Inmarsat Group Limited

Annual Financial Information Disclosure

For the year ended 31 December 2010

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Forward-looking Statements

This document contains forward-looking statements. These forward-looking statements include all matters that are not historical facts. Statements containing the words “believe”, “expect”, “intend”, “may”, “estimate” 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 that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that the Group’s actual financial condition, results of operations and cash flows, and the development of the industry in which we operate, may differ materially from those made in or suggested by the forward-looking statements contained in this document. In addition, even if the Group’s financial condition, results of operations and cash flows, and the development of the industry in which we operate are consistent with the forward-looking statements in this document, those results or developments may not be indicative of results or developments in subsequent periods. Important facts that could cause the Group’s actual results of operations, financial condition or cash flows, or the development of the industry in which we operate, to differ from current expectations include those risk factors disclosed in the sections *"Risk Factors", “Our Business and the Mobile Satellite Communications Services Industry”.*

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

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 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 we make no representation or warranty as to the accuracy or completeness of such information as set forth in this 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 International Financial Reporting Standards (“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.

Net Borrowings

Net Borrowings is defined as total borrowings 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. In addition the Net Borrowings balance provides an indication of the Net Borrowings on which we are required to pay interest.

Free cash flow

We define free cash flow ("FCF") as cash generated from operations less capital expenditure, capitalised operating costs, 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 net income and operating income 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.

EBITDA

We define EBITDA as profit before interest, taxation, depreciation and amortisation, share of results of associates, gain on disposal of fixed assets and acquisition-related adjustments. 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 net income, operating income 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.

Scope

The following disclosure document, unless otherwise stated, covers the period from 1 January 2010 to 27 April 2011, 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 2010 and 2009.

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 and its subsidiaries), 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 the Group and is subject to the terms of Inmarsat's outstanding debt, including the 7.375% Senior Notes due 2017.

We have accounted for the Group Reorganisation using merger accounting principles. For the consolidated results of the Group, the adoption of merger accounting presents the Group as if it had always been the parent undertaking of the new group of companies i.e. including the results of Stratos and its subsidiaries for the year ended 31 December 2010. The comparative results for the year ended 31 December 2009 have been restated. Refer to the Appendix A for the 2010 Consolidated Financial Statements.

We have included the 2009 audited Consolidated Financial Statements as Appendix B to this Disclosure Document. The 2009 Consolidated Financial Statements present the 2009 and 2008 results on the basis of the old group structure, i.e. before the Group Reorganisation discussed above. Commentary on the results of operations for 2009 compared to 2008 has previously been presented in the Annual Financial Information Disclosure document for Inmarsat Group Limited for the year ended 31 December 2009 and can be accessed via our website at www.inmarsat.com.

Our Business

We are 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 our satellite-based network. With a fleet of eleven owned and operated geostationary satellites, our Inmarsat Global business provides a comprehensive portfolio of wholesale global mobile satellite communication services for use at sea, on land and in the air. These include voice and broadband data services, which support safety communications, as well as standard office applications such as email, internet, secure VPN access and video conferencing.

Our Stratos business ("Stratos"), which includes Segovia Inc. ("Segovia") (and will include Ship Equip International AS, once acquired), 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 the leading global and regional satellite system operators, predominantly the Inmarsat satellite system, and through their owned and operated microwave and satellite telecommunications facilities. Segovia principally provides secure internet protocol ("IP") managed solutions and services to government defence users, including the United States Army and other U.S. military services and government agencies.

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 three 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 satellites have remained in commercial operation beyond their original design lives and we expect a similar experience with our Inmarsat-3 satellites. 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. Each of our Inmarsat-4 satellites is up to 60 times more powerful, and has up to 16 times more communications capacity than an Inmarsat-3 satellite and the Inmarsat-4 satellites are expected to extend the commercial life of our satellite fleet beyond 2020.

Our Inmarsat-2 and Inmarsat-3 satellites are used to offer our Existing and Evolved Services, which include all of our services other than broadband services, handheld satellite phone service ("SPS") and global handheld satellite phone services ("GSPS"). Our Inmarsat-4 satellites serve as the platform for our broadband services, our SPS and GSPS as well as providing continuity for our Existing and Evolved Services.

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 Broadband Global Area Network ("BGAN") service to the land mobile sector, our FleetBroadband service to the maritime sector and our SwiftBroadband service to the aeronautical 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 addition, our GSPS provides satellite telephony, with Bluetooth for hands-free use, voicemail, SMS and email messaging.

Through Inmarsat Global, we sell our services on a wholesale basis via a well-established, global network of distribution partners, including our wholly-owned Stratos business. Our distribution partners provide our services to end-users, either directly or indirectly through service providers. Our global network of over 30 distribution partners and approximately 400 service providers who are present in over 100 countries on six continents 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.

History of Inmarsat

Inmarsat was 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 return on the invested capital. In 1999, we were privatised and became a private limited company under English law. As a result of privatisation, among 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% controlling interest in Inmarsat and 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 holding in the ordinary shares of Inmarsat plc. In September 2008 Inmarsat plc became a constituent of the FTSE 100, a group of the top 100 companies listed on the London Stock Exchange measured by market capitalisation.

In April 2009, Inmarsat plc completed the acquisition of Stratos Global Corporation, our largest distribution partner. In June 2010 we participated in a reorganisation plan under which the ownership of Stratos and its subsidiaries was transferred within the Inmarsat 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 7.375% Senior Notes due 2017.

Key Strengths

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

- *Unique Global Communications Network.* We own and operate a fleet of 11 geostationary 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.

- *Established End-User Base.* As of 31 December 2010, we had over 282,000 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 believe that this large installed base of active terminals contributes to the stability of our revenues, due to the significant cost and effort required by end-users to switch to an alternative communications system. In addition we believe that government and military end-users account for 35% to 40% of our Inmarsat Global revenues.

- *Established Global Distribution Network.* We currently have over 30 distribution partners who sell our services to end-users, either directly or through a network of over 400 service providers. In addition, in April 2009 we acquired our largest distributor, Stratos, which in 2010 accounted for 40% of our MSS revenues. We believe the terms of our Distribution Agreements and the ownership of Stratos increase our ability to influence the price and positioning of our services to end-users and will result in an improved performance of our business over time.

- *Global Broadband Services Portfolio in Place to Capitalise on Growth Opportunities.* We have introduced broadband services into each of our three market sectors. We believe our broadband services enable us to capitalise on the growth opportunities presented by existing and new end-users' increasing demand for high-bandwidth mobile communication services.

- *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. Over the three years ended 31 December 2010, our average satellite communications network availability exceeded 99.99%. We believe our reliability is particularly attractive to government, military and enterprise-level users whose operations typically require mission and business critical communications support.

- *Experienced Management Team*. We have a highly experienced management team with a proven record of managing growth-oriented companies and our technical team has been involved in the successful launch and deployment of more than 100 satellites.

Strategy

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

- *Maintain Growth and Strong Cash Flow Generation by Increasing Sales of Our Existing Services and Realise Economies of Scale as We Roll Out New Services.* We intend to improve our margins and cash generation by leveraging our new broadband portfolio of services and leading position in the maritime, land mobile and aeronautical sectors to increase sales of our existing services, while maintaining our cost control.

- *Develop our Handheld Satellite Phone Service and Win Market Share.* We recently launched our first global handheld satellite phone, called IsatPhone Pro, and have not previously offered such a service. The market for handheld satellite phone service is incremental to us and we are implementing plans to win market share over time.

- *Implement our Cooperation Agreement with LightSquared to Maximise Returns.* We are currently implementing a Cooperation Agreement with LightSquared, a company developing an integrated terrestrial and satellite telecommunications network in North America. This agreement is expected to result in significant long-term profitability and attractive cash flows and we intend to perform our obligations under the agreement while minimising any service impact on our existing users.

- *Pursue New Business and Market Opportunities.* Our Inmarsat-4 satellite fleet provides us with the capacity and functionality necessary to support a broad range of new business opportunities. Among the opportunities we are targeting are in-flight cellular-based services for use by commercial airline passengers, telemetry or machine-to-machine services, and increased capacity leasing to government customers.

- *Develop and Deploy our Alphasat Satellite to Enhance our Service Offerings and Satellite Network Resilience.* We began construction of the Alphasat satellite in 2008 under a contract with Astrium and expect the satellite to be delivered in 2012. We expect that, when launched, Alphasat will allow us to deploy enhanced end-user service offerings in the key EMEA markets and add continuity resilience to our Inmarsat-4 satellite network.

- *Develop and Deploy our Inmarsat-5 Satellites and our Global Xpress Service Offering.* In August 2010, we announced a new US$1.2bn investment programme. This programme will offer next generation Ka-band VSAT services on a global basis, which we call Global Xpress, via three Inmarsat-5 satellites. Global Xpress will offer super high bandwidth services to target a US$1.4bn incremental market opportunity in the maritime, energy and government VSAT markets.

The Mobile Satellite Communications Services Industry

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 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 geostationary satellites are sufficient to provide coverage for almost all 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 Communications Inc. ("Iridium") and Globalstar Inc. ("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. 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 International Telecommunication Union ("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 its mobile applications.

- *C-band (4–8 GHz).* The C-band radio frequency has generally been used by fixed satellite services ("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 above. The ground antennae do 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 have less bandwidth than other frequencies discussed above.

We currently operate our services at frequencies in the L-band spectrum and intend to offer services in the Ka-band spectrum in due course through our new investment in Global Xpress. 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.

Business Segments and Geographical Markets

Our Inmarsat Global business operates in one business segment, the supply of wholesale MSS. Within this business segment, we operate in the maritime, land mobile, aeronautical and leasing sectors. Our management evaluates the performance of all four sectors as a single segment.

In our Stratos business segment we report revenues in two categories. The first category is the MSS business, which is sub-divided into revenue for the provision of Inmarsat Global airtime services and ‘Other MSS’ revenues which primarily consists of sales of equipment, mobile telecommunications services sourced on a wholesale basis from other MSS providers, network services provided to certain distributors and other ancillary services. ‘Other MSS’ services, in general, have lower gross margins than Inmarsat services. The second category is our Broadband business which now includes Segovia and includes revenue from VSAT and microwave services, including the sale and rental of equipment, repairs and maintenance associated with these two technologies and we provide turnkey engineering services for construction and internal and external communication requirements. Segovia provides secure Internet Protocol (“IP”) managed solutions and services.

For our Inmarsat Global business, we allocate revenues geographically based on the location of our distribution partners, whom we bill for MSS. 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 Stratos business, we allocate revenues geographically based on the billing address of the customer for whom the service is being provided.

Our Services

Inmarsat Global Services

Inmarsat Global's principal services are MSS, which, for 2010, accounted for 95% of our revenue as compared with 98% for 2009.

MSS

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.

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.

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 is 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.

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 sector, offering voice connection of landline quality, accessible simultaneously with an internet connection of up to 150 kbps, and simple-to-use SMS.

BGAN (Land)

Our BGAN service was our first broadband service, and was launched in December 2005 in the land mobile sector in EMEA and parts of Asia. Our BGAN service was commercially launched in the Americas in mid-2006 and since February 2009 has been available on a global basis. 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 (Aeronautical)

In October 2007, we launched our SwiftBroadband services to the aeronautical 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 and personal digital assistants ("PDAs"), such as Blackberrys.

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

SPS and GSPS

In September 2006, we signed a collaboration agreement with ACeS, an L-band MSS operator located in Indonesia, through which we acquired certain intellectual property relating to their existing handheld satellite phone service. This acquisition provided the platform for the introduction of a regional handheld satellite phone service, now called SPS. Subsequently we expanded the regional coverage of SPS and added fixed and maritime versions of the service, aimed at offering low-cost voice services to end-users.

In June 2010, our first global handheld satellite phone service ("GSPS"), the IsatPhone Pro, entered commercial service. 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.

Our Global Xpress Services

In 2013 we expect to commence offering our Ka-band Global Xpress service, offering mobile connectivity at speeds of up to 50 Mbps to antennas of 60cms diameter via our Inmarsat-5 satellites. 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. For 2010, the maritime sector represented 50% of our total MSS revenues, of which approximately 27% was generated by voice services and 73% was generated by data services (as compared with 52%, 29% and 71%, respectively, for 2009).

We provide the following Existing and Evolved Services to the maritime sector: Inmarsat B, Inmarsat C, Inmarsat M, Mini M, Fleet 33, Fleet 55, Fleet 77 and Fleet 77 128K. We also offer a broadband service, FleetBroadband, as well as leasing services to the maritime sector. These products offer global 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.

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

- *Data and information applications*. Ship crew 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 also allow video conferencing.

- *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 another safety service called ‘505’ for maritime users.

Services to Land-Based End-Users

We provide MSS to the land mobile sector globally, providing services to areas not served or under-served 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-based data services by users operating outside the coverage of terrestrial networks.

For 2010, the land mobile sector represented 21% of our total MSS revenues, of which voice services generated approximately 5% and data services generated approximately 95% as compared with 22%, 6% and 94%, respectively, for 2009.

Military and government agencies constitute the largest end-users in the land mobile sector and 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 events, such as the recent conflicts and peacekeeping operations in Afghanistan and Iraq, and 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, GAN and IsatM2M. We also offer BGAN services, SPS and GSPS to the land mobile sector. These products offer data transmission rates ranging from 600 bps to 492 kbps (or higher, where multiple terminals are bonded).

Our land-based 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 video 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.

- *Vehicle and Facilities Management*. Our services are used to monitor the location of 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.

Services to Aeronautical End-Users

We provide MSS to the aeronautical sector. For 2010, the aeronautical sector represented 14% of our total MSS revenues as compared with 11% for 2009. In the aeronautical 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 aeronautical sector: Aero C, Aero H/H+, Aero I, Aero L, Mini M and Swift 64. We also offer a broadband service, SwiftBroadband, to the aeronautical 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.

Aeronautical 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.

- *Aeronautical 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.

Leasing

We lease capacity on our satellites to distribution partners who in turn provide the capacity to end-users. Typically, our capacity leases 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. For 2010, total leasing revenues represented 15%, of our total MSS revenues, the same as for 2009.

Other income

We also generate revenue from a spectrum cooperation agreement, the provision of technical support to other 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. For 2010, revenue from ‘Other Income’ represented 4.9% of our total revenue, compared to 1.7% for 2009.

LightSquared Cooperation Agreement

In December 2007, we entered into an agreement with LightSquared LP, Skyterra (Canada) Inc. and LightSquared Inc. (together, “LightSquared”) (“the “Cooperation Agreement”). The Cooperation Agreement has been amended several times subsequently, by agreement between the parties, and is designed to increase the contiguous spectrum available to support the deployment of 4G ancillary terrestrial component ("ATC") services in North America and to protect the continued deployment and growth of MSS activities in the Americas.

On 17 August 2010, we received notice from LightSquared triggering Phase 1 of the Cooperation Agreement. Under Phase 1, the parties entered into an eighteen month transition period under which the amount of contiguous L-band spectrum available to both parties for their operations in the Americas will be increased, and provisions will be implemented to provide capability and protections to support the development and deployment of 4G ATC services in North America by LightSquared, whilst preserving and protecting Inmarsat's MSS operations in the Americas.

In order to implement Phase 1, Inmarsat has begun a process of transition to a modified spectrum plan to increase spectrum contiguity for both Inmarsat and LightSquared. In addition, Inmarsat will incur the cost of certain network and terminal modifications. During this process, LightSquared will make a series of payments to Inmarsat under the Cooperation Agreement totalling US$368.8m, which includes US$31.25m paid in December 2009. To date, LightSquared has made payments totalling US$192.5m. We will be accounting for these and future Phase 1 payments using the percentage of completion method. During 2010, we recognised US$17.5m of revenue in relation to Phase 1 of the Cooperation Agreement. During 2011, we currently expect to recognise US$80.0m to US$100.0m of revenue and up to US$20.0m of operating costs in relation to Phase 1.

On 28 January 2011, we received notice from LightSquared triggering Phase 2 of the Cooperation Agreement together with a first partial quarterly payment of US$20.1m. We have subsequently received the second quarterly payment in relation to Phase 2 of US$28.75m. Under Phase 2, Inmarsat will support 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, Inmarsat will receive payments of US$115.0m per annum, increasing at a rate of 3% annually, with effect from 28 January 2011. The implementation of Phase 2 will cause an eventual reduction in aggregate L-band spectrum available for Inmarsat services over North America. While it is too soon to predict the impact that this notice and future reduction of spectrum will have on our MSS revenue growth in North America in the coming years, we are confident that we will be able to minimise the service impact on our existing users in this area. We have already taken measures as part of the migration programme 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. Furthermore, starting in 2013, Inmarsat customers are expected to start to benefit from extensive Ka-band services following the launch of our Global Xpress services, which will greatly augment our available spectrum resources in North America. During 2011, we currently expect to recognise US$107.0m of revenue in relation to Phase 2.

Stratos Services

Stratos 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 the leading global and regional satellite system operators, predominantly the Inmarsat satellite system, and through their owned and operated microwave and satellite telecommunications facilities. Stratos also provides customised turnkey remote telecommunications solutions, value-added services, equipment and engineering services.

MSS Services

Stratos provides MSS, primarily over the Inmarsat satellite system, directly to the customer, 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 land earth stations ("LES's") located in Australia, Canada, the Netherlands and New Zealand. During 2010, the revenue derived from MSS accounted for approximately 78% of total Stratos revenues, compared to 86% for 2009. Revenues from service provided over the Inmarsat satellite system in 2010 accounted for approximately 78% of the MSS services revenue, compared to 77% for 2009. Other MSS services accounted for 22% of MSS revenues in 2010, compared to 23% in 2009, and primarily consist of sales of mobile terminals and equipment, mobile telecommunication services sourced from other satellite operators, sale of services to other land earth station operators (“LESOs”) and other ancillary services.

Broadband Services

Stratos provides VSAT services, with space segment sourced on a wholesale basis from a number of the 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, Stratos 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. In February 2011, Stratos introduced FBBPlus, a maritime service combining Inmarsat’s FleetBroadband service with Ku-band VSAT service. This service will allow a flexible upgrade path for FBBPlus customers to the Inmarsat Global Xpress service when launched.
In addition, we record revenue from our Segovia business within Broadband services. Segovia provides secure IP managed solutions and services to United States government agencies and other commercial customers. During 2010, the total revenue derived from Broadband services accounted for approximately 22% of total Stratos revenues, compared to 14% in 2009.

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 air safety services. As size and portability are not as critical for maritime and aeronautical 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, except in the case of SPS and 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 SPS and 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.

Our broadband and SPS terminals are designed to provide access via our Inmarsat-4 satellites. Our broadband terminals use the same Subscriber Identity Module ("SIM") cards as terrestrial wireless terminals. This inter-operability 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. We currently have over 30 distribution partners who sell our services to end-users, either directly or through a network of over 400 service providers. We own Stratos which is our largest distribution partner and which accounted for 40% of our MSS revenue in 2010 (2009: 40%). Vizada is our largest independent distribution partner and accounted for 34% of our MSS revenue in 2010 (2009: 36%).

Our distribution partners have all signed Distribution Agreements with us. Stratos remains subject to the terms of our Distribution Agreements and purchases services from us on a basis consistent with terms offered to other distributors. Our Distribution Agreements cover all of our Existing and Evolved Services, our Broadband services, SPS and GSPS. 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 terms for new services to be added in the future without requiring a complete new agreement.

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 distributors to end-users or service providers.

However, Stratos is free to set and change end-user pricing and 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 ground infrastructure known as land earth stations ("LES") 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 ground infrastructure 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, SPS and GSPS are transmitted exclusively on our Inmarsat-4 ground network infrastructure and this arrangement is captured within our Distribution Agreements.

Our Satellites

The key characteristics of our satellite generations are summarised in the following table:

Key characteristics	Inmarsat-2	Inmarsat-3	Inmarsat-4
Number of satellites	4 (3 in orbit)	5 (all in orbit)	3 (all in orbit)
Coverage and spot beams	Global beam	Global beam and 6 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, 98W, 109E	64E, 15.5W, 178E, 54W, 25E	143.5E, 25E, 98W
Geographic coverage	Global (other than extreme polar regions)	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, Sea Launch, and Proton
Cost (including launch insurance)	US$675.0m	US$895.0m	US$1.1bn
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 services a 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 one of our four original Inmarsat-2 satellites and now have three Inmarsat-2 satellites remaining in orbit.

Inmarsat-4 Satellites

In May 2000, we entered into a contract with Astrium for the development and construction of three Inmarsat-4 satellites. These satellites support our broadband data services by incorporating higher-power transponders that can be focused into narrower beams than our earlier satellites. Each of our new Inmarsat-4 satellites has more than 200 narrow spot beams and 19 wide spot beams in addition to its global beam. 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.

In February 2009 we successfully completed a satellite repositioning programme which created three new coverage regions for our Inmarsat-4 satellites, replacing the previous coverage areas. These new regions are referred to as the Americas, EMEA and Asia-Pacific. The repositioning programme was designed to optimise the data connectivity of our network while enabling global coverage for all our broadband services.

Alphasat Programme

On 8 November 2007, we 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 in late 2012. 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 on our ability to continue to offer global coverage via the remaining satellites.

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% 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$350.0m.

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 (“Boeing”). 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 for Inmarsat. The total expected cost of the Global Xpress programme is US$1.2bn, 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 in 2014.

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 three satellite access stations ("SAS"), 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, on 18 February 2011, we signed a contract with Sea Tel Inc. for the manufacture and distribution of satellite terminals.

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 our distribution partners, including Stratos. Stratos 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 and our four principal network co-ordination 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 2010, our satellite communications network average availability exceeded 99.99%.

Ground Infrastructure for Our Inmarsat-4 Satellites

Our existing Inmarsat-4 satellites receive and transmit our broadband services, SPS and GSPS 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 98W longitude and the Asia-Pacific satellite at 143.5 East longitude.

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

In respect of our SPS and 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 discussed, we have entered into a contract with iDirect for the development of the Inmarsat-5 ground segment infrastructure.

Billing

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

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 Kbps 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 Stratos 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, Stratos 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.

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 annually in August. 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.

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.

Third-party Liability Insurance

We 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 the Inmarsat 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 Organization ("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, 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. In addition, we currently have a trademark application pending in Canada for our brand name.

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 are ordinarily 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 (for example, for "Inmarsat Purposes," in connection with the design, development, manufacture, reconstruction, modification, establishment, operation or maintenance of equipment, components or software capable of use, either directly or indirectly, with the satellites and other centralised infrastructure owned, leased or operated by us or on our behalf) 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 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

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 IsatM2M and Inmarsat D+ services. In 2008, Iridium announced the introduction of a higher rate data service, OpenPort, targeted at the maritime sector.

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 has 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. Globalstar has announced its intention to build and launch a total of 24 of the 48 new satellites, but is yet to announce plans for the remaining 24 satellites. As Globalstar’s new satellites are expected to have some enhanced functionality when compared to the old satellites, the launch of the complete new constellation could increase the level of competition we face in certain of the MSS sectors

Regional MSS Competitors

There are a number of regional mobile satellite operators with whom we compete in the provision of services to end-users who do not require global or multi-regional services. All of these competitors operate geostationary satellites. Some of them provide data and voice services at transmission rates ranging from 2.4 to 9.6 kbps while others provide data at transmission rates of up to 444 kbps. 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 (excluding parts of Scandinavia), Northern and Central Africa, the Middle East, parts of Central Asia and the Indian subcontinent. Thuraya supports GSM roaming services. In 2008, Thuraya successfully launched and brought into commercial service a new satellite which provides additional coverage across the "Asia-Pacific" region.

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 has launched the first of two new satellites to support its ATC services. LightSquared is expected to launch the second of these satellites during 2011. 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 terminals, the new satellites may extend the life of the previously existing LightSquared machine-to-machine 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 (formerly ICO) and TerreStar have previously announced that they are planning to deploy an integrated MSS/ATC service in North America and have both successfully launched one satellite for this purpose. However, both DBSD and Terrestar recently entered bankruptcy proceedings and are at different stages of reorganization. At this time it is unclear how their respective business plans will evolve and if these plans will offer increased competition to our services in the future. Both DBSD and TerreStar will operate in the S-band, which does not interfere with our L-band operations.

VSAT Service Competitors

We face growing competition, principally in our maritime sector, from communications providers of VSAT services. For maritime customers, these providers include Ship Equip International (in the course of being acquired by us), Caprock Communications (a subsidiary of Harris Corporation), Vizada, MTN Satellite Communiciations, KVH Industries and Intelsat. For aeronautical 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.

Technological innovation in VSAT equipment, together with increased C-band, Ku-band and Ka-band coverage, have 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.

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.

REGULATION

Introduction

Our business is 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 International Telecommunication Union ("ITU"), IMSO and the European Union ("EU"). As part of its contractual relationships with its distributors, Inmarsat requires them to comply with all of the various legal requirements with which Inmarsat is required to comply.

Regulation of Our Satellite System and International Spectrum Co-ordination Procedures

Our 11 in-orbit satellites are licenced under the UK Outer Space Act, which requires us to provide an indemnity to the UK government for any claims brought against it as a result of our licensed activities, and to obtain related insurance coverage, which we have done.

The frequency bands and orbital locations used by our satellites and the related ground infrastructure are registered by the ITU, the United Nations treaty organisation that publishes the Radio Regulations, the detailed rules for use of spectrum. All necessary filings for our in-orbit satellites have been made on our behalf by the UK regulator Ofcom. Once filings have been made with the ITU, a frequency co-ordination process is undertaken periodically on a regional or bilateral basis to ensure that each operator's services do not cause unacceptable interference to the services of other operators. 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 SASs and our satellites. We also have coordinated frequencies in the C-band for our tracking, telemetry and command signals to and from our satellites. 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.

Our agreements with our distribution partners who operate the SASs that connect our satellites to terrestrial communications networks include provisions to ensure that they hold the appropriate licenses to operate these LESs. In respect of our most recent Inmarsat-4 satellite fleet, we operate our own SASs located in the United States (Hawaii), the Netherlands (Burum) and in Italy (Fucino), and we have obtained the necessary licences for the operation of these SASs as network facilities.

In the majority of countries we have not been required to obtain specific national telecommunications or spectrum licences to transmit our satellite signals or offer our existing services, although we or our distributors have been required to obtain specific telecommunications or frequency licences with respect to our existing services in a number of countries. 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.

Different regulatory regimes apply to the use of end-user terminals depending on where they are located and whether they are installed on ships, or on aircraft, or are for land use. Inmarsat, its distribution partners or end users obtain permission to provide Inmarsat services via such end-user terminals, as appropriate. In addition to licences for the use of spectrum, end-user terminals must also comply with applicable technical requirements intended to minimise radio interference to other communications services and ensure product safety.

Other Regulatory Requirements

In addition to licensing, many countries apply additional communications regulatory requirements to the types of services Inmarsat offers. Some countries require telecommunications service providers to contribute funds to 'universal service' programmes, and Inmarsat and/or our distribution partners and/or their service providers, may be required to make contributions to these programmes, which may increase the cost of providing services over our system.

Generally, communications networks operate under national regulations that require operators to provide assistance to law enforcement and security agencies. We and our distribution partners who operate SASs 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.

Inmarsat also must comply with U.S. export control requirements and sanctions regulation, including the Arms Export Control Act, the International Traffic in Arms Regulations (“ITAR”), the Export

Administration Regulations, and the Office of Foreign Assets Control regulations. 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 such 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. A number of satellite components and satellite-related services for our Inmarsat-4 satellites were sourced, and will be sourced for our Inmarsat-5 satellites, from U.S. suppliers and we or our suppliers have successfully obtained all relevant licences and approvals from the U.S. State Department.

Inmarsat is, in addition, required to comply with the Export Administration Regulations enforced by the U.S. Commerce Department. These rules apply to many relevant technologies other than satellites, such as terminal and networking equipment, and govern the export of such technologies on a country-by-country basis. Finally, Inmarsat also is required to comply with U.S. sanctions rules as promulgated by the U.S. Treasury Department's Office of Foreign Assets Control. Under these rules, Inmarsat is restricted, or in some cases prohibited, from doing business, directly or indirectly, with certain countries and the nationals thereof.

To participate in classified U.S. government programmes, Inmarsat's wholly-owned subsidiary Stratos Government Services Inc ("SGSI") (as a corporation controlled by a non-US entity) was required to implement foreign ownership, control and influence ("FOCI") mitigation by obtaining security clearances from the U.S. Department of Defense ("DoD") as required under the national security laws and regulations of the United States by entering into a special security agreement ("SSA") with the U.S. government. The SSA permits only minority representation by Stratos on SGSI's board of directors, but is a requirement for SGSI to be permitted to handle classified U.S. government information pursuant to contracted programmes. If the SSA is materially breached by SGSI or Stratos, SGSI may be suspended or debarred from performing any US government contracts, whether classified or unclassified. Our subsidiary, Segovia Inc, also has a similar FOCI mitigation agreement with the DoD but operates under a full proxy broad structure pursuant to which neither Stratos nor Inmarsat may have any representatives on the board of Segovia and Segovia's management team and corporate governance is required to be entirely independent of the rest of the Inmarsat group.

IMSO oversees our provision of satellite communications services to support maritime safety services. If we were to breach this public service obligation, IMSO has various powers to compel us to perform those obligations.

Use of Mobile Satellite Service Spectrum to Provide Terrestrial Communications Services & the Cooperation Agreement with LightSquared

The FCC has authorized the U.S. MSS operator LightSquared to use L-band band mobile satellite service frequencies to provide ATC wireless communication services in the United States as part of an integrated MSS/ATC service. In December 2007, Inmarsat entered into a Cooperation Agreement with LightSquared which provides a framework for collaboration on the deployment by LightSquared of a North American hybrid MSS/ATC network. The LightSquared Cooperation Agreement is discussed in more detail on page 12.

The EU has developed a similar regulatory regime for the deployment of terrestrial communications services in satellite spectrum, known as Complementary Ground Component ("CGC"). In May 2009, we were one of two applicants each awarded the right to deploy 2x15 MHz of contiguous 2 GHz frequencies (S-band) by the European Commission for use in a pan-European 'hybrid' satellite and complementary terrestrial deployment. The EC S-band award is made subject to certain conditions, and creates a framework for the licensing of hybrid communications systems throughout the 27 Member States of the EU. The Member States are in the process of developing national regulations to accommodate and oversee the deployment of such hybrid networks in their respective jurisdictions. We intend to commercialise our S-band licence award in Europe, but will not commit material resources to the programme unless and until we have substantially de-risked the programme by either bringing on board a substantial strategic/financial partner, or securing a contingent commitment to S-band space segment from a strategic partner.

Employees

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

	2010			2009		
Category of activity	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
Total	500	854	1,354	483	760	1,243

In 2010, the total compensation paid to (or accrued with respect to) our employees was US$181.7m as compared with US$190.0m for 2009.

The majority of Inmarsat Global's employees work in London, United Kingdom. The remainder work generally in the United States, Dubai and Indonesia. The majority of Stratos' employees work in the United States and Canada, although they have operations in various countries throughout the world, including the Netherlands, Australia, Russia and The United Kingdom. We have a diverse multicultural workforce, which is important to the operation of our global business.

We have established policies which address key corporate objectives in the management of employee relations, communications and employee involvement, training and personal development and equal opportunities.

Results of Operations

The following is a discussion of the audited consolidated results of operations and financial condition of Inmarsat Group Limited (the "Company" or together with its subsidiaries, "the Group") for the year ended 31 December 2010. You should read the following discussion together with the whole of this document including the historical consolidated financial results and the notes. The consolidated financial results were prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. Our consolidated financial results are presented in US dollars*. Some of the financial information appearing in this disclosure document has been rounded and, as a result, the totals of the information presented in this disclosure document may vary slightly from the actual arithmetic totals of such information.*

As previously discussed, on 30 June 2010, we completed the Group Reorganisation. We have accounted for the Group Reorganisation using merger accounting principles. For the consolidated results of the Group, the adoption of merger accounting presents the Group as if it had always been the parent undertaking of the new group of companies i.e. including the results of Stratos and its subsidiaries for the year ended 31 December 2010. The comparative results for the year ended 31 December 2009 have been restated.

Total Group Results

The results are the consolidated results of operations and financial condition of Inmarsat Group for the year ended 31 December 2010. We report two operating segments, namely Inmarsat Global and Stratos. The Stratos segment includes Segovia, which we acquired on 12 January 2010. The table below sets out the results of the Group for the years indicated:

(US$ in millions)	2010	2009	Increase/ (decrease)
Revenue	**1,171.6**	**1,038.1**	**12.9%**
Employee benefit costs	(181.7)	(190.0)	(4.4%)
Network and satellite operations costs	(217.1)	(193.4)	12.3%
Other operating costs	(94.3)	(82.7)	14.0%
Own work capitalised	17.1	21.9	(21.9%)
Total net operating costs	**(476.0)**	**(444.2)**	**7.2%**
EBITDA	**695.6**	**593.9**	**17.1%**
Depreciation and amortisation	(234.6)	(231.6)	1.3%
Gain on disposal of assets	–	2.1	(100.0%)
Share of results of associates	1.2	0.9	33.3%
Acquisition-related adjustments	(2.1)	(8.8)	(76.1%)
Operating profit	**460.1**	**356.5**	**29.1%**
Interest receivable and similar income	2.3	3.3	(30.3%)
Interest payable and similar charges	(114.5)	(140.2)	(18.3%)
Net interest payable	(112.2)	(136.9)	(18.0%)
Profit before income tax	**347.9**	**219.6**	**58.4%**
Income tax expense	(76.2)	(50.9)	49.7%
Profit for the period	**271.7**	**168.7**	**61.1%**

Revenues

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

(US$ in millions)	2010	2009	Increase/ (decrease)
Inmarsat Global	764.1	694.8	10.0%
Stratos	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%**

Net operating costs

Total Group net operating costs for 2010 increased by 7.2% 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:

(US$ in millions)	2010	2009	Increase/ (decrease)
Inmarsat Global	191.8	199.6	(3.9%)
Stratos	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%**

EBITDA

Group EBITDA for 2010 increased by 17.1% compared with 2009. EBITDA margin has increased to 59% for 2010, compared with 57% 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 expansion of margins in Inmarsat Global due to MSS revenue growth.

Set forth below is a reconciliation of profit for the period to EBITDA for each of the years indicated:

(US$ in millions)	2010	2009	Increase/ (decrease)
Profit for the year	271.7	168.7	61.1%
Add back:			
Income tax expense	76.2	50.9	49.7%
Net interest payable	112.2	136.9	(18.0%)
Depreciation and amortisation	234.6	231.6	1.3%
Share of results of associates	(1.2)	(0.9)	33.3%
Gain on disposal of fixed assets	–	(2.1)	(100.0%)
Acquisition-related adjustments	2.1	8.8	(76.1%)
EBITDA	**695.6**	**593.9**	**17.1%**
EBITDA margin %	***59.4%***	***57.2%***	

Depreciation and amortisation

The increase in depreciation and amortisation of US$3.0m is due to the inclusion of the results of Segovia from 12 January 2010 and depreciation of assets relating to our Global Satellite Phone Service ("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$2.1m arose from the transfer and disposal of assets by Stratos.

Share of results of associates

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

Acquisition-related adjustments

During 2010, we recorded an adjustment of US$2.1m relating to increased contingent consideration in respect of our acquisition of Segovia. In line with IFRS 3 (2008), 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$8.8m 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.

Operating profit

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

Interest

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

Interest payable for 2010 was US$114.5m, a decrease of US$25.7m, or 18.3%, compared with 2009. Accounting for the majority of the decrease were the one-off items amounting to US$29.3m that we incurred in 2009 in connection with our refinancing activity. In addition, we incurred lower interest on our Senior 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$3.1m and wrote-off US$5.8m of unamortised arrangement costs in respect of the Stratos Refinancing in 2010.

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

Profit before tax
For 2010, profit before tax was US$347.9m, an increase of US$128.3m, or 58% 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$76.2m, an increase of US$25.3m, or 50%, 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% compared to 23.2% for 2009. The 2010 effective tax rate was reduced by US$7.0m of non-recurring current year tax benefits and a US$13.5m credit on prior year tax positions. The 2009 effective tax rate was reduced due to a one-off tax credit of US$8.8m recognised during 2009, which arose from the recognition of a deferred tax asset relating to unutilised capital allowances in Stratos' UK entities.

Profit for the period
As a result of the factors discussed above, profit for 2010 was US$271.7m, an increase of US$103.0m, or 61%, compared with 2009.

Inmarsat Global Results

Revenues
During 2010, revenues from Inmarsat Global were US$764.1m, an increase of US$69.3m, or 10.0%, 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 has been 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:

(US$ in millions)	**2010**	**2009**	**Increase/ (decrease)**
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%**
Aeronautical 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	37.1	12.0	209.2%
Total revenue	**764.1**	**694.8**	**10.0%**

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

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

(a) Active terminals are the number of subscribers or terminals that have been used to access commercial services (except certain SPS terminals) at any time during the preceding twelve-month period and registered at 31 December. Active terminals also include the average number of certain SPS terminals active on a daily basis during the period. Active terminals exclude our terminals (Inmarsat D+ and IsatM2M) used to access our Satellite Low Data Rate ("SLDR") or telemetry services. At 31 December 2010, we had 215,895 SLDR 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 (being all services other than our broadband services, SPS and our GSPS). 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 are based on the new structure where discounts remain constant throughout the period.

During 2010, volume discounts were US$41.8m, a decrease of US$11.6m, or 22%, 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$360.6m, an increase of US$3.6m, or 1.0%, compared with 2009.

Revenues from data services in the maritime sector during 2010 were US$262.5m, an increase of US$10.2m, or 4.0%, compared with 2009. The increase in revenues from data services reflects 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 has partially 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 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 has 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 has also impacted our rate of revenue growth when compared to prior periods.

As expected, revenue from our Inmarsat B service is decreasing due to the natural run-off of this mature service, which will be discontinued on 31 December 2014. 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 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 have accelerated as the year progressed.

Revenues from voice services in the maritime sector during 2010 were US$98.1m, a decrease of US$6.6m or 6.3% 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 current economic environment for the shipping industry, the substitution effect of voice usage to email and Voice Over IP and some increased competition. Revenues are 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$153.7m, an increase of US$7.2m, or 4.9%, compared with 2009.

Revenues from data services in the land mobile sector during 2010 were US$146.4m, an increase of US$8.4m, or 6.1%, 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$117.4m, an increase of US$18.7m, or 18.9%, 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% year on year. BGAN subscribers include 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$5.5m in incremental BGAN revenues during 2010.

Revenues from voice services in the land mobile sector during 2010 were US$7.3m, a decrease of US$1.2m, or 14.1%, compared with 2009. We continue to experience declining traffic volumes resulting from competition, principally for our Mini M service, from other MSS operators, however we are seeing growth in our BGAN voice service which now accounts for over 50% of voice revenues. 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, however we are confident that this will contribute to land voice revenue growth in the coming years.

***Aeronautical Sector*.** During 2010, revenues from the aeronautical sector were US$101.0m, an increase of US$25.2m, or 33%, compared with 2009. The increase is a result of continued demand for our Swift 64 high-speed data service which experienced a 4.1% increase in active channels compared with 2009. In addition, we experienced strong growth in revenues from our SwiftBroadband service, which has now gained widespread industry acceptance, with growth in active channels of 140% 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$111.7m, an increase of US$8.2m, or 7.9%, compared with 2009. The increase is a result of additional government contracts for land-based services and the expansion of Swift 64 leases for certain aeronautical customers, partially offset by the non-renewal of an aeronautical contract and the reduction of a maritime contract, towards the end of 2010.

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

Net operating costs

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

(US$ in millions)	**2010**	**2009**	**Increase/ (decrease)**
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. The functional currency of the Group's principal subsidiaries is US dollars. Approximately 60% of Inmarsat Global's costs are denominated in Pounds Sterling. Net operating costs in 2010 have been 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$26.0m. We have completed hedging arrangements for our anticipated sterling costs in both 2011 and 2012. As a result, we expect our hedged rate of exchange for 2011 to be US$1.51/£1.00 and for 2012 to be US$1.48/£1.00.

Employee benefit costs. Employee benefit costs decreased by US$18.8m 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$5.3m compared to 2009. The increase relates predominantly to a foreign exchange loss of US$0.6m in 2010, compared to a foreign exchange gain of US$8.3m 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$3.9m 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$5.2m, compared 2009, is predominantly a result of the movement in the Group's hedged rate of exchange.

Operating profit

(US$ in millions)	**2010**	**2009**	**Increase/ (decrease)**
Total revenue	764.1	694.8	10.0%
Net operating costs	(191.8)	(199.6)	(3.9%)
EBITDA	**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%**

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

Stratos Results

On 12 January 2010, we acquired the business assets of Segovia. As a result of a group reorganisation completed earlier in the year and the acquisition of Segovia, we now include the Stratos and Segovia businesses in a single operating segment.

Revenues

During 2010, revenues from Stratos increased by 11.3%, compared with 2009, primarily as a result of the inclusion of the revenues of Segovia in the Stratos operating segment. The table below sets out the components of Stratos' revenues for each of the years indicated:

(US$ in millions)	2010	2009	Increase/ (decrease)
MSS revenue			
Inmarsat MSS	433.7	427.1	1.5%
Other MSS	123.7	125.9	(1.7%)
Total MSS revenue	**557.4**	**553.0**	**0.8%**
Broadband[(a)]	159.4	91.1	75.0%
Total revenue	**716.8**	**644.1**	**11.3%**

(a) Includes Segovia from 12 January 2010.

Total MSS revenue. Revenues from MSS for 2010 increased by US$4.4m, or 0.8% compared with 2009. Growth has been driven primarily by increased Swift 64 revenue, leasing revenue, sales of equipment and increased revenues from Inmarsat's broadband services, partially offset by decreases in revenues from Inmarsat's Existing and Evolved services and network services provided to certain distributors.

Inmarsat MSS. Revenues derived from Inmarsat MSS for 2010 increased by US$6.6m, or 1.5% compared with 2009. The increase is primarily due to increases in the aeronautical, 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 Stratos have also experienced pricing pressure.

For 2010, Stratos' share of Inmarsat Global's MSS revenues was 40%, broadly in line with 2009.

Other MSS. Other MSS primarily consists of sales of equipment, mobile telecommunications services sourced on a wholesale basis from other MSS providers, network services provided to certain distributors and other ancillary services. Other MSS services, in general, have lower gross margins than Inmarsat services.

Revenues from Other MSS during 2010 decreased by US$2.2m, or 1.7% compared with 2009. The decrease is primarily due to a reduction in network services provided to other Inmarsat distributors, partially offset by increased sales of equipment.

Broadband. During 2010, revenues from Broadband services increased by US$68.3m, or 75%, 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 and decreased revenue from VSAT and microwave network equipment sales.

Net operating costs

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

(US$ in millions)	2010	2009	Increase/ (decrease)
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(a)	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%**

(a) 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 2010 increased by US$38.0m, 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$11.7m, 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 Stratos business, mainly as a result of a decrease in salaries and benefits costs due to reduced incentive plan costs.

Operating profit

(US$ in millions)	2010	2009	Increase/ (decrease)
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	**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%**

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

Gross margin consists of revenues less cost of goods and services. 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 have been negatively impacted by competitive pricing as discussed earlier.

Group liquidity and capital resources

At 31 December 2010, the Group had cash and cash equivalents of US$323.1m and available but undrawn borrowing facilities of US$300.0m under our Senior Credit Facility. We are operating well within the financial covenant limitations of our Senior Credit Facility and EIB Facility. As a result, we believe our liquidity position is more than sufficient to meet the Group's needs for the next twelve months. In addition, among satellite companies, the Group has historically maintained one of the lowest levels of debt leverage, as measured by the ratio of Net Borrowings to EBITDA. As a result of this prudent approach we remain well-positioned to access the capital markets when needed to meet our financing needs.

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.

On 15 April 2010, we signed an 8-year facility agreement from the European Investment Bank ("EIB") to fund the build and launch of the Alphasat satellite. Under the agreement, we were able to borrow up to €225m at any time before 23 December 2010. The facility is 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 and is payable in January, April, July and October each year. The facility ranks pari passu with our Senior Credit Facility and ahead of our 7.375% Senior Notes due 2017.

On 10 May 2010 and 2 June 2010 we used available liquidity within the Group to pre-pay and cancel the Stratos Senior Credit Facility and redeem the Stratos Senior Unsecured Notes, respectively. On the pre-payment date of the Stratos Senior Credit Facility, the amount outstanding under the facility was US$207.0m. We redeemed the entire principal amount of US$150.0m outstanding under Stratos' Senior Unsecured Notes (US$62.4m, net of US$87.6m Stratos Senior Unsecured Notes held by the Group at the date of redemption) and paid the associated note redemption premium of US$3.1m (US$7.4m less US$4.3m received by virtue of the Group's investment in the Stratos Senior

Unsecured Notes). In addition, as a result of the pre-payment and redemption, we wrote-off US$1.9m and US$3.9m in respect of unamortised debt issue costs in relation to the Stratos Senior Credit Facility and the Stratos Senior Unsecured Notes, respectively.

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.

The Group's net borrowings (gross of deferred finance costs) for the years ended 31 December 2010 and 2009 are presented in the table below:

(US$ in millions)	As at 31 December 2010	As at 31 December 2009
Senior Credit Facility	200.0	290.0
EIB Facility	308.4	–
Senior Notes due 2017	650.0	650.0
– issuance discount	(4.2)	(4.8)
Deferred satellite payments	40.8	47.4
Bank overdrafts	0.7	0.9
Subordinated Parent Company Loan	325.7	301.3
Stratos Senior Credit Facility	–	209.2
Stratos Senior Unsecured Notes[(a)]	–	86.8
Intercompany loan	5.7	388.8
Total borrowings	**1,527.1**	**1,969.6**
Cash and cash equivalents	(323.1)	(226.7)
Net Borrowings (gross of deferred finance costs)	**1,204.0**	**1,742.9**

(a) In 2009, net of US$63.2m Senior Unsecured Notes held by the Group, being 42.1% of the aggregate principal amount outstanding.

The table below shows the condensed consolidated cash flow for the Group for the years ended 31 December 2010 and 2009:

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

The increase in net cash generated from operating activities in 2010, compared to 2009, of US$123.3m primarily relates to US$121.2m received from LightSquared in 2010 in respect of our Cooperation Agreement and higher EBITDA in 2010 offset by movements in working capital.

The increase in net cash used in investing activities excluding capital expenditure in 2010, compared to 2009, of US$103.7m primarily relates to the acquisition of Segovia for an initial cash consideration of US$110.0m (including transaction fees) in 2010. In the prior year we paid US$11.9m (including transaction fees) for our investment in SkyWave.

Capital expenditure, including own work capitalised, increased by US$18.1m in 2010, compared to in 2009. The increase relates to milestone payments in respect of our Inmarsat-5 investment in 2010 of US$59.8m, offset by lower capital expenditure on our handheld network and terminals, Inmarsat-4 satellites and network and our third Satellite Access Station. Capital expenditure may fluctuate with the timing of milestone payments on current projects. Stratos' cash outflow in respect of capital expenditure for property, plant and equipment and additions to capitalised development costs, including software, was US$26.4m for 2010 (2009: US$24.0m).

Net cash used in financing activities, excluding the payment of dividends, decreased by US$39.8m in 2010, compared to 2009. During 2010, the Group repaid US$90.0m principal of the Senior Credit Facility, drew down US$308.4m from the EIB Facility, repaid US$209.2m principal of the Stratos Senior Credit Facility and redeemed US$65.5m principal of the Stratos Senior Unsecured Notes. In addition, the Group paid cash interest of US$88.3m, arrangement fees in respect of new borrowing facilities of US$3.3m and purchased US$24.4m principal amount of its own debt securities.

During 2009, the Group drew down US$290.0m on the Senior Credit Facility and pre-paid and cancelled its previous Senior Credit Facility of US$390.0m. During 2009, the Group received US$645.2m aggregate gross proceeds from the offering of its Senior Notes due 2017, paid US$465.6m (US$450.0m principal amount together with US$15.6m redemption premium) to redeem 100% of the principal amount of its Senior Discount Notes and paid US$164.5m (US$160.4m principal amount together with US$4.1m redemption premium) to redeem 100% of the principal amount of its Senior Notes due 2012. In addition, the Group paid cash interest of US$105.5m, arrangement costs in relation to new borrowing facilities of US$23.8m and purchased US$8.6m principal amount of its own debt securities.

Group free cash flow

(US$ in millions)	2010	2009
Cash generated from operations	786.2	644.9
Capital expenditure	(166.7)	(145.3)
Own work capitalised	(14.0)	(17.3)
Net cash interest paid	(87.1)	(104.6)
Cash tax paid	(42.9)	(24.6)
Free cash flow	**475.5**	**353.1**

Free cash flow increased by US$122.4m, or 35%, during 2010, compared to 2009. The increase is 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.

Group balance sheet

The table below shows the consolidated Group balance sheet at 31 December 2010 and 2009:

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

The increase in the Group's non-current assets of US$71.1m is due primarily to the recognition of US$117.0m of non-current assets and US$27.2m 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$5.1m, the decrease of other receivables of US$21.3m and depreciation and amortisation of capital assets, during 2010.

The increase in current assets of US$133.0m is due predominantly to the increase in cash and cash equivalents from US$226.7m at 31 December 2009 to US$323.1m at 31 December 2010. The increase in cash and cash equivalents is due primarily to cash received in relation to our Cooperation Agreement with LightSquared. In addition, trade and other receivables increased by US$25.0m to US$262.6m at 31 December 2010, inventory increased by US$10.7m to US$20.2m at 31 December 2010, and we recorded US$5.6m 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$4.7m to US$7.4m at 31 December 2010.

The increase in current liabilities of US$102.7m relates primarily to deferred revenue recognised in relation to our Cooperation Agreement with LightSquared. In addition, current income tax liabilities increased by US$10.6m to US$51.0m at 31 December 2010. Partially offsetting the increase in current liabilities was the decrease in short-term borrowings of US$50.8m to US$59.0m at 31 December 2010. This decrease in short-term borrowings was due to the repayment of US$90.0m of the Senior Credit Facility, offset by US$50.0m of the Senior Credit Facility being transferred from non-current to current in the year.

The decrease in non-current liabilities of US$349.2m relates primarily to the decrease in non-current borrowings and to the reduction in provisions of US$13.3m to US$42.5m at 31 December 2010, which is 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$30.7m and US$14.1m, respectively.

The decrease in net non-current borrowings of US$381.4m is due to a number of offsetting transactions during the year. We drew down US$308.4m under the EIB Facility, repaid the entire outstanding amount of US$209.2m of the Stratos Senior Credit Facility and redeemed the outstanding Stratos Senior Unsecured Notes of US$62.4m (US$150.0m principal amount of the Stratos Senior Unsecured Notes less US$87.6m principal amount which was held by the Group at the date of redemption) and US$50.0m relating to the Senior Credit Facility was transferred from non-current to current in the year. In addition, during 2009, as a result of the Group Reorganisation certain intercompany loans between Finance III and Inmarsat plc and Inmarsat Holdings Limited (both of which are outside the Group) were substantially repaid or eliminated.

Capital Expenditures

We anticipate incurring further capital expenditures for the manufacture and launch of the Alphasat satellite and to maintain our existing network assets and premises in the normal course of business.

In addition, we expect to incur significant capital expenditure on our major new investment project called Global Xpress. Global Xpress will be supported by a global network of Ka-band satellites, the Inmarsat-5 generation. The total expected cost of the Global Xpress programme is US$1.2bn and we currently expect to launch the first Inmarsat-5 satellite in 2013 and to offer Global Xpress services on a global basis in 2014.

The following table summarises our capital expenditure (on an accruals basis) for the periods set out below:

	Year ended 31 December	
(US$ in millions)	**2010**	**2009**
Total capital expenditure	188.1	165.8

Our 2010 capital expenditure primarily reflects work related to the Global Xpress project, the Alphasat project, GSPS, which includes the IsatPhone Pro handheld satellite phone, as well as service enhancements and maintenance capital expenditure. Our Alphasat and Global Xpress investment plans remain on track as to schedule and total capital costs. We expect that cash used for capital expenditure in 2011 will be between US$450.0 and US$550.0m.

Contractual Obligations and Contingencies

The following table summarises contractual obligations, commercial commitments and principal payments under our debt instruments as of 31 December 2010.

	Payments due by period				
(US$ in millions)	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt obligations(1)	1,435.6	—	237.0	87.0	1,111.6
Short-term debt obligations(2)	50.7	50.7	—	—	—
Capital commitments(3)	931.2	351.9	457.8	86.8	34.7
Operating leases(4)	196.1	43.0	33.7	26.4	93.0
Other non-cancellable agreements(5)	0.3	0.3	—	—	—
Total contractual obligations	**2,613.9**	**445.9**	**728.5**	**200.2**	**1,239.3**

(1) Includes US$325.7m of the subordinated intercompany shareholder funding loan, US$150.0m under the term loan portion of the Senior Credit Facility, US$308.4m under the EIB Facility, US$650.0m in aggregate principal amount of the Senior Notes due 2017, US$4.2 million discount on the Senior Notes due 2017 and US$5.7m intercompany loan. In addition the values exclude interest obligations on the Senior Credit Facility and the Notes offered hereby.
(2) Includes US$50.0m drawn down under the revolving portion of the Senior Credit Facility and a US$0.7m overdraft. Our interest obligation on the Senior Credit 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.

Critical Accounting Policies

Our accounting policies are more fully described in notes 2 and 4 to the audited consolidated financial statements of Inmarsat Group Limited. However, certain of our accounting policies are particularly important to the presentation of our results of operations and require the application of significant judgment 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.

Our management believes that the most critical accounting policies that involve management judgments and estimates are those related to revenue recognition, tangible and intangible assets, defined benefit pension plans and post-retirement healthcare benefits, deferred taxation and financial instruments and hedging activities.

Revenue Recognition

Our revenues from MSS result from utilisation charges that are recognised as revenues over the period in which the services are provided. Deferred income attributable to MSS or subscription fees represents the unearned balances remaining from amounts received from customers pursuant to prepaid contracts. MSS 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.

Our revenues are stated net of volume discounts. The seasonality of volume discounts has been removed following the implementation 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 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 fair values and the Company's relevant revenue recognition policies are applied to them.

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.

Property, Plant and Equipment

Property, plant and equipment assets make up a significant portion of our total assets. We periodically review the carrying value of our property, plant and equipment and recognise an impairment if the recoverable amount (the higher of net realisable value and value in use) falls below its carrying value. Value in use is based upon our estimates of anticipated discounted future cash flows. While we believe that these estimates are reasonable, different assumptions regarding such cash flows could materially affect the carrying values.

Space segment assets comprise satellite construction, launch and other associated costs. 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.

As at 31 December 2010, 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 are stated at historical cost less accumulated depreciation.

Changes in asset lives can have a significant impact on our depreciation charge for a financial period. We regularly review the depreciable lives and change them as necessary to reflect our current view of their remaining lives in light of numerous assumptions and estimates, including with respect to technological change, prospective economic utilisation and physical condition of the assets concerned.

Intangible Assets

Intangible assets comprise goodwill, patents, trademarks, software terminal development costs, spectrum rights and intellectual property. The amortisation period and the amortisation method for intangible assets with a finite useful life are reviewed each financial year. On the acquisition of a company or business, fair values reflecting conditions at the date of acquisition are attributed to the identifiable separable assets and liabilities acquired. Where the fair value of the consideration paid exceeds the fair value of the identifiable separable assets and liabilities acquired, the difference is treated as purchased goodwill.

Assets that are subject to amortisation are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be fully recoverable. Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. 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 will not be reversed.

For the purpose of conducting impairment reviews, cash generating units ("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. Goodwill is specifically allocated to CGUs and 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 present value.

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).

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.

Significant management judgement is required to assess the carrying value of the intangible assets. An annual review for impairment based on discounted cash flows using reasonable and appropriate assumptions, consistent with internal forecasts and based on management's best estimates and judgement is performed. If the carrying value of intangible assets exceeds that of the impairment review above we will record a charge for the impairment in the then current period. We will not record any increases in the intangible assets as a result of this review. Management has determined that no impairments were required in 2010.

Fees and similar incremental costs incurred directly in making an acquisition, but excluding finance costs, are included in the cost of the relevant acquisition and are capitalised. Internal costs, and other expenses that we cannot attribute directly to an acquisition, are charged to the profit and loss account.

We capitalise development costs associated with the development of user terminals. Costs are capitalised once a business case has been demonstrated as to technical feasibility and commercial viability. For broadband services, terminal development costs are amortised using straight-line method over their estimated useful lives of between five and ten years.

Defined Benefit Plans and Post-Retirement Healthcare Benefits

We recognise liabilities relating to defined benefit pension plans and post-retirement healthcare benefits in respect of employees in the UK and outside the UK. Our net obligations in respect of these commitments are calculated separately for each plan. The cost of these benefits and the present value of our pension liabilities depend on such factors as the life expectancy of the members, the salary progression of our current employees, the return that the pension fund assets will generate in the time before they are used to fund the pension payments and the discount rate at which the future pension payments are discounted. We use estimates for all these factors in determining the pension costs and liabilities incorporated in our financial statements. The assumptions reflect historical experience and our judgement regarding future expectations. The calculation is performed by qualified actuaries using the projected unit credit method.

Income Taxes

Our income tax balance is the sum of the total current and deferred tax balances. The calculation of this, and of our 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 our 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 our results and cash flows.

Deferred Taxes

Significant judgement is required in determining the provision for income taxes. Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised. Assumptions made are regularly reviewed to ensure that they accurately and appropriately reflect current tax positions and are in line with latest UK tax authority interpretations. In particular, judgement is used when assessing the extent to which deferred tax assets should be recognised with consideration given to the timing and level of future taxable income.

Financial Instruments and Hedging Activities

Financial assets and financial liabilities are recognised when we become a party to the contractual provisions of the relevant instrument and derecognised when we cease 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 either 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.

We use derivative financial instruments to hedge our exposure to foreign exchange and interest rate risks arising from operational and financing activities. In accordance with our treasury policy, we do not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting under IAS 39 'Financial Instruments: Recognition and Measurement' 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, we are required to document in advance the relationship between the item being hedged and the hedging instrument. We are also required to document the relationship between the hedged item and the hedging instrument and demonstrate that the hedge will be highly effective on an ongoing basis. This effectiveness testing is re-performed 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 we have 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.

Risk Factors

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 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.

Risks Relating to Our Business

Sales to our key distribution partners represent a significant portion of our revenues.

Although we now own one of our largest distribution partners (Stratos), 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 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. Since the acquisition of Stratos and the signing of new distribution agreements and new distribution partners, this risk has been mitigated to some extent.

For 2010, two of our distribution partners, Stratos and Vizada, accounted for 40% and 34%, respectively, of our MSS revenues (as compared with 40% and 36%, respectively, for 2009).

The global communications industry is highly competitive. It is likely that we will face significant competition in the future from other network operators.

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 recently launched a maritime service, Open Port, which offers a 128 kbps capability and competes with the low end of our FleetBroadband capability. In addition, we also face regional, or multi-regional competition for data and voice services from regional MSS operators such as Globalstar, Thuraya and LightSquared, 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. Thuraya, a leader in the provision of handheld mobile satellite telecommunications services, also offers a 444 kbps mobile data communications service on a regional basis and recently launched a regional maritime 60 kbps data service. Two other companies, DBSD North America Inc. in the United States and TerreStar, in the United States and Canada, plan to deploy MSS in North America in the near future. Both companies have launched satellites, but, as yet, do not have services available commercially. Both companies also use the S-band, which has more contiguous bandwidth than the L-band in which we operate and may accommodate higher-speed multimedia services.

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 will continue to increase, the competitiveness of VSAT and hybrid systems in some traditional MSS sectors, including the maritime and aeronautical 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.

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 ATC services into their satellite networks in order to provide combined terrestrial and satellite communications services to mobile terminals in the United States.

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 two 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.

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 effect on our revenues, profitability and liquidity.

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

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 spectrum allocations for 2010 in the 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. 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 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 L-band and C-band spectrum or to take full advantage of future business opportunities by acquiring further L-band and C-band spectrum. If we were unable to retain sufficient rights to 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 revenue, profitability and liquidity.

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. 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, as well as to our new Global Xpress service once it is launched in 2013. The migration of customers off our Existing and Evolved services to our broadband and super-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, we are subject to the risk that LightSquared may default on their payments under the Cooperation Agreement or that they may elect to terminate the implementation of Phase 2 and return to Phase 1 (which they may do from 28 January 2016), which may have a material adverse effect on our future profitability.

We rely on third-party distribution partners to provide ground infrastructure for our Existing and Evolved Services.

We sell our Existing and Evolved Services, which currently constitute the majority of our revenues, to third-party distribution partners (including Stratos, our wholly-owned subsidiary), many of whom operate the 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, our Existing and Evolved Services may be interrupted. Such service interruption may be beyond our control and could adversely affect our revenues, as well as our reputation and our brand image.

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 revenues, profitability and liquidity, as well as our brand image.

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, the majority of our operating expenses and, from time to time, a 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.

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 our competitive position 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

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.

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.

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 an electrostatic storm, collision with space debris, malfunction or other event could have a material adverse effect on our business.

Our ground network is essential to our operations.

Our satellite system includes seven tracking, telemetry and control ground stations and four network co-ordination stations located around the world. 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 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 revenues, profitability and liquidity.

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 revenues, profitability and liquidity.

The proposed use of frequency bands for terrestrial International Mobile Telecommunications ("IMT") that are not compatible with the LESs and SASs in the same band and in the same geographical area may cause interference with our services.

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. If our ability to operate the LESs/SASs is limited by such interference, our revenues, profitability and liquidity could be adversely affected. Many countries have already licensed 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 may slow 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 ITU's radio regulations (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.

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 construction and launch of satellites are subject to certain delays and risks. 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. Delays 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, which would result in a reduction in its service life. The failure to implement our satellite deployment plan on schedule could have an adverse effect on our revenue, profitability and liquidity.

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. However, while our Inmarsat-2 satellites have so far exceeded their original design lives, the actual useful lives of our other satellites could be shorter than their design lives. Changes in useful lives can have a significant effect on our depreciation charge and affect profitability. We regularly reassess the useful economic lives of our satellites for financial reporting purposes. In October 2004, the Inmarsat-3 satellites' useful lives were changed to better reflect their economic lives resulting from improvements in satellite technology as supported by engineering analysis. As a result, depreciation periods were extended for the Inmarsat-3 satellites from 10 years to 13 years. In October 2005, we prospectively 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.

We may be unable to obtain and maintain insurance for our satellites, and the insurance we obtain may not cover all losses we experience.

We maintain in-orbit insurance cover for our fleet of three Inmarsat-4 satellites and expect to maintain commercially prudent levels of insurance in the future.

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 Inmarsat-4 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 by the amount of such increased premiums.

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.

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 revenues, profitability and liquidity.

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 competitive position.

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 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.

Our business is subject to litigation in respect of the alleged health risks associated with using mobile handheld telephones.

There has been adverse publicity concerning alleged health risks associated with radio frequency transmission from mobile handheld telephones that have transmitting antennae. We are aware of other companies selling mobile handheld telephones that have been subject to lawsuits alleging various adverse health consequences, including cancer, as a result of mobile handheld telephone usage. Although we have not been party to any such lawsuits, we cannot be certain that we will not be subject to similar lawsuits in the future.

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 licencing of earth stations and mobile terminals, and the provision of satellite services.

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 licenced 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.

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.

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 and GSPS, 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 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.

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.

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. 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, anti-competitive, 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% 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 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 ability to generate revenue, our profitability and on our overall competitive position.

Our distribution partners and service providers face increasing regulation in many countries, and end-users often require licences to operate end-user terminals.

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 revenues, profitability and liquidity.

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. As evidenced by recent review meetings in Europe and Africa, Asia and the Pacific, it is not always possible to achieve unanimous agreement amongst operators. In North America, Inmarsat has recently achieved coordination of its satellites covering that region with LightSquared. 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.

Directors and Senior Management

Management of the Parent Company

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	Chairman 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. He is non-executive Chairman of Xyratex Ltd (Nasdaq) and 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.

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), for 8 years. 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 Limited. He was previously a non-executive director of Lovefilm International Limited and chairman of their Audit Committee. He was also a non-executive director and senior independent director of Orbis Holdings Limited. 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 currently Chairman of the Council of Loughborough University. He is an independent, non-executive director of RM plc and 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 was an independent, non-executive director of Cable and Wireless Communications plc from 1997 to 2000 and non-executive Chairman of MLL Telecom Ltd from 1999 to 2002. 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, Digital Marketing Group plc 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 Lockheed Martin Corporation, Level 3 Communications and of the Space Foundation. 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 previously served as a non-executive director of GenTek, Inc. (Nasdaq) until its sale at the end of October 2009. Ms Flaherty also served on the board of Marconi Corporation plc until it was sold to L. M. Ericsson in 2005, and on the board of telent plc until October 2006. She also served on the boards of CMS Energy Corporation (NYSE) and Consumers Energy Company (NYSE) from 1995 to 2004. Previous 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. She is currently a non-executive director of Yell Group plc (LSE). Ms Flaherty graduated from Northwestern University with a Ph.D. in Industrial Engineering and Management Sciences. She is a member of the McCormick Advisory Board, Northwestern University, and sits on its executive committee.

Ambassador Janice Obuchowski joined the Board in May 2009 as a non-executive director. 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. 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 previously held non-executive director positions with Qualcomm and Stratos. Mrs Obuchowski graduated from Wellesley College and received her law degree from Georgetown Law, where she was Editor of the Georgetown Law Journal.

John Rennocks joined the Board in January 2005 as a non-executive director. He is our Deputy Chairman and Senior Independent Director. He is an independent, 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:

Inmarsat Global Executive Management Board:

Franco Carnevale	Vice President – Space Segment
Diane Cornell	Vice President – Government Affairs
Rebecca Cowen-Hirsch	Senior Director, Inmarsat Government Services Inc.
Chris D'Aguiar	Vice President – Sales & Marketing
Richard Denny	Senior Vice President – Global Networks and Engineering
Padraig Dowd	Vice President – Commercial, Product and Service Management
David Helfgott	President, Inmarsat Inc.
Alison Horrocks[º]	Senior Vice President – Corporate Governance and Company Secretary
Eugene Jilg[º]	Chief Technical Officer
Debbie Jones[º]	Senior Vice President – Corporate Development
Christopher McLaughlin	Vice President – External Affairs
Rick Medlock[º]	Chief Financial Officer
Perry Melton[º]	Chief Operating Officer
Leo Mondale	Managing Director, Global Xpress
Rupert Pearce[º]	Senior Vice President – Inmarsat Enterprises and Group General Counsel
Ruy Pinto	Vice President – Satellite and Network Operations
Nick Rowe	General Counsel
Nils Solvang	Vice President – Information and Communication Technology
Andrew Sukawaty[º]	Chairman & Chief Executive Officer

Stratos Executive Management Team:

Bruce Henoch	Vice President & General Counsel
John Mackey	Senior Vice President & Chief Technology Officer
Paula McDonald	Executive Vice President & Chief Financial Officer
James Parm[º]	President & Chief Executive Officer
Neil Prakash	Vice President, Human Resources
Bob Roe	President, Government Services
Ronald Spithout	Senior Vice President, Sales, Marketing & Service

Segovia Executive Management Team:

Andy Beegan	Chief Technology Officer
Richard Harris	Senior Vice President & Chief Legal Officer
Mark Moore	Executive Vice President & Chief Operating Officer
Michael Wheeler	President & Chief Executive Officer

[º] The Chief Executive Officer and his direct reports comprise the Inmarsat plc Executive Staff

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 Chairman and 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 recommendation and the independence and objectivity of the internal and external auditors.

During 2010, the audit committee reviewed and endorsed, prior to submission to the Board, full-year financial statements, and results announcements 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.

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 Chairman and Chief Executive Officer against his written objectives. Similarly, the Chairman and Chief Executive Officer appraises the other executive director and makes a recommendation to the remuneration committee relating to his 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 2010 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 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 by the Board at the conclusion of his or her specified term; the election and re-election of any director by shareholders under the retirement provisions of the articles of association of Inmarsat plc; and changes to senior management, including executive directors.

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 7 March 2011, there were the following direct and indirect interests in more than 3% of the voting rights of Inmarsat plc:

	7 March 2011		
Substantial shareholdings	**Number of voting rights**	**Holding**	**Percentage of issued Share Capital**
Lansdowne Partners Limited Partnership	59,942,059	Indirect	13.04%
Blackrock, Inc	51,772,328	Indirect	11.24%
Legal & General Group Plc	22,932,911	Direct	4.97%
KDDI Corporation.	21,739,149	Direct	4.76%
F & C Asset Management plc	19,164,056	Indirect	4.19%
Allianz SE	13,343,300	Indirect	2.91%
Allianz SE	490,186	Direct	0.11%

Note: Percentages are based on the issued ordinary share capital as at the date of the respective notifications.

The shareholders who hold 3% or more of the issued share capital of Inmarsat plc do not have different voting rights to other shareholders.

Material Contractual Arrangements

The following material contractual arrangements were entered into by the Group during the period 1 January 2010 to 27 April 2011.

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 spacecrafts are due for delivery to the launch site on or before 35 months from EDC at 6 monthly intervals.

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 5 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 3 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 of Inmarsat plc our ultimate parent 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 (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 value for three SASs without Rain Diversity provision is US$58.5m 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.

Key Terms

Warranty:

Warranty for each SAS runs for 12 months from Over Satellite Acceptance Test (OSAT).

Intellectual Property Rights:

iDirect's solution is largely based on its standard commercial off the shelf hardware and software. Items of Foreground IPR have been classified into 3 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, OSAT 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 reprocurement 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, by way of credits toward future maintenance fees, 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 Liquidated Damages, death or personal injury, general liability 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 – for example iDirect withdraws from the market, becomes insolvent, commits a material breach or there is a change of control of iDirect.

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.

Recent Events

During 2010, we applied to the Export-Import Bank of the United States (“Ex-Im Bank”) for financing support in relation to our Inmarsat-5 programme. In December we received confirmation from Ex-Im Bank that an important stage of our application had been approved. As a result we are continuing to work with Ex-Im Bank to secure financing and, while there can be no assurance that our negotiations will be successful, we have recently moved into the later stages of the process. We will make a public announcement once a definitive outcome has been reached.

On 31 March 2011, we announced the acquisition of Ship Equip International A.S. ("Ship Equip") for a total consideration of US$159.5m. On 27 April 2011, we received the necessary competition clearance and the acquisition is expected to close shortly. Based in Ålesund, Norway, Ship Equip is a leading provider of VSAT maritime communications services to the shipping, offshore oil & gas and fishing markets. Ship Equip's expertise in developing and deploying VSAT communications solutions to key verticals in the maritime market, coupled with its worldwide committed capacity arrangements and installed base of over 850 vessels (as at December 2010), have made it a leader in the evolving VSAT maritime communications market. In 2010 Ship Equip generated revenues of US$56m (NOK312m).

Ship Equip is to be acquired by Inmarsat Solutions Limited and will operate as a separate subsidiary alongside the Stratos and Segovia businesses. Closing of the transaction is subject to certain regulatory approvals. Inmarsat expects to finance the transaction from available liquidity.

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 consolidated financial results of the Group.

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 SPS terminals) at any time during the preceding twelve-month period and registered at 31 December. Active terminals also include the average number of certain SPS terminals (previously referred to as ACeS 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, aeronautical 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.

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 other than our broadband services, SPS and our planned GSPS.
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.
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.

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.
IsatPhone Pro	The first handheld satellite phone to be purpose-built for the Inmarsat network and is the first product forming part of our GSPS.
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.
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.
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.
LEO	low-earth orbit, located approximately 300 to 1,000 miles above the earth.
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.
R-BGAN	our regional broadband global area network service that was discontinued in 2008.
S-band	mobile satellite band between 1.98 and 2.20 GHz.
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.
SPS	our first generation satellite phone service offered on a regional basis.
SwiftBroadband	our broadband aeronautical 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.

APPENDIX A – 2010 CONSOLIDATED FINANCIAL STATEMENTS OF INMARSAT GROUP LIMITED

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Inmarsat Group Limited

(Registered Number: 4886115)

Directors' Report and Financial Statements
For the year ended 31 December 2010

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 2010.

Principal activities and business review

The principal activity of the Company is a holding company. The principal activity of the Group is the supply of global mobile satellite communications services ("MSS"), providing data and voice connectivity to end-users worldwide.

The results for the period are disclosed in the financial statements for the Company on pages 62 to 65 and for the Group on pages 6 to 60.

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 62 and the Group's Balance Sheet on page 7, show that the Company's and the Group's financial position at 31 December 2010, in terms of net assets have increased by US$450.6m as at 31 December 2010 compared to 31 December 2009, due to the Group Reorganisation (see note 2). The Group's Income Statement on page 6 shows that profit for 2010 was US$271.7m, an increase of US$103.0m, or 61% compared to 2009. The increase is primarily due to an increase in revenues and a decrease in net interest payable, partially offset by an increase in operating costs and income tax expense, during 2010. Details of amounts owed by and to fellow Group companies are shown in the footnotes to the Company Balance Sheet on page 62.

Given the straightforward nature of the business, the Company's Directors are of the opinion that analysis by using further key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the Inmarsat group, which includes the Company, is discussed in the Inmarsat plc annual report, which does not form part of this report.

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 64 and of the Group in the Consolidated Income Statement on page 6. The Company's profit for the year amounted to US$nil (2009: US$nil) and the Group's profit for the year amounted to US$271.7m (2009: US$168.7m).

The Company paid dividends during the year ended 31 December 2010 of US$64.3m and US$100.7m, representing the interim dividend for the year ended 31 December 2010 and second interim dividend for the year ended 31 December 2009 respectively, (year ended 31 December 2009: US$58.4m and US$86.5m for the 2009 interim dividend and 2008 final 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.

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 2010 were as follows:
- Alison Horrocks
- Rick Medlock
- Andrew Sukawaty

None of the Directors, at any time during the year ended 31 December 2010 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 2010, the Company had no trade creditors (2009: 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 Company has in place several significant agreements, which include, inter alia, its banking and debt arrangements. Subject to the identity of a third party bidder, in the event of a change of control following a takeover bid, the Company 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.

None of the current Directors had a material interest in any contract to which the Company or any of its subsidiary undertakings was a party during the financial year.

Principal risks and uncertainties

Risks for the Inmarsat plc group are disclosed in the Inmarsat plc Annual Report, pages 27, 28, 71 and 72, which does not form part of this report. A copy of the Inmarsat plc annual report can be obtained from the Company Secretary at 99 City Road, London EC1Y 1AX or obtained from the website (www.inmarsat.com). Management believe that these principal risks and uncertainties, which apply to the Group, remain unchanged from the date of issuance of the annual report, which was 29 March 2011.

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
27 April 2011

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 2010 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.

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 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 Parent Company financial statements of Inmarsat Group Limited for the year ended 31 December 2010.

Panos Kakoullis

Panos Kakoullis FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
27 April 2011

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)**
EBITDA		**695.6**	**593.9**
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 6 to 60 were approved by the Board of Directors on 27 April 2011 and signed on its behalf by:

Andrew Sukawaty
Director

Rick Medlock
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.

The text below describes how, in preparing the financial statements, the Directors have applied International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and therefore the Group's financial statements comply with Article 4 of the EU International Accounting Standards ("IAS") regulation and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention except for the revaluation of certain financial assets and financial liabilities, as described later in these accounting policies.

The Group has a robust and resilient business model, strong free cash flow generation and is compliant with all covenants. As a consequence and despite the continuing uncertain economic climate, the Directors believe that the Group is well placed to manage its business risks successfully. After considering current financial projections and facilities available and after making enquiries, the Directors have a reasonable expectation that the Group 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).

2. Principal accounting policies (continued)

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.

2. Principal accounting policies (continued)

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.

2. Principal accounting policies (continued)

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.

2. Principal accounting policies (continued)

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.

2. Principal accounting policies (continued)

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.

2. Principal accounting policies (continued)

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.

2. Principal accounting policies (continued)

(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.

2. Principal accounting policies (continued)

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.

3. Financial risk management (continued)

(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.

3. Financial risk management (continued)

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%, 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.

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

(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.

5. Segmental information (continued)

Business segment

	2010				
(US$ in millions)	**MSS**	**Stratos[(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)	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 Mobile Communications ("SkyWave") (see note 15).
(c) Capital expenditure stated using accruals basis.

	2009				
(US$ in millions)	**MSS**	**Stratos**	**Unallocated**	**Eliminations**	**Total**
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.

5. Segmental information (continued)

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 Group 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)**

10. Income tax (continued)

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.

14. Intangible assets (continued)

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.

19. Borrowings (continued)

These balances are shown net of unamortised deferred finance costs, which have been allocated as follows:

(US$ in millions)	At 31 December 2010 Principal amount	At 31 December 2010 Deferred finance cost	At 31 December 2010 Net balance	At 31 December 2009 Principal amount	At 31 December 2009 Deferred finance cost	At 31 December 2009 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**

21. Provisions (continued)

(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.

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

	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.

25. Employee share options and awards (continued)

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.

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).

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.

25. Employee share options and awards (continued)

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.

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.

	CEO Award	CEO Deferred Share Bonus Award
Grant date	28 September 2007	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

25. Employee share options and awards (continued)

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.

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.

25. Employee share options and awards (continued)

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**

26. Reserves (continued)

(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.

27. Pension arrangements and post-retirement healthcare benefits (continued)

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.

27. Pension arrangements and post-retirement healthcare benefits (continued)

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)**

27. Pension arrangements and post-retirement healthcare benefits (continued)

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**

27. Pension arrangements and post-retirement healthcare benefits (continued)

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

27. Pension arrangements and post-retirement healthcare benefits (continued)

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%	—	—

27. Pension arrangements and post-retirement healthcare benefits (continued)

	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.

28. Acquisitions (continued)

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:

	As at 31 December 2010			As at 31 December 2009		
(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)]	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).

31. Financial instruments (continued)

	As at 31 December 2010			As at 31 December 2009		
(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	—	1,507.6	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.

	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	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.

	As at 31 December 2009				
(US$ in millions)	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.

31. Financial instruments (continued)

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	$19.5	$15.6	$3.9	—	0.9
					13.7

	As at 31 December 2009				
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	£79.3	£70.3	£9.0	—	8.3
Euro contracts	€129.6	€40.5	€45.2	€43.9	14.9
Canadian dollar contracts	$19.2	$19.2	—	—	(0.4)
					22.8

31. Financial instruments (continued)

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:

	Average contracted fixed interest rate		**Notional principal amount**		**Fair value**	
Outstanding floating for fixed contracts	**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).

31. Financial instruments (continued)

	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

33. Related party transactions (continued)

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

On 31 March 2011, we announced the acquisition of Ship Equip International A.S. ("Ship Equip") for a total consideration of US$159.5m. Based in Ålesund, Norway, Ship Equip is a leading provider of VSAT maritime communications services to the shipping, offshore oil & gas and fishing markets. Ship Equip's expertise in developing and deploying VSAT communications solutions to key verticals in the maritime market, coupled with its worldwide committed capacity arrangements and installed base of over 850 vessels (as at December 2010), have made it a leader in the evolving VSAT maritime communications market. In 2010 Ship Equip generated revenues of US$56m (NOK312m).

Ship Equip is to be acquired by Inmarsat Solutions Limited (an indirect wholly-owned subsidiary of the Company) and will operate as a separate subsidiary alongside the Stratos and Segovia businesses. Closing of the transaction is subject to certain regulatory approvals which are expected to be completed shortly. Inmarsat expects to finance the transaction from current available liquidity.

On 23 March 2011 the 2011 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. There will be further cuts in the main rate for the next three years: 25% in 2012-13, 24% in 2013-14, and 23% in 2014-15. There is no impact of these changes on the 2010 Financial Statements, but these may have a material impact on Corporation Tax charges in subsequent years

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.

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

We have audited the Parent Company financial statements of Inmarsat Group Limited for the year ended 31 December 2010 which comprise the Balance Sheet, the Statement of Changes in Equity, the Cash Flow Statement 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 Parent 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 Parent 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 Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the Parent Company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2010;
- 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 matter 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 Parent 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 Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the consolidated financial statements of Inmarsat Group Limited for the year ended 31 December 2010.

Panos Kakoullis

Panos Kakoullis FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
27 April 2011

Inmarsat Group Limited
Company Balance Sheet
As at 31 December 2010

(US$ in millions)	As at 31 December 2010	As at 31 December 2009
Assets		
Non-current assets		
Investments[(a)]	678.0	346.8
Other receivables[(b)]	325.7	326.4
Total non-current assets	**1,003.7**	**673.2**
Total assets	**1,003.7**	**673.2**
Liabilities		
Current liabilities		
Trade and other payables[(c)]	0.1	0.1
Total current liabilities	**0.1**	**0.1**
Non-current liabilities		
Borrowings[(d)]	325.7	326.4
Total non-current liabilities	**325.7**	**326.4**
Total liabilities	**325.8**	**326.5**
Net assets	**677.9**	**346.7**
Shareholders' equity		
Ordinary shares	0.4	0.4
Share premium	677.5	346.3
Retained earnings	—	—
Total shareholders' equity	**677.9**	**346.7**

(a) Investments consist of US$677.9m (2009: US$346.7m) investment in Inmarsat Investments Limited and US$0.1m (2009: US$0.1m) investment in Inmarsat Finance plc.
(b) Other receivables consist of US$325.7m amounts due from Group companies (2009: US$326.4m).
(c) Trade and other payables consists of US$0.1m due to Group companies (2009: US$0.1m).
(d) Borrowings comprise the subordinated Parent Company loan (including accreted interest) of US$325.7m (2009: US$301.4m) and other loans to Group companies of US$nil (2009: US$25.0m).

The financial statements of Inmarsat Group Limited, registered number 4886115, on pages 62 to 65 were approved by the Board of Directors on 27 April 2011 and signed on its behalf by:

Andrew Sukawaty
Director

Rick Medlock
Director

Inmarsat Group Limited
Company Statement of Changes in Equity
As at 31 December 2010

(US$ in millions)	Ordinary share capital	Share premium account	Retained earnings	Total
Balance as at 1 January 2009	0.4	346.1	—	346.5
Issue of share capital	—	0.2	—	0.2
Profit for the period	—	—	144.9	144.9
Dividends paid	—	—	(144.9)	(144.9)
Balance as at 31 December 2009	**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**

Company Cash Flow Statement
For the year ended 31 December 2010

(US$ in millions)	2010	2009
Cash flow from operating activities		
Cash generated from operations	—	—
Interest received	—	50.1
Net cash generated from operating activities	**—**	**50.1**
Cash flow from investing activities		
Dividend received from Group companies	165.0	144.9
Intercompany funding loan	—	(465.6)
Net cash used in investing activities	**165.0**	**(320.7)**
Cash flow from financing activities		
Dividends paid to Parent Company	(165.0)	(144.9)
Intercompany funding receivable	—	465.6
Interest paid on intercompany funding	—	(50.1)
Net cash (used in)/generated from financing activities	**(165.0)**	**270.6**
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	—	—
	—	**—**

Basis of accounting

During the 2009 financial year the Company converted from UK GAAP to IFRS. In the 2010 and 2009 financial statements the Directors have applied IFRS as adopted by the European Union and IFRS as issued by the International Accounting Standards Board.

The accounting policies, 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 2010 was US$165.0m (2009: US$144.9m).

Auditor's remuneration

The Auditor's remuneration incurred for the audit of the Company amounting to US$10,000 (2009: US$10,000) was paid by a company within the Inmarsat Group. No recharge was made.

Employee costs and Directors' remuneration

The Company does have any directly employed employees.

Foreign currency translation

The functional and reporting currency of the Company is the US dollar as the majority of operational transactions are denominated in US dollars. Transactions not denominated in US dollars during the accounting period have been translated into US dollars at an average hedged rate of exchange. Fixed assets denominated in currencies other than the US dollar have been translated at the spot rates of exchange ruling at the dates of acquisition. Monetary assets and liabilities denominated in currencies other than the US dollar for which the Company has purchased forward exchange contracts have been translated at the average hedged rates of exchange contained in those contracts. Monetary assets and liabilities denominated in currencies other than the US dollar for which the Company has not purchased forward exchange contracts are translated at year end rates. Differences on exchange are dealt with in the Income Statement.

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).

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.

Cash generated from operations

Reconciliation of operating profit to net cash inflow from operating activities:

(US$ in millions)	2010	2009
Profit for the year	165.0	144.9
Adjustments for:		
Interest payable	0.8	45.9
Interest receivable	(0.8)	(45.9)
Dividend receivable	(165.0)	(144.9)
Changes in net working capital:		
Decrease/(increase) in trade and other receivables	1.5	(0.6)
(Decrease)/increase in trade and other payables	(1.5)	0.6
Cash generated from operations	**—**	**—**

APPENDIX B – 2009 CONSOLIDATED FINANCIAL STATEMENTS OF INMARSAT GROUP LIMITED

INDEX TO FINANCIAL STATEMENTS

Inmarsat Group Limited

(Registered Number: 4886115)

Directors' Report and Financial Statements
For the year ended 31 December 2009

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 2009.

Principal activities and business review

The principal activity of the Company is a holding company. The principal activity of the Group is the supply of global mobile satellite communications services ("MSS"), providing data and voice connectivity to end-users worldwide.

The results for the period are disclosed in the financial statements for the Company on pages 50 to 54 and for the Group on pages 7 to 48.

Both the level of business and financial position are satisfactory to the Directors. The Company Balance Sheet on page 50 and the Group's Balance Sheet on page 8, show that the Company's and the Groups financial position at the year end, in terms of net assets, is consistent with the prior year. Details of amounts owed by and to fellow group companies are shown in the footnotes to the Company Balance Sheet on page 50.

Given the straightforward nature of the business, the Company's Directors are of the opinion that analysis by using further key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the Inmarsat group, which includes the Company, is discussed in the Inmarsat plc annual report, which does not form part of this report.

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 1 to the consolidated financial statements.

Results and dividends

The results for the year are disclosed in the Company financial statements on page 52 and of the Group in the Consolidated Income Statement on page 7. The Company profit for the year amounted to US$nil (2008: US$nil) and the Group's profit for the year amounted to US$171.6m (2008: US$356.4m).

The Company paid dividends during the year ended 31 December 2009 of US$58.4m and US$86.5m representing the interim dividend for the 2009 year and final dividend for the year ended 31 December 2008 respectively, (year ended 31 December 2008: US$55.5m and US$104.1m for the 2008 interim dividend and 2007 final dividend respectively). On 22 March 2010, the Company declared a second interim dividend in respect of the year ended 31 December 2009 of US$100.7m.

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 paid in aggregate US$356,000 to charities worldwide.

One of the Group's significant donations was the payment of US$150,000 (plus US$50,000 of airtime) (2008: US$150,000) to the telecommunications relief aid organisation, Télécoms Sans Frontières ("TSF"). The Company has pledged to pay TSF US$150,000 (plus US$50,000 of airtime) in 2010.

The Group also made a payment of US$103,500 (2008: US$100,000) to the World Maritime University during 2009 and has pledged to make a further payment of US$105,600 in 2010 as part of its support for the education of maritime specialists.

The Group also provides satellite telecommunication services and equipment in conjunction with support offered by its distribution partners and manufacturers to service providers in support of disaster relief management in affected areas of the world.

In addition, certain of the Group's worldwide subsidiary companies made small contributions to local charitable causes.

No political donations were made during the year. It remains the policy of the Group 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 Group 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 Companies Act 2006, shareholders will be requested annually to give authority at the Company's AGM to be permitted 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 explained in notes 3 and 27 to the consolidated financial statements.

Post balance sheet events

Details of material post balance sheet events are included in note 31 to the consolidated financial statements.

Directors and their interests

The Directors who were in office on 1 January 2009 and served during the year were as follows:
- Michael Butler, President (resigned 30 April 2009)
- Alison Horrocks (appointed 30 April 2009)
- Rick Medlock
- Andrew Sukawaty

None of the Directors at any time during the year ended 31 December 2009 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 24 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 2009, the Company had no trade creditors (2008: nil).

Share capital and control

The following information is given pursuant to the new requirements of the Companies Act 2006, specifically s992.

Details of the authorised and issued share capital of the Company are given in note 23 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 24. Shares 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 Company has in place several significant agreements, which include, inter alia, its banking and debt arrangements. Subject to the identity of a third party bidder, in the event of a change of control following a takeover bid, the Company 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.

None of the current Directors had a material interest in any contract to which the Company or any of its subsidiary undertakings was a party during the financial year.

Principal risks and uncertainties

Risks for the Inmarsat plc group are disclosed in the Inmarsat plc annual report, pages 24, 25, 67 and 68, which does not form part of this report. A copy of the Inmarsat plc annual report can be obtained from the Company Secretary at 99 City Road, London EC1Y 1AX or obtained from the website (www.inmarsat.com). Management believe that these principal risks and uncertainties remain unchanged from the date of issuance of the annual report, which was 9 March 2010.

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.

Auditors

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 Auditors are 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 Auditors are 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 auditors.

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.

Directors' responsibility statement

Each of the Directors has confirmed that to the best of his/her knowledge:

1. the financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
2. the Directors' Report, includes a fair review of the performance of the business and the position of the Company and the undertakings included in the financial statements taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board
Alison Horrocks FCIS
Company Secretary
28 April 2010

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INMARSAT GROUP LIMITED

We have audited the financial statements of Inmarsat Group Limited 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 and the Consolidated Statement of Changes in Equity and the related notes 1 to 31. 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 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 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 Auditors

The directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the consolidated 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 ("APB's") Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the consolidated financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2009 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 financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

P. Kakoullis

Panos Kakoullis (FCA)
Senior Statutory Auditor
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
28 April 2010

INMARSAT GROUP LIMITED

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2009	2008	2007
		(US$ in millions)		
Revenue		**694.8**	634.7	557.2
Employee benefit costs	7	**(110.4)**	(104.2)	(93.7)
Network and satellite operations costs		**(43.3)**	(39.7)	(33.8)
Other operating costs		**(64.9)**	(83.5)	(64.7)
Work performed by the Group and capitalised		**19.2**	24.0	18.5
EBITDA		**495.4**	431.3	383.5
Depreciation and amortisation	6	**(179.9)**	(167.0)	(174.2)
Operating profit		**315.5**	264.3	209.3
Interest receivable and similar income	9	**2.9**	11.2	5.2
Interest payable and similar charges	9	**(96.4)**	(83.3)	(86.6)
Net interest payable	9	**(93.5)**	(72.1)	(81.4)
Profit before income tax		**222.0**	192.2	127.9
Income tax (expense)/credit	10	**(50.4)**	164.2	(29.0)
Profit for the year		**171.6**	356.4	98.9

INMARSAT GROUP LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2009	2008	2007
		(US$ in millions)		
Profit for the year		**171.6**	356.4	98.9
Other comprehensive income				
Actuarial (losses)/gains from pension and post retirement healthcare benefits		**(20.9)**	(11.0)	7.3
Net gains/(losses) on cash flow hedges		**44.8**	(37.5)	(17.7)
Tax (charged)/credited directly to equity	10	**(6.1)**	14.6	3.1
Other comprehensive income/(loss) for the year, net of tax		**17.8**	(33.9)	(7.3)
Total comprehensive income for the year, net of tax		**189.4**	322.5	91.6

INMARSAT GROUP LIMITED

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2009	2008
		(US$ in millions)	
Assets			
Non-current assets			
Property, plant and equipment	13	**1,258.8**	1,308.3
Intangible assets	14	**525.4**	513.7
Other receivables	16	**27.4**	—
Deferred income tax assets	21	**—**	28.1
Derivative financial instruments	27	**12.0**	8.6
		1,823.6	1,858.7
Current assets			
Cash and cash equivalents	15	**116.8**	51.2
Trade and other receivables	16	**167.1**	215.5
Inventories	17	**1.0**	5.0
Derivative financial instruments	27	**13.0**	1.1
		297.9	272.8
Total assets		**2,121.5**	2,131.5
Liabilities			
Current liabilities			
Borrowings	19	**100.2**	205.9
Trade and other payables	18	**160.4**	116.5
Provisions	20	**0.5**	—
Current income tax liabilities	21	**30.0**	15.7
Derivative financial instruments	27	**14.1**	31.7
		305.2	369.8
Non-current liabilities			
Borrowings	19	**1,164.3**	1,162.1
Other payables	18	**14.8**	14.3
Provisions	20	**48.5**	27.5
Deferred income tax liabilities	21	**2.9**	—
Derivative financial instruments	27	**12.9**	37.5
		1,243.4	1,241.4
Total liabilities		**1,548.6**	1,611.2
Net assets		**572.9**	520.3
Shareholders' equity			
Ordinary shares	23	**0.4**	0.4
Share premium		**346.3**	346.1
Other reserves		**25.9**	(14.2)
Retained earnings		**200.3**	188.0
Total equity		**572.9**	520.3

The consolidated financial statements of Inmarsat Group Limited, registered number 4886115, on pages 7 to 48 were approved by the Board of Directors on 28 April 2010 and signed on its behalf by:

Andrew Sukawaty
Chairman and Chief Executive Officer

Rick Medlock
Chief Financial Officer

INMARSAT GROUP LIMITED

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 31 December 2009	2008	2007
		(US$ in millions)		
Cash flow from operating activities				
Cash generated from operations	22	**565.3**	425.2	371.7
Interest received		**0.4**	1.1	5.2
Income taxes (paid)/credited		**(10.7)**	(1.3)	0.1
Net cash inflow from operating activities		**555.0**	425.0	377.0
Cash flow from investing activities				
Purchase of property, plant and equipment		**(102.3)**	(171.0)	(192.3)
Additions to capitalised development costs, including software		**(19.4)**	(16.7)	(17.6)
Work performed by the Group and capitalised		**(17.3)**	(23.4)	(17.5)
Consideration under ACeS collaboration arrangement		**(2.5)**	(2.5)	(3.0)
Net cash used in investing activities		**(141.5)**	(213.6)	(230.4)
Cash flow from financing activities				
Dividends paid to shareholders	12	**(144.9)**	(159.6)	(135.3)
(Repayment)/drawdown of Previous Senior Credit Facility	19	**(390.0)**	70.0	70.0
Drawdown of Senior Credit Facility	19	**290.0**	—	—
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**	—	—
Arrangement costs of new borrowing facilities	19	**(23.8)**	—	—
Purchase of own securities, including discount	19	**(3.3)**	(55.1)	(38.0)
Interest paid on borrowings		**(85.1)**	(33.2)	(39.6)
Intercompany funding		**(1.2)**	(19.6)	(10.1)
Finance lease disposal fees		**—**	—	(1.4)
Net cash used in financing activities		**(343.2)**	(197.5)	(154.4)
Foreign exchange adjustment		**0.1**	0.4	(0.3)
Net increase/(decrease) in cash and cash equivalents		**70.4**	14.3	(8.1)
Movement in cash and cash equivalents				
At beginning of year		**45.5**	31.2	39.3
Net increase/(decrease) in cash and cash equivalents		**70.4**	14.3	(8.1)
As reported on balance sheet (net of bank overdrafts)	15	**115.9**	45.5	31.2
At end of year, comprising				
Cash at bank and in hand	15	**7.3**	3.5	1.6
Short-term deposits with original maturity of less than three months	15	**109.5**	47.7	29.7
Bank overdrafts	15	**(0.9)**	(5.7)	(0.1)
		115.9	45.5	31.2

INMARSAT GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital	Share premium account	Other reserves	(Accumulated losses)/retained earnings	Total
			(US$ in millions)		
Balance at 1 January 2008	0.4	346.1	5.5	(1.9)	350.1
Net fair value losses - cash flow hedges	—	—	(37.5)	—	(37.5)
Share options charge	—	—	7.3	—	7.3
Profit for the period	—	—	—	356.4	356.4
Dividends payable	—	—	—	(159.6)	(159.6)
Actuarial losses from pension and post-retirement healthcare benefits	—	—	—	(11.0)	(11.0)
Tax credited directly to equity	—	—	10.5	4.1	14.6
Balance at 31 December 2008	0.4	346.1	(14.2)	188.0	520.3
Net fair value gains - cash flow hedges	**—**	**—**	**44.8**	**—**	**44.8**
Issue of share capital	**—**	**0.2**	**—**	**—**	**0.2**
Share options charge	**—**	**—**	**7.9**	**—**	**7.9**
Profit for the period	**—**	**—**	**—**	**171.6**	**171.6**
Dividends payable	**—**	**—**	**—**	**(144.9)**	**(144.9)**
Actuarial losses from pension and post-retirement healthcare benefits	**—**	**—**	**—**	**(20.9)**	**(20.9)**
Tax (charged)/credited directly to equity	**—**	**—**	**(12.6)**	**6.5**	**(6.1)**
Balance at 31 December 2009	**0.4**	**346.3**	**25.9**	**200.3**	**572.9**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2009, 2008 and 2007 ("the consolidated financial statements") are set out below.

The text below describes how, in preparing the financial statements, the Directors have applied International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU") and the assumptions and estimates they have made in applying the standards and interpretations and the policies adopted in the consolidated financial statements.

These financial statements have been prepared in accordance with IFRS 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 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 judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

Accounting policies adopted in preparing these consolidated financial statements have been selected in accordance with IFRS.

In the current year the Group adopted amendments to IAS 1, 'Presentation of Financial Statements'. The amendments require the presentation of an entity's transactions with owners in a separate primary statement, the 'Statement of Changes in Equity. Previously the Group had the choice of whether to present transactions with owners in a primary statement or in the notes to the accounts. In addition, the amendments require the presentation of a Statement of Comprehensive Income. Previously the Group presented a Statement of Recognised Income and Expense, which is no longer required.

In the current year the Group adopted IFRS 8, 'Operating Segments'. IFRS 8 is a disclosure standard that has resulted in a re-designation of the Group's reportable segments (see note 5).

In the current year the Group applied the principals of IFRS 3 (as revised), 'Business Combinations', in respect of the expensing of acquisition costs in relation to the Segovia Inc. ("Segovia") transaction which completed on 12 January 2010 (see note 31). The Standard is effective for business combinations for which the acquisition date is on or after 1 July 2009 and is therefore applicable to the Segovia transaction. Whilst IFRS 3 (as revised) has not been adopted for transactions completing prior to 31 December 2009, management are of the opinion that the early adoption of

IFRS 3 (as revised) in the current year, in relation to the Segovia transaction, is appropriate. 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.

In the prior year, the Group adopted IFRIC 14, 'IAS19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'. IFRIC 14 provides guidance on the implications of pension scheme minimum funding requirements and the criteria under which reductions in future contributions should be regarded as available. Adoption of IFRIC 14 has no impact on these consolidated financial statements.

On 1 January 2008, the Group adopted IAS 23 (as revised), 'Borrowing Costs', in advance of its effective date, which is for annual reporting periods beginning on or after 1 January 2009. The impact of the adoption of IAS 23 (as revised) is the compulsory capitalisation of interest and finance costs associated with assets that take a substantial period of time to get ready for intended use. As a result, during 2009 US$4.4m of interest was capitalised (2008: US$0.9m) (see note 9).

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 1 (as amended)/IAS 27 (as amended) – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective for financial years beginning on or after 1 January 2009).
- IFRS 2 (as amended) – Share-based Payment: Vesting Conditions and Cancellations (effective for financial years beginning on or after 1 January 2009).
- IFRS 7 (as amended) – Improving Disclosures about Financial Instruments (effective for financial years beginning on or after 1 January 2009).
- IAS 32 (as amended)/IAS 1 (as amended) – Puttable Financial Instruments and Obligations Arising on Liquidation (effective for financial years beginning on or after 1 January 2009).
- IFRIC 13 – Customer Loyalty Programmes (effective for financial years beginning on or after 1 July 2008).
- IFRIC 15 – Agreements for the Construction of Real Estate (effective for financial years beginning on or after 1 January 2009).
- IFRIC 16 – Hedges of Net Investments in a Foreign Operation (effective for financial years beginning on or after 1 October 2008).
- IFRIC 18 – Transfers of Assets from Customers (effective for transfers received on or after 1 July 2009).
- Amendments resulting from the May 2008 Annual Improvements to IFRSs (effective for financial years beginning on or after 1 January 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 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).
- 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 27 (as amended) – Consolidated and Separate Financial Statements (effective for financial years beginning on or after 1 July 2009).
- IAS 32 (as amended) – Amendments relating to classification of rights issues (effective for financial years beginning on or after 1 February 2010).
- IAS 39 (as amended) – Financial Instruments: Recognition and Measurement (effective for financial years beginning on or after 1 July 2009).
- 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 17 – Distribution of Non-cash Assets to Owners (effective for financial years beginning on or after 1 July 2009).
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments (effective for financial years beginning on or after 1 July 2010).
- Amendments resulting from the April 2009 Annual Improvements to IFRSs (effective for financial years beginning on or after 1 January 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 Inmarsat Group Limited 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 financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group 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.

Foreign currency translation

a) Functional and presentation currency

The functional currency of the Company and most 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 exchange rate between US dollars and Pounds Sterling as at 31 December 2009 was US$1.61/£1.00 (2008:US$1.44/£1.00). The average rate between US dollar and Pounds Sterling for 2009 was US$1.56/£1.00 (2008:US$1.86/£1.00, 2007: US$2.00/£1.00). The hedged rate between US dollar and Pounds Sterling for 2009 was US$1.92/£1.00 (2008: US$2.01/£1.00, 2007: US$1.81/£1.00).

b) Transactions and balances

Transactions not denominated in the functional currency of the respective subsidiary undertakings of the Group during the year have been translated using the spot rates of exchange ruling at the dates of the transactions. Differences on exchange arising on the settlement of the transactions denominated in currencies other than the respective functional currency are recognised in the Income Statement.

Monetary assets and liabilities not denominated in the functional currency of the respective subsidiary undertaking of the Group have been translated at the spot rates of exchange ruling at the end of each month. Differences on exchange arising from the translation of monetary assets and liabilities denominated in currencies other than the respective functional currency are recognised in equity to the extent that the foreign exchange exposure is hedged while the remaining differences are recognised in the Income Statement.

Financial instruments and hedging activities

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the relevant instrument and derecognised when it ceases to be a party to such provisions. Financial instruments are initially measured at fair value. Subsequent measurement depends on the designation of the instrument. Non-derivative financial assets are classified as 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 (“MSS”) revenue results from utilisation charges that are recognised as revenue over the period in which the services are provided. Deferred income attributable to MSS or subscription fees represents the unearned balances remaining from amounts received from customers pursuant to prepaid contracts. MSS 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 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 services contracts, rental income, conference facilities and income from the sale of terminals. Revenue from service contracts, rental income and conference facilities is recognised as the service is provided. Sales of terminals are recognised when the risks and rewards of ownership are transferred to the purchaser.

Appropriate allowances for estimated irrecoverable amounts are recognised against revenue when there is objective evidence that trade receivables may be impaired. Larger accounts are specifically reviewed to assess a customer’s ability to make payments.

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 consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or 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 a business case has been demonstrated as to the technical feasibility and commercial viability. 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. 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. As of 1 January 2008, on adoption of IAS 23 (as revised), 'Borrowing Costs', 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. Prior to 1 January 2008 borrowing costs for the construction of assets were not capitalised.

Assets in course of construction

Assets in course of construction relate to the Alphasat satellite, the S-Band project, GSPS services and BGAN 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 services-related equipment	10 years
Buildings	20 years
Other fixed assets	3–5 years

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 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 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 5.3 years.

(f) 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.

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.

As of 1 January 2008, on adoption of IAS 23 (as revised), 'Borrowing Costs', borrowing costs attributable to the construction of qualifying assets are added to the costs of those assets.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the average cost method.

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.

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 (ultimate parent company) 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 27). 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 Group Limited is US dollars. The Group generates substantially all of its revenue in US dollars. The vast majority of capital expenditure is denominated in US dollars. Approximately 60% of the Group's operating costs are denominated in Sterling. This exposure therefore needs 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 2009 it is estimated that:

- A hypothetical 1% inflation of the hedged US dollar/Sterling exchange rate (US$1.92/£1.00 to US$1.94/£1.00) would have decreased the 2009 profit before tax by approximately US$1.3m (2008: US$1.3m, 2007: US$1.2m).
- A hypothetical 1% inflation of the US dollar/Sterling foreign currency spot rate at 31 December 2009, would have reduced the 2009 profit before tax by approximately US$0.1m (2008: reduced by US$0.1m, 2007: increased by US$0.1m), 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 2009, would have impacted equity by US$1.2m and US$1.5m, respectively (2008: US$1.3m and US$1.5m, respectively, 2007: US$1.3m and US$nil, 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, 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 2009, if interest rates on 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$0.9m (2008: US$1.6m, 2007: US$1.4m). 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 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:

	Year ended 31 December	
	2009	**2008**
	(US$ in millions)	
Cash and cash equivalents (note 15)	**116.8**	51.2
Trade receivables (note 16)	**136.7**	153.9
Derivative financial instruments (note 27)	**25.0**	9.7
Total credit risk	**278.5**	214.8

The Group's average age of trade receivables as at 31 December 2009 was approximately 72 days (2008: 77 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. As at 31 December 2009 the Group had not provided for any specific trade receivables (2008: US$nil).

For 2009, two (2008: two) distribution partners (including Stratos Global Corporation, a wholly owned subsidiary of our ultimate parent company) comprised approximately 77.3% (2008: 80.8%) of the Group's revenues. These same two customers comprised 79.7% (2008: 80.7%) of the Group's trade receivables balance as at 31 December 2009. No other customer accounted for 10% or more of the Group's accounts receivable at 31 December 2009 and 2008.

The following table sets out the Group's trade receivable balance by maturity:

	Year ended 31 December	
	2009	**2008**
	(US$ in millions)	
Current	**114.7**	149.6
Between 1 and 30 days overdue	**21.3**	2.7
Between 31 and 120 days overdue	**0.3**	1.1
Over 120 days overdue	**0.4**	0.5
Total trade receivables (note 16)	**136.7**	153.9

(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$90.0m as at 31 December 2009 (2008: US$140.0m under the Previous Senior Credit facility).

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 CGUs. Two CGUs have been identified, being 'Mobile Satellite Services' ("MSS") and 'Other'. It has been determined that goodwill that arose on the acquisition of Inmarsat Ventures Limited represented goodwill of the MSS CGU only. Therefore, goodwill has been tested for impairment on the MSS CGU only. As at 31 December 2009 the carrying amount of goodwill allocated to the MSS CGU was US$406.2m (as at 31 December 2008: US$406.2m)

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 was 10.5% (2008: 10.5%); and
- operating profit projections are derived from recently approved five-year forecasts and have assumed a terminal growth rate for the Group of 3.0%. (2008: 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.

(b) Pension arrangements and post-retirement healthcare benefit assumptions

The Group has applied a rate of return on assets of 7.77% p.a. (2008: 7.77% p.a., 2007: 7.40% 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%. (2008: 6.10%, 2007: 5.80%) (see note 25).

(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.

5. Segmental information

The Group has adopted IFRS 8, 'Operating Segments'. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group's Executive Management Board to allocate resources and assess performance. The adoption of IFRS 8 has had no impact on our reportable segments and as such, the Group's reportable segments remain:

- MSS – the supply of internally generated airtime, equipment and services to distribution partners and end-users of mobile satellite communications by the Inmarsat business.
- 'Other' – principally comprises income from technical support to other operators, the provision of conference facilities, leasing surplus office space to external organisations.

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, income tax expense and in certain segments, corporate costs.

Primary reporting format—business segments

	Note	2009 MSS	2009 Other	2009 Unallocated	2009 Total
		(US$ in millions)			
Revenue		**684.9**	**9.9**	**—**	**694.8**
Segment result (operating profit)		**314.1**	**1.4**	**—**	**315.5**
Net interest charged to the Income Statement	9			**(93.5)**	**(93.5)**
Profit before income tax					**222.0**
Income tax expense	10				**(50.4)**
Profit for the year					**171.6**
Segment assets		**2,004.7**	**—**	**116.8**	**2,121.5**
Segment liabilities		**(251.2)**	**—**	**(1,297.4)**	**(1,548.6)**
Capital expenditure[(a)]		**(142.1)**	**—**	**—**	**(142.1)**
Depreciation		**(160.2)**	**—**	**—**	**(160.2)**
Amortization of intangible assets		**(19.7)**	**—**	**—**	**(19.7)**

(a) Capital expenditure stated using accruals basis.

	Note	2008 MSS	2008 Other	2008 Unallocated	2008 Total
		(US$ in millions)			
Revenue		624.5	10.2	—	634.7
Segment result (operating profit)		261.9	2.4	—	264.3
Net interest charged to the Income Statement	9			(72.1)	(72.1)
Profit before income tax					192.2
Income tax credit	10				164.2
Profit for the year					356.4
Segment assets		2,052.2	—	79.3	2,131.5
Segment liabilities		(227.5)	—	(1,383.7)	(1,611.2)
Capital expenditure[(a)]		(203.1)	—	—	(203.1)
Depreciation		(144.5)	—	—	(144.5)
Amortization of intangible assets		(22.5)	—	—	(22.5)

(a) Capital expenditure stated using accruals basis.

	Note	2007 MSS	2007 Other	2007 Unallocated	2007 Total
		(US$ in millions)			
Revenue		549.3	7.9	—	557.2
Segment result (operating profit)		208.3	1.0	—	209.3
Net interest charged to the Income Statement	9	—	—	(81.4)	(81.4)
Profit before income tax					127.9
Income tax expense	10				(29.0)
Profit for the year					98.9
Segment assets		1,966.8	—	31.3	1,998.1
Segment liabilities		(166.7)	—	(1,481.3)	(1,648.0)
Capital expenditure[(a)]		(190.6)	—	—	(190.6)
Depreciation		(154.0)	—	—	(154.0)
Amortization of intangible assets		(20.2)	—	—	(20.2)

(a) Capital expenditure stated using accruals basis.

Secondary reporting format—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.

Assets and capital expenditure are allocated based on the physical location of the assets.

	2009		2008		2007	
	Revenue	Non-current segment assets[b]	Revenue	Non-current segment assets [b]	Revenue	Non-current segment assets[b]
Europe	**293.4**	**969.5**	224.5	895.7	293.4	969.5
North America	**314.9**	**—**	323.1	—	314.9	—
Asia Pacific	**73.5**	**—**	76.5	—	73.5	—
Rest of the world	**13.0**	**—**	10.6	—	13.0	—
Unallocated[a]	**—**	**842.1**	—	926.3	—	842.1
	694.8	**1,811.6**	634.7	1,822.0	694.8	1,811.6

(a) Unallocated items relate to satellites which are in orbit.
(b) In line with IFRS 8, 'Operating Segments', non-current assets exclude derivative financial instruments and deferred income tax assets.

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:

	Note	Year ended 31 December 2009	2008	2007
		(US$ in millions)		
Depreciation of property, plant and equipment:				
— Owned assets [a]	13	**160.2**	144.5	154.0
Amortisation of intangible assets	14	**19.7**	22.5	20.2
Operating lease rentals:				
— Land and buildings		**10.1**	12.7	11.7
— Space segment		**15.1**	18.6	15.4

(a) Included within depreciation on owned assets for 2007 is a non-recurring charge of $9.4m relating to accelerated depreciation of an amount that was previously capitalised as part of the launch of the third Inmarsat-4 satellite.

The analysis of the Auditors' remuneration is as follows:

	Note	Year ended 31 December 2009	2008	2007
		(US$ in millions)		
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		**0.3**	0.3	0.3
Total audit fees		**0.3**	0.3	0.3
— Other services, pursuant to legislation		**0.1**	0.2	0.1
— Tax services		**1.0**	0.1	0.4
— Services relating to corporate finance transactions		**0.5**	—	—
Total non-audit services		**1.6**	0.3	0.5

(a) In addition to the fees disclosed above, Inmarsat Global's pension plan incurred audit fees from our auditors of US$27,106 (2008: US$27,140, 2007: US$25,454) for the 2009 financial year.

(b) At 31 December 2009 the Group had contractually committed to $0.3m of tax services to be completed in the 2010 financial year.

7. Employee benefit costs (including the Executive Directors)

	Note	Year ended 31 December 2009	2008	2007
		(US$ in millions)		
Wages and salaries		**85.3**	80.6	73.6
Social security costs		**8.6**	9.1	8.7
Share options charge (including employers' national insurance contribution)	24	**10.8**	8.5	5.2
Defined contribution pension plan costs		**3.8**	3.6	3.0
Defined benefit pension plan costs[(a)]	25	**1.1**	1.6	2.4
Post-retirement healthcare plan costs[(a)]	25	**0.8**	0.8	0.8
Total employee benefits costs		**110.4**	104.2	93.7

(a) Defined benefit pension plan costs and post-retirement healthcare plan costs for 2009, 2008 and 2007 reflect the service cost (see note 25).

Employee numbers

The average monthly number of people (including the Executive Directors) employed during the year by category of employment:

	Year ended 31 December 2009	2008	2007
	(US$ in millions)		
Operations	**181**	175	164
Sales and marketing	**87**	79	78
Development and engineering	**79**	87	86
Administration	**136**	125	123
	483	466	451

8. Directors' remuneration

None of the Directors received emoluments in respect of his/her service to the Company in the years ended 31 December 2009, 2008 and 2007.

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

	Salaries/Fees			Bonus			Benefits			Total			Pension		
	2009	**2008**	**2007**	**2009**	**2008**	**2007**	**2009**	**2008**	**2007**	**2009**	**2008**	**2007**	**2009**	**2008**	**2007**
								(US$000)							
Executive Directors															
Michael Butler[b] ..... (resigned on 30 April 2009)	**391**	626	553	**100**	463	423	**4**	12	12	**495**	1,101	988	**7**	24	20
Rick Medlock	**617**	551	485	**465**	425	360	**12**	12	11	**1,094**	988	856	**23**	24	20
Andrew Sukawaty[c]	**1,016**	905	748	**1,401**	1,018	796	**46**	36	36	**2,463**	1,959	1,580	**127**	117	95
	2,024	2,082	1,786	**1,966**	1,906	1,579	**62**	60	59	**4,052**	4,048	3,424	**157**	165	135
Non-Executive Directors															
Sir Bryan Carsberg (appointed 22 June 2005)	**94**	97	85	**—**	—	—	**—**	—	—	**94**	97	85	**—**	—	—
Stephen Davidson. (appointed 22 June 2005)	**110**	111	94	**—**	—	—	**—**	—	—	**110**	111	94	**—**	—	—
Admiral James Ellis Jr[d] (ret).... (appointed 22 June 2005)	**179**	179	157	**—**	—	—	**—**	—	—	**179**	179	157	**—**	—	—
Kathleen Flaherty .. (appointed 9 May 2006)	**90**	93	80	**—**	—	—	**—**	—	—	**90**	93	80	**—**	—	—
Janice Obuchowski (appointed 5 May 2009)	**60**	—	—	**—**	—	—	**—**	—	—	**60**	—	—	**—**	—	—
John Rennocks...... (appointed 4 January 2005)	**169**	173	151	**—**	—	—	**—**	—	—	**169**	173	151	**—**	—	—
	2,726	2,735	2,353	**1,966**	1,906	1,579	**62**	60	59	**4,754**	4,701	3,991	**157**	165	135

Notes:
(a) £:US$ exchange rate used was £1:$1.92 for 2009 (2008: £1:$2.01, 2007: 1:1.81).
(b) Salary for 2009 for Michael Butler includes US$192,000 in lieu of awards under the BSP and PSP.
(c) The pension for Andrew Sukawaty includes an annual salary supplement in lieu of employer pension contribution.
(d) The fee for Admiral James Ellis Jr (Rtd) included a fee as a Director of Inmarsat Inc., a wholly-owned subsidiary in the US. As at 31 December 2009, this fee was US$84,386 (2008: US$82,732, 2007: $79,780).

One Director (2008: two, 2007: two) are accruing benefits under the Group's defined contribution pension plan. One Director is a member of the US 401k Plan (2008: one, 2007: one).

Key management

The Executive Directors and the Executive Staff (comprising the Chief Executive Officer and his direct reports) are the key management of the business.

9. Net interest payable

	Year ended 31 December		
	2009	**2008**	**2007**
		(US$ in millions)	
Interest on Senior Notes and credit facilities	**25.2**	28.8	38.7
Interest on subordinated parent company loan	**44.5**	44.0	39.6
Pension and post-retirement liability finance costs	**4.2**	—	1.3
Interest rate swaps	**11.2**	4.8	—
Unwinding of discount on deferred satellite liabilities	**3.0**	2.8	3.4
Amortisation of debt issue costs[a]	**7.7**	2.8	2.8
Redemption premium on Senior Notes	**4.1**	—	—
Other interest	**0.9**	1.0	0.8
Interest payable and similar charges	**100.8**	84.2	86.6
Less: Amounts included in the cost of qualifying assets[b]	**(4.4)**	(0.9)	—
Total interest payable and similar charges	**96.4**	83.3	86.6
Bank interest receivable and other interest[c]	**2.9**	1.6	4.9
Interest rate swaps	**—**	—	0.3
Pension and post-retirement liability finance gains	**—**	9.6	—
Total interest receivable and similar income	**2.9**	11.2	5.2
Net interest payable	**93.5**	72.1	81.4

(a) Includes US$4.5m 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 (see note 19).
(b) 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 8.63% (2008: 8.54%).
(c) 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)/credit recognised in the Income Statement:

	Year ended 31 December		
	2009	**2008**	**2007**
		(US$ in millions)	
Current tax (expense)/credit:			
Current year	**(29.3)**	(3.0)	(13.9)
Adjustments in respect of prior periods			
— Recognition of finance lease and operating leaseback[a]	**—**	6.8	—
— Reduction of Jersey Corporation Tax rate to nil%	**—**	0.4	—
— Other	**3.7**	(2.3)	—
Total current tax (expense)/credit	**(25.6)**	1.9	(13.9)
Deferred tax (expense)/credit:			
Origination and reversal of temporary differences			
— Recognition of finance lease and operating leaseback[a]	**—**	211.8	—
— Other	**(26.3)**	(48.7)	(24.3)
Adjustment in respect of the reduction in the Corporation tax rate from 30% to 28%	**—**	—	9.2
Adjustments in respect of prior periods	**1.5**	(0.8)	—
Total deferred tax (expense)/credit	**(24.8)**	162.3	(15.1)
Total income tax (expense)/credit	**(50.4)**	164.2	(29.0)

(a) The current tax and deferred tax credits relate to a finance lease and operating leaseback transaction that was entered into in 2007. We recorded the tax benefit as we consider it likely that we will receive the benefit.

Reconciliation of effective tax rate

	Year ended 31 December		
	2009	2008	2007
	(US$ in millions)		
Profit before tax	**222.0**	192.2	127.9
Income tax at 28% (2008: 28.5%, 2007: 30%)	**(62.2)**	(54.8)	(38.4)
Adjustments in respect of prior periods:			
— Recognition of finance lease and operating leaseback	**—**	6.8	—
— Reduction of Jersey Corporation Tax rate to nil%	**—**	0.4	—
— Other	**5.2**	(2.9)	—
Differences in overseas tax rates	**0.1**	0.9	0.1
Effect of the future reduction in the Corporation Tax rate from 30% to 28% on:			
— opening deferred tax balance	**—**	—	9.2
— current year movement in deferred tax	**—**	(2.8)	2.4
Impact of finance lease and operating leaseback on deferred tax	**—**	215.6	—
Other non-deductible expenses/non-taxable income	**6.5**	1.0	(2.3)
Total income tax (expense)/credit	**(50.4)**	164.2	(29.0)

Tax (charged)/credited to equity:

	Year ended 31 December		
	2009	2008	2007
	(US$ in millions)		
Current tax credit on share options	**0.1**	1.8	0.6
Deferred tax credit/(charge) on share options	**1.2**	(0.5)	(0.4)
Deferred tax (charge)/credit relating to gains on cash flow hedges	**(12.6)**	10.5	5.1
Deferred tax credit/(charge) on actuarial gains and losses from pension and post-retirement healthcare benefits	**5.2**	2.8	(2.2)
Total tax (charged)/credited to equity	**(6.1)**	14.6	3.1

11. Net foreign exchange (gains)/losses

	Year ended 31 December		
	2009	2008	2007
	(US$ in millions)		
Pension and post-retirement liability (note 25)	**2.9**	(10.3)	0.6
Other operating costs	**(7.9)**	(1.4)	2.9
Total foreign exchange (gains)/losses	**(5.0)**	(11.7)	3.5

12. Dividends

The dividends paid in 2009 to Inmarsat Holdings Limited (parent company) were US$58.4m and US$86.5m for the 2009 interim dividend and the 2008 final dividend respectively.

A second interim dividend for the 2009 financial year amounting to US$100.7m was declared on 22 March 2010 by the Directors to be paid to Inmarsat Holdings Limited in lieu of a final dividend. In accordance with IAS 37, these financial statements do not reflect this final dividend payable.

The dividends paid in 2008 and 2007 were US$159.6m and US$135.3m respectively.

13. Property, plant and equipment

	Freehold land and buildings	Services equipment, fixtures and fittings	Space segment	Assets in the course of construction	Total
			(US$ in millions)		
Cost at 1 January 2008	2.7	81.6	1,452.9	230.2	1,767.4
Additions	—	7.6	16.0	162.7	186.3
Transfers	—	0.4	0.2	(0.6)	—
Cost at 31 December 2008	2.7	89.6	1,469.1	392.3	1,953.7
Additions	**—**	**13.6**	**38.9**	**58.2**	**110.7**
Transfers	**—**	**4.9**	**347.5**	**(352.4)**	**—**
Cost at 31 December 2009	**2.7**	**108.1**	**1,855.5**	**98.1**	**2,064.4**
Accumulated depreciation at 1 January 2008	(2.7)	(65.3)	(432.9)	—	(500.9)
Charge for the year	—	(15.0)	(129.5)	—	(144.5)
Accumulated depreciation at 31 December 2008	(2.7)	(80.3)	(562.4)	—	(645.4)
Charge for the year	**—**	**(6.2)**	**(154.0)**	**—**	**(160.2)**
Accumulated depreciation at 31 December 2009	**(2.7)**	**(86.5)**	**(716.4)**	**—**	**(805.6)**
Net book amount at 31 December 2008	—	9.3	906.7	392.3	1,308.3
Net book amount at 31 December 2009	**—**	**21.6**	**1,139.1**	**98.1**	**1,258.8**

The depreciation charge for 2007 in respect of freehold land and buildings, services equipment, fixtures and fittings and space segment assets was US$nil, US$17.9m and US$136.1m respectively.

The space segment asset lives range from 5 to 15 years. The first, second and third of the Inmarsat-4 satellites were placed in service during the 2005, 2006 and 2009 financial years, respectively, and are being depreciated over 15 years. As at 31 December 2008 the costs associated with the Inmarsat-4 F3 satellite remained in assets under construction. No depreciation was recognised in 2008 in respect of the Inmarsat-4 F3 satellite. The R-BGAN service was terminated on 31 December 2008, therefore all associated assets had been fully depreciated by the end of 2008.

At 31 December 2009 and 2008, freehold land and buildings for the Group 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 2009 would have been US$4.8m (based on the 31 December 2009 exchange rate between the US dollar and Pounds Sterling of US$1.61/£1.00) (2008: US$5.5m). The Directors determined the market valuation.

14. Intangible assets

	Goodwill	Trademarks	Software	Patents	Terminal development costs	Spectrum rights	Intellectual property	Total
				(US$ in millions)				
Cost at 1 January 2008	406.2	19.0	60.4	14.0	75.7	2.7	0.7	578.7
Additions	—	—	9.1	—	7.7	—	—	16.8
Cost at 31 December 2008	406.2	19.0	69.5	14.0	83.4	2.7	0.7	595.5
Additions	**—**	**—**	**7.9**	**—**	**23.5**	**—**	**—**	**31.4**
Cost at 31 December 2009	**406.2**	**19.0**	**77.4**	**14.0**	**106.9**	**2.7**	**0.7**	**626.9**
Accumulated amortisation at 1 January 2008	—	(3.9)	(29.7)	(8.1)	(16.7)	(0.5)	(0.4)	(59.3)
Charge for the year	—	(1.0)	(12.0)	(2.0)	(6.9)	(0.3)	(0.3)	(22.5)
Accumulated amortisation at 31 December 2008	—	(4.9)	(41.7)	(10.1)	(23.6)	(0.8)	(0.7)	(81.8)
Charge for the year	**—**	**(1.0)**	**(8.9)**	**(2.0)**	**(7.5)**	**(0.3)**	**—**	**(19.7)**
Accumulated amortisation at 31 December 2009	**—**	**(5.9)**	**(50.6)**	**(12.1)**	**(31.1)**	**(1.1)**	**(0.7)**	**(101.5)**
Net book amount at 31 December 2008	406.2	14.1	27.8	3.9	59.8	1.9	—	513.7
Net book amount at 31 December 2009	**406.2**	**13.1**	**26.8**	**1.9**	**75.8**	**1.6**	**—**	**525.4**

The amortisation charge for 2007 in respect of trademarks, software, patents, terminal development assets, spectrum rights and intellectual property was US$1.0m, US$9.6m, US$2.0m, US$6.9m, US$0.4m and US$0.3m respectively.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. (see note 4(a)).

Patents and trademarks are being amortised on a straight-line basis over their estimated useful lives which are seven and 20 years respectively.

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. 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 services are capitalised as intangible fixed assets. The R-BGAN service was terminated on 31 December 2008, therefore all R-BGAN user terminal costs had been fully depreciated by 31 December 2008. R-BGAN costs were being amortised over the estimated sales life of the services which was 5 years. BGAN costs are being amortised over the estimated sales life of the services, which is 5 to 10 years.

Spectrum rights relate to the acquisition of ACeS and are being amortised on a straight-line basis over the remaining useful lives of 5.3 years.

Intellectual property relates to the acquisition of ACeS and is now fully amortised.

15. 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.

	As at 31 December	
	2009	**2008**
	(US$ in millions)	
Cash at bank and in hand	**7.3**	3.5
Short-term deposits with original maturity of less than three months	**109.5**	47.7
	116.8	51.2

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

	As at 31 December	
	2009	**2008**
	(US$ in millions)	
Cash and cash equivalents	**116.8**	51.2
Bank overdrafts (note 19)	**(0.9)**	(5.7)
	115.9	45.5

16. Trade and other receivables

	As at 31 December	
	2009	2008
	(US$ in millions)	
Current:		
Trade receivables	**136.7**	153.9
Other receivables	**9.0**	12.6
Amounts due from parent undertakings	**10.1**	32.0
Other prepayments and accrued income	**11.3**	17.0
	167.1	215.5

	As at 31 December	
	2009	2008
	(US$ in millions)	
Non-current:		
Loan due from intercompany	**27.4**	—
	27.4	—

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

17. Inventories

	As at 31 December	
	2009	2008
	(US$ in millions)	
Finished goods	**1.0**	5.0

The Directors consider the carrying value of inventories to approximate to their fair value.

18. Trade and other payables

	As at 31 December	
	2009	2008
	(US$ in millions)	
Current:		
Trade payables	**48.8**	53.6
ACeS deferred consideration	**2.9**	2.4
Other short-term deferred consideration	**0.7**	—
Other taxation and social security payables	**2.5**	2.3
Other creditors	**0.8**	1.0
Amounts due to parent undertakings	**1.1**	4.4
Accruals and deferred income	**103.6**	52.8
	160.4	116.5

	As at 31 December	
	2009	2008
	(US$ in millions)	
Non-current:		
ACeS deferred consideration	**—**	2.7
Other long-term deferred consideration	**1.3**	—
Other payables	**13.5**	11.6
	14.8	14.3

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

19. Borrowings

	Effective interest rate	As at 31 December	
		2009	2008
	%	(US$ in millions)	
Current:			
Bank overdrafts	1.8	**0.9**	5.7
Deferred satellite payments[(a)]	7.0	**9.3**	10.2
Senior Credit Facility[(b)]	7.45	**90.0**	—
Previous Senior Credit Facility[(c)]		**—**	190.0
Total current borrowings		**100.2**	205.9
Non-current:			
Deferred satellite payments[(a)]	7.0	**38.1**	31.2
Senior Credit Facility[(b)]	7.45	**189.4**	—
Previous Senior Credit Facility[(c)]		**—**	199.4
Senior Notes due 2017[(d)]	7.375	**637.5**	—
— Issuance discount[(d)]		**(4.8)**	
Senior Notes due 2012[(e)]	7.625	**—**	158.2
Premium on Senior Notes due 2012[(e)]		**—**	0.7
Subordinated parent company loan:[(f)(g)]	5.38		
— principal		**301.3**	766.9
— interest		**—**	5.7
Intercompany loan		**2.8**	—
Total non-current borrowings		**1,164.3**	1,162.1
Total borrowings		**1,264.5**	1,368.0

(a) 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%.

(b) On 6 November 2009, we drew down on our US$500.0m Senior Credit Facility. The new facility consists of a US$200.0m Term Loan and a US$300.0m Revolving Credit Facility (of which we have initially drawn US$90.0m). The new Senior Credit Facility will mature in May 2012 and has substantially similar terms and conditions as the Previous Senior Credit Facility. Advances under the new Senior Credit Facility will bear interest equal to LIBOR, plus an applicable margin of between 2.00% and 3.00% determined by reference to the ratio of total net debt to EBITDA.

(c) On 6 November 2009 we pre-paid and cancelled the outstanding amount under the Previous Senior Credit Facility of US$315.0m and wrote-off unamortised costs in relation to the facility of US$0.3m.

(d) On 12 November 2009, our wholly-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.

(e) On 11 December 2009 we redeemed the entire principal amount of US$160.4m outstanding under Inmarsat Finance plc's 7.625% Senior Notes due 2012. At the redemption date we wrote-off US$4.2m of unamortised costs and US$0.5m in respect of the capitalised premium, in relation to the Senior Notes due 2012.

(f) Inmarsat Finance plc is 99.9% owned by Inmarsat Group Limited, and 0.1% owned by Inmarsat Holdings Limited, which is the parent of Inmarsat Group Limited. Inmarsat Group Limited'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 Inmarsat Group Limited'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 Inmarsat Group Limited's unconsolidated and consolidated subsidiaries as of the end of 31 December 2009 are restricted net assets.

(g) Loans represent funding advanced by the parent company in the form of a subordinated parent company loan. Inmarsat Holdings Limited issued Euro denominated Subordinated Preference Certificates with an aggregate nominal amount at the date of issue of US$27,632m (at a price of US$618.8m euro equivalent) in December 2003. Inmarsat Holdings Limited loaned to Inmarsat Group Limited (which, in turn loaned to Inmarsat Investments Limited) the aggregate proceeds of the Subordinated Preference Certificates via a subordinated parent company loan. The loan has no fixed maturity and may be repaid at any time at each borrower's option. Interest on the subordinated parent company loan accrues at a rate of 5.38% per annum in 2009 (2008: 5.91%, 2007: 5.85%, per annum).

These balances are shown net of unamortised deferred finance costs, which have been allocated as follows:

	At 31 December 2009			At 31 December 2008		
	Principal amount	Deferred finance cost	Net balance	Principal amount	Deferred finance cost	Net balance
			(US$ in millions)			
Senior Credit Facility	**290.0**	**(10.6)**	**279.4**	—	—	—
Previous Senior Credit Facility	**—**	**—**	**—**	390.0	(0.6)	389.4
Senior Notes due 2017	**650.0**	**(12.5)**	**637.5**	—	—	—
— Issuance discount	**(4.8)**	**—**	**(4.8)**	—	—	—
Senior Notes due 2012	**—**	**—**	**—**	163.7	(5.5)	158.2
— Premium on Senior Notes due 2012	**—**	**—**	**—**	0.7	—	0.7
Subordinated parent company loan:						
— principal	**301.3**	**—**	**301.3**	766.9	—	766.9
— interest	**—**	**—**	**—**	5.7	—	5.7
Deferred satellite payments	**47.4**	**—**	**47.4**	41.4	—	41.4
Bank overdrafts	**0.9**	**—**	**0.9**	5.7	—	5.7
Intercompany loan	**2.8**	**—**	**2.8**	—	—	—
Total Borrowings	**1,287.6**	**(23.1)**	**1,264.5**	1,374.1	(6.1)	1,368.0

The maturity of non-current borrowings is as follows:

	As at 31 December	
	2009	2008
	(US$ in millions)	
Between one and two years	**51.2**	205.2
Between two and five years	**158.0**	949.6
After five years	**955.1**	7.3
	1,164.3	1,162.1

The Group has a US$300.0m Revolving Credit Facility that has no restrictions and as at 31 December 2009 was drawn down by US$90.0m (2008: US$140.0m drawn down under the revolving portion of the Previous Senior Credit Facility).

The Directors consider the carrying value of borrowings, other than the Senior Notes due 2017, to approximate to their fair value (see note 27).

The effective interest rates at the Balance Sheet dates were as follows:

	As at 31 December	
Effective interest rate %	2009	2008
Bank overdrafts	**1.8**	2.0
Senior Notes due 2017	**7.375**	—
Senior Notes due 2012	**—**	7.625
Subordinated Parent Company Loan	**5.38**	5.91
Senior Credit Facility	**7.45**	—
Previous Senior Credit Facility	**—**	4.59
Deferred satellite payments	**7.0**	7.0

20. Provisions

	Other provisions
	(US$ in millions)
Current:	
As at 1 January 2007	1.6
Utilised in current year	(1.5)
As at 31 December 2007	0.1
Utilised in current year	(0.1)
As at 31 December 2008	**—**
Charged to provision in respect of current year	**1.8**
Utilised in current year	**(1.3)**
As at 31 December 2009	**0.5**

	Post retirement healthcare benefits	Pension	Other	Total
	(US$ in millions)			
Non-Current:				
As at 1 January 2007	22.0	15.2	0.4	37.6
Charged to Income Statement in respect of current year	2.4	2.1	0.4	4.9
Credited directly to Comprehensive Income in respect of current year	(1.9)	(5.4)	—	(7.3)
Contributions paid	—	(5.3)	—	(5.3)
Utilised in current year	(0.2)	—	(0.1)	(0.3)
As at 31 December 2007	22.3	6.6	0.7	29.6
Credited/(charged) to Income Statement in respect of current year	(4.8)	(2.4)	0.3	(6.9)
Charged directly to Comprehensive Income in respect of current year	2.6	8.4	—	11.0
Contributions paid	—	(5.7)	—	(5.7)
Utilised in current year	(0.3)	—	(0.2)	(0.5)
As at 31 December 2008	19.8	6.9	0.8	27.5
Charged to Income Statement in respect of current year	**4.4**	**1.7**	**0.2**	**6.3**
Charged directly to Comprehensive Income in respect of current year	**9.3**	**11.6**	**—**	**20.9**
Contributions paid	**—**	**(5.4)**	**—**	**(5.4)**
Utilised in current year	**(0.3)**	**—**	**(0.5)**	**(0.8)**
As at 31 December 2009	**33.2**	**14.8**	**0.5**	**48.5**

During 2009, the Group made an additional cash contribution of US$3.6m (2008: US$3.8m) to reduce the pension deficit. Following the actuarial valuation of the Inmarsat Pension Plan ("the Plan") as at 31 December 2008 (see note 25), the trustee and the Company 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.

Other provisions in 2009, 2008 and 2007 relate to a legally required provision for eventual severance payments to employees in Italy and Dubai.

21. Current and deferred income tax assets and liabilities

The current income tax liability of US$30.0m (2008: US$15.7m) 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 2009			As at 31 December 2008		
	Assets	Liabilities	Net	Assets	Liabilities	Net
			(US$ in millions)			
Property plant and equipment and intangible assets	**(2.6)**	**21.6**	**19.0**	(19.3)	16.1	(3.2)
Other	**(1.5)**	**1.8**	**0.3**	(19.4)	3.6	(15.8)
Pension asset	**(11.9)**	**—**	**(11.9)**	(6.8)	—	(6.8)
Share options	**(4.5)**	**—**	**(4.5)**	(2.3)	—	(2.3)
Net deferred income tax (assets)/liabilities	**(20.5)**	**23.4**	**2.9**	(47.8)	19.7	(28.1)

Movement in temporary differences during the year:

	As at 1 January 2009	Recognised in income	Recognised in equity	As at 31 December 2009
Property plant and equipment and intangible assets	**(3.2)**	**22.2**	**—**	**19.0**
Other	**(15.8)**	**3.5**	**12.6**	**0.3**
Pension asset	**(6.8)**	**0.1**	**(5.2)**	**(11.9)**
Share options	**(2.3)**	**(1.0)**	**(1.2)**	**(4.5)**
Total liability/(asset)	**(28.1)**	**24.8**	**6.2**	**2.9**

	As at 1 January 2008	Recognised in income	Recognised in equity	As at 31 December 2008
Property plant and equipment and intangible assets	163.9	(167.1)	—	(3.2)
Other	(5.6)	0.3	(10.5)	(15.8)
Pension asset	(8.0)	4.1	(2.9)	(6.8)
Share options	(3.3)	0.4	0.6	(2.3)
Total liability/(asset)	147.0	(162.3)	(12.8)	(28.1)

In 2007 the amount of deferred income tax recognised in the income statement in respect of property plant and equipment and intangible assets and pension assets and was a charge of US$26.2m and US$0.3m respectively. In 2007 the amount of deferred income tax recognised in income in respect of share options and other was a credit of US$1.1m and US$1.1m respectively.

22. Cash generated from operations

Reconciliation of operating profit to net cash inflow from operating activities:

	As at 31 December		
	2009	2008	2007
	(US$ in millions)		
Profit for the year	**171.6**	356.4	98.9
Adjustments for:			
Depreciation and amortisation	**179.9**	167.0	174.2
Income tax charge/(credit)	**50.4**	(164.2)	29.0
Interest payable	**96.4**	83.3	86.6
Interest receivable	**(2.9)**	(11.2)	(5.2)
Non-cash employee benefit charges	**10.8**	8.5	5.2
Forward exchange contracts	**(7.6)**	8.3	1.4
Changes in net working capital:			
Decrease/(increase) in trade and other receivables	**24.0**	(17.7)	(4.8)
Decrease/(increase) in inventories	**4.0**	(0.1)	(4.1)
Increase/(decrease) in trade and other payables	**42.3**	(1.5)	(6.0)
Decrease in provisions	**(3.6)**	(3.6)	(3.5)
Cash generated from operations	**565.3**	425.2	371.7

23. Share capital

	As at 31 December	
	2009	2008
	(US$ in millions)	
Authorised:		
630,780,000 ordinary shares of €0.0005 each	**0.4**	0.4
	0.4	0.4
Allotted, issued and fully paid:		
610,239,895 ordinary shares of €0.0005 each (2008: 610,239,894)	**0.4**	0.4
	0.4	0.4

24. Employee share options

In November 2004, the Company adopted the Staff Value Participation Plan (the "2004 Plan"). 219,020 A ordinary shares were granted under the 2004 Plan to eligible Directors or employees of the Group. A second grant of options over 7,140 A ordinary shares was made under the 2004 Plan to employees in January 2005. As part of the IPO in 2005, the A ordinary shares were converted following a 1 for 20 share split into ordinary shares. A third grant of options over 1,175,240 ordinary shares of €0.0005 each was approved in May 2005 under the 2004 Plan and granted to employees in June 2005. Both subsequent grants were made on equivalent terms to the initial grant in November 2004.

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. Following the exercise of options granted under the 2004 Plan, 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 as at 31 December 2009 is as follows:

	Shares available for grant	Options outstanding	Weighted average exercise price per option
Balance at 1 January 2008	1,040,904	311,692	£3.64
Forfeited	180	(180)	
Exercised	–	(122,551)	£4.74
Exercise re International Sharesave Plan	(28,926)	–	
Market purchase of shares (30 October 2008)	10,000	–	
Balance at 31 December 2008	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
Exercisable at 31 December 2009	**–**	**163,174**	
Exercise Price per tranche	**–**	**€1.00**	

The weighted average of the remaining contractual life for the 2004 Plan at 31 December 2009 is 5 years.

In line with IFRS 2, Share-Based Payment, the Group recognised US$10.8m, US$8.5m and US$5.2m respectively in total share compensation costs across all its share plans for the 2009, 2008 and 2007 financial years. Total share-based compensation costs are recognised over the vesting period of the options and share awards ranging from one to four years.

Prior to the Company being publicly quoted, the exercise price of the options over the A ordinary shares of the Company issued under the 2004 Plan was de minimis in nature and post the IPO remains de minimis in nature, accordingly the fair value of each option is equivalent to the fair value of the underlying share at the date of the grant. This fair value of US$12.50 per share (before any adjustment for the share split in June 2005) was estimated with the assistance of independent advisers, who calculated a range of potential values using analysis of comparable quoted shares, discounted cash flows and comparable transactions. The fair value within this range was then selected by the Directors using the independent analysis which had been prepared.

For the options granted under the 2004 Plan in June 2005 (before the share split), the fair value was estimated by the Directors to be US$30.00 per share. The US$30.00 was calculated using a similar methodology to the independent advisers as the Directors of the Company continued to believe that the ‘discounted trading multiple’ approach was the most appropriate.

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 2006, awards of shares were made relating to a monetary award determined in May 2005 and September 2005. These awards have now all vested;
- during 2008, awards of shares were made relating to a monetary award determined in March, May and September 2007. These awards vested and will vest (subject to continued employment) in three equal tranches following the announcement of the Preliminary Results for each of the financial years 2008, 2009 and 2010;
- during 2009, awards of shares were made relating to a monetary award determined in March 2008. These awards will vest in three equal tranches following the announcement of the Preliminary Results for each of the financial years 2010, 2011 and 2012; and
- during 2010, awards of shares will be made relating to a monetary awards determined in March and May 2009. These awards will vest in three equal tranches following the announcement of the Preliminary Results for each of the financial years 2011, 2012 and 2013.

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 Directors’ Remuneration Report.

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") under which the first share award was made on 31 May 2005 in the form of a conditional allocation of shares. The number of shares subject to the share award was determined by reference to the price at which the shares were offered for sale upon the listing of the Company on the London Stock Exchange in June 2005 of £2.45 per share. 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. In March 2008, 100% of these shares vested.

Additional share awards were made in September 2005, March 2007, March 2008, March 2009 and May 2009 with the reference price in determining the number of shares of £3.24, £3.95, £4.39, £4.57 and £5.35 respectively (market value of shares on the date of grant).

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.

The performance conditions for the PSP is 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	**31 May 2005**	**29 September 2005**	**29 March 2007**	**19 March 2008**	**20 March 2009**	**14 May 2009**
Grant price	£2.45	£3.24	£3.95	£4.39	£4.57	£5.35
Exercise price	nil	nil	nil	nil	nil	nil
Bad leaver rate	0%	0%	0%	0%	0%	0%
Vesting period	3 years	3 years	3 years	3 years	3 years	3 years
Expected correlation between any pair of shares in PSP comparator group	12%	10%	n/a	n/a	n/a	n/a
Volatility	36%	34%	27%	28.5%	34.9%	36.2%
Fair value per share option	£1.34	£2.20	£2.15	£2.40	£3.21	£3.30

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 2009 is 8.0 and 7.1 years respectively.

In September 2007 the 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 (previously the term was to 30 September 2010), 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 (previously 20 trading 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.

The 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.

The Trust purchased one million shares on 26 November 2007 to hold against the satisfaction of the award. This has been funded through a loan from Inmarsat plc to the Trust.

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 shares will generally vest in September 2012 to the extent that the performance condition of EBITDA growth related to the 2010 financial year has been satisfied.

	CEO Award	**CEO Deferred Share Bonus Award**
Grant date	**28 September 2007**	**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	n/a

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.

The first grant under the Sharesave Scheme was made in July 2005 with an option grant price of £2.24 per ordinary share (a 20% discount to market value of the shares on the first invitation date (23 June 2005)). The first grant matured on 1 September 2008.

A second grant under the Sharesave Scheme was made in December 2008 with an option price of £3.06 per ordinary share (a 20% discount to the average market value of the shares in the week prior to the invitation date (17-21 November 2008)).

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.

The first grant under the International Sharesave Plan was made in October 2005 with an option grant price of £2.24 per ordinary share. 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 second grant of the UK Sharesave Scheme and International Sharesave Plan at 31 December 2009 is 2.5 years for each plan.

Options under the UK Sharesave Scheme and International Sharesave Plan have been valued using the Black Scholes model with the following assumptions:

	Sharesave Scheme (UK)	Sharesave Scheme (UK)	Sharesave Plan (International)	Sharesave Plan (International)
Grant date	21 July 2005	15 December 2008	19 October 2005	15 December 2008
Market price at date of Grant	£3.14	£4.44	£2.80	£4.44
Exercise price	£2.24	£3.06	£2.24	£3.06
Bad leaver rate	5%pa	3%pa	5%pa	3%pa
Vesting period	3 years	3 years	3 years	3 years
Volatility	35%	33.2%	34%	33.2%
Dividend yield assumption	3.6%	3.36%	2.8%	3.36%
Risk free interest rate	4.25%	2.46%	4.25%	2.46%
Fair value per option	£1.10	£1.50	£0.90	£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.

Awards under the UK Share Incentive Plan ("SIP") were made on 7 April 2006 and 10 April 2007. The SIP is an HM Revenue & Customs approved plan open to all UK permanent 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). The market value per ordinary share at the date of the awards was £3.77 (2006) and £4.14 (2007).

Arrangements were put in place for eligible overseas employees to replicate both awards under the SIP as closely as possible. Additional arrangements were put in place for employees to acquire shares over the capped amounts in relation to the SIP award in 2006. On 7 April 2006, in aggregate 57,872 ordinary shares of €0.0005 each were awarded to eligible employees from the Trust in respect of the award to overseas employees and the additional award to certain employees. On 10 April 2007, 15,926 ordinary shares of €0.0005 each were awarded to eligible overseas employees to replicate the SIP award. The same market values per ordinary share were used as for the SIP for each award.

No Executive Director or member of Executive Staff applied to participate in the SIP or equivalent overseas arrangements.

A summary of share awards and option activity as at 31 December 2009 (excluding the 2004 Plan which is noted above) is as follows:

	SIP (UK)	SIP (Intl and Unapproved)	BSP	CEO Share Plans[(a)]	PSP	Sharesave (UK)	Sharesave (International)	Total
Balance at 31 December 2008	549,907	58,122	969,238	1,000,000	440,209	888,523	170,331	4,076,330
Granted/Allocated	-	-	807,630	125,000	427,687	-	-	1,360,317
Lapsed	-	-	-	-	-	(31,467)	(4,705)	(36,172)
Exercised	-	-	-	-	-	(57,895)	(6,766)	(64,661)
Transferred/Sold	(44,543)	(46,112)	(415,357)	-	-	-	-	(506,012)
Balance at 31 December 2009	**505,364**	**12,010**	**1,361,511**	**1,125,000**	**867,896**	**799,161**	**158,860**	**4,829,802**
Exercisable at 31 December 2009	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
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, after three years from grant, the share price has reached £9.25 per share; and (ii) the CEO Deferred Share Bonus Award of 125,000 shares.
(b) The first grant under the UK Sharesave scheme in 2005 had an exercise price of £2.24.
The second grant under the UK Sharesave scheme in 2008 has an exercise price of £3.06.
(c) The first grant under the International Sharesave plan in 2005 had an exercise price of £2.24.
The second grant under the International Sharesave plan in 2008 has an exercise price of £3.06.

25. Pension arrangements and post-retirement healthcare benefits

The Group provides both pension fund arrangements and post-retirement medical benefits for its employees.

The Group 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, Watson Wyatt 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 2009. The results of this updated valuation as at 31 December 2009, 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.

The obligation under these plans was determined by the application of the terms of medical plans, together with relevant actuarial assumptions and healthcare cost trend rates. The long-term rate of medical expense inflation used in the actuarial calculations is 4.0% per annum in excess of the rate of general price inflation of 3.85% (2008: 4.0% in excess of 3.15%, 2007: 4.0% in excess of 3.45%), The discount rate used in determining the accumulated post-retirement benefit obligation was 5.5% at 31 December 2009 (2008: 6.1%, 2007: 5.8%).

The principal actuarial assumptions used to calculate pension and post-retirement healthcare benefits liabilities under IAS 19, are:

	As at 31 December		
	2009	**2008**	**2007**
Discount rate	**5.50%**	6.10%	5.80%
Expected return on plan assets	**7.77%**	7.77%	7.40%
Future salary increases	**5.60%**	5.15%	5.45%
Medical cost trend rate	**7.85%**	7.15%	7.45%
Future pension increases	**3.85%**	3.15%	3.45%

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 Group's pension and post-retirement healthcare benefits liabilities are as follows:

	2009	**2008**	**2007**
		Number of years	
Male current age 65	**87.4**	86.2	85.0
Female current age 65	**90.3**	89.5	88.2

For 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. For 2008, mortality was assumed to follow the standard tables PA92C2006 with the improvement allowance of 0.25% replaced with medium cohort improvements.

The assets held in respect of the defined benefit scheme and the expected rates of return were:

	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**	

	As at 31 December 2008		
	Long-term rate of return expected	Value	Percentage of total plan assets
	%	(US$ in millions)	%
Equities	8.15	29.5	84.29
Cash	3.95	—	—
Bonds	5.40	4.2	12.00
Other	6.80	1.3	3.71
Fair value of scheme assets		35.0	

Amounts recognised in the Balance Sheet are:

	As at 31 December	
	2009	2008
	(US$ in millions)	
Present value of funded defined benefit obligations (pension)	**(68.6)**	(41.9)
Present value of unfunded defined benefit obligations (post-retirement healthcare)	**(33.2)**	(19.8)
Fair value of defined benefit assets	**53.8**	35.0
Net defined benefit liability recognised in balance sheet	**(48.0)**	(26.7)

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

	Defined benefit pension plan	Post-retirement medical benefits
	(US$ in millions)	
At 1 January 2008	58.2	22.3
Current service cost	1.6	0.8
Interest cost	3.4	1.3
Actuarial (gain)/loss	(6.3)	2.6
Foreign exchange gain	(15.6)	(6.9)
Benefits paid	(0.5)	(0.3)
Contributions by pension participants	1.1	—
At 31 December 2008	41.9	19.8
Current service cost	**1.1**	**0.8**
Interest cost	**3.4**	**1.6**
Actuarial loss	**17.4**	**9.3**
Foreign exchange loss	**4.0**	**2.0**
Benefits paid	**(0.2)**	**(0.3)**
Contributions by pension participants	**1.0**	**—**
At 31 December 2009	**68.6**	**33.2**

Analysis of the movement in the fair value of the assets of the defined benefit section of the UK Scheme is as follows:

	Year ended 31 December	
	2009	2008
	(US$ in millions)	
At 1 January	**35.0**	51.6
Expected return on plan assets	**3.7**	4.0
Actuarial gain/(loss)	**5.8**	(14.7)
Contributions by employer	**5.4**	5.7
Contributions by pension participants	**1.0**	1.1
Benefits paid	**(0.2)**	(0.5)
Foreign exchange loss/(gain)	**3.1**	(12.2)
At 31 December	**53.8**	35.0

Amounts recognised in the Income Statement in respect of the plans are as follows:

	Year ended 31 December					
	2009		2008		2007	
	Defined benefit pension plan	Post-retirement healthcare benefits	Defined benefit pension plan	Post-retirement healthcare benefits	Defined benefit pension plan	Post-retirement healthcare benefits
	(US$ in millions)					
Current service cost	**1.1**	**0.8**	1.6	0.8	2.4	0.8
Interest cost..........	**3.4**	**1.6**	3.4	1.3	2.6	1.0
Expected return on pension assets.	**(3.7)**	**—**	(4.0)	—	(2.9)	—
Foreign exchange (gain)/loss	**0.9**	**2.0**	(3.4)	(6.9)	—	0.6
	1.7	**4.4**	(2.4)	(4.8)	2.1	2.4
Actual return on plan assets.......	**10.5**	**—**	(9.5)	—	3.2	—

Current services costs for 2009 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:

	Year ended 31 December					
	2009		2008		2007	
	Defined benefit pension plan	Post-retirement healthcare benefits	Defined benefit pension plan	Post-retirement healthcare benefits	Defined benefit pension plan	Post-retirement healthcare benefits
	(US$ in millions)					
Net actuarial losses/(gains).....	**11.6**	**9.3**	8.4	2.6	(5.4)	(1.9)

History of experience gains and losses:

	Year ended 31 December					
	2009		2008		2007	
	Defined benefit pension plan	Post-retirement healthcare benefits	Defined benefit pension plan	Post-retirement healthcare benefits	Defined benefit pension plan	Post-retirement healthcare benefits
Present value of defined benefit obligations (US$ in millions)	**(68.6)**	**(33.2)**	(41.9)	(19.8)	(58.2)	(22.3)
Fair value of plan assets (US$ in millions)	**53.8**	**—**	35.0	—	51.6	—
Deficit in plans (US$ in millions)	**(14.8)**	**(33.2)**	(6.9)	(19.8)	(6.6)	(22.3)
Experience (losses)/gains on plan liabilities (US$ in millions)	**(0.3)**	**0.1**	—	(7.1)	—	0.3
Percentage of plan liabilities............	**(0.4)%**	**0.3%**	0.0%	(35.9)%	0.0%	1.3 %
Experience losses/(gains) on plan assets (US$ in millions)	**5.8**	**—**	(14.7)	—	(0.3)	—
Percentage of plan assets...............	**10.8%**	**—**	(42.0)%	—	(0.6)%	—

	2006		2005	
	Defined benefit pension plan	Post-retirement healthcare benefi ts	Defined benefit pension plan	Post-retirement healthcare benefits
Present value of defined benefit obligations (US$ in millions)	(56.3)	(22.0)	(46.6)	(18.5)
Fair value of plan assets (US$ in millions)	41.1	—	27.9	—
Deficit in plans (US$ in millions)	(15.2)	(22.0)	(18.7)	(18.5)
Experience (losses)/gains on plan liabilities (US$ in millions)	3.4	0.3	—	(0.7)
Percentage of plan liabilities	6.0 %	1.4%	0.1%	(3.9)%
Experience losses on plan assets (US$ in millions)	(0.2)	—	3.9	—
Percentage of plan assets	(0.5)%	—	14.0%	—

The estimated contributions expected to be paid to the defined benefit pension plan during 2010 are US$4.7m (2009: actual US$5.4m, 2008: actual US$5.7m).

The healthcare cost trend rate assumption for the Group'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 2009 by US$9.5m (2008: US$5.2m, 2007: US$5.1m), and the aggregate of the service cost and interest cost by US$0.7m (2008: US$0.7m, 2007: US$0.4m). Decreasing the assumed healthcare cost trend rate by one percentage point would have reduced the post-retirement medical benefit obligation as of 31 December 2009 by US$7.0m (2008: US$3.9m, 2007: US$4.0m), and the aggregate of the service cost and interest cost by US$0.5m (2008: US$0.5m, 2007: US$0.3m).

26. Operating lease commitments

The Group's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December		
	2009	2008	2007
		(US$ in millions)	
Within one year	**19.1**	16.6	31.7
Within two to five years	**45.9**	40.5	59.7
After five years	**102.5**	99.1	146.3
	167.5	156.2	237.7

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.

At 31 December 2009, the Group in addition to the above operating lease commitments, is contracted to pay warranty costs of US$0.5m over the next year (as at 31 December 2008: US$nil over the next year, as at 31 December 2007: US$1.5m over the next year).

The total of future sub-lease payments expected to be received under non-cancellable sub leases at 31 December 2009 relating to the above head office lease is US$1.1m over one year (as at 31 December 2008: US$2.7m over two years, as at 31 December 2007: US$3.5m over two 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 are as follows:

	As at 31 December		
	2009	2008	2007
		(US$ in millions)	
Within one year	**37.2**	24.0	25.9
Within two to five years	**0.3**	0.4	1.6
	37.5	24.4	27.5

27. 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 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.

Capital risk management

The Group's objective when managing its capital is to safeguard the Group's 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 capital structure of the Group consists of debt, which includes borrowings (see note 19), cash and cash equivalents (see note 15) and equity attributable to equity holders of the parent (see note 23), comprising ordinary share capital, share premium, other reserves and retained earnings.

The Group's overall strategy remains unchanged from 2008.

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 2009			As at 31 December 2008		
	Loans and receivables	**Derivatives used for hedging**	**Total**	**Loans and receivables**	**Derivatives used for hedging**	**Total**
	(US$ in millions)					
Assets as per balance sheet						
Trade and other receivables	**167.1**	**—**	**167.1**	215.5	—	215.5
Cash and cash equivalents	**116.8**	**—**	**116.8**	51.2	—	51.2
Derivative financial instrument	**—**	**25.0**	**25.0**	—	9.7	9.7
	283.9	**25.0**	**308.9**	266.7	9.7	276.4

	As at 31 December 2009			As at 31 December 2008		
	Derivatives used for hedging	**Other financial liabilities**	**Total**	**Derivatives used for hedging**	**Other financial liabilities**	**Total**
	(US$ in millions)					
Liabilities as per balance sheet						
Borrowings	**—**	**1,264.5**	**1,264.5**	—	1,368.0	1,368.0
Trade and other payables[a]	**—**	**67.2**	**67.2**	—	70.3	70.3
Derivative financial instrument	**27.0**	**—**	**27.0**	69.2	—	69.2
	27.0	**1,331.7**	**1,358.7**	69.2	1,438.3	1,507.5

(a) Consists of trade payables, ACeS deferred consideration, other deferred consideration and other payables per note 18.

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.

	At 31 December 2009				
	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
	(US$ in millions)				
Borrowings[a]	**100.2**	**57.2**	**169.0**	**961.2**	**1,287.6**
Derivative financial instruments	**14.1**	**7.8**	**5.1**	**—**	**27.0**
Trade and other payables	**52.4**	**—**	**1.3**	**13.5**	**67.2**
	166.7	**65.0**	**175.4**	**974.7**	**1,381.8**

(a) Excludes interest obligation on Senior Notes due 2017 and Senior Credit Facility of US$56.0m due less than one year, US$56.0m due 1-2 years, U$147.2m due 2-5 years and US$95.9m due over 5 years. Includes interest obligations on the Revolving Credit Facility assuming the current balance is held to maturity in May 2012 (see note 19). The above 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.

	At 31 December 2008				
	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
	(US$ in millions)				
Borrowings[a]	205.9	207.5	953.4	7.3	1,374.1
Derivative financial instruments	31.7	2.0	35.5	—	69.2
Trade and other payables	52.0	2.3	0.4	11.6	70.3
	293.6	211.8	989.3	18.9	1,513.6

(a) Excludes interest obligation on Senior Notes due 2012 and Previous Senior Credit Facility of US$33.1m due less than one year, US$27.6m due 1-2 years and U$35.5m due 2-5 years. Includes interest obligations on the Previous Revolving Credit Facility assuming the current balance is held to maturity in May 2010 (see note 19). The above 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 Group's derivative financial instruments as at 31 December 2009 consist of forward foreign currency contracts and interest rate swaps. The interest rate swaps and approximately 90% of forward foreign currency contracts (2008–90%) are designated cash flow hedges.

The net fair values at the Balance Sheet date were:

	As at 31 December 2009	As at 31 December 2008
	(US$ in millions)	
Contracts with positive fair values:		
Forward foreign currency contracts—designated cash flow hedges	**24.6**	9.6
Forward foreign currency contracts—undesignated	**0.4**	—
Contracts with negative fair values:		
Forward foreign currency contracts—designated cash flow hedges	**(1.3)**	(30.8)
Forward foreign currency contracts—undesignated	**—**	(2.8)
Total forward exchange currency contracts	**23.7**	(24.0)
Interest rate swap—designated cash flow hedge	**(25.7)**	(35.5)
Total net fair value	**(2.0)**	(59.5)
Less non-current portion		
Forward foreign currency contracts—designated cash flow hedges	**12.0**	6.6
Forward foreign currency contracts—undesignated	**—**	—
Interest rate swap—designated cash flow hedge	**(12.9)**	(35.5)
Current portion	**(1.1)**	(30.6)

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 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 were based upon a valuation provided by the counterparty. 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 Group as at 31 December 2009 and 2008:

	As at 31 December 2009				
Outstanding forward foreign exchange contracts	**Face value**	**Maturing within 1 year**	**Maturing between 1 and 2 years**	**Maturing between 2 and 5 years**	**Fair value (US$)**
			(In millions)		
GBP contracts	**£79.3**	**£70.3**	**£9.0**	**—**	**8.3**
Euro contracts	**€ 120.00**	**€30.90**	**€45.20**	**€43.90**	**15.4**
					23.7

	As at 31 December 2008				
Outstanding forward foreign exchange contracts	**Face value**	**Maturing within 1 year**	**Maturing between 1 and 2 years**	**Maturing between 2 and 5 years**	**Fair value (US$)**
			(In millions)		
GBP contracts	£94.6	£67.6	£27.0	—	(32.3)
Euro contracts	€135.1	€19.2	€26.8	€89.1	8.7
Canadian dollar contracts	$2.0	$2.0	—	—	(0.4)
					(24.0)

Interest rate swap

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at 31 December 2009:

Outstanding floating for fixed contracts	Average contracted fixed interest rate		Notional principal amount		Fair value	
	2009	2008	2009	2008	2009	2008
	%	%	(US$ in millions)			
Less than 1 year	—	—	—	—	**(12.8)**	—
1 to 2 years	**4.50%**	—	**100.0**	—	**(7.8)**	—
2 to 5 years	**4.93%**	4.79%	**200.0**	300.0	**(5.1)**	(35.5)
5 years +	**—**	—	**—**	—	**—**	—
			300.0	300.0	**(25.7)**	(35.5)

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 (2008: a charge of US$1.4m, 2007: US$nil) directly in the Income Statement as a result of ineffectiveness arising on designated interest rate swaps.

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 Facility, Senior Notes, subordinated parent company loan, accrued and accreted interest on borrowings, trade creditors and other creditors.

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 15).
- The fair value of non derivative financial assets and financial liabilities approximate their carrying values (see note 16 and 18 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 2009 net of unamortised arrangement costs of US$10.6m (2008: US$0.6m). 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 2009 net of unamortised arrangement costs and issuance discount of 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 2009 and are reflected in the table below.
- 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.
- The Senior Notes due 2012 were redeemed in December 2009 (see note 19).

	As at 31 December			
	2009		2008	
	Carrying amount	Fair value amount	Carrying amount	Fair value amount
	(US$ in millions)			
Senior Notes due 2017	**(650.0)**	**(661.4)**	—	—
Senior Notes due 2012[(a)]	—	—	(310.4)	(270.8)

(a) At 31December 2008 includes US$147.6m of the aggregate principal amount outstanding which was owned by Group (see note 19).

28. Capital commitments

The Group had authorised and contracted but not provided for capital commitments as at 31 December 2009 of US$394.5m (2008: US$366.9m). These amounts primarily represent commitments in respect of the Alphasat project.

29. Related party transactions

Stratos Global Corporation ("Stratos") is a related party of the Group by virtue of the common control provisions of IAS 24, 'Related party disclosures'. Revenue earned by the Group from Stratos for the year ended 31 December 2009 was US$274.2m (31 December 2008: US$256.4m). Other trading between the Group and Stratos was not material to either party for the year ended 31 December 2009 and the period 31 December 2008. The amount held in accounts receivable owing from Stratos at 31 December 2009 was US$54.0m (2008: US$66.2m). The amount held in deferred revenue in relation to Stratos at 31 December 2009 was US$19.0m (2008: US$12.5m).

Remuneration paid the Executive and Non-Executive Directors of Inmarsat plc, during the year is disclosed in note 8. The amount owing to the Directors as at 31 December 2009 was US$2.0m (2008: US$1.6m, 2007: US$1.6m).

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. Copies of the Inmarsat plc consolidated financial statements can be obtained from the Company Secretary at 99 City Road, London EC1Y 1AX or obtained from the website (www.inmarsat.com).

Management believes that all related party transactions were made on an arm's length basis.

30. Principal subsidiary undertakings

The following subsidiaries are included in the consolidated financial information:

	Principal activity	Country of incorporation and operation	Interest in issued ordinary share capital as at 31 December 2009	2008
EuropaSat Limited	Operating company	Great Britain	**100%**	100%
Hornet Acquisition, Inc [(a)]	Holding company	USA	**100%**	–
Inmarsat B.V.	Service provider	The Netherlands	**100%**	100%
Inmarsat Brasil Limitada	Legal representative of Inmarsat	Brazil	**99.9%**	99.9%
Inmarsat Canada Holdings Inc.	Holding company	Canada	**100%**	100%
Inmarsat Employee Share Plan Trustees Limited	Corporate trustee	Great Britain	**100%**	100%
Inmarsat Employees' Share Ownership Plan Trust	Employee share trust	Great Britain	**100%**	100%
Inmarsat Employment Company Limited	Employment company	Jersey	**100%**	100%
Inmarsat Finance plc	Finance company	Great Britain	**99.9%**	99.9%
Inmarsat Global Limited	Satellite telecommunications	Great Britain	**100%**	100%
Inmarsat Government Services Inc.	Service provider	USA	**100%**	100%
Inmarsat Group Holdings Inc. [(b)]	Holding company	USA	**100%**	–
Inmarsat Hawaii Inc.	Service provider	USA	**100%**	100%
Inmarsat Inc.	Service provider	USA	**100%**	100%
Inmarsat Investments Limited	Holding company	Great Britain	**100%**	100%
Inmarsat (IP) Company Limited	Intellectual property holding company	Great Britain	**100%**	100%
Inmarsat Launch Company Limited	Satellite launch Company	Isle of Man	**100%**	100%
Inmarsat Leasing Limited	Satellite leasing	Great Britain	**100%**	100%
Inmarsat Leasing (Two) Limited	Satellite leasing	Great Britain	**100%**	100%
Inmarsat Navigation Ventures Limited	Operating company	Great Britain	**100%**	100%
Inmarsat Services Limited	Employment company	Great Britain	**100%**	100%
Inmarsat Trustee Company Limited	Corporate trustee	Great Britain	**100%**	100%
Inmarsat US Holdings 2 Inc. [(c)]	Holding company	USA	**100%**	–
Inmarsat US Holdings Inc.	Holding company	USA	**100%**	100%
Inmarsat US Investments Limited [(d)]	Holding company	Great Britain	**100%**	–
Inmarsat US Services LLC [(e)]	Holding company	USA	**100%**	–
Inmarsat Ventures Limited	Holding company	Great Britain	**100%**	100%

30. Principal subsidiary undertakings continued

	Principal activity	Country of incorporation and operation	Interest in issued ordinary share capital as at 31 December 2009	2008
ISAT US Inc. [(f)]	Licence holder	USA	**100%**	–
PT ISAT	Management and business consulting services	Indonesia	**100%**	100%

(a) Hornet Acquisition, Inc. was incorporated on 12 November 2009 and was renamed Segovia, Inc. in January 2010.
(b) Inmarsat Group Holdings Inc. was incorporated on 9 December 2009.
(c) Inmarsat US Holdings 2 Inc. was incorporated on 9 December 2009.
(d) Inmarsat US Investments Limited was incorporated on 10 December 2009.
(e) Inmarsat US Services LLC was incorporated on 9 December 2009.
(f) ISAT US Inc. (formerly Inmarsat US Services Inc.) was incorporated on 17 November 2009.

31. Events after the Balance Sheet date

On 12 January 2010, the Group completed the acquisition of the business and assets of Segovia for an initial consideration of US$110.0m and may pay additional amounts depending on the performance of the acquired business over the next three years. The initial consideration was financed from available liquidity and it is expected that any contingent consideration will be financed using available liquidity at that time. For the year ended 31 December 2008, Segovia reported total revenues of US$66.6m and net income of US$18.1m and had gross assets of US$28.8m.

A second interim dividend for the 2009 financial year amounting to US$100.7m was declared on 22 March 2010 by the Directors to be paid to Inmarsat Holdings Limited in lieu of a final dividend. In accordance with IAS 37, these financial statements do not reflect this second interim dividend payable.

On 19 April 2010, Inmarsat plc announced that it has completed an 8-year facility agreement from the European Investment Bank ("EIB") to fund the build and launch of the Alphasat satellite. Under the agreement Inmarsat may borrow up to €225m and expects to make an initial draw down under the facility during the second quarter. The EIB financing will rank as senior secured creditor of Inmarsat Investments Limited, a direct subsidiary of Inmarsat Group Limited. The EIB financing will be rank pari passu with Inmarsat's Senior Credit Facility and ahead of Inmarsat's 9.375% Senior Notes due 2017.

Subsequent to 31 December 2009 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 Auditors' Report to the Members of Inmarsat Group Limited

We have audited the financial statements of Inmarsat Group Limited for the year ended 31 December 2009 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.

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

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements
In our opinion the parent company financial statements:

- give a true and fair view of the state of the parent company's affairs as at 31 December 2009;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Other matter
We have reported separately on the consolidated financial statements of Inmarsat Group Limited for the year ended 31 December 2009.

P. Kakoullis

Panos Kakoullis (FCA)
Senior Statutory Auditor
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
28 April 2010

Company Balance Sheet

	As at 31 December		As at 1 January
	2009	2008	2008
		(US$ in millions)	
Assets			
Non-current assets			
Investments[(a)]	**346.8**	346.6	346.6
Other receivables[(b)]	**326.4**	794.4	729.0
	673.2	1,141.0	1,075.6
Current assets			
Trade and other receivables[(c)]	**–**	0.2	0.2
	–	0.2	0.2
Total assets	**673.2**	1,141.2	1,075.8
Liabilities			
Current liabilities			
Trade and other payables[(d)]	**(0.1)**	(0.3)	(0.3)
	(0.1)	(0.3)	(0.3)
Non-current liabilities			
Borrowings[(e)]	**(326.4)**	(794.4)	(729.0)
	(326.4)	(794.4)	(729.0)
Total liabilities	**(326.5)**	(794.7)	(729.3)
Net assets	**346.7**	346.5	346.5
Shareholders' equity			
Ordinary shares	**0.4**	0.4	0.4
Share premium	**346.3**	346.1	346.1
Retained earnings	**–**	–	–
Total equity	**346.7**	346.5	346.5

(a) Investments consist of a US$346.7m (2008: US$346.5m, 2007: US$346.5m) investment in Inmarsat Investments Limited and US$0.1m (2008: US$0.1m, 2007: US$0.1m) investment in Inmarsat Finance plc.
(b) Other receivables consist of US$326.4m amounts due from Group companies (2008: US$794.4m, 2007: US$729.0m).
(c) Trade and other receivables consists of US$nil amounts due from Group companies (2008: US$0.2m, 2007: US$0.2m).
(d) Trade and other payables consists of US$0.1m due to Group companies (2008: US$0.2m, 2007: US$0.2m) and US$nil in relation to other creditors (2008: US$0.1m, 2007: US$0.1m).
(e) Borrowings comprise the subordinated parent company loan (including accreted interest) of US$301.4m (2008: US$772.6m, 2007: US$729.0m) and other loans to Group companies of US$25.0m (2008: US$21.8m, 2007: US$nil).

The financial statements of Inmarsat Group Limited, registered number 4886115, on pages 50 to 54 were approved by the Board of Directors on 28 April 2010 and signed on its behalf by:

Andrew Sukawaty
Chairman and Chief Executive Officer

Rick Medlock
Chief Financial Officer

Company Cash Flow Statement

	Year ended 31 December 2009	2008
	(US$ in millions)	
Cash flow from operating activities		
Cash generated from/(used in) operations	–	–
Interest received	**50.1**	**–**
Net cash inflow/(outflow) from operating activities	**50.1**	**–**
Cash flow from investing activities		
Dividend received from Group companies	**144.9**	159.6
Net cash from investing activities	**144.9**	159.6
Cash flow from financing activities		
Dividends paid to shareholders	**(144.9)**	(159.6)
Intercompany funding loan	**(465.6)**	21.3
Intercompany funding receivable	**465.6**	(21.3)
Interest paid on intercompany funding	**(50.1)**	**–**
Net cash used in financing activities	**(195.0)**	(159.6)
Net decrease in cash and cash equivalents	**–**	**–**
Movement in cash and cash equivalents		
At beginning of year	**–**	**–**
Net decrease in cash and cash equivalents	**–**	**–**
As reported on the Balance Sheet (net of bank overdrafts)	**–**	**–**
At end of year, comprising		
Cash at bank and in hand	**–**	**–**
	–	**–**

Company Statement of Changes in Equity

	Ordinary share capital	Share premium account	Accumulated profit	Total
	(US$ in millions)			
Balance at 1 January 2008	0.4	346.1	–	346.5
Profit for the year	–	–	135.3	135.3
Dividends payable	–	–	(135.3)	(135.3)
Balance at 31 December 2008	0.4	346.1	–	346.5
Issue of share capital	**–**	**0.2**	**–**	**0.2**
Profit for the year	**–**	**–**	**144.9**	**144.9**
Dividends payable	**–**	**–**	**(144.9)**	**(144.9)**
Balance at 31 December 2009	**0.4**	**346.3**	**–**	**346.7**

Notes to the Financial Statements

Basis of accounting

During the 2009 financial year the Company converted from UK GAAP to International Financial Reporting Standards ("IFRS"). In the 2009 and 2008 financial statements the Directors have applied IFRS as adopted by the European Union.

The accounting policies, where relevant to the Company, are consistent with those of the consolidated Group as set out in note 2 to the consolidated financial statements.

Profit and loss account

The Company has taken advantage of the exemption available under section 408 of Companies Act 2006 and has not presented a profit and loss account. The profit after dividends for the year ended 31 December 2009 was US$nil (2008: US$nil).

Auditors' remuneration

The Auditors' remuneration incurred for the audit of the Company amounting to US$10,000 (2008: US$10,000) was paid by a company within the Inmarsat Group. No recharge was made. Fees payable in the 2009 and 2008 were payable to Deloitte LLP, appointed as Inmarsat's group's auditors on 28 July 2006.

Employee costs and Directors' remuneration

The Company does have any directly employed employees. Full details of Directors' remuneration and Directors' share options and share awards are given in the Directors' Remuneration Report.

Foreign currency translation

The functional and reporting currency of the Company is the US dollar as the majority of operational transactions are denominated in US dollars. Transactions not denominated in US dollars during the accounting period have been translated into US dollars at an average hedged rate of exchange. Fixed assets denominated in currencies other than the US dollar have been translated at the spot rates of exchange ruling at the dates of acquisition. Monetary assets and liabilities denominated in currencies other than the US dollar for which the Company has purchased forward exchange contracts have been translated at the average hedged rates of exchange contained in those contracts. Monetary assets and liabilities denominated in currencies other than the US dollar for which the Company has not purchased forward exchange contracts are translated at year end rates. Differences on exchange are dealt with in the profit and loss account.

The exchange rate between US dollars and Pounds Sterling as at 31 December 2009 was US$1.61/£1.00 (2008: US$1.44/£1.00, 2007: US$1.99/£1.00). The average rate and hedged rate between US dollars and Pounds Sterling for 2009 was US$1.56/£1.00 (2008: US$1.86/£1.00) and US$1.92/£1.00 (2008: US$2.01/£1.00) respectively.

Cash generated from/(used in) operations

Reconciliation of operating profit to net cash inflow/(outflow) from operating activities.

	2009	2008
	(US$ in millions)	
Profit for the year	**144.9**	159.6
Adjustments for:		
Interest payable	**45.9**	44.1
Interest receivable	**(45.9)**	(44.1)
Dividend receivable	**(144.9)**	(159.6)
Changes in net working capital:		
(Increase)/decrease in trade and other receivables	**(0.6)**	0.7
Increase/(decrease) in trade and other payables	**0.6**	(0.7)
Cash generated from/(used in) operations	**–**	**–**

Reconciliation of profit and shareholders' equity under UK GAAP to IFRS for the 2008 financial year and as at 1 January and 31 December 2008

There were no adjustments identified on conversion from UK GAAP to IFRS.

Reconciliation of balance sheet under UK GAAP to IFRS as at 1 January 2008 (date of transition to IFRS):

	UK GAAP	Effect of transition	IFRS
		(US$ in millions)	
Assets			
Non-current assets			
Investments	346.6	–	346.6
Other receivables	729.0	–	729.0
	1,075.6	**–**	**1,075.6**
Current assets			
Trade and other receivables	0.2	–	0.2
	0.2	**–**	**0.2**
Total assets	**1,075.8**	**–**	**1,075.8**
Liabilities			
Current liabilities			
Trade and other payables	(0.3)	–	(0.3)
	(0.3)	**–**	**(0.3)**
Non-current liabilities			
Borrowings	(729.0)	–	(729.0)
	(729.0)	**–**	**(729.0)**
Total liabilities	**(729.3)**	**–**	**(729.3)**
Net assets	**346.5**	**–**	**346.5**
Shareholders' equity			
Ordinary shares	0.4	–	0.4
Share premium	346.1	–	346.5
Total equity	**346.5**	**–**	**1,075.6**

UK GAAP numbers have been reclassified to conform to IFRS presentation.

Reconciliation of balance sheet under UK GAAP to IFRS as at 31 December 2008

	UK GAAP	Effect of transition	IFRS
		(US$ in millions)	
Assets			
Non-current assets			
Investments	346.6	–	346.6
Other receivables	794.4	–	794.4
	1,141.0	**–**	**1,141.0**
Current assets			
Trade and other receivables	0.2	–	0.2
	0.2	**–**	**0.2**
Total assets	**1,141.2**	**–**	**1,141.2**
Liabilities			
Current liabilities			
Trade and other payables	(0.3)	–	(0.3)
	(0.3)	**–**	**(0.3)**
Non-current liabilities			
Borrowings	(794.4)	–	(794.4)
	(794.4)	**–**	**(794.4)**
Total liabilities	**(794.7)**	**–**	**(794.7)**
Net assets	**346.5**	**–**	**346.5**
Shareholders' equity			
Ordinary shares	0.4	–	0.4
Share premium	346.1	–	346.1
Total equity	**346.5**	**–**	**346.5**

UK GAAP numbers have been reclassified to conform to IFRS presentation.