum plan (Plan 2B) which is necessary for LightSquared to operate their proposed services over North America. Work on this will be continuous and the opportunity cost affects the entire period from commencement of Phase 2 equally, therefore revenue will be recognised on a straight-line basis over the entire period. 2) To provide the necessary spectrum on an ongoing basis, this period will commence on the signing over of the Phase 2B spectrum plan to LightSquared. The payments in respect of this element will also be recognised on a straight-line basis over the period to which the payment relates. To date, LightSquared has made payments totalling US$137.7 million under Phase 2 of the Cooperation Agreement. During the year ended 31 December 2011, the Group has recognised US$108.1 million of revenue and US$nil of operating costs in respect of Phase 2.

Under Phase 1.5, the total costs to deliver the accelerated spectrum plan will be recognised as incurred, with revenue recognised based on the percentage of completion approach relative to the total Phase 1.5 costs. Under Phase 1.5 of the Cooperation Agreement, LightSquared has made payments totalling US$40.0 million. During the year ended 31 December 2011, the Group has recognised US$0.1 million of revenue and US$0.1 million of operating costs in respect of Phase 1.5.

The key area of estimation uncertainty relates to our estimates of the total time/costs that will be incurred and our estimate of the percentage of completion of the time and costs that we have incurred.

Recently Issued Accounting Pronouncements

Certain new standards, amendments and interpretations to existing standards were in issue but not yet effective (and in some cases had not yet been adopted by the EU), and have not been applied to the audited consolidated financial statements included elsewhere in this disclosure document. The new standards are as follows:

IFRS 7 (as amended)—Financial Instruments: Disclosures—Amendments enhancing disclosures about transfers of financial assets (effective for financial years beginning on or after 1 July 2011);

IFRS 9—Financial Instruments—Classification and Measurement (effective for financial years beginning on or after 1 January 2013);

IFRS 10—Consolidated Financial Statements (effective for financial years beginning on or after 1 January 2013);

IFRS 11—Joint Arrangements (effective for financial years beginning on or after 1 January 2013);

IFRS 12—Disclosures of Interests in Other Entities (effective for financial years beginning on or after 1 January 2013);

IFRS 13—Fair Value Measurement (effective for financial years beginning on or after 1 January 2013);

IAS 1 (as amended)—Presentation of Financial Statements—Amendments to revise the way other comprehensive income is presented (effective for financial years beginning on or after 1 July 2012);

IAS 12 (as amended)—Income Taxes—Limited scope amendment (recovery of underlying assets) (effective for financial years beginning on or after 1 January 2012);

IAS 19 (as amended)—Employee Benefits—Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects (effective for financial years beginning on or after 1 January 2013);

IAS 27—Consolidated and Separate Financial Statements—Reissued as IAS 27 Separate Financial Statements (as amended in 2011) (effective for financial years beginning on or after 1 January 2013);

IAS 28—Investments in Associates – Reissued as IAS 28 Investments in Associates and Joint Ventures (as amended in 2011) (effective for financial years beginning on or after 1 January 2013); and

IFRIC 20—Stripping Costs in the Production Phase of a Surface Mine (effective for financial years beginning on or after 1 January 2013).

We anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Group.

RISK FACTORS

In addition to the other information in this disclosure document, you should carefully consider the risks described below before deciding whether to invest in the New Notes. The risks and uncertainties we describe below are not the only ones we face. Additional risks and uncertainties of which we are not aware or that we currently believe are immaterial may also adversely affect our business, financial condition and results of operations. If any of the possible events described below were to occur, our business, financial condition and results of operations may be materially and adversely affected. If that happens, we and the Issuer may not be able to pay interest or principal on the New Notes when due and you could lose all or part of your investment.

This disclosure document contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks described below and elsewhere in this disclosure document. See "Forward-Looking Statements".

Risks Relating to Our Business

The difficult global business environment could negatively affect our business, results of operations and financial condition.

The global economy has recently been experiencing a period of sustained weakness, and the banking system and financial markets have been experiencing high levels of volatility and disruption. The difficult economic and market conditions and disruptions in the credit markets have led to reduced levels of capital expenditures, an increase in commercial and consumer delinquencies, rising unemployment, declining consumer and business confidence, bankruptcies and a widespread reduction of business activity generally. These conditions, combined with continued concerns about the systemic impact of potential long-term and widespread economic recession, volatile energy costs, geopolitical issues, unstable housing and mortgage markets, labour and healthcare costs, and other macroeconomic factors affecting spending behaviour have contributed to diminished expectations for the global economy.

As a result of the economic and market conditions, many of our end-users have experienced or may experience deterioration of their businesses, cash flow shortages, difficulty obtaining financing or insolvency. Existing or potential end-users may reduce or postpone spending in response to tighter credit, negative financial news or declines in income or asset values. In particular, the shipping industry, which represents a large component of demand for our products and services, has historically exhibited cyclical economic conditions, primarily due to fluctuations in the demand for shipping services and the global supply of shipping capacity. Further, reductions in government spending and defence budgets could result in response to declining economic conditions. For example, a number of governments in Europe have announced austerity measures and reduced government spending. Any reduction in spending by our end-users could have a material negative effect on the demand for our products and services. If the global economic slowdown continues for a significant period or there is significant further deterioration in the global economy, our business, financial condition and results of operations could be materially adversely affected.

The global communications industry is highly competitive. It is likely that we will face significant competition in the future from other network operators, which may adversely affect end-user take-up of our services and our revenues.

The global communications industry is highly competitive. We face competition today from a number of communications technologies in the various target sectors for our services. It is likely that we will continue to face increasing competition from other network operators in some or all of our target sectors in the future, particularly from satellite network operators. Competition from Iridium Communications Inc. ("**Iridium**"), a global MSS operator, has been increasing. Iridium provides a maritime service that offers a 128 kbps capability and competes with the low end of our FleetBroadband capability. In addition, we also face regional competition for data and voice services from regional MSS operators such as Globalstar, Inc. ("**Globalstar**") and Thuraya Telecommunications Company ("**Thuraya**") and to a lesser extent other regional MSS operators, which has influenced the price at which our distribution partners and service providers offer our services. Both Iridium and Globalstar plan to bring new generations of satellites into service and, when completed, these satellites are likely

to increase the competition we face from these operators. Thuraya, a leader in the provision of handheld satellite phones on a regional basis, offers a 444 kbps mobile data communications service also on a regional basis and, in March 2011, launched a regional maritime 60 kbps data service.

Communications providers who operate private networks using very small aperture terminals ("**VSAT**") or hybrid systems also continue to target users of mobile satellite services. Technological innovation in VSAT, together with increased C-band, Ku-band and Ka-band coverage and commoditisation, have increased, and we believe may continue to increase, the competitiveness of VSAT and hybrid systems in traditional MSS sectors, including the maritime and aviation sectors. Furthermore, the gradual extension of terrestrial wireline and wireless communications networks to areas not currently served by them may reduce demand for some of our services in those areas.

Sales to our key distribution partners represent a significant portion of our wholesale MSS revenues and the loss of any of these distribution partners could adversely affect our revenues, profitability and liquidity.

Although we own one of our largest distribution partners (formerly known as Stratos), our Inmarsat Global segment continues to rely to a large extent on other third party distribution partners and service providers to sell our services to end-users and they determine the prices end-users pay. Accordingly, there is a risk that our distribution partners or service providers could fail to market or distribute our services effectively, or fail to offer services at prices which are competitive, which could adversely affect our revenues, profitability, liquidity and brand image. In addition, the loss or merger of any key distribution partners could materially affect our routes to market, increase our reliance on a few key distributors, reduce customer choice or represent a significant bad debt risk. For 2011, one of our distribution partners, Vizada, accounted for 33 per cent. of our Inmarsat Global MSS revenues.

The development of combined satellite and terrestrial networks could interfere with our services.

On 29 January 2003, the FCC promulgated a general ruling (the "**ATC Ruling**") that MSS spectrum, including the L-band spectrum we use to operate our services, could be used by MSS operators to integrate ancillary terrestrial component ("**ATC**") services into their satellite networks in order to provide combined terrestrial and satellite communications services to mobile terminals in the United States. Since the time of the ATC Ruling a number of MSS operators, including LightSquared, have proposed or discussed such services.

The implementation of ATC services by MSS operators in the United States or other countries may result in increased competition for the right to use L-band spectrum, and such competition may make it difficult for us to obtain or retain the spectrum resources we require for our existing and future services. In addition, the FCC's decision to permit integrated MSS/ATC services was based on certain assumptions, particularly relating to the level of interference that the provision of integrated MSS/ATC services would likely cause to other MSS operators, such as us, who use the L-band spectrum. If the FCC's assumptions with respect to the use of L-band spectrum for integrated MSS/ATC services prove inaccurate, or a significant level of integrated MSS/ATC services is provided in the United States, the provision of integrated MSS/ATC services could interfere with our satellites and user terminals, which may adversely impact our services. For example, the use of certain L-band spectrum to provide integrated MSS/ATC services in the United States could interfere with our satellites providing communications services outside the United States where the satellites' "footprint" overlaps the United States. Such interference could limit our ability to provide services that are transmitted through any satellite visible to the United States. Two of our three Inmarsat-4 satellites, three of our Inmarsat-3 satellites and one of our Inmarsat-2 satellites are currently visible to the United States. In addition, users of our terminals in the United States could suffer interruptions to our services if they tried to use their terminals near ATC terrestrial base stations used to provide integrated MSS/ATC services. In the event that we anticipate significant usage of mobile user terminals near ATC terrestrial base stations, it may be necessary for the manufacturers of the mobile terminals to modify their products to make them less susceptible to interference and for us to replace or upgrade existing user terminals to avoid harmful interference. Although in the case of our Cooperation Agreement with LightSquared we have received payments to compensate us for the costs anticipated to protect our network from interference from the proposed LightSquared network, such compensation may not be sufficient and our interference mitigation strategy may not be successful.

Jurisdictions other than the United States are considering, and could implement, similar regulatory regimes in the future. In May 2004, Industry Canada, the Canadian regulator, decided in principle to allow ATC services in Canada.

We cannot assure you that the development of hybrid networks in the United States, Canada, Europe or in other countries will not result in harmful interference to our operations. If we are unable to prevent such interference it could have an adverse effect on our business, financial condition and results of operations.

We may not retain sufficient rights to the spectrum required to operate our existing satellite system to its expected capacity, to take full advantage of future business opportunities or to operate our proposed Global Xpress service.

We rely on radio spectrum to provide our services. This has historically been allocated by the International Telecommunication Union ("**ITU**") without charge, and usage has to be co-ordinated with other satellite operators in our spectrum band. In the future, we may not be successful in co-ordinating our satellite operations under applicable international regulations and procedures or in obtaining sufficient spectrum or orbital resources necessary for our operations.

We must retain rights to use sufficient L-band and C-band spectrum necessary for the transmission of signals between our satellites and end-user terminals and between our satellites and our control stations. Our access to L-band spectrum and C-band spectrum is obtained through frequency coordination under ITU procedures. The L-band coordination is governed, in part, by sharing arrangements with other satellite operators that are re-evaluated and re-established through two annual, regional multilateral meetings of those satellite operators—one for operators whose satellites cover the Americas, and a second for those whose satellites cover Europe, Africa, Asia and the Pacific.

We agreed L-band spectrum allocations for 2012 at the most recent Europe, Africa, Asia and Pacific operators' review meeting. We, together with LightSquared, also collectively have the rights to the majority of the L-band spectrum allocation in the Americas. As a result of the Cooperation Agreement we signed with LightSquared in December 2007 for spectrum re-use and reorganisation of our respective L-band spectrum across the Americas, and the recent exercise of certain implementation notices by LightSquared, we have agreed allocations for the Americas with LightSquared for the foreseeable future. See "*Regulation—International Telecommunication Union Filings and Co-ordination Procedures*". We believe those agreements provide sufficient spectrum to support our existing services for the duration of the agreements. As part of our business planning we may need to apply for additional spectrum to support our future services and existing services growth.

Competition for Ka-band, L-band and C-band spectrum from new operators or for new services or business opportunities could make it more difficult for us to retain rights to spectrum or to take full advantage of future business opportunities by obtaining access to further Ka-band, L-band and C-band spectrum. If we were unable to retain sufficient rights to Ka-band, L-band and C-band spectrum, our ability to provide our services in the future could be prejudiced, which could have an adverse effect on our business, financial condition and results of operations.

We are subject to operational and financial risks in relation to our Cooperation Agreement with LightSquared.

Our Cooperation Agreement with LightSquared presents us with operational and financial risks. If fully implemented, the Cooperation Agreement will ultimately result in a reduction in available L-band spectrum for Inmarsat services over North America and the need for our L-band services to co-exist in North America with ATC services in adjacent frequencies. Whilst we believe that we can continue to operate our services over North America with minimal impact to our users following the launch of ATC services, there is a risk that our L-band services may be congested, interrupted and/or interfered with, which could have an adverse affect on our future L-band service performance in North America. In order to mitigate this risk, we have already taken measures as part of the migration programme envisaged under the Cooperation Agreement to offer enhanced services for customers (such as the Inmarsat B to FleetBroadband migration incentive and safety services over SwiftBroadband programme), and we will continue to encourage users to progressively upgrade to much more

spectrum-efficient BGAN, SwiftBroadband and FleetBroadband services, as well as to our Global Xpress service once it is launched in 2013. The process of migrating customers from our Existing and Evolved Services to our broadband services gives rise to the risk of customers choosing to move to other competitive services, which could have an adverse effect on our business, financial condition and results of operations.

We issued a notice of default to LightSquared on 20 February 2012 in respect of the non-payment of US$56.25 million compensation for the completion of the Phase 1 transition under our Cooperation Agreement with LightSquared. This notice triggered a period of 60 calendar days (which ends on 20 April 2012), during which LightSquared can remedy the payment default before Inmarsat is entitled to enforce its rights and remedies under the agreement for payment default, including pre-agreed spectrum arrangements and termination of certain LightSquared rights under the Cooperation Agreement. Inmarsat and LightSquared have entered into discussions regarding the future of the Cooperation Agreement, but we cannot provide any assurance that these discussions will result in any further payments being received from LightSquared. See "*Recent Developments*". There is a further risk that we could be subject to potential disputes with LightSquared. For example, LightSquared may object if we attempt to terminate the Cooperation Agreement and may counter claim that we are in breach of other provisions of the Cooperation Agreement. Whilst we would expect to vigorously contest any such claims, such disputes could be disruptive and take significant time to resolve.

Third-party distribution partners provide ground infrastructure for our Existing and Evolved Services.

We sell our Existing and Evolved Services, which currently constitute a substantial portion of our revenues, to third-party distribution partners, many of whom operate the land earth stations ("**LESs**") that transmit and receive those services to and from our satellites. If any of these distribution partners fail to provide or maintain these facilities, we would be forced to migrate the affected traffic to our own LES facilities. Although in such an event we have plans in place to migrate traffic to our own facilities, our Existing and Evolved Services would likely be interrupted whilst the migration takes place, which could adversely affect our business, financial condition and results of operations.

We rely on third parties to manufacture and supply terminals for end-users to access our services and, as a result, we cannot control the availability of such terminals.

Terminals used to access our services are built by a limited number of independent manufacturers. Although we provide manufacturers with key performance specifications for the terminals, these manufacturers could:

- reduce production of, or cease to manufacture, some of the terminals that access our services;
- manufacture defective terminals that fail to perform to our specifications;
- fail to build or upgrade terminals that meet end-users' requirements within our target sectors;
- fail to meet delivery schedules or to market or distribute terminals effectively; or
- sell some of our terminals at prices that end-users or potential end-users do not consider attractive.

If any of these third parties decides to cease manufacturing terminals to access our services, we may not be able to immediately find a replacement supplier on favourable terms, if at all. Also, if any of our suppliers have difficulty manufacturing or obtaining the necessary parts or material to manufacture our products, our business may be adversely affected.

Any of the foregoing could adversely affect the ability of our distribution partners to sell our services, which, in turn, could adversely affect our business, financial condition and results of operations.

We are subject to foreign exchange risk.

We use the US dollar as our functional and reporting currency. While almost all of our revenues are denominated in US dollars, a substantial portion of our operating expenses and, from time to time, a small proportion of our capital expenditures, are denominated in currencies other than the US dollar. Our primary exchange rate risk is against pounds sterling. Although we generally hedge our foreign currency exposure in the short-term, there is no assurance that we will be able to adequately manage our foreign currency exposure in the longer-term or that our results of operations would not be affected by fluctuations of the US dollar against the pound sterling.

We may not be able to recruit and retain the number and calibre of management or employees necessary for our business, which may adversely affect our revenues, profitability and liquidity.

Technological competence and innovation are critical to our business and depend, to a significant degree, on the work of technically skilled employees. The market for the services of these types of employees is competitive. We may not be able to attract and retain these employees. If we are unable to attract and retain adequate technically skilled employees, including those supporting the development and provision of our higher bandwidth services, our business, financial condition and results of operations could be materially adversely affected.

Risks Relating to Our Technology and the Operation and Development of Our Network

Our satellites are subject to significant operational risks while in orbit which, if they were to occur, could adversely affect our revenues, profitability and liquidity.

Satellites are subject to significant operational risks while in orbit. These risks include malfunctions, commonly referred to as "anomalies", that have occurred in our satellites and the satellites of other operators as a result of various factors, such as satellite manufacturers' errors, problems with the power or control systems of the satellites and general failures resulting from operating satellites in the harsh environment of space.

Although we work closely with satellite manufacturers to determine and eliminate the cause of anomalies in new satellites and provide redundancy for many critical components in our satellites, we may experience anomalies in the future, either of the types described above or arising from the failure of other systems or components.

Any single anomaly or series of anomalies could materially adversely affect our operations, as well as our ability to attract new customers for our services. Anomalies could also reduce the expected useful life of a satellite, thereby reducing the revenue that we could generate with that satellite, or create additional expenses due to the need to provide replacement or back-up satellites. The occurrence of future anomalies could materially adversely affect our ability to insure our satellites at commercially reasonable premiums, if at all. For more information on the risk that we may be unable to obtain and maintain insurance for our satellites, see "**—***We may be unable to obtain and maintain insurance for our satellites, and the insurance we obtain may not cover all losses we experience. Even if our insurance were sufficient, delays in launching a replacement satellite could adversely affect our revenues, profitability and liquidity*".

Meteoroid events pose a potential threat to all in-orbit satellites. The probability that a meteoroid will damage a satellite increases significantly when the earth passes through the particulate stream left behind by comets. Occasionally, increased solar activity poses a potential threat to all in-orbit satellites and there has been an increase in solar activity in recent years. While we have designed our satellites to withstand such solar events, there can be no assurance that high levels of solar activity will not degrade satellite performance in the future.

Some decommissioned spacecraft are in uncontrolled orbits that pass through the geostationary belt at various points, and present hazards to operational spacecraft, including our satellites. The loss, damage or destruction of any of our satellites as a result of collision with meteorites, space debris, solar activity, malfunction or other event could have a material adverse effect on our business, financial condition and results of operations.

Our ground network is subject to significant operational risks which, if they were to occur, could adversely affect our revenues, profitability and liquidity.

Our satellite system includes seven tracking, telemetry and control ground stations and four network co-ordination stations located around the world. See "*Business—Our Network and Technology*". If two or more of these stations were to fail at the same time, our ability to operate our satellites effectively may be limited, which could adversely affect our revenues, profitability or liquidity. Inmarsat also operates three satellite access stations ("**SASs**") for our broadband services via our three Inmarsat-4 satellites. Two of these SASs provide service redundancy for the EMEA region, our busiest traffic area. However, the third SAS, located in Hawaii, is currently providing services to two Inmarsat-4 satellites over the Americas and Asia-Pacific regions. While significant on-site redundancy has been incorporated into the Hawaii SAS, no redundant site is currently

available in case of a failure of the Hawaii SAS. As a result, a failure of our Hawaii SAS could result in a material adverse effect on our business, financial condition and results of operations. In addition we operate LESs for our Existing and Evolved Services in the Netherlands, Canada, Australia and New Zealand. Whilst we do not have site redundancy for the landing of this traffic in our network, this traffic could alternatively be landed at the LESs operated by our third party distributors. Migrating our traffic to LESs operated by third party distributors could be disruptive, which could adversely affect our business, financial condition and results of operations.

Our next generation services are being developed and are subject to implementation risk.

Our next generation service, Global Xpress, which will be deployed over a global network of Ka-band Inmarsat-5 satellites, is currently being developed. The development, which includes the Inmarsat-5 satellites, ground network, terminals and related services, may be subject to delays and material cost over-runs. There can be no assurance that the development of new satellites, ground networks, and terminals and the introduction of new services will proceed according to anticipated schedules or cost estimates, or that the level of demand for the new services will justify the cost of setting up and providing such new services. In addition, as we are relying on our contractual counterparties to perform under our contracts relating to the development and launch of our Inmarsat-5 satellites and Global Xpress service, we are at risk that these parties may not perform as anticipated and disputes may arise as to their contractual obligations. See "*Material Contracts*". Failure or a delay in the completion of such networks or services or the launch or deployment or operation of such satellites or new services, or increases in the associated costs, could have a material adverse effect on our business, financial condition and results of operations.

Our networks and those of our distribution partners may be vulnerable to security risks.

We expect the secure transmission of confidential information over our networks to continue to be a critical element of our operations. Our network and those of our distribution partners have in the past been, and may in the future be, vulnerable to unauthorised access, computer viruses and other security problems. Persons who circumvent our security measures could wrongfully obtain or use information on our network or cause interruptions, delays or malfunctions in our operations, any of which could have a material adverse effect on our revenues, profitability and liquidity. We may be required to expend significant resources to protect against the threat of security breaches or to alleviate problems, including reputational harm and litigation, caused by any such breaches. Although we have implemented and intend to continue to implement industry-standard security measures, these measures may prove to be inadequate and may result in system failures and delays that could have a material adverse effect on our business, financial condition and results of operations.

New or proposed satellites, such as Alphasat and the Inmarsat-5's, are subject to construction and launch delay and launch failures, including a launch that fails to deliver a satellite to its designated orbital location after launch, or other satellite damage or destruction during launch, which could result in a total or partial satellite loss, the occurrence of which could have a material adverse effect our business, financial condition and results of operations.

Our Alphasat and Inmarsat-5 satellites are under construction, and we expect to launch the first of these satellites beginning in 2013. The construction and launch of satellites requires significant capital expenditure (the total capital expenditure for Alphasat and Inmarsat-5 satellites is estimated to be US$1.55 billion), and are subject to the risk of delay and other problems. Delays can result from the delays in the construction of satellites and launch vehicles, the periodic unavailability of reliable launch opportunities, possible delays in obtaining regulatory approvals and launch failures. Launch failures result in significant delays in the deployment of satellites because of the need both to construct replacement satellites, which can take up to 60 months or longer, and to obtain other launch opportunities. Such significant delays could adversely affect our operations and our revenues. Delay caused by launch failures may also preclude us from pursuing new business opportunities and undermine our ability to implement our business strategy. Any significant delay in the commencement of service of any satellite could affect our plans to replace an in-orbit satellite prior to the end of its service life. Launch vehicles may also under-perform, in which case the satellite may still be placed into service by using its on board propulsion systems to reach the desired orbital location, but which would result in a material reduction in its service life. The failure to implement our satellite deployment plan on schedule could have an adverse effect on our business, financial condition and results of operations.

If we are required to shorten the expected useful lives of our satellites, our profitability could be adversely affected.

A number of factors affect the useful lives of the satellites, including, among other things, the quality of their construction, the durability of their component parts, the ability to continue to maintain proper orbit and control over the satellite's functions, the efficiency of the launch vehicle used and the remaining on board fuel following orbit insertion. The minimum design life of our Inmarsat-2 satellites is ten years, while our Inmarsat-3 and Inmarsat-4 satellites each have a minimum design life of 13 years. The Inmarsat-5 and Alphasat satellites are expected to have design lives of 15 years each. The actual useful lives of our satellites can vary from their design lives. Changes in useful lives can have a significant effect on our depreciation charge and affect profitability, and we regularly reassess the useful economic lives of our satellites for financial reporting purposes. In October 2005, we changed the useful lives of the Inmarsat-4 satellites from 13 years to 15 years to reflect the better than expected performance of the launch vehicles and the adoption of an optimised mission strategy which are expected to extend the orbital lives of these satellites beyond their initial design life. However, there can be no assurance that in the future we will not be required to shorten the useful economic lives of our current or future satellites which could adversely affect our business, financial condition and results of operations.

We may be unable to obtain and maintain insurance for our satellites, and the insurance we obtain may not cover all losses we experience. Even if our insurance were sufficient, delays in launching a replacement satellite could adversely affect our revenues, profitability and liquidity.

We have in-orbit insurance cover for our fleet of three Inmarsat-4 satellites until August 2012 and expect to maintain commercially prudent levels of insurance in the future. We have also recently obtained launch and in-orbit insurance covering the launch and the first year in orbit of our Alphasat and Inmarsat-5 satellites. We have also obtained a level of in-orbit insurance for our Alphasat and Inmarsat-5 satellites for a further four years.

The price, terms and availability of insurance have fluctuated significantly since we began offering commercial satellite services. The cost of obtaining insurance can vary as a result of either satellite failures or general conditions in the insurance industry. Insurance policies on satellites may not continue to be available on commercially reasonable terms, or at all. In addition to higher premiums, insurance policies may provide for higher deductibles, shorter coverage periods and additional satellite health-related policy exclusions. An uninsured failure of one or more of our primary satellites could have a material adverse effect on our financial condition, revenue, profitability and liquidity. In addition, higher premiums on insurance policies would increase our costs, thereby reducing our operating income.

Even where we have obtained in-orbit insurance for a satellite, this insurance coverage will not protect us against all losses that might arise as a result of a satellite failure. Our current in-orbit insurance policies contain, and any future policies can be expected to contain, specified exclusions and material change limitations customary in the industry at the time the policy is written. These exclusions typically relate to losses resulting from acts of war, insurrection or military action, government confiscation, as well as lasers, directed energy beams, or nuclear or anti-satellite devices or radioactive contamination.

In addition, should we wish to launch another satellite to replace a failed operational satellite, the timing of such launch would be dependent on the completion of manufacture of such a replacement satellite and prior commitments made by potential suppliers of launch services to other satellite operators. Our insurance does not protect us against lost or delayed revenue, business interruption or lost business opportunities.

We also maintain third-party liability insurance. This insurance may not be adequate or available to cover all third-party damages that may be caused by any of our satellites, and we may not in the future be able to renew our third-party liability cover on reasonable terms and conditions, if at all.

New technologies introduced by our competitors may reduce demand for our services or render our technologies obsolete, which may have a material adverse effect on the cost structure and competitiveness of our services, possibly resulting in a negative effect on our revenues, profitability and liquidity.

The space and communications industries are subject to rapid advances and innovations in technology. We expect to face competition in the future from companies using new technologies and new satellite and terrestrial systems. Advances or innovations in technology could render our technologies obsolete or less competitive by

satisfying consumer demand in more attractive or cost-effective ways, or by introducing standards that are incompatible with ours. Obsolescence of the technologies that we use could have a material adverse effect on our business, financial condition and results of operations.

Our business relies on intellectual property, some of which third parties own, and we may inadvertently infringe upon their patents and proprietary rights.

Many entities, including some of our competitors, currently (or may in the future) hold patents and other intellectual property rights that cover or affect products or services related to those that we offer. We cannot assure you that we are aware of all intellectual property rights that our products may infringe upon. In general, if a court were to determine that one or more of our products infringe upon intellectual property held by others, we may be required to cease developing or marketing those products, to obtain licences from the holders of the intellectual property or to redesign those products in such a way as to avoid infringing upon others' patents. We cannot estimate the extent to which we may be required in the future to obtain intellectual property licences or the availability and cost of any such licences. To the extent that we are required to pay royalties to third parties to whom we are not currently making payments, these increased costs of doing business could negatively affect our profitability or liquidity.

In addition, if a competitor holds intellectual property rights, it may not allow us to use its intellectual property at any price, which could adversely affect our business, financial condition and results of operations.

Regulatory Risks

Our business is subject to regulation and we face increasing regulation with respect to the transmission of our satellite signals and the provision of our MSS in some countries, which could require us to incur additional costs, could expose us to fines and could limit our ability to provide existing and new services in some countries.

The maintenance and expansion of our business is dependent upon, among other things, our ability (and/or the ability of our distribution partners and/or their service providers) to obtain required government licences and authorisations in a timely manner, at reasonable costs and on satisfactory terms and conditions.

Our business is subject to the regulatory authority of the government of the United Kingdom and the national authorities of the countries in which we operate, as well as to the regulations of various international organisations. Government authorities generally regulate, among other things, the construction, launch and operation of satellites, the use of satellite spectrum at specific orbital locations, the licensing of earth stations and mobile terminals, and the provision of satellite services. For more information on the regulatory environment in which we operate, see "*Regulation*".

In particular, under the UK Outer Space Act 1986, we must obtain licences to conduct our business, including for the launch of our satellites. The terms of these licences provide that we indemnify the UK government without limit for any claim brought against it as a result of our licensed activities or in respect of any loss suffered by the UK government as a result of any breach of the terms of the licence. We also must maintain insurance of up to £100.0 million per satellite to be used to pay any sums to the UK government in respect of this indemnity. See "*Regulation—Regulation of our Satellite System—UK Outer Space Act 1986*".

Increasingly, regulatory authorities are imposing fees and introducing new regulatory requirements on businesses that use spectrum or offer communications services. This could significantly adversely affect our business. In addition to the licences issued to us by the UK government for the launch and operation of our satellites, to date we have obtained specific telecommunications or frequency licences with respect to our existing services in most countries where this sort of licence is required, and are currently discussing terms and conditions with several other countries. Additional countries are considering whether to implement such licence requirements. These licence requirements could require us to incur new and unforeseen additional costs, could expose us to fines if we were unable to obtain or retain any licences or meet all regulatory requirements, and could limit our ability to provide existing or new services in some countries, which could adversely affect our revenues, profitability or liquidity. While we have in the past been able to negotiate exemptions or fees that are proportionate to our business and the amount of spectrum actually used in a country, this cost could be higher in countries served by multiple beams, particularly in Ka-band.

It is also possible that regulatory authorities in some countries may require us to establish an earth station or a point of presence in their countries as a condition to distribute our services in those countries. This has, in particular, been a barrier to entry in India. Some countries may also require us to provide traffic reports on a regular basis or maintain a domestic billing database for their country. To the extent we own and/or operate the earth stations for our broadband, GSPS services and any future services such as Global Xpress, we are required to obtain licences for the operation of those stations as network facilities, and also will need to obtain rights to C-band and/or Ka-band spectrum for communications between the stations and our satellites. Approval of the offering of our services or operation of earth stations will be contingent upon us or our distribution partners providing any countries as they may so require, with the ability to monitor calls made to or from such countries and/or to intercept traffic. Although we believe that we will be able to address the concerns of many of these countries as they arise, there is no assurance that we (and/or our distribution partners and/or their service providers) will be able to do so. In addition, some countries in which we or our distribution partners, or their service providers, operate have laws and regulations relating to privacy and the protection of data which may impair our ability to obtain licences or offer our services on a timely basis.

For our planned Global Xpress services, certain regions have no allocation in the Ka-band spectrum for MSS. We therefore plan to provide services using existing fixed satellite service ("**FSS**") allocations in these regions. There are already existing precedents for the introduction of mobility in allocations for FSS in C- and Ku-band. Moreover, there are reports from ITU and the European Conference of Postal and Telecommunications Administrations ("**CEPT**") that recommend the framework and conditions for Ka-band allocations. However, certain countries may take time or may require an explicit ITU endorsement before allowing the use of mobile terminals in Ka-band.

Laws, policies and regulations affecting the satellite industry are subject to change in response to industry developments, new technology or political considerations. Legislators or regulatory authorities in various countries are considering, and may in the future adopt, new laws, policies and regulations or changes to existing regulations regarding a variety of matters that could, directly or indirectly, affect our operations or the operations of our distribution partners, or increase the cost of providing services over our system. Changes to current laws, policies or regulations or the adoption of new regulations could affect our ability to obtain or retain required government licences and authorisations or could otherwise have a material adverse effect on our business, financial condition and results of operations.

Our contractual relationships with our distribution partners may be subject to regulatory challenge, which could require us to renegotiate the contractual relationships and could result in the imposition of fines.

Our overall relationship with our distribution partners is governed by our Distribution Agreements. See "*Material Contracts—Distribution Agreements*". There is a risk that regulatory authorities or other third parties could challenge the Distribution Agreements, for example under European Union competition laws. As of 1 May 2004, it is no longer possible to obtain an exemption from European Union competition rules by notifying an agreement to the European Commission, and parties must make their own assessment as to whether their agreements fulfil European Union competition requirements. We have previously conducted a regulatory review of the terms of our Distribution Agreements, and of our competitive position in the sectors in which we operate. We do not believe that we are party to any agreement that is, in the current competitive environment, anticompetitive, or otherwise faces a significant risk of regulatory challenge. However, the competitive environment may change, and regulatory risk analysis is by its nature subjective. Therefore, we cannot assure you that either we, or the Distribution Agreements, or our distribution partners face no risk of challenge. For example, competition authorities could determine that we have market power in one or more business sectors, and could challenge us, or the Distribution Agreements or our distribution partners as anti-competitive. A successful regulatory challenge could result in portions, or all, of the Distribution Agreements being declared unenforceable, could require us to modify or replace certain provisions of the Distribution Agreements in order to achieve compliance and, in certain circumstances, could result in the imposition of fines. Competition authorities generally have powers to impose fines, including for breaches of competition laws, which in the case of the European Commission, is up to a maximum of 10 per cent. of a company's worldwide annual group revenues. In addition, third parties could initiate civil litigation claiming damages caused by alleged anticompetitive practices and agreements.

We may not be aware of certain foreign government regulations.

We, our customers and the companies with which we or our customers do business may be required to have authority from each country in which we or such companies provide services or provide our or their customers with the use of our satellites. We may not be aware of whether some of our customers and/or companies with which we or our customers do business, do not hold the requisite licences and approvals as required in such countries.

Because regulatory schemes vary by country and evolve over time, we may be subject to regulations in foreign countries of which we are not presently aware. If that were to be the case, we could be subject to sanctions by a foreign government that could materially adversely affect our ability to operate in that country. Our current regulatory approvals could now be (or could become) insufficient in the view of foreign regulatory authorities, any additional necessary approvals may not be granted on a timely basis (or at all), in all jurisdictions in which we wish to offer services, and applicable restrictions in those jurisdictions could become unduly burdensome. The failure to obtain the authorisations necessary to operate satellites internationally could have a material adverse effect on our business, financial condition and results of operations.

Our distribution partners and service providers face increasing regulation in many countries, and end-users often require licences to operate end-user terminals. This regulatory burden could increase the costs of our distribution partners and service providers or restrict their ability to sell our products.

Our distribution partners and service providers require licences and regulatory consents to offer our services in many countries where they operate. In addition, end-users often require licences to use our terminals. Furthermore, we expect that our distribution partners, their service providers and end-users will require licences for our handheld services in many jurisdictions in which they distribute our services or use our terminals, and they may fail to obtain those licenses. Any delay or failure by our distribution partners, their service providers or end-users to obtain required licences in connection with the distribution of our services or use of terminals could prevent our services from being distributed, sold or used in some countries or lead to unauthorised use that could adversely affect the reputation of our brand, which could have a material adverse effect on our business, financial condition and results of operations.

We may not be successful in co-ordinating our satellite operations under applicable international regulations and procedures or in obtaining spectrum and orbital resources we require for our operations.

The ITU regulates the use of radio frequency bands and orbital locations used by satellite networks to provide communications services. The use of spectrum and orbital resources by us and other satellite networks must be coordinated pursuant to the Radio Regulations in order to avoid causing harmful interference between or among the respective satellite networks. In the case of the L-band, the ITU process has been effected on the basis of agreements between the relevant national administrations whereby the use of frequencies by our satellite network and other satellite networks is coordinated in regional operator review meetings and negotiations. It is not always possible to achieve unanimous agreement amongst operators. However, as a result of the Cooperation Agreement with LightSquared, we have agreed allocations for the Americas for the foreseeable future. The increased competition for spectrum and orbital locations may make it difficult for us to obtain additional L-band spectrum allocations we require for our forecasted requirements. In the future, we may not be able to coordinate our satellite operations successfully under international telecommunications regulations and we may not be able to obtain or retain the spectrum and orbital resources we require to provide our existing or future services.

Competition for orbital locations in the Ka-band is intense and coordination can be challenging, in particular since Inmarsat has no previous coordination rights in this band. We may not be able to coordinate orbital locations for all Inmarsat-5 satellites, may experience delays in obtaining the required agreements, or may not be able to coordinate access to optimum locations.

Risks Relating to the Notes

Our existing or future debt could adversely affect our financial condition or results of operations and prevent us from fulfilling our obligations under the Notes.

We have a significant amount of debt and we may incur substantial additional debt in the future. As of 31 December 2011, our Net Borrowings was US$1,108.3 million. In addition, as at the date of the disclosure document, we had a further US$1,172.7 million of available, but undrawn, debt facilities under our Senior Credit Facilities, which we may incur in the future. See "*Description of Certain Financing Arrangements*" for further information about our debt.

Our substantial debt could have important consequences to you as a holder of the Notes. For example, it could:

- make it difficult for us to satisfy our obligations with respect to the Notes and related guarantees;
- require us to dedicate a substantial portion of our cash flows from operations to payments on our debt, which will reduce our cashflow available to fund capital expenditures, working capital, research and development and other general corporate purposes;
- place us at a competitive disadvantage compared to our competitors that have less debt than we do;
- limit our flexibility in planning for, or reacting to, changes to our industry or our business;
- increase our vulnerability to, and reduce our flexibility to respond to general and industry-specific adverse economic conditions; and
- limit our ability to borrow additional funds, increase the cost of any such borrowing and/or limit our ability to raise equity funding.

The terms of our debt restrict, and the Indenture restricts, our ability to incur, but will not prohibit us from incurring, additional debt. If we were to incur additional debt, the related risks we now face could increase.

We require a significant amount of cash to make payments on the Notes and to service our debt. Our ability to generate sufficient cash depends on a number of factors, many of which are beyond our control.

Our ability to make payments on and to refinance our debt will depend on our future operating performance and ability to generate sufficient cash. This depends, to some extent, on general economic, financial, competitive, market, legislative, regulatory and other factors, many of which are beyond our control, as well as the other factors discussed herein.

Historically, we met our debt service and other cash requirements with cash flows from operations and borrowing facilities.

Although we believe that our expected cash flows from operating activities, together with cash on hand and available borrowing facilities, will be adequate to meet our anticipated liquidity and debt service needs, we cannot assure you that our business will generate sufficient cash flows from operating activities, or that future debt and equity financing will be available to us in an amount sufficient to enable us to pay our debts when due, including the Notes, or to fund our other liquidity needs. See "*Operating and Financial Review*".

If our future cash flows from operations and other capital resources are insufficient to pay our obligations as they mature or to fund our liquidity needs, we may be forced to:

- reduce or delay our business activities, capital expenditures and research and development;
- sell assets;

- obtain additional debt or equity capital; or
- restructure or refinance all or a portion of our debt, including the Notes, on or before maturity.

We cannot assure you that we would be able to accomplish any of these alternatives on a timely basis or on satisfactory terms, if at all. In addition, the terms of our existing debt, and the terms of the Indenture, will limit our ability to pursue any of these alternatives. If we obtain additional debt financing, the related risks we now face will increase.

The Notes and the guarantees are structurally subordinated to the liabilities of our non-guarantor subsidiaries.

Not all of our subsidiaries guarantee the Notes. During the year ended 31 December 2011, our Subsidiary Guarantors collectively (before intercompany eliminations) accounted for 94 per cent. of our consolidated revenue and 91 per cent. of our consolidated EBITDA. As at 31 December 2011, our Subsidiary Guarantors accounted for 93 per cent. of our consolidated total assets, after deducting amounts due from, and investments in, fellow Subsidiary Guarantors. However, certain of our significant licences and intellectual property (including our trademarks and most of our patents) are owned by non-guarantor subsidiaries.

Generally, claims of creditors of a non-guarantor subsidiary, including trade creditors and claims of preference shareholders (if any) of the subsidiary, will have priority with respect to the assets and earnings of the subsidiary over the claims of creditors of its parent entity, including claims against Inmarsat Investments Limited under the Subordinated Intercompany Notes Proceeds Loans and by noteholders under the guarantees. In the event of a liquidation, winding up, administration, reorganisation or any other insolvency of any of these non-guarantor subsidiaries, the non-guarantor subsidiaries will pay the holders of their debt, their trade creditors and any preference shareholders before they would be able to distribute any of their assets to the Parent Guarantor or any other guarantor. As such, the Notes and the guarantees are each structurally subordinated to the creditors (including trade creditors) and preference shareholders (if any) of our non-guarantor subsidiaries.

The Issuer and Inmarsat Investments Limited expect to rely on payments from Inmarsat Ventures Limited and its subsidiaries to fund payments on the Notes and Inmarsat Ventures Limited and its subsidiaries may not be able to make payments to us in some circumstances.

The Issuer is a finance subsidiary that conducts no business operations. It has no subsidiaries and a limited ability to generate revenue. The only significant assets of the Issuer is the Subordinated Intercompany Note Proceeds Loans. If Inmarsat Investments Limited fails to make scheduled payments on the Subordinated Intercompany Note Proceeds Loans, we do not expect the Issuer to have any other sources of funds that would allow it to make payments to you. In addition, if payments by Inmarsat Investments Limited under the Subordinated Intercompany Note Proceeds Loans are subject to tax (including withholding tax), the Issuer may not have sufficient funds to enable it to meet its payment obligations to you.

Payments on the Subordinated Intercompany Note Proceeds Loans are restricted by an intercreditor agreement among the lenders under our Senior Credit Facilities and the Trustee (the "**Intercreditor Agreement**") which, in general, precludes payments of principal on the Subordinated Intercompany Note Proceeds Loans prior to their stated maturity but permits interest payments (although interest payments are subject to suspension in certain circumstances under the Intercreditor Agreement). See "*Description of Certain Financing Arrangements—Intercreditor Agreement*".

Furthermore, Inmarsat Investments Limited is a holding company and does not directly conduct any business operations. Inmarsat Investments Limited's only significant asset is the shares it holds in Inmarsat Ventures Limited. We do not expect Inmarsat Investments Limited to have any sources of funds that would allow Inmarsat Investments Limited to make payments to the Issuer on the Subordinated Intercompany Note Proceeds Loans or to otherwise make distributions to the Issuer, other than funds lawfully distributed by operating subsidiaries of Inmarsat Investments Limited. If distributions by the operating subsidiaries of Inmarsat Investments Limited are subject to tax (including withholding tax), the amount of such payments or distributions to the Issuer may be reduced and the Issuer may not have sufficient funds to enable it to meet its payment obligations to you.

You will not have any direct claim on the cash flows of Inmarsat Investments Limited's operating subsidiaries that are not Subsidiary Guarantors and any such subsidiaries will have no obligation, contingent or otherwise, to pay amounts due under the Notes or the Subordinated Intercompany Note Proceeds Loans or to make funds available to the Issuer or Inmarsat Investments Limited for these payments.

Each subsidiary guarantee of the Notes will not mature or be payable until certain events have occurred, and will be subordinated in right of payment to the Senior Debt of such Subsidiary Guarantor.

Each subsidiary guarantee:

- is a general unsecured obligation of that Subsidiary Guarantor;
- is subordinated in right of payment to all existing and future senior debt of such Subsidiary Guarantor;
- ranks *pari passu* in right of payment with any future senior subordinated indebtedness of such Subsidiary Guarantor; and
- ranks senior in right of payment to any indebtedness of such Subsidiary Guarantor that is expressly subordinated to the relevant subsidiary guarantee.

The subsidiary guarantees will not be due and payable unless: (i) an event of default arising out of the failure to pay any amount under the Notes or any related document occurs and is continuing and (ii) either (A) 179 days has elapsed since the date of the default or (B) if earlier, (1) certain insolvency events occur in respect of the relevant Subsidiary Guarantor, (2) certain senior declared defaults have occurred and are continuing, (3) the secured parties under the Intercreditor Agreement have taken certain steps to enforce the their debt (other than hedging obligations) or (4) the arrival of the originally scheduled maturity date of the Notes.

All payments on the subsidiary guarantee of a Subsidiary Guarantor will be permanently blocked following a payment event of default with respect to any Designated Senior Debt, and will be blocked for 179 days following certain non-payment defaults with respect to the Designated Senior Debt, including the Senior Credit Facilities or any other Designated Senior Debt.

Upon any distribution to creditors of a Subsidiary Guarantor in a winding-up, dissolution, administration, reorganisation, composition, liquidation, receivership or similar proceeding, the holders of Senior Debt of the relevant Subsidiary Guarantor will be entitled to be paid in full before any payment may be made with respect of the Subsidiary Guarantor's subsidiary guarantee. As a result, holders of Notes may receive less, rateably, in an insolvency, bankruptcy or similar proceeding of the Subsidiary Guarantors than the holders of Senior Debt of the Subsidiary Guarantors, including the lenders under our Senior Credit Facilities.

For purposes of the foregoing, "**Senior Debt**" means (i) all indebtedness of the relevant Subsidiary Guarantor outstanding under the Senior Credit Facilities and all hedging obligations with respect thereto; (ii) any other indebtedness of the relevant Subsidiary Guarantor permitted to be incurred under the terms of the Indenture, unless the instrument under which such indebtedness is incurred expressly provides that it is on a parity with or subordinated in right of payment to the subsidiary guarantee or the Subordinated Intercompany Note Proceeds Loans; and (iii) all obligations with respect to the preceding items; **provided**, **that** Senior Debt will not include (a) any liability for income or corporation taxes owed or owing by the relevant Subsidiary Guarantor; (b) any intercompany indebtedness of the relevant Subsidiary Guarantor or any of its affiliates; (c) any trade payables; (d) the portion of any indebtedness that is incurred in violation of the Indenture; or (e) indebtedness which is classified as non-recourse in accordance with IFRS or any unsecured claim arising in respect thereof by reason of the application of section 1111(b)(I) of the U.S. Bankruptcy Code or any analogous provision under the laws of any jurisdiction.

For the purposes of the foregoing, "**Designated Senior Debt**" means: (i) until repaid in full, the Senior Credit Facilities and (ii) any Senior Debt in an original principal amount exceeding US$150.0 million that is designated as Designated Senior Debt by the Parent Guarantor.

The Indenture will permit the trustee to accede to future intercreditor arrangements (without the consent of the holders of Notes) in favour of future holders of Designated Senior Debt in certain circumstances.

As of 31 December 2011, the aggregate amount of Senior Debt of the Subsidiary Guarantors (comprising borrowings under the Senior Credit Facilities) was US$585.7 million, and US$1,172.7 million was available for additional senior borrowing under our Senior Credit Facilities.

Each subsidiary guarantee of a Subsidiary Guarantor (other than Inmarsat Investments Limited) may be released in certain circumstances, including a sale of the shares of such Subsidiary Guarantor pursuant to an enforcement action by holders of secured debt. For more information regarding the guarantee release provisions of the Indenture.

Claims of our secured creditors will have priority with respect to their security over the claims of unsecured creditors, such as the holders of the Notes, to the extent of the value of the assets securing such indebtedness.

The guarantees of the Notes will be unsecured on the issue date of the New Notes. Accordingly, claims of our secured creditors will have priority with respect to the assets securing their indebtedness over the claims of holders of the Notes. As such, each guarantee will be effectively subordinated to any secured indebtedness and other secured obligations of the relevant guarantor (including obligations with respect to the Senior Credit Facilities) to the extent of the value of the assets securing such indebtedness or other obligations (other than to the extent such assets also secure the Notes and/or the relevant guarantees on an equal and ratable basis or priority basis). In the event of any foreclosure, dissolution, winding up, liquidation, reorganisation, administration or other bankruptcy or insolvency proceeding of any guarantor that has secured obligations, holders of secured indebtedness will have prior claims to the assets of such guarantor that constitute their collateral (other than to the extent such assets also secure the Notes and/or the relevant guarantees on an equal and ratable basis or priority basis). The holders of the Notes will participate ratably with all holders of the unsecured indebtedness of the relevant guarantor (other than our indebtedness to which the guarantees have been expressly subordinated), and potentially with all of their other general creditors, based upon the respective amounts owed to each holder or creditor, in the remaining assets of the relevant guarantor. In the event that any of the secured indebtedness of the relevant guarantor becomes due or the creditors thereunder proceed against the operating assets that secure such indebtedness, our assets remaining after repayment of that secured indebtedness may not be sufficient to repay all amounts owing in respect of the relevant guarantee. As a result, holders of Notes may receive less, ratably, than holders of secured indebtedness of the relevant guarantor.

As of 31 December 2011, we had an aggregate principal amount of US$585.7 million of secured indebtedness outstanding which related to the Senior Credit Facilities and up to US$1,172.7 million was available for additional secured borrowings under the Senior Credit Facilities. We will be permitted to borrow substantial additional indebtedness, including secured debt, in the future under the terms of the Indenture.

We are subject to restrictive debt covenants.

The Indenture governing the Notes, among other things, contains certain provisions which may restrict our ability and the ability of our subsidiaries to do any of the following:

- make certain payments, including dividends or other distributions, with respect to the shares of the Parent Guarantor or its restricted subsidiaries;
- incur or guarantee additional indebtedness and issue certain preference shares;
- layer debt;
- create or incur certain liens;
- prepay or redeem subordinated debt or equity;
- make certain investments;
- create encumbrances on the payment of dividends or other distributions, loans or advances to and on the transfer of assets to the Parent Guarantor or any of its restricted subsidiaries;
- sell, lease or transfer certain assets including shares of restricted subsidiaries;
- engage in certain transactions with affiliates;

- engage in any business other than a permitted business;
- enter into sale and leaseback transactions;
- merge, consolidate, amalgamate or combine with other entities; and
- amend certain documents, including the Subordinated Intercompany Note Proceeds Loans.

We are also subject to the affirmative and negative covenants contained in the Senior Credit Facilities. The covenants in the Senior Credit Facilities restrict, in certain circumstances, and covenants in our future senior debt may restrict, the ability of our subsidiaries to make, among other things, payments to us in order to enable us to make payments on the Notes, the guarantees or the Subordinated Intercompany Note Proceeds Loans. Our Senior Credit Facilities contains certain restrictions on our business, including as to the acquisition or disposal of assets. In addition, our Senior Credit Facilities also require us to maintain specified financial ratios and satisfy financial condition tests provided for in the Senior Credit Facilities. Our ability to meet those financial ratios and tests can be affected by events beyond our control and we cannot assure you that we will meet them. A breach of any of those covenants, ratios, tests or restrictions could result in an event of default under our Senior Credit Facilities. Upon the occurrence of any event of default under our Senior Credit Facilities, subject to applicable cure periods and other limitations on acceleration or enforcement, the relevant creditors could cancel the availability of the facilities and elect to declare all amounts outstanding under the Senior Credit Facilities, together with accrued interest, immediately due and payable. In addition, any default under the Senior Credit Facilities could lead to an event of default and acceleration under other debt instruments that contain cross default or cross acceleration provisions, including the Notes. If our creditors, including the creditors under our Senior Credit Facilities, accelerate the payment of those amounts, we cannot assure you that our assets and the assets of our subsidiaries would be sufficient to repay in full those amounts, to satisfy all other liabilities of our subsidiaries which would be due and payable and to make payments to us to enable us to repay the Notes in full or in part. In addition, if we were unable to repay those amounts, our creditors, including the lenders under the Senior Credit Facilities, could proceed against any collateral granted to them to secure repayment of those amounts.

All of the limitations under the Indenture and the Senior Credit Facilities will be subject to important exceptions and qualifications. The covenants to which we are subject could limit our ability to finance our future operations and capital needs as well as our ability to pursue business opportunities and activities that may be of interest to us.

Certain covenants may fall away upon the occurrence of a change in our ratings.

The Indenture provides that, if at any time following the date of the Indenture, the Notes receive a rating of Baa3 or better by Moody’s or a rating of BBB- or better from S&P and no default or event of default has occurred and is continuing, then beginning that day and continuing at all times thereafter regardless of any subsequent changes in the rating of the Notes, certain covenants will cease to be applicable to the Notes.

If these covenants were to cease to be applicable, we would be able to incur additional indebtedness or make payments, including dividends or investments, which may conflict with the interest of holders of the Notes. There can be no assurance that the Notes will ever achieve an investment grade rating or that any such rating will be maintained.

We are subject to English insolvency laws and, with respect to Inmarsat Launch Company Limited, Isle of Man insolvency laws, and Inmarsat Solutions BV, Dutch insolvency laws, which pose particular risks for holders of the Notes.

All of the obligors in respect of the Notes and guarantees (other than Inmarsat Launch Company Limited and Inmarsat Solutions BV) are incorporated, have their registered offices and conduct the administration of their respective businesses on a regular basis, in England and Wales.

On the basis of those factors, an English Court would be likely to conclude those entities have their “centre of main interests” in England, within the meaning of Council Regulation (EC) No 1346/2000 of 29 May 2000 on Insolvency Proceedings (the “**EU Insolvency Regulation**”), and therefore determine that those entities are

eligible to commence insolvency proceedings in England that would constitute “main insolvency proceedings” under article 3(1) of the EU Insolvency Regulation. English law would apply to such main insolvency proceedings, subject to particular exceptions set out in the EU Insolvency Regulation.

The proceedings that may constitute English main insolvency proceedings with respect to corporate debtors are voluntary winding-up or winding-up by the court, which involve the appointment of a liquidator; administration, involving the appointment of an administrator; and company voluntary arrangement, involving a company reaching a compromise or arrangement with its creditors, each under the Insolvency Act 1986 (UK).

The rights of creditors are particularly curtailed in an administration. Upon the appointment of an administrator, no step may be taken to commence or institute legal process (including legal proceedings, execution, distress or diligence) against the company or property of the company, except with the consent of the administrator or leave of the court. A court will apply discretionary factors in determining any application for leave, in light of the statutory objectives of administration, which in priority are the rescue of the company as a going concern; achieving a better result for the company’s creditors as a whole than would be likely if the company were wound up (without first being in administration); or realising property in order to make a distribution to one or more secured or preferential creditors.

Under English insolvency law, the liquidator or administrator of a company may, among other things, apply to the court to unwind a transaction entered into by such company, if such company were unable to pay its debts (as defined in Section 123 of the UK Insolvency Act 1986) at the time of, or as a result of, the transaction and enters into liquidation or administration proceedings within two years of the completion of the transaction. A transaction might be subject to a challenge (pursuant to Section 238 of the UK Insolvency Act 1986) if it was entered into by a company “at an undervalue,” that is, it involved a gift by the company, or the company received consideration of significantly less value than the benefit given by such company. A court generally will not intervene, however, if a company entered into the transaction in good faith for the purpose of carrying on its business, and that at the time it did so there were reasonable grounds for believing the transaction would benefit such company. We believe that the Notes will not be issued on terms that would amount to a transaction at an undervalue, and further, that the offering is in good faith for the purposes of carrying on our business, and that there are reasonable grounds for believing that the transaction will benefit us. We cannot assure you, however, that the issuance of the Notes will not be challenged by a liquidator or administrator or that a court would support our analysis.

A liquidator or administrator of one of our English-incorporated guarantors could apply to the court to unwind the issuance of its guarantee if such liquidator or administrator believed that issuance of such guarantee constituted a transaction at an undervalue. The analysis of such a claim would generally be the same as set out above in relation to our issuance of the Notes. We believe that each guarantee will not be provided in a transaction at an undervalue, and that each guarantee will be provided in good faith for the purposes of carrying on the business of each guarantor and its subsidiaries, and that there are reasonable grounds for believing that the transactions will benefit each such guarantor. We cannot assure you, however, that the provision of the guarantees will not be challenged by a liquidator or administrator, or that a court would support our analysis.

In respect of Inmarsat Launch Company Limited, the principles which underpin Isle of Man insolvency law are substantially the same as those which underpin English insolvency law. Therefore, the foregoing analysis in relation to the English-incorporated guarantors is broadly correct in terms of the Manx-incorporated guarantor. Isle of Man statute has no direct equivalent to the concept of administration contained in the UK Insolvency Act 1986 or Section 238 of the UK Insolvency Act 1986; however, the common law of the Isle of Man recognises that a transaction entered into at an undervalue in relation to a Manx-incorporated company may, in certain cases, be open to examination.

In respect of Inmarsat Solutions BV, a Dutch court would likely conclude that this entity has its principal place of business and (for purposes of the EU Insolvency Regulation) center of main interests at the place of its registered office in the Netherlands and that it has no establishment (as such term is defined in the EU Insolvency Regulation) outside the Netherlands.

The holders of the Notes may be faced with two types of insolvency proceedings under Dutch law. The first, suspension of payments, is intended to facilitate the reorganisation of a debtor’s indebtedness, provide the debtor temporary relief against creditors and enable the debtor to continue as a going concern. The second, bankruptcy, is primarily designed to liquidate and distribute the proceeds of the assets of a debtor to its creditors.

During a Dutch suspension of payments proceeding, a debtor loses the right to legally dispose of and administer the property, rights and interests of its estate at its own discretion. As of the date of the commencement of the suspension of payments until the termination of the suspension of payments, an administrator must co-sign all actions with respect to the disposal of or the administration of the property of the estate. Since the administrator is also not allowed to dispose of or administer the property of the estate or to enter into contracts on behalf of the estate on his own, the debtor and the administrator in fact co-manage the affairs of the debtor. In practice, a suspension of payments proceeding nearly always results in bankruptcy of the debtor.

During a Dutch bankruptcy, a debtor loses the right to legally dispose of and administer the property, rights and interests of its estate from 00.00 hours on the date of the declaration of bankruptcy. From that time onwards, only the trustee in bankruptcy of the debtor can validly represent the debtor. Any transactions entered into by Inmarsat Solutions BV after 00.00 hours of the date of declaration of bankruptcy may be annulled by the trustee in bankruptcy. The bankruptcy estate includes all assets of the debtor at the time it is declared bankrupt as well as any assets acquired during the bankruptcy. As a result of bankruptcy, all legal proceedings against a debtor and all attachments on the debtor's assets are terminated by operation of law. Further, if a debtor is legally obliged to perform a transaction, the performance of the obligation can be invalidated if the relevant counterparty knew that a request for bankruptcy of the debtor was pending or the performance of the obligation was the result of consultation between the insolvent person and the recipient with a view to give preference to the latter over the other creditors.

In Dutch bankruptcy proceedings, the assets of a debtor are generally liquidated and the proceeds distributed to the debtor's creditors on the basis of the relative priority of the claims of those creditors and, to the extent claims of certain creditors have equal priority, in proportion to the amount of such claims. In the event of a bankruptcy of Inmarsat Solutions BV, the unsecured claims of the holders of the Notes must be submitted to a receiver for verification, and the receiver makes a determination as to the existence, ranking and value of the claims and whether and to what extent they should be admitted in the bankruptcy proceedings. Creditors that wish to dispute the verification of their claims by the receiver will need to commence a court proceeding in order to establish the amount and rank of the disputed claim. Although no interest is payable in respect of unsecured claims as of the date of a bankruptcy, if the net present value of a claim of a holder needs to be determined, such determination will be made by taking into account the agreed payment date and interest rate.

We may not be able to finance a change of control offer required by the Indenture.

Upon the occurrence of certain change of control events followed by a ratings downgrade of the Notes below the ratings on the issue date, the Issuer may be required to offer to repurchase all outstanding Notes at 101 per cent. of the principal amount of the Notes plus accrued and unpaid interest and additional amounts, if any, to the date of repurchase. If a "change of control" (as defined in the Indenture) were to occur, we cannot assure you that the Issuer would have sufficient funds available at such time, or that we would have sufficient funds at that time to fund the Issuer to pay the price of the outstanding Notes or that the restrictions in our Senior Credit Facilities would allow the Issuer to make such required repurchase. Furthermore, the Intercreditor Agreement prohibits Inmarsat Investments Limited from paying principal on the Subordinated Intercompany Note Proceeds Loans prior to its originally scheduled maturity for so long as any Designated Senior Debt is outstanding. A change of control may result in an event of default under our Senior Credit Facilities and may cause the acceleration of other indebtedness which may be senior to the Notes or rank equally with the Notes. In any case, we expect that we would require third-party financing to make a change of control offer. We cannot assure you that we would be able to obtain this financing. See "*Recent Developments*".

The change of control provision contained in the Indenture may not necessarily afford you protection in the event of certain important corporate events, including a reorganisation, restructuring, merger or other similar transaction involving us that may adversely affect you, because such corporate events may not involve a shift in voting power or beneficial ownership or, even if they do, may not constitute a "change of control" as defined in the Indenture. Except as described under, the Indenture does not contain provisions that would require the Issuer to offer to repurchase or redeem the Notes in the event of a reorganisation, restructuring, merger, recapitalisation or similar transaction.

The definition of "change of control" in the Indenture includes a disposition of all or substantially all of the properties or assets of the Parent Guarantor and its subsidiaries taken as a whole to any person. Although there is a limited body of case law interpreting the phrase "all or substantially all", there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve a disposition of "all or substantially all" of the assets of the Parent Guarantor and its subsidiaries taken as a whole. As a result, it may be unclear as to whether a change of control has occurred and whether the Issuer is required to make an offer to repurchase the Notes.

You may not be able to sell your Notes.

Future trading prices of the Notes will depend on many factors, including, among other things, prevailing interest rates, our operating results and the market for similar securities. The Initial Purchasers have advised us that they currently intend to make a market in the Notes. However, they are not obliged to do so, and any market making may be discontinued at any time without notice. As a result, there is no assurance that there will be an active trading market for the Notes. If no active trading market develops, you may not be able to resell your holding of the New Notes at a fair value, if at all.

The liquidity of a trading market for the Notes may be adversely affected by a general decline in the market for similar securities and is subject to disruptions that may cause volatility in prices. It is possible that the market for the Notes will be subject to disruptions. Any such disruption may have a negative effect on you, as a holder of the Notes, regardless of our prospects and financial performance.

In addition, the Indenture allows the Issuer to issue additional Notes in the future which could adversely impact the liquidity of the Notes.

The Notes will initially be held in book-entry form and therefore prospective investors must rely on the procedures of the relevant clearing system to exercise any rights and remedies.

Unless and until Definitive Notes are issued in exchange for book-entry interests in the Notes, owners of the book-entry interests will not be considered owners or holders of Notes. Instead, DTC, or its nominee, will be the sole holder of the Notes.

Payments of principal, interest and other amounts owing on or in respect of the Notes in global form will be made to The Bank of New York Mellon, as principal paying agent, which will make payments to DTC. Thereafter, such payments will be credited to DTC participants' accounts (including Euroclear and Clearstream, Luxembourg) that hold book-entry interests in the Notes in global form and credited by such participants to indirect participants. After payment to DTC, none of the Issuer, any of its subsidiaries, the trustee or any paying agent will have any responsibility or liability for any aspect of the records relating to or payments of interest, principal or other amounts to DTC, or to owners of book-entry interests.

Unlike holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents or requests for waivers or other actions from holders of the Notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from DTC, Euroclear or Clearstream, Luxembourg, or, if applicable, from a participant. We cannot assure you that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any requested actions on a timely basis.

PRINCIPAL SHAREHOLDERS

Inmarsat Group Limited is an indirect wholly-owned subsidiary of Inmarsat plc. We do not know of any arrangements that may, at a subsequent date, result in a change in control. As of 31 March 2012, there were the following direct and indirect interests in more than 3 per cent. of the voting rights of Inmarsat plc:

	31 March 2012		
Substantial shareholdings	Number of voting rights	Holding	Percentage of issued Share Capital [1]
Lansdowne Partners Limited Partnership	59,942,059	Indirect	13.99%
Blackrock, Inc	36,954,975	Indirect	10.0%
KDDI Corporation	21,739,149	Direct	4.85%
Legal & General plc	17,061,976	Indirect	3.81%
Allianz SE	13,833,486	Indirect/direct	3.09%
Andrew Sukawaty	*		*
Rupert Pearce	*		*
Rick Medlock	*		*
Alison Horrocks	*		*
Ruy Pinto	*		*
Debbie Jones	*		*
Perry Melton	*		*
Rich Harris	*		*
James Parm	*		*
Leo Mondale	*		*
All executive officers and directors as a group (11 persons) [2]	2,363,061		0.53%

* Represents beneficial ownership of less than 1 per cent. of ordinary shares outstanding.

(1) Percentages are based on the issued ordinary share capital as at the date of the respective notifications adjusted for the issued share capital as at 31 March 2012.

(2) As at 31 March 2012, in addition, the Trust held 0.28 per cent. of the issued ordinary share capital, which may be allocated to senior management and employees in the future. None of these shares have been issued as of 31 March 2012.

As at 31 March 2012, the executive directors and management of Inmarsat plc beneficially owned individually and in aggregate (including shares which may be allocated from within the Trust) 0.81 per cent. of the issued ordinary share capital of Inmarsat plc.

The shareholders who hold 3 per cent. or more of the issued share capital of Inmarsat plc do not have different voting rights to other shareholders.

KDDI

KDDI Corporation is a provider of a comprehensive range of voice, data, IP and mobile services to both business customers and consumers. KDDI Msat, a wholly-owned subsidiary of KDDI, offers mobile and IT-based solutions using Inmarsat products.

Description of Share Capital

As of the date of this disclosure document, Inmarsat Finance plc has an authorised share capital of £50,000 of which 50,000 shares have been issued, partly paid at a par value of £1.00 each, 49,999 of which are held by Inmarsat Group Limited and one of which is held by Inmarsat Holdings Limited, the direct parent company of Inmarsat Group Limited.

A description of the share capital of Inmarsat Group Limited and the Subsidiary Guarantors is as follows:

Name	Issued and fully paid share capital	Nature of business/activity
Inmarsat Group Limited	610,500,000 ordinary shares of €0.0005 each	Holding company
Inmarsat Investments Limited	534,900,000 ordinary shares of €0.0005 each	Holding company
Inmarsat Ventures Limited	100,600,800 ordinary shares of £0.10 each and 1 special rights non-voting redeemable preference share of £1.00	Holding company
Inmarsat Global Limited	100,000,002 ordinary shares of £1.00 each	Satellite telecommunications
Inmarsat Leasing (Two) Limited	1,061 ordinary shares of £1.00 each	Satellite leasing
Inmarsat Launch Company Limited	4,000 ordinary shares of US$1.00 each 11,000 preference shares of US$1.00 each	Launch insurance company
Inmarsat Solutions BV	200 ordinary shares of €1,000 each	Operating company

Inmarsat Ventures Limited Special Share

IMSO owns one special-rights, non-voting, non-transferrable redeemable preference share, par value £1.00 of Inmarsat Ventures Limited. The special share does not confer any right to participate in our profits.

As holder of the special share, IMSO has effective veto power over the following events:

(i) any amendment, or removal, or change in the effect of:

(a) our obligations to provide maritime and distress and safety services to the maritime community;

(b) the right of IMSO to request an extraordinary meeting of shareholders of Inmarsat Ventures Limited; or

(c) our obligations to comply with the public service requirements set out in clause 8 of the memorandum and articles of association of Inmarsat Ventures Limited;

(ii) the voluntary winding-up of Inmarsat Ventures Limited, the passage of a special resolution to the effect that Inmarsat Ventures Limited should be wound up by a court, the presentation of a petition for the winding-up of Inmarsat Ventures Limited by a court or any proposal for any of the foregoing, unless winding-up of Inmarsat Ventures Limited is occasioned by virtue of it being unable to pay its debts (in terms of section 123 of the Insolvency Act 1986); and

(iii) removal, or the alteration of the effect of all or any of the provisions of the memorandum and articles of association of Inmarsat Ventures Limited, insofar as they relate to the provision and support of maritime and distress and safety services.

IMSO may, after consulting us and unless otherwise required by law, require us to redeem the special share at par. This can take place at any time by giving written notice and delivering the relevant share certificate to us.

In a distribution of capital in the event of a winding-up of Inmarsat Ventures Limited, IMSO would be entitled to repayment of the capital paid up (or for the purposes of the Companies Act treated as paid up) on the special share in priority to any repayment of capital to any other shareholder of Inmarsat Ventures Limited.

MATERIAL CONTRACTS

The following is a summary of material contracts to which we are a party.

Alphasat Contracts

The material terms of the Alphasat material contracts are set out below. Our estimated investment cost for the satellite to be launched into orbit, excluding insurance, is approximately EUR 260 million.

Alphasat Phase B/C/D/E1 Contract with the European Space Agency ("ESA")

On 8 November 2007, we entered into an agreement with ESA to:

(a) procure the build and launch of Alphasat by 31 December 2013;

(b) embark certain technology demonstration payloads; and

(c) operate Alphasat for a period of three years after commissioning and provide ESA with telemetry data on technology demonstration payloads during commissioning and the first three years of operation.

Term

The agreement terminates three years after the commissioning of Alphasat.

Price

In addition to providing us with the Alphabus satellite platform, ESA will pay us an amount as a contribution towards the production of Alphasat and launch services costs and pay its contribution in relation to Alphasat to our main subcontractors (Astrium and Astrium Limited) directly in accordance with a milestone delivery schedule.

Consequences of Failure to Perform

If we fail to launch before 31 December 2013, we have an option to require further extension of the launch period until 31 December 2015. If we exercise this option, we shall pay liquidated damages for any launch delay beyond 31 March 2014 up to an agreed amount. The payment shall be in lieu of any or all rights to terminate the agreement before 1 January 2016.

Termination

ESA may terminate the agreement in the following circumstances:

- if we become insolvent or legal action leading to bankruptcy is taken against us by creditors;
- if we resort to fraudulent practices in connection with the agreement or the progress or delivery requirements;
- if we fail to continue to meet the technical requirements of the agreement;
- if we fail to launch Alphasat by 31 December 2013, or if the option to extend the launch period is exercised by 31 December 2015; or
- if we transfer the agreement or conclude sub-contracts without ESA's consent.

Alphasat Contract with Astrium

On 8 November 2007, we entered into an agreement with Astrium to design, develop, manufacture, test, integrate and prepare Alphasat for launch. The satellite is due for delivery to the launch site in 2013.

Term

The agreement terminates 40 calendar quarters after Alphasat's successful injection into its orbital location.

Price

The price to be paid includes the manufacture and integration of Alphasat and post–launch milestone and incentive payments. Payments are broken down between an ESA payment stream and an Inmarsat payment stream and will be made in accordance with a milestone delivery schedule. In addition to milestone payments, Astrium may receive performance incentive payments from us for Alphasat being successfully operated during 40 calendar quarters after successful orbital injection. The aggregate of post launch milestone and incentive payments is 10 per cent. of the Inmarsat payment stream.

Option

Astrium has granted us the following options under the agreement:

- an option to order up to four other spacecraft by 31 December 2015, or such other date as we and Astrium may agree, at a base price subject to a currency conversion formula;
- an option to require Alphasat to be stored for a period of up to five years at any time prior to launch. The first six months' storage is free. At certain times we must pay storage, testing, maintenance and insurance, as well as interest on performance incentives to Astrium. If we do not launch within five years both parties in good faith shall renegotiate performance incentives;
- an option to purchase a payload control system by 30 June 2009 (which was exercised);
- an option to obtain launch support for other launch services no later than ten months prior to shipping Alphasat and
- an option to purchase a beam weight engine by 31 December 2009 (which was exercised).

Consequences of Failure to Perform

We are entitled to certain payments and have recourse to certain remedies against Astrium in the following circumstances:

(i) if Alphasat is delivered late, we receive liquidated damages for each day of lateness after the first 90 days of lateness up to an agreed maximum;

(ii) if Astrium anticipates that it cannot deliver Alphasat by an agreed date and in the absence of a negotiated alternative, we notify Astrium that we are treating the contract as discharged with respect to all or part of the work related to the breach and choose between the following remedies:

- take over the work and pay Astrium a fair and reasonable price for the work. Astrium shall reimburse us for any and all increased costs reasonably incurred up to a maximum percentage of the contract price; or
- receive a refund of all amounts paid by us with interest at the EURIBOR rate calculated from the date of each payment until the date of reimbursement.

(iii) if Astrium fails promptly to correct satellite deficiencies, we can choose:

- to have all deficiencies rectified by other means at Astrium's cost (up to a maximum of 5 per cent. of the price of the spacecraft); or
- not to have the deficiency corrected but to negotiate in good faith an equitable reduction in the price and an appropriate limitation on the satellite performance incentive payment.

If an amount in excess of an agreed figure remains unpaid for 30 days after it is due and payable, Astrium may give us a notice of suspension of work. Astrium may immediately suspend work under the contract for as

long as such amount remains unpaid and the parties shall enter into good faith negotiations. Astrium shall obtain an equitable increase in the contract price and a day-to-day increase in the delivery schedule in respect to any such period of suspension.

After a further 150 days' suspension (or such longer period as Astrium may allow), Astrium may elect to terminate the agreement.

If we fail to cure any other breach of the agreement within 30 days after it receives notification from Astrium of the breach, Astrium may seek any remedy legally available to them.

Warranty

Astrium provides a warranty that covers equipment (including spacecraft) and services including, launch vehicle interfaces and support services, mission support, transportation and storage. The warranty provides that all equipment is free from any defects in design, materials and workmanship and that services shall be performed in a skilful and workmanlike manner and that both shall conform to the requirements of the contract. The warranty period for equipment and software shall commence at the time of final acceptance for the duration of one year. The warranty period for services shall commence upon their completion, also for a duration of one year.

The warranty in relation to spacecraft shall commence at the time of final acceptance and shall run for one year or until launch whichever occurs first or if placed in storage, five years.

Termination

In addition to the circumstances which may give rise to a right to terminate summarised under "—*Consequences of Failure to Perform*", the agreement may be terminated:

- by either party, in whole or in part at any time, if either party becomes insolvent or goes into liquidation, or resorts to fraudulent practices in carrying out the contract;
- by us, in whole or in part, at our convenience (in which case, we must pay termination charges, including a fixed profit element, to Astrium), at any time except in relation to a satellite that we have finally accepted; and
- by us, if force majeure events delay delivery by more than 180 days or permanently prevent Astrium from complying with the timetable (in which case, we must pay Astrium a portion of the termination charge we would have paid if we had terminated for convenience).

Launch Services Contract with Arianespace

In May 2009, we entered into an agreement with Arianespace for the provision of launch services in support of our Alphasat satellite development programme. We may launch Alphasat in a three-month contractual launch period, selectable by us, from 1 July 2012 to 30 June 2013. On 29 March 2011, we selected the launch period as 1 January 2013 to 31 March 2013.

Arianespace intends to use an Ariane 5 ECA launch vehicle to support our launch and the launch of an as yet un-nominated co-passenger satellite.

Term

The agreement has no pre-determined termination date. We have a launch window that can be moved into the future at additional cost outside the pre-agreed time frame. Both parties have termination rights, which are discussed below. There is also a pre-agreed termination profile in case of termination for convenience, where naturally the termination costs to the customer increase with time.

Price

The price payable by us to Arianespace includes the cost of all services required to enable us to launch our Alphasat satellite, which will be an Inmarsat-provided deliverable under the contract. The price is fixed for the period from May 2009 when the parties entered into the agreement until 31 December 2013. Should we postpone launch for more than 18 months, a new price for launch services may be negotiated between the parties. Payments will be made in accordance with a milestone delivery schedule.

Consequences of Failure to Perform

We are entitled to certain payments and have certain remedies against Arianespace in the following circumstances:

- should Arianespace postpone any agreed launch period due to co–passenger unavailability. Arianespace will be liable to pay Inmarsat liquidated damages amounting to an agreed amount per calendar day of postponement in excess of a period of grace equal to a total of 60 calendar days of postponement per launch; or

- we may request a replacement launch should the launch mission or satellite mission prove to be a failure following launch. Such replacement launch will be provided no later than 10 months following Inmarsat's request for a replacement launch. The written request for a replacement launch shall be received by Arianespace no later than the last day of the second month following the month in which the cause of the failure has been established but in no event later than, in the case of a satellite mission failure, 27 months following the date of the launch.

Warranty

Due to the nature and complexity of the services provided there is not a warranty provision or undertaking for either party and both expressly disclaim all potential liability arising from the agreement.

Termination

We may terminate the agreement in the following circumstances:

- unavailability of a co–passenger for a period in excess of seven months; or

- twelve–months postponement by the contract for any reason; or

- for convenience, at any time, with our liability limited to a pre–determined schedule of charges.

Arianespace may terminate in the event that we fail to pay properly submitted invoices 30 days from notification of such late payment by Arianespace, provided such late payment is not subject to the pre–agreed arbitration and dispute resolution provisions.

Launch and In-Orbit Insurance Contract for the Alphasat Satellite

Inmarsat Launch Company Limited has placed launch and in-orbit insurance for the Alphasat satellite through Willis, its insurance brokers (operating through Willis Group, The Willis Building, 51 Lime Street, London EC3M 7DQ).

Key terms:

Term:

The policy period runs from 1 May 2012 to 1 May 2015 (the period within which the launch may take place).

The total amount of insurance cover taken is US$349.4 million comprising:

- Launch + 1 year in-orbit cover of US$266 million;

- Launch phase only cover of US$8.4 million (covering the period from launch until separation of the satellite from the launch vehicle); and

- Launch + 5 year in-orbit cover of US$75 million.

Cover:

Total loss and or partial loss of capacity according to a loss formula based on engineering parameters.

Price:

The total commitment is based on a premium, before taking into account receipt of any no claims bonus that might become due, and before insurance premium tax (IPT) that may be levied. A deposit premium of 5 per cent. is to be paid on inception of the policy and the balance is to be paid 30 days before launch.

Termination:

The policies terminate upon the earliest of the following: at the end of the period of cover; or when the satellite is agreed to be a Constructive Total Loss or a Total Loss; or when agreed claims equal the Amount of Insurance.

The policies may be cancelled only by mutual agreement between the Named Insured and the Insurers, or unilaterally by the Insurers for non-payment of Premium.

Other Terms:

There are no non-market-standard exclusions.

The policies may be assigned to other Inmarsat group companies with prior written permission of the insurers.

The policy is subject to the laws of England and Wales.

Inmarsat-5 Contracts

The material terms of our Inmarsat-5 contracts are set out below.

Inmarsat-5 Spacecraft Contract with Boeing Satellite Systems International, Inc

On 5 August 2010 ("**EDC**"), we entered into an agreement with Boeing Satellite Systems International, Inc. ("**Boeing**") to design, develop, manufacture, test, integrate and prepare three Ka-band Inmarsat-5 spacecraft for launch with an Option to purchase an additional two spacecraft. The first spacecraft is due for delivery to the launch site on or before 35 months from EDC and the following two are due at six-monthly intervals thereafter.

Term:

The agreement terminates 10 years after the last of the Ka-band Inmarsat-5 spacecraft's successful injection into its orbital location.

Price:

The price to be paid including Contract Change Notices includes the manufacture and integration of three Ka-band Inmarsat-5 spacecraft, launch operations and services, post-launch milestone and "warranty payback" incentive payments. Payments will be made in accordance with a milestone delivery schedule. In addition to milestone payments, Boeing will receive performance incentive payments from us for Ka-band being successfully operated during the 10 years after successful orbital injection.

Options:

Boeing has granted us the following options under the agreement:

- an option to order up to two other spacecraft at a base price subject to a price escalation formula;
- an option to require the Inmarsat-5 spacecraft to be stored for a period of up to five years at any time up to Pre Shipment Review ("**PSR**");
- an option to purchase Launch and Operation Support for the Optional Spacecraft; and
- an option to purchase Operations and Services for the Optional Spacecraft.

Warranty:

Boeing provides a warranty that covers equipment (including three Inmarsat-5 spacecraft and ancillary equipment) and services, such as launch support, transportation and storage services. The warranty provides that all equipment is free from defects in materials or workmanship and be designed and manufactured to conform to applicable specifications (unless waived by us in writing), that services will be performed in a skilful and workmanlike manner, and that both will conform to the requirements specified in the contract.

For the spacecrafts this warranty will run from the date of final spacecraft acceptance until intentional ignition of the spacecraft or for five years in storage. For services and all other equipment the warranty period will be one year from completion or final acceptance, respectively.

In the case of defective or non-conforming equipment or services, we may require Boeing to repair or replace the same at its own expense.

Distribution

On 5 August 2010, Inmarsat SA, a subsidiary company, signed a Strategic Distribution Agreement ("**SDA**") with Boeing.

Inmarsat Global has also agreed to enter into a distribution agreement with Boeing for the sale of L-band Satellite Services on similar terms to existing DPs.

The term of the SDA is 10 years or at such date as the Parties mutually agree to Terminate.

Inmarsat-5 Ground Segment and Terminal Development Contract with iDirect Inc. ("iDirect")

On 18 February 2011, we signed a contract with iDirect which covers a turn-key solution for the development of the Inmarsat-5 Ground Segment, deployment of equipment (radio frequency subsystem ("**RFS**") antennas and hub equipment) at three SAS sites, the development of satellite terminal core module (CM) technology, the subsequent sale and distribution of CMs, and supply of additional Satellite Reference Terminals. Options are available for an additional three propagation/redundancy sites.

Price:

The baseline contract includes three SASs without Rain Diversity provision and the contract includes various options for an additional three antennas and iDirect HUBs for the back-up sites. Annual maintenance will be paid (for three SASs) following expiry of the warranty period. The maintenance fee is inclusive of software releases/ upgrades to iDirect's core software. On 14 December 2011, we signed a Contract Change Notice to procure equipment for the additional SAS sites. On 13 February 2012 we signed a Contract Change Notice for additional RFS equipment.

Key Terms

Warranty:

Warranty for each SAS runs for 12 months from Over Satellite Acceptance Test (OSAT).

*Intellectual Property Rights ("**IPR**"):*

iDirect's solution is based on its standard commercial off the shelf hardware and software. Items of Foreground IPR have been classified into three categories where Inmarsat will own the rights in one limited category and receive in the other two categories a non-exclusive, royalty free, worldwide right to use, sell and further sublicense the two categories solely for Inmarsat purposes.

IPR Indemnity:

In the event of a claim that any IPR of a third party is infringed and becomes enjoined and iDirect has been unable to negotiate a licence with the claimant to resolve the dispute or modify/substitute the item so that the modified/substituted item is not subject to the enjoinment, Inmarsat may either terminate the contract or continue with it.

Termination :

Inmarsat has the right to terminate the Contract if:

- iDirect fails to promptly complete Critical Milestones (Critical Design Review, Core Module Prototype Delivery, Final Design Review, Factory Acceptance Test, Delivery of Satellite Reference Terminal and SAT at SAS sites 1, 2 and 3) and has failed to remedy within 60 days of notice to rectify;
- iDirect is in breach of a material obligation and has failed to remedy it within 60 days of notice to rectify;
- iDirect is insolvent; or
- there is a Change of Control of iDirect.

In such circumstances Inmarsat has option to take over the work plus receive increased costs of completion subject to a maximum amount of the Contract Price or receipt of money back plus increased re-procurement costs capped at a certain level of the Contract Price.

Liquidated Damages:

Liquidated Damages for late delivery on Factory Acceptance Test and SAS 1 OSAT will be applied. Remedies for Unsatisfactory Service and Support:

The Contract includes a provision that entitles Inmarsat to receive remedies for periods of unsatisfactory service if the operational SASs are unavailable.

In the event of Chronic Unsatisfactory Performance Inmarsat may elect to terminate the Contract.

Limitation of Liability:

With the exception of death or personal injury, general liability (including Liquidated Damages) is limited to the Contract Price. Inmarsat has an agreed limit of liability in relation to wilful misuse of iDirect IPR.

Technology Transfer Package:

The Contract includes provisions which would enable Inmarsat to access source code and design documentation that iDirect has put into escrow upon the occurrence of certain events.

Licence Grant of Air Interface Specification to Third Parties:

Inmarsat has agreed terms under which iDirect will licence the Air Interface Specification to a third party nominated by Inmarsat.

Core Module Supply Agreement:

The contract includes a Core Module Supply Agreement for the supply of production core modules to the distribution chain on Fair Reasonable and Non-Discriminatory terms.

Inmarsat-5 Launch Services Contract between ILS International Launch Services, Inc. and Inmarsat SA

On 29 July 2011 (“**EDC**”), Inmarsat SA (“**Inmarsat**”) entered into an agreement with ILS International Launch Services, Inc (“**ILS**”) to procure three Firm Launch Services for Inmarsat-5 with an option to procure two additional Launch Services.

Key Terms

Term:

ILS shall furnish three Firm Launch Services in accordance with the agreed Launch Schedule. The option Launch Services must be exercised by 1 July 2014.

Price:

The prices to be paid are determined based on the year of the midpoint of the originally scheduled Launch Semester.

There are agreed payment milestones based on a launch services payment schedule.

Payments of invoices for other than scheduled launch service payments will be made on 60-day terms following receipt of a properly submitted invoice.

Indemnities:

Inmarsat and ILS have agreed to a reciprocal waiver of liability where each party agrees not to bring a claim or sue the other party, the U.S. Government, the Government of the Russian Federation, the Government of the Republic of Kazakhstan, Her Majesty's Government (HMG), UK Dependent or Crown Territories and, respectively, their contractors and subcontractors at any tier or related third parties for any property loss or damage it sustains arising with the performance carried out pursuant to the Contract.

Except for the obligation to indemnity provided elsewhere in the Contract, ILS's Limitation of Liability shall not exceed the Contract Price paid by Inmarsat for the affected Launch Service as of the date of such claim.

Inmarsat's Limitation of Liability, except beyond payment due for services performed and for obligation to indemnify provided elsewhere in the Contract, shall not exceed the amount of the Contract Price for the affected Launch Service relating to such claim.

Termination :

Inmarsat has the right to terminate the Contract :

- At its convenience at any time prior to Launch ILS shall be entitled to agreed Termination Charges
- If ILS has excessive launch postponements. ILS shall reimburse Inmarsat for all payments made for the terminated Launch Service.
- If ILS fails to meet certain contractual obligations. If Inmarsat terminates, it shall be entitled to be reimbursed by ILS for all payments made, however no payments shall be reimbursed for any individual Launch Services after launch of that Launch Service.

ILS has the right to terminate the Contract :

- If Inmarsat fails to make any payment to ILS relating to a Launch Service on the agreed due date. ILS shall be entitled to retain the agreed Termination Charge.
- If Inmarsat has excessive launch postponements. ILS shall be entitled to retain the agreed Termination Charge.

Launch and In-Orbit Insurance Contract for the Three Inmarsat-5 Satellites

Inmarsat SA has placed launch and in-orbit insurance for the three Inmarsat-5 satellites through Willis, its insurance brokers (operating through Willis Group, Willis of Maryland, Inc. 12505 Park Potomac Avenue, Suite300 Potomac, Maryland MD 20854. United States of America. Registration Nr. 52-0559369).

Key terms:

Term:

The policy period runs from 1 May 2012 to 1 May 2015 (the period within which the three launches may take place).

The total amount of insurance cover taken for each satellite (on average) is US$358.2 million comprising:

- Launch + 1 year in-orbit cover of US$267 million;
- Launch phase only cover of US$16.2 million on average for each satellite (covering the period from launch until separation of each satellite from the launch vehicle); and
- Launch + 5 year in-orbit cover of US$75 million.

Cover:

Total loss and or partial loss of capacity according to a loss formula based on engineering parameters.

Price:

The total commitment is based on a premium, before taking into account receipt of any no claims bonus that might become due. A deposit premium of 5 per cent. is to be paid on inception of the policy and the balance for each satellite separately is to be paid 30 days before launch.

Termination:

The policies terminate upon the earliest of the following in respect of each satellite separately: at the end of the period of cover; or when the satellite is agreed to be a Constructive Total Loss or a Total Loss; or when agreed claims equal the Amount of Insurance.

The policies may be cancelled only by mutual agreement between the Named Insured and the Insurers, or unilaterally by the Insurers for non-payment of Premium.

Other Terms:

There are no non-market-standard exclusions.

The policies may be assigned to other Inmarsat group companies with prior written permission of the insurers.

The policy is subject to Swiss law.

LightSquared Cooperation Agreement

In December 2007, we entered into a Cooperation Agreement with LightSquared (formerly SkyTerra) which provides a framework for a phased L-Band spectrum collaboration in preparation for the deployment by LightSquared of a North American hybrid MSS/ATC network.

In August 2010, the Cooperation Agreement was consolidated and restated to reflect amendments agreed since 2007. In April 2011, we agreed with LightSquared to further amend the Cooperation Agreement (the "**Amendment**") in return for additional payments from LightSquared.

Under the Cooperation Agreement, LightSquared is obliged to make payments to us in respect of transition to spectrum plans associated with the relevant phases of the agreement. LightSquared has the right to trigger transition to the relevant phases and associated payment obligations by serving notice to us. On 17 August 2010, LightSquared triggered Phase 1 of the Cooperation Agreement which entitles us to receive US$368.8 million in connection with "Phase 1 Transition". On 28 January 2011, LightSquared delivered notice triggering "Phase 2 Transition". Under Phase 2, we are entitled to receive US$115.0 million per annum (payable quarterly in advance), increasing at a rate of 3 per cent. annually with effect from 28 January 2011.

Pursuant to the Amendment agreed in April 2011, LightSquared agreed to pay us certain amounts depending upon the timing of delivery of an interim "Phase 1.5" spectrum plan. We have received US$40.0 million as a payment in connection with Phase 1.5 and the maximum total amount that could be earned under Phase 1.5 is US$105.0 million.

In addition to its payment obligations, should LightSquared deploy a hybrid MSS/ATC network, LightSquared must comply with the agreed technical and operating parameters relating to inter-system and spectrum coordination that apply during the relevant phase of the agreement. Certain provisions are also designed to offset the impact that deployment of ATC in the United States would have on users of our services.

The term of the Cooperation Agreement (subject to earlier termination) expires on 31 December 2107. Each party may terminate if the other party (i) becomes subject to insolvency proceedings (subject to certain conditions); or (ii) is in uncured material breach. Certain provisions, including pre-agreed spectrum plans, survive termination.

For more information regarding the current status of payments under the Cooperation Agreement, see "*Recent Developments*" and "*Business—Inmarsat Global—Cooperation Agreement with LightSquared*".

Distribution Agreements

The material terms of our Distribution Agreements are set out below.

***Space Segment Access Agreements* ("SSAAs")**

All of our distribution partners have executed a replacement SSAA with us, except those who provide only our broadband services, BGAN, FleetBroadband or SwiftBroadband or our GSPS services. The new SSAAs came into effect on 15 April 2009.

Services

These SSAAs relate to the following services:

- our Existing and Evolved Services; and
- any other service that is substantially based on existing services which we elect to offer to our distribution partners.

A distribution partner may enter into arrangements with any reseller, whereupon it shall be responsible for its resellers' actions.

The distribution partner must use its reasonable efforts to promote the use of the services that it chooses to provide. To that end, if may work with us to achieve marketing goals we have jointly agreed and can develop value-added services. It must also participate in dual branding, market information and customer service programmes.

Term

Each SSAA commenced on 15 April 2009 (or such later date as a SSAA is executed by ourselves and a distribution partner where no agreement on terms was reached prior to 15 April 2009) and will continue until we elect to terminate the agreement by giving to a distribution partner not less than two years' prior written notice, subject always to a minimum term ending 14 April 2014 (and subject to other rights to terminate earlier under individual provisions contained in the SSAA).

Price

For each of our services that a distribution partner provides through its LES, it will pay us the wholesale charge specified in its SSAA. The price for the provision by us of the services are currently expressed in US dollars per chargeable unit, though there is provision for us to denominate all or any part of such charges in any of US dollars, euro or pounds sterling after 31 December 2010, for that service, multiplied by the volume of traffic that it generates in respect of that service. Charging of some services only are subject to volume-based discounts where a distribution partner reaches specified revenue targets, for varying periods until 31 December 2010.

New Distribution Authorisation

Each SSAA provides that:

- we may authorise other entities, on a non-exclusive basis, to operate LESs in order to provide the services to which the SSAAs relate via our satellites; and
- we may also, either ourselves or via an affiliate or jointly with other third parties, sell or otherwise provide services to third parties directly (that is, other than via a distribution partner),

provided that we do not unreasonably prefer or differentiate between entities when offering terms and conditions for the distribution of the same services.

Restriction or Withdrawal of a Service

Each SSAA provides that we may restrict or withdraw a service (or an element of a service) in one or more ocean regions if:

- we give six months prior written notice to the affected distribution partner;
- we give reasons for the restriction or withdrawal;
- no later than thirty days following notice from us, at the request of a distribution partner or partners, we convene a meeting of the distribution partners to consider their views and the consequences of the withdrawal to their end-users, as well as consider any investments made by our distribution partners in equipment and facilities; and
- where possible, we apply the restriction or withdrawal in a non-discriminatory manner to all distribution partners that provide the relevant service(s) in the relevant region.

Competition/Non-exclusivity

Nothing in the SSAA prevents a distribution partner from becoming a distributor of the services of, or holding any economic interest in, any entity that provides mobile satellite telecommunications services, regardless of whether such entity competes with us, provided that the distribution partner does not unfairly or unreasonably favour such services or entity, or unfairly or unreasonably discriminate against the services distributed under the SSAA.

Service Levels/Network Availability

In providing satellite services to the distribution partners we must use our reasonable endeavours to achieve the following network performance objectives:

(i) Satellite Availability

- minimum performance: 99.0 per cent. per year;
- target performance: 99.9 per cent. per year;

(ii) Satellite Capacity Grade of Service

- we must manage the satellite capacity grade of service to deliver, to the extent possible, a commercially acceptable service across our portfolio of services;

(iii) Network Availability

- minimum performance level for network availability: 99.9 per cent. over any period of three months or greater; and
- target performance level for network availability: 99.96 per cent. over any period of three months or greater.

If we fail to meet the minimum network performance objectives outlined above, then a distribution partner will receive outage credits for any traffic commitment owed to us or other fixed period service affected by such outage, provided that:

- no allowance or credit will be made for any unavailability, delay or interruption in the availability of a service which is of less than one hour’s duration;
- any unavailability, delay or interruption which is of one hour or more in duration shall be credited to the distribution partner in an amount equal to the proportionate charge in one hour multiples for each hour, or major fraction thereof during which such unavailability, delay or interruption has occurred; and
- in the event that we relocate a satellite or substitute a satellite of one generation with a satellite of another generation which results in a distribution partner being unable to meet a traffic commitment that it undertakes prior to such relocation or substitution, then the distribution partner shall be excused from that commitment.

Intellectual Property

We give a warranty in each SSAA stating that we own or have a valid licence to use certain patents, trade secrets, copyrights and other intellectual property rights contained in our LES technical criteria and operating procedures (the "**LES Criteria and Procedures**").

When we enter into a SSAA, we also grant to the distribution partner:

- a royalty-free licence to use certain of our patents and other intellectual property embodied in our LES Criteria and Procedures while the distribution partner provides our services to end-users; and

- a royalty-free trade mark licence to use certain of our trade marks for the same purpose.

Limits on Liabilities

We have no liability under any SSAA to any of our distribution partners, their affiliates, resellers, customers or other end-users for any direct or indirect loss of profit, indirect or consequential loss, damage or expense (including loss of goodwill, anticipated savings, business opportunity, profits or revenues or distribution rights, abortive expenditure or damage to property or person) arising from any telecommunications breakdown (i.e. any unavailability, delay or interruption to the communication services we provide over our satellites) or any suspension of service to an end-user terminal resulting from our good faith actions at the request of the distribution partner or operators of the LESs under the procedures for restricting access to our services by specific user terminals for non-payment or other causes. However, we may be liable for a telecommunications breakdown caused by our wilful or reckless act, or our knowing or reckless omission, if we knew, or if we ought to have known, that such act or omission would result in a telecommunications breakdown. Our maximum liability to all distribution partners for all occurrences arising from the same cause in any calendar year may not exceed US$10.0 million.

Under each SSAA, the distribution partner must use commercially reasonable efforts to incorporate, and to require resellers to incorporate, in the terms and conditions applicable to any end-user, substantially similar disclaimers of liability for us, our affiliates and the distribution partner.

Each distribution partner is liable to us for any loss or damage (capped at US$100.0 million per calendar year) to a satellite caused by any act or omission of the distribution partner, its resellers, contractors, employees, agents, lessees or assignees, unless we or the relevant SSAA authorised, in writing, the manner of provision of those services which caused the loss or damage.

Our distribution partners are not liable to us for charges arising from technological fraud (including cloning) in connection with certain services when they have complied with our fraud prevention procedures, unless we have previously informed the distribution partner that we have reason to believe an end-user terminal is being operated fraudulently, or the distribution partner has received non-refundable payment for the relevant services from the end-user in question.

Variation of Services

We may vary the specification of our services at any time provided that such variation applies in a non-discriminatory manner and we give our distribution partners written notice at least 30 days prior to the date of implementation of the variation, except that no notice is required where the variation is in the case of an operational emergency.

Amendments

Neither us nor any of our distribution partners can amend or modify any of the terms or conditions contained in the SSAA without the written agreement of the other, except that we may amend or vary any of the annexes to the SSAA by giving either 60 days prior written notice to our distribution partners, or by complying with such other notice periods and/or procedures for consultation set out in the particular annexes. Within such 60-day period, or such other period as stated in the relevant annexes to be amended or modified, as the case may be, we must attempt to facilitate a 30-day consultation period.

Suspension and Termination

We may suspend a distribution partner's authorisation to provide the services under the SSAA if:

- the distribution partner fails to comply with any material term of the SSAA and fails to remedy such non-compliance within 30 days from the date we send to the distribution partner a notice outlining the nature of the breach and requiring its rectification; or
- the distribution partner fails to comply with the LES Criteria and Procedures, subject to giving ten days' advance notice, or without giving any prior notice where any of the services or LESs are not compliant with the requirements of the LES Criteria and Procedures and such failure to comply has led to the occurrence of, or has the potential to create, an operational emergency, reduces the capability to support maritime or aeronautical distress traffic, or reduces the capacity of the space segment,

provided that such suspension shall be lifted from the date upon which the distribution partner resumes compliance with the relevant term(s) or procedure(s).

Any SSAA may be terminated in the following cases:

- by the distribution partner where it ceases to distribute the services for any reason (other than a force majeure event) on six months' prior written notice to us, or for convenience on 12 months' prior written notice to us;
- by us, if the relevant distribution partner has failed to pay charges due to us, which charges remain outstanding for more than 90 days from receipt of a written notice from us requesting payment, or upon written notice from us upon a change of control of a distribution partner;
- by either party to a SSAA for the other party's unremedied breach of a material term of the SSAA (other than a default in payment of the charges by the distribution partner), unless the breach is remedied within 45 days from receipt by the defaulting party of notification of the breach; and
- by either party to a SSAA if the other party is subject to bankruptcy procedures.

Force Majeure

Each SSAA contains a substantive list of events (including acts of God, war, riot, civil commotion, malicious damage, compliance with a law or governmental order, rule, regulation or direction, breakdown or unavailability of plant or machinery, fire, flood, storm, externally caused transmission failure or satellite failure or satellite launch failure or delay or satellite malfunction) that constitutes a force majeure. Where a force majeure event continues for more than six months, each SSAA provides that either party may elect to terminate upon the provision to the other party of no less than 30 days prior to written notice.

Network Service Distribution Agreements

All of our distribution partners have signed bilateral NSDAs with us. The NSDAs govern the provision of demand-assigned services, to land-based, sea-based and air-based end-users for our broadband and GSPS services. Whereas individual NSDAs may contain variations, the terms below may be found in all of the NSDAs currently negotiated.

Term

The NSDAs each have minimum term of at least five years. We may terminate on two years' notice.

Price

For the services that a distribution partner provides to end-users pursuant to an NSDA, it must pay us the fixed price specified in the agreement (expressed in US dollars per chargeable unit) for that service, multiplied by the volume of traffic that it generates in relation to that service. From 1 January 2011 we have the right to denominate charges in US dollars, euro and/or pounds sterling on 180 days notice.

Existing prices and discounts in respect of services provided under the NSDAs are subject at all times to the ability to revise those prices subject to the notice provisions laid out in the NSDAs.

Eligibility

Each NSDA includes or incorporates provisions that enable us to appoint distribution partners (including distribution partners who are not currently distribution partners under our existing distribution arrangements) for services provided under that NSDA.

We may recruit service providers of our existing distribution partners and will not have restrictions on recruiting in core segments of any market.

Service Level

Each NSDA contains a draft service level agreement for the relevant service(s) provided by each distributor and may also include a proposal for potential compensation level for breach of such service level agreement.

Intellectual Property

We grant to each distribution partner a royalty-free trademark licence to use certain of our trademarks for the purpose of providing BGAN Services to end-users.

Performance

The distribution partner must use its reasonable efforts to promote the use of the services that it provides and additionally assumes customer service and other obligations.

Each NSDA contains provisions for an annual performance review. Such review is the distribution partner's opportunity to agree wholesale revenue targets with us. Each NSDA also includes certain revenue performance targets which, if not met, could lead us to reduce resources to support the distribution partner.

Limits on Liabilities

Aside from potential credits under the service level agreement, we are not liable to distribution partners under the NSDAs for any direct loss to the distribution partner or third parties arising from any unavailability, delay, interruption or degradation in the services or business support system save to the extent caused by our gross negligence, wilful misconduct or fraud.

Neither party shall be liable to the other or any third parties for consequential or indirect loss.

Except for death or personal injury caused by negligence, each party's liability under a relevant NSDA is limited to the greater of the value of the wholesale charges incurred pursuant to the NSDA, over the preceding twelve-month period or US$5.0 million.

Under each NSDA, a distribution partner is required to make reasonable efforts to include provisions stating that we are not liable to any party for any losses in any contracts entered into with either service providers or subscribers.

Termination

Each NSDA may be terminated in the following cases:

- either party may terminate for a material breach by the other party if the breach is not remedied within 30 days;
- either party may terminate if the other party becomes insolvent or is or likely to be wound up or declared bankrupt;
- either party may terminate if a force majeure event occurs and subsists for more than six months;
- we may terminate for late payment in excess of 90 days by the distribution partner;
- we may terminate if a distribution partner has failed to commence providing a service(s) new to it within 90 days of the distribution partner's service scheduled launch date of any such service;

- we may terminate immediately upon written notice to a distribution partner upon a change of control of the distribution partner; and
- the distribution partner may terminate by giving 12 months' prior notice of its intention to cease providing broadband and handheld services.

The termination of one service by a distributor provided under an NSDA entitles us to terminate any other or all services under the NSDA with such distributor at our discretion.

Lease Services Provider Agreements

We had lease agreements with entities wishing to provide satellite resources for a pre-arranged, fixed term (as opposed to on-demand services) for an end-user's exclusive use. These agreements were replaced on 15 April 2009 by new bilateral Lease Agreements between us and each distribution partner of lease services. New distribution partners for lease services appointed after 15 April 2009 will execute new Lease Agreements with us at the time of appointment. Radio-determination services are excluded from these agreements. We have discretion under our Lease Agreements to vary, amend or restrict the lease services we offer. A relatively small number of our distribution partners have elected to provide lease services and enter into a Lease Agreement.

Our relationship with each distribution partner is non-exclusive so that we may enter into separate agreements with other distribution partners. Each distribution partner who has entered into a Lease Agreement may describe themselves as our "Authorised Lease Service Provider". Each Lease Agreement has annexed to it, among other documents, model terms and conditions for a specific lease contract and a lease policy governing the lease process, to which the model terms and conditions conform.

Term

Lease Agreements have a minimum term of five years subject to prior termination in accordance with its terms. Each Lease Agreement may extend beyond this minimum period subject to our right to terminate on two years' notice. Lease Agreements are framework agreements and termination or expiry of a Lease Agreement does not affect the term of any specific lease, which is governed by the termination provisions of the lease contract. Lease contracts granted by us prior to 14 April 2009 (based on the previous terms and conditions) therefore may have survived the termination of the previous lease agreements on 14 April 2009.

Eligibility

To be eligible to enter into a Lease Agreement:

- where the lease services are to be provided via a lease services provider's LES, the lease services provider must provide or procure the provision of the LES; and
- where the lease services are to be provided via our ground infrastructure on our Inmarsat-4 or subsequent generation satellites, the lease services provider is not required to provide a LES.

Pricing

We may vary the price of our lease service offerings in accordance with the principles set out in the lease policy, with a regular yearly review held during the third quarter of each year to take effect on 1 January of the subsequent year. Such changes do not apply to any lease contracts that are in place and operational but are limited to lease services contracted for or renewed after the applicable date.

All prices are denominated in US dollars. We may at any time after 31 December 2010 denominate all or part of such charges in either US dollars, euro or pounds sterling if we give 180 days prior written notice and apply such changes in a non-discriminatory manner from either 1 January or 1 July of a calendar year.

We apply the principles of non-price discrimination to lease service providers regarding the general principles we apply to our wholesale charges for lease services.

Payment terms for wholesale charges under each lease contract are to be agreed on a case by case basis with each lease service provider. Other charges are payable to us within 30 days of date on invoice.

Amendments

We may amend certain parts of any Lease Agreement, primarily the model terms and conditions and lease policy, with advance notice and consultation.

Service Level

We must use our reasonable endeavours to meet the following network performance objectives:

- a minimum satellite availability of 99 per cent. per annum and a target availability of 99.9 per cent. per annum; and
- a minimum network availability of 99.9 per cent. over any period of no less than three months and a target performance level of 99.96 per cent. over the same period.

Warranties and Liability

We warrant that we have obtained all clearances, relevant telecommunication licenses, consents and approvals necessary to perform our obligations under each Lease Agreement.

Except for any loss of or damage or degradation to any of our Satellites, spectrum or network resources, our lease service providers' aggregate liability under a lease contract is limited to the greater of US$500,000 or the total payments due to us over the twelve–month period immediately preceding the event giving rise to the liability.

The lease service providers remain liable to an unlimited amount for claims by any third party against us caused by any act or omission by such lease service provider (and its resellers, contractors, employees, agents) subject to the other provisions of the Lease Agreement or lease contract.

Termination

Termination may occur in the following circumstances:

- lease services providers may terminate for convenience upon 30 days' notice if they have no lease contracts in effect;
- either party may terminate a Lease Agreement where the other party is in default in their performance of a material term under the agreement which is not capable of being remedied;
- either party may terminate a Lease Agreement where the other party is in default in the performance of any material term under the agreement and has failed to cure the default within 60 days from the date of written notice from the terminating party;
- either party to a Lease Agreement may terminate if the other party becomes insolvent, enters into administration or liquidation or otherwise ceases or threatens to cease business;
- either party may terminate a Lease Agreement if a force majeure event continues for more than six months (starting on the day the force majeure starts) by giving the other party 30 days' written notice. Force majeure includes (not exclusively) externally caused transmission failure or externally caused satellite failure or satellite launch failure or delay or satellite malfunction which in every case is not reasonably foreseeable and is beyond the reasonable control and without the fault or negligence of the affected party; and
- by mutual agreement between the parties to a Lease Agreement.

Confidentiality

Except where provided for expressly to the contrary, each party to the Lease Agreement or lease contract will keep confidential the other party's confidential information and will ensure and procure that any third party to whom such information is disclosed (in accordance with the agreements) complies with such obligations as well.

Dispute Resolution and Choice of Laws

Disputes under each Lease Agreement or the lease contract are to be handled by an internal dispute resolution mechanism first before being escalated to arbitration. Any such arbitration is required to be in accordance with the Arbitration Rules of the London Court of International Arbitration.

Each Lease Agreement and each lease contract including all matters and disputes arising from them is be governed by the laws of England and Wales.

Finance Arrangements

Our material financing arrangements including the Senior Credit Facilities, Intercreditor Agreement and the Subordinated Intercompany Shareholder Funding Loan, are described in "*Description of Certain Financing Arrangements*".

DESCRIPTION OF CERTAIN FINANCING ARRANGEMENTS

The following is a summary of the material terms of certain financing arrangements to which we are or will be a party. The following summaries are not complete and are qualified by reference to the agreements described below. As such, we encourage you to read the agreements as they, and not the discussion that follows, define certain rights of the parties thereto.

Revolving Credit Facility

Inmarsat Investments Limited, as borrower and certain subsidiaries of Inmarsat Investments Limited and Inmarsat Group Limited, as guarantors, entered into a multicurrency revolving loan facility on 30 June 2011 with a group of 12 commercial banks in an aggregate amount of US$750.0 million (the "Revolving Credit Facility"). The Revolving Credit Facility will mature on 30 June 2016. The Revolving Credit Facility also contains provisions under which Inmarsat Investments Limited can request an increase in the total commitments by a maximum of US$150.0 million. Advances under the Revolving Credit Facility will bear interest for each interest period at a rate per annum equal to LIBOR or, in relation to any advance in Euro, EURIBOR, plus an applicable margin of between 1.00% and 2.50% determined by reference to the ratio of total net cash pay debt to EBITDA pursuant to a margin "ratchet". In addition, the Revolving Credit Facility benefits from a share charge, through the Intercreditor Agreement, granted by Inmarsat Investments Limited over the entire issued share capital of Inmarsat Ventures Limited.

The Revolving Credit Facility contains financial covenants regarding a maximum leverage ratio, a maximum senior debt leverage ratio and a minimum interest coverage ratio. In addition, the Revolving Credit Facility contains covenants that restrict, amongst other things, our ability to sell assets, make investments, grant liens, pay dividends and make certain other restricted payments. At 31 December 2011 there were no drawings under the Revolving Credit Facility.

The information set forth above regarding our Revolving Credit Facility is a summary and is not a complete description of the terms and conditions.

European Investment Bank Facility

Inmarsat Investments Limited, as borrower and certain subsidiaries of Inmarsat Investments Limited and Inmarsat Group Limited, as guarantors, entered into a €225 million facility agreement, dated 23 December 2009, with the European Investment Bank ("EIB"), as amended and restated on 15 April 2010 and 21 June 2011 (the "EIB Facility"). The proceeds of the loans under the EIB Facility were made available to finance the construction of the Alphasat satellite. The facility was available in Euros and US dollars. An initial drawdown of US$180.0m was made on 30 April 2010 and a final draw down of US$128.4m was made on 28 October 2010. Interest is equal to three-month USD LIBOR plus a margin payable in April, July, October and January each year. The EIB Facility matures on 30 April 2018 and is repayable in equal semi-annual instalments beginning 30 April 2012.

The guarantees and security arrangements in respect of the EIB Facility are substantially similar to that granted in respect of the Revolving Credit Facility. In addition, it contains customary covenants for a loan agreement, including covenants similar to those included in the Revolving Credit Facility and covenants related to Alphasat. At 31 December 2011, total drawings under the EIB Facility were US$308.4 million.

The information set forth above regarding our EIB Facility is a summary and is not a complete description of the terms and conditions.

Ex-Im Bank Facility

Export-Import Bank of the United States Facility

Inmarsat Investments Limited, as borrower and certain subsidiaries of Inmarsat Investments Limited and Inmarsat Group Limited, as guarantors, entered into a US$700.0 million facility agreement, dated 11 May 2011, with the Export-Import Bank of the United States ("Ex-Im"), as amended on 29 July 2011 (the "Ex-Im Bank Facility"). The proceeds of the loans under the Ex-Im Bank Facility are available for the financing of three Ka-band Inmarsat-5 satellites and certain other related capital expenditure. The facility has a total availability period of four years and will then be repayable in equal instalments over a further eight years and six months.

Drawings under the Ex-Im Bank Facility incur interest at a fixed rate of 3.11%, paid semi annually in March and September for the life of the loan. A commitment fee is also paid semi-annually on the undrawn facility, until fully drawn or cancelled, at a rate of 0.5%.

The guarantee and security arrangements in respect of the Ex-Im Bank Facility are substantially similar to those granted in respect of the Revolving Credit Facility. In addition, it contains customary covenants for a loan agreement, including covenants similar to those included in the Revolving Credit Facility and covenants specifically related to the satellites being financed. At 31 December 2011, total drawings under the Ex-Im Bank Facility were US$277.3 million.

The information set forth above regarding our Ex-Im Bank Facility is a summary and is not a complete description of the terms and conditions.

Intercreditor Agreement

In order to establish the relative rights of certain of our creditors under our financing arrangements, Inmarsat Finance plc, Inmarsat Holdings Limited and certain of its subsidiaries and each obligor under our Senior Credit Facilities have entered into the Intercreditor Agreement dated 6 November 2009, as amended and restated on 24 March 2010 (the "**Intercreditor Agreement**") with the lenders under the our Senior Credit Facilities, the senior agent under the Revolving Credit Facility, the security agent under the Intercreditor Agreement and (on its accession) The Bank of New York Mellon, as trustee, in respect of the Notes, among others.

By accepting a Note, holders of Notes shall be deemed to have agreed to and accepted the terms and conditions of the Intercreditor Agreement. The description does not restate the Intercreditor Agreement in its entirety nor does it describe provisions relating to the rights and obligations of holders of other classes of our debt and our parent's debt or capital expenditures.

The Intercreditor Agreement sets out:

- the relative ranking of certain debt of Inmarsat Finance plc, Inmarsat Holdings Limited and its subsidiaries;
- when payments can be made in respect of that debt;
- when enforcement actions can be taken in respect of that debt;
- the terms pursuant to which that debt will be subordinated upon the occurrence of certain insolvency events;
- when the subordinated guarantees of the Notes can be released upon senior enforcement action;
- turnover provisions; and
- agreements among secured creditors of the obligors regarding enforcement of their security.

Priority

The Intercreditor Agreement provides that outstanding debt of Inmarsat Investments Limited and its subsidiaries will rank in right and priority of payment in the following order:

- *first*, the "**senior debt**" (which includes all present and future moneys, debts and liabilities due, owing or incurred under the Senior Credit Facilities and related documents, the "**hedging debt**" (which includes all present and future moneys, debts and liabilities due to any hedging lender in relation to any hedging document permitted under the Senior Credit Facilities) and the "**permitted senior debt**" (which includes all present and future moneys, debts and liabilities due, owing or incurred under any senior document, agreement or instrument permitted by the Senior Credit Facilities), *pari passu* between themselves;
- *second*, the "**new notes debt**" (which includes all present and future moneys, debts and liabilities due, owing or incurred by any new notes guarantor to any new notes noteholders (including holders of the Notes) and/or any new notes trustee (including the trustee relating to the Notes) under any new notes guarantee under one or more new notes indentures (including the Indenture)) and the "**new notes on-loan debt**" (which includes all present and future moneys, debts and liabilities due, owing or

incurred by Inmarsat Investments Limited to each holder of any intercompany loan of note proceeds in accordance with an intercompany loan agreement, including the Subordinated Intercompany Note Proceeds Loans); and

- *third*, other intercompany debt, which includes all present and future moneys, debts and liabilities, due owing and incurred by any intercompany borrower to any intercompany lender.

The ranking of the Notes and the Parent Guarantee is not governed by the Intercreditor Agreement.

Hedging Debt

Permitted Payments. Until the date on which all senior debt, hedging debt and permitted senior debt has been fully and irrevocably paid or discharged, neither Inmarsat Investments Limited nor any other obligor shall (and Inmarsat Investments Limited shall ensure that none of its subsidiaries shall) among other things, subject in some cases to certain specified exceptions and limitations, take certain action, including to pay amounts in respect of any hedging debt; exercise any set-off against any hedging debt; create or permit to subsist any security over any assets of, or give any guarantee from, Inmarsat Investments Limited or its subsidiaries, in respect of any hedging debt; or if any senior default is continuing or would result from such action, terminate any hedging document prior to its stated maturity, all except in limited specified circumstances.

No hedging bank shall demand or receive payment, of any amount in respect of any hedging debt; exercise any set-off against any hedging debt; permit to subsist or receive any security over any assets of, or any guarantees from, Inmarsat Investments Limited or its subsidiaries in respect of any hedging debt; or terminate any hedging document prior to its stated maturity, all except in limited specified circumstances and with the prior consent of a simple majority of senior lenders (in terms of aggregate total principal amounts of senior debt outstanding).

Notwithstanding the foregoing, unless a "**senior declared default**" has occurred, and subject to the provisions on subordination on insolvency described below, the obligors may pay, and the hedging banks may receive and retain, payments in respect of hedging debt arising under the original terms of the hedging documents (subject to amendments permitted by the Intercreditor Agreement) in certain circumstances, including if a simple majority of senior lenders (in terms of aggregate total principal amounts of senior debt outstanding) gives its prior consent.

Enforcement Action. Subject to the below, no hedging bank shall, except with the prior consent of a simple majority of senior lenders (in terms of aggregate total principal amounts of senior debt outstanding), take any "**enforcement action**" in relation to any hedging debt. Notwithstanding the foregoing, to the extent it is able to do so under the relevant hedging document, a hedging bank may terminate or close out in whole or in part any hedging transaction under that hedging document prior to its stated maturity, provided that no other enforcement action is taken, in certain circumstances including in connection with certain events of default, insolvency, illegality, tax, force majeure, mandatory prepayment of Revolving Credit Facility or change of control and if the hedging bank is not a lender under any refinancing of the senior credit agreement.

For the purposes of this description of the Intercreditor Agreement, "**enforcement action**" means: (a) in relation to any senior debt, hedging debt, permitted senior debt, new notes debt or intercompany debt, any action of any kind to: (i) demand payment, declare prematurely due and payable or otherwise seek to accelerate payment of or place on demand all or any of that debt; (ii) recover all or any of that debt (including by exercising any set-off, save as required by law); (iii) exercise or enforce any right against any surety in relation to (or given in support of) all or any of that debt (including under the security documents); (iv) petition for an "**insolvency event**" in relation to the obligor in relation to that debt; or (v) start any legal proceedings against the obligor in relation to that debt; and (b) in relation to any hedging debt, any action of any kind to declare an early termination date under any hedging document or demand payment of any amount which would become payable following an early termination date (except for any permitted mandatory prepayments).

Subordination on Insolvency. If: (a) any order is made or resolution passed for the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of any obligor; (b) any obligor enters into any composition,

assignment or arrangement with its creditors generally; or (c) any liquidator, receiver, administrator, administrative receiver, compulsory manager or other similar officer is appointed in respect of any obligor or any of its assets, or any analogous event occurs in any jurisdiction, then (i) the new notes debt and the new notes onloan debt will be subordinated in right of payment to the senior debt, the permitted senior debt and the hedging debt; and (ii) the intercompany debt will be subordinated in right of payment to the senior debt, the hedging debt, the permitted senior debt, the new notes debt and the new notes on-loan debt. The Intercreditor Agreement contains provisions authorising the filing of appropriate claims and proofs of entitlement upon insolvency.

New Notes Debt (including the Notes and any notes issued in the future)

Permitted Payments. Until the date on which all senior debt, hedging debt and permitted senior debt has been fully and irrevocably paid or discharged, neither Inmarsat Investments Limited nor any other obligor shall (and Inmarsat Investments Limited shall ensure that none of its subsidiaries shall), except with the prior consent of a simple majority of senior lenders (in terms of aggregate total principal amounts of senior debt outstanding):

- pay, repay or prepay any principal, interest or other amount on or in respect of, or make any distribution in respect of, any new notes debt due, in cash or in kind, or apply any money or property in or towards discharge of any such new notes debt (except in limited specified circumstances);
- exercise any set-off against any new notes debt due (except in limited specified circumstances);
- create or permit to subsist any security over any assets of Inmarsat Investments Limited or any of its subsidiaries, or give any guarantee for, or in respect of, any new notes debt due other than new notes guarantees, including the guarantees under the Notes, as specified; or
- amend the terms of any finance document governing new notes in a manner that would be inconsistent with certain specified fundamental terms, including those relating to interest rates, maturity dates and not benefiting from security or guarantees, unless previously approved by a simple majority of senior lenders (in terms of aggregate total principal amounts of senior debt outstanding),

and no new notes finance party (including a finance party in relation to the Notes) shall:

- demand or receive payment, repayment or prepayment from any obligor of any principal, interest or other amount on or in respect of, or any distribution from any obligor in respect of, any new notes debt (including debt in relation to the Notes) in cash or in kind or apply any money or property in or towards discharge of any new notes debt (including debt in relation to the Notes) (except as set out below);
- exercise any set-off against any new notes debt (including debt in relation to the Notes) (except as set out below); or
- permit to subsist or receive any security or any guarantee from Inmarsat Investments Limited or any subsidiary of Inmarsat Investments Limited, for, or in respect of, any new notes debt (including debt in relation to the Notes), other than under the new notes guarantees,

except with the prior consent of a simple majority of senior lenders (in terms of aggregate total principal amounts of senior debt outstanding).

Notwithstanding the foregoing, the new notes trustees (including the trustee relating to the Notes) and the new notes noteholders (including holders of the Notes) may receive "**permitted junior securities**" and the obligors may pay, and the applicable new notes trustee may receive and retain, payments in respect of fees or expenses or other amounts incurred on or on behalf of a new notes trustee in connection with the new notes finance documents. Subject to the following paragraph, (a) the obligors may pay, and the new notes noteholders and the new notes trustees may received and retain, payments in respect of interest, listing, general overhead costs and additional amounts in accordance with certain specified terms and, on the originally scheduled maturity date of the new notes, payments in respect of principal on the new notes; and (b) Inmarsat Investments Limited or the relevant new notes issuer may pay any consent fees which are required to be paid to the new notes noteholders in connection with any consents required under the new notes finance documents, provided that such fees are on arm's length terms and at market rates at the relevant time. Until the date on which all senior debt, hedging debt and permitted senior debt has been fully and irrevocably paid or discharged, except with the prior consent of a simple majority of senior lenders (in terms of aggregate total principal amounts of senior debt

outstanding), and subject to the provisions on subordination on insolvency described below, the preceding payments (other than payments of "**permitted junior securities**" and the payment of principal at the originally scheduled maturity of the new notes) must be suspended if:

- a payment event of default under the Senior Credit Facilities or any other permitted senior debt is continuing; or
- an event of default other than a payment default under any senior debt or any permitted senior debt is continuing, from the date on which the relevant agent delivers notice of such default until the earliest of:
  - 179 days after the date such notice was given;
  - if a standstill period with respect to any new notes debt is in effect after the default giving rise to such notice, the date on which such standstill period expires;
  - the date on which the default has been waived or remedied;
  - the date on which the agent delivers notice cancelling the payment suspension; and
  - the date on which all senior debt, hedging debt and permitted senior debt has been fully and irrevocably paid or discharged.

Enforcement Action. The Intercreditor Agreement does not regulate the ability of the new notes trustee to take action against the issuer of the new notes or Inmarsat Group Limited. However, the new notes trustee agrees that if any other agent is taking all reasonable commercial efforts to implement a sale of the shares of Inmarsat Ventures Limited pursuant to the provisions described below relating to release of security on enforcement as expeditiously as reasonably practicable having regard to the circumstances, the new notes trustee will not take any enforcement action that would be reasonably likely to adversely affect such sale or the amount of proceeds to be derived therefrom.

"**Insolvency event**" means: (a) Inmarsat plc, Inmarsat Holdings Limited or any subsidiary of Inmarsat Holdings Limited is unable or admits in writing its inability to pay its debts as they fall due, suspends, or threatens to suspend, making payments on all or any class of its debts or, by reason of actual financial difficulties, commences negotiations with one or more classes of its creditors with a view to rescheduling any of its indebtedness; (b) a moratorium is declared in respect of any indebtedness of Inmarsat plc, Inmarsat Holdings Limited or any subsidiary of Inmarsat Holdings Limited; or (c) in respect of Canadian, Dutch and United States entities only, certain of other specified events occurs. "Key company" means each of: Inmarsat Holdings Limited, Inmarsat Group Ltd, Inmarsat plc, any new notes issuer (including Inmarsat Finance plc in connection with the Notes) the obligors under the Revolving Credit Facility and each material subsidiary of Inmarsat Investments Limited (if any) that is not such an obligor.

Subordination on Insolvency. If: (a) any order is made or resolution passed for the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of any obligor; (b) any obligor enters into any composition, assignment or arrangement with its creditors generally; or (c) any liquidator, receiver, administrator, administrative receiver, compulsory manager or other similar officer is appointed in respect of any obligor or any of its assets, or any analogous event occurs in any jurisdiction, then (i) the new notes debt and the new notes on-loan debt will be subordinated in right of payment to the senior debt, the permitted senior debt and the hedging debt; and (ii) the intercompany debt will be subordinated in right of payment to the senior debt, the hedging debt, the permitted senior debt, the new notes debt and the new notes on-loan debt.

Filing of Claims

Upon any of the circumstances described in the preceding paragraph, the Intercreditor Agreement authorises the security agent on behalf of the holders of the new notes debt and the new notes on-loan debt to (or require such holders to):

- demand, claims, enforce and prove for "junior debt";
- file claims and proofs, give receipts and take any proceedings in respect of filing such claims or proofs and do anything which the security agent considers necessary or desirable to recover the junior debt; and

- receive all distribution of the junior debt for application as set forth below under the Caption "*—Order of Applications*".

In addition, upon any of the circumstances described in the preceding paragraph, the security agent may, and is authorised under the Intercreditor Agreement to, exercise all powers of convening meetings, voting and representations in respect of the new notes debt or the new notes on-loan debt and each creditor of such debt shall promptly execute and/or deliver to the security agent such forms of priority and representations as it may require to facility such action.

Amendment to New Notes Finance Documents

Until the date on which all senior debt, hedging debt and permitted senior debt has been fully and irrevocably paid or discharged, except with the prior consent of a simple majority of senior lenders (in terms of aggregate total principal amounts of senior debt outstanding), none of Inmarsat Investments Limited or its subsidiaries that is a party to the new notes finance documents shall amend such documents in a manner that would result in:

- the rate of interest payable under the new notes finance documents being increased other than to a rate not inconsistent with certain specified fundamental terms, including those relating to interest rates, maturity dates and not benefiting from security or guarantees;
- any change to the basis on which interest or other amounts (including fees) accrue, are calculated or are payable under any new notes finance documents;
- any increase to the amount or change to the currency of the amount to be repaid under any new notes finance documents (to the extent adverse to the senior finance parties);
- any amount under the new notes finance documents becoming payable on a date earlier or more frequently than that provided in the relevant new notes finance documents at the date originally entered into other than as a result of any acceleration of any new notes (including the Notes) or (in respect of the new notes on-loan) as a result of enforcement action permitted on insolvency (as described in this section); or
- any subordinated notes guarantor being subject to obligations inconsistent with the new notes guarantees maturity provisions,

other than any amendment, waiver or consent of a technical or administrative nature arising in the ordinary course of administration of the new notes finance documents.

New Notes On-Loan Debt (including the Subordinated Intercompany Note Proceeds Loans)

Permitted Payments. Until the date on which all senior debt, hedging debt and permitted senior debt has been fully and irrevocably paid or discharged, except with the prior consent of a simple majority of senior lenders (in terms of aggregate total principal amounts of senior debt outstanding) or as permitted by the terms of the revolving credit facility and any finance documents relating to permitted senior debt, neither Inmarsat Investments Limited nor any other obligor shall (and Inmarsat Investments Limited shall ensure that none of its subsidiaries shall):

- pay, repay or prepay any principal, interest or other amount on or in respect of, or make any distribution in respect of, any new notes on-loan debt (including that in relation to the Subordinated Intercompany Note Proceeds Loans) in cash or in kind or apply any money or property in or towards discharge of any new notes on-loan debt (including that in relation to the Subordinated Intercompany Note Proceeds Loans) (except in limited specified circumstances);
- exercise any set-off against any new notes on-loan debt (except in limited specified circumstances);
- create or permit to subsist or receive any security over any assets of Inmarsat Investments Limited or any of its subsidiaries, or give any guarantee for, or in respect of, any new notes on-loan debt; or
- amend any provision of any new notes on-loan so that it would be inconsistent with certain specified fundamental terms including those relating to interest rates, maturity dates and not benefiting from security or guarantees unless previously approved by a simple majority of senior lenders (in terms of aggregate totals principal amounts of senior debt outstanding),

and no holder of any intercompany on-loan debt (including the Subordinated Intercompany Note Proceeds Loans) shall:

- demand or receive payment, repayment or prepayment of any principal, interest or other amount on or in respect of, or any distribution in respect of, the relevant new notes on-loan debt (including that in relation to the Subordinated Intercompany Note Proceeds Loans) in cash or in kind or apply any money or property in or towards discharge of any new notes on-loan debt (including that in relation to the Subordinated Intercompany Note Proceeds Loans) (except in limited specified circumstances);
- exercise any set-off against any new notes on-loan debt (including that in relation to the Subordinated Intercompany Note Proceeds Loans) (except in limited specified circumstances); or
- permit to subsist or receive any security over any assets of Inmarsat Investments Limited or any of its subsidiaries, or any guarantee from Inmarsat Investments Limited or any of its subsidiaries, for, or in respect of, any new notes on-loan debt (including that in relation to the Subordinated Intercompany Note Proceeds Loans),

except with the prior consent of a simple majority of senior lenders (in terms of aggregate total principal amounts of senior debt outstanding).

Notwithstanding the foregoing, but subject to the following paragraph, (a) Inmarsat Investments Limited may pay, and the applicable holders of the new notes on-loans may receive and retain, payments in respect of interest, listing, general overhead costs and additional amounts in accordance with certain specified terms and, on the originally scheduled maturity date of the new notes, payments in respect of principal on the new notes; and (b) Inmarsat Investments Limited or the relevant new notes issuer may pay any consent fees which are required to be paid to the new notes noteholders in connection with any consents required under the new notes finance documents, provided that such fees are on arm's length terms and at market rates at the relevant time. Until the date on which all senior debt, hedging debt and permitted senior debt has been fully and irrevocably paid or discharged, except with the prior consent of a simple majority of senior lenders (in terms of aggregate total principal amounts of senior debt outstanding), no obligor may pay, and no holder of a new bonds on-loan may receive and retain payment in respect of, any principal in respect of any new bonds on-loan, and subject to the provisions on subordination on insolvency described below, the preceding payments in (a) and (b) above must be suspended if:

- a payment event of default under the Senior Credit Facilities or any other senior debt is continuing; or
- an event of default other than a payment default under any senior debt is continuing, from the date on which the relevant agent delivers notice of such default until the earliest of:
  - 179 days after the date such notice was given;
  - if a standstill period with respect to any new notes debt is in effect after the default giving rise to such notice, the date on which such standstill period expires;
  - the date on which the default has been waived or remedied;
  - the date on which the agent delivers notice cancelling the payment suspension; and
  - the on which all senior debt, hedging debt and permitted senior debt has been fully and irrevocably paid or discharged.

Enforcement Action. Until the date on which all senior debt, hedging debt and permitted senior debt has been fully and irrevocably paid or discharged, except with the prior consent of a simple majority of senior lenders (in terms of aggregate total principal amounts of senior debt outstanding), no holder of a new notes on-loan shall take any "enforcement action" in relation to any new notes on-loan debt. Notwithstanding the foregoing, such restrictions will not apply if: (a) an "insolvency event" in respect of a "key company" is continuing; or (b) a "new notes default" (including an event of default under the Notes) is continuing and (i) each relevant agent has received notice of the relevant default from the relevant trustee and (ii) 179 days have elapsed from the date such notice was given; or (c) on the originally scheduled maturity date, any amount owing under the relevant new notes on-loan has not been repaid and remains outstanding.

Subordination on Insolvency. If: (a) any order is made or resolution passed for the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of any obligor; (b) any obligor enters into any composition, assignment or arrangement with its creditors generally; or (c) any liquidator, receiver, administrator, administrative receiver, compulsory manager or other similar officer is appointed in respect of any obligor or any of its assets, or any analogous event occurs in any jurisdiction, then (i) the new notes debt and the new notes onloan debt will be subordinated in right of payment to the senior debt, the permitted senior debt and the hedging debt; and (ii) the intercompany debt will be subordinated in right of payment to the senior debt, the hedging debt, the permitted senior debt, the new notes debt and the new notes on-loan debt. The Intercreditor Agreement contains provisions authorising the filing of appropriate claims and proofs of entitlement upon insolvency.

Intercompany Debt

Permitted Payments. Until the later of: the date on which (i) all senior debt, hedging debt and permitted senior debt has been fully and irrevocably paid or discharged and (ii) all new notes debt (including the Notes) has been irrevocably and unconditionally discharged in full, neither Inmarsat Investments Limited nor any other obligor shall (and Inmarsat Investments Limited shall ensure that none of its subsidiaries shall):

- pay, repay or prepay any principal, interest or other amount on or in respect of, or make any distribution in respect of, or redeem, purchase or defease, any intercompany debt in cash or in kind (except in limited specified circumstances);
- exercise any set-off against any intercompany debt (except in limited specified circumstances);
- create or permit to subsist or receive any security, or give any guarantee, for, or in respect of, any intercompany debt;
- claim or rank as a creditor in the insolvency, winding-up, bankruptcy or liquidation of Inmarsat Investments Limited or any of its subsidiaries (except in limited specified circumstances);
- sue, claim or bring proceedings against any obligor or intercompany borrower for breach of any representation, warranty or undertaking by any obligor or intercompany borrower under or in connection with any intercompany document; or
- take or omit to take any action whereby the ranking and/or subordination contemplated by the Intercreditor Agreement may be impaired,

and no lender in respect of any intercompany debt shall:

- demand or receive payment, repayment or prepayment of any principal, interest or other amount on or in respect of, or any distribution in respect of, any intercompany debt in cash or in kind or apply any money or property in or towards discharge of any intercompany debt (except in limited specified circumstances);
- exercise any set-off against any intercompany debt (except in limited specified circumstances);
- permit to subsist or receive any security, or any guarantee, for, or in respect of, any intercompany debt;
- claim or rank as a creditor in the insolvency, winding-up, bankruptcy or liquidation of Inmarsat Investments Limited or any of its subsidiaries (except in limited specified circumstances);
- sue, claim or bring proceedings against any obligor or borrower in respect of intercompany debt for breach of any representation, warranty or undertaking by any obligor or borrower under or in connection with any document evidencing any intercompany debt; or
- take or omit to take any action whereby the ranking and/or subordination contemplated by the Intercreditor Agreement may be impaired,

except, until the date on which all senior debt, hedging debt and permitted senior debt has been fully and irrevocably paid or discharged, with the prior consent of a simple majority of senior lenders (in terms of aggregate total principal amounts of senior debt outstanding) or, thereafter, with the prior consent of each new notes trustee.

Notwithstanding the foregoing, until the later of the date on which (i) all senior debt, hedging debt and permitted senior debt has been fully and irrevocably paid or discharged and (ii) all new notes debt (including the Notes) has been irrevocably and unconditionally discharged in full, and subject to the turnover and the subordination on insolvency provisions described below, the borrowers of intercompany debt may pay, and the lenders of intercompany debt may receive and retain payments in respect of, any intercompany debt to the extent permitted by each outstanding applicable facilities agreement and new notes indenture, provided that no "senior declared default" or, after the date referred to in (i), no "new notes declared **default**" is continuing or will be continuing immediately after the making of the relevant payment. A "new notes declared default" means an event of default under any new notes indenture (including the Indenture) which has resulted in the new notes finance parties (including in relation to the Notes) accelerating all amounts due under any new notes (including the Notes).

Enforcement Action. Until the later of the date on which (i) all senior debt, hedging debt and permitted senior debt has been fully and irrevocably paid or discharged and (ii) all new notes debt (including the Notes) has been irrevocably and unconditionally discharged in full, no lender of intercompany debt shall, except with specified prior consent, take any "enforcement action" in relation to any intercompany debt. If required to take enforcement action, the intercompany lenders will apply any proceeds from that enforcement action in accordance with the turnover provision described below.

Subordination on Insolvency. If: (a) any order is made or resolution passed for the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of any obligor; (b) any obligor enters into any composition, assignment or arrangement with its creditors generally; or (c) any liquidator, receiver, administrator, administrative receiver, compulsory manager or other similar officer is appointed in respect of any obligor or any of its assets, or any analogous event occurs in any jurisdiction, then the intercompany debt will be subordinated in right of payment to the senior debt, the hedging debt, the permitted senior debt, the new notes debt and the new notes on-loan debt. The Intercreditor Agreement contains provisions authorising the filing of appropriate claims and proofs of entitlement upon insolvency.

Turnover

The hedging lenders and the subordinated creditors under the Intercreditor Agreement (i.e., any new notes trustee (including the trustee relating to the Notes) and new notes noteholders (including the holders of the Notes), the holder of the Subordinated Intercompany Note Proceeds Loans and any other intercompany on-loans and the other intercompany lenders) have agreed that, prior to the discharge in full of all senior and new note obligations, they will turn over to the security agent all payments received in violation of the Intercreditor Agreement.

Order of Application

Subject to the rights of creditors mandatorily preferred by law applying to companies generally and the following paragraph, the proceeds of enforcement of any security conferred by the security documents and all recoveries by the security agent under guarantees of the senior debt, the hedging debt, the permitted senior debt and the new notes guarantees will be applied in the order set out from first to third below and all other amounts paid to the security agent pursuant to the Intercreditor Agreement shall be applied in the following order:

- *first*, in or towards payment *pari passu* of any unpaid fees, costs, expenses and liabilities (including any interest thereon as provided in the security documents) incurred by or on behalf of any new notes trustee (including the trustee in relation to the Notes) or the security agent (or any adviser, receiver, delegate, attorney or agent) and the remuneration of the new notes trustee or the security agent (or any adviser, receiver, delegate, attorney or agent) in connection with carrying out its duties or exercising powers or discretions under the security documents, the new notes finance documents (including those in relation to the Notes) or the Intercreditor Agreement, as the case may be (but excluding any payment in relation to any unpaid costs and expenses incurred in respect of any litigation by or on behalf of any new notes finance party (including those in relation to the Notes) against any of the senior finance parties or the permitted senior finance parties);

- *second*, in or towards payment *pro rata* and *pari passu* to the other agents for application towards any unpaid costs and expenses incurred by or on behalf of any senior finance party, hedging lender or permitted senior finance party in connection with such enforcement, recovery or other payment *pari passu* between themselves;

- *third*, in or towards payment *pari passu* to the other agents for application towards the balance of the senior debt (in accordance with the Senior Credit Facilities), the hedging debt and the other permitted senior debt;
- *fourth*, after all senior debt, hedging debt and permitted senior debt has been fully and irrevocably paid or discharged, to the extent consistent with applicable law, in or towards payment to any new notes trustee (including the trustee in relation to the Notes) for application towards the balance of any new notes debt (in accordance with any new notes indenture) (including the debt relating to the Notes (in accordance with the Indenture)); and
- *fifth*, after all new notes (including the Notes) has been irrevocably and unconditionally discharged in full, in payment of the surplus (if any) to the relevant obligor or other person entitled thereto.

Release of Security and Guarantees

Subject to the following paragraph, if, pursuant to or for the purpose of any enforcement action taken or to be taken by the security agent in accordance with the Intercreditor Agreement, the security agent requires any release of any guarantee or security for the senior debt, the hedging debt or the permitted senior debt granted by any member of the group or of any new notes guarantee, each party shall promptly enter into any release and/ or other document and take any action which the security agent may reasonably require. The lenders under the permitted senior debt are required to authorise such release only if such release is required in order to effect the disposal of all of the shares of the relevant obligor or the assets of such obligor, which is to occur, in each case, contemporaneously with or immediately following such release and the proceeds of such sale received by the security agent are in cash (or substantially all in cash).

The new notes finance parties (including those in relation to the Notes) will be required to authorise any release described above only if the net sale proceeds are or will be applied in accordance with the order of application described above and if one or more of the following conditions is satisfied:

- all of the shares of the relevant obligor (or any direct or indirect holding company of such obligor) or the assets of such obligor are sold or otherwise disposed of (and the proceeds thereof are applied and the relevant release occurs) in compliance with the provisions of the new notes finance documents and such sale or disposal is not to an associated company of Inmarsat Investments Limited; or
- any applicable new notes trustee (including the trustee in relation to the Notes) acting at the instruction of the holders of any new notes (including the holders of the Notes) in accordance with the relevant indenture (including the Indenture) has consented in writing to such release; or
- all of the shares of the relevant obligor (or any holding company of such obligor) are sold by an administrator (appointed under the UK Insolvency Act 1986); and:
  - the administrator is appointed to an obligor or holding company in relation to which the new notes noteholders are creditors in respect of the new notes debt;
  - the administrator is an insolvency practitioner and a partner of any of Ernst & Young, PricewaterhouseCoopers, Deloitte or KPMG whose appointment the new notes trustee has not objected to (acting reasonably) under the provisions of the UK Insolvency Act 1986 relating to the selection of a person or persons to be an/the administrator;
  - the shares of the relevant obligor or holding company have been sold pursuant to an auction or competitive bid process during which bids were widely solicited from trade and financial buyers and during which the administrator consulted with an internationally recognised investment bank in good faith regarding the manner in which to obtain the best price for such shares, considered the recommendations of such investment bank and (where the administrator considers it appropriate in good faith) implemented the applicable recommendations;
  - the proceeds of such sale are in cash (or substantially all cash); and
  - the claims and security interests of the senior finance parties, hedging banks and permitted senior finance parties against the relevant obligor and its subsidiaries are irrevocably and unconditionally released (and not assumed by the relevant purchaser or any affiliate thereof) concurrently with such sale.

In the case of any new notes guarantee granted by the obligor that has been sold and by any subsidiary of such obligor, such guarantee or guarantees shall be released concurrently with written confirmation by the security agent that the provisions of the Intercreditor Agreement relating to the release of security on enforcement have been or will be complied with; or

- the shares of the relevant obligor (or any direct or indirect holding company of such obligor) are sold pursuant to enforcement action by the secured parties or the relevant assets are sold pursuant to enforcement action by the secured parties, in each case, under the senior security documents and:
- the proceeds of such sale received by the security agent are in cash (or substantially all cash);
- the claims and security interests of the senior finance parties, hedging banks and permitted senior finance parties against the relevant obligor or assets (as applicable) and each subsidiary of the relevant obligor are irrevocably and unconditionally released (and not assumed by the relevant purchaser or any affiliate thereof) concurrently with such sale; and
- the sale is either made pursuant to a public auction or is otherwise made for fair market value (taking into account the circumstances giving rise to the sale) as certified to the secured parties by an independent internationally recognised investment bank.

In such case (i) any guarantee granted by the obligor that has been sold and by any subsidiary of such obligor and (ii) any security over the asset sold shall be released concurrently with written confirmation by the security agent that the provisions of the Intercreditor Agreement relating to the release of security on enforcement have been or will be complied with.

Subordinated Intercompany Note Proceeds Loans

In connection with the issuance of the Original Notes and the New Notes, the Issuer has made or will make, as applicable, Subordinated Intercompany Note Proceeds Loans to Inmarsat Investments Limited with the proceeds from offering of such Notes. Interest on the Subordinated Intercompany Note Proceeds Loans will accrue at a rate sufficient to fund interest on the Notes, and if applicable, additional amounts. Regularly accruing interest on the Subordinated Intercompany Note Proceeds Loans will be payable semi-annually one business day before each interest payment date in respect of the Notes. Any additional amounts will be due and payable on the business day preceding the date on which the corresponding amount is due and payable under the Indenture.

Inmarsat Investments Limited's obligations pursuant to the Subordinated Intercompany Note Proceeds Loans are or will be evidenced by promissory notes issued pursuant to the Subordinated Intercompany Note Proceeds Loans and deposited with The Bank of New York Mellon, as trustee in respect of the Notes.

The Subordinated Intercompany Note Proceeds Loans will be subordinated in right of payment, initially pursuant to the Intercreditor Agreement, to all "**senior debt**". Under the Intercreditor Agreement, Inmarsat Investments Limited may make payments in respect of (i) interest, listing, general overhead costs and additional amounts under the documents governing the Subordinated Intercompany Note Proceeds Loans and (ii) principal on the Subordinated Intercompany Note Proceeds Loans at final maturity (but not before) subject that, until the date on which all senior debt, hedging debt and permitted senior debt has been fully and irrevocably paid or discharged, except with the prior consent of a simple majority of senior lenders (in terms of aggregate total principal amounts of senior debt outstanding). Neither Inmarsat Investments Limited nor any other obligor may pay, and no holder of the Subordinated Intercompany Note Proceeds Loans may receive and retain payment in respect of, any principal in respect of the Subordinated Intercompany Note Proceeds Loans. Those payments may be made only in accordance with the Intercreditor Agreement, which contains customary payment blockage provisions. See *"—Intercreditor Agreement*".

For the purposes of the foregoing, "**senior debt**" means: (a) all indebtedness of Inmarsat Investment Limited or any other obligor to any senior finance party under or in connection with any senior finance document including those in relation to the Revolving Credit Facility (including security documents), any refinancing facility agreement, the Notes, any appropriate intercreditor agreements and related additional debt; (b) "**hedging debt**" (which includes all money and liabilities now or in the future due to any hedging lender in relation to any hedging document permitted under the Senior Credit Facilities); and (c) any "**permitted senior debt**" (which

includes all money and liabilities now or in the future due, owing or incurred under any senior document permitted by the Senior Credit Facilities or as otherwise approved by the majority senior lenders provided such debt constitutes designated senior debt).

Subject to the terms of the Intercreditor Agreement, if: (a) an "**insolvency event**" in respect of a "**key company**" is continuing; or (b) an event of default under the Indenture is continuing and (i) the relevant agents have received notice of the relevant default from the relevant trustee and (ii) 179 days have elapsed from the date such notice was given; or (c) on the originally scheduled maturity date, any amount owing under the Subordinated Intercompany Note Proceeds Loans has not been repaid and remains outstanding, an action in relation to enforcement may be taken (including in respect of demanding payment or seeking to accelerate payment of the relevant debt).

RECENT DEVELOPMENTS

On 3 April 2012, our parent company, Inmarsat plc, made the following announcement:

"Following our previous announcement of 20 February 2012, Inmarsat today noted that a further payment due from LightSquared under the terms of the Cooperation Agreement has not been received. A scheduled payment of US$29.6 million in relation to Phase 2 of the Cooperation Agreement was due on 31 March 2012 and has not been received.

In relation to this non-payment, Inmarsat has today issued a further notice of default to LightSquared under the Cooperation Agreement. This notice triggers a period of 60 calendar days during which LightSquared can remedy the non-payment before Inmarsat is entitled to enforce its rights and remedies under the agreement for payment default, including pre-agreed spectrum arrangements and termination of certain LightSquared rights under the Cooperation Agreement.

In addition, on 30 March 2012, we issued a completion notice to LightSquared in relation to Phase 1.5 of the Cooperation Agreement. Under this completion notice, a further material payment from LightSquared will fall due on 4 April 2012. Given the non-payment events already announced in relation to Phase 1 and Phase 2, further payments under the Cooperation Agreement, including this payment in relation to Phase 1.5, remain highly uncertain.

Inmarsat does not plan to make any further public statements with regard to non-payment events under the Cooperation Agreement. Although Inmarsat and LightSquared remain in discussions regarding the future of the Cooperation Agreement, Inmarsat, as previously stated, cannot provide any assurance that these discussions will result in any further payments being received from LightSquared."

New Notes

Simultaneously with the issue of these financial statements, our 99.9% owned subsidiary company Inmarsat Finance plc commenced the offer of a further US$200.0m aggregate principal amount of our 7.375% Senior Notes due 1 December 2017 ("New Notes"). The issue of these notes may or may not proceed and the aggregate gross proceeds of the New Notes issued will be dependent on the pricing achieved. Assuming that the New Notes are issued, the proceeds will be used for general corporate purposes, and we will capitalise issuance costs in relation to the issue of the New Notes.

Subsequent to 31 December 2010 other than the events discussed above there have been no other material events which would affect the information reflected in the financial statements of the Company.

GLOSSARY OF TERMS

"**active terminals**"	active terminals are the number of subscribers or terminals that have been used to access our commercial services (except certain handheld terminals) at any time during the preceding twelve-month period and registered at 31 December. Active terminals also include the average number of certain handheld terminals active on a daily basis during the period.
"**Americas**"	consisting of the continents of North America and South America with their associated islands and regions.
"**analogue**"	a method of storing, processing or transmitting information through a continuous varied (rather than pulsed) signal.
"**Asia-Pacific**"	the area encompassing littoral East Asia, South Asia, Southeast Asia and Australasia near the Pacific Ocean, plus the states in the ocean itself (Oceania).
"**atmospheric interference**"	the attenuation of radio frequency signals due to the presence of moisture in the atmosphere.
"**avionics**"	electronics designed for use in aerospace vehicles.
"**bandwidth**"	a range of frequencies, expressed in hertz ("**Hz**") occupied by a modulated carrier or the range of frequencies which can be transmitted through a communications system. Bandwidth is one measure of the information carrying capacity of a transponder. The wider the bandwidth, the more information that can be transmitted.
"**beam**"	the directed electromagnetic rays emanating from a satellite or ground station. On satellites, typically refers to aggregates of these rays such as a China (coverage) beam or global (coverage) beam.
"**BGAN**"	our broadband global area network service used by land end-users.
"**broadband**"	high capacity bandwidth.
"**Broadband family/broadband services**"	collectively refers to our broadband services comprising our land BGAN, aviation SwiftBroadband and maritime FleetBroadband services.
"**C-band**"	in satellite communications used to refer to downlink frequencies between 3.4 GHz and 4.2 GHz and uplink frequencies between 5.85 GHz and 7.075 GHz. Often referred to as 4/6 GHz. For more information see "*The Mobile Satellite Communications Services Industry*".
"**cellular**"	public mobile radio telecommunications service. Cellular systems are based on multiple base stations, or "cells", that permit efficient frequency reuse and on software that permits the system to band mobile cells from cell to cell as subscribers move through the cellular service area.
"**design life**"	the minimum years of operation for a satellite as specified in the satellite manufacturing contract.

"digital" .... referring to a method of storing, processing, or transmitting information through a pulsed (rather than continuously varied) signal.

"downlink" .... the receiving portion of a satellite circuit extending from the satellite to the earth.

"earth station" .... the dishes, receivers, transmitters and other equipment needed on the ground to transmit and receive satellite communications signals.

"EIRP" .... equivalent isotopic radiated power, a standard of comparison of performance of radio transmitters.

"Existing and Evolved Services" .... services that include all our services offered prior to the start of services on our Inmarsat-4 satellites.

"Fixed satellite service or FSS" .... a radio communication service between earth stations at specified fixed points when one or more satellites are used; in some cases this service includes satellite-to-satellite links or feeder links for other space radio communications services.

"FleetBroadband" .... our maritime broadband service.

"GAN" .... our global area network service which is an Existing and Evolved Service.

"GEO" .... geostationary orbit, located approximately 22,300 miles above the earth, where satellites turn at the same angular speed as the earth and thus appear to be on a fixed spot.

"GHz" .... gigahertz, a measure of frequency. One billion cycles per second.

"Global Xpress" .... services we plan to offer using our Inmarsat-5 satellites and Ka-band frequencies.

"GMDSS" .... global maritime distress and safety service which is a system designed to automate a vessel's radio distress alert, eliminating the need for manual watchkeeping of distress channels.

"GSM" .... Global System for Mobile communications.

"GSPS" .... our global satellite phone service.

"hertz" .... unit of frequency equal to number of cycles per second.

"IP" .... Internet Protocol, the method or protocol by which data is sent from one computer to another on the Internet.

"IsatPhone Pro" .... our handheld satellite phone service, part of our GSPS range.

"ISDN" .... Integrated Services Digital Network. Digital telephone line typically offering data rates of 64 kbps or multiples thereof.

"ITU" .... International Telecommunication Union is the United Nations treaty organisation responsible for worldwide cooperation and standardisation in the telecommunication sector. The ITU holds periodic conferences at which telecommunications issues of global importance are discussed; the main conferences are the World Radio Conference and the World Telephone and Telegraph Conference.

"Ka-band" .... in satellite communications, used to refer to downlink frequencies between 18 GHz and 22 GHz and uplink frequencies between 27 GHz and 31 GHz. Often referred to as 20/30 GHz. For more information see "*The Mobile Satellite Communications Services Industry*".

"kbps" .... kilobits per second, a unit of data transmission speed.

"Ku-band" .... in satellite communications, used to refer to downlink frequencies between 10.7 GHz and 12.74 GHz and uplink frequencies between 13.75 GHz and 14.8 GHz. Often referred to as 11/14 or 12/14 GHz. For more information see "*The Mobile Satellite Communications Services Industry*".

"LAN" .... local area network, which is a group of computers and associated devices that share a common communications line or wireless link and typically share the resources of a single processor or server within a small geographic area.

"LES" .... land earth station, which is a facility that routes Existing and Evolved Service calls to and from mobile stations via satellite to and from terrestrial telephone networks.

"L-band" .... in satellite communications, used to refer to uplink and downlink frequencies between satellites and mobile users between 1.5 GHz and 1.6 GHz. For more information see "*The Mobile Satellite Communications Services Industry*".

"LEO" .... low-earth orbit, located approximately 300 to 1,000 miles above the earth.

"M2M" .... services used to provide telemetry information for mobile assets or to monitor the operation of facilities or assets.

"Mbps" .... a unit of data transfer equal to 1,000,000 bits per second.

"MEO" .... medium-earth orbit, located approximately 5,000 to 10,000 miles above the earth.

"MHz" .... megahertz, a measure of frequency. One million cycles per second.

"microwave" .... radio frequency carrier waves with wavelengths of less than one metre-frequencies above 300 MHz. Typically used to refer to frequencies above 1 GHz, but nominally includes all ultra high frequency.

"orbital slots" .... for GEO satellites these are points on the GEO arc where satellites are permitted to operate. Orbital slots are designated by both location and frequency band.

"PDA" .... personal digital assistant, which is typically a handheld device that combines computing, telephone/fax, internet and networking functionality.

"radio frequency" .... a frequency that is higher than the audio frequencies but below the infrared frequencies, usually above 20 KHz.

"S-band" .... mobile satellite band between 1.98 and 2.20 GHz. For more information see "*The Mobile Satellite Communications Services Industry*".

"signal" . . . . a physical, time-dependent energy value used for the purpose of conveying information through a transmission line.

"spectrum" . . . . the range of electromagnetic radio frequencies used in transmission of voice, data and television.

"SwiftBroadband" . . . . our broadband aviation service.

"telemetry" . . . . radio transmission of coded or analogue data from a satellite to a ground station.

"transponder" . . . . a microwave repeater on a satellite which provides a discrete path to receive communications signals, translate and amplify such signals and retransmit them to earth or another satellite.

"uplink" . . . . in satellite communications, the signal from the earth station to the space station (satellite).

"useful life" . . . . the period over which a satellite will be depreciated in our financial statements based on estimates of the time for which a satellite is capable of operating in its allotted position. The expected end of a satellite's in-orbit operational life is mainly based on the period during which the satellite's on board fuel permits proper station-keeping manoeuvres.

"VPN" . . . . virtual private network, a network that is constructed using public wires to connect nodes.

"VSAT" . . . . very small aperture terminal. A system for the reception and transmission of satellite signals using a small dish diameter, typically fixed and requiring a licence to use.

"XpressLink" . . . . our combined L-band and Ku-band service for maritime end-users.

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

We have audited the Group financial statements of Inmarsat Group Limited for the year ended 31 December 2011 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and the related notes 1 to 35. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

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

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Group 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 Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's 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. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 2 to the financial statements, the Company in addition to applying IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board ("IASB").

In our opinion the financial statements comply with IFRSs as issued by the IASB.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

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

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the Company financial statements of Inmarsat Group Limited for the year ended 31 December 2011.

Stephen Griggs FCA (Senior statutory auditor)

for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
4 April 2012

Inmarsat Group Limited
Directors' Report
For the year ended 31 December 2011

Directors' Report

The Directors have pleasure in submitting their report and the audited financial statements for Inmarsat Group Limited (the "Company" or together with its subsidiaries, the "Group") for the year ended 31 December 2011.

Principal activities

The Group is the leading provider of global mobile satellite communications services ("MSS"), providing data and voice connectivity to end-users worldwide. We have over 30 years of experience in designing, launching and operating a satellite-based network. With a fleet of 10 owned and operated geostationary satellites, we provide a comprehensive portfolio of global mobile satellite communications services for use on land, at sea and in the air. We also offer a broad portfolio of remote telecommunications services to end user customers, offering services over mobile and fixed satellite systems, at L-band, Ku-band or VSAT, and through our owned and operated microwave and satellite telecommunications facilities. We also provide secure, end-to-end telecommunication solutions for US Government operations worldwide,

The results for the period are disclosed in the financial statements for the Company on pages F-64 to F-66 and for the Group on pages F-10 to F-61. Both the level of business and financial position of the Company and the Group are satisfactory to the Directors. The Company Balance Sheet on page F-64 and the Group's Balance Sheet on page F-11, show the Company's and the Group's financial position at 31 December 2011.

Business review

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

(US$ in millions)	2011	2010	Increase
Revenue	1,408.5	1,171.6	20.2%
Operating profit	466.3	460.1	1.3%
Profit after tax	274.8	271.7	1.1%
Net assets	1,213.2	1,022.1	18.7%
Average number of employees	1,543	1,354	14.0%

Operating profit and profit after tax both increased year on year, due to the contribution from the LightSquared Cooperation Agreement, partially offset by impairment losses.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in note 2 to the consolidated financial statements.

Results and dividends

The results for the year are disclosed in the Company financial statements on page F-66 and of the Group in the Consolidated Income Statement on page F-10. The Company's profit after tax for the year amounted to US$423.4m (2010: US$165.0m) and the Group's profit after tax for the year amounted to US$274.8m (2010: US$271.7m).

The Company paid dividends during the year ended 31 December 2011 of US$68.9m and US$104.5m for the 2011 interim dividend and the 2010 final dividend, respectively. In addition, in the year ended 31 December 2011, the Company declared one-off dividends totalling US$250.0m to fund a share repurchase programme by Inmarsat plc (the ultimate parent company) (year ended 31 December 2010: US$64.3m and US$100.7m for the 2010 interim dividend and the 2009 second interim dividend, respectively).

Research and development

The Group continues to invest in new services and technology through its research and development programmes. These include pure research into new products as well as developing those services which have been demonstrated to have a profitable business case.

Charitable and political donations

During the year, the Group donated in aggregate US$370,889 to charities worldwide. This amount included a donation of US$250,000 to the telecommunications relief aid organisation, Télécoms Sans Frontières and a payment of US$108,700 to the World Maritime University as part of our support for the education of maritime specialists. In addition, Inmarsat Global provides satellite telecommunication services and equipment, in conjunction with support offered by its DPs and manufacturers to service providers and customers in support of disaster relief management in affected areas of the world.

Our subsidiary companies also made contributions to local charitable causes.

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

Financial instruments

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

Post balance sheet events

Details of material post balance sheet events are included in note 35 to the consolidated financial statements.

Directors and their interests

The Directors who served during the year and who were in office on 1 January 2011, except as noted, were as follows:

- Alison Horrocks
- Rick Medlock
- Andrew Sukawaty
- Rupert Pearce (appointed 1 January 2012)

None of the Directors, at any time during the year ended 31 December 2011 or subsequently, have had any interests in any shares of the Company or its subsidiaries.

Employees

The Company has no directly employed staff.

Employee involvement in the Inmarsat plc group's share and share option schemes is encouraged. Details of employee share awards and option schemes are shown in note 25 to the financial statements.

Health and safety

The Company is committed to maintaining high standards of health and safety for all its stakeholders and anyone affected by its business activities.

Policy and practice on payment of creditors

The Group's policy and practice on payment of creditors is:

- to pay all suppliers within the time limit agreed with each at the start of business with that supplier;
- to ensure that suppliers are aware of the terms of payment; and
- to pay in accordance with the contractual and other legal obligations whenever it is satisfied that the supplier has provided goods and services in accordance with the agreed terms and conditions.

At 31 December 2011, the Company had no trade creditors (2010: nil).

Share capital and control

The following information is given pursuant to the Companies Act 2006, specifically s992.

Details of the authorised and issued share capital of the Company are given in note 24 to the financial statements.

There are no restrictions on transfer, or limitations on the holding of any shares and no requirements for prior approval of any transfers. None of the shares carry any special rights with regard to control of the Company. There are no known arrangements under which financial rights are held by a person other than the holder of the shares and no known agreements on restrictions on share transfers or on voting rights.

Details of employee share schemes are set out in note 25. Shares of Inmarsat plc (the Company's ultimate parent company) acquired through Company share schemes and plans rank pari passu with the shares in issue and have no special rights.

The powers of the Directors are determined by UK legislation and the Articles of Association in force from time to time. The rules about the appointment and replacement of Directors are contained in the Company's Articles of Association. Changes to the Articles of Association must be approved by shareholders in accordance with legislation in force from time to time.

Significant contracts

The Group has in place several significant agreements, which include, inter alia, its banking and debt arrangements, distribution agreements with its distribution partners ("DPs"), manufacturing agreements and contracts for the in-orbit insurance of its satellites. Subject to the identity of a third-party bidder, in the event of a change of control following a takeover bid, the Group does not believe that these agreements would suffer a material adverse effect or be subject to termination upon a change of control. However, there are customary clauses in the long-term debt funding agreements specifying that in the event of a change of control following a takeover bid, the lenders have the option to have the debt repaid under the specific terms of each type of debt.

The majority of the space segment revenue of Inmarsat Global is derived from sales to its DPs who operate in accordance with a suite of agreements regarding the distribution of Inmarsat's services. Stratos is one of the DPs to whom these distribution agreements apply. Stratos itself has operating agreements with its own customers. These contracts vary in monetary value and length of term.

In addition, we have significant on-going contracts with our partners regarding the construction of the Alphasat satellite and its subsequent launch, and for the Global Xpress programme which includes the construction of three Ka-band satellites and its related ground infrastructure; and with third parties for the manufacture and production of our GSPS service.

Principal risks and uncertainties

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

Our principal risks and uncertainties are discussed below, however this summary is not intended to be an exhaustive analysis of all risks and uncertainties affecting the business. Some risks and uncertainties may be unknown to us and other risks and uncertainties, currently regarded as immaterial, could turn out to be material. All of them have the potential to impact our business, operations, liquidity, financial position or future performance adversely.

Satellites

Our satellites are subject to significant operational risks while in orbit which, if they were to occur, could adversely affect our revenues, profitability and liquidity. Although we have in-orbit insurance on our Inmarsat-4 satellite fleet, this may be insufficient to cover all losses if we had a satellite failure. Even if our insurance were sufficient, delays in building and launching a replacement satellite could adversely affect our revenues, profitability and liquidity.

Distribution

We continue to rely on other third party distribution partners and service providers to sell our services to end-users and they determine the prices end-users pay. There is a risk that our distribution partners or service providers could fail to distribute our services effectively, or fail to offer services at prices which are competitive. In addition, the loss of any key distribution partners could materially affect our routes to market, reduce customer choice or represent a significant bad debt risk. Since the acquisition of Stratos, Segovia and Ship Equip and the signing of new distribution agreements and new distribution partners, this risk has been mitigated to some extent.

Spectrum

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

Development of hybrid networks, including ATC

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

LightSquared Cooperation Agreement

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

measures as part of the migration programme envisaged under the Cooperation Agreement to offer enhanced services for customers (such as the Inmarsat B to FleetBroadband migration incentive and safety services over SwiftBroadband programme), and we will continue to encourage users to progressively upgrade to much more spectrum-efficient BGAN, SwiftBroadband and FleetBroadband services. The migration of customers off our Existing and Evolved services to our broadband services gives rise to the risk of customers choosing to move to other competitive services, which could have an adverse effect on our revenues and profitability.

In addition, following the notice of default issued to LightSquared on 20 February 2012 in respect of the non-payment of US$56.25m compensation for the completion of "Phase 1 transition", we are subject to the risk that LightSquared may not remedy the payment before the expiry of the 60 calendar day remedy period as set out in the Cooperation Agreement. Inmarsat would then be entitled to enforce its rights and remedies under the Cooperation Agreement for payment default, including pre-agreed spectrum arrangements and termination of certain LightSquared rights. Inmarsat and LightSquared have entered into discussions regarding the future of the Cooperation Agreement, but Inmarsat cannot provide any assurance that these discussions will result in any further payments being received from LightSquared.

Regulation

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

Next generation services and satellites

Our major new investment project, Global Xpress, which will be deployed over a global network of Ka-band satellites, is currently being developed. The development, which includes the satellites, ground network, terminals and related services, may be subject to delays and/or material cost over-runs. There can be no assurance that the development of new satellites, ground networks, or terminals and/or the introduction of new services will proceed according to anticipated schedules or cost estimates, or that the level of demand for the new services will justify the cost of setting up and providing such new services. Failure or a delay in the completion of such networks and/or services and/or the launch or deployment or operation of such satellites and/or new services, or increases in the associated costs, could have a material adverse effect on our revenue, profitability and liquidity.

Competition

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

Directors' and Officers' liability insurance

The Inmarsat plc group maintains appropriate insurance to cover Directors' and Officers' liability for itself and its subsidiaries. The insurance does not provide cover where the Director is proved to have acted fraudulently or dishonestly.

Auditor

Each of the Directors has confirmed that:

i) so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware; and

ii) the Director has taken all the steps that he/she ought to have taken as a Director to make himself/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.

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

Directors' responsibilities statement

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

Company law requires the Directors to prepare such financial statements for each financial year. Under that law, the Directors are required to prepare the Company's financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and Article 4 of the IAS Regulation. 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, the Directors are required to:

- properly select and apply accounting policies;

- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and

- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the 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.

By order of the Board
Alison Horrocks FCIS
Company Secretary
4 April 2012

Inmarsat Group Limited
Consolidated Income Statement
For the year ended 31 December 2011

(US$ in millions)	Note	2011	2010
Revenues		**1,408.5**	**1,171.6**
Employee benefit costs	7	(206.5)	(181.7)
Network and satellite operations costs		(241.7)	(217.1)
Other net operating costs		(127.2)	(94.3)
Own work capitalised		21.1	17.1
Total net operating costs		**(554.3)**	**(476.0)**
Depreciation and amortisation	6	(245.8)	(234.6)
Acquisition-related adjustments		(2.1)	(2.1)
Impairment losses	6	(141.5)	—
Share of results of associates		1.5	1.2
Operating profit		**466.3**	**460.1**
Interest receivable and similar income	9	4.9	2.3
Interest payable and similar charges	9	(76.2)	(114.5)
Net interest payable	9	(71.3)	(112.2)
Profit before income tax	**6**	**395.0**	**347.9**
Income tax expense	10	(120.2)	(76.2)
Profit for the year		**274.8**	**271.7**
Attributable to:			
Equity holders		**274.6**	**271.5**
Non-controlling interest		**0.2**	**0.2**

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2011

(US$ in millions)	Note	2011	2010
Profit for the year		**274.8**	**271.7**
Other comprehensive income			
Actuarial gains from pension and post retirement healthcare benefits	27	13.4	9.9
Net losses on cash flow hedges	26	(2.7)	(9.0)
Foreign exchange translation differences		0.4	—
Tax (charged)/credited directly to equity	10	(4.2)	2.7
Other comprehensive income for the year, net of tax		**6.9**	**3.6**
Total comprehensive income for the year, net of tax		**281.7**	**275.3**
Attributable to:			
Equity holders		**281.5**	**275.1**
Non-controlling interest		**0.2**	**0.2**

Inmarsat Group Limited
Consolidated Balance Sheet
As at 31 December 2011

(US$ in millions)	Note	As at 31 December 2011	As at 31 December 2010
Assets			
Non-current assets			
Property, plant and equipment	13	1,820.1	1,355.7
Intangible assets	14	1,081.7	1,127.2
Investments	15	31.0	30.8
Other receivables	17	4.2	5.2
Derivative financial instruments	31	0.1	6.9
Total non-current assets		**2,937.1**	**2,525.8**
Current assets			
Cash and cash equivalents	16	165.7	323.1
Trade and other receivables	17	260.3	268.2
Inventories	18	23.5	20.2
Derivative financial instruments	31	7.8	7.4
Total current assets		**457.3**	**618.9**
Total assets		**3,394.4**	**3,144.7**
Liabilities			
Current liabilities			
Borrowings	19	53.2	59.0
Trade and other payables	20	682.2	349.8
Provisions	21	2.9	0.4
Current income tax liabilities	22	60.4	51.0
Derivative financial instruments	31	14.2	12.9
Total current liabilities		**812.9**	**473.1**
Non-current liabilities			
Borrowings	19	1,194.9	1,448.6
Other payables	20	28.1	58.3
Provisions	21	26.7	42.5
Deferred income tax liabilities	22	109.5	86.5
Derivative financial instruments	31	9.1	13.6
Total non-current liabilities		**1,368.3**	**1,649.5**
Total liabilities		**2,181.2**	**2,122.6**
Net assets		**1,213.2**	**1,022.1**
Shareholders' equity			
Ordinary shares	24	0.4	0.4
Share premium		677.4	677.4
Other reserves		362.3	30.7
Retained earnings		172.2	312.9
Equity attributable to Parent Company		**1,212.3**	**1,021.4**
Non-controlling interest		**0.9**	**0.7**
Total shareholders' equity		**1,213.2**	**1,022.1**

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

The consolidated financial statements of Inmarsat Group Limited, registered number 4886115, on pages F-10 to F-61 were approved by the Board of Directors on 4 April 2012 and signed on its behalf by:

Rick Medlock
Director

Alison Horrocks
Director

Inmarsat Group Limited
Consolidated Statement of Changes in Equity
For the year ended 31 December 2011

(US$ in millions)	Ordinary share capital	Share premium account	Share option reserve	Revaluation reserve	Currency reserve	Cash flow hedge reserve	Capital contribution reserve	Retained earnings	Non-controlling interest	Total
Balance as at 1 January 2010	**0.4**	**346.3**	**26.3**	**0.6**	**—**	**(2.6)**	**2.1**	**197.9**	**0.5**	**571.5**
Issue of share capital	—	331.1	—	—	—	—	—	—	—	331.1
Share options charge	—	—	9.2	—	—	—	—	—	—	9.2
Dividends paid	—	—	—	—	—	—	—	(165.0)	—	(165.0)
Comprehensive Income:					—					
Profit for the period	—	—	—	—	—	—	—	271.5	0.2	271.7
Other Comprehensive Income—before tax	—	—	—	—	—	(9.0)	—	9.9	—	0.9
Other Comprehensive Income—tax	—	—	—	—	—	4.1	—	(1.4)	—	2.7
Balance as at 31 December 2010	**0.4**	**677.4**	**35.5**	**0.6**	**—**	**(7.5)**	**2.1**	**312.9**	**0.7**	**1,022.1**
Share options charge	—	—	9.4	—	—	—	—	(2.3)	—	7.1
Dividends paid	—	—	—	—	—	—	—	(423.4)	—	(423.4)
Capital contribution	—	—	—	—	—	—	325.7	—	—	325.7
Comprehensive Income:										
Profit for the period	—	—	—	—	—	—	—	274.6	0.2	274.8
Other Comprehensive Income—before tax	—	—	—	—	0.4	(2.7)	—	13.4	—	11.1
Other Comprehensive Income—tax	—	—	—	—	—	(1.2)	—	(3.0)	—	(4.2)
Balance as at 31 December 2011	**0.4**	**677.4**	**44.9**	**0.6**	**0.4**	**(11.4)**	**327.8**	**172.2**	**0.9**	**1,213.2**

Inmarsat Group Limited
Consolidated Cash Flow Statement
For the year ended 31 December 2011

(US$ in millions)	Note	2011	2010
Cash flow from operating activities			
Cash generated from operations	23	992.1	786.2
Interest received		2.7	1.2
Income taxes paid		(112.6)	(42.9)
Net cash inflow from operating activities		**882.2**	**744.5**
Cash flow from investing activities			
Purchase of property, plant and equipment		(489.7)	(141.4)
Additions to capitalised development costs, including software		(20.0)	(25.3)
Own work capitalised		(21.3)	(14.0)
Acquisition of subsidiaries and other investments	28	(171.0)	(114.8)
Net cash used in investing activities		**(702.0)**	**(295.5)**
Cash flow from financing activities			
Dividends paid to Parent Company	12	(323.4)	(165.0)
Repayment of Previous Senior Credit Facility	19	(200.0)	(90.0)
Drawdown of EIB Facility	19	—	308.4
Drawdown of Ex-Im Bank Facility	19	277.3	—
Repayment of the Stratos Senior Credit Facility	19	—	(209.2)
Redemption of the Stratos Senior Unsecured Notes	19	—	(65.5)
Repayment of Ship Equip long-term debt		(44.7)	—
Arrangement costs of new borrowing facilities	19	(22.4)	(3.3)
Purchase of own securities, including discount	19	—	(24.4)
Interest paid on borrowings		(74.7)	(88.3)
Intercompany funding		50.0	(14.9)
Other financing activities		(0.4)	(0.1)
Net cash used in financing activities		**(338.3)**	**(352.3)**
Foreign exchange adjustment		0.2	(0.1)
Net (decrease)/increase in cash and cash equivalents		**(157.9)**	**96.6**
Movement in cash and cash equivalents			
At beginning of year		322.4	225.8
Net (decrease)/increase in cash and cash equivalents		(157.9)	96.6
As reported on Balance Sheet (net of bank overdrafts)	16	**164.5**	**322.4**
At end of year, comprising			
Cash at bank and in hand	16	63.2	73.4
Short-term deposits with original maturity of less than three months	16	102.5	249.7
Bank overdrafts	16	(1.2)	(0.7)
		164.5	**322.4**

Inmarsat Group Limited
Notes to the Financial Statements
For the year ended 31 December 2011

1. General information

The principal activity of Inmarsat Group Limited (the "Company" or together with its subsidiaries, the "Group") is the provision of mobile satellite communications services. The nature of the Group's operations and its principal activities are set out in note 5.

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

2. Principal accounting policies

Basis of preparation

The principal accounting policies adopted in the preparation of the consolidated financial statements for the years ended 31 December 2011 and 2010 (the "consolidated financial statements") are set out below.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and as endorsed by the European Union ("EU") and therefore the Group's financial statements comply with Article 4 of the EU International Accounting Standards ("IAS") regulation and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention except for the revaluation of certain financial assets and financial liabilities, as described later in these accounting policies.

The Group has strong free cash flow generation and is compliant with all covenants. As a consequence and despite the continuing uncertain economic climate, the Directors believe that the Group is well placed to manage its business risks successfully. After considering current financial projections and facilities available and after making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, Inmarsat Group Limited continues to adopt the going concern basis in preparing the consolidated financial statements.

Basis of accounting

The preparation of the consolidated financial statements in conformity with IFRS requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the Balance Sheet dates and the reported amounts of revenue and expenses during the reported period. Although these estimates are based on management's best estimate of the amount, event or actions, the actual results ultimately may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

The following standards and interpretations, as adopted by the EU, are effective for the first time in the current financial year and have been adopted by the Group with no significant impact on its consolidated results or financial position:

- IAS 24 (as revised)—Related Party Disclosures—Revised definition of related parties (effective for financial years beginning on or after 1 January 2011);
- IAS 32 (as revised)—Financial Instruments: Presentation—Classification of rights issues (effective for financial years beginning on or after 1 February 2010);
- IFRIC 14 (as amended)—IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction—November 2009 Amendments with respect to voluntary prepaid contributions (effective for financial years beginning on or after 1 January 2011);
- IFRIC 19—Extinguishing Financial Liabilities with Equity Instruments (effective for financial years beginning on or after 1 July 2010); and

- Amendments resulting from the May 2010 Annual Improvements to IFRSs (effective for financial years beginning on or after 1 January 2011, except for IFRS 3 and IAS 27 which are effective for financial years beginning on or after 1 July 2010).

At the date of approval of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 7 (as amended)—Financial Instruments: Disclosures—Amendments enhancing disclosures about transfers of financial assets (effective for financial years beginning on or after 1 July 2011);
- IFRS 9—Financial Instruments—Classification and Measurement (effective for financial years beginning on or after 1 January 2013);
- IFRS 10—Consolidated Financial Statements (effective for financial years beginning on or after 1 January 2013);
- IFRS 11—Joint Arrangements (effective for financial years beginning on or after 1 January 2013);
- IFRS 12—Disclosures of Interests in Other Entities (effective for financial years beginning on or after 1 January 2013);
- IFRS 13—Fair Value Measurement (effective for financial years beginning on or after 1 January 2013);
- IAS 1 (as amended)—Presentation of Financial Statements—Amendments to revise the way other comprehensive income is presented (effective for financial years beginning on or after 1 July 2012);
- IAS 12 (as amended)—Income Taxes—Limited scope amendment (recovery of underlying assets) (effective for financial years beginning on or after 1 January 2012);
- IAS 19 (as amended)—Employee Benefits—Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects (effective for financial years beginning on or after 1 January 2013);
- IAS 27—Consolidated and Separate Financial Statements—Reissued as IAS 27 Separate Financial Statements (as amended in 2011) (effective for financial years beginning on or after 1 January 2013);
- IAS 28—Investments in Associates—Reissued as IAS 28 Investments in Associates and Joint Ventures (as amended in 2011) (effective for financial years beginning on or after 1 January 2013); and
- IFRIC 20—Stripping Costs in the Production Phase of a Surface Mine (effective for financial years beginning on or after 1 January 2013).

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its domestic and overseas subsidiary undertakings.

Subsidiary undertakings include all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than 50% of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The results of subsidiary undertakings established or acquired during the period are included in the consolidated profit and loss account from the date of establishment or acquisition of control. The results of subsidiary undertakings disposed of during the period are included until the date of disposal.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All transactions, balances, income and expenses with and between subsidiary undertakings have been eliminated on consolidation.

On the acquisition of a company or business, fair values reflecting conditions at the date of acquisition are attributed to the identifiable separable assets, liabilities and contingent liabilities acquired. Where the fair value of the total consideration, both paid and deferred, exceeds the fair value of the identifiable separable assets, liabilities and contingent liabilities acquired, the difference is treated as purchased goodwill. Fees and similar incremental costs incurred directly in making the acquisition are recorded in the Income Statement as incurred, in line with IFRS 3.

Where the deferred consideration is payable in cash, the liability is discounted to its present value. Where the deferred consideration is contingent upon future trading performance, an estimate of the present value of the deferred consideration payable is made. The contingent deferred consideration is reassessed annually and any gain or loss on remeasurement is recorded in the Income Statement.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests share of changes in equity since the date of the original combination.

Group Reorganisation

On 30 June 2010, we completed a reorganisation plan under which the ownership of Inmarsat Finance III Limited ("Finance III") and all its subsidiaries (including Stratos Wireless Inc. and its subsidiaries "Stratos"), was transferred within the Inmarsat group (the "Group Reorganisation"). The ownership in Finance III was passed down the Inmarsat chain of companies to Inmarsat Ventures Limited by way of a series of share-for-share transactions. As a result of the Group Reorganisation, Stratos became an indirect wholly-owned subsidiary of Inmarsat Group Limited.

Accounting for internal reorganisations is outside the scope of IFRS 3, "Business Combinations" and IFRS does not contain additional guidance. Therefore, in accordance with IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", the Group is entitled to consider the pronouncements of other standard setting bodies, such as UK GAAP. Therefore, we have accounted for the Group Reorganisation using merger accounting principles. The key features of this accounting are:

- the carrying value of the assets and liabilities "acquired" by the Group are not adjusted to fair values on consolidation;
- any difference between the value of consideration provided and net assets acquired is not recognised as goodwill, but is adjusted against reserves;
- the premium above nominal value for any shares issued is recognised as a group reconstruction reserve rather than as share premium;
- the results and cash flows of all the combining entities are recognised in the consolidated financial statements from the beginning of the financial period in which the combination occurred; and
- the corresponding prior year figures are restated as if Inmarsat Group Limited had always been the parent undertaking of the new group of companies.

Foreign currency translation

a) Functional and presentation currency

The functional currency of the Company and all of the Group's subsidiaries and the presentation currency of the Group is the US Dollar, as the majority of operational transactions are denominated in US Dollars.

The hedged rate between US Dollar and Pounds Sterling for 2011 for Inmarsat Global was US$1.51/£1.00 (2010: US$1.49/£1.00).

b) Transactions and balances

Transactions not denominated in the functional currency of the respective subsidiary undertakings of the Group during the year have been translated using the spot rates of exchange ruling at the dates of the transactions. Differences on exchange arising on the settlement of the transactions denominated in currencies other than the respective functional currency are recognised in the Income Statement.

Monetary assets and liabilities not denominated in the functional currency of the respective subsidiary undertaking of the Company have been translated at the spot rates of exchange ruling at the end of each month. Differences on exchange arising from the translation of monetary assets and liabilities denominated in currencies other than the respective functional currency are recognised in equity to the extent that the foreign exchange exposure is hedged while the remaining differences are recognised in the Income Statement.

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

Financial instruments and hedging activities

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the relevant instrument and derecognised when it ceases to be a party to such provisions. Financial instruments are initially measured at fair value. Subsequent measurement depends on the designation of the instrument. Non-derivative financial assets are classified as accounts receivable, short-term deposits or cash and cash equivalents. They are stated at amortised cost using the effective-interest method, subject to reduction for allowances for estimated irrecoverable amounts. For interest-bearing assets, their carrying value includes accrued interest receivable. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts, which are included as current borrowings in liabilities on the Balance Sheet. Non-derivative financial liabilities are all classified as other liabilities and stated at amortised cost using the effective interest method. For borrowings, their carrying value includes accrued interest payable, as well as unamortised issue costs.

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational and financing activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting under IAS 39 are accounted for as trading instruments. Derivatives are initially recognised and measured at fair value on the date a derivative contract is entered into and subsequently measured at fair value. The gain or loss on remeasurement is taken to the Income Statement except where the derivative is a designated cash flow hedging instrument.

In order to qualify for hedge accounting, the Group is required to document in advance the relationship between the item being hedged and the hedging instrument. The Group is also required to demonstrate that the hedge will be highly effective on an ongoing basis. This effectiveness testing is reperformed at each period end to ensure that the hedge remains highly effective.

Gains or losses on cash flow hedges that are regarded as highly effective are recognised in equity. Where the forecast transaction results in a financial asset or liability, gains or losses previously recognised in equity are reclassified to the Income Statement in the same period as the asset or liability impacts income. If the forecasted transaction or commitment results in future income or expenditure, gains or losses deferred in equity are transferred to the Income Statement in the same period as the underlying income or expenditure. The ineffective portions of the gain or loss on the hedging instrument are recognised immediately in the Income Statement.

Where a hedge no longer meets the effectiveness criteria, any gains or losses deferred in equity are only transferred to the Income Statement when the committed or forecasted transaction is recognised in the Income Statement. However, where the Group has applied cash flow hedge accounting for a forecasted or committed transaction that is no longer expected to occur, then the cumulative gain or loss that has been recorded in equity is transferred to the Income Statement. When a hedging instrument expires or is sold, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement.

Revenue recognition

Mobile satellite communications services revenue results from utilisation charges that are recognised as revenue in the period during which the services are provided. Deferred income attributable to mobile satellite communications services or subscription fees represents the unearned balances remaining from amounts received from customers pursuant to prepaid contracts. 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 and income from the sale of terminals and other communication equipment. Revenue from spectrum coordination agreements is recognised using the percentage of completion or straight-line approach depending on the underlying terms of the agreement (see note 4(d)). 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 Company offers certain products and services as part of multiple deliverable arrangements. Multi-deliverable arrangements are divided into separate units of accounting provided, 1) the deliverable has a standalone value to the customer if it is sold separately, and 2) the fair value of the item can be objectively and reliably determined. Consideration for these items is measured and allocated to each separate unit based on their relative fair values and the Company's relevant revenue recognition policies are applied to them.

Employee benefits

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

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

The Group recognises liabilities relating to defined benefit pension plans and post-retirement healthcare benefits in respect of employees. The Group's net obligation in respect of defined benefit pension plans and post-retirement healthcare 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 calculation is performed by a qualified actuary 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 operates a number of defined contribution pension schemes. Pension costs for the defined contribution schemes are charged to the Income Statement when the related employee service is rendered.

Inmarsat plc, the ultimate holding company issues equity-settled share options and awards to employees of the Group. 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 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 substantially 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 profit will be available against which the temporary deductible differences or tax loss carry forwards can be utilised.

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

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

Research and development

Research expenditure is expensed when incurred. Development expenditure is expensed when incurred unless it meets criteria for capitalisation. Development costs are only capitalised once the technical feasibility and commercial viability of a business case has been demonstrated and they can be measured reliably. Capitalised development costs are amortised on a straight-line basis over their expected useful economic life.

Property, plant and equipment

Space segment assets

Space segment assets comprise satellite construction, launch and other associated costs, including ground infrastructure. Expenditure charged to space segment projects includes invoiced progress payments, amounts accrued appropriate to the stage of completion of contract milestone payments, 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 liabilities. These space segment assets are depreciated over the life of the satellites from the date they become operational and are placed into service. Borrowing costs attributable to the construction of assets which take a substantial period of time to get ready for intended use ("qualifying assets") are added to the costs of those assets.

Assets in course of construction

Assets in course of construction primarily relate to the Alphasat satellite, Inmarsat-5 satellites and Global Xpress services. These assets will be transferred to space segment assets and depreciated over the life of the satellites once they become operational and placed into service. No depreciation has been charged on these assets.

Other fixed assets

Other fixed assets are stated at historical cost less accumulated depreciation.

Depreciation

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

Asset retirement obligations

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

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

Government grants

Government grants have been received in relation to the purchase and construction of certain assets. Government grants are deducted from the cost of the relevant assets to arrive at carrying amount. The grants are therefore recognised as income over the lives of the assets by way of a reduced depreciation charge.

Gains and losses on disposals of tangible and intangible assets

Gains and losses on disposals are determined by comparing net proceeds with the carrying amount. These are included in the Income Statement.

Intangible assets

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

Intangible assets arise from separate purchases and acquisitions as part of business combinations. In addition, internally-generated intangible assets are recognised only if all the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be reliably measured.

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

Intangible assets with a finite useful life are depreciated 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 of non-financial assets

At each balance sheet date, the Group reviews the carrying amounts of assets that are subject to amortisation and depreciation to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, an impairment review is conducted. Intangible assets with an indefinite life are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Impairment testing involves a comparison of the carrying amount of the asset with its recoverable amount, which is the higher of fair value less costs to sell and value in use. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating units ("CGU") to which the asset belongs. Fair value less costs to sell is calculated by reference to the amount at which the asset could be disposed of. Value in use is calculated by discounting the expected future cash flows obtainable as a result of the asset's continued use, including those resulting from its ultimate disposal, at a market-based discount rate on a pre-tax basis.

CGUs are identified as groups of assets, liabilities and associated goodwill that generate cash flows that are largely independent of other cash flow streams. The assets and liabilities include those directly involved in generating the cash flows and an appropriate proportion of corporate assets.

An impairment loss is recognised in the Income Statement whenever the carrying amount of an asset exceeds its recoverable amount. The carrying amount will only be increased where an impairment loss recognised in a previous period for an asset other than goodwill either no longer exists or has decreased, up to the amount that it would have been had the original impairment not occurred. Any impairment to goodwill recognised in a previous period is not reversed.

Investments

Investments in equity instruments that do not have quoted market prices in active markets are recorded at cost. Investments are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be fully recoverable.

Trade receivables

Trade receivables are stated at their nominal value and reduced by appropriate allowances for estimated irrecoverable amounts. Estimated irrecoverable amounts are recognised in other operating costs when there is objective evidence that trade receivables are impaired. Larger accounts are specifically reviewed to assess a customer's ability to make payments.

Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases by the lessee. Rentals payable under operating leases are charged to the Income Statement on a straight-line basis over the term of the lease.

Interest and finance costs

Interest on borrowings and other financial liabilities is recognised in the Income Statement using the effective interest rate method.

Borrowing costs attributable to qualifying assets are added to the costs of those assets.

Inventories

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

Cash and cash equivalents

Cash and cash equivalents, measured at fair value, includes cash in hand, deposits held on call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings as current liabilities on the Balance Sheet.

Provisions

Provisions, other than in respect of pension and post-retirement healthcare benefits, are recognised when the Group has a legal or constructive obligation to transfer economic benefits arising from past events and the amount of the obligation can be estimated reliably. Provisions are not recognised unless the outflow of economic benefits to settle the obligation is more likely than not to occur.

Borrowings

Borrowings are initially recognised as proceeds received, net of transaction and arrangement costs incurred. Borrowings are subsequently stated at amortised cost. Transaction and arrangement costs of borrowings and the difference between the proceeds and the redemption value are recognised in the Income Statement over the life of the borrowings using the effective interest rate method.

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

Earnings before interest, tax, depreciation and amortisation ("EBITDA")

EBITDA is a non GAAP performance measure used by analysts and investors, and is defined as profit before income tax, net interest payable, depreciation and amortisation, acquisition-related adjustments, impairment losses and share of results of associates.

3. Financial risk management

Financial risk factors

The Group's operations and significant debt financing expose it to a variety of financial risks that include the effects of changes in debt market prices, foreign currency exchange rates, credit risks, liquidity risks and interest rates. The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Group by using forward exchange contracts to limit exposure to foreign currency risk and interest rate swaps to reduce the impact of fluctuating interest rates on its floating rate long-term debt.

The Board of Directors of Inmarsat plc has delegated to a sub-committee, the Treasury Review Committee, the responsibility for setting the risk management policies applied by the Group. The policies are implemented by the treasury department which receives regular reports from the operating companies to enable prompt identification of financial risks so that appropriate actions may be taken. The treasury department has a policy and procedures manual that sets out specific guidelines for managing foreign exchange risk, interest rate risk and credit risk (see note 31). The management of the Group does not hold or issue derivative financial instruments for speculative or trading purposes.

(a) Market risk

(i) Foreign exchange risk

The functional currency of the Group is US Dollars. The Group's long-term borrowings are denominated in US Dollars, the majority of its revenue is earned in US Dollars and the vast majority of capital expenditure is denominated in US Dollars, which are therefore not subject to risks associated with fluctuating foreign currency rates of exchange. However, approximately 50% (2010: 60%) of Inmarsat Global's operating costs are denominated in Sterling. Inmarsat Solutions operate internationally, resulting in approximately 5%-10% of revenue and expenditure being denominated in currencies other than the US Dollar. The Group's exposures therefore need to be carefully managed to avoid variability in future cash flows and earnings caused by volatile foreign exchange rates.

The foreign currency hedging policy of the Group is to economically hedge a minimum of 50% of anticipated foreign currency exposure in operating expenses for the next 12 months and up to a maximum of 100% for the next three years on a rolling basis.

As at 31 December 2011 it is estimated that:

- A hypothetical 1% inflation of the hedged US Dollar/Sterling exchange rate (US$1.51/£1.00 to US$1.53/£1.00) would have decreased the 2011 profit before tax by approximately US$1.1m (2010: US$1.1m).
- A hypothetical 1% inflation of the US Dollar/Sterling foreign currency spot rate at 31 December 2011, would have reduced the 2011 profit before tax by approximately US$0.2m (2010: US$0.2m), primarily as a result of the translation of Sterling denominated monetary assets and liabilities. This analysis includes only outstanding foreign currency denominated monetary items and adjusts the translation of these items at the period end for a 1% change in foreign currency rates.
- A hypothetical 1% deflation (2010: inflation) in the US Dollar/Sterling and a 1% deflation in the US Dollar/Euro foreign currency spot rates at 31 December 2011, would have decreased equity by US$1.0m and US$1.0m, respectively (2010: US$1.8m and US$1.3m, 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), 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 Senior Credit Facility and the EIB Facility are at variable rates whilst the Senior Notes due 2017 and the Ex-Im Facility are at fixed rates.

The policy of the Group is to ensure certainty of the interest charge by fixing interest rates on 60%-100% of forecast net debt for the next two years on a rolling basis. The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specific intervals (primarily quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

As at 31 December 2011, 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 US$2.1m (2010: US$0.5m). This is primarily due to the Group's exposure to 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 amount of 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 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 is:

(US$ in millions)	Note	2011	2010
Cash and cash equivalents	16	165.7	323.1
Trade receivables and other receivables	17	187.5	203.0
Derivative financial instruments	31	7.9	14.3
Total credit risk		**361.1**	**540.4**

The Group's average age of trade receivables as at 31 December 2011 (excluding the impact of LightSquared) was approximately 50 days (as at 31 December 2010: 59 days). At 31 December 2011, US$139.3m (2010: US$146.3m) 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 collections processes for overdue accounts. The Group maintains provisions for potential credit losses that are assessed on an ongoing basis.

The following table sets out the Group's provision for uncollectable trade receivables and revenue adjustments:

(US$ in millions)	2011	2010
As at 1 January:	11.2	12.9
Charged to the provision in respect of the current year	10.3	9.7
Utilised in the year	(9.6)	(10.0)
Provision released in the year	(0.7)	(1.4)
As at 31 December[(a)]	**11.2**	**11.2**

(a) The maturity of the Group's provision for uncollectable trade receivables and revenue adjustments for the year ended 31 December 2011 is US$2.9m current, US$2.5m between 1 and 30 days overdue, US$2.4m between 31 and 120 days overdue and US$3.4m over 120 days overdue (2010: US$2.0m, US$1.1m, US$1.1m and US$7.0m respectively).

For 2011, one (2010: one) distribution partner, which is reported in the Inmarsat Global segment, comprised approximately 16.7% (2010: 21.3%) of the Group's total revenues. This same customer comprised 24.0% (2010: 34.0%) of the Group's trade receivables balance as at 31 December 2011. In addition, for 2011, revenue from our Cooperation Agreement with LightSquared made up approximately 14.5% (2010: 1.5%) of the Group's total revenues. No other customer accounted for 10% or more of the Group's revenue and accounts receivable at 31 December 2011.

The following table sets out the maturity of the Group's trade receivables that are past due, net of provisions for uncollectible trade receivables and revenue adjustments:

(US$ in millions)	Note	2011	2010
Between 1 and 30 days overdue		19.0	34.6
Between 31 and 120 days overdue		5.8	3.2
Over 120 days overdue		1.6	0.5
As at 31 December	17	**26.4**	**38.3**

(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 maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The following table sets out total available liquidity of the Group:

(US$ in millions)	Note	2011	2010
Cash and cash equivalents	16	165.7	323.1
Available but undrawn borrowing facilities[(a)]	19	1,172.7	300.0
Total available liquidity		**1,338.4**	**623.1**

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

We believe our liquidity position is more than sufficient to meet the Group's needs for the foreseeable future.

4. Critical accounting estimates and judgements in applying accounting policies

The preparation of the consolidated financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the Balance Sheet dates and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates. The more significant estimates are discussed below:

(a) Estimated impairment of goodwill

The Group annually undertakes tests to determine whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2. The carrying amounts of goodwill and intangible assets are given in note 14.

For the purpose of testing for impairment, goodwill is specifically allocated to one of four CGUs which have been identified, being Inmarsat Global, Stratos, Segovia and Ship Equip. It has been determined that goodwill that arose on the acquisition of Inmarsat Ventures Limited represented goodwill of the Inmarsat CGU only. Goodwill that arose on the acquisition of Stratos has been allocated to the Stratos CGU. Goodwill that arose on the acquisition of Segovia and Ship Equip has been allocated to the Segovia and Ship Equip CGU, respectively. As at 31 December 2011, the carrying amount of goodwill allocated to the Inmarsat, Stratos, Segovia and Ship Equip CGUs was US$406.2m, US$142.5m, US$27.2m and US$66.6m, respectively.

As at 31 December 2010, the Stratos goodwill was allocated between two separate CGUs, Stratos MSS and Stratos Broadband. In performing the impairment test for the year ended 31 December 2011, the impact of internal restructuring which began in December 2010 was taken into account. Based on the operation of the new structure, interdependency of assets and bundling of revenue, it is no longer possible to identify cash flows attributable to the previous CGUs. Therefore, for the 2011 financial year the use of two separate CGUs was no longer appropriate and they were combined into one joint "Stratos" CGU. As at 31 December 2010, the carrying amount of goodwill allocated to the Inmarsat Global, Stratos MSS, Stratos Broadband and Segovia CGUs was US$406.2m, US$241.4m, US$21.1m and US$27.2m, respectively. Goodwill of US$262.5m which was previously allocated between the old Stratos MSS and Stratos Broadband CGUs has been combined to form goodwill of the single Stratos CGU.

Goodwill is tested for impairment by comparing the carrying amount of the CGU with its value in use. The key assumptions used in calculating the value in use are as follows:

Recoverable amount

The recoverable amount of each CGU is based on the value in use, which is determined using cash flow projections derived from financial plans approved by management covering a five-year period. They reflect management's expectations of revenue, EBITDA growth, capital expenditure, working capital and operating cash flows, based on past experience and future expectations of business performance. Cash flows beyond the five-year period have been extrapolated using perpetuity growth rates.

Growth rates

Long-term growth rates of between 2.5%-3.0% (2010: 2.5%-3.0%) have been applied to extrapolate the cash flows into perpetuity. The growth rate has been determined using long-term historical growth rates of the CGU and management's expectation of future growth.

Discount rate

The pre-tax rate used to discount the cash flow projections in respect of the Group for 2011 was between 11.6%-17.2% (2010: 10.5%-14.0%). The discount rate reflects the time value of money and is derived from the Group's weighted average cost of capital, adjusted for the risk associated with each individual CGU.

An impairment charge of US$120.0m in respect of the Stratos CGU was recorded in the year ended 31 December 2011 (2010: US$nil). Operating profit forecasts for the Stratos CGU have been adjusted downwards due to both internal and external factors. Firstly, price increases implemented by Inmarsat Global have not been passed onto Stratos' end-customers, resulting in reduced margins for the Stratos CGU. Secondly, a reduction in Inmarsat MSS revenues, changes in product mix and competitive pricing have all contributed to lower revenues during 2011. The combination of these factors will continue to erode operating profits at the Inmarsat Solutions level, particularly in respect of the Stratos CGU, and therefore have been reflected in the revised forecasts, giving rise to the impairment of the Stratos CGU. A long-term growth rate of 2.5% was applied to extrapolate the Stratos CGU cash flow projections into perpetuity and a pre-tax discount rate of 13.8% used to discount the cash flow projections.

(b) Pension arrangements and post-retirement healthcare benefit assumptions

The Group has applied a rate of return on assets of 6.65% p.a. (2010: 7.78% p.a.) which represents the expected return on asset holdings in the future. The discount rate used to calculate the pension and post-retirement healthcare benefits liability was 4.74% (2010: 5.40%) (see note 27).

(c) Income tax

The Group's income tax balance is the sum of the total current and deferred tax balances. The calculation of this, and of the Group's 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.

(d) Revenue in respect of the LightSquared Cooperation Agreement

In December 2007, Inmarsat and LightSquared LP, Skyterra (Canada) Inc. and LightSquared Inc. (together "LightSquared") entered into a Cooperation Agreement for the efficient use of L-band spectrum over North America. To date, LightSquared has made payments totalling US$490.2m, of which US$308.1m has been received during 2011 and US$29.6m in January 2012. The Group has, thus far, recognised US$221.3m of revenue and US$11.6m of operating costs under all phases of the Cooperation Agreement. For the year ended 31 December 2011, the Group recognised US$203.8m of revenue and US$11.2m of operating costs, in respect of all phases of the Cooperation Agreement (year ended 31 December 2010: US$17.5m and US$0.4m, respectively).

On 17 August 2010, LightSquared triggered Phase 1 of this agreement under which the Group will receive payments totalling US$118.8m in respect of its work to transition to a modified spectrum plan, which will be accounted for based on the time spent by Inmarsat's engineers as a percentage of the expected time to complete the spectrum re-banding exercise over an 18-month transition period. In addition, Inmarsat will receive US$250.0m towards the costs that the Group will incur on network and terminal modifications which will be

recognised according to the costs incurred to date as a percentage of management's best estimate of the total that will be incurred. These costs are expected to be incurred over the period to 2014. Under Phase 1 of the Cooperation Agreement, LightSquared has made payments totalling US$312.5m. During the year ended 31 December 2011, the Group has recognised US$95.6m of revenue and US$11.1m of operating costs in respect of Phase 1 (year ended 31 December 2010: US$17.5m and US$0.4m, respectively).

On 28 January 2011, Inmarsat received notice from LightSquared triggering Phase 2 of the Cooperation Agreement. Under Phase 2, the Group will support a phased transition to a further spectrum plan that increases the total capacity available to LightSquared. In return, the Group will receive payments of US$115.0m per annum, increasing at a rate of 3% annually, with effect from January 2011. The deliverables under Phase 2 can be split into two distinct periods: 1) To transition to a spectrum plan (Plan 2B) which is necessary for LightSquared to operate their proposed services over North America. Work on this will be continuous and the opportunity cost affects the entire period from commencement of Phase 2 equally, therefore revenue will be recognised on a straight-line basis over the entire period. 2) To provide the necessary spectrum on an ongoing basis, this period will commence on the signing over of the Phase 2B spectrum plan to LightSquared. The payments in respect of this element will also be recognised on a straight-line basis over the period to which the payment relates. As at 31 December 2011, LightSquared had made payments totalling US$108.1m under Phase 2 of the Cooperation Agreement. During the year ended 31 December 2011, the Group has recognised US$108.1m of revenue and US$nil of operating costs in respect of Phase 2.

On 15 April 2011, Inmarsat signed an amendment to the Cooperation Agreement, in which the Group might (at our option) accelerate delivery of part of the spectrum plan under Phase 2 by up to nine months from the date that Inmarsat originally agreed with LightSquared in December 2007. Under the terms of the amendment, which we refer to as Phase 1.5, LightSquared has agreed to pay the Group certain amounts dependent on when we deliver that part of the Phase 2 spectrum plan. In connection with Phase 1.5, the Group has already received a payment of US$40.0m on 29 April 2011 and the maximum total amount that could be earned under the amendment is US$105.0m. The total costs to deliver Phase 1.5 are not expected to exceed the payment already received and will be recognised as incurred, with revenue recognised based on the percentage of completion approach relative to the total Phase 1.5 costs. Under Phase 1.5 of the Cooperation Agreement, LightSquared has made payments totalling US$40.0m. During the year ended 31 December 2011, the Group has recognised US$0.1m of revenue and US$0.1m of operating costs in respect of Phase 1.5.

See note 35 for LightSquared events after the balance sheet date.

The key area of estimation uncertainty relates to our estimates of the total time/costs that will be incurred and our estimate of the percentage of completion of the time and costs that we have incurred.

5. Segmental information

IFRS 8, "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker ("CODM") to allocate resources and assess performance. The CODM of Inmarsat plc is the Chief Executive Officer who is responsible for assessing the performance of the individual segments.

Information reported to the CODM for the purposes of resource allocation and assessment of segment performance is specifically focused on the individual performance of each of the divisions within the Group, namely Inmarsat Global and Inmarsat Solutions (previously named Stratos).

The Group's reportable segments are therefore as follows:

- Inmarsat Global—principally the supply of wholesale airtime, equipment and services to distribution partners and other wholesale partners of mobile satellite communications by the Inmarsat Global business, including entering into spectrum coordination agreements. The segment also includes income from technical support to other operators, the provision of conference facilities and leasing surplus office space to external organisations, all of which are not material on a standalone basis and in aggregate.

- Inmarsat Solutions—the supply of advanced mobile and fixed-site remote telecommunications services, the provision of customised turnkey remote telecommunications solutions, value-added services, equipment and engineering services to end-users; and
- "Unallocated"—includes Group borrowings and the related interest expense, cash and cash equivalents and current and deferred tax balances, which are not allocated to each segment.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Segment profit represents the profit earned by each segment without allocation of investment revenue, finance costs and income tax expense.

Business segments:

	2011				
(US$ in millions)	**Inmarsat Global**	**Inmarsat Solutions[(a)]**	**Unallocated**	**Eliminations**	**Total**
Revenue					
External sales	661.6	746.9	—	—	1,408.5
Inter-segment	296.8	11.3	—	(308.1)	—
Total revenue	**958.4**	**758.2**	**—**	**(308.1)**	**1,408.5**
Segment result (operating profit) before operating profit from LightSquared and impairment losses	368.0	48.4	—	(1.2)	415.2
Operating profit from LightSquared	192.6	—	—	—	192.6
Impairment losses	—	(141.5)	—	—	(141.5)
Segment result (operating profit/(loss))	**560.6**	**(93.1)**	**—**	**(1.2)**	**466.3**
Net interest charged to the Income Statement	—	—	(71.3)	—	(71.3)
Profit before income tax					**395.0**
Income tax expense					(120.2)
Profit for the year					**274.8**
Segment assets	2,731.0	920.5	168.8	(425.9)	3,394.4
Segment liabilities	(531.6)	(141.2)	(1,567.2)	58.8	(2,181.2)
Investment (included in segment assets)[(b)]	23.5	—	—	—	23.5
Capital expenditure[(c)]	(577.2)	(47.6)	—	0.2	(624.6)
Depreciation	(140.8)	(39.2)	—	—	(180.0)
Amortisation of intangible assets	(21.1)	(44.7)	—	—	(65.8)

(a) Includes Ship Equip International A.S. ("Ship Equip") from 28 April 2011.
(b) Relates to 19% stake in SkyWave Mobile Communications ("SkyWave") (see note 15).
(c) Capital expenditure stated using accruals basis.

	2010				
(US$ in millions)	**Inmarsat Global**	**Inmarsat Solutions[(a)]**	**Unallocated**	**Eliminations**	**Total**
Revenue					
External sales	461.0	710.6	—	—	1,171.6
Inter-segment	303.1	6.2	—	(309.3)	—
Total revenue	**764.1**	**716.8**	**—**	**(309.3)**	**1,171.6**
Segment result (operating profit) before operating profit from LightSquared	385.8	57.4	—	(0.2)	443.0
Operating profit from LightSquared	17.1	—	—	—	17.1
Segment result (operating profit)	**402.9**	**57.4**	**—**	**(0.2)**	**460.1**
Net interest charged to the Income Statement	—	—	(112.2)	—	(112.2)
Profit before income tax					**347.9**
Income tax expense					(76.2)
Profit for the year					**271.7**
Segment assets	2,327.8	905.7	330.6	(419.4)	3,144.7
Segment liabilities	(364.8)	(162.4)	(1,648.7)	53.3	(2,122.6)
Investment (included in segment assets)[(b)]	23.5	—	—	—	23.5
Capital expenditure[(c)]	(157.6)	(30.6)	—	0.1	(188.1)
Depreciation	(145.6)	(27.5)	—	—	(173.1)
Amortisation of intangible assets	(23.8)	(37.7)	—	—	(61.5)

(a) Includes Segovia from 12 January 2010.
(b) Relates to 19% stake in SkyWave (see note 15).
(c) Capital expenditure stated using accruals basis.

Geographical segments

The Group mainly operates in the geographic areas shown in the table below. The home country of the Group is the United Kingdom, with its head office and central operations located in London.

Revenues are allocated to countries based on the billing address of the customer. For Inmarsat Global this is the distribution partner who receives the invoice for the service and for Inmarsat Solutions 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.

	2011		2010	
(US$ in millions)	**Revenue**	**Non-current segment assets[(a)]**	**Revenue**	**Non-current segment assets[(a)]**
Europe	509.3	1,462.1	560.5	1,333.6
North America	630.2	794.9	357.3	414.7
Asia Pacific	211.0	15.5	184.9	22.9
Rest of the world	58.0	—	68.9	—
Unallocated[(b)]	—	664.5	—	747.7
	1,408.5	**2,937.0**	**1,171.6**	**2,518.9**

(a) In line with IFRS 8, "Operating Segments", non-current assets exclude derivative financial instruments and deferred income tax assets.
(b) Unallocated items relate to satellites which are in orbit.

6. Profit before income tax

Costs are presented by the nature of the expense to the Group. Network and satellite operations' costs comprise costs to third parties for network service contracts, operating lease rentals and services. A further breakdown of employee benefit costs is given in note 7 below.

Profit before income tax is stated after charging the following items:

(US$ in millions)	Note	2011	2010
Depreciation of property, plant and equipment	13	180.0	173.1
Amortisation of intangible assets	14	65.8	61.5
Impairment of goodwill	4	120.0	—
Impairment of trademarks	14	21.5	—
Operating lease rentals:			
—Land and buildings		16.7	16.8
—Services equipment, fixtures and fittings		1.2	0.6
—Space segment		20.1	17.4
Cost of inventories recognised as an expense		66.6	63.5
Research and development costs expensed		6.3	4.4

The analysis of the Auditor's remuneration is as follows:

(US$ in millions)	2011	2010
Fees payable to the Company's Auditor for the audit of the Company's annual accounts	—	—
Fees payable to the Company's Auditor for other services to the Group:		
—The audit of the Company's subsidiaries, pursuant to legislation	0.9	0.9
—Audit-related assurance services	0.1	0.1
—Tax compliance services	0.2	0.6
—Tax advisory services	1.3	2.1
—Services relating to corporate finance transactions	0.3	—
Total Auditor's remuneration	**2.8**	**3.7**

(a) In addition to the fees disclosed above, Inmarsat Global's pension plan incurred audit fees from our auditor of US$23,890 for the 2011 financial year (2010: US$18,480).

(b) At 31 December 2011, Inmarsat Global had contractually committed to US$nil of services to be completed in the 2012 financial year (31 December 2010: US$0.6m of tax services to be completed in the 2011 financial year).

7. Employee benefit costs (including the Directors)

(US$ in millions)	Note	2011	2010
Wages and salaries		169.4	148.6
Social security costs		14.1	12.6
Share options charge (including employers' national insurance contribution)	25	13.0	11.4
Defined contribution pension plan costs		6.5	5.9
Defined benefit pension plan costs[(a)]	27	2.6	2.2
Post-retirement healthcare plan costs[(a)]	27	0.9	1.0
Total employee benefit costs		**206.5**	**181.7**

(a) Defined benefit pension plan costs and post-retirement healthcare plan costs for 2011 and 2010 reflect the service cost (see note 27).

Employee numbers

The average monthly number of people (including the Directors) employed during the year by category of employment:

	2011			2010		
	Inmarsat Global	Inmarsat Solutions[a]	Total	Inmarsat Global	Inmarsat Solutions	Total
Operations	203	455	658	191	358	549
Sales and marketing	96	188	284	92	143	235
Development and engineering	94	71	165	78	98	176
Administration	146	290	436	139	255	394
	539	**1,004**	**1,543**	**500**	**854**	**1,354**

(a) Includes 136 people employed by Ship Equip, which was acquired on 28 April 2011.

8. Executive and Non-Executive Directors' remuneration

None of the Directors received emoluments in respect of his/her service to the Company in the years ended 31 December 2011 and 2010.

Executive and Non-Executive Directors' remuneration for Inmarsat plc are disclosed in the Inmarsat plc annual report.

Key management

The Directors and the Executive Staff (comprising the Chief Executive Officer and his direct reports) are the key management of the business (see note 33).

9. Net interest payable

(US$ in millions)	2011	2010
Interest on Senior Notes and credit facilities	65.0	62.0
Interest on Inmarsat Solutions borrowings[a]	0.5	14.7
Pension and post-retirement liability finance costs	0.5	—
Interest rate swaps	12.7	13.7
Unwinding of discount on deferred satellite liabilities	2.6	2.8
Unwinding of discount on deferred consideration	7.9	5.1
Amortisation of debt issue costs[b]	9.9	6.9
Amortisation of discount on Senior Notes due 2017	0.6	0.6
Premium on purchase of Stratos Senior Unsecured Notes	—	1.4
Intercompany interest payable	0.3	12.6
Other interest	0.6	1.3
Interest payable and similar charges	**100.6**	**121.1**
Less: Amounts included in the cost of qualifying assets[c]	(24.4)	(6.6)
Total interest payable and similar charges	**76.2**	**114.5**
Bank interest receivable and other interest	4.7	1.1
Pension and post-retirement liability finance gains	—	0.1
Intercompany interest receivable	0.2	1.1
Total interest receivable and similar income	**4.9**	**2.3**
Net interest payable	**71.3**	**112.2**

(a) 2010 includes US$8.9m non-recurring items in connection with the Stratos refinancing. This consists of the write-off of unamortised issue costs of US$1.9m and US$3.9m in relation to the repayment of the Stratos Senior Credit Facility and the redemption of the Stratos Senior Unsecured Notes, respectively, as well as the recognition of the net redemption premium of US$3.1m in respect of the Stratos Senior Unsecured Notes (see note 19).

(b) 2011 includes the write-off of unamortised issue costs of US$3.8m in relation to the refinancing of our previous US$500.0m Senior Credit Facility (see note 19).

(c) Borrowing costs included in the cost of qualifying assets during the year are calculated by applying a capitalisation rate to expenditure on such assets. The average interest capitalisation rate for the year was 7.99% (2010: 7.33%).

10. Income tax

Income tax expense recognised in the Income Statement:

(US$ in millions)	2011	2010
Current tax expense:		
Current year	(128.5)	(70.6)
Adjustments in respect of prior periods		
—Other	6.8	10.8
Total current tax expense	**(121.7)**	**(59.8)**
Deferred tax (credit)/expense:		
Origination and reversal of temporary differences		
—Other temporary differences	(8.6)	(20.0)
Adjustment due to reduction in the corporation tax rate from 27% to 25% (2010: 28% to 27%)	5.4	0.8
Adjustments in respect of prior periods	4.7	2.8
Total deferred tax credit/(expense)	**1.5**	**(16.4)**
Total income tax expense	**(120.2)**	**(76.2)**

Reconciliation of effective tax rate:

(US$ in millions)	2011	2010
Profit before tax	395.0	347.9
Income tax at 26.5% (2010: 28%)	(104.7)	(97.4)
Differences in overseas tax rates	(2.9)	(3.4)
Adjustments in respect of prior periods:		
—Other	11.5	13.6
Effect of the reduction in the corporation tax rate from 27% to 25% (2010: 28% to 27%) on:		
—Current year movement in deferred tax	5.4	0.8
Impact of current and prior year losses	1.7	(0.8)
Non deductible impact of Stratos goodwill impairment	(31.8)	—
Other non-deductible expenses/non taxable income[(a)]	0.6	11.0
Total income tax expense	**(120.2)**	**(76.2)**

(a) In 2010, includes a non-recurring tax credit of US$7.0m.

Tax (charged)/credited to equity:

(US$ in millions)	2011	2010
Current tax credit on share options	0.3	0.4
Deferred tax (charge)/credit on share options	(2.6)	0.8
Deferred tax (charge)/credit relating to gains on cash flow hedges	(1.2)	4.1
Deferred tax charge on actuarial gains and losses from pension and post-retirement healthcare benefits	(3.0)	(2.6)
Total tax (charged)/credited to equity	**(6.5)**	**2.7**

11. Net foreign exchange losses/(gains)

(US$ in millions)	Note	2011	2010
Pension and post-retirement liability	27	(0.4)	(1.6)
Other operating costs		0.5	0.6
Total foreign exchange losses/(gains)		**0.1**	**(1.0)**

12. Dividends

The Company paid dividends during the year ended 31 December 2011 of US$68.9m and US$104.5m for the 2011 interim dividend and the 2010 final dividend, respectively. In addition, in the year ended 31 December 2011, the Company declared one-off dividends totalling US$250.0m to fund a share repurchase programme by Inmarsat plc (the ultimate parent company) (year ended 31 December 2010: US$64.3m and US$100.7m for the 2010 interim dividend and the 2009 second interim dividend, respectively).

No final dividend for the year ended 31 December 2011 has been declared or paid.

13. Property, plant and equipment

(US$ in millions)	Freehold land and buildings	Services equipment, fixtures and fittings	Space segment	Assets in the course of construction	Total
Cost:					
1 January 2010	12.4	200.4	1,905.6	98.1	2,216.5
Additions	1.1	24.3	15.6	119.7	160.7
Acquisitions	0.8	2.2	—	—	3.0
Disposals	—	(0.3)	—	—	(0.3)
Transfers	—	2.1	72.9	(75.0)	—
31 December 2010	**14.3**	**228.7**	**1,994.1**	**142.8**	**2,379.9**
Additions	0.5	30.0	22.0	542.8	595.3
Acquisitions	—	3.1	46.6	—	49.7
Disposals	—	(0.5)	(0.3)	—	(0.8)
Transfers	—	2.7	0.1	(2.8)	—
31 December 2011	**14.8**	**264.0**	**2,062.5**	**682.8**	**3,024.1**
Accumulated depreciation:					
1 January 2010	(4.3)	(116.0)	(731.0)	—	(851.3)
Charge for the year	(0.8)	(28.6)	(143.7)	—	(173.1)
Disposals	—	0.2	—	—	0.2
31 December 2010	**(5.1)**	**(144.4)**	**(874.7)**	**—**	**(1,024.2)**
Charge for the year	(0.9)	(34.5)	(144.6)	—	(180.0)
Disposals	—	0.1	0.1	—	0.2
31 December 2011	**(6.0)**	**(178.8)**	**(1,019.2)**	**—**	**(1,204.0)**
Net book amount at 31 December 2010	9.2	84.3	1,119.4	142.8	1,355.7
Net book amount at 31 December 2011	**8.8**	**85.2**	**1,043.3**	**682.8**	**1,820.1**

The lives assigned to significant tangible fixed assets are:

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

At 31 December 2011 and 2010, freehold land and buildings for Inmarsat Global were carried at cost less accumulated depreciation (US$nil). Had the freehold land and buildings been revalued on a market basis, their carrying amount at 31 December 2011 would have been US$14.0m (based on the 31 December 2011 exchange rate between the US Dollar and Pounds Sterling of US$1.55/£1.00) (2010: US$14.1m). The Directors determined the market valuation.

In 2011, 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 2011 were US$9.7m (2010: US$6.8m).

14. Intangible assets

(US$ in millions)	Goodwill	Trademarks	Software	Patents	Terminal development costs	Customer relationships	Spectrum Rights, Orbital Slots & Licences	Intellectual property	Total
Cost:									
1 January 2010	668.7	35.8	113.1	14.0	106.9	232.2	5.7	0.7	1,177.1
Additions	—	—	15.9	—	11.6	—	—	—	27.5
Acquisitions	27.2	4.8	0.3	—	—	108.9	—	—	141.2
31 December 2010	**695.9**	**40.6**	**129.3**	**14.0**	**118.5**	**341.1**	**5.7**	**0.7**	**1,345.8**
Additions	—	—	21.3	—	5.7	—	2.3	—	29.3
Acquisitions	66.6	9.3	16.8	—	—	38.0	1.8	—	132.5
31 December 2011	**762.5**	**49.9**	**167.4**	**14.0**	**124.2**	**379.1**	**9.8**	**0.7**	**1,507.6**
Accumulated amortisation and impairment losses:									
1 January 2010	—	(9.4)	(61.8)	(12.1)	(31.1)	(40.0)	(2.0)	(0.7)	(157.1)
Charge for the year	—	(3.1)	(19.1)	(1.8)	(10.0)	(26.9)	(0.6)	—	(61.5)
31 December 2010	**—**	**(12.5)**	**(80.9)**	**(13.9)**	**(41.1)**	**(66.9)**	**(2.6)**	**(0.7)**	**(218.6)**
Charge for the year	—	(3.2)	(20.3)	(0.1)	(11.9)	(29.0)	(1.3)	—	(65.8)
Impairment losses	(120.0)	(21.5)	—	—	—	—	—	—	(141.5)
31 December 2011	**(120.0)**	**(37.2)**	**(101.2)**	**(14.0)**	**(53.0)**	**(95.9)**	**(3.9)**	**(0.7)**	**(425.9)**
Net book amount 31 December 2010	**695.9**	**28.1**	**48.4**	**0.1**	**77.4**	**274.2**	**3.1**	**—**	**1,127.2**
Net book amount 31 December 2011	**642.5**	**12.7**	**66.2**	**—**	**71.2**	**283.2**	**5.9**	**—**	**1,081.7**

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. At 31 December 2011, we believe the goodwill in relation to the Stratos CGU to be impaired and consequently have recorded an impairment charge of US$120.0m in the Income Statement (see note 4(a)).

Patents and trademarks are being amortised on a straight-line basis over their estimated useful lives, which are seven years and between seven and 20 years, respectively. During the year ended 31 December 2011, an impairment loss of US$21.5m was recognised in the Income Statement to reduce the carrying amount of the

Stratos, Segovia and Ship Equip trade names to US$nil. During the year ended 31 December 2011, the Group comprised Inmarsat, Stratos, Segovia and Ship Equip, all acting as relatively independent business units. From 1 January 2012, Stratos, Segovia and Ship Equip were rebranded as "Inmarsat" and therefore the previous trade names are no longer used and have been impaired.

The software capitalised relates to 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 three to 12 years. Internally developed technology acquired as a result of the acquisition of Stratos is being amortised on a straight-line basis over its estimated useful life of five years.

The Group capitalises development costs associated with the development of user terminals as intangible fixed assets. Costs directly relating to the development of the user terminals for the BGAN and GSPS services are being amortised over the estimated sales life of the services which is five to 10 years.

Customer relationships acquired in connection with Stratos, Segovia and Ship Equip are being amortised over the expected period of benefit of 12 and 14 years, respectively using the straight-line method.

Spectrum rights relate to the acquisition of ACeS and Stratos. Spectrum rights acquired as a result of the ACeS collaboration in September 2006 are being amortised on a straight-line basis over the remaining useful lives of three years. Spectrum rights acquired as a result of the acquisition of Stratos are being amortised over their useful lives of three to 10 years.

Orbital slots and licences relate to the Global Xpress programme. Each individual asset is reviewed to determine whether it has a finite or indefinite useful life, amortisation of finite life assets will commence when the Inmarsat-5 satellites are operational. Indefinite life assets will be tested annually for impairment.

Intellectual property relates to the acquisition of ACeS and is now fully amortised.

15. Investments

(US$ in millions)	As at 31 December 2011	As at 31 December 2010
Investments held at cost:		
SkyWave	23.5	23.5
Total investments held at cost	**23.5**	**23.5**
Interest in associates:		
Navarino	7.0	6.7
JSAT Mobile	0.5	0.6
Total interest in associates	**7.5**	**7.3**
Total investments	**31.0**	**30.8**

The Group has an ownership interest of approximately 19% in the privately held SkyWave. The ownership in SkyWave has been recorded at cost, including capitalised transaction costs.

The Group owns a 49% ownership interest in Navarino Telecom SA and NTS Maritime Limited (together, "Navarino"). Cash dividends received for the year ended 31 December 2011 totalled US$1.4m (2010: US$1.4m).

The Group owns 26.67% of JSAT Mobile Communications Inc. and the interest has been treated as an associate using the equity method of accounting. The aggregated assets, liabilities, revenue and profit of associates are deemed to be immaterial for reporting purposes.

16. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less, and for the purposes of the Cash Flow Statement also includes bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

(US$ in millions)	As at 31 December 2011	As at 31 December 2010
Cash at bank and at hand	63.2	73.4
Short-term deposits with original maturity of less than three months	102.5	249.7
	165.7	**323.1**

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

(US$ in millions)	Note	As at 31 December 2011	As at 31 December 2010
Cash and cash equivalents		165.7	323.1
Bank overdrafts	19	(1.2)	(0.7)
		164.5	**322.4**

17. Trade and other receivables

(US$ in millions)	As at 31 December 2011	As at 31 December 2010
Current:		
Trade receivables	165.7	184.6
Other receivables	21.8	18.4
Amounts due from Parent undertakings	3.1	7.5
Prepayments and accrued income	69.7	57.7
	260.3	**268.2**

(US$ in millions)	As at 31 December 2011	As at 31 December 2010
Non-current:		
Prepayments and accrued income	4.2	5.2
	4.2	**5.2**

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

18. Inventories

(US$ in millions)	As at 31 December 2011	As at 31 December 2010
Finished goods	22.3	19.4
Work in progress	1.2	0.8
	23.5	**20.2**

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

19. Borrowings

(US$ in millions)	At 31 December 2011			At 31 December 2010		
	Principal amount	Deferred finance cost	Net balance	Principal amount	Deferred finance cost	Net balance
Current:						
Bank overdrafts	1.2	—	1.2	0.7	—	0.7
Deferred satellite payments[b]	7.9	—	7.9	8.3	—	8.3
Senior Credit Facility[c]	—	—	—	50.0	—	50.0
EIB Facility[d][f]	44.1	—	44.1	—	—	—
Total current borrowings	**53.2**	**—**	**53.2**	**59.0**	**—**	**59.0**
Non-current:						
Deferred satellite payments[b]	26.8	—	26.8	32.5	—	32.5
Senior Credit Facility[c][f]	—	—	—	150.0	(6.1)	143.9
Senior Notes due 2017[e][f]	650.0	(9.2)	640.8	650.0	(10.8)	639.2
—Issuance discount	(3.6)	—	(3.6)	(4.2)	—	(4.2)
EIB Facility[d][f]	264.3	(2.2)	262.1	308.4	(2.6)	305.8
Ex-Im Bank Facility[g][f]	277.3	(14.5)	262.8	—	—	—
Subordinated Parent Company Loan:[f][h]	—	—	—	325.7	—	325.7
Intercompany loan	6.0	—	6.0	5.7	—	5.7
Total non-current borrowings	**1,220.8**	**(25.9)**	**1,194.9**	**1,468.1**	**(19.5)**	**1,448.6**
Total borrowings	**1,274.0**	**(25.9)**	**1,248.1**	**1,527.1**	**(19.5)**	**1,507.6**

(a) Borrowings are recorded net of unamortised deferred finance costs in the balance sheet.

(b) Deferred satellite payments represent amounts payable to satellite manufacturers which become payable annually depending on the continued successful performance of the satellite. The gross amounts of the deferred satellite payments have been discounted to net present value at 7%.

(c) On 30 June 2011, we refinanced our previous US$500.0m Senior Credit Facility, which was due to mature in May 2012, with a new five-year US$750.0m Senior Credit Facility. Under the terms of the new facility the full US$750.0m amount is available to draw in the form of a revolving credit facility and does not amortise during the five-year availability period. Advances under the new facility bear interest at a rate equal to the applicable USD LIBOR, plus a margin of between 1.00% and 2.50% determined by reference to our ratio of net debt to EBITDA. The amount outstanding on the previous facility on the date of prepayment was US$200.0m and this amount was funded from available cash balances on 30 June 2011. As a result, as at 31 December 2011 there were no drawings on the new Senior Credit Facility.

(d) On 15 April 2010, we signed an eight-year facility agreement from the European Investment Bank (the "EIB Facility"). Under the agreement, we were able to borrow up to €225m at any time before 23 December 2010. The facility was available in Euros and US Dollars. An initial drawdown of US$180.0m was made on 30 April 2010 and a final draw down of US$128.4m was made on 28 October 2010. This facility matures on 30 April 2018 and is repayable in equal annual instalments on both tranches beginning 30 April 2012. Interest is equal to three-month USD LIBOR plus a margin payable in April, July, October and January each year.

(e) On 12 November 2009, our 99.9% owned subsidiary company Inmarsat Finance plc issued US$650.0m aggregate principal amount of 7.375% Senior Notes due 1 December 2017 ("Senior Notes Due 2017"). The aggregate gross proceeds of the new notes issued were US$645.2m net of US$4.8m issuance discount and we capitalised US$12.5m of issuance costs.

(f) Inmarsat Finance plc is 99.9% owned by the Company, and 0.1% owned by Inmarsat Holdings Limited, which is the parent of the Company. The Company's ability to obtain funds from its subsidiaries by dividend or loan is limited by the Senior Credit Facility and the indenture governing the Senior Notes. The Senior Credit Facility, the EIB Facility and the Ex-Im Bank Facility all contain negative covenants that, among other things, generally restrict or prohibit the indirect subsidiary Inmarsat Investments Limited and its subsidiaries from making any repayment of principal under the indentures governing the Senior Notes and from declaring or paying certain dividends or making certain other distributions to shareholders. In addition, the indentures governing the Senior Notes contain covenants that, among other things, directly or indirectly restrict the Company's ability to make certain payments, including dividends or other distributions, prepay or redeem subordinated debt or equity. Substantially all of the net assets of the Company's unconsolidated and consolidated subsidiaries as of the end of 31 December 2011 are restricted net assets.

(g) On 11 May 2011, we signed a 12.5-year US$700.0m direct financing agreement with the Export-Import Bank of the United States (the "Ex-Im Bank Facility"). The facility has a total availability period of four years and will then be repayable in equal instalments over a further 8.5 years. Drawings under the facility will incur interest at a fixed rate of 3.11% for the life of the loan.

(h) A review of the Group's structure in November 2011 led to a capital contribution from the Company's parent company (Inmarsat Holdings Limited) eliminating the previous subordinated parent company loan.

The maturity of non-current borrowings is as follows:

(US$ in millions)	As at 31 December 2011	As at 31 December 2010
Between one and two years	47.0	192.1
Between two and five years	202.5	144.6
After five years	945.4	1,111.9
	1,194.9	**1,448.6**

The borrowings of the Group are mostly at fixed rates. The Senior Notes due 2017 and the Ex-Im Bank Facility are at fixed rates.

The Group has a US$750.0m Revolving Credit Facility that has no restrictions and as at 31 December 2011 was drawn down by US$nil (as at 31 December 2010: the previous Revolving Credit Facility was drawn down by US$nil).

The Directors consider the carrying value of borrowings, other than the Senior Notes due 2017 to approximate to their fair value (see note 31).

The effective interest rates, excluding the impact of the Group's interest rate hedging policy, at the Balance Sheet dates were as follows:

Effective interest rate %	2011	2010
Bank overdrafts	1.8	1.8
Senior Credit Facility	—	2.54
EIB Facility	1.75	1.65
Senior Notes due 2017	7.375	7.375
Ex-Im Facility	3.11	—
Subordinated Parent Company Loan	—	0.0
Deferred satellite payments	7.0	7.0
Intercompany loan	5.5	5.5

20. Trade and other payables

(US$ in millions)	As at 31 December 2011	As at 31 December 2010
Current:		
Trade payables	201.6	100.2
Deferred consideration[(a)]	6.5	19.8
Other taxation and social security payables	3.6	2.7
Other creditors	1.2	15.0
Amounts due to Parent undertakings	149.3	3.6
Accruals and deferred income[(b)]	320.0	208.5
	682.2	**349.8**

(a) Deferred consideration includes US$2.2m SkyWave deferred consideration (see note 15) (2010: US$6.1m), US$3.3m Segovia deferred consideration (2010: US$12.7m) and US$1.0m other short-term deferred consideration (2010: US$1.0m). During 2011, the majority of the remaining value of the contingent deferred consideration on the Segovia acquisition was settled ahead of the scheduled payout dates (see note 28).

(b) As at 31 December 2011, includes US$239.3m (2010: US$135.0m) of deferred income relating to payments received from LightSquared.

(US$ in millions)	As at 31 December 2011	As at 31 December 2010
Non-current:		
Deferred consideration[(a)]	4.9	36.2
Other payables	23.2	22.1
	28.1	**58.3**

(a) Deferred consideration includes US$2.0m SkyWave deferred consideration (see note 15) (2010: US$4.0m), US$1.9m Segovia deferred consideration (2010: US$31.0m) and US$1.0m other long-term deferred consideration (2010: US$1.2m). During 2011, the majority of the remaining value of the contingent deferred consideration on the Segovia acquisition was settled ahead of the scheduled payout dates (see note 28).

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

21. Provisions

(US$ in millions)	Other provision	Asset retirement obligations	Total
Current:			
As at 1 January 2010	0.5	0.4	0.9
Utilised in current year	(0.4)	(0.4)	(0.8)
Asset retirement obligation transferred from non-current liability	—	0.3	0.3
As at 31 December 2010	**0.1**	**0.3**	**0.4**
Charged in respect of current year[(a)]	2.6	—	2.6
Utilised in current year	—	(0.1)	(0.1)
As at 31 December 2011	**2.7**	**0.2**	**2.9**

(a) In the year ending 31 December 2011, the Group announced the intention to restructure the organisation to operate the Group with business units aligned to vertical market sectors. As a result of the restructure, a small number of individual positions will cease to exist as business functions are combined. The amount charged to the restructuring provision for the year ended 31 December 2011 is US$2.6m, of which US$nil was utilised during the year. Management expects to utilise the US$2.7m restructuring provision that remains at 31 December 2011 during 2012.

(US$ in millions)	Post-retirement healthcare benefits	Pension	Asset retirement obligations	Other	Total
Non-current:					
As at 1 January 2010	33.2	19.2	2.9	0.5	55.8
Charged to Income Statement in respect of current year	1.7	1.4	0.3	0.2	3.6
Credited directly to Comprehensive Income in respect of current year	(4.8)	(5.1)	—	—	(9.9)
Contributions paid	—	(5.4)	—	—	(5.4)
Utilised in current year	(0.3)	(1.0)	(0.1)	(0.1)	(1.5)
Revision in estimated cash flows and timing of settlement	—	—	0.2	—	0.2
Transfer to current liability	—	—	(0.3)	—	(0.3)
As at 31 December 2010	**29.8**	**9.1**	**3.0**	**0.6**	**42.5**
Acquisition of Ship Equip	—	1.3	—	—	1.3
Charged to Income Statement in respect of current year	2.4	1.6	0.3	0.1	4.4
(Credited)/charged directly to Comprehensive Income in respect of current year	(16.6)	3.2	—	—	(13.4)
Contributions paid	—	(7.4)	—	—	(7.4)
Utilised in current year	(0.3)	(0.9)	—	—	(1.2)
Revision in estimated cash flows and timing of settlement	—	—	0.5	—	0.5
As at 31 December 2011	**15.3**	**6.9**	**3.8**	**0.7**	**26.7**

The Trustee and the Company agreed that minimum additional annual contributions of £2.2m will be paid to the Inmarsat Pension Plan (the "Plan") starting in November 2009 and continuing annually thereafter, up to and including November 2015. During 2011, the actual additional cash contribution the Group made to the Plan was £3.4m or US$5.4m (2010: US$3.5m) to reduce the pension deficit.

Asset retirement obligations have been recognised in respect of the expected costs of removal of equipment from leased premises by Stratos.

Other provisions in 2011 and 2010 relate to a legally required provision for eventual severance payments to employees based overseas.

22. Current and deferred income tax assets and liabilities

The current income tax liability of US$60.4m (2010: US$51.0m) represents the income tax payable in respect of current and prior periods less amounts paid.

Recognised deferred income tax assets and liabilities

The movements in deferred income tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the period are shown below.

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

	As at 31 December 2011			As at 31 December 2010		
(US$ in millions)	**Assets**	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Property, plant and equipment and intangible assets	—	120.2	120.2	—	113.6	113.6
Other	(6.9)	8.0	1.1	(12.2)	9.6	(2.6)
Pension asset	(4.0)	—	(4.0)	(8.5)	—	(8.5)
Share options	(2.5)	—	(2.5)	(5.3)	—	(5.3)
Loss carry forwards	(5.3)	—	(5.3)	(10.7)	—	(10.7)
Net deferred income tax liabilities	**(18.7)**	**128.2**	**109.5**	**(36.7)**	**123.2**	**86.5**

Movement in temporary differences during the year:

(US$ in millions)	**As at 1 January 2011**	**Ship Equip acquisition**	**Recognised in income**	**Recognised in equity**	**As at 31 December 2011**
Property, plant and equipment and intangible assets	113.6	17.7	(11.1)	—	120.2
Other	(2.6)	—	2.5	1.2	1.1
Pension asset	(8.5)	—	1.5	3.0	(4.0)
Share options	(5.3)	—	0.2	2.6	(2.5)
Loss carry forwards	(10.7)	—	5.4	—	(5.3)
Total	**86.5**	**17.7**	**(1.5)**	**6.8**	**109.5**

(US$ in millions)	**As at 1 January 2010**	**Recognised in income**	**Recognised in equity**	**As at 31 December 2010**
Property, plant and equipment and intangible assets	106.2	7.4	—	113.6
Other	(6.7)	8.2	(4.1)	(2.6)
Pension asset	(12.7)	1.6	2.6	(8.5)
Share options	(4.4)	(0.1)	(0.8)	(5.3)
Loss carry forwards	(10.0)	(0.7)	—	(10.7)
Total	**72.4**	**16.4**	**(2.3)**	**86.5**

Total unprovided deferred tax assets:

(US$ in millions)	As at 31 December 2011	As at 31 December 2010
Temporary timing differences	(18.3)	(4.1)
Unused income tax losses	(14.8)	(4.3)
Unused capital losses	(31.6)	(33.0)
Total	**(64.7)**	**(41.4)**

Overseas dividends received are largely exempt from UK tax but may be subject to foreign withholding taxes. The unrecognised deferred tax liability in respect of the unremitted earnings of those overseas subsidiaries affected by such taxes is US$4.6m (2010: US$3.6m). No deferred tax liability is recognised on these temporary differences as the Group is able to control the timing of reversal and it is probable that this will not take place in the foreseeable future.

The deferred tax assets and liabilities at the balance sheet date are calculated at the substantively enacted rate of 25%. In March 2012, the Chancellor announced that the main rate of corporation tax for the year commencing 1 April 2012 will be 24% and that there will be further progressive annual reductions of 1% until a rate of 22% is reached with effect from 1 April 2014.

Whilst detailed calculations have not been prepared at this stage, it is estimated that the impact of the remaining annual corporation tax rate reductions would reduce the value of the group's deferred tax liabilities at the balance sheet date by approximately US$13.0m and reduce the value of the group's deferred tax assets at the balance sheet date by approximately US$1.0m.

23. Cash generated from operations

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

(US$ in millions)	2011	2010
Profit for the year	274.8	271.7
Adjustments for:		
Depreciation and amortisation	245.8	234.6
Income tax charge	120.2	76.2
Interest payable	76.2	114.5
Interest receivable	(4.9)	(2.3)
Non-cash employee benefit costs	11.5	14.6
Forward exchange contracts	0.7	0.6
Share of results of associates, net of dividends received	(0.3)	0.3
Acquisition-related adjustments	2.1	2.1
Impairment losses	141.5	—
Non cash foreign exchange movements	(1.6)	0.2
Changes in net working capital:		
Decrease/(increase) in trade and other receivables	43.5	(20.1)
Increase in inventories	(2.7)	(9.1)
Increase in trade and other payables[(a)]	87.5	106.6
Decrease in provisions	(2.2)	(3.7)
Cash generated from operations	**992.1**	**786.2**

(a) The increase is primarily due to deferred revenue in respect of payments received from LightSquared (see note 20).

24. Share capital

(US$ in millions)	As at 31 December 2011	As at 31 December 2010
Authorised:		
630,780,000 ordinary shares of €0.0005 each (2010: 630,780,000)	0.4	0.4
Allotted, issued and fully paid:		
610,500,000 ordinary shares of €0.0005 each (2010: 610,500,000)	0.4	0.4

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

25. Employee share options and awards

In line with IFRS 2, "Share-based Payment", the Group recognised US$13.0m (2010: US$11.4m) in total share compensation costs across all its share plans for the 2011 financial year. Total share-based compensation costs are recognised over the vesting period of the options and share awards ranging from one to four years. Given that these schemes operate at an Inmarsat plc group level, the information below is for the Inmarsat plc group as a whole.

In November 2004, the Company adopted the Staff Value Participation Plan (the "2004 Plan") making awards in November 2004, January and May 2005. All options granted under the 2004 Plan and held by optionholders 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 optionholders from the Inmarsat Employees' Share Ownership Plan Trust (the "Trust") (resident in Guernsey). No new shares have been issued to satisfy the exercise of these options.

A summary of share activity within the Trust and options outstanding under the 2004 Plan as at 31 December 2011 is as follows:

	Shares available for grant	Options outstanding	Weighted average exercise price per option
Balance at 1 January 2010	**1,015,294**	**163,174**	**£3.67**
Market purchase of shares (11 March 2010)	125,000	—	
Subscription for International Share Incentive Plan	43,936	—	
Exercised	—	(60,044)	£7.24
Exercise re International Sharesave Plan	(823)	—	
Exercise re International Share Incentive Plan	(12,627)	—	
Balance at 31 December 2010	**1,170,780**	**103,130**	**£3.71**
Exercised	**—**	**(7,347)**	**£5.83**
Exercise re International Sharesave Plan	(1,421)	—	
Exercise re International Share Incentive Plan	—	—	
Balance at 31 December 2011	**1,169,359**	**95,783**	**£3.72**
Exercisable at 31 December 2011	**—**	**95,783**	
Exercise Price per tranche	**—**	**€1.00**	

The weighted average of the remaining contractual life for the 2004 Plan at 31 December 2011 is three years.

The Company also operates a Bonus Share Plan ("BSP"). Awards have been made regularly under the BSP to the Executive Directors and certain members of senior management.

Awards are made in the form of a conditional allocation of shares. The performance conditions attached to the BSP are non-market based performance conditions. Dividends will accrue and be added as additional shares upon vesting. Details of the awards made in 2011 and the operation of the BSP can be found in the Inmarsat plc Annual Report, pages 48 and 49.

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

As the BSP provides free share awards with no market-based performance conditions attached, and which carry an entitlement to dividends paid in cash or shares during the vesting period, 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 will not change.

The Company also operates a Performance Share Plan ("PSP") and regular annual awards are made to the Executive Directors and certain members of senior management. Participants are entitled to receive the value of any dividends that are paid during the vesting period in the form of cash or additional shares.

The PSP shares will not normally be transferred to participants until the third anniversary of the award date. The transfer of shares is dependent upon the performance conditions being satisfied over the three consecutive financial years starting in the financial year the award date falls. The rules of the PSP provide that the Remuneration Committee has the discretion to satisfy the awards using cash instead of shares. It is the intention, however, of the Company to satisfy the awards using newly-issued shares at the end of the relevant three-year period unless a participant leaves and is entitled under the Rules to receive a proportionate award and the performance condition has been met. Details of the awards made in 2011 and the operation of the PSP can be found in the Inmarsat plc Annual Report, page 48.

The performance conditions for the PSP are based on the Group's Total Shareholder Return ("TSR") relative to constituents of the FTSE 350 Index (excluding investment trusts) and a non-market based condition, based on EBITDA measured over a three-year period. The vesting schedule for PSP awards has been structured so that the shape of the vesting schedule is determined by both TSR and EBITDA performance. This will be changed for awards made in 2012 onwards. The market-based performance condition has been incorporated into the valuation. The fair value of the allocation and the assumptions used in the calculation are as follows:

	Performance Share Plan				
Grant date	19 March 2008	20 March 2009	14 May 2009	26 March 2010	18 May 2011
Grant price	£4.39	£4.57	£5.35	£7.905	£6.07
Exercise price	nil	nil	nil	nil	nil
Bad leaver rate	0%	0%	0%	0%	0%
Vesting period	3 years	3 years	3 years	3 years	3 years
Volatility	28.5%	34.9%	36.2%	35.7%	32.1%
Fair value per share option	£2.40	£3.21	£3.30	£5.62	£3.17

Both the BSP and PSP share awards expire 10 years after date of grant. The weighted average of the remaining contractual life for both the BSP and PSP share awards at 31 December 2011 is 4.9 and 4.2 years respectively.

In September 2007, the Inmarsat plc Remuneration Committee made the Chief Executive Officer an exceptional award of one million incentive shares conditional upon the delivery of significant share price growth. The mid-market closing share price on 27 September 2007 was £4.49 per share. On 1 October 2009, at the request of the Nominations Committee on behalf of the Inmarsat plc Board of Directors, the Remuneration Committee agreed changes to the existing CEO Award. No shares will be earned unless, by 30 September 2012, the share price reaches a minimum price of £5.50. For performance above this level, shares will be earned pro rata up to a share price of £7.25 at which the full award will be earned. A further award over 700,000 shares could be earned

if, at the time that performance is assessed, the share price has reached £9.25. If the share price is below £7.25, none of the additional shares would be earned and if between £7.25 and £9.25, shares would be earned pro rata up to a share price of £9.25.

A deferred share bonus award of 125,000 shares to the Chief Executive Officer was made in December 2009. The mid-market closing share price on 15 December 2009 was £6.59 per share. The performance condition of EBITDA growth related to the 2010 financial year has been satisfied; therefore the shares will vest in September 2012.

	CEO Award	CEO Deferred Share Bonus Award
Grant date	28 September 2007	16 December 2010
Grant price	£4.49	£6.59
Exercise price	nil	nil
Bad leaver rate	0%	0%
Vesting period	3 years	3 years
Expected correlation between any pair of shares in PSP comparator group	n/a	n/a
Volatility	28%	n/a
Fair value per share option	£2.65	£6.59

The weighted average of the remaining contractual life for both the CEO Award and CEO Deferred Share Bonus Award at 31 December 2011 is 5.7 and 8.0 years respectively.

The Company also operates a HM Revenue & Customs approved UK Sharesave Scheme. Two grants have been made so far; the first grant matured on 1 September 2008. A second grant which was made in December 2008 with an option price of £3.06 per ordinary share (reflecting the maximum discount permitted of 20%) matured on 1 February 2012.

The Company also operates an International Sharesave Plan which mirrors the operation of the UK Sharesave Scheme as closely as possible. However, instead of receiving a share option, participants receive 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 only—some of which are held by the Trust and some of which will be newly-issued.

Two grants have been made so far; the first grant matured on 1 September 2008. A second grant under the International Sharesave Plan which was made in December 2008 with an option price of £3.06 per ordinary share matured on 1 February 2012.

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 weighted average of the remaining contractual life for the current grant of the UK Sharesave Scheme and International Sharesave Plan at 31 December 2011 is 0.5 years for each plan.

Inmarsat Group Limited
Notes to the Financial Statements (continued)
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Options under the UK Sharesave Scheme and International Sharesave Plan have been valued using the Black-Scholes model with the following assumptions:

Grant date	Sharesave Scheme (UK and International) 15 December 2008
Market price at date of grant	£4.44
Exercise price	£3.06
Bad leaver rate	3%pa
Vesting period	3 years
Volatility	33.2%
Dividend yield assumption	3.36%
Risk free interest rate	2.46%
Fair value per option	£1.50

Several awards have been made under the UK Share Incentive Plan ("SIP"). Details of the operation of the SIP can be found in the Inmarsat plc Annual Report, page 49.

Arrangements were put in place for eligible overseas employees to replicate the awards made under the SIP as closely as possible. The same market values per ordinary share were used as for the SIP for each award.

A summary of share awards and option activity as at 31 December 2011 (excluding the 2004 Plan which is noted previously) is as follows:

	SIP (UK)	SIP (International and Unapproved)	BSP	CEO Share Plans[a]	PSP	Sharesave (UK)	Sharesave (International)	Total
Balance at 31 December 2010	**779,254**	**43,319**	**1,358,432**	**1,125,000**	**1,019,064**	**766,664**	**158,037**	**5,249,770**
Granted/Allocated	—	—	813,736	—	331,548	—	—	1,145,284
Forfeited and expired	(666)	—	—	—	—	(22,538)	(5,396)	(28,600)
Exercised	(48,963)	(1,421)	(794,407)	—	—	(5,695)	—	(850,486)
Transferred/Sold	(53,709)	—	—	—	(360,810)	—	—	(414,519)
Balance at 31 December 2011	**675,916**	**41,898**	**1,377,761**	**1,125,000**	**989,802**	**738,431**	**152,641**	**5,101,449**
Exercisable at 31 December 2011	**—**	**—**	**—**	**—**	**—**	**738,431**	**152,641**	**891,072**
Exercise Price per share	**n/a**	**n/a**	**nil**	**nil**	**nil**	**(b)**	**(c)**	

(a) The CEO Share Plans comprises (i) the CEO Award of one million shares, where as described previously, a further award over 700,000 shares could be earned if the share price has reached £9.25 per share; and (ii) the CEO Deferred Share Bonus Award of 125,000 shares.

(b) The second grant under the UK Sharesave scheme in 2008 has an exercise price of £3.06.
The weighted average exercise price at 31 December 2011 was £3.06 per share (31 December 2010: £3.06 per share).
The weighted average exercise price of options exercised during the year as £3.06 per share.

(c) The second grant under the International Sharesave plan in 2008 has an exercise price of £3.06.
The weighted average exercise price at 31 December 2011 was £3.06 per share (31 December 2010: £3.06 per share).
The weighted average exercise price of options exercised during the year as £3.06 per share.

26. Reserves

Cash flow hedge reserve:

(US$ in millions)	2011	2010
Balance as at 1 January	(7.5)	(2.6)
(Loss)/gain recognised on cash flow hedges:		
Forward exchange contracts	(5.1)	0.8
Interest rate swaps	5.6	(0.2)
Fx movement through cash flow hedge reserve	—	(0.1)
Income tax charged directly to equity	(1.0)	—
Reclassified to the Income Statement[(a)]		
Forward exchange contracts	(3.5)	(7.9)
Interest rate swaps	3.1	—
Fx movement through cash flow hedge reserve	—	1.3
Income tax (charged)/credited related to amounts transferred to the Income Statement	(0.2)	4.1
Reclassified and capitalised on the Balance Sheet[(b)]		
Forward exchange contracts	(2.8)	(3.5)
Fx movement through cash flow hedge reserve	—	0.6
Balance as at 31 December	**(11.4)**	**(7.5)**

The cash flow hedge reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in the Income Statement or capitalised on the Balance Sheet when the hedged transactions impacts the Income Statement/Balance Sheet.

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

(US$ in millions)	2011	2010
Total net operating costs	(3.5)	(6.6)
Interest payable and similar charges	3.1	—
Income tax (credit)/expense	(0.2)	4.1
Total reclassified (credited) to the Income Statement in the year	**(0.6)**	**(2.5)**

(b) Gains and losses reclassified from equity and capitalised on the Balance Sheet during the period are included in the following Balance Sheet lines:

(US$ in millions)	2011	2010
Property, plant and equipment	(2.8)	(2.9)
Total reclassified and capitalised on the Balance Sheet in the year	**(2.8)**	**(2.9)**

27. Pension arrangements and post-retirement healthcare benefits

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

The Group operates defined benefit pension schemes in the United Kingdom, the Netherlands and Norway. The Group’s principal defined benefit pension scheme is the UK scheme for Inmarsat Global, which is a 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 2010. The results of the

valuation have been updated for any material transactions and material changes in circumstances (including changes in market prices and interest rates) up to 31 December 2011. The results of this updated valuation as at 31 December 2011, for the purposes of the additional disclosures required by IAS 19, are set out below.

Inmarsat Global also provides post-retirement medical benefits for its employees. The post-retirement healthcare benefits are 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. The plan is self-funded and there are no plan assets from which the costs are paid. The cost of providing retiree healthcare is actuarially determined and accrued over the service period of the active employee group. Membership of this plan is multi-national, although most staff are currently employed in the UK.

Both the Inmarsat Global defined benefit pension plan and the post-retirement healthcare benefits plan are denominated in Pounds Sterling and are subject to fluctuations in the exchange rate between US Dollars and Pounds Sterling.

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

	As at 31 December 2011	As at 31 December 2010
Weighted average actuarial assumptions used at 31 December:		
Discount rate	4.74%	5.40%
Expected return on plan assets	6.65%	7.78%
Future salary increases	4.55%	5.30%
Medical cost trend rate[(a)]	3.70%	7.75%
Future pension increases	3.09%	3.59%

(a) With effect from 1 January 2012, an inflationary cap on premiums for the post-retirement healthcare benefits was introduced, set at CPI plus 1%. The Group will pay the annual premium and any increase in percentage terms to the premium, up to a percentage amount capped at no more than CPI plus 1%. Any increase to the annual premium above the inflationary cap will be payable by the members of the scheme.

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

	As at 31 December 2011	As at 31 December 2010
Male current age 65	87.4	87.3
Female current age 65	90.3	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 post-retirement healthcare for 2011 and 2010, mortality has been assumed to follow the SAPS Series 1 Normal Health tables, with long cohort improvements from 2003 based on year of birth, subject to minimum funding improvements of 1% per annum.

The assets held in respect of the Group's defined benefit scheme and the expected and actual rates of return were:

	As at 31 December 2011			As at 31 December 2010		
	Long-term rate of return expected	Value	Percentage of total plan assets	Long-term rate of return expected	Value	Percentage of total plan assets
	%	(US$ in millions)	%	%	(US$ in millions)	%
Equities	7.50%	52.8	74.26%	8.05%	52.2	79.82%
Cash	5.00%	0.1	0.14%	5.00%	0.4	0.61%
Bonds	4.17%	15.3	21.52%	4.90%	11.0	16.82%
Other	5.34%	2.9	4.08%	6.15%	1.8	2.75%
Fair value of scheme assets		**71.1**			**65.4**	
Actual return on plan assets (loss)/gain		(3.2)			6.8	

Amounts recognised in the Balance Sheet are:

(US$ in millions)	As at 31 December 2011	As at 31 December 2010
Present value of funded defined benefit obligations (pension)	(75.6)	(71.2)
Present value of unfunded defined benefit obligations (pension)	(2.4)	(3.3)
Present value of unfunded defined benefit obligations (post-retirement healthcare)	(15.3)	(29.8)
Fair value of defined benefit assets	71.1	65.4
Net defined benefit liability recognised in the Balance Sheet	**(22.2)**	**(38.9)**

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

(US$ in millions)	Defined benefit pension plan	Post-retirement healthcare benefits
At 1 January 2010	73.0	33.2
Current service cost	2.2	1.0
Interest cost	3.7	1.7
Actuarial gain	(2.2)	(4.8)
Foreign exchange gain	(2.1)	(1.0)
Benefits paid	(1.2)	(0.3)
Contributions by pension participants	1.1	—
At 31 December 2010	**74.5**	**29.8**
Acquisition of Ship Equip	2.6	—
Current service cost	2.6	0.9
Interest cost	4.0	1.6
Actuarial gain	(4.8)	(16.6)
Foreign exchange gain	(0.8)	(0.1)
Benefits paid	(1.4)	(0.3)
Contributions by pension participants	1.3	—
At 31 December 2011	**78.0**	**15.3**

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

(US$ in millions)	As at 31 December 2011	As at 31 December 2010
At 1 January	65.4	53.8
Acquisition of Ship Equip	1.3	—
Expected return on plan assets	4.7	3.9
Actuarial (loss)/gain	(8.0)	2.9
Contributions by employer	7.4	5.4
Contributions by pension participants	1.3	1.1
Benefits paid	(0.5)	(0.2)
Foreign exchange loss	(0.5)	(1.5)
At 31 December	**71.1**	**65.4**

Amounts recognised in the Income Statement and Statement of Comprehensive Income in respect of the plans are as follows:

	2011		2010	
(US$ in millions)	Defined benefit pension plan	Post-retirement healthcare benefits	Defined benefit pension plan	Post-retirement healthcare benefits
Recognised in Income Statement:				
Current service cost	2.6	0.9	2.2	1.0
Interest cost	4.0	1.6	3.7	1.7
Expected return on pension assets	(4.7)	—	(3.9)	—
Foreign exchange gain	(0.3)	(0.1)	(0.6)	(1.0)
	1.6	**2.4**	**1.4**	**1.7**
Recognised in Statement of Comprehensive Income:				
Net actuarial losses/(gains)[(a)]	3.2	(16.6)	(5.1)	(4.8)
Cumulative pre-tax actuarial losses/(gains)	9.2	(5.3)	6.0	11.3

(a) As a result of the inflationary cap on premiums for the post-retirement healthcare benefits set at CPI plus 1% (effective from 1 January 2012), an additional actuarial gain of US$12.4m was recognised in the statement of comprehensive income in respect of the post-retirement provision for the year ended 31 December 2011.

Current services costs for 2011 are included within employee benefit costs (note 7). The net financing costs together with foreign exchange gains are included within interest payable (note 9).

A history of experience gains and losses is provided below for the Group's principal defined benefit pension scheme (Inmarsat Global), for the Group as whole and for the post-retirement healthcare benefits:

	2011		
	Inmarsat Global defined benefit pension plan	Total Group defined benefit pension plan	Post-retirement healthcare benefits
Present value of defined benefit obligations (US$ in millions)	(71.2)	(78.0)	(15.3)
Fair value of plan assets (US$ in millions)	68.9	71.1	—
Deficit in plans (US$ in millions)	(2.3)	(6.9)	(15.3)
Experience gains on plan liabilities (US$ in millions)	6.4	6.4	1.0
Percentage of plan liabilities	9.0%	8.2%	6.5%
Experience losses on plan assets (US$ in millions)	(8.0)	(8.0)	—
Percentage of plan assets	(11.6%)	(11.3%)	—

	2010		
	Inmarsat Global defined benefit pension plan	**Total Group defined benefit pension plan**	**Post-retirement healthcare benefits**
Present value of defined benefit obligations (US$ in millions)	(70.4)	(74.5)	(29.8)
Fair value of plan assets (US$ in millions)	65.0	65.4	—
Deficit in plans (US$ in millions)	(5.4)	(9.1)	(29.8)
Experience (losses)/gains on plan liabilities (US$ in millions)	—	(0.2)	4.1
Percentage of plan liabilities	0.0%	(0.3%)	13.9%
Experience losses on plan assets (US$ in millions)	2.9	2.9	—
Percentage of plan assets	4.4%	4.4%	—

	2009		
	Inmarsat Global defined benefit pension plan	**Total Group defined benefit pension plan**	**Post-retirement healthcare benefits**
Present value of defined benefit obligations (US$ in millions)	(68.6)	(73.0)	(33.2)
Fair value of plan assets (US$ in millions)	53.8	53.8	—
Deficit in plans (US$ in millions)	(14.8)	(19.2)	(33.2)
Experience (losses)/gains on plan liabilities (US$ in millions)	(0.3)	0.2	0.1
Percentage of plan liabilities	(0.4%)	0.3%	0.3%
Experience losses on plan assets (US$ in millions)	5.8	5.8	—
Percentage of plan assets	10.8%	10.8%	—

	2008		
	Inmarsat Global defined benefit pension plan	**Total Group defined benefit pension plan**	**Post-retirement healthcare benefits**
Present value of defined benefit obligations (US$ in millions)	(41.9)	(46.7)	(19.8)
Fair value of plan assets (US$ in millions)	35.0	35.0	—
Deficit in plans (US$ in millions)	(6.9)	(11.7)	(19.8)
Experience gains/(losses) on plan liabilities (US$ in millions)	—	0.2	(7.1)
Percentage of plan liabilities	0.0%	0.4%	(35.9%)
Experience gains on plan assets (US$ in millions)	(14.7)	(14.7)	—
Percentage of plan assets	(42.0%)	(42.0%)	—

	2007		
	Inmarsat Global defined benefit pension plan	**Total Group defined benefit pension plan**	**Post-retirement healthcare benefits**
Present value of defined benefit obligations (US$ in millions)	(58.2)	(66.1)	(22.3)
Fair value of plan assets (US$ in millions)	51.6	51.6	—
Deficit in plans (US$ in millions)	(6.6)	(14.5)	(22.3)
Experience gains on plan liabilities (US$ in millions)	—	—	0.3
Percentage of plan liabilities	0.0%	0.0%	1.3%
Experience gains on plan assets (US$ in millions)	(0.3)	(0.3)	—
Percentage of plan assets	(0.6%)	(0.6%)	—

The estimated contributions expected to be paid into the Group defined benefit pension plan during 2012 are US$5.4m (2011: actual US$7.4m).

The healthcare cost trend rate assumption for Inmarsat Global's post-retirement healthcare benefits has a significant effect on the amounts recognised in the Income Statement in respect of the post-retirement medical benefits. Increasing the assumed healthcare cost trend rate by one percentage point would have increased the post-retirement medical benefit obligation as of 31 December 2011 by US$3.5m (2010: US$8.0m) and the aggregate of the service cost and interest cost by US$0.8m (2010: US$0.8m). Decreasing the assumed healthcare cost trend rate by one percentage point would have reduced the post-retirement medical benefit obligation as of 31 December 2011 by US$2.7m (2010: US$6.0m), and the aggregate of the service cost and interest cost by US$0.6m (2010: US$0.6m).

28. Acquisitions

Acquisition of Ship Equip

On 28 April 2011, we acquired 100% of the outstanding ordinary shares of Ship Equip for a total cash consideration of US$113.2m (net of cash acquired and after hedging the foreign exchange risk). Immediately following the transaction, we repaid Ship Equip's external long-term debt amounting to US$44.7m (net of gains from hedging the foreign exchange risk). Inmarsat financed the acquisition of the shares and the debt repayment from available liquidity.

We have acquired Ship Equip as it is ideally positioned to support the evolution of maritime services to our new Global Xpress services after its expected launch in 2013. Ship Equip has a large installed base of VSAT customers, who we expect to be in the forefront of the transition to Global Xpress services, as well as a management team with extensive knowledge of VSAT operations and customers which will help us develop our Global Xpress offering.

The acquisition of Ship Equip has been accounted for using the purchase method of accounting in accordance with IFRS 3, "Business Combinations". The consolidated results of the Group for 2011 include the financial results of Ship Equip for the period from 28 April 2011 to 31 December 2011. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

During the year ended 31 December 2011, the allocation of the purchase consideration was finalised. As a result of this review, we recognised identifiable intangible assets of US$63.9m (refer to table below) and goodwill of US$66.6m. Goodwill represents the excess of the purchase consideration over the fair value of the assets and liabilities acquired. Qualitatively, goodwill represents among other factors, the assembled workforce, which is not separately identified as part of the purchase price allocation. In addition, the Group believes that Ship Equip's expertise in delivering VSAT maritime communications services to the shipping, offshore oil and gas and fishing markets, will generate value for the Group through future customer relationships. During the year ended 31 December 2011, we recognised US$2.0m of transaction costs directly associated with the acquisition of Ship Equip as an expense in the Income Statement.

The final allocation of the purchase consideration to the net assets and liabilities of Ship Equip, is as follows:

(US$ in millions)	Book value	Fair value adjustments	Fair value at acquisition date
Net assets acquired:			
Intangible assets[(a)]	1.3	62.6	63.9
Property, plant and equipment	48.4	—	48.4
Other assets	0.3	—	0.3
Total Non-current assets	**50.0**	**62.6**	**112.6**
Trade and other receivables[(b)]	8.7	—	8.7
Inventories	6.2	—	6.2
Other assets	4.1	—	4.1
Total Current assets	**19.0**	**—**	**19.0**
Trade and other payables	(11.1)	—	(11.1)
Deferred revenue	(8.5)	—	(8.5)
Deferred tax liability	(0.2)	(17.5)	(17.7)
Long term debt	(47.7)	—	(47.7)
Total liabilities	**(67.5)**	**(17.5)**	**(85.0)**
Identifiable net assets	**1.5**	**45.1**	**46.6**
Allocated purchase consideration:			
Cash consideration			119.8
Less: hedge accounting gains			(6.6)
Total allocated purchase consideration			**113.2**
Goodwill recognised[(c)]			**66.6**

(a) The intangible assets consists of US$37.8m of customer relationships, US$9.3m in relation to the Ship Equip trade name and US$16.8m for technology, which are to be amortised over their useful lives of 14, 15 and seven years, respectively. Subsequently, due to the vertical market reorganisation in Inmarsat Solutions, the Ship Equip trade name has been written-off.

(b) The book value of trade receivables of US$8.4m, included within trade and other receivables, approximates to their fair value and the entire balance is deemed collectable.

(c) The total goodwill recognised of US$66.6m is not deductible for tax purposes.

The revenue included in the Income Statement for the year ended 31 December 2011, contributed by Ship Equip since the acquisition date, was US$42.1m. Ship Equip also contributed a loss after tax of US$1.6m, during the year ended 31 December 2011. Ship Equip's contribution to revenue and profit after tax for the year ended 31 December 2011, assuming the transaction had occurred on 1 January 2011, would have been US$60.3m and a loss of US$4.6m, respectively.

Acquisition of Segovia

On 12 January 2010, we completed the acquisition of the business and assets of Segovia Inc ("Segovia"). The allocation of the purchase consideration was finalised during the year ended 31 December 2010.

In the year ending 31 December 2011, the Inmarsat plc Group comprised Inmarsat, Stratos, Segovia and Ship Equip all operating as relatively independent business units. Effective from 1 January 2012, the Group is operating with business units aligned to vertical market sectors as part of Inmarsat Solutions. To enable effective operation of the new Inmarsat Government—US business unit, in December 2011, the majority of the remaining value of the contingent deferred consideration on the Segovia acquisition relating to the calendar years ending 31 December 2011 and 2012 was settled ahead of the scheduled payout dates in Q1 2012 and 2013. As a result of accelerating the settlement of the deferred consideration, we recorded an additional charge of US$5.6m in the Income Statement, in line with IFRS 3. US$2.1m of the charge represents the better than expected performance in 2011 (2010: US$2.1m charge reflecting better than expected performance in 2010) and was recorded in the acquisition-related adjustments line in the Income Statement and US$3.5m recorded in interest payable, representing the effect of the acceleration of the settlement of the liability ahead of schedule.

Acquisition of Blue Ocean Wireless

In addition, in July 2011, we acquired most of the operational assets of Blue Ocean Wireless ("BOW") for a total consideration of US$3.4m. The acquisition of BOW has been accounted for using the purchase method of accounting in accordance with IFRS 3, "Business Combinations". No goodwill was recognised on the acquisition. The final purchase price allocation will be finalised in due course in line with IFRS 3.

29. Operating lease commitments

The Company's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

(US$ in millions)	As at 31 December 2011	As at 31 December 2010
Within one year	25.1	43.0
Within two to five years	65.8	60.3
After five years	97.3	92.9
	188.2	**196.2**

Operating lease commitments relate to leased office space, primarily of the Group's head office located at 99 City Road, London, and various non-cancellable network service contracts and maintenance contracts, which have varying terms.

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

(US$ in millions)	As at 31 December 2011	As at 31 December 2010
Within one year	42.7	35.1
Within two to five years	87.7	20.2
	130.4	**55.3**

The total of future sub-lease payments expected to be received under non-cancellable sub-leases at 31 December 2011 relating to the above head office lease is US$5.5m over four years (as at 31 December 2010: US$6.8m over five years).

The Group has various agreements deriving revenue from designated leased capacity charges. These amounts are recorded as revenue on a straight-line basis over the respective lease terms. The Group's future aggregate minimum lease payments under non-cancellable operating leases expected to be received (including Inmarsat Global and Inmarsat Solutions but excluding intragroup amounts) are as follows:

(US$ in millions)	As at 31 December 2011	As at 31 December 2010
Within one year	32.5	85.2
Within two to five years	—	8.3
	32.5	**93.5**

30. Capital risk management

The following table summarises the capital of the Group:

(US$ in millions)	As at 31 December 2011	As at 31 December 2010
As per Balance Sheet		
Cash and cash equivalents	(165.7)	(323.1)
Borrowings	1,248.1	1,507.6
Net debt	1,082.4	1,184.5
Equity attributable to Parent	1,212.3	1,021.4
Capital	**2,294.7**	**2,205.9**

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 borrowing to EBITDA ratio for the year ending 31 December 2011 is 1.30 (2010: 1.70).

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 in the years ended 31 December 2011 and 2010.

31. Financial instruments

Treasury management and strategy

The Group's treasury activities are managed by its corporate finance department under the direction of a Treasury Review Committee whose chairman is the Chief Financial Officer, and are consistent with Board-approved treasury policies and guidelines. The overriding objective of treasury activities is to manage financial risk.

Key features of treasury management include:

- ensuring that the Group is in a position to fund its obligations in appropriate currencies as they fall due;
- maintaining adequate undrawn borrowing facilities;
- economically hedging both contracted and anticipated foreign currency cash flows on a minimum 12 month rolling basis with the option of covering exposures up to a maximum of three years forward;
- interest rate hedging; and
- maximising return on short-term investments based on counter-party limits and credit ratings.

Treasury activities are only transacted with counter-parties who are approved relationship banks.

Treasury 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 deals. 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 is different from those that were forecast.

Financial Instrument by category

The following table sets out the categorisation of financial assets and liabilities in terms of IAS 39:

	As at 31 December 2011			As at 31 December 2010		
(US$ in millions)	Loans and receivables	Derivatives used for hedging	Total	Loans and receivables	Derivatives used for hedging	Total
Assets as per Balance Sheet						
Trade and other receivables[a]	190.6	—	190.6	210.5	—	210.5
Cash and cash equivalents	165.7	—	165.7	323.1	—	323.1
Derivative financial instrument	—	7.9	7.9	—	14.3	14.3
	356.3	**7.9**	**364.2**	**533.6**	**14.3**	**547.9**

(a) Consists of trade receivables, other receivables and amounts due from Parent undertakings (see note 17).

	As at 31 December 2011			As at 31 December 2010		
(US$ in millions)	Derivatives used for hedging	Other financial liabilities	Total	Derivatives used for hedging	Other financial liabilities	Total
Liabilities as per Balance Sheet						
Borrowings	—	1,248.1	1,248.1	—	1,507.6	1,507.6
Trade and other payables[a]	—	385.5	385.5	—	181.9	181.9
Derivative financial instrument	23.3	—	23.3	26.5	—	26.5
	23.3	**1,633.6**	**1,656.9**	**26.5**	**1,689.5**	**1,716.0**

(a) Consists of trade payables, deferred consideration, other payables and amounts due to Parent undertakings (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.

	As at 31 December 2011				
(US$ in millions)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Borrowings[a]	114.7	112.0	388.3	1,022.9	1,637.9
Derivative financial instruments	14.2	9.1	—	—	23.3
Trade and other payables	357.4	1.2	5.9	21.0	385.5
	486.3	**122.3**	**394.2**	**1,043.9**	**2,046.7**

(a) Includes interest obligations on the Senior Notes due 2017, EIB Facility and Ex-Im Bank Facility. The interest obligations do not take into account the impact of interest rate swaps and assume no changes in floating interest rates from the year-end.

	As at 31 December 2010				
(US$ in millions)	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
Borrowings[(a)]	116.8	255.2	304.3	1,216.0	1,892.3
Derivative financial instruments	12.9	7.9	5.7	—	26.5
Trade and other payables	123.6	21.3	15.9	21.1	181.9
	253.3	**284.4**	**325.9**	**1,237.1**	**2,100.7**

(a) Includes interest obligations on the Senior Notes due 2017, Senior Credit Facility and EIB Facility. Interest obligations on the Revolving Credit Facility assume the current balance is held to maturity in May 2012. The interest obligations do not take into account the impact of interest rate swaps and assume no changes in floating interest rates from the year-end.

Net fair values of derivative financial instruments

The Company's derivative financial instruments as at 31 December 2011 consist of forward foreign currency contracts and interest rate swaps. The interest rate swaps and approximately 90% of forward foreign currency contracts (2010: 90%) are designated cash flow hedges.

The net fair values at the balance sheet date were:

(US$ in millions)	**As at 31 December 2011**	**As at 31 December 2010**
Contracts with positive fair values:		
Forward foreign currency contracts—designated cash flow hedges	7.5	13.4
Forward foreign currency contracts—undesignated	0.4	0.9
Contracts with negative fair values:		
Forward foreign currency contracts—designated cash flow hedges	(6.1)	(0.6)
Total forward exchange currency contracts	**1.8**	**13.7**
Interest rate swap—designated cash flow hedge	(17.2)	(25.9)
Total net fair value	**(15.4)**	**(12.2)**
Less non-current portion		
Forward foreign currency contracts—designated cash flow hedges	(0.6)	6.9
Interest rate swap—designated cash flow hedge	(8.4)	(13.6)
Current portion	**(6.4)**	**(5.5)**

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

The fair value of foreign exchange contracts performed by management are based upon a valuation provided by the counterparty and are classified as level 2 in the fair value hierarchy according to IFRS 7. The fair value of foreign exchange contracts are based upon the difference between the contract amount at the current forward rate at each period end and the contract amount at the contract rate, discounted at a variable risk free rate at the period end.

The fair value of the interest rate swaps 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. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Forward foreign exchange

The following table sets out the face value and fair value of forward exchange contracts outstanding for the Company as at 31 December 2011 and 2010.

	As at 31 December 2011				
Outstanding forward foreign exchange contracts (in millions)	**Face value**	**Maturing within 1 year**	**Maturing between 1 and 2 years**	**Maturing between 2 and 5 years**	**Fair value (US$)**
GBP contracts	£70.5	£68.0	£2.5	—	4.4
Euro contracts	€85.1	€78.2	€6.9	—	(2.1)
Canadian Dollar contracts	C$19.5	C$16.5	C$3.0	—	(0.5)
					1.8

	As at 31 December 2010				
Outstanding forward foreign exchange contracts (in millions)	**Face value**	**Maturing within 1 year**	**Maturing between 1 and 2 years**	**Maturing between 2 and 5 years**	**Fair value (US$)**
GBP contracts	£128.5	£66.5	£62.0	—	7.2
Euro contracts	€122.1	€74.3	€47.8	—	5.6
Canadian Dollar contracts	C$19.5	C$15.6	C$3.9	—	0.9
					13.7

As at the reporting date the aggregate amount of losses under forward exchange contracts deferred in the cash flow hedge reserve relating to these anticipated future transactions is US$5.1m (2010: gains of US$0.8m). It is anticipated that expenditure will be incurred during the next two years during which the amount deferred in equity will be released into the Income Statement.

Interest rate swap

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at 31 December 2011 and 2010:

	Average contracted fixed interest rate		Notional principal amount		Fair value	
Outstanding floating for fixed contracts	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
	%	%	(US$ in millions)			
Less than one year	—	4.50%	—	100.0	(8.8)	(12.3)
One to two years	4.93%	—	200.0	—	(8.4)	(7.9)
Two to five years	—	4.93%	—	200.0	—	(5.7)
Five years +	—	—	—	—	—	—
			200.0	**300.0**	**(17.2)**	**(25.9)**

Under the interest rate swaps the Group received quarterly floating interest (three month USD LIBOR) to offset floating interest payable. Gains or losses will reverse in the Income Statement when the swaps expire.

Non derivative financial assets and financial liabilities

Non derivative financial assets consist of cash at bank, short-term and long-term investments, trade debtors, other debtors and amounts due from Parent undertakings.

Non-derivative financial liabilities consist of bank overdrafts, deferred satellite payments, Senior Credit Facilities, Senior Notes due 2017, the EIB Facility, the Ex-Im Bank Facility, accrued and accreted interest on borrowings, trade creditors, deferred consideration, other payables and amounts due to Parent undertakings.

Fair value of non derivative financial assets and financial liabilities

With the exception of the Senior Notes due 2017, the fair values of all non-derivative financial instruments approximate to the carrying value in the Balance Sheet.

The following methods and assumptions have been used to determine fair values:

- The fair values of cash at bank, overdrafts and short-term deposits approximate their carrying values because of the short maturity of these instruments (see note 16).
- The fair value of trade and other receivables, amounts due from Parent undertakings, trade and other payables, amounts due to Parent undertakings and deferred consideration approximate their carrying values (see note 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 2017 are reflected in the Balance Sheet as at 31 December 2011 net of unamortised arrangement costs and issuance discount of US$9.2m and US$3.6m (2010: US$10.8m and US$4.2m), respectively (see note 19). The fair value of the Senior Notes are based on the market price of the bonds as at 31 December 2011 and are reflected in the table below.
- The EIB Facility is reflected in the Balance Sheet as at 31 December 2011 net of unamortised arrangement costs of US$2.2m (2010: US$2.6m). The fair value approximates the carrying value (see note 19).
- The Ex-Im Bank Facility is reflected in the Balance Sheet as at 31 December 2011 net of unamortised arrangement costs of US$14.5m (2010: US$nil). The fair value approximates the carrying value (see note 19).
- The Senior Credit Facility was repaid in June 2011 (see note 19).

	At 31 December 2011		At 31 December 2010	
(US$ in millions)	Carrying amount	Fair value amount	Carrying amount	Fair value amount
Senior Notes due 2017	(650.0)	(677.6)	(650.0)	(683.7)

32. Capital commitments

The Group had authorised and contracted but not provided for capital commitments as at 31 December 2011 of US$1,086.7m (2010: US$931.2m). These amounts primarily represent commitments in respect of the Alphasat and Global Xpress projects.

33. Related party transactions

In the normal course of operations Stratos engages in transactions with its equity owned investees Navarino Telecom SA and NTS Maritime Limited (together “Navarino”) 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 2011 financial year was US$21.3m and US$11.4m respectively (2010: US$22.1m and US$8.6m respectively). The amount receivable from the related party at 31 December 2011 was US$12.2m and US$1.5m, respectively (2010: US$10.0m and US$2.4m, respectively).

Remuneration paid to key management personnel, being the Executive Staff (including Executive Directors) of Inmarsat plc, during the year is as follows:

(US$ in millions)	2011	2010
Short-term employee benefits[(a)]	7.1	8.8
Post-employment benefits	0.2	0.2
Share-based payment[(a)]	6.7	6.6
Total remuneration	**14.0**	**15.6**

(a) Includes employers National Insurance or other social security contributions.

The amount owing to the Executive Staff (including Executive Directors) as at 31 December 2011 and 2010 was US$2.8m and US$3.1m, respectively.

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

Management believes that all related party transactions were made on an arm's length basis.

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

(US$ in millions)	2011	2010
Transactions with Inmarsat plc:		
Intercompany interest receivable	—	1.1
Intercompany interest payable	0.3	11.3
Repayment of loan	—	23.0
Capitalisation of outstanding loan	—	331.2
Receipt of loan	—	5.7
Transactions with Inmarsat Holdings Limited:		
Intercompany interest receivable	0.2	—
Intercompany interest payable	—	1.3
Repayment of loan	—	57.8
Capitalisation of outstanding loan	325.7	—

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

(US$ in millions)	As at 31 December 2011	As at 31 December 2010
Outstanding balances with Inmarsat plc:		
Loan due to fellow Group companies	(6.0)	(5.7)
Amounts due to fellow Group companies	(49.3)	(1.1)
Outstanding balances with Inmarsat Holdings Limited:		
Subordinated Parent Company loan	—	(325.7)
Amounts due from fellow Group companies	3.1	7.5
Amounts due to fellow Group companies	(100.0)	(2.5)

34. Principal subsidiary undertakings

At 31 December 2011, the Company had investments in the following principal subsidiaries that have a significant impact on the consolidated results and total assets of the Group. To avoid a statement of excessive length, details of subsidiaries and associates which are not significant have been omitted from this list. A full list of subsidiaries and associates will be annexed to the Company's next annual return to be filed with the Registrar of Companies.

	Principal activity	Country of incorporation and operation	Interest in issued ordinary share capital at 31 December 2011	Interest in issued ordinary share capital at 31 December 2010
Inmarsat Finance plc	Finance company	England and Wales	100%	100%
Inmarsat Global Limited	Satellite telecommunications	England and Wales	100%	100%
Inmarsat Investments Limited	Holding company	England and Wales	100%	100%
Inmarsat Leasing (Two) Limited	Satellite leasing	England and Wales	100%	100%
Inmarsat Navigation Ventures Limited	Operating company	England and Wales	100%	100%
Inmarsat SA	Operating company	Switzerland	100%	100%
Inmarsat Solutions BV[(a)]	Operating company	The Netherlands	100%	100%
Inmarsat Solutions (Canada) Inc.[(b)]	Operating company	Canada	100%	100%
Inmarsat Solutions (US) Inc.[(c)]	Operating company	USA	100%	100%
Segovia, Inc	Holding company	USA	100%	100%
Ship Equip International AS[(d)]	Operating company	Norway	100%	—
Stratos Government Services Inc.	Operating company	USA	100%	100%
Stratos Mobile Networks Inc.	Operating company	USA	100%	100%
Stratos New Zealand Limited	Operating company	New Zealand	100%	100%
Stratos Offshore Services Company	Operating company	USA	100%	100%

(a) Stratos B.V. was renamed Inmarsat Solutions BV in February 2012.
(b) Stratos Wireless Inc. was renamed Inmarsat Solutions (Canada) Inc. in March 2012.
(c) Stratos Communications Inc. was renamed Inmarsat Solutions (US) Inc. in February 2012.
(d) Ship Equip International AS was acquired on 28 April 2011 (see note 28).

35. Events after the balance sheet date

On 13 January 2012, Inmarsat acquired 100% of the outstanding shares of NewWave Broadband Limited ("NewWave") for a total cash consideration of US$9.0m, financed from available liquidity.

On 20 January 2012, Inmarsat delivered the "Phase 1 transition" completion notice to LightSquared indicating that its obligations in respect of the Phase 1 spectrum reorganisation were complete. A payment of US$56.25m became due upon the completion of "Phase 1 transition". This payment has not been received. On 20 February 2012, Inmarsat issued a notice of default to LightSquared under the Cooperation Agreement. This notice triggers a period of 60 calendar days during which LightSquared can remedy the payment before Inmarsat is entitled to enforce its rights and remedies under the agreement for payment default, including pre-agreed spectrum arrangements and termination of certain LightSquared rights under the Cooperation Agreement.

Following Inmarsat's previous announcement of 20 February 2012, on 3 April 2012, Inmarsat announced that a further payment due from LightSquared under the terms of the Cooperation Agreement has not been received. A scheduled payment of US$29.6m in relation to Phase 2 of the Cooperation Agreement was due on 31 March 2012 and has not been received.

In relation to this non-payment, on 3 April 2012, Inmarsat issued a further notice of default to LightSquared under the Cooperation Agreement. This notice triggers a period of 60 calendar days during which LightSquared can remedy the non-payment before Inmarsat is entitled to enforce its rights and remedies under the agreement for payment default, including pre-agreed spectrum arrangements and termination of certain LightSquared rights under the Cooperation Agreement.

In addition, on 30 March 2012, Inmarsat issued a completion notice to LightSquared in relation to Phase 1.5 of the Cooperation Agreement. Under this completion notice, a further material payment from LightSquared will fall due on 4 April 2012. Given the non-payment events already announced in relation to Phase 1 and Phase 2, further payments under the Cooperation Agreement, including this payment in relation to Phase 1.5, remain highly uncertain.

Inmarsat does not plan to make any further public statements with regard to non-payment events under the Cooperation Agreement. Although Inmarsat and LightSquared remain in discussions regarding the future of the Cooperation Agreement, as previously stated, Inmarsat cannot provide any assurance that these discussions will result in any further payments being received from LightSquared.

Simultaneously with the issue of these financial statements, our 99.9% owned subsidiary company Inmarsat Finance plc commenced the issuance of a further US$200.0m aggregate principal amount of our 7.375% Senior Notes due 1 December 2017 (“Senior Notes Due 2017”). The issue of these notes may or may not proceed and the aggregate gross proceeds of the new notes issued will be dependent on the pricing achieved. Assuming that the notes are issued, the proceeds will be used for general corporate purposes, and we will capitalise issuance costs in relation to the issue of the Senior Notes due 2017.

Subsequent to 31 December 2011 other than the events discussed above there have been no other material events, which would affect the information reflected in the consolidated financial statements of the Group.

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

We have audited the Company financial statements of Inmarsat Group Limited for the year ended 31 December 2011 which comprise the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Company 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 Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the 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. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2011;
- 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
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the Company financial statements.

Matters on which we are required to report by exception

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

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

Other matter

We have reported separately on the consolidated financial statements of Inmarsat Group Limited for the year ended 31 December 2011.

Stephen Griggs FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
4 April 2012

Inmarsat Group Limited
Company Balance Sheet
As at 31 December 2011

(US$ in millions)	As at 31 December 2011	As at 31 December 2010
Assets		
Non-current assets		
Investments[(a)]	1,003.7	678.0
Other receivables[(b)]	—	325.7
Total non-current assets	**1,003.7**	**1,003.7**
Current assets		
Trade and other receivables[(c)]	100.0	—
Total current assets	**100.0**	**—**
Total assets	**1,103.7**	**1,003.7**
Liabilities		
Current liabilities		
Trade and other payables[(d)]	100.1	0.1
Total current liabilities	**100.1**	**0.1**
Non-current liabilities		
Borrowings[(e)]	—	325.7
Total non-current liabilities	**—**	**325.7**
Total liabilities	**100.1**	**325.8**
Net assets	**1,003.6**	**677.9**
Shareholders' equity		
Ordinary shares	0.4	0.4
Share premium	677.5	677.5
Capital contribution reserve	325.7	—
Retained earnings	—	—
Total shareholders' equity	**1,003.6**	**677.9**

(a) Investments consist of US$1,003.6m (2010: US$677.9m) investment in Inmarsat Investments Limited and US$0.1m (2010: US$0.1m) investment in Inmarsat Finance plc.
(b) Other receivables in 2010 consist of US$325.7m amounts due from Group companies.
(c) Trade and other receivables consist of US$100.0m due from Group companies (2010: US$nil).
(d) Trade and other payables consist of US$100.1m due to Group companies (2010: US$0.1m).
(e) Borrowings in 2010 comprise the subordinated Parent Company loan (including accreted interest) of US$325.7m.

The financial statements of Inmarsat Group Limited, registered number 4886115, on pages F-64 to F-66 were approved by the Board of Directors on 4 April 2012 and signed on its behalf by:

Rick Medlock
Director

Alison Horrocks
Director

Inmarsat Group Limited
Company Statement of changes in Equity
For the year ended 31 December 2011

(US$ in millions)	Ordinary share capital	Share premium account	Capital contribution reserve	Retained earnings	Total
Balance as at 1 January 2010	0.4	346.3	—	—	346.7
Issue of share capital	—	331.2	—	—	331.2
Profit for the period	—	—	—	165.0	165.0
Dividends paid	—	—	—	(165.0)	(165.0)
Balance as at 31 December 2010	**0.4**	**677.5**	**—**	**—**	**677.9**
Profit for the period	—	—	—	423.4	423.4
Dividends paid	—	—	—	(423.4)	(423.4)
Capital contribution	—	—	325.7	—	325.7
Balance as at 31 December 2011	**0.4**	**677.5**	**325.7**	**—**	**1,003.6**

Company Cash Flow Statement
For the year ended 31 December 2011

(US$ in millions)	2011	2010
Net cash generated from operating activities	**—**	**—**
Cash flow from investing activities		
Dividend received from Group companies	323.4	165.0
Net cash from investing activities	**323.4**	**165.0**
Cash flow from financing activities		
Dividends paid to Parent Company	(323.4)	(165.0)
Net cash used in financing activities	**(323.4)**	**(165.0)**
Net increase in cash and cash equivalents	**—**	**—**
Movement in cash and cash equivalents		
At beginning of year	—	—
Net increase in cash and cash equivalents	—	—
As reported on balance sheet (net of bank overdrafts)	**—**	**—**
At end of year, comprising		
Cash at bank and in hand	—	—
	—	**—**

Inmarsat Group Limited
Notes to the Financial Statements
For the year ended 31 December 2011

Basis of accounting

In the 2011 and 2010 financial statements the Directors have applied 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.

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 after tax for the year ended 31 December 2011 was US$423.4m (2010: US$165.0m).

Auditor's remuneration

The Auditor's remuneration incurred for the audit of the Company amounting to US$10,000 (2010: US$10,000) was paid by a company within the Inmarsat Group. No recharge was made.

Employee costs and Directors' remuneration

The Company does not have any directly employed employees.

Foreign currency translation

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

Financial Instruments

The IFRS 7, "Financial Instruments" disclosures of the Company are consistent with that of the Group as set out in note 31 of the consolidated financial statements.

The differences between the Group and the Company are in relation to intercompany balances; US$100.0m (2010: US$325.7m) amounts due from Group companies and US$100.1m (2010: US$325.8m) amounts due to Group companies. The Directors consider the carrying value of the intercompany balances to approximate to their fair value.

Cash generated from operations

Reconciliation of profit for the year to net cash inflow from operating activities:

(US$ in millions)	2011	2010
Profit for the year	423.4	165.0
Adjustments for:		
Interest payable	—	0.8
Interest receivable	—	(0.8)
Dividend receivable	(423.4)	(165.0)
Changes in net working capital:		
Decrease in trade and other receivables	—	1.5
Decrease in trade and other payables	—	(1.5)
Cash generated from operations	**—**	**—**

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

We have audited the non-statutory Group financial statements of Inmarsat Group Limited for the year ended 31 December 2010 and for the year ended 31 December 2009 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes 1 to 35. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union and the provisions of the Companies Act 2006 that would have applied were these statutory consolidated financial statements.

This report is made solely to the Company's directors in accordance with our engagement letter dated 27 March 2012 and solely for the purpose of giving an audit opinion on the 2009 Inmarsat Group Limited financial statements, as restated. Our audit work has been undertaken so that we might state to the Company's directors those matters we are required to state to them in an independent auditors' 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, for our audit work, for this report, or for the opinions we have formed.

This report is required by Chapter 5 of Schedule B of Appendix III of the Rules and Regulations of the Luxembourg Stock Exchange and is given for the purpose of complying with that requirement and for no other purpose.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the Group 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 Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Save for any responsibility arising under Chapter 1.1 of Schedule B of Appendix III of the Rules and Regulations of the Luxembourg Stock Exchange to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in accordance with this report or our statement, required by and given solely for the purposes of complying with Chapter 1.2 of Schedule B of Appendix III of the Rules and Regulations of the Luxembourg Stock Exchange, consenting to its inclusion in the Offering Memorandum.

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 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. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2010 and 31 December 2009 and of its profit for the years then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 which would have applied if the consolidated financial statements were statutory consolidated financial statements.

Declaration

For the purposes of Chapter 1.1 of Schedule B of Appendix III of the Rules and Regulations of the Luxembourg Stock Exchange, we are responsible for this report as part of the Offering Memorandum and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Offering Memorandum in compliance with Chapter 1.2 of Schedule B of Appendix III of the Rules and Regulations of the Luxembourg Stock Exchange.

Deloitte LLP
Chartered Accountants
London, United Kingdom
4 April 2012

Inmarsat Group Limited
Directors' Responsibility Statement
For the year ended 31 December 2010

Directors' Responsibilities Statement

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

Company law requires the Directors to prepare such financial statements for each financial year. Under that law, the Directors are required to prepare the Company's financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and Article 4 of the IAS Regulation. 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, the Directors are required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the 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.

By order of the Board
Alison Horrocks FCIS
Company Secretary
4 April 2012

Inmarsat Group Limited
Consolidated Income Statement
For the year ended 31 December 2010

(US$ in millions)	Note	2010	2009
Revenues		**1,171.6**	**1,038.1**
Employee benefit costs	7	(181.7)	(190.0)
Network and satellite operations costs		(217.1)	(193.4)
Other net operating costs		(94.3)	(82.7)
Own work capitalised		17.1	21.9
Total net operating costs		**(476.0)**	**(444.2)**
Depreciation and amortisation	6	(234.6)	(231.6)
Gain on disposal of assets		—	2.1
Acquisition-related adjustments		(2.1)	(8.8)
Share of results of associates		1.2	0.9
Operating profit		**460.1**	**356.5**
Interest receivable and similar income	9	2.3	3.3
Interest payable and similar charges	9	(114.5)	(140.2)
Net interest payable	9	(112.2)	(136.9)
Profit before income tax		**347.9**	**219.6**
Income tax expense	10	(76.2)	(50.9)
Profit for the year		**271.7**	**168.7**
Attributable to:			
Equity holders		**271.5**	**168.6**
Non-controlling interest		**0.2**	**0.1**

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2010

(US$ in millions)	Note	2010	2009
Profit for the year		**271.7**	**168.7**
Other comprehensive income			
Actuarial gains/(losses) from pension and post retirement healthcare benefits	27	9.9	(21.4)
Net (losses)/gains on cash flow hedges		(9.0)	44.0
Tax credited/(charged) directly to equity	10	2.7	(5.8)
Other comprehensive income for the year, net of tax		**3.6**	**16.8**
Total comprehensive income for the year, net of tax		**275.3**	**185.5**
Attributable to:			
Equity holders		**275.1**	**185.4**
Non-controlling interest		**0.2**	**0.1**

Inmarsat Group Limited
Consolidated Balance Sheet
As at 31 December 2010

(US$ in millions)	Note	As at 31 December 2010	As at 31 December 2009
Assets			
Non-current assets			
Property, plant and equipment	13	1,355.7	1,365.2
Intangible assets	14	1,127.2	1,020.0
Investments	15	30.8	31.0
Other receivables	17	5.2	26.5
Derivative financial instruments	31	6.9	12.0
Total non-current assets		**2,525.8**	**2,454.7**
Current assets			
Cash and cash equivalents	16	323.1	226.7
Restricted funds		5.6	—
Trade and other receivables	17	262.6	237.6
Inventories	18	20.2	9.5
Derivative financial instruments	31	7.4	12.1
Total current assets		**618.9**	**485.9**
Total assets		**3,144.7**	**2,940.6**
Liabilities			
Current liabilities			
Borrowings	19	59.0	109.8
Trade and other payables	20	349.8	205.2
Provisions	21	0.4	0.9
Current income tax liabilities	22	51.0	40.4
Derivative financial instruments	31	12.9	14.1
Total current liabilities		**473.1**	**370.4**
Non-current liabilities			
Borrowings	19	1,448.6	1,830.0
Other payables	20	58.3	27.6
Provisions	21	42.5	55.8
Deferred income tax liabilities	22	86.5	72.4
Derivative financial instruments	31	13.6	12.9
Total non-current liabilities		**1,649.5**	**1,998.7**
Total liabilities		**2,122.6**	**2,369.1**
Net assets		**1,022.1**	**571.5**
Shareholders' equity			
Ordinary shares	24	0.4	0.4
Share premium		677.4	346.3
Other reserves		30.7	26.4
Retained earnings		312.9	198.4
Equity attributable to Parent Company		1,021.4	571.0
Non-controlling interest		0.7	0.5
Total shareholders' equity		**1,022.1**	**571.5**

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

The consolidated financial statements of Inmarsat Group Limited, registered number 4886115, on pages F-70 to F-128 were approved by the Board of Directors on 4 April 2012 and signed on its behalf by:

Rick Medlock
Director

Alison Horrocks
Director

Inmarsat Group Limited
Consolidated Statement of Changes in Equity
As at 31 December 2010

(US$ in millions)	Ordinary share capital	Share premium account	Share option reserve	Revaluation reserve	Cash flow hedge reserve	Capital contribution reserve	Retained earnings	Non-controlling interest	Total
Balance as at 1 January 2009	**0.4**	**346.1**	**18.1**	**0.6**	**(34.1)**	**2.1**	**188.9**	**1.5**	**523.6**
Net fair value gains—cash flow hedges	—	—	—	—	44.0	—	—	—	44.0
Issue of share capital	—	0.2	—	—	—	—	—	—	0.2
Share options charge	—	—	8.2	—	—	—	—	—	8.2
Profit for the period	—	—	—	—	—	—	168.6	0.1	168.7
Dividends paid	—	—	—	—	—	—	(144.9)	—	(144.9)
Actuarial losses from pension and post-retirement healthcare benefits	—	—	—	—	—	—	(21.4)	—	(21.4)
Tax (charged)/ credited directly to equity	—	—	—	—	(12.5)	—	6.7	—	(5.8)
Additional investment in associates	—	—	—	—	—	—	—	(0.1)	(0.1)
Purchase of non-controlling interest	—	—	—	—	—	—	—	(1.0)	(1.0)
Balance as at 31 December 2009	**0.4**	**346.3**	**26.3**	**0.6**	**(2.6)**	**2.1**	**197.9**	**0.5**	**571.5**
Net fair value losses—cash flow hedges	—	—	—	—	(9.0)	—	—	—	(9.0)
Issue of share capital	—	331.1	—	—	—	—	—	—	331.1
Share options charge	—	—	9.2	—	—	—	—	—	9.2
Profit for the period	—	—	—	—	—	—	271.5	0.2	271.7
Dividends paid	—	—	—	—	—	—	(165.0)	—	(165.0)
Actuarial gains from pension and post-retirement healthcare benefits	—	—	—	—	—	—	9.9	—	9.9
Tax credited/ (charged) directly to equity	—	—	—	—	4.1	—	(1.4)	—	2.7
Balance as at 31 December 2010	**0.4**	**677.4**	**35.5**	**0.6**	**(7.5)**	**2.1**	**312.9**	**0.7**	**1,022.1**

Inmarsat Group Limited
Consolidated Cash Flow Statement
For the year ended 31 December 2010

(US$ in millions)	Note	2010	2009
Cash flow from operating activities			
Cash generated from operations	23	786.2	644.9
Interest received		1.2	0.9
Income taxes paid		(42.9)	(24.6)
Net cash inflow from operating activities		**744.5**	**621.2**
Cash flow from investing activities			
Purchase of property, plant and equipment		(141.4)	(116.3)
Additions to capitalised development costs, including software		(25.3)	(29.0)
Own work capitalised		(14.0)	(17.3)
Proceeds from the disposal of assets		—	4.9
Acquisition of subsidiaries and other investments		(114.8)	(16.0)
Net cash used in investing activities		**(295.5)**	**(173.7)**
Cash flow from financing activities			
Dividends paid to Parent Company	12	(165.0)	(144.9)
(Repayment)/drawdown of Senior Credit Facility	19	(90.0)	290.0
Drawdown of EIB Facility	19	308.4	—
Repayment of subordinated intercompany loan	19	—	(465.6)
Redemption of Senior Notes due 2012	19	—	(164.5)
Gross issuance proceeds of Senior Notes due 2017	19	—	645.2
Repayment of the Stratos Senior Credit Facility	19	(209.2)	(2.6)
Redemption of the Stratos Senior Unsecured Notes	19	(65.5)	—
Repayment of Previous Senior Credit Facility	19	—	(390.0)
Arrangement costs of new borrowing facilities	19	(3.3)	(23.8)
Purchase of own securities, including discount	19	(24.4)	(8.6)
Interest paid on borrowings		(88.3)	(105.5)
Net proceeds from issue of ordinary shares	24	—	0.2
Intercompany funding		(14.9)	(1.9)
Other financing activities		(0.1)	—
Net cash used in financing activities		**(352.3)**	**(372.0)**
Foreign exchange adjustment		(0.1)	(0.4)
Net increase in cash and cash equivalents		**96.6**	**75.1**
Movement in cash and cash equivalents			
At beginning of year		225.8	150.7
Net increase in cash and cash equivalents		96.6	75.1
As reported on Balance Sheet (net of bank overdrafts)	16	**322.4**	**225.8**
At end of year, comprising			
Cash at bank and in hand	16	73.4	105.7
Short-term deposits with original maturity of less than three months	16	249.7	121.0
Bank overdrafts	16	(0.7)	(0.9)
		322.4	**225.8**

1. General information

The principal activity of Inmarsat Group Limited (the "Company" or together with its subsidiaries, the "Group") is the provision of mobile satellite communications services. The nature of the Group's operations and its principal activities are set out in note 5.

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

2. Principal accounting policies

Basis of preparation

The principal accounting policies adopted in the preparation of the consolidated financial statements for the years ended 31 December 2010 and 2009 (the "consolidated financial statements") are set out below.

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and as endorsed by the European Union ("EU") and therefore the Group's financial statements comply with Article 4 of the EU International Accounting Standards ("IAS") regulation and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention except for the revaluation of certain financial assets and financial liabilities, as described later in these accounting policies.

The Group has a robust and resilient business model, strong free cash flow generation and is compliant with all covenants. As a consequence and despite the continuing uncertain economic climate, the Directors believe that the Group is well placed to manage its business risks successfully. After considering current financial projections and facilities available and after making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, Inmarsat Group Limited continues to adopt the going concern basis in preparing the consolidated financial statements.

Basis of accounting

The preparation of the financial statements in conformity with IFRS requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the Balance Sheet dates and the reported amounts of revenue and expenses during the reported period. Although these estimates are based on management's best estimate of the amount, event or actions, the actual results ultimately may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

In the current year the Group adopted IFRS 3 (2008), "Business Combinations". Amongst other changes, the amendments require the expensing of acquisition costs in relation to business combinations. Previously the Group capitalised such costs as part of the cost of the investment. In addition, consideration for an acquisition is measured at fair value at the acquisition date and any changes to the consideration resulting from events after the Balance Sheet date are recognised in the Income Statement.

In addition, the following standards and interpretations, as adopted by the EU, are effective for the first time in the current financial year and have been adopted by the Group with no significant impact on its consolidated results or financial position:

- IFRS 2 (as amended)—Share-based Payment—Amendments relating to group cash-settled share-based payments transactions (effective for financial years beginning on or after 1 January 2010).
- IAS 39 (as amended)—Financial Instruments: Recognition and Measurement (effective for financial years beginning on or after 1 July 2009).

- IFRIC 17—Distribution of Non-cash Assets to Owners (effective for financial years beginning on or after 1 July 2009).
- Amendments resulting from the April 2009 Annual Improvements to IFRSs (effective for financial years beginning on or after 1 January 2010).
- Consequential amendments to other standards arising from amendments to IFRS 3 (2008), "Business Combinations" (effective for financial years beginning on or after 1 July 2009).

At the date of approval of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 7 (as amended)—Financial Instruments: Disclosures—Amendments enhancing disclosures about transfers of financial assets (effective for financial years beginning on or after 1 July 2011).
- IFRS 9—Financial Instruments—Classification and Measurement (effective for financial years beginning on or after 1 January 2013).
- IAS 24 (as revised)—Related Party Disclosures—Revised Definition of related parties (effective for financial years beginning on or after 1 January 2011).
- IAS 32 (as amended)—Financial Instruments: Presentation—Amendments relating to classification of rights issues (effective for financial years beginning on or after 1 February 2010).
- IFRIC 14 (as amended)—IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for financial years beginning on or after 1 January 2011).
- IFRIC 19—Extinguishing Financial Liabilities with Equity Instruments (effective for financial years beginning on or after 1 July 2010).
- Amendments resulting from the May 2010 Annual Improvements to IFRSs (effective for financial years beginning on or after 1 January 2011, except for IFRS 3 and IAS 27 which are effective for financial years beginning on or after 1 July 2010).

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its domestic and overseas subsidiary undertakings. All intercompany transactions and balances with subsidiary undertakings have been eliminated on consolidation.

Subsidiary undertakings include all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than 50% of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The results of subsidiary undertakings established or acquired during the period are included in the consolidated 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 intragroup transactions, balances, income and expenses are eliminated on consolidation.

On the acquisition of a company or business, fair values reflecting conditions at the date of acquisition are attributed to the identifiable separable assets, liabilities and contingent liabilities acquired.

Where the fair value of the consideration paid exceeds the fair value of the identifiable separable assets, liabilities and contingent liabilities acquired, the difference is treated as purchased goodwill.

For transactions completed on or before 31 December 2009 fees and similar incremental costs incurred directly in making the acquisition are included in the cost of the acquisition and capitalised. Internal costs, and other expenses that cannot be directly attributed to the acquisition, are charged to the Income Statement.

As of 1 January 2010, on adoption of IFRS 3 (2008), "Business Combinations", fees and similar incremental costs incurred directly in making the acquisition are charged to the Income Statement as incurred.

In the year ended 31 December 2009 the Group applied the principles of IFRS 3 (2008), "Business Combinations", in respect of the expensing of acquisition costs in relation to the Segovia transaction which was completed on 12 January 2010 (see note 28). The Standard is effective for financial years beginning on or after 1 July 2009, for Inmarsat this applied to business combinations for which the acquisition date was on or after 1 January 2010 and therefore was applicable to the Segovia transaction. As a consequence, in the year ended 31 December 2009, we recognised US$3.9m of transaction costs associated with the acquisition of Segovia as an expense in the Income Statement.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests share of changes in equity since the date of the original combination.

Group Reorganisation

On 30 June 2010 we completed a reorganisation plan under which the ownership of Inmarsat Finance III Limited ("Finance III") and all its subsidiaries (including Stratos Wireless Inc. and its subsidiaries "Stratos"), was transferred within the Inmarsat group (the "Group Reorganisation"). The ownership in Finance III was passed down the Inmarsat chain of companies to Inmarsat Ventures Limited by way of a series of share-for-share transactions. As a result of the Group Reorganisation, Stratos became an indirect wholly-owned subsidiary of Inmarsat Group Limited.

Accounting for internal reorganisations is outside the scope of IFRS 3, "Business Combinations" and IFRS does not contain additional guidance. Therefore, in accordance with IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", the Group is entitled to consider the pronouncements of other standard setting bodies, such as UK GAAP. Therefore, we have accounted for the Group Reorganisation using merger accounting principles. The key features of this accounting are:

- the carrying value of the assets and liabilities "acquired" by the Group are not adjusted to fair values on consolidation;
- any difference between the value of consideration provided and net assets acquired is not recognised as goodwill, but is adjusted against reserves;
- the premium above nominal value for any shares issued is recognised as a group reconstruction reserve rather than as share premium;
- the results and cash flows of all the combining entities are recognised in the consolidated financial statements from the beginning of the financial period in which the combination occurred; and
- the corresponding prior year figures are restated as if Inmarsat Group Limited had always been the parent undertaking of the new group of companies.

Foreign currency translation

a) Functional and presentation currency

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

The exchange rate between US dollars and Pounds Sterling as at 31 December 2010 was US$1.57/£1.00 (2009: US$1.61/£1.00). The average rate between US dollar and Pounds Sterling for 2010 was US$1.55/£1.00 (2009: US$1.56/£1.00). The hedged rate between US dollar and Pounds Sterling for 2010 for the Group was US$1.49/£1.00 (2009: US$1.92/£1.00).

b) Transactions and balances

Transactions not denominated in the functional currency of the respective subsidiary undertakings of the Company during the year have been translated using the spot rates of exchange ruling at the dates of the transactions. Differences on exchange arising on the settlement of the transactions denominated in currencies other than the respective functional currency are recognised in the Income Statement.

Monetary assets and liabilities not denominated in the functional currency of the respective subsidiary undertaking of the Company have been translated at the spot rates of exchange ruling at the end of each month. Differences on exchange arising from the translation of monetary assets and liabilities denominated in currencies other than the respective functional currency are recognised in equity to the extent that the foreign exchange exposure is hedged while the remaining differences are recognised in the Income Statement.

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

Financial instruments and hedging activities

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the relevant instrument and derecognised when it ceases to be a party to such provisions. Financial instruments are initially measured at fair value. Subsequent measurement depends on the designation of the instrument. Non-derivative financial assets are classified as accounts receivable, short-term deposits or cash and cash equivalents. They are stated at amortised cost using the effective-interest method, subject to reduction for allowances for estimated irrecoverable amounts. For interest-bearing assets, their carrying value includes accrued interest receivable. Cash and cash equivalents include cash in hand and bank time deposits, together with other short-term highly-liquid investments. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts, which are included as current borrowings in liabilities on the Balance Sheet. Non-derivative financial liabilities are all classified as other liabilities and stated at amortised cost using the effective interest method. For borrowings, their carrying value includes accrued interest payable, as well as unamortised issue costs.

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational and financing activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting under IAS 39 are accounted for as trading instruments. Derivatives are initially recognised and measured at fair value on the date a derivative contract is entered into and subsequently measured at fair value. The gain or loss on re-measurement is taken to the Income Statement except where the derivative is a designated cash flow hedging instrument.

In order to qualify for hedge accounting, the Group is required to document in advance the relationship between the item being hedged and the hedging instrument. The Group is also required to demonstrate that the hedge will be highly effective on an ongoing basis. This effectiveness testing is reperformed at each period end to ensure that the hedge remains highly effective.

Gains or losses on cash flow hedges that are regarded as highly effective are recognised in equity. Where the forecast transaction results in a financial asset or liability, gains or losses previously recognised in equity are reclassified to the Income Statement in the same period as the asset or liability impacts income. If the forecasted transaction or commitment results in future income or expenditure, gains or losses deferred in equity are transferred to the Income Statement in the same period as the underlying income or expenditure. The ineffective portions of the gain or loss on the hedging instrument are recognised immediately in the Income Statement.

Where a hedge no longer meets the effectiveness criteria, any gains or losses deferred in equity are only transferred to the Income Statement when the committed or forecasted transaction is recognised in the Income Statement. However, where the Group has applied cash flow hedge accounting for a forecasted or committed transaction that is no longer expected to occur, then the cumulative gain or loss that has been recorded in equity is transferred to the Income Statement. When a hedging instrument expires or is sold, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement.

Revenue recognition

Mobile satellite communications services revenue results from utilisation charges that are recognised as revenue in the period during which the services are provided. Deferred income attributable to mobile satellite communications services or subscription fees represents the unearned balances remaining from amounts received from customers pursuant to prepaid contracts. 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 twelve months, unless another systematic basis is deemed more appropriate.

The Group's revenues are stated net of volume discounts. The seasonality of volume discounts has been removed following the implementation of the new distribution agreements on 15 April 2009. Historically, volume discounts increased over the course of the financial year as specific revenue thresholds were achieved by distribution partners resulting in lower prices.

Revenue also includes income from spectrum coordination agreements, services contracts, rental income, conference facilities and income from the sale of terminals and other communication equipment. Revenue from spectrum coordination agreements is recognised using the percentage of completion approach. Revenue from service contracts, rental income and conference facilities 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 Company 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 fair values and the Company's relevant revenue recognition policies are applied to them.

Employee benefits

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

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

The Group recognises liabilities relating to defined benefit pension plans and post-retirement healthcare benefits in respect of employees in the UK and overseas. The Group's net obligation in respect of defined benefit pension plans and post-retirement healthcare 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 calculation is performed by a qualified actuary 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 operates a number of defined contribution pension schemes in its principal locations. Pension costs for the defined contribution schemes are charged to the Income Statement when the related employee service is rendered.

Inmarsat plc, the ultimate holding company issues equity-settled share options and awards to employees of the Group. 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 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 substantially 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 profit will be available against which the temporary deductible differences or tax loss carry forwards can be utilised.

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

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

Research and development

Research expenditure is expensed when incurred. Development expenditure is expensed when incurred unless it meets criteria for capitalisation. Development costs are only capitalised once the technical feasibility and commercial viability of a business case has been demonstrated and they can be measured reliably. Capitalised development costs are amortised on a straight-line basis over their expected useful economic life.

Property, plant and equipment

Space segment assets

Space segment assets comprise satellite construction, launch and other associated costs, including ground infrastructure. Expenditure charged to space segment projects includes invoiced progress payments, amounts accrued appropriate to the stage of completion of contract milestone payments, 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

liabilities. These space segment assets are depreciated over the life of the satellites from the date they become operational and are placed into service. Borrowing costs attributable to the construction of assets which take a substantial period of time to get ready for intended use ("qualifying assets") are added to the costs of those assets.

Assets in course of construction

Assets in course of construction relate to the Alphasat satellite, the S-Band project and new Inmarsat-5/Global Xpress services. These assets will be transferred to space segment assets and depreciated over the life of the satellites once they become operational and placed into service. No depreciation has been charged on these assets.

Other fixed assets

Other fixed assets are stated at historical cost less accumulated depreciation.

Depreciation

Depreciation is calculated to write off the historical cost less residual values, if any, of fixed assets, except land, on a straight-line basis over the expected useful lives of the assets concerned. The Group selects its depreciation rates and residual values carefully and reviews them annually to take account of any changes in circumstances. When setting useful economic lives, the principal factors the Group takes into account are the expected rate of technological developments, expected market requirements for the equipment and the intensity at which the assets are expected to be used. The lives assigned to significant tangible fixed assets are:

Space segment	5–15 years
Fixtures and fittings, and service related equipment	5-15 years
Buildings	20 years
Other fixed assets	3–5 years

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 and the related property, plant and equipment.

Government grants

Government grants have been received in relation to the purchase and construction of certain assets. Government grants are deducted from the cost of the relevant assets to arrive at carrying amount. The grants are therefore recognised as income over the lives of the assets by way of a reduced depreciation charge.

Gains and losses on disposals of tangible and intangible assets

Gains and losses on disposals are determined by comparing net proceeds with the carrying amount. These are included in the Income Statement.

Intangible assets

Intangible assets comprise goodwill, patents, trademarks, software, terminal development costs, spectrum rights, customer relationships and intellectual property. The amortisation period and the amortisation method for intangible assets with a finite useful life are reviewed each financial year.

(a) Goodwill

Goodwill represents the excess of consideration paid on the 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 cash-generating units ("CGUs") for the purpose of impairment testing.

(b) Patents and trademarks

Patents and trademarks are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over their estimated useful lives which are 7 years and between 10 and 20 years, respectively.

(c) Software development costs

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

(d) Terminal development costs

The Group capitalises development costs associated with the development of user terminals. For BGAN services terminal development costs are amortised using the straight-line method over their estimated useful lives which is between 5 and 10 years.

(e) Spectrum rights

Spectrum rights are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method. Spectrum rights acquired as a result of the ACeS collaboration in September 2006 are amortised over a remaining useful life of 4 years. Spectrum rights acquired as a result of the Stratos acquisition are amortised over their useful lives of 3 to 10 years.

(f) Customer relationships

Customer relationships acquired in connection with the Stratos and Segovia acquisitions are carried at cost less accumulated amortisation and are being amortised over the expected period of benefit of 12 and 14 years respectively using the straight-line method.

(g) Intellectual property

Intellectual property is carried at cost less accumulated amortisation and is now fully amortised.

Impairment of non-financial assets

Assets that are subject to amortisation and depreciation are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be fully recoverable. The impairment review comprises a comparison of the carrying amount of the fixed asset or goodwill with its recoverable amount, which is the higher of fair value less costs to sell and value in use. Fair value less costs to sell is calculated by reference to the amount at which the asset could be disposed of. Value in use is calculated by discounting the expected future cash flows obtainable as a result of the asset's continued use, including those resulting from its ultimate disposal, at a market-based discount rate on a pre-tax basis.

An impairment loss is recognised in the Income Statement whenever the carrying amount of an asset exceeds its recoverable amount. The carrying amount will only be increased where an impairment loss recognised in a previous period for an asset other than goodwill either no longer exists or has decreased, up to the amount that it would have been had the original impairment not occurred. Any impairment to goodwill recognised in a previous period is not reversed.

For the purpose of conducting impairment reviews, CGUs are identified as groups of assets, liabilities and associated goodwill that generate cash flows that are largely independent of other cash flow streams. The assets and liabilities include those directly involved in generating the cash flows and an appropriate proportion of corporate assets. For the purposes of impairment review space segment assets are treated as one CGU.

Investments

Investments in equity instruments that do not have quoted market prices in active markets are recorded at cost. Investments are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be fully recoverable.

Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases by the lessee. Rentals payable under operating leases are charged to the Income Statement on a straight-line basis over the term of the lease.

Interest and finance costs

Interest is recognised in the Income Statement using the effective interest rate method.

Transaction and arrangement costs of borrowings are capitalised as part of the carrying amount of the borrowings and amortised over the life of the debt.

The accretion of the discount on the principal on the Subordinated Preference Certificates is accounted for as an interest expense.

Borrowing costs attributable to the construction of qualifying assets are added to the costs of those assets.

Cash and cash equivalents

Cash and cash equivalents, measured at fair value, includes cash in hand, deposits held on call with banks and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings as current liabilities on the Balance Sheet.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average cost method.

Provisions

Provisions, other than in respect of pension and post-retirement healthcare benefits, are recognised when the Group has a legal or constructive obligation to transfer economic benefits arising from past events and the amount of the obligation can be estimated reliably. Provisions are not recognised unless the outflow of economic benefits to settle the obligation is more likely than not to occur.

Borrowings

Borrowings are initially recognised as proceeds received, net of transaction and arrangement costs incurred. Borrowings are subsequently stated at amortised cost. Transaction and arrangement costs of borrowings and the difference between the proceeds and the redemption value are recognised in the Income Statement over the life of the borrowings using the effective interest rate method.

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

Earnings before interest, tax, depreciation and amortisation (“EBITDA”)

EBITDA is a non GAAP performance measure used by analysts and investors, and is defined as profit before income tax, net interest payable, depreciation and amortisation, share of results of associates, gain on disposal of assets and acquisition-related adjustments.

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 the adverse effects on the financial performance of the Group by using forward exchange contracts to limit exposure to foreign currency risk and interest rate swaps to reduce the impact of fluctuating interest rates on its floating rate long-term debt.

The Board of Directors of Inmarsat plc has delegated to a sub-committee, the Treasury Review Committee, the responsibility for setting the risk management policies applied by the Group. The policies are implemented by the treasury department which receives regular reports from the operating companies to enable prompt identification of financial risks so that appropriate actions may be taken. The treasury department has a policy and procedures manual that sets out specific guidelines for managing foreign exchange risk, interest rate risk and credit risk (see note 31). The management of the Group does not hold or issue derivative financial instruments for speculative or trading purposes.

(a) Market risk

(i) Foreign exchange risk

The functional currency of Inmarsat plc is US dollars. The Group generates the majority of its revenue in US dollars. The vast majority of capital expenditure is denominated in US dollars. Approximately 60% of Inmarsat Global’s operating costs are denominated in Sterling. Stratos operate internationally, resulting in approximately 5% to 10% of revenue and expenditure being denominated in currencies other than in US dollar. The Group’s exposures therefore need to be carefully managed to avoid variability in future cash flows and earnings caused by volatile foreign exchange rates.

The Group’s long-term borrowings are denominated in US dollars, as disclosed in note 19, which is therefore not subject to risks associated with fluctuating foreign currency rates of exchange.

The foreign currency hedging policy of the Group is to economically hedge a minimum of 50% of anticipated foreign currency exposure in operating expenses for the next 12 months and up to a maximum of 100% for the next three years on a rolling basis.

As at 31 December 2010 it is estimated that:

- A hypothetical 1% inflation of the hedged US dollar/Sterling exchange rate (US$1.49/£1.00 to US$1.51/£1.00) would have decreased the 2010 profit before tax by approximately US$1.1m (2009: US$1.3m).
- A hypothetical 1% inflation of the US dollar/Sterling foreign currency spot rate at 31 December 2010, would have reduced the 2010 profit before tax by approximately US$0.2m (2009: US$0.2m), primarily as a

result of the translation of Sterling denominated monetary assets and liabilities. This analysis includes only outstanding foreign currency denominated monetary items and adjusts the translation of these items at the period end for a 1% change in foreign currency rates.

- A hypothetical 1% inflation in the US dollar/Sterling and a 1% deflation in the US dollar/Euro foreign currency spot rates at 31 December 2010, would have impacted equity by US$1.8m and US$1.3m, respectively (2009: US$1.2m and US$1.6m, 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 variable interest-bearing assets, 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 policy of the Group is to ensure certainty of the interest charge by fixing interest rates on 60 – 100% of forecast net debt for the next two years on a rolling basis. The Senior Notes due 2017 are at fixed rates.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specific intervals (primarily quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

As at 31 December 2010, 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 US$0.5m (2009: US$0.2m). This is primarily due to the Group's exposure to 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 amount of 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 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 is:

(US$ in millions)	Note	As at 31 December 2010	As at 31 December 2009
Cash and cash equivalents	16	323.1	226.7
Trade receivables and other receivables	17	203.0	176.2
Derivative financial instruments	31	14.3	24.1
Total credit risk		**540.4**	**427.0**

The Group's average age of trade receivables as at 31 December 2010 was approximately 58 days (2009: 59 days). 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 individual agreements. The Group has credit evaluation, approval and monitoring processes intended to mitigate potential credit risks, and utilises both internal and third party collections processes for overdue accounts. The Group maintains provisions for potential credit losses that are assessed on an ongoing basis.

The following table sets out the Group's provision for uncollectable trade receivables and revenue adjustments:

(US$ in millions)	2010	2009
As at 1 January:	12.9	13.9
Charged to the provision in respect of the current year	9.7	9.4
Utilised in the year	(10.0)	(9.2)
Provision released in the year	(1.4)	(1.2)
As at 31 December	**11.2**	**12.9**

(a) The maturity of the Group's provision for uncollectable trade receivables and revenue adjustments for the year ended 31 December 2010 is US$2.0m current, US$1.1m between 1 and 30 days overdue, US$1.1m between 31 and 120 days overdue and US$7.0m over 120 days overdue (2009: US$3.2m, US$2.0m, US$1.4m and US$6.3m respectively).

For 2010, one (2009: one) distribution partner, which is reported in the Inmarsat Global segment, comprised approximately 21.3% (2009: 23.5%) of the Group's total revenues. This same customer comprised 34.0% (2009: 37.8%) of the Group's trade receivables balance as at 31 December 2010. No other customer accounted for 10% or more of the Group's revenue and accounts receivable at 31 December 2010.

The following table sets out the Group's trade receivable balance by maturity:

(US$ in millions)	Note	As at 31 December 2010	As at 31 December 2009
Current		146.3	129.7
Between 1 and 30 days overdue		34.6	32.1
Between 31 and 120 days overdue		3.2	4.2
Over 120 days overdue		0.5	0.8
Total trade receivables	**17**	**184.6**	**166.8**

(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 maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group maintains a long-term Revolving Credit Facility of US$300.0m that is designed to ensure it has sufficient available funds for operations. Drawings on this facility were US$nil as at 31 December 2010 (2009: US$90.0m). In addition, as at 31 December 2009, a Revolving Operating Facility of US$10.0m was also available to Stratos to ensure it has sufficient funds available for operations. This facility was undrawn as at 31 December 2009 and subsequently cancelled in the year ending 31 December 2010.

4. Critical accounting estimates and judgements in applying accounting policies

The preparation of the financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the Balance Sheet dates and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates. The more significant estimates are discussed below:

(a) Estimated impairment of goodwill

The Group annually undertakes tests to determine whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2. The carrying amounts of goodwill and intangible assets are given in note 14.

For the purpose of testing for impairment, goodwill is specifically allocated to one of four CGUs which have been identified, being Inmarsat Global, Stratos MSS, Stratos Broadband and Segovia. It has been determined that goodwill that arose on the acquisition of Inmarsat Ventures Limited represented goodwill of the Inmarsat CGU only. Goodwill that arose on the acquisition of Stratos has been allocated to the Stratos MSS and Stratos Broadband CGUs. Goodwill that arose on the acquisition of Segovia has been allocated to the Segovia CGU only. As at 31 December 2010, the carrying amount of goodwill allocated to the Inmarsat, Stratos MSS, Stratos Broadband and Segovia CGUs was US$406.2m, US$241.4m, US$21.1m and US$27.2m, respectively (as at 31 December 2009: US$406.2m, US$241.4m, US$21.1m and US$nil, respectively).

Goodwill is tested by comparing the carrying amount of the CGU with its value in use. The value in use calculation utilises an estimate of the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. The key assumptions used in calculating the value in use are as follows:

- discount rate—the pre-tax rate used to discount the operating profit projections in respect of the Group in 2010 was 10.5%-14.0% (2009: 10.5%); and
- operating profit projections are derived from management approved five-year forecasts and have assumed terminal growth rates for the Group for 2010 of 2.5-3.0% (2009: 2.5-3.0%).

Using the value in use as a measure, no impairment to the carrying value of goodwill was recognised. In the opinion of the Directors, there have been no changes in the business strategy that would result in the carrying value of goodwill exceeding its recoverable amount. For the Stratos MSS CGU the value in use exceeds the carrying value by US$86.4m. The discount rate would need to increase to 11.75% (2009: 11.37%), before the carrying value would exceed the value in use and result in an impairment charge being recognised in the Income Statement.

(b) Pension arrangements and post-retirement healthcare benefit assumptions

The Group has applied a rate of return on assets of 7.80% p.a. (2009: 7.77% p.a.) which represents the expected return on asset holdings in the future. The discount rate used to calculate the pension and post-retirement healthcare benefits liability was 5.50%. (2009: 5.50%) (see note 27).

(c) Income Tax

The Group’s income tax balance is the sum of the total current and deferred tax balances. The calculation of this, and of the Group’s 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.

(d) Revenue in respect of the LightSquared Cooperation Agreement

In December 2007, Inmarsat and LightSquared entered into a Cooperation Agreement for the efficient use of L-band spectrum over North America. On 17 August 2010, LightSquared triggered Phase 1 of this agreement under which the Group will receive payments totalling US$118.8m in respect of its work to transition to a modified spectrum plan, which will be accounted for based on the time spent by Inmarsat's engineers as a percentage of the expected time to complete the spectrum re-banding exercise over an eighteen month transition period. In addition, Inmarsat will receive US$250.0m towards the costs that the Group will incur on network and terminal modifications which will be recognised according to the costs incurred to date as a percentage of management's best estimate of the total that will be incurred. These costs are expected to be incurred over the period to 2014. The key area of estimation uncertainty relates to our estimates of the total time/costs that will be incurred and our estimate of the percentage of completion of the time and costs that we have incurred.

5. Segmental information

IFRS 8, "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker ("CODM") to allocate resources and assess performance. The CODM of Inmarsat plc (ultimate Parent Company) is the Chief Executive Officer who is responsible for assessing the performance of the individual segments.

Information reported to the CODM for the purposes of resource allocation and assessment of segment performance is specifically focused on the individual performance of each of the divisions within the Group, namely Inmarsat Global and Stratos.

The Group's reportable segments are therefore as follows:

- Inmarsat Global—principally the supply of wholesale airtime, equipment and services to distribution partners and other wholesale partners of mobile satellite communications by the Inmarsat Global business, including entering into spectrum coordination agreements. The segment also includes income from technical support to other operators, the provision of conference facilities and leasing surplus office space to external organisations, all of which are not material on a stand-alone basis and in aggregate;
- Stratos—the supply of advanced mobile and fixed-site remote telecommunications services, the provision of customised turnkey remote telecommunications solutions, value-added services, equipment and engineering services to end-users; and
- "Unallocated"—includes Group borrowings and the related interest expense, cash and cash equivalents and current and deferred tax balances, which are not allocated to each segment.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Segment profit represents the profit earned by each segment without allocation of investment revenue, finance costs and income tax expense.

Business segment

(US$ in millions)	MSS	Stratos[(a)]	Unallocated	Eliminations	Total
			2010		
Revenue					
External sales	461.0	710.6	—	—	1,171.6
Inter-segment	303.1	6.2	—	(309.3)	—
Total revenue	**764.1**	**716.8**	**—**	**(309.3)**	**1,171.6**
Segment result (operating profit)	402.9	57.4	—	(0.2)	460.1
Net interest charged to the Income Statement	—	—	(112.2)	—	(112.2)
Profit before income tax					**347.9**
Income tax expense					(76.2)
Profit for the year					**271.7**
Segment assets	2,327.8	905.7	330.6	(419.4)	3,144.7
Segment liabilities	(364.8)	(162.4)	(1,648.7)	53.3	(2,122.6)
Investment (included in segment assets)[(b)]	23.5	—	—	—	23.5
Capital expenditure[(c)]	(157.6)	(30.6)	—	0.1	(188.1)
Depreciation	(145.6)	(27.5)	—	—	(173.1)
Amortisation of intangible assets	(23.8)	(37.7)	—	—	(61.5)

(a) Includes Segovia from 12 January 2010. In the year ended 31 December 2011, the Stratos segment was renamed Inmarsat Solutions.
(b) Relates to 19% stake in SkyWave Mobile Communications ("SkyWave") (see note 15).
(c) Capital expenditure stated using accruals basis.

(US$ in millions)	MSS	Stratos	Unallocated	Eliminations	Total
			2009		
Revenue					
External sales	399.0	639.1	—	—	1,038.1
Inter-segment	295.8	5.0	—	(300.8)	—
Total revenue	**694.8**	**644.1**	**—**	**(300.8)**	**1,038.1**
Segment result (operating profit)	315.3	43.0	—	(1.8)	356.5
Net interest charged to the Income Statement	—	—	(136.9)	—	(136.9)
Profit before income tax					**219.6**
Income tax expense					(50.9)
Profit for the year					**168.7**
Segment assets	1,983.8	779.7	251.7	(74.6)	2,940.6
Segment liabilities	(261.3)	(130.4)	(2,052.6)	77.0	(2,369.1)
Investment (included in segment assets)[(a)]	23.5	—	—	—	23.5
Capital expenditure[(b)]	(142.2)	(24.0)	—	0.4	(165.8)
Depreciation	(160.2)	(23.7)	—	—	(183.9)
Amortisation of intangible assets	(19.7)	(28.0)	—	—	(47.7)

(a) Relates to 19% stake in SkyWave (see note 15).
(b) Capital expenditure stated using accruals basis.

Geographical segments

The Group mainly operates in the geographic areas as included in the table below. The home country of the Group is the United Kingdom with its head office and central operations located in London.

Revenues are allocated to countries based on the billing address of the distribution partner who receives the invoice for the services. For Inmarsat Global this is the distribution partner who receives the invoice for the service and for Stratos 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.

	2010		2009	
(US$ in millions)	Revenue	Non-current segment assets[(a)]	Revenue	Non-current segment assets[(a)]
Europe	560.5	1,333.6	515.9	1,393.2
North America	357.3	414.7	259.4	175.4
Asia Pacific	184.9	22.9	202.4	32.0
Rest of the world	68.9	—	60.4	—
Unallocated[(b)]	—	747.7	—	842.1
	1,171.6	2,518.9	1,038.1	2,442.7

(a) In line with IFRS 8, "Operating Segments", non-current assets exclude derivative financial instruments and deferred income tax assets.
(b) Unallocated items relate to satellites which are in orbit.

6. Profit before income tax

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

Profit before income tax is stated after charging the following items:

(US$ in millions)	Note	2010	2009
Depreciation of property, plant and equipment	13	173.1	183.9
Amortisation of intangible assets	14	61.5	47.7
Operating lease rentals:			
—Land and buildings		16.8	17.5
—Services equipment, fixtures and fittings		0.6	0.2
—Space segment		17.4	18.9
Cost of inventories recognised as an expense		63.5	55.6
Research and development costs expensed		4.4	3.5

The analysis of the Auditor's remuneration is as follows:

(US$ in millions)	2010	2009
Fees payable to the Company's Auditor for the audit of the Company's annual accounts	—	—
Fees payable to the Company's Auditor for other services to the Group:		
—The audit of the Company's subsidiaries, pursuant to legislation	0.9	1.0
Total audit fees	**0.9**	**1.0**
—Other services, pursuant to legislation	0.1	0.1
—Tax services	2.7	1.6
—Services relating to remuneration	—	0.1
—Services relating to corporate finance transactions	—	0.5
Total non-audit services	**2.8**	**2.3**

(a) In addition, total audit fees payable to other auditors in respect of the audit of the consolidated financial statements was US$nil (2009: US$9,944).
(b) In addition to the fees disclosed above, Inmarsat Global's pension plan incurred audit fees from our auditor of US$18,480 for the 2010 financial year (2009: US$27,106).
(c) As of 31 July 2009, Stratos changed their auditor to Deloitte. In 2010, Stratos incurred audit fees from other auditors of US$nil (2009: US$35,202 relating to the quarterly reviews in the first half of 2009).
(d) At 31 December 2010, Inmarsat Global had contractually committed to US$0.6m of tax services to be completed in the 2011 financial year (31 December 2009: US$0.3m to be completed in the 2010 financial year).

7. Employee benefit costs (including the Directors)

(US$ in millions)	Note	2010	2009
Wages and salaries		148.6	158.0
Social security costs		12.6	12.5
Share options charge (including employers' national insurance contribution)	25	11.4	10.8
Defined contribution pension plan costs		5.9	6.7
Defined benefit pension plan costs[(a)]	27	2.2	1.2
Post-retirement healthcare plan costs[(a)]	27	1.0	0.8
Total employee benefit costs		**181.7**	**190.0**

(a) Defined benefit pension plan costs and post-retirement healthcare plan costs for 2010 and 2009 reflect the service cost (see note 27).

Employee numbers

The average monthly number of people (including the Directors) employed during the year by category of employment:

	2010			2009		
	Inmarsat Global	Stratos	Total	Inmarsat Global	Stratos	Total
Operations	191	358	549	181	341	522
Sales and marketing	92	143	235	87	132	219
Development and engineering	78	98	176	79	49	128
Administration	139	255	394	136	238	374
	500	**854**	**1,354**	**483**	**760**	**1,243**

8. Directors' remuneration

None of the Directors received emoluments in respect of his/her service to the Company in the years ended 31 December 2010 and 2009.

Executive and Non-Executive Directors' remuneration for Inmarsat plc are disclosed in the Inmarsat plc annual report.

Key management

The Directors and the Executive Staff (comprising the Chief Executive Officer and his direct reports) are the key management of the business (see note 33).

9. Net interest payable

(US$ in millions)	2010	2009
Interest on Senior Notes and credit facilities	62.0	25.2
Interest on Subordinated Parent Company Loan	—	44.5
Interest on Stratos borrowings[(a)]	19.8	18.8
Pension and post-retirement liability finance costs	—	4.2
Interest rate swaps	13.7	11.2
Unwinding of discount on deferred satellite liabilities	2.8	3.0
Amortisation of debt issue costs[(b)]	7.5	7.7
Redemption premium on Senior Notes	—	4.1
Premium on purchase of Stratos Senior Unsecured Notes	1.4	—
Intercompany interest payable	12.6	24.6
Other interest	1.3	1.3
Interest payable and similar charges	**121.1**	**144.6**
Less: Amounts included in the cost of qualifying assets[(c)]	(6.6)	(4.4)
Total interest payable and similar charges	**114.5**	**140.2**
Bank interest receivable and other interest[(d)]	1.1	1.6
Net discount on purchase of Stratos' Senior Unsecured Notes	—	0.1
Pension and post-retirement liability finance gains	0.1	—
Intercompany interest receivable	1.1	1.6
Total interest receivable and similar income	**2.3**	**3.3**
Net interest payable	**112.2**	**136.9**

(a) 2010 includes US$8.9m non-recurring items in connection with the Stratos refinancing. This consists of the write-off of unamortised issue costs of US$1.9m and US$3.9m in relation to the repayment of the Stratos Senior Credit Facility and the redemption of the Stratos Senior Unsecured Notes, respectively, as well as the recognition of the net redemption premium of US$3.1m in respect of the Stratos Senior Unsecured Notes (see note 19).

(b) 2009 includes US$9.6m of unamortised debt issue costs which were written off in relation to the cancellation of the previous Senior Credit Facility and redemption of the Senior Notes due 2012 and Senior Discount Notes (see note 19).

(c) Borrowing costs included in the cost of qualifying assets during the year are calculated by applying a capitalisation rate to expenditure on such assets. The average interest capitalisation rate for the year was 7.33% (2009: 8.63%).

(d) 2009 includes US$0.5m of unamortised premium which was recorded on the redemption of the Senior Notes due 2012 (see note 19).

10. Income tax

Income tax expense recognised in the Income Statement:

(US$ in millions)	2010	2009
Current tax expense:		
Current year	(70.6)	(36.6)
Adjustments in respect of prior periods		
—Other	10.8	(0.9)
Total current tax expense	**(59.8)**	**(37.5)**
Deferred tax expense:		
Origination and reversal of temporary differences		
—Other temporary differences	(20.0)	(14.9)
Adjustment due to reduction in the Corporation Tax rate from 28% to 27%	0.8	—
Adjustments in respect of prior periods	2.8	1.5
Total deferred tax expense	**(16.4)**	**(13.4)**
Total income tax expense	**(76.2)**	**(50.9)**

Reconciliation of effective tax rate:

(US$ in millions)	2010	2009
Profit before tax	347.9	219.6
Income tax at 28% (2009: 28%)	(97.4)	(61.5)
Differences in overseas tax rates	(3.4)	0.9
Adjustments in respect of prior periods:		
—Other	13.6	0.6
Effect of the reduction in the Corporation Tax rate from 28% to 27% on:		
—Current year movement in deferred tax	0.8	—
Impact of current and prior year losses	(0.8)	2.3
Other non-deductible expenses/non taxable income[(a)(b)]	11.0	6.8
Total income tax expense	**(76.2)**	**(50.9)**

(a) In 2009, includes a tax credit of US$8.8m arising from the recognition of a deferred tax asset relating to unutilised capital allowances in Stratos' UK entities. These unutilised allowances were not recognised as separate identifiable assets as part of the accounting for the purchase of Stratos. We believe that the Group will be able to utilise these capital allowances in offsetting future taxable profits of the Group's UK entities.

(b) In 2010, includes a non-recurring tax credit of US$7.0m.

Tax credited/(charged) to equity:

(US$ in millions)	2010	2009
Current tax credit on share options	0.4	0.2
Deferred tax credit on share options	0.8	1.3
Deferred tax credit/(charge) relating to gains on cash flow hedges	4.1	(12.6)
Deferred tax (charge)/credit on actuarial gains and losses from pension and post-retirement healthcare benefits	(2.6)	5.3
Total tax credited/(charged) to equity	**2.7**	**(5.8)**

11. Net foreign exchange gains

(US$ in millions)	Note	2010	2009
Pension and post-retirement liability	27	(1.6)	2.8
Other operating costs		0.6	(8.3)
Total foreign exchange gains		**(1.0)**	**(5.5)**

12. Dividends

The dividends paid in 2010 to Inmarsat Holdings Limited (Parent Company) were US$64.3m and US$100.7m for the 2010 interim dividend and the 2009 second interim dividend respectively.

No final dividend for the year ended 31 December 2010 has been declared or paid.

The dividends paid in 2009 were US$144.9m.

13. Property, plant and equipment

(US$ in millions)	Freehold land and buildings	Services equipment, fixtures and fittings	Space segment	Assets in the course of construction	Total
Cost at 1 January 2009	12.0	180.8	1,516.6	392.3	2,101.7
Additions	0.4	24.8	41.5	58.2	124.9
Disposals	—	(0.6)	—	—	(0.6)
Transfers[(a)]	—	(4.6)	347.5	(352.4)	(9.5)
Cost at 31 December 2009	**12.4**	**200.4**	**1,905.6**	**98.1**	**2,216.5**
Additions	1.1	24.3	15.6	119.7	160.7
Segovia acquisition	0.8	2.2	—	—	3.0
Disposals	—	(0.3)	—	—	(0.3)
Transfers	—	2.1	72.9	(75.0)	—
Cost at 31 December 2010	**14.3**	**228.7**	**1,994.1**	**142.8**	**2,379.9**
Accumulated depreciation at 1 January 2009	(3.5)	(95.2)	(569.7)	—	(668.4)
Charge for the year	(0.8)	(21.8)	(161.3)	—	(183.9)
Disposals	—	0.1	—	—	0.1
Transfers	—	0.9	—	—	0.9
Accumulated depreciation at 31 December 2009	**(4.3)**	**(116.0)**	**(731.0)**	**—**	**(851.3)**
Charge for the year	(0.8)	(28.6)	(143.7)	—	(173.1)
Disposals	—	0.2	—	—	0.2
Accumulated depreciation at 31 December 2010	**(5.1)**	**(144.4)**	**(874.7)**	**—**	**(1,024.2)**
Net book amount at 31 December 2009	**8.1**	**84.4**	**1,174.6**	**98.1**	**1,365.2**
Net book amount at 31 December 2010	**9.2**	**84.3**	**1,119.4**	**142.8**	**1,355.7**

(a) During 2009, assets with a net book value of US$8.6m were transferred from tangible to intangible (software).

The space segment asset lives range from 5 to 15 years. The first, second and third of the Inmarsat-4 satellites were placed into service during the 2005, 2006 and 2009 financial years, respectively, and are being depreciated over 15 years.

At 31 December 2010 and 2009, freehold land and buildings for Inmarsat Global were carried at cost less accumulated depreciation (US$nil). Had the freehold land and buildings been revalued on a market basis, their

carrying amount at 31 December 2010 would have been US$14.1m (based on the 31 December 2010 exchange rate between the US dollar and Pounds Sterling of US$1.57/£1.00) (2009: US$4.8m). The Directors determined the market valuation.

In 2010 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 2010 were US$6.8m (2009: US$22.8m).

14. Intangible assets

(US$ in millions)	Goodwill	Trademarks	Software	Patents	Terminal development costs	Customer relationships	Spectrum rights	Software	Total
Cost at 1 January 2009	677.5	35.8	88.1	14.0	83.4	233.2	3.6	0.7	1,136.3
Additions	—	—	15.5	—	23.5	—	2.1	—	41.1
Disposals	—	—	—	—	—	(1.0)	—	—	(1.0)
Transfers[a]	—	—	9.5	—	—	—	—	—	9.5
Other changes[b]	(8.8)	—	—	—	—	—	—	—	(8.8)
Cost at 31 December 2009	**668.7**	**35.8**	**113.1**	**14.0**	**106.9**	**232.2**	**5.7**	**0.7**	**1,177.1**
Additions	—	—	15.9	—	11.6	—	—	—	27.5
Segovia acquisition	27.2	4.8	0.3	—	—	108.9	—	—	141.2
Cost at 31 December 2010	**695.9**	**40.6**	**129.3**	**14.0**	**118.5**	**341.1**	**5.7**	**0.7**	**1,345.8**
Accumulated amortisation at 1 January 2009	—	(6.7)	(45.6)	(10.1)	(23.6)	(20.7)	(1.2)	(0.7)	(108.6)
Charge for the year	—	(2.7)	(15.3)	(2.0)	(7.5)	(19.4)	(0.8)	—	(47.7)
Disposals	—	—	—	—	—	0.1	—	—	0.1
Transfers[a]	—	—	(0.9)	—	—	—	—	—	(0.9)
Accumulated amortisation at 31 December 2009	**—**	**(9.4)**	**(61.8)**	**(12.1)**	**(31.1)**	**(40.0)**	**(2.0)**	**(0.7)**	**(157.1)**
Charge for the year	—	(3.1)	(19.1)	(1.8)	(10.0)	(26.9)	(0.6)	—	(61.5)
Accumulated amortisation at 31 December 2010	**—**	**(12.5)**	**(80.9)**	**(13.9)**	**(41.1)**	**(66.9)**	**(2.6)**	**(0.7)**	**(218.6)**
Net book amount at 31 December 2009	**668.7**	**26.4**	**51.3**	**1.9**	**75.8**	**192.2**	**3.7**	**—**	**1,020.0**
Net book amount at 31 December 2010	**695.9**	**28.1**	**48.4**	**0.1**	**77.4**	**274.2**	**3.1**	**—**	**1,127.2**

(a) During 2009, assets with a net book value of US$8.6m were transferred to software from tangible assets.

(b) During 2009, we recorded a US$8.8m adjustment to the carrying amount of goodwill following the recognition of a deferred tax asset relating to unutilised capital allowances arising in Stratos' UK entities. Although these unutilised capital allowances were acquired as part of the acquisition of Stratos, in line with IFRS 3 "Business Combinations (2004)", they were not recognised as an identifiable asset in determining goodwill that resulted from that acquisition. We now believe that the Group will be able to utilise these capital allowances in offsetting future taxable profits of the Group's UK entities and have therefore accounted for the benefit as an adjustment to goodwill in line with IAS 12, "Income Taxes".

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses (see note 4(a)).

Trademarks and patents are being amortised on a straight-line basis over their estimated useful lives. The estimated useful lives of trademarks are between 10 and 20 years. The estimated useful life of patents is 7 years.

The software capitalised relates to 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 5 to 7 years. Internally developed technology acquired as a result of the acquisition of Stratos is being amortised on a straight-line basis over its estimated useful life of 5 years. All other software is amortised on a straight-line basis, over 3 to 5 years.

User terminal development costs directly relating to the development of the user terminals for the BGAN and GSPS services are capitalised as intangible fixed assets. User terminals are being amortised over the estimated sales life of the services which is 5 to 10 years.

Customer relationships acquired in connection with Stratos and Segovia are being amortised over the expected period of benefit of 12 and 14 years, respectively using the straight-line method.

Spectrum rights relate to the acquisition of ACeS and Stratos. Spectrum rights acquired as a result of the ACeS collaboration are being amortised on a straight-line basis over the remaining useful lives of 4 years. Spectrum rights acquired as a result of the acquisition of Stratos are being amortised over their useful lives of 3 to 10 years.

Intellectual property relates to the acquisition of ACeS and is now fully amortised.

15. Investments

(US$ in millions)	As at 31 December 2010	As at 31 December 2009
Investments held at cost:		
SkyWave	23.5	23.5
Total investments held at cost	**23.5**	**23.5**
Interest in associates:		
Navarino	6.7	6.8
JSAT Mobile	0.6	0.7
Total interest in associates	**7.3**	**7.5**
Total investments	**30.8**	**31.0**

In July 2009, we acquired a stake of approximately 19% in the privately held SkyWave for an initial cash consideration of US$10.0m and deferred consideration of US$11.5m consisting of deferred airtime credits. The ownership in SkyWave has been recorded at cost, including capitalised transaction costs.

The Group, through Stratos, owns a 49% ownership interest in Navarino Telecom SA and NTS Maritime Limited (together, "Navarino"). Cash dividends received for the year ended 31 December 2010 totalled US$1.4m (2009: US$0.8m).

Stratos owns a 26.67% interest in JSAT Mobile Communications Inc. and the interest has been treated as an associate using the equity method of accounting. The aggregated assets, liabilities, revenue and profit of associates are deemed to be immaterial for reporting purposes.

16. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less, and for the purposes of the Cash Flow Statement also includes bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

(US$ in millions)	As at 31 December 2010	As at 31 December 2009
Cash at bank and at hand	73.4	105.7
Short-term deposits with original maturity of less than three months	249.7	121.0
	323.1	**226.7**

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

(US$ in millions)	Note	As at 31 December 2010	As at 31 December 2009
Cash and cash equivalents		323.1	226.7
Bank overdrafts	19	(0.7)	(0.9)
		322.4	**225.8**

17. Trade and other receivables

(US$ in millions)	As at 31 December 2010	As at 31 December 2009
Current:		
Trade receivables	184.6	166.8
Other receivables	18.4	9.4
Amounts due from Parent undertakings	7.5	10.1
Other prepayments and accrued income	52.1	51.3
	262.6	**237.6**

(US$ in millions)	As at 31 December 2010	As at 31 December 2009
Non-current:		
Loan due from intercompany	—	25.0
Other prepayments and accrued income	5.2	1.5
	5.2	**26.5**

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

18. Inventories

(US$ in millions)	As at 31 December 2010	As at 31 December 2009
Finished goods	19.4	8.2
Work in progress	0.8	1.3
	20.2	**9.5**

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

19. Borrowings

(US$ in millions)	Effective interest rate %[a]	As at 31 December 2010	As at 31 December 2009
Current:			
Bank overdrafts	1.8	0.7	0.9
Deferred satellite payments[b]	7.0	8.3	9.3
Senior Credit Facility[c]	2.54	50.0	90.0
Stratos Senior Credit Facility[d]		—	9.6
Total current borrowings		**59.0**	**109.8**
Non-current:			
Deferred satellite payments[b]	7.0	32.5	38.1
Senior Credit Facility[c]	2.54	143.9	189.4
Senior Notes due 2017[e][f]	7.375	639.2	637.5
—Issuance discount		(4.2)	(4.8)
EIB Facility[g]	1.65	305.8	—
Stratos Senior Credit Facility[c]		—	197.3
Stratos Senior Unsecured Notes[h]		—	82.4
Subordinated Parent Company Loan:[f][i]	0.0	325.7	301.3
Intercompany loan[j]	5.5	5.7	388.8
Total non-current borrowings		**1,448.6**	**1,830.0**
Total borrowings		**1,507.6**	**1,939.8**

(a) The effective interest rates do not include the impact of the Group's interest rate hedging policy.

(b) Deferred satellite payments represent amounts payable to satellite manufacturers which become payable annually depending on the continued successful performance of the satellite. The gross amounts of the deferred satellite payments have been discounted to net present value at 7%.

(c) On 6 November 2009, we drew down on our US$500.0m Senior Credit Facility. The facility consists of a US$200.0m Term Loan and a US$300.0m Revolving Credit Facility. The Senior Credit Facility will mature in May 2012. Advances under the Senior Credit Facility bear interest equal to 3-month USD LIBOR, plus an applicable margin of between 2.00% and 3.00% determined by reference to the ratio of total net debt to EBITDA. During the year we repaid US$90.0m of the revolving portion of the Senior Credit Facility. In addition, US$50.0m of the Senior Credit Facility was transferred from non-current to current in the year.

(d) On 10 May 2010 we pre-paid and cancelled the outstanding amount under the Stratos Senior Credit Facility of US$207.0m and wrote-off unamortised costs in relation to the facility of US$1.9m.

(e) On 12 November 2009, our 99.9% owned subsidiary company Inmarsat Finance plc issued US$650.0m aggregate principal amount of 7.375% Senior Notes due 1 December 2017 ("Senior Notes Due 2017"). The aggregate gross proceeds of the new notes issued were US$645.2m net of US$4.8m issuance discount. We capitalised US$12.5m of issuance costs in relation to the issue of the Senior Notes due 2017.

(f) Inmarsat Finance plc is 99.9% owned by the Company, and 0.1% owned by Inmarsat Holdings Limited, which is the parent of the Company. The Company's ability to obtain funds from its subsidiaries by dividend or loan is limited by the Senior Credit Facility and the indenture governing the Senior Notes. The Senior Credit Facility contains negative covenants that, among other things, generally restrict or prohibit the indirect subsidiary Inmarsat Investments Limited and its subsidiaries from making any repayment of principal under the indentures governing the Senior Notes and from declaring or paying certain dividends or making certain other distributions to shareholders or making payment under the Subordinated Parent Company Loan. In addition, the indentures governing the Senior Notes contain covenants that, among other things, directly or indirectly restrict the Company's ability to make certain payments, including dividends or other distributions, prepay or redeem subordinated debt or equity. Substantially all of the net assets of the Company's unconsolidated and consolidated subsidiaries as of the end of 31 December 2010 are restricted net assets.

(g) On 15 April 2010, we signed an 8-year facility agreement from the European Investment Bank (the "EIB Facility"). Under the agreement, we were able to borrow up to €225m at any time before 23 December 2010. The facility was available in Euros and US dollars. An initial drawdown of US$180.0m was made on 30 April 2010 and a final draw down of US$128.4m was made on 28 October 2010. This facility matures on 30 April 2018 and is repayable in equal annual instalments beginning 30 April 2012. Interest is equal to 3-month USD LIBOR plus a margin payable in April, July, October and January each year.

(h) On 2 June 2010 we redeemed the entire principal amount of US$150.0m outstanding under the Stratos Senior Unsecured Notes (US$62.4m, net of US$87.6m Senior Unsecured Notes held by the Group at the date of redemption) and paid the associated net note redemption premium of US$3.1m. In addition, we wrote-off US$3.9m in respect of unamortised debt issue costs in relation to the Stratos Senior Unsecured Notes.

(i) The Subordinated Parent Company Loan arises from historical financing of the Group from the immediate parent company, Inmarsat Holdings Limited. The loan is contractually and structurally subordinated to all of the other indebtedness of the Group and has no fixed maturity and may be repaid at any time at the Company's option. No interest accrued on the Subordinated Parent Company Loan in 2010 (2009: 5.38% per annum).

(j) Prior to the Group Reorganisation, Finance III had intercompany loans outstanding with Inmarsat plc and Inmarsat Holdings Limited, both of which are outside the Group. As a result of the Group Reorganisation, although Finance III became an indirect wholly-owned subsidiary of the Group, the previously outstanding intercompany loans at 31 December 2009 were substantially repaid or otherwise eliminated prior to Finance III becoming a subsidiary of the Group. On 3 June 2010, Finance III partially repaid US$23.0m of an intercompany loan with Inmarsat plc and US$57.8m of an intercompany loan with Inmarsat Holdings Limited. On 30 June 2010, the outstanding loan between the Group and Inmarsat plc was capitalised in Inmarsat plc in return for the issue of new ordinary shares in Finance III.

These balances are shown net of unamortised deferred finance costs, which have been allocated as follows:

	At 31 December 2010			At 31 December 2009		
(US$ in millions)	Principal amount	Deferred finance cost	Net balance	Principal amount	Deferred finance cost	Net balance
Senior Credit Facility	200.0	(6.1)	193.9	290.0	(10.6)	279.4
EIB Facility	308.4	(2.6)	305.8	—	—	—
Senior Notes due 2017	650.0	(10.8)	639.2	650.0	(12.5)	637.5
—Issuance discount	(4.2)	—	(4.2)	(4.8)	—	(4.8)
Deferred satellite payments	40.8	—	40.8	47.4	—	47.4
Bank overdrafts	0.7	—	0.7	0.9	—	0.9
Subordinated Parent Company Loan	325.7	—	325.7	301.3	—	301.3
Stratos Senior Credit Facility	—	—	—	209.2	(2.3)	206.9
Stratos Senior Unsecured Notes	—	—	—	86.8	(4.4)	82.4
Intercompany loan	5.7	—	5.7	388.8	—	388.8
Total borrowings	**1,527.1**	**(19.5)**	**1,507.6**	**1,969.6**	**(29.8)**	**1,939.8**

The maturity of non-current borrowings is as follows:

(US$ in millions)	As at 31 December 2010	As at 31 December 2009
Between one and two years	192.1	51.3
Between two and five years	144.6	437.6
After five years	1,111.9	1,341.1
	1,448.6	**1,830.0**

The Senior Notes due 2017 are at fixed rates.

The Group has a US$300.0m Revolving Credit Facility that has no restrictions and as at 31 December 2010 was drawn down by US$nil (2009: US$90.0m).

At 31 December 2009, Stratos had in place a US$10.0m Revolving Operating Facility which was undrawn. This was subsequently cancelled in the year ended 31 December 2010.

The Directors consider the carrying value of borrowings, other than the Senior Notes due 2017 to approximate to their fair value (see note 31).

The effective interest rates, excluding the impact of the Group's interest rate hedging policy, at the Balance Sheet dates were as follows:

Effective interest rate %	2010	2009
Bank overdrafts	1.8	1.8
Senior Credit Facility	2.54	2.78
EIB Facility	1.65	—
Senior Notes due 2017	7.375	7.375
Subordinated Parent Company Loan	—	5.38
Deferred satellite payments	7.0	7.0
Stratos Senior Credit Facility	—	2.75
Stratos Senior Unsecured Notes	—	9.875
Intercompany loan	5.5	5.5

20. Trade and other payables

(US$ in millions)	Note	As at 31 December 2010	As at 31 December 2009
Current:			
Trade payables		100.2	96.4
ACeS deferred consideration		0.5	2.9
SkyWave deferred consideration	15	6.1	2.3
Other taxation and social security payables		2.7	2.8
Other creditors		15.0	23.8
Other short-term deferred consideration		13.2	—
Amounts due to Parent undertakings		3.6	1.1
Accruals and deferred income[(a)]		208.5	75.9
		349.8	**205.2**

(a) As at 31 December 2010, includes US$135.0m (2009: US$31.3m) of deferred income relating to payments received from LightSquared LP, Skyterra (Canada) Inc. and LightSquared Inc. (together, "LightSquared") in connection with an agreement for L-band operations in North America. During 2010 we released US$17.5m to the Income Statement to reflect revenue earned, based on the percentage of completion method (2009: US$nil).

(US$ in millions)	Note	As at 31 December 2010	As at 31 December 2009
Non-current:			
SkyWave deferred consideration	15	4.0	9.7
Other long-term deferred consideration		32.2	—
Other payables		22.1	17.9
		58.3	**27.6**

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

21. Provisions

(US$ in millions)	Other provision	Asset retirement obligations	Total
Current:			
As at 1 January 2009	—	—	—
Charged to provision in respect of current year	1.8	—	1.8
Utilised in current year	(1.3)	—	(1.3)
Asset retirement obligation transferred from non-current liability	—	0.4	0.4
As at 31 December 2009	**0.5**	**0.4**	**0.9**
Utilised in current year	(0.4)	(0.4)	(0.8)
Asset retirement obligation transferred from non-current liability	—	0.3	0.3
As at 31 December 2010	**0.1**	**0.3**	**0.4**

(US$ in millions)	Post-retirement healthcare benefits	Pension	Asset retirement obligations	Other	Total
Non-current:					
As at 1 January 2009	19.8	11.7	3.4	0.9	35.8
Charged to Income Statement in respect of current year	4.4	1.8	0.3	0.2	6.7
Charged directly to Comprehensive Income in respect of current year	9.3	12.1	—	—	21.4
Contributions paid	—	(6.4)	—	—	(6.4)
Utilised in current year	(0.3)	—	(0.1)	(0.6)	(1.0)
Revision in estimated cash flows and timing of settlement	—	—	(0.3)	—	(0.3)
Transfer to current liability	—	—	(0.4)	—	(0.4)
As at 31 December 2009	**33.2**	**19.2**	**2.9**	**0.5**	**55.8**
Charged to Income Statement in respect of current year	1.7	1.4	0.3	0.2	3.6
Credited directly to Comprehensive Income in respect of current year	(4.8)	(5.1)	—	—	(9.9)
Contributions paid	—	(5.4)	—	—	(5.4)
Utilised in current year	(0.3)	(1.0)	(0.1)	(0.1)	(1.5)
Revision in estimated cash flows and timing of settlement	—	—	0.2	—	0.2
Transfer to current liability	—	—	(0.3)	—	(0.3)
As at 31 December 2010	**29.8**	**9.1**	**3.0**	**0.6**	**42.5**

Following the actuarial valuation of the Inmarsat Pension Plan ("the Plan") as at 31 December 2008 (see note 27), the trustee and the Group have agreed that additional contributions will be paid to the Plan. It was agreed that £2.2m would be paid in November 2009 and £2.2m annually thereafter, up to and including November 2015. During 2010, the Group made an additional cash contribution of US$3.5m (2009: US$3.6m) to reduce the pension deficit.

Asset retirement obligations have been recognised in respect of the expected costs of removal of equipment from leased premises by Stratos.

Other provisions in 2010 and 2009 relate to a legally required provision for eventual severance payments to employees based overseas.

22. Current and deferred income tax assets and liabilities

The current income tax liability of US$51.0m (2009: US$40.4m) represents the income tax payable in respect of current and prior periods less amounts paid.

Recognised deferred income tax assets and liabilities

The movements in deferred income tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the period are shown below.

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

	As at 31 December 2010			As at 31 December 2009		
(US$ in millions)	**Assets**	**Liabilities**	**Net**	**Assets**	**Liabilities**	**Net**
Property, plant and equipment and intangible assets	—	113.6	113.6	(2.6)	108.8	106.2
Other	(12.2)	9.6	(2.6)	(10.5)	3.8	(6.7)
Pension asset	(8.5)	—	(8.5)	(12.7)	—	(12.7)
Share options	(5.3)	—	(5.3)	(4.4)	—	(4.4)
Loss carry forwards	(10.7)	—	(10.7)	(10.0)	—	(10.0)
Net deferred income tax (assets)/liabilities	**(36.7)**	**123.2**	**86.5**	**(40.2)**	**112.6**	**72.4**

Movement in temporary differences during the year:

(US$ in millions)	**As at 1 January 2010**	**Recognised in income**	**Recognised in equity**	**As at 31 December 2010**
Property, plant and equipment and intangible assets	106.2	7.4	—	113.6
Other	(6.7)	8.2	(4.1)	(2.6)
Pension asset	(12.7)	1.6	2.6	(8.5)
Share options	(4.4)	(0.1)	(0.8)	(5.3)
Loss carry forwards	(10.0)	(0.7)	—	(10.7)
Total	**72.4**	**16.4**	**(2.3)**	**86.5**

(US$ in millions)	**As at 1 January 2009**	**Recognised in income**	**Recognised in equity**	**As at 31 December 2009**
Property, plant and equipment and intangible assets	100.5	5.7	—	106.2
Other	(20.0)	0.7	12.6	(6.7)
Pension asset	(6.7)	(0.7)	(5.3)	(12.7)
Share options	(2.4)	(0.7)	(1.3)	(4.4)
Loss carry forwards	(18.4)	8.4	—	(10.0)
Total	**53.0**	**13.4**	**6.0**	**72.4**

Total unprovided deferred tax assets:

(US$ in millions)	**As at 31 December 2010**	**As at 31 December 2009**
Temporary timing differences	(4.1)	(5.2)
Unused income tax losses	(4.3)	(2.5)
Unused capital losses	(33.0)	(35.8)
Total	**(41.4)**	**(43.5)**

Overseas dividends received on or after 1 July 2009 will be largely exempt from UK tax but may be subject to foreign withholding taxes. The unrecognised deferred tax liability in respect of the unremitted earnings of those overseas subsidiaries affected by such taxes is US$3.6m (2009: US$2.7m). No deferred tax liability is recognised on these temporary differences as the Group is able to control the timing of reversal and it is probable that this will not take place in the foreseeable future.

23. Cash generated from operations

Reconciliation of operating profit to net cash inflow from operating activities:

(US$ in millions)	2010	2009
Profit for the year	271.7	168.7
Adjustments for:		
Depreciation and amortisation	234.6	231.6
Income tax charge	76.2	50.9
Interest payable	114.5	140.2
Interest receivable	(2.3)	(3.3)
Non-cash employee benefit costs	14.6	23.2
Forward exchange contracts	0.6	(8.7)
Share of results of associates, net of dividends received	0.3	(0.1)
Gain on disposal of fixed assets	—	(2.1)
Acquisition-related adjustments	2.1	8.8
Non cash foreign exchange movements	0.2	0.6
Changes in net working capital:		
(Increase)/decrease in trade and other receivables	(20.1)	21.6
(Increase)/decrease in inventories	(9.1)	10.2
Increase in trade and other payables[(a)]	106.6	7.5
Decrease in provisions	(3.7)	(4.2)
Cash generated from operations	**786.2**	**644.9**

(a) The increase is primarily due to deferred revenue in respect of payments received from LightSquared (see note 20).

24. Share capital

(US$ in millions)	As at 31 December 2010	As at 31 December 2009
Authorised:		
630,780,000 ordinary shares of €0.0005 each (2009: 630,780,000)	0.4	0.4
Allotted, issued and fully paid:		
610,500,000 ordinary shares of €0.0005 each (2009: 610,239,895)	0.4	0.4

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

25. Employee share options and awards

In line with IFRS 2, Share-Based Payment, the Group recognised US$11.4m (2009: US$10.8m) in total share compensation costs across all its share plans for the 2010 financial year. Total share-based compensation costs are recognised over the vesting period of the options and share awards ranging from one to four years. Given that these schemes operate at an Inmarsat plc group level, the information below is for the Inmarsat plc group as a whole.

In November 2004, the Company adopted the Staff Value Participation Plan (the "2004 Plan") making awards in November 2004, January and May 2005.

All options granted under the 2004 Plan and held by optionholders 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 optionholders from the Inmarsat Employees' Share Ownership Plan Trust (the "Trust") (resident in Guernsey). No new shares have been issued to satisfy the exercise of these options.

A summary of share activity within the Trust and options outstanding under the 2004 Plan as at 31 December 2010 is as follows:

	Shares available for grant	Options outstanding	Weighted average exercise price per option
Balance at 1 January 2009	**1,022,158**	**188,961**	**£3.75**
Exercised	–	(25,787)	£5.64
Exercise re International Sharesave Plan	(1,922)	–	
Adjustment	(4,942)	–	
Balance at 31 December 2009	**1,015,294**	**163,174**	**£3.67**
Market purchase of shares (11 March 2010)	125,000	–	
Subscription for International Share Incentive Plan	43,936	–	
Exercised	—	(60,044)	£7.24
Exercise re International Sharesave Plan	(823)	–	
Exercise re International Share Incentive Plan	(12,627)	–	
Balance at 31 December 2010	**1,170,780**	**103,130**	**£3.71**
Exercisable at 31 December 2010	**—**	**103,130**	
Exercise Price per tranche	**—**	**€1.00**	

The weighted average of the remaining contractual life for the 2004 Plan at 31 December 2010 is 4 years (2009: 5 years).

The Company also operates a Bonus Share Plan ("BSP"). The following awards under the BSP have been made to the Executive Directors and certain members of senior management:

- during 2010, awards of shares were made relating to a monetary awards determined in March and May 2009. These awards vested and will vest in three equal tranches following the announcement of the Preliminary Results for each of the financial years 2011, 2012 and 2013; and
- during 2011, awards of shares were made relating to a monetary awards determined in March and May 2010. These awards vested and will vest in three equal tranches following the announcement of the Preliminary Results for each of the financial years 2012, 2013 and 2014.

Awards are made in the form of a conditional allocation of shares. The performance conditions attached to the BSP are non-market based performance conditions. Dividends will accrue and be added as additional shares upon vesting. Details of the operation of the BSP can be found in the Inmarsat plc Annual Report, page 51.

The rules of the BSP provide that the Remuneration Committee has the discretion to satisfy the awards using cash instead of shares. It is the intention, however, of the Company to satisfy the awards using newly-issued shares.

As the BSP provides free share awards with no market based performance conditions attached, and which carry an entitlement to dividends paid in cash or shares during the vesting period, 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 will not change.

The Company also operates a Performance Share Plan ("PSP") and regular annual awards are made to the Executive Directors and certain members of senior management. Participants are entitled to receive the value of any dividends that are paid during the vesting period in the form of cash or additional shares.

Awards were made in March 2009, May 2009 and March 2010 with the reference price in determining the number of shares of £4.57, £5.35 and £7.905 respectively (market value of shares on the date of grant).

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The PSP shares will not normally be transferred to participants until the third anniversary of the award date. The transfer of shares is dependent upon the performance conditions being satisfied over the three consecutive financial years starting in the financial year the award date falls. The rules of the PSP provide that the Remuneration Committee has the discretion to satisfy the awards using cash instead of shares. It is the intention, however, of the Company to satisfy the awards using newly-issued shares at the end of the relevant three year period unless a participant leaves and is entitled under the Rules to receive a proportionate award and the performance condition has been met. Details of the operation of the PSP can be found in the Inmarsat plc Annual Report, pages 51, 52 and 53.

The performance conditions for the PSP are based on the Group's Total Shareholder Return ("TSR") relative to constituents of the FTSE 350 Index (excluding investment trusts) and a non-market based condition, based on EBITDA measured over a three-year period. The vesting schedule for PSP awards is structured so that the shape of the vesting schedule is determined by both TSR and EBITDA performance. The market based performance condition has been incorporated into the valuation. The fair value of the allocation and the assumptions used in the calculation are as follows:

	Performance Share Plan			
Grant date	**19 March 2008**	**20 March 2009**	**14 May 2009**	**26 March 2010**
Grant price	£4.39	£4.57	£5.35	£7.905
Exercise price	nil	nil	nil	nil
Bad leaver rate	0%	0%	0%	0%
Vesting period	3 years	3 years	3 years	3 years
Volatility	28.5%	34.9%	36.2%	35.7%
Fair value per share option	£2.40	£3.21	£3.30	£5.62

Both the BSP and PSP share awards expire 10 years after date of grant. The weighted average of the remaining contractual life for both the BSP and PSP share awards at 31 December 2010 is 7.4 and 6.5 years respectively (2009: 8.0 and 7.1 years, respectively).

In September 2007 the Inmarsat plc Remuneration Committee made the Chief Executive Officer an exceptional award of one million incentive shares conditional upon the delivery of significant share price growth. The mid-market closing share price on 27 September 2007 was £4.49 per share. On 1 October 2009, at the request of the Nominations Committee on behalf of the Inmarsat plc Board of Directors, the Chief Executive Officer agreed to extend his term as Chairman and Chief Executive Officer to 30 September 2011 and then remain in the role of Chairman for a period of not less than one year. The Remuneration Committee also agreed changes on the same date to the existing CEO Award. No shares will be earned unless, by 30 September 2012, the share price reaches a minimum price of £5.50. For performance above this level, shares will be earned pro rata up to a share price of £7.25 at which the full award will be earned. A further award over 700,000 shares could be earned if, at the time that performance is assessed, the share price has reached £9.25. If the share price is below £7.25, none of the additional shares would be earned and if between £7.25 and £9.25, shares would be earned pro rata up to a share price of £9.25.

The share price performance condition will be assessed on the basis of the average closing price of Inmarsat shares over the last 60 days of the performance period. Additional shares will accrue representing the value of dividends paid during the performance period on the number of shares that ultimately vest. There is no material change in the incremental fair value granted due to the above modifications.

The Inmarsat plc Remuneration Committee anticipates that if an award of shares is made to Mr Sukawaty, then the share price performance will have out-performed the FTSE 350 Index (excluding investment trusts). However, in the event that this is not the case, the Remuneration Committee retains the discretion to scale back the award of shares by up to 50% of the proposed share award.

An announcement was made on 16 December 2009 relating to a deferred share bonus award of 125,000 shares to the Chief Executive Officer. The mid-market closing share price on 15 December 2009 was £6.59 per share. The performance condition of EBITDA growth related to the 2010 financial year has been satisfied; therefore the shares will vest in September 2012.

Grant date	CEO Award 28 September 2007	CEO Deferred Share Bonus Award 16 December 2009
Grant price	£4.49	£6.59
Exercise price	nil	nil
Bad leaver rate	0%	0%
Vesting period	3 years	3 years
Expected correlation between any pair of shares in PSP comparator group	n/a	n/a
Volatility	28%	n/a
Fair value per share option	£2.65	£6.59

The weighted average of the remaining contractual life for both the CEO Award and CEO Deferred Share Bonus Award at 31 December 2010 is 6.7 and 9.0 years respectively.

The Company also operates a UK Sharesave Scheme. The Sharesave Scheme is an HM Revenue & Customs approved scheme open to all UK PAYE-paying permanent employees. The maximum that can be saved each month by an employee is £250 and savings plus interest may be used to acquire shares by exercising the related option at the end of the three-year savings contract. Options are exercisable for a period of up to six months following the end of the three year savings contract and under certain circumstances if an employee leaves the Inmarsat group. No dividends are accumulated on options during the vesting period. Newly issued shares will be used to satisfy the options.

Two grants have been made so far; the first grant matured on 1 September 2008. A second grant was made in December 2008 with an option price of £3.06 per ordinary share (reflecting the maximum discount permitted of 20%).

The Company also operates an International Sharesave Plan which mirrors the operation of the UK Sharesave Scheme as closely as possible. However, instead of receiving a share option, participants receive 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 only—some of which are held by the Trust and some of which will be newly-issued.

Two grants have been made so far; the first grant matured on 1 September 2008. A second grant under the International Sharesave Plan was made in December 2008 with an option price of £3.06 per ordinary share.

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 weighted average of the remaining contractual life for the current grant of the UK Sharesave Scheme and International Sharesave Plan at 31 December 2010 is 1.5 years for each plan (2009: 2.5 years).

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Options under the UK Sharesave Scheme and International Sharesave Plan have been valued using the Black-Scholes model with the following assumptions:

Grant date	Sharesave Scheme (UK) 15 December 2008	Sharesave Plan (International) 15 December 2008
Market price at date of Grant	£4.44	£4.44
Exercise price	£3.06	£3.06
Bad leaver rate	3%pa	3%pa
Vesting period	3 years	3 years
Volatility	33.2%	33.2%
Dividend yield assumption	3.36%	3.36%
Risk free interest rate	2.46%	2.46%
Fair value per option	£1.50	£1.50

The historical volatility is based on the constituents of the FTSE 350 Telecoms Service Index, which was measured over three years to each of the grant dates. The volatility assumption used for each of the awards is based on median volatility for the constituents of the sector.

Several awards have been made under the UK Share Incentive Plan ("SIP"). The SIP is an HM Revenue & Customs approved plan open to all UK PAYE employees and operates in conjunction with a UK tax-resident trust which holds shares on behalf of participating employees. Under the SIP, the Company can award "Free Shares" (up to a maximum value of £3,000) to employees. Employees can also acquire "Partnership Shares" from their salary up to a maximum of £1,500 per annum and the Company will match this with up to two free "Matching Shares" per "Partnership Share" (equivalent to a maximum value of £3,000 per annum). An award was made in April 2010 with a market value per ordinary share at the date of the award of £7.54.

Arrangements were put in place for eligible overseas employees to replicate the awards made under the SIP as closely as possible. The same market values per ordinary share were used as for the SIP for each award.

A summary of share awards and option activity as at 31 December 2010 (excluding the 2004 Plan which is noted previously) is as follows:

	SIP (UK)	SIP (Intl and Unapproved)	BSP	CEO Share Plans[(a)]	PSP	Sharesave (UK)	Sharesave (International)	Total
Balance at 31 December 2009	**505,364**	**12,010**	**1,361,511**	**1,125,000**	**867,896**	**799,161**	**158,860**	**4,829,802**
Granted/Allocated	316,676	43,936	564,576	—	272,403	—	—	1,197,591
Lapsed	(2,800)	—	—	—	—	(29,834)	—	(32,634)
Exercised	—	—	—	—	—	(2,663)	(823)	(3,486)
Transferred/Sold	(39,986)	(12,627)	(567,655)	—	(121,235)	—	—	(741,503)
Balance at 31 December 2010	**779,254**	**43,319**	**1,358,432**	**1,125,000**	**1,019,064**	**766,664**	**158,037**	**5,249,770**
Exercisable at 31 December 2010	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Exercise Price per share	**n/a**	**n/a**	**nil**	**nil**	**nil**	**(b)**	**(c)**	**n/a**

(a) The CEO Share Plans comprises (i) the CEO Award of 1 million shares, where as described previously, a further award over 700,000 shares could be earned if the share price has reached £9.25 per share; and (ii) the CEO Deferred Share Bonus Award of 125,000 shares.

(b) The second grant under the UK Sharesave scheme in 2008 has an exercise price of £3.06. The weighted average exercise price at 31 December 2010 was £3.06 per share (31 December 2009: £3.06 per share). The weighted average exercise price of options exercised during the year as £3.06 per share.

(c) The second grant under the International Sharesave plan in 2008 has an exercise price of £3.06. The weighted average exercise price at 31 December 2010 was £3.06 per share (31 December 2009: £3.06 per share). The weighted average exercise price of options exercised during the year as £3.06 per share.

26. Reserves

Cash flow hedge reserve:

(US$ in millions)	2010	2009
Balance as at 1 January	(2.6)	(34.1)
Gain/(loss) recognised on cash flow hedges:		
Forward exchange contracts	0.8	15.8
Interest rate swaps	(0.2)	(1.8)
Fx movement through cash flow hedge reserve	(0.1)	(3.0)
Income tax charged directly to equity	—	(3.2)
Reclassified to the Income Statement[(a)]		
Forward exchange contracts	(7.9)	27.6
Interest rate swaps	—	11.1
Fx movement through cash flow hedge reserve	1.3	(5.9)
Income tax credited/(charged) related to amounts transferred to the Income Statement	4.1	(9.3)
Reclassified and capitalised on the Balance Sheet[(b)]		
Forward exchange contracts	(3.5)	0.2
Fx movement through cash flow hedge reserve	0.6	—
Balance as at 31 December	**(7.5)**	**(2.6)**

The cash flow hedge reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in the Income Statement or capitalised on the Balance Sheet when the hedged transactions impacts the Income Statement/Balance Sheet.

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

(US$ in millions)	2010	2009
Total net operating costs	(6.6)	21.7
Interest payable and similar charges	—	11.1
Income tax expense/(credit)	4.1	(9.3)
Total reclassified ((credited)/charged) to the Income Statement in the year	**(2.5)**	**23.5**

(b) Gains and losses reclassified from equity and capitalised on the Balance Sheet during the period are included in the following Balance Sheet lines:

(US$ in millions)	2010	2009
Property, plant and equipment	(2.9)	0.2
Total reclassified and capitalised on the Balance Sheet in the year	**(2.9)**	**0.2**

27. Pension arrangements and post-retirement healthcare benefits

Inmarsat Global provides both pension fund arrangements and post-retirement medical benefits for its employees.

Inmarsat Global operates pension schemes in each of its principal locations. The UK scheme has two plans: a defined benefit scheme, which is closed to new employees, and a defined contribution plan. The defined benefit scheme is funded and its assets are held in a separate fund administered by a corporate trustee.

The defined benefit plan was valued using the projected unit credit method with the formal valuation undertaken by professionally qualified and independent actuaries, Towers Watson Limited, as at 31 December 2008. The actuarial valuation of the liabilities of the scheme at that date, net of assets, was US$17.3m. The results of the valuation have been updated for any material transactions and material changes in circumstances (including changes in market prices and interest rates) up to 31 December 2010. The results of this updated valuation as at 31 December 2010, for the purposes of the additional disclosures required by IAS 19, are set out below.

The post-retirement healthcare benefits are 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. The plan is self-funded and there are no plan assets from which the costs are paid. The cost of providing retiree healthcare is actuarially determined and accrued over the service period of the active employee group. Membership of this plan is multi-national, although most staff are currently employed in the UK.

Both the defined benefit pension plan and the post-retirement healthcare benefits plan are denominated in Pounds Sterling and are subject to fluctuations in the exchange rate between US dollars and Pounds Sterling.

Stratos provides pension fund arrangements for its employees and operates schemes in each of its principal locations, the majority of which are defined contribution pension plans.

As part of a previous acquisition, Stratos assumed defined benefit pension plans administered by KPN for employees in the Netherlands. The assets of these plans were not segregated from the assets of other KPN administered plans and therefore they were treated as multi-employer plans and were accounted for in the same manner as defined contribution plans. This arrangement expired on 31 December 2009, at which point all existing and new employees began to accrue benefits under the new Stratos defined benefit plan (the “Stratos DB Plan”). As per the arrangement with the Netherlands Works Council and KPN, all benefits accrued to employees under the KPN plan will remain within the KPN plan, with all future benefits accruing after 31 December 2009 recognised in the Stratos DB Plan. The Stratos DB Plan is a hybrid plan, meaning that it has a defined benefit component and a defined contribution component. Employees earn benefits up to a maximum salary, after which Stratos will contribute a percentage of salary to the defined contribution component of the plan.

Also as part of a previous acquisition, Stratos assumed an early retirement plan in the Netherlands. This is a defined benefit plan that is neither funded nor insured through a third party, but is paid directly to employees upon early retirement. Stratos recognises a provision for all benefits that will become a payment obligation in accordance with the then prevailing collective labour agreement.

Stratos defined benefit pension plans are denominated in Euros and subject to fluctuations in the exchange rate between US dollars and the Euro.

The defined benefit plan and unfunded early retirement plan were valued using the projected unit credit method with the formal valuation undertaken by professionally qualified and independent actuaries Lnbb actuarissen + pensioenconsultants as at 31 December 2010.

The principal actuarial assumptions used to calculate Inmarsat Global’s pension and post-retirement healthcare benefits liabilities under IAS 19 are:

	As at 31 December 2010	As at 31 December 2009
Discount rate	5.50%	5.50%
Expected return on plan assets	7.80%	7.77%
Future salary increases	5.50%	5.60%
Medical cost trend rate	7.75%	7.85%
Future pension increases	3.75%	3.85%

The principal actuarial assumptions used to calculate Stratos' pension benefit liabilities under IAS 19 as at 31 December 2010 are:

	As at 31 December 2010	As at 31 December 2009
Discount rate	2.70-5.00%	1.70-3.80%
Future salary increases	2.00%	1.50-2.00%
Future pension increases	0.00-1.50%	0.00-1.80%

The mortality assumption has 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-retirement healthcare benefits liabilities are as follows:

	As at 31 December 2010	As at 31 December 2009
Male current age 65	87.5	87.4
Female current age 65	90.4	90.3

For 2010 and 2009, mortality has been assumed to follow the SAPS Series 1 Normal Health tables, with long cohort improvements from 2003 based on year of birth, subject to minimum funding improvements of 1% per annum.

Mortality rates for the new Stratos DB Plan for a male and female currently aged 65 are 84.6 and 87.5 years respectively. These mortality rates are based on the mortality tables GBM/V 2010-2060, published by the Dutch Actuarial Association. These tables include a best estimate of the mortality trend up to 2060; no age set back has been applied.

For the Stratos unfunded early retirement plan the payment of supplementary old age pension will end on the last day of the month prior to the month in which the employee reaches the age of 65 or on the last day of the month in which the employee deceases.

The assets held in respect of the Inmarsat Global's and Stratos' defined benefit scheme and the expected rates of return were:

	As at 31 December 2010		
	Long-term rate of return expected	Value	Percentage of total plan assets
	%	(US$ in millions)	%
Equities	8.05%	52.2	79.82%
Cash	5.00%	0.4	0.61%
Bonds	4.90%	11.0	16.82%
Other	6.15%	1.8	2.75%
Fair value of scheme assets		**65.4**	

	As at 31 December 2009		
	Long-term rate of return expected	**Value**	**Percentage of total plan assets**
	%	(US$ in millions)	%
Equities	8.15	46.8	86.99
Cash	4.75	—	—
Bonds	5.00	5.3	9.85
Other	6.30	1.7	3.16
Fair value of scheme assets		**53.8**	

Amounts recognised in the Balance Sheet are:

(US$ in millions)	As at 31 December 2010	As at 31 December 2009
Present value of Inmarsat Global's funded defined benefit obligations (pension)	(70.4)	(68.6)
Present value of Inmarsat Global's unfunded defined benefit obligations (post-retirement healthcare)	(29.8)	(33.2)
Present value of Stratos unfunded defined benefit obligations (pension)	(4.1)	(4.4)
Fair value of Inmarsat Global's defined benefit assets	65.0	53.8
Fair value of Stratos defined benefit assets	0.4	—
Net defined benefit liability recognised in the Balance Sheet	**(38.9)**	**(52.4)**

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

(US$ in millions)	Inmarsat Global Defined benefit pension plan	Stratos Defined benefit pension plan	Post-retirement medical benefits
At 1 January 2009	41.9	4.8	19.8
Current service cost	1.1	0.1	0.8
Interest cost	3.4	0.1	1.6
Actuarial loss	17.4	0.5	9.3
Foreign exchange loss/(gain)	4.0	(0.1)	2.0
Benefits paid	(0.2)	(1.0)	(0.3)
Contributions by pension participants	1.0	—	—
At 31 December 2009	**68.6**	**4.4**	**33.2**
Current service cost	1.4	0.8	1.0
Interest cost	3.5	0.2	1.7
Actuarial gain	(2.2)	—	(4.8)
Foreign exchange gain	(1.8)	(0.3)	(1.0)
Benefits paid	(0.2)	(1.0)	(0.3)
Contributions by pension participants	1.1	—	—
At 31 December 2010	**70.4**	**4.1**	**29.8**

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

(US$ in millions)	Inmarsat Global Defined benefit pension plan	Stratos Defined benefit pension plan
At 1 January 2009	35.0	—
Expected return on plan assets	3.7	—
Actuarial gain	5.8	—
Contributions by employer	5.4	—
Contributions by pension participants	1.0	—
Benefits paid	(0.2)	—
Foreign exchange gain	3.1	—
At 31 December 2009	**53.8**	**—**
Expected return on plan assets	4.0	(0.1)
Actuarial gain	2.9	—
Contributions by employer	4.9	0.5
Contributions by pension participants	1.1	—
Benefits paid	(0.2)	—
Foreign exchange loss	(1.5)	—
At 31 December 2010	**65.0**	**0.4**

Amounts recognised in the Income Statement in respect of the plans are as follows:

	2010		
(US$ in millions)	Inmarsat Global Defined benefit pension plan	Stratos Defined benefit pension plan	Post-retirement healthcare benefits
Current service cost	1.4	0.8	1.0
Interest cost	3.5	0.2	1.7
Expected return on pension assets	(4.0)	0.1	—
Foreign exchange gain	(0.3)	(0.3)	(1.0)
	0.6	**0.8**	**1.7**
Actual return on plan assets gain/(loss)	**6.9**	**(0.1)**	**—**

	2009		
(US$ in millions)	Inmarsat Global Defined benefit pension plan	Stratos Defined benefit pension plan	Post-retirement healthcare benefits
Current service cost	1.1	0.1	0.8
Interest cost	3.4	0.1	1.6
Expected return on pension assets	(3.7)	—	—
Foreign exchange loss/(gain)	0.9	(0.1)	2.0
	1.7	**0.1**	**4.4**
Actual return on plan assets	**10.5**	**—**	**—**

Current services costs for 2010 are included within employee benefit costs (note 7). The net financing costs together with foreign exchange (gains)/losses are included within interest payable (note 9).

Amounts recognised in the Statement of Comprehensive Income in respect of the plans are as follows:

	2010		
(US$ in millions)	**Inmarsat Global Defined benefit pension plan**	**Stratos Defined benefit pension plan**	**Post-retirement healthcare benefits**
Net actuarial gains	(5.1)	—	(4.8)

	2009		
(US$ in millions)	**Inmarsat Global Defined benefit pension plan**	**Stratos Defined benefit pension plan**	**Post-retirement healthcare benefits**
Net actuarial losses	11.6	0.5	9.3

The cumulative amounts recognised in the Statement of Comprehensive Income in respect of the plans are as follows:

	2010		
(US$ in millions)	**Inmarsat Global Defined benefit pension plan**	**Stratos Defined benefit pension plan**	**Post-retirement healthcare benefits**
Cumulative pre-tax actuarial losses/(gains)	7.9	(1.9)	11.3

	2009		
(US$ in millions)	**Inmarsat Global Defined benefit pension plan**	**Stratos Defined benefit pension plan**	**Post-retirement healthcare benefits**
Cumulative pre-tax actuarial losses/(gains)	13.1	(1.9)	16.1

History of experience gains and losses:

	2010		
(US$ in millions)	**Inmarsat Global Defined benefit pension plan**	**Stratos Defined benefit pension plan**	**Post-retirement healthcare benefits**
Present value of defined benefit obligations	(70.4)	(4.1)	(29.8)
Fair value of plan assets	65.0	0.4	—
Deficit in plans	**(5.4)**	**(3.7)**	**(29.8)**
Experience (losses)/gains on plan liabilities	—	(0.2)	4.1
Percentage of plan liabilities	0.0%	(4.4%)	13.9%
Experience losses on plan assets	2.9	—	—
Percentage of plan assets	4.4%	—	—

	2009		
(US$ in millions)	**Inmarsat Global Defined benefit pension plan**	**Stratos Defined benefit pension plan**	**Post-retirement healthcare benefits**
Present value of defined benefit obligations	(68.6)	(4.4)	(33.2)
Fair value of plan assets	53.8	—	—
Deficit in plans	**(14.8)**	**(4.4)**	**(33.2)**
Experience (losses)/gains on plan liabilities	(0.3)	0.5	0.1
Percentage of plan liabilities	(0.4%)	11.4%	0.3%
Experience losses on plan assets	5.8	—	—
Percentage of plan assets	10.8%	—	—

	2008		
(US$ in millions)	**Inmarsat Global Defined benefit pension plan**	**Stratos Defined benefit pension plan**	**Post-retirement healthcare benefits**
Present value of defined benefit obligations	(41.9)	(4.8)	(19.8)
Fair value of plan assets	35.0	—	—
Deficit in plans	**(6.9)**	**(4.8)**	**(19.8)**
Experience gains/(losses) on plan liabilities	—	0.2	(7.1)
Percentage of plan liabilities	0.0%	4.3%	(35.9%)
Experience gains on plan assets	(14.7)	—	—
Percentage of plan assets	(42.0%)	—	—

	2007		
(US$ in millions)	**Inmarsat Global Defined benefit pension plan**	**Stratos Defined benefit pension plan**	**Post-retirement healthcare benefits**
Present value of defined benefit obligations	(58.2)	(7.9)	(22.3)
Fair value of plan assets	51.6	—	—
Deficit in plans	**(6.6)**	**(7.9)**	**(22.3)**
Experience gains on plan liabilities	—	—	0.3
Percentage of plan liabilities	0.0%	0.0%	1.3%
Experience gains on plan assets	(0.3)	—	—
Percentage of plan assets	(0.6%)	—	—

	2006	
(US$ in millions)	**Defined benefit pension plan**	**Post-retirement healthcare Benefits**
Present value of defined benefit obligations	(56.3)	(22.0)
Fair value of plan assets	41.1	—
Deficit in plans	(15.2)	(22.0)
Experience (losses)/gains on plan liabilities	3.4	0.3
Percentage of plan liabilities	6.0%	1.4%
Experience losses/(gains) on plan assets	(0.2)	—
Percentage of plan assets	(0.5%)	—

The estimated contributions expected to be paid into the Inmarsat Global defined benefit pension plan during 2011 are US$4.7m (2010: actual US$4.9m).

The estimated contributions expected to be paid into the Stratos defined benefit pension plans during 2011 are US$0.5m.

The healthcare cost trend rate assumption for Inmarsat Global's post-retirement healthcare benefits has a significant effect on the amounts recognised in the Income Statement in respect of the post-retirement medical benefits. Increasing the assumed healthcare cost trend rate by one percentage point would have increased the post-retirement medical benefit obligation as of 31 December 2010 by US$8.0m (2009: US$9.5m) and the aggregate of the service cost and interest cost by US$0.8m (2009: US$0.7m). Decreasing the assumed healthcare cost trend rate by one percentage point would have reduced the post-retirement medical benefit obligation as of 31 December 2010 by US$6.0m (2009: US$7.0m), and the aggregate of the service cost and interest cost by US$0.6m (2009: US$0.5m).

28. Acquisitions

On 12 January 2010, we completed the acquisition of the business and assets of Segovia, Inc. ("Segovia") for an initial consideration of US$110.0m, and may pay additional amounts depending on the performance of the acquired business over the three years following the acquisition. Segovia is a leading provider of secure IP managed solutions and services to United States government agencies and other commercial customers. We have acquired Segovia in order to strengthen our relationships with key government customers across land, maritime and aeronautical environments as well as to bring enhanced services to the government sector generally. The management team that was in place before the acquisition continues to operate Segovia as a separate business.

The acquisition of Segovia has been accounted for using the purchase method of accounting in accordance with IFRS 3 (2008), "Business Combinations". The consolidated results of the Group for 2010 include the financial results of Segovia for the period from 12 January 2010 to 31 December 2010. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

During the year ended 31 December 2010, the allocation of the purchase consideration was finalised. As a result of this review, the Group recognised identifiable intangible assets of US$113.7m (refer to table below) and goodwill of US$27.2m. Goodwill represents the excess of the purchase consideration over the fair value of the assets and liabilities acquired. Qualitatively, goodwill represents among other factors, the assembled workforce, which is not separately identified as part of the purchase price allocation. In addition, the Group believes that Segovia's expertise in designing, deploying and operating mixed satellite and terrestrial networks, particularly in the government and military environment, will generate value for the Group through future customer relationships.

During the year ended 31 December 2009, the Group recognised US$3.9m of transaction costs directly associated with the acquisition of Segovia as an expense in the Income Statement.

The allocation of the purchase consideration to the net assets and liabilities of Segovia, based on information up to 31 December 2010, is as follows:

(US$ in millions)	Book value	Fair value adjustments	Fair value at acquisition date
Net assets acquired:			
Intangible assets[(a)(b)]	—	113.7	113.7
Property, plant and equipment[(b)]	3.3	—	3.3
Total Non-current assets	**3.3**	**113.7**	**117.0**
Restricted cash[(c)]	6.0	—	6.0
Trade and other receivables[(d)]	12.9	—	12.9
Inventories	1.5	—	1.5
Total Current assets	**20.4**	**—**	**20.4**
Trade and other payables	(2.8)	—	(2.8)
Deferred revenue	(14.9)	—	(14.9)
Total liabilities	**(17.7)**	**—**	**(17.7)**
Identifiable net assets	**6.0**	**113.7**	**119.7**
Allocated purchase consideration:			
Cash consideration			110.0
Contingent consideration[(e)]			36.9
Total allocated purchase consideration			**146.9**
Goodwill recognised[(f)]			**27.2**

(a) The increase in intangible assets consists of US$108.9m of customer relationships and US$4.8m in relation to the Segovia trade name, which are to be amortised over their useful lives of fourteen and ten years respectively.

(b) Includes US$0.3m software which has subsequently been reclassified from property, plant and equipment to intangible assets.

(c) Restricted cash relates to cash received from customers for the advance payment of services.

(d) The book value of trade receivables of US$11.1m, included within trade and other receivables, approximates to their fair value and the entire balance is deemed collectable.

(e) The contingent consideration arrangement requires Inmarsat to pay the former owners of Segovia an amount in respect of each of the calendar years ending 31 December 2010, 2011 and 2012 (the "Earn-Out Payments"), subject to Segovia achieving certain specified EBITDA and Capital Expenditure targets. The potential undiscounted amount of all future Earn-Out Payments that Inmarsat could be required to make under the contingent consideration arrangement is between US$nil and US$139.0m. The fair value of the contingent consideration arrangement of US$36.9m is based on the probability-adjusted Earn-Out Payments and the application of a discount rate of 14.0%.

(f) The total goodwill recognised of US$27.2m is deductible for tax purposes over a fifteen year period.

The contingent consideration element relating to 2010 is estimated at US$13.0m. We accounted for US$10.9m of the contingent consideration as part of the initial purchase accounting, with the additional US$2.1m being recorded directly in the Income Statement in 2010. This additional contingent consideration arose due to better than expected performance in 2010 and has been recorded directly in the income statement in line with IFRS 3 (2008).

The revenue included in the Income Statement for 2010, contributed by Segovia since the acquisition date, was US$84.3m. Segovia also contributed a profit after tax of US$10.3m during 2010. Given the close proximity of the acquisition date to the beginning of the year, Segovia's contribution to the Income Statement, assuming the transaction had occurred on 1 January 2010, would not be materially different from their actual contribution from the date of acquisition.

29. Operating lease commitments

The Company's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

(US$ in millions)	As at 31 December 2010	As at 31 December 2009
Within one year	43.0	22.8
Within two to five years	60.3	57.3
After five years	92.9	106.9
	196.2	**187.0**

Operating lease commitments relate to leased office space, primarily of the Group's head office located at 99 City Road, London, and various non-cancellable network service contracts and maintenance contracts, which have varying terms.

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

(US$ in millions)	As at 31 December 2010	As at 31 December 2009
Within one year	35.1	10.4
Within two to five years	20.2	10.0
	55.3	**20.4**

The total of future sub-lease payments expected to be received under non-cancellable sub leases at 31 December 2010 relating to the above head office lease is US$6.8m over five years (as at 31 December 2009: US$1.1m over one year).

The Group has various agreements deriving revenue from designated leased capacity charges. These amounts are recorded as revenue on a straight-line basis over the respective lease terms. The Group's future aggregate minimum lease payments under non-cancellable operating leases expected to be received (including Inmarsat Global and Stratos but excluding intragroup amounts) are as follows:

(US$ in millions)	As at 31 December 2010	As at 31 December 2009
Within one year	85.2	58.6
Within two to five years	8.3	1.2
	93.5	**59.8**

30. Capital risk management

The following table summarises the capital of the Group:

(US$ in millions)	As at 31 December 2010	As at 31 December 2009
As per Balance Sheet		
Cash and cash equivalents	(323.1)	(226.7)
Borrowings	1,507.6	1,939.8
Net debt	1,184.5	1,713.1
Equity attributable to Parent	1,021.4	571.0
Capital	**2,205.9**	**2,284.1**

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 borrowing to EBITDA ratio for the year ending 31 December 2010 is 1.70 (2009: 2.88).

The following table sets out total available liquidity of the Group:

(US$ in millions)	Note	As at 31 December 2010	As at 31 December 2009
Cash and cash equivalents	16	323.1	226.7
Available but undrawn borrowing facilities	19	300.0	210.0
Total available liquidity		**623.1**	**436.7**

No changes were made in the Group's objectives, policies or processes for managing capital in the years ended 31 December 2010 and 2009.

31. Financial instruments

Treasury management and strategy

The Company's treasury activities are managed by its corporate finance department under the direction of a Treasury Review Committee whose chairman is the Chief Financial Officer, and are consistent with Board-approved treasury policies and guidelines. The overriding objective of treasury activities is to manage financial risk.

Key features of treasury management include:

- ensuring that the Group is in a position to fund its obligations in appropriate currencies as they fall due;
- maintaining adequate undrawn borrowing facilities;
- economically hedging both contracted and anticipated foreign currency cash flows on a minimum twelve-month rolling basis with the option of covering exposures up to a maximum of three years forward;
- interest rate hedging; and
- maximising return on short-term investments.

Treasury activities are only transacted with counter-parties who are approved relationship banks.

Treasury 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 deals. 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 is different from those that were forecast.

Financial Instrument by category

The following table sets out the categorisation of financial assets and liabilities in terms of IAS 39:

(US$ in millions)	As at 31 December 2010 Loans and receivables	Derivatives used for hedging	Total	As at 31 December 2009 Loans and receivables	Derivatives used for hedging	Total
Assets as per Balance Sheet						
Trade and other receivables[(a)]	203.0	—	203.0	176.2	—	176.2
Cash and cash equivalents	323.1	—	323.1	226.7	—	226.7
Derivative financial instrument	—	14.3	14.3	—	24.1	24.1
	526.1	**14.3**	**540.4**	**402.9**	**24.1**	**427.0**

(a) Consists of trade receivables and other receivables (see note 17).

(US$ in millions)	As at 31 December 2010 Derivatives used for hedging	Other financial liabilities	Total	As at 31 December 2009 Derivatives used for hedging	Other financial liabilities	Total
Liabilities as per Balance Sheet						
Borrowings	—	1,507.6	1,507.6	—	1,939.8	1,939.8
Trade and other payables[(a)]	—	178.3	178.3	—	129.2	129.2
Derivative financial instrument	26.5	—	26.5	27.0	—	27.0
	26.5	**1,685.9**	**1,712.4**	**27.0**	**2,069.0**	**2,096.0**

(a) Consists of trade payables, ACeS deferred consideration, SkyWave deferred consideration, other deferred consideration and other payables (see note 20).

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

(US$ in millions)	As at 31 December 2010 Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Borrowings[(a)]	116.8	255.2	304.3	1,216.0	1,892.3
Derivative financial instruments	12.9	7.9	5.7	—	26.5
Trade and other payables	120.0	21.3	15.9	21.1	178.3
	249.7	**284.4**	**325.9**	**1,237.1**	**2,097.1**

(a) Includes interest obligations on the Senior Notes due 2017, Senior Credit Facility and EIB Facility. Interest obligations on the Revolving Credit Facility assume the current balance is held to maturity in May 2012. The interest obligations do not take into account the impact of interest rate swaps and assume no changes in floating interest rates from the year end.

(US$ in millions)	As at 31 December 2009 Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Borrowings[(a)]	186.2	135.8	619.7	1,487.1	2,428.8
Derivative financial instruments	14.1	7.8	5.1	—	27.0
Trade and other payables	101.6	10.4	3.7	13.5	129.2
	301.9	**154.0**	**628.5**	**1,500.6**	**2,585.0**

(a) Includes interest obligations on the Senior Notes due 2017, Senior Credit Facility, Stratos Senior Credit Facility and Stratos Senior Unsecured Notes. Interest obligations on the Revolving Credit Facility assume the current balance is held to maturity in May 2012. The interest obligations do not take into account the impact of interest rate swaps and assume no changes in floating interest rates from the year end.

Net fair values of derivative financial instruments

The Company's derivative financial instruments as at 31 December 2010 consist of forward foreign currency contracts and interest rate swaps. The interest rate swaps and approximately 90% of forward foreign currency contracts (2009–90%) are designated cash flow hedges.

The net fair values at the Balance Sheet date were:

(US$ in millions)	As at 31 December 2010	As at 31 December 2009
Contracts with positive fair values:		
Forward foreign currency contracts—designated cash flow hedges	13.4	23.7
Forward foreign currency contracts—undesignated	0.9	0.4
Contracts with negative fair values:		
Forward foreign currency contracts—designated cash flow hedges	(0.6)	(1.3)
Total forward exchange currency contracts	**13.7**	**22.8**
Interest rate swap—designated cash flow hedge	(25.9)	(25.7)
Total net fair value	**(12.2)**	**(2.9)**
Less non-current portion		
Forward foreign currency contracts—designated cash flow hedges	6.9	12.0
Interest rate swap—designated cash flow hedge	(13.6)	(12.9)
Current portion	**(5.5)**	**(2.0)**

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 are based upon the difference between the contract amount at the current forward rate at each period end and the contract amount at the contract rate, discounted at a variable risk free rate at the period end.

The fair value of the interest rate swaps 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. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Forward foreign exchange

The following table sets out the face value and fair value of forward exchange contracts outstanding for the Company as at 31 December 2010 and 2009.

	As at 31 December 2010				
Outstanding forward foreign exchange contracts (in millions)	Face value	Maturing within 1 year	Maturing between 1 and 2 years	Maturing between 2 and 5 years	Fair value (US$)
GBP contracts	£128.5	£66.5	£62.0	—	7.2
Euro contracts	€122.1	€74.3	€47.8	—	5.6
Canadian dollar contracts	C$19.5	C$15.6	C$3.9	—	0.9
					13.7

Outstanding forward foreign exchange contracts (in millions)	As at 31 December 2009				
	Face value	Maturing within 1 year	Maturing between 1 and 2 years	Maturing between 2 and 5 years	Fair value (US$)
GBP contracts	£79.3	£70.3	£9.0	—	8.3
Euro contracts	€129.6	€40.5	€45.2	€43.9	14.9
Canadian dollar contracts	C$19.2	C$19.2	—	—	(0.4)
					22.8

Interest rate swap

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at 31 December 2010 and 2009:

Outstanding floating for fixed contracts	Average contracted fixed interest rate		Notional principal amount		Fair value	
	2010	2009	2010	2009	2010	2009
	%	%	(US$ in millions)			
Less than 1 year	4.50%	—	100.0	—	(12.3)	(12.8)
1 to 2 years	—	4.50%	—	100.0	(7.9)	(7.8)
2 to 5 years	4.93%	4.93%	200.0	200.0	(5.7)	(5.1)
5 years +	—	—	—	—	—	—
			300.0	**300.0**	**(25.9)**	**(25.7)**

Under the interest rate swaps the Group received quarterly floating interest (three month USD LIBOR) to offset floating interest payable. Gains or losses will reverse in the Income Statement when the swaps expire. In 2009, the Group recognised a credit of US$0.6m directly in the Income Statement as a result of ineffectiveness arising on designated interest rate swaps (2010: US$nil).

Non derivative financial assets and financial liabilities

Non derivative financial assets consist of cash at bank, short-term and long-term investments, trade debtors and other debtors.

Non-derivative financial liabilities consist of bank overdrafts, deferred satellite payments, Senior Credit Facilities, Senior Notes due 2017, the EIB Facility, accrued and accreted interest on borrowings, trade creditors and other creditors. In 2009, includes the Stratos Senior Credit Facilities and Stratos Senior Unsecured Notes.

Fair value of non derivative financial assets and financial liabilities

With the exception of Senior Notes, the fair values of all non derivative financial instruments approximate to the carrying value in the Balance Sheet.

The following methods and assumptions have been used to determine fair values:

- The fair values of cash at bank, overdrafts and short-term deposits approximate their carrying values because of the short maturity of these instruments (see note 16).
- The fair value of trade and other receivables and payables approximate their carrying values (see note 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).
- Senior Credit Facilities are reflected in the Balance Sheet as at 31 December 2010 net of unamortised arrangement costs of US$6.1m (2009: US$10.6m). The fair value approximates the carrying value (see note 19).

- The Senior Notes due 2017 are reflected in the Balance Sheet as at 31 December 2010 net of unamortised arrangement costs and issuance discount of US$10.8m and US$4.2m (2009: US$12.5m and US$4.8m), respectively (see note 19). The fair value of the Senior Notes are based on the market price of the bonds as at 31 December 2010 and are reflected in the table below.
- The EIB Facility is reflected in the Balance Sheet as at 31 December 2010 net of unamortised arrangement costs of US$2.6m (2009: US$nil). The fair value approximates the carrying value (see note 19).
- The fair value of the Subordinated Parent Company Loan is based on the book value at year end, as this is the best approximation to fair value given that this loan is not traded (see note 19).
- The Stratos Senior Credit Facilities and Stratos Senior Unsecured Notes were redeemed in May and June 2010 respectively (see note 19).

	At 31 December 2010		At 31 December 2009	
(US$ in millions)	Carrying amount	Fair value amount	Carrying amount	Fair value amount
Senior Notes due 2017	(650.0)	(683.7)	(650.0)	(661.4)
Stratos Senior Unsecured Notes[(a)]	—	—	(86.8)	(91.8)

(a) At 31 December 2009 includes US$63.2m of the aggregate principal amount outstanding which was owned by the Group (see note 19).

32. Capital commitments

The Group had authorised and contracted but not provided for capital commitments as at 31 December 2010 of US$931.2m (2009: US$394.5m). These amounts primarily represent commitments in respect of the Alphasat and Global Xpress projects.

33. Related party transactions

In the normal course of operations Stratos engages in transactions with its equity owned investees Navarino Telecom SA and NTS Maritime Limited (together "Navarino") 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 2010 financial year was US$22.1m and US$8.6m respectively (2009: US$23.1m and US$0.2m respectively). The amount receivable from the related party at 31 December 2010 was US$10.0m and US$2.4m, respectively (2009: US$8.4m and US$nil, respectively).

Remuneration paid to key management personnel, being the Executive Staff (including Executive Directors) of Inmarsat plc, during the year is as follows:

(US$ in millions)	2010	2009
Short-term employee benefits[(a)]	8.8	14.2
Post-employment benefits	0.2	0.2
Share-based payment[(a)]	6.6	6.5
Total remuneration	**15.6**	**20.9**

(a) Includes employers National Insurance or other social security contributions.

The amount owing to the Executive Staff (including Executive Directors) as at 31 December 2010 and 2009 was US$3.1m and US$8.0m respectively.

Management believes that all related party transactions were made on an arm's length basis.

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

(US$ in millions)	2010	2009
Transactions with Inmarsat plc:		
Intercompany interest receivable	1.1	1.6
Intercompany interest payable	11.3	21.9
Repayment of loan	23.0	—
Repayment of Subordinated Parent Company Loan	—	465.6
Capitalisation of outstanding loan	331.2	—
Receipt of loan	5.7	—
Transactions with Inmarsat Holdings Limited:		
Intercompany interest payable	1.3	2.7
Repayment of loan	57.8	—
Interest on Subordinated Parent Company Loan	—	44.5

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

(US$ in millions)	As at 31 December 2010	As at 31 December 2009
Outstanding balances with Inmarsat plc:		
Loan due to fellow Group companies	(5.7)	(388.8)
Amounts due from fellow Group companies	—	6.9
Amounts due to fellow Group companies	(1.1)	(1.1)
Outstanding balances with Inmarsat Holdings Limited:		
Subordinated Parent Company loan	(325.7)	(301.3)
Loan due from fellow Group companies	—	25.0
Amounts due from fellow Group companies	7.5	3.2
Amounts due to fellow Group companies	(2.5)	—

34. Principal subsidiary undertakings

At 31 December 2010, the Company had investments in the following principal subsidiaries that have a significant impact on the consolidated results and total assets of the Group. To avoid a statement of excessive length, details of subsidiaries and associates which are not significant have been omitted from this list. A full list of subsidiaries and associates will be annexed to the Company's next annual return to be filed with the Registrar of Companies.

	Principal activity	Country of incorporation and operation	Interest in issued ordinary share capital at 31 December 2010	Interest in issued ordinary share capital at 31 December 2009
Inmarsat B.V.	Service provider	The Netherlands	100%	100%
Inmarsat Employment Company Limited	Employment company	Jersey	100%	100%
Inmarsat Finance plc	Finance company	England and Wales	99.9%	99.9%
Inmarsat Global Limited	Satellite telecommunications	England and Wales	100%	100%
Inmarsat Inc.	Service provider	USA	100%	100%
Inmarsat Investments Limited	Holding company	England and Wales	100%	100%
Inmarsat Leasing (Two) Limited	Satellite leasing	England and Wales	100%	100%
Inmarsat Navigation Ventures Limited	Operating company	England and Wales	100%	100%
Inmarsat Services Limited	Employment company	England and Wales	100%	100%
Inmarsat Solutions Limited[(a)]	Holding company	England and Wales	100%	100%
Inmarsat Ventures Limited	Holding company	England and Wales	100%	100%
Segovia, Inc[(b)]	Holding company	USA	100%	100%
Moskowskij Teleport	Operating company	Russia	80%	80%
Stratos Communications Inc.	Operating company	USA	100%	100%
Stratos Global Limited	Operating company	England and Wales	100%	100%
Stratos Government Services Inc.	Operating company	USA	100%	100%
Stratos Mobile Networks Inc.	Operating company	USA	100%	100%
Stratos New Zealand Limited	Operating company	New Zealand	100%	100%
Stratos Offshore Services Company	Operating company	USA	100%	100%
Stratos Wireless Inc.[(c)]	Operating company	Canada	100%	100%
Stratos B.V.[(d)]	Operating company	The Netherlands	100%	100%
Stratos Global Singapore Pte Ltd.[(e)]	Operating company	Singapore	100%	100%
Stratos Hong Kong Ltd[(f)]	Operating company	Hong Kong	100%	100%

(a) CIP UK Holdings Limited was renamed Inmarsat Solutions Limited in March 2011.

(b) Hornet Acquisition, Inc. was incorporated in November 2009 and was renamed Segovia, Inc. in January 2010.

(c) In June 2010 there was an amalgamation of Stratos Wireless Inc., Stratos Global Corporation and CIP Canada Investment Inc. with the resulting company called Stratos Wireless Inc.

(d) Xantic Sales B.V. merged into Xantic B.V. in September 2010. Xantic B.V. subsequently changed its name to Stratos B.V. in November 2010.

(e) Xantic Mobile Satellite Services Singapore Pte Ltd changed its name to Stratos Global Singapore Pte Ltd in December 2010.

(f) Xantic Hong Kong Ltd changed its name to Stratos Hong Kong Ltd in January 2011.

35. Events after the Balance Sheet date

In addition to normal business trading activity, the following material events after the Balance Sheet date occurred between 31 December 2010 and 4 April 2012:

Revenue in respect of the LightSquared Cooperation Agreement

To date, LightSquared has made payments totalling US$490.2m, of which US$308.1m was received during 2011 and US$29.6m in January 2012. At 31 December 2011, the Group had, thus far, recognised US$221.3m of revenue and US$11.6m of operating costs under all phases of the Cooperation Agreement. For the year ended 31 December 2011, the Group recognised US$203.8m of revenue and US$11.2m of operating costs, in respect of all phases of the Cooperation Agreement (year ended 31 December 2010: US$17.5m and US$0.4m, respectively).

Under Phase 1 of the Cooperation Agreement, LightSquared has made payments totalling US$312.5m. During the year ended 31 December 2011, the Group recognised US$95.6m of revenue and US$11.1m of operating costs in respect of Phase 1 (year ended 31 December 2010: US$17.5m and US$0.4m, respectively).

On 28 January 2011, Inmarsat received notice from LightSquared triggering Phase 2 of the Cooperation Agreement. Under Phase 2, the Group will support a phased transition to a further spectrum plan that increases the total capacity available to LightSquared. In return, the Group will receive payments of US$115.0m per annum, increasing at a rate of 3% annually, with effect from January 2011. The deliverables under Phase 2 can be split into two distinct periods: 1) To transition to a spectrum plan (Plan 2B) which is necessary for LightSquared to operate their proposed services over North America. Work on this will be continuous and the opportunity cost affects the entire period from commencement of Phase 2 equally, therefore revenue will be recognised on a straight-line basis over the entire period. 2) To provide the necessary spectrum on an ongoing basis, this period will commence on the signing over of the Phase 2B spectrum plan to LightSquared. The payments in respect of this element will also be recognised on a straight-line basis over the period to which the payment relates. Under Phase 2 of the Cooperation Agreement, LightSquared has made payments totalling US$137.7m. During the year ended 31 December 2011, the Group has recognised US$108.1m of revenue and US$nil of operating costs in respect of Phase 2.

On 15 April 2011, Inmarsat signed an amendment to the Cooperation Agreement, in which the Group might (at our option) accelerate delivery of the spectrum plan under Phase 2 by up to nine months from the date that Inmarsat originally agreed with LightSquared in December 2007. Under the terms of the amendment, which we refer to as Phase 1.5, LightSquared has agreed to pay the Group certain amounts dependent on when we deliver the spectrum plan relative to the date originally agreed. In connection with Phase 1.5, the Group has already received a payment of US$40.0m on 29 April 2011 and the maximum total amount that could be earned under the amendment is US$105.0m. The total costs to deliver Phase 1.5 are not expected to exceed the payment already received and will be recognised as incurred, with revenue recognised based on the percentage of completion approach relative to the total Phase 1.5 costs. Under Phase 1.5 of the Cooperation Agreement, LightSquared has made payments totalling US$40.0m. During the year ended 31 December 2011, the Group has recognised US$0.1m of revenue and US$0.1m of operating costs in respect of Phase 1.5.

On 20 January 2012, Inmarsat delivered the “Phase 1 transition” completion notice to LightSquared indicating that its obligations in respect of the Phase 1 spectrum reorganisation were complete. A payment of US$56.25m became due upon the completion of “Phase 1 transition”. This payment has not been received. On 20 February 2012, Inmarsat issued a notice of default to LightSquared under the Cooperation Agreement. This notice triggers a period of 60 calendar days during which LightSquared can remedy the payment before Inmarsat is entitled to enforce its rights and remedies under the agreement for payment default, including pre-agreed spectrum arrangements and termination of certain LightSquared rights under the Cooperation Agreement.

Following Inmarsat’s previous announcement of 20 February 2012, on 3 April 2012, Inmarsat announced that a further payment due from LightSquared under the terms of the Cooperation Agreement has not been received. A scheduled payment of US$29.6m in relation to Phase 2 of the Cooperation Agreement was due on 31 March 2012 and has not been received.

In relation to this non-payment, on 3 April 2012, Inmarsat issued a further notice of default to LightSquared under the Cooperation Agreement. This notice triggers a period of 60 calendar days during which LightSquared can remedy the non-payment before Inmarsat is entitled to enforce its rights and remedies under the agreement for payment default, including pre-agreed spectrum arrangements and termination of certain LightSquared rights under the Cooperation Agreement.

In addition, on 30 March 2012, Inmarsat issued a completion notice to LightSquared in relation to Phase 1.5 of the Cooperation Agreement. Under this completion notice, a further material payment from LightSquared will fall due on 4 April 2012. Given the non-payment events already announced in relation to Phase 1 and Phase 2, further payments under the Cooperation Agreement, including this payment in relation to Phase 1.5, remain highly uncertain.

Inmarsat does not plan to make any further public statements with regard to non-payment events under the Cooperation Agreement. Although Inmarsat and LightSquared remain in discussions regarding the future of the Cooperation Agreement, as previously stated, Inmarsat cannot provide any assurance that these discussions will result in any further payments being received from LightSquared.

Cash-generating units

As at 31 December 2010, the Stratos goodwill was allocated between two separate CGUs, Stratos MSS and Stratos Broadband. In performing the impairment test for the year ended 31 December 2011, the impact of internal restructuring which began in December 2010 was taken into account. Based on the operation of the new structure, interdependency of assets and bundling of revenue, it is no longer possible to identify cash flows attributable to the previous CGUs. Therefore, for the 2011 financial year the use of two separate CGUs was no longer appropriate and they were combined into one joint "Stratos" CGU. As at 31 December 2010, the carrying amount of goodwill allocated to the Inmarsat Global, Stratos MSS, Stratos Broadband and Segovia CGUs was US$406.2m, US$241.4m, US$21.1m and US$27.2m, respectively. Goodwill of US$262.5m which was previously allocated between the old Stratos MSS and Stratos Broadband CGUs has been combined to form goodwill of the single Stratos CGU.

Impairments

An impairment charge of US$120.0m in respect of the Stratos CGU was recorded in the year ended 31 December 2011 (2010: US$nil). Operating profit forecasts for the Stratos CGU have been adjusted downwards due to both internal and external factors. Firstly, price increases implemented by Inmarsat Global have not been passed onto Stratos' end-customers, resulting in reduced margins for the Stratos CGU. Secondly, a reduction in Inmarsat MSS revenues, changes in product mix and competitive pricing have all contributed to lower revenues during 2011. The combination of these factors will continue to erode operating profits at the Inmarsat Solutions level, particularly in respect of the Stratos CGU, and therefore have been reflected in the revised forecasts, giving rise to the impairment of the Stratos CGU. A long-term growth rate of 2.5% was applied to extrapolate the Stratos CGU cash flow projections into perpetuity and a pre-tax discount rate of 13.8% used to discount the cash flow projections.

In addition, during the year ended 31 December 2011, an impairment loss of US$21.5m was recognised in the Income Statement to reduce the carrying amount of the Stratos, Segovia and Ship Equip trade names to US$nil. During the year ended 31 December 2011, the Group comprised Inmarsat, Stratos, Segovia and Ship Equip, all acting as relatively independent business units. From 1 January 2012, Stratos, Segovia and Ship Equip were rebranded as "Inmarsat" and therefore the previous trade names are no longer used and have been impaired.

Acquisition of Ship Equip

On 28 April 2011, we acquired 100% of the outstanding ordinary shares of Ship Equip International A.S. ("Ship Equip") for a total cash consideration of US$113.2m (net of cash acquired and after hedging the foreign exchange risk). Immediately following the transaction, we repaid Ship Equip's external long-term debt amounting to US$44.7m (net of gains from hedging the foreign exchange risk). Inmarsat financed the acquisition of the shares and the debt repayment from available liquidity.

We have acquired Ship Equip as it is ideally positioned to support the evolution of maritime services to our new Global Xpress services after its expected launch in 2013. Ship Equip has a large installed base of VSAT customers, who we expect to be in the forefront of the transition to Global Xpress services, as well as a management team with extensive knowledge of VSAT operations and customers which will help us develop our Global Xpress offering.

The acquisition of Ship Equip has been accounted for using the purchase method of accounting in accordance with IFRS 3, "Business Combinations". During the year ended 31 December 2011, the allocation of the purchase consideration was finalised. As a result of this review, we recognised identifiable intangible assets of US$63.9m (refer to table below) and goodwill of US$66.6m. Goodwill represents the excess of the purchase consideration over the fair value of the assets and liabilities acquired. Qualitatively, goodwill represents among other factors, the assembled workforce, which is not separately identified as part of the purchase price allocation. In addition, the Group believes that Ship Equip's expertise in delivering VSAT maritime communications services to the shipping, offshore oil and gas and fishing markets, will generate value for the Group through future customer relationships. During the year ended 31 December 2011, we recognised US$2.0m of transaction costs directly associated with the acquisition of Ship Equip as an expense in the Income Statement.

The final allocation of the purchase consideration to the net assets and liabilities of Ship Equip, is as follows:

(US$ in millions)	Book value	Fair value adjustments	Fair value at acquisition date
Net assets acquired:			
Intangible assets[(a)]	1.3	62.6	63.9
Property, plant and equipment	48.4	—	48.4
Other assets	0.3	—	0.3
Total Non-current assets	**50.0**	**62.6**	**112.6**
Trade and other receivables[(b)]	8.7	—	8.7
Inventories	6.2	—	6.2
Other assets	4.1	—	4.1
Total Current assets	**19.0**	**—**	**19.0**
Trade and other payables	(11.1)	—	(11.1)
Deferred revenue	(8.5)	—	(8.5)
Deferred tax liability	(0.2)	(17.5)	(17.7)
Long term debt	(47.7)	—	(47.7)
Total liabilities	**(67.5)**	**(17.5)**	**(85.0)**
Identifiable net assets	**1.5**	**45.1**	**46.6**
Allocated purchase consideration:			
Cash consideration			119.8
Less: hedge accounting gains			(6.6)
Total allocated purchase consideration			**113.2**
Goodwill recognised[(c)]			**66.6**

(a) The intangible assets consists of US$37.8m of customer relationships, US$9.3m in relation to the Ship Equip trade name and US$16.8m for technology, which are to be amortised over their useful lives of 14, 15 and seven years, respectively. Subsequently, due to the vertical market reorganisation in Inmarsat Solutions, the Ship Equip trade name has been written-off.

(b) The book value of trade receivables of US$8.4m, included within trade and other receivables, approximates to their fair value and the entire balance is deemed collectable.

(c) The total goodwill recognised of US$66.6m is not deductible for tax purposes.

The revenue included in the Income Statement for the year ended 31 December 2011, contributed by Ship Equip since the acquisition date, was US$42.1m. Ship Equip also contributed a loss after tax of US$1.6m, during the year ended 31 December 2011. Ship Equip's contribution to revenue and profit after tax for the year ended 31 December 2011, assuming the transaction had occurred on 1 January 2011, would have been US$60.3m and a loss of US$4.6m, respectively.

Acquisition of Segovia

On 12 January 2010, we completed the acquisition of the business and assets of Segovia. The allocation of the purchase consideration was finalised during the year ended 31 December 2010.

In the year ending 31 December 2011, the Group comprised Inmarsat, Stratos, Segovia and Ship Equip all operating as relatively independent business units. Effective from 1 January 2012, the Group is operating with business units aligned to vertical market sectors as part of Inmarsat Solutions. To enable effective operation of the new Inmarsat Government—US business unit, in December 2011, the majority of the remaining value of the contingent deferred consideration on the Segovia acquisition relating to the calendar years ending 31 December 2011 and 2012 was settled ahead of the scheduled payout dates in Q1 2012 and 2013. As a result of accelerating the settlement of the deferred consideration, we recorded an additional charge of US$5.6m in the Income Statement, in line with IFRS 3. US$2.1m of the charge represents the better than expected performance in 2011 (2010: US$2.1m charge reflecting better than expected performance in 2010) and was recorded in the acquisition-related adjustments line in the Income Statement and US$3.5m recorded in interest payable, representing the effect of the acceleration of the settlement of the liability ahead of schedule.

Acquisition of NewWave Broadband Limited

On 13 January 2012, we acquired 100% of the outstanding shares of NewWave Broadband Limited ("NewWave") for a total cash consideration of US$9.0m, financed from available liquidity.

Refinancing activities

On 30 June 2011, we refinanced our previous US$500.0m Senior Credit Facility, which was due to mature in May 2012, with a new five-year US$750.0m Senior Credit Facility. Under the terms of the new facility the full US$750.0m amount is available to draw in the form of a revolving credit facility and does not amortise during the five-year availability period. Advances under the new facility bear interest at a rate equal to the applicable USD LIBOR, plus a margin of between 1.00% and 2.50% determined by reference to our ratio of net debt to EBITDA. The amount outstanding on the previous facility on the date of prepayment was US$200.0m and this amount was funded from available cash balances on 30 June 2011. As at 31 December 2011, there were no drawings on the new Senior Credit Facility.

On 11 May 2011, we signed a 12.5-year US$700.0m direct financing agreement with the Export-Import Bank of the United States (the "Ex-Im Bank Facility"). The facility has a total availability period of four years and will then be repayable in equal instalments over a further 8.5 years. Drawings under the facility will incur interest at a fixed rate of 3.11% for the life of the loan. As at 31 December 2011, we had total drawings of US$277.3m under the Ex-Im Bank Facility.

A review of the Group's structure in November 2011 led to a capital contribution from the Company's parent company (Inmarsat Holdings Limited) eliminating the previous subordinated parent company loan (year ended 31 December 2010: US$325.7m).

Post-retirement healthcare benefits

Effective from 1 January 2012, an inflationary cap on premiums for the post-retirement healthcare benefits set at CPI plus 1% has been introduced. The inflationary cap resulted in a one-off actuarial gain of US$12.4m being recognised in the statement of comprehensive income in respect of the post-retirement provision for the year ended 31 December 2011.

Changes in UK corporation tax rate

On 23 March 2011, the 2011 UK Government Budget was presented, one impact of which was the reducing of Corporate Tax rates from 27% (as previously announced in the June 2010 Budget) to 26%, with effect from 1 April 2011. In March 2012, the Chancellor announced that the main rate of corporation tax for the year commencing 1 April 2012 will be 24% and that there will be further progressive annual reductions of 1% until a rate of 22% is reached with effect from 1 April 2014.

Senior Notes Due 2017

Simultaneously with the issue of these financial statements, our 99.9% owned subsidiary company Inmarsat Finance plc commenced the issuance of a further US$200.0m aggregate principal amount of our 7.375% Senior Notes due 1 December 2017 ("Senior Notes Due 2017"). The issue of these notes may or may not proceed and the aggregate gross proceeds of the new notes issued will be dependent on the pricing achieved. Assuming that the notes are issued, the proceeds will be used for general corporate purposes, and we will capitalise issuance costs in relation to the issue of the Senior Notes due 2017.

Subsequent to 31 December 2010 other than the events discussed above there have been no other material events which would affect the information reflected in the financial statements of the Company.

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