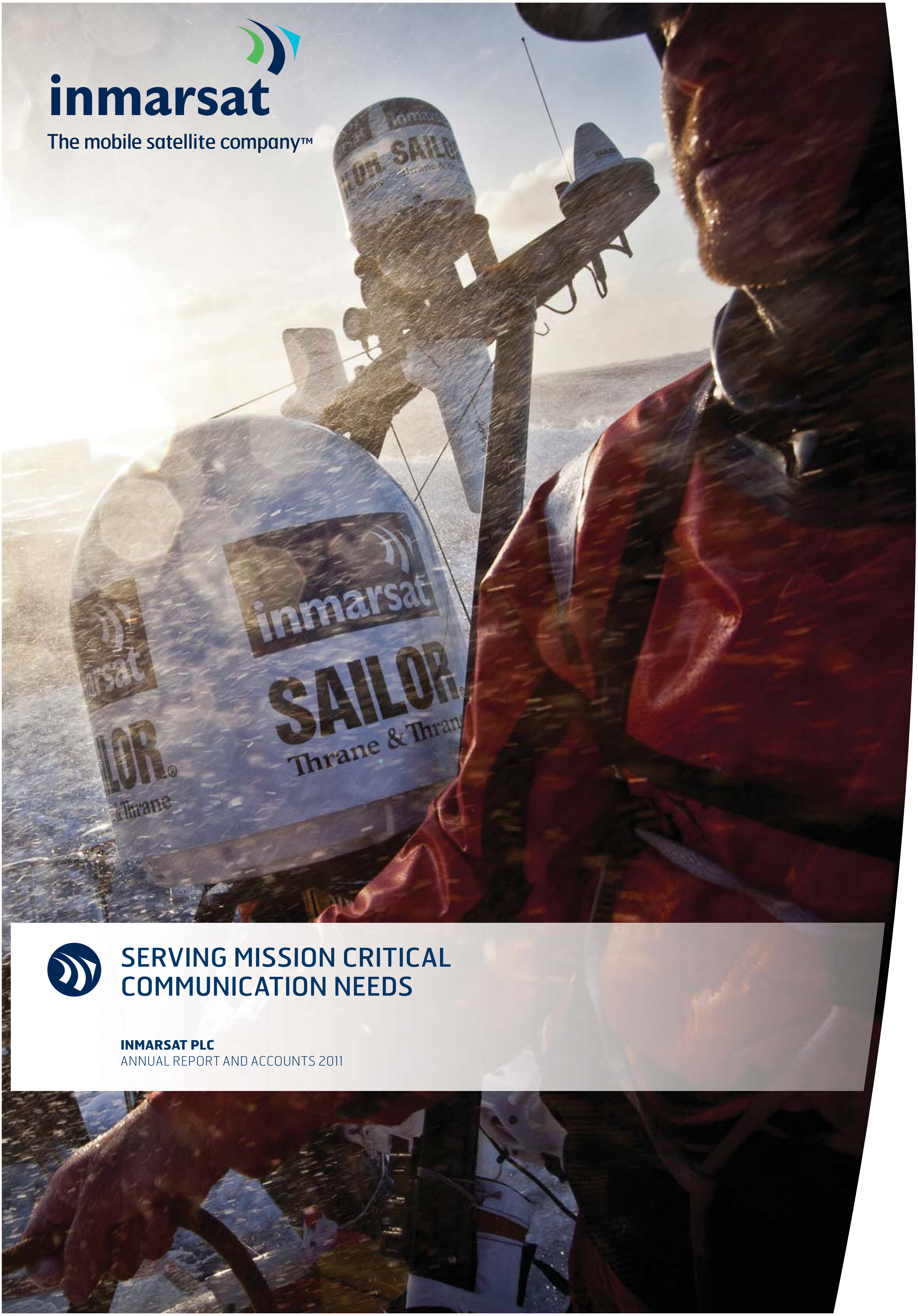
inmarsat

The mobile satellite company™



SERVING MISSION CRITICAL COMMUNICATION NEEDS

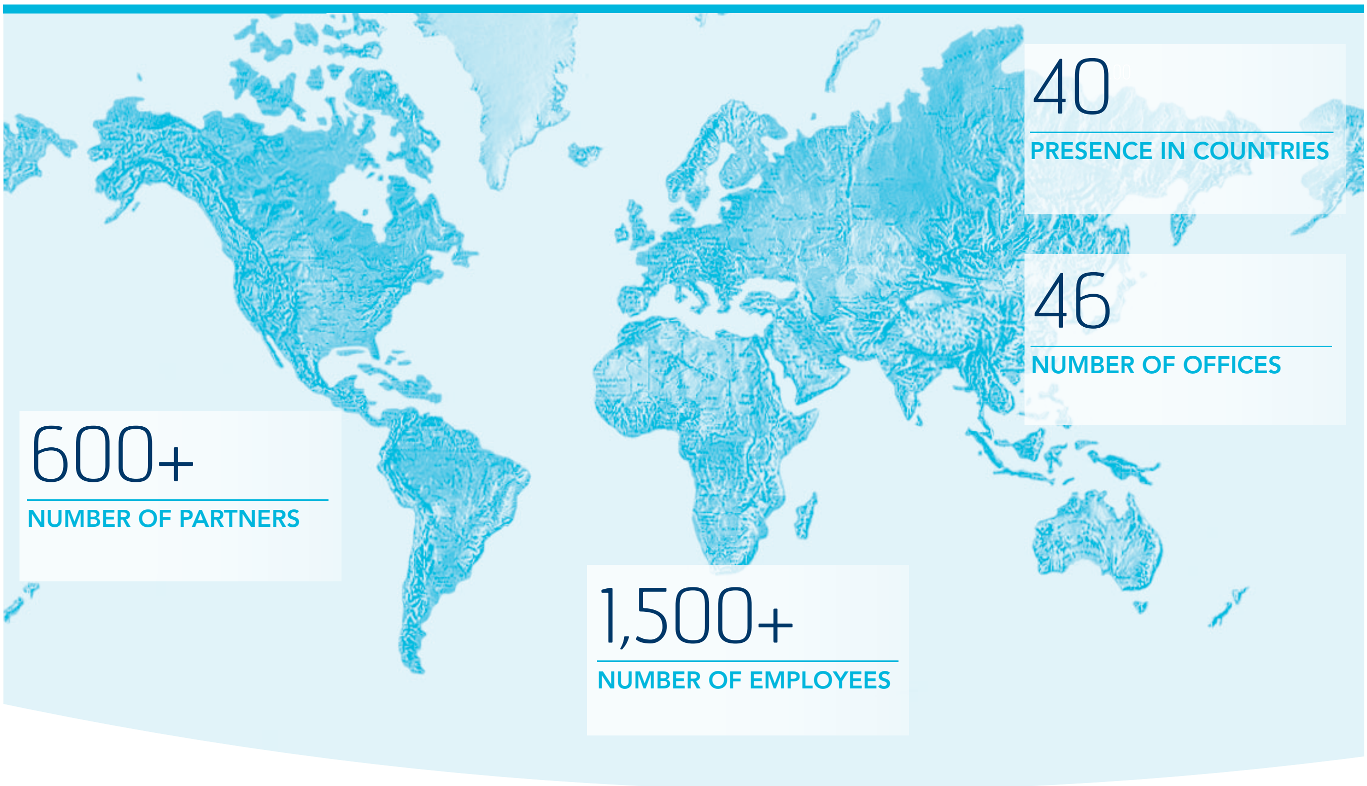
INMARSAT PLC
ANNUAL REPORT AND ACCOUNTS 2011

OUR BUSINESS

Inmarsat is the world's leading provider of global mobile satellite communications and offers a comprehensive portfolio of services for use on land, at sea and in the air.

We provide voice and data connectivity to end-users through the most versatile and reliable network in the world, giving us the capability to deliver innovative services and solutions on an unprecedented scale.

OUR GLOBAL OPERATIONS: BRINGING US CLOSER TO OUR CUSTOMERS AND SUPPORTING OUR PARTNERS



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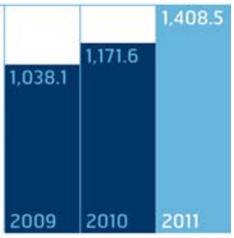
2011 HIGHLIGHTS

FINANCIAL HIGHLIGHTS

TOTAL REVENUE

US$1,408.5m

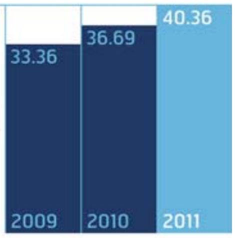
2010: US$1,171.6m



TOTAL DIVIDEND PAYABLE

40.36¢(US$)

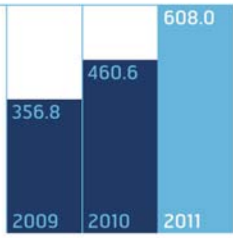
2010: 36.69¢(US$)



OPERATING PROFIT BEFORE IMPAIRMENT

US$608.0m

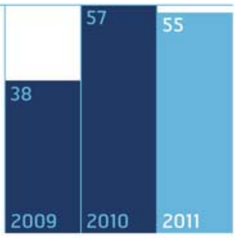
2010: US$460.6m



BASIC EARNINGS PER SHARE

55¢(US$)

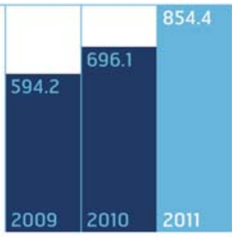
2010: 57¢(US$)



EBITDA

US$854.4m

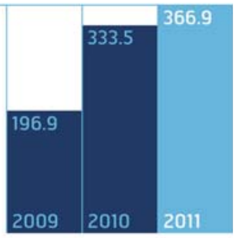
2010: US$696.1m



PROFIT BEFORE INCOME TAX

US$366.9m

2010: US$333.5m

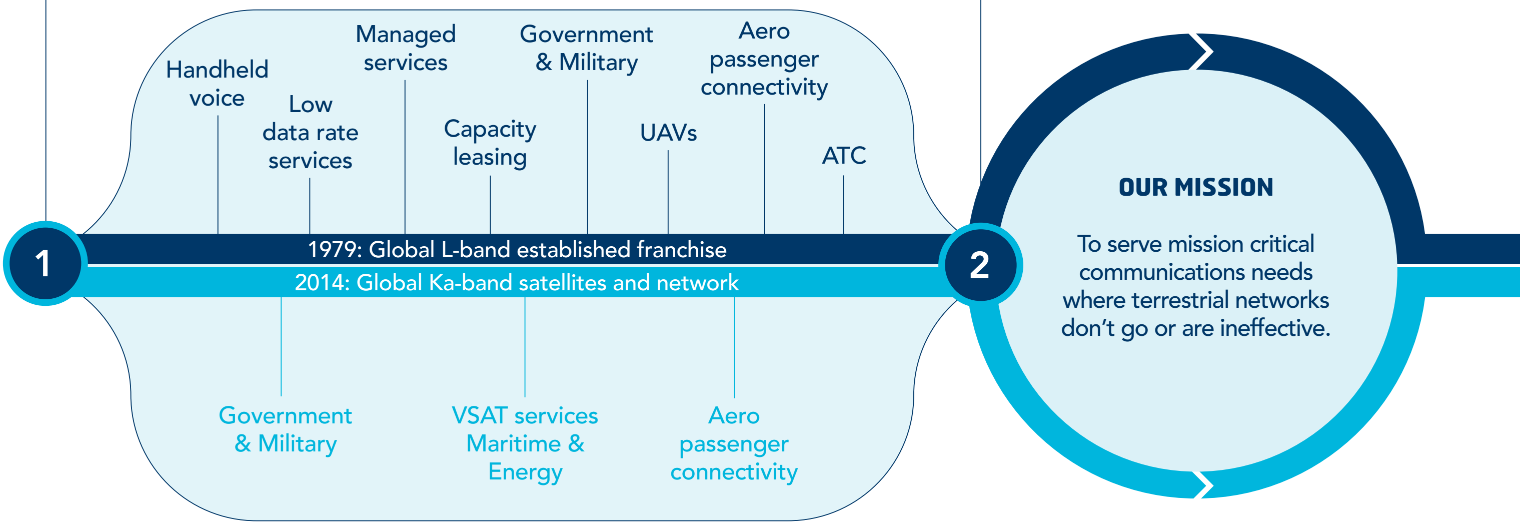


OPERATIONAL HIGHLIGHTS

- New maritime voice distress service offers priority call access over FleetBroadband
- Acquisition of maritime VSAT operator Ship Equip completed
- Commercial introduction of new entry-level maritime FleetPhone voice service
- New IsatData Pro low data rate service increases capabilities in M2M markets
- iDirect awarded contract to deliver ground network and core module for Global Xpress
- Agreement signed for ILS Proton to launch three Inmarsat-5 satellites in 2013-14

OUR MULTIPLE PATHS TO GROWTH...

...HELP US ACHIEVE OUR MISSION...



OUR STRATEGY

Serving mission critical communications needs where terrestrial networks don't effectively go remains central to how we invest in and execute our strategy. The market for highly reliable connectivity in these environments continues to expand and create opportunities for Inmarsat to grow. We have evolved over the last few years, through acquisition and investment, with an increased focus on data services. We believe this gives us an attractive service proposition with the customers we serve and provides profitable growth opportunities for our channel partners.

Our strategy is to continue to develop and grow our core services in maritime, aviation and land while investing in next-generation broadband services to identify new applications that we have not previously addressed, but with the same focus on the market segments we have served for many years.

In 2011 we faced pressures at both macro and specific market sector levels. Of course, we assess the impact of these pressures regularly against the strategic perspectives we outlined in our 2010 Annual Report, and which are shown in the diagram above, as we review our strategy and long-term planning. Our view of customer needs, operational efficiencies, maintaining our market leadership, and providing returns to our shareholders are all important perspectives for us to consider in our planning. We confidently believe that the core strategy for investment we have in place today provides a strong foundation for the future as global markets recover, the withdrawal impact of the Middle East diminishes on our business and the transition to next-generation services moves to its next phase.

Pictured right: INMARSAT PLC BOARD
The Board is collectively responsible for the long-term success of the Group and determines the nature and extent of the risks the Group should take to achieve its strategic objectives.

	...AND DRIVE OUR STRATEGIC SUCCESSES...	...WHILST MANAGING AND MITIGATING RISK.
CUSTOMER/MARKET	→ Highly reliable mobile data → Cost-effective voice bundles → Competitive, reliable handheld service → Premium services – good value → Innovative solutions	Our products are reliable and undergo rigorous testing to meet user requirements Our internal reorganisation brings greater retail experience and focus on customer needs We can offer integrated propositions for L-band, Ku-band and in the future Ka-band services Concentration on market sectors allows us to focus our support to our indirect and direct channels
OPERATIONAL	→ Highest reliability standards → Accelerated revenue growth in our core business and new services → Fixed-cost base through primarily wholesale approach and careful capex planning → Professionally rewarding, challenging and enjoyable place to work	We have satellite redundancy in the event of a failure of an existing satellite We have back-up sites for the ground infrastructure for our Inmarsat-4 broadband services
	3	4
INDUSTRY POSITION	→ The leading mobile satellite services ('MSS') provider → Being technology leader in MSS → Providing a range of innovative services → Offering premium services – at good value	We undertake rigorous assessments of market opportunities We have in-depth analysis of competing products We regularly review and update our existing services to provide enhancements for users We will have new services being launched with our Global Xpress programme
FINANCIAL	→ Deliver superior shareholder returns by growing revenue on a largely fixed cost base → Build sustainable cash returns to shareholders → Prudent capex planning	We keep our operating expenditure and capital commitments under continual review We operate with sustainable debt levels We have secured new financing facilities at attractive rates We have a comprehensive insurance programme in place

On the competitive front, while competition is increasing most of our competitors are either geographically limited, present risk for customers due to satellite constellation deterioration as their satellites reach end of life, or they may not be fully funded to deliver next-generation services. We are in a strong position to capitalise on this. We believe this competitor weakness represents an enormous opportunity for us over the next five years.

Our strategic objectives are:

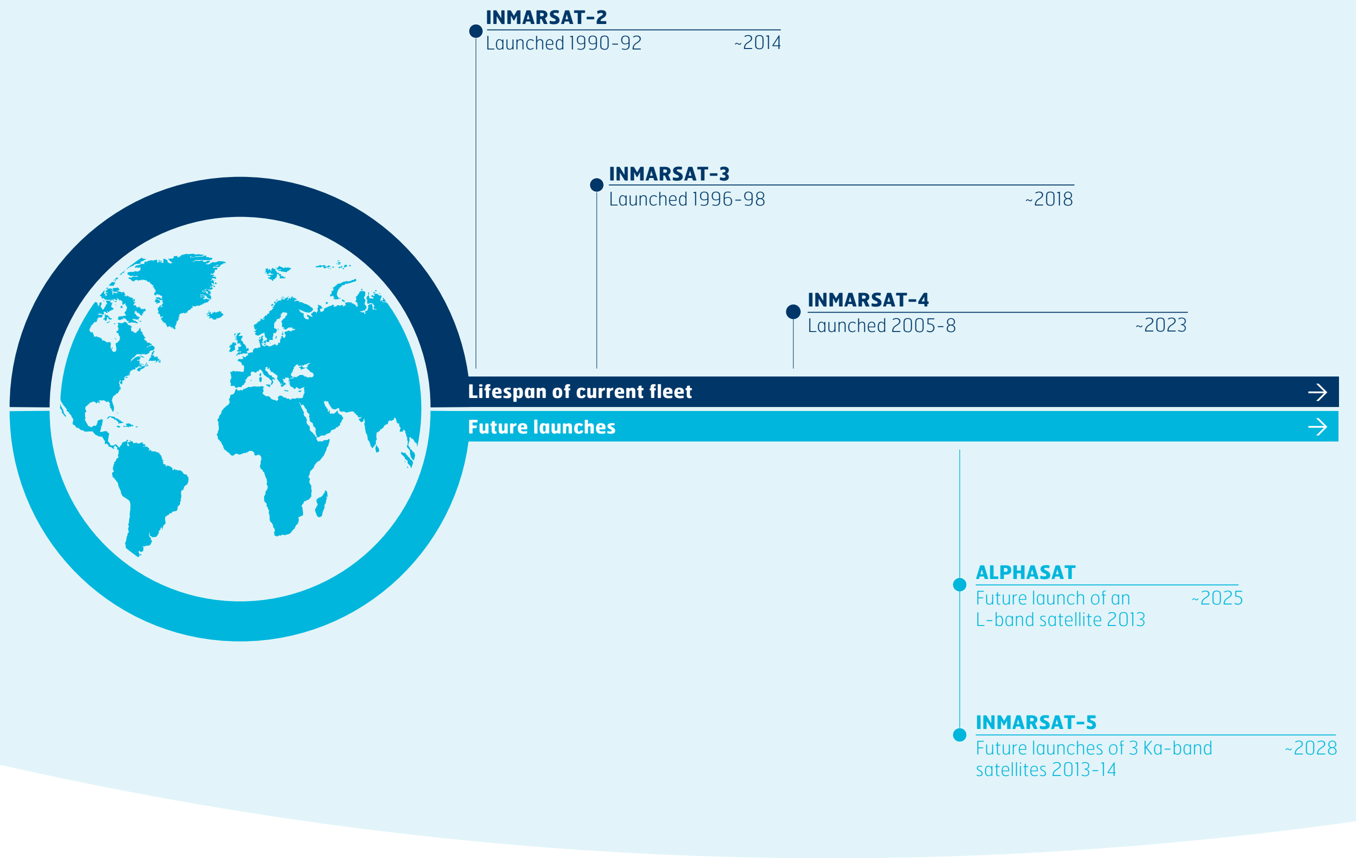
- Position our Inmarsat-4 services for renewed long-term growth
- Successfully launch the Inmarsat-5 generation of Global Xpress ('GX') services
- Power, directly or indirectly, broader value-added communications applications to complement our market-leading connectivity capabilities

Our objectives are delivered through various programmes, which we believe will secure future value:

- Being aggressive, innovative and effective in our core mobile satellite services ('MSS') markets of maritime, enterprise, aviation and government through pricing, service reliability and new product development
- Entering new markets in our targeted industry segments and creating new opportunities
- Targeting new geographies
- Executing on our Global Xpress Ka-band programme, to deliver it on time and on budget
- Driving Inmarsat into new high-bandwidth requirement markets
- Harnessing the benefits of a reorganised internal structure
- Supporting our loyal channel partners by providing profitable business opportunities, and
- Identifying incremental opportunities which are complementary to our business expansion.

FUTURE-PROOF

Our latest generation of award-winning Inmarsat-4 satellites will continue to deliver a range of L-band services to customers well into the 2020s. In addition, we are progressing our fully funded Global Xpress investment programme under which we will launch three Inmarsat-5 Ka-band satellites in the 2013-2014 timeframe.



We have a compelling service offering for our distributors and customers. The services offered on our new Ka-band satellites when launched, combined with our highly resilient existing L-band services, will provide a combined package offering choice, quality and reliability unrivalled in the satellite industry.

Two unrelated macro factors slowed our growth in 2011. Firstly, the global economic downturn has adversely affected our non-governmental business, particularly in our maritime business, where bulk shipping rates have dropped dramatically. Second, the continued withdrawal of NATO troop deployment from Afghanistan and diminishing military operational activity in that region of the world, has also negatively impacted revenue.

Notwithstanding these effects, at the same time terminal sales for new services have been strong and demand continued for new applications requiring connectivity in all of our core target markets. In the maritime sector, we saw flat revenues in 2011; this reflects the impact of customer migration from our older second-generation services to our more cost-effective, digital data services and also a shift from telephone calls to email. While we have seen our maritime revenues dampened, traffic growth is strong and spectrum efficiency is enhanced as we move away from analogue services to next-generation internet protocol-based services.

COMPELLING SERVICE OFFERING

Global Xpress presents a compelling service offering for our distributors and customers. The services offered on our new Ka-band satellites when launched, combined with our highly resilient existing L-band services, will provide a combined package offering choice, quality and reliability unrivalled in the satellite industry.

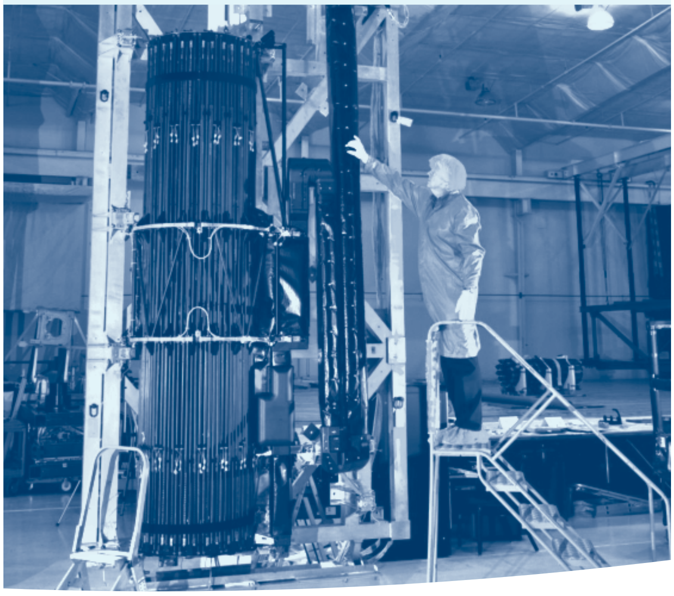
We are progressing our fully funded US$1.2bn Global Xpress investment programme under which we will launch three Inmarsat-5 Ka-band satellites in the 2013-2014 timeframe and target an existing and adjacent market opportunity of US$1.4bn with high growth potential. These Inmarsat-5 satellites will enable global mobile broadband satellite services which are significantly faster than those we are able to offer over our L-band satellite constellations, enabling delivery of speeds of up to 50Mbps to a 60cm antenna, at highly competitive price points. This programme is progressing well and is achieving our schedule and financial targets.

The three Inmarsat-5 satellites are being built by Boeing Satellite Systems International, Inc ('Boeing'), which is the world leader in Ka-band satellite technology. We are able to track progress against key milestones which are written into the programme and we have already successfully completed several comprehensive reviews. The first, called the Preliminary Design Review, validated Boeing's design approach to the physical and functional requirements of the satellites. Boeing has also completed the Critical Design Review, which marked the transition of the project from a design and engineering phase to a manufacturing, integration and test phase. Meeting these milestones means the first of the three Ka-band satellites remains on schedule for completion and launch in 2013. We expect that, once launched, these satellites will provide the first and only truly global coverage high capacity VSAT system. In addition, our GX offering will enter the market with mobility management capability which will be unmatched in the industry, offering customers seamless global next-generation broadband services on the move. Also, each satellite has multiple steerable beams, enabling us to move and direct significant capacity to the exact location it is needed, which is truly revolutionary in our industry. With these specially designed beams, we can serve, among other applications, the rapidly growing demand for wideband channels for unmanned aerial systems, which will provide excellent value to government customers and allow them to avoid capital investment at times of budget constraints.

The Inmarsat-5 satellites are a significant part of the GX programme, but there are other service delivery developments which are critical for the programme's success as well. Our ground segment and terminal development programme with iDirect who, working with other key partners, Sea Tel and SED, completed their review in late 2011. The review concluded that the system will meet the performance and delivery schedule. Other components of the GX programme are: (i) securing worldwide regulatory access for the service, (ii) finalising the orbital slot locations for the satellites, (iii) agreements with International Launch Services for the launch of the three satellites using a Proton launch vehicle, (iv) appointment of brokers to place the launch and in-orbit insurance, and (v) finalisation of the actual insurance programmes themselves. Each one of these elements we believe will contribute to early success for this programme.

We have also partnered with leading providers of terminals to the maritime market, such as Thrane & Thrane and Cobham/Sea Tel, to deliver terminals ready for the first Inmarsat-5 satellite launch in 2013.

ALPHASAT I-XL
A technician at Astro Aerospace in California prepares the 12-metre reflector for the Alphasat I-XL satellite for shipment to Astrium in Toulouse, France. The launch is scheduled for 2013.



In order to pave the way for our Global Xpress service in the maritime industry, we have launched the XpressLink service. XpressLink combines our SEVSAT Ku-band service and our Inmarsat FleetBroadband FB500 L-band service to offer a fully-integrated managed service for one inclusive monthly fixed fee. XpressLink will provide a bridge to our Ka-band service by offering upgradable terminals to our Global Xpress service. This enables customers to use these services now, knowing that they can automatically upgrade to a higher capacity service in the near future, giving them tremendous value and expanding the bandwidth they use immediately. Our acquisition of Ship Equip International AS in April 2011 gave us a significant market entry point for the XpressLink service using Ship Equip's status as a leading Ku-band VSAT provider to the maritime industry through its SEVSAT service. The team in place in the business has excellent knowledge about how ship operators buy their services and how this new XpressLink service, including the upgrade path to GX, can meet their current and future requirements.

Pre-launch agreements to sell and distribute the GX service to US government customers have been entered into with Boeing, which has committed to deliver revenue representing more than 10% of our target revenue over the first five years of operation. In addition, we have agreement with commercial aviation specialists GoGo and OnAir to bring the GX satellite service to the air transport market. We believe that combining their customised solutions with GX will provide a dramatic change in airline passenger connectivity globally. In the lead up to the launch of Global Xpress, we expect to make more announcements about the signing of channel partners to address the remaining market segments, completing segment by segment delivery of the GX service globally.

In summary on the GX programme, we are committed to ensuring that this service is delivered to our customers in the timetable we have set out – with a regional service available in 2013 and global service in 2014. We have made considerable progress in delivering this. The investment programme is consistent with our core market focus and a good fit for the channel with whom we have historically worked.

At the end of 2011, we announced a reorganisation of our management structure and how our business would operate in the future. The move brings our subsidiary companies together to focus on customer-facing activities to make us more effective today and prepares the way for a fully-integrated platform for our Global Xpress services. We believe that the realignment of our operational teams across the business will enhance our ability to support all our channel partners worldwide.

We believe that our business will benefit materially from how we have brought together the Inmarsat operations, focused into market sectors. There is a strong rationale to harness the expertise and knowledge of our subsidiary companies by aligning our businesses under the one 'Inmarsat' brand. In using just one brand name, we are aligning group-wide sales support and marketing capabilities and creating a world-class, end-to-end service delivery capability. Our strategy is to maintain and strengthen our support to a predominantly indirect business model via independent channel partners and to grow the overall L-band business and launch the new Global Xpress services. We will have some direct sales opportunities under the Inmarsat brand, which is a new dimension for us as previously our direct business was through our subsidiary companies – Stratos, Segovia and Ship Equip. This direct sales presence will be targeted in a way that complements the activities of our indirect channel to market.

Of course, we continue to invest in our existing platforms as well. Supplementing our Inmarsat-4 constellation will be the Alphasat satellite, which is being built by Astrium and which we expect to be ready for launch during 2013. In this project, we are the commercial partner for the European Space Agency ('ESA') and our investment in the satellite will provide additional L-band capacity across Europe, Africa and the Middle East. With the addition of Alphasat to our satellite constellation, we gain the assurance of complete redundancy in the event of an Inmarsat-4 satellite failure, plus we gain a significant increase in capacity over our highest traffic region of the world. Significantly, the addition of this satellite positively impacts our future capital expenditure requirements. As a result, we are now able to move to a staggered or rolling procurement process for our next-generation L-band satellites, the Inmarsat-6s. This smoothes out the large spikes in expenditure we have historically experienced as new satellite fleets get commissioned and defers some of our capital expenditures previously planned for this decade.

The satellite industry continues to evolve as evidenced by our activities in ancillary terrestrial component ('ATC') services in the US. Hybrid networks, as they are often referred to, which combine satellite and terrestrial capabilities – have been an opportunity we have focused on in two geographic areas: North America and Europe. In North America in 2007 we signed an agreement to work with another satellite operator, LightSquared, to enable the re-banding and efficient reuse of L-band radio spectrum covering North America, which would assist them to develop and deploy

4G ATC services. LightSquared has made several different staged payments to us for cooperation in both reconfiguring the US/Canada spectrum and compressing our use of spectrum to accommodate their terrestrial system. We do not know whether LightSquared services will eventually be deployed, although we have undertaken activities to ensure we can accommodate its rollout if their business proceeds. Similarly, we are also exploring the development of hybrid opportunities through our S-band satellite programme in Europe. We believe that over the long term, interference issues can be managed and hybrid systems can be effectively deployed. We also believe hybrid systems could offer attractive new services globally.

Of course, understanding our competitors is integral to how we think about our future business evolution. It is natural that we face competition and we see this from terrestrial as well as other satellite operators. We analyse how their activities and published plans may affect our strategic direction and decision making and decide how and/or if we need to respond. Our decision to invest in and launch the Global Xpress service is, we believe, ahead of the competition by several years, giving us a first-mover opportunity in this new market. Where we have seen competition eroding our revenues, we have taken steps to respond to this – our XpressLink service is a strong response to maritime VSAT competition and our IsatPhone Pro handheld voice offering is targeted at retaining and rebuilding our voice revenues. Our main competitors in mobile satellite services are either regional-only players, or competitors reliant on satellites which we believe are rapidly approaching their end of life. These factors, combined with the expanded addressable markets we can target with Global Xpress, offer the prospect for significant revenue growth in the years ahead.

We will be agile in how we make decisions, inspiring entrepreneurial behaviour within our Group and strengthening our support to our channel partners. We will be flexible in how we respond to the markets we serve and mobilise our resources to serve customers in a value-added way. We will be efficient in what we do and how we deliver our services. These factors combined, we believe, will enable us to continue to build on our 30-plus years of successful operations and position us well for the future.

This is my last Annual Report statement to you as both Chairman and CEO. We announced last year that we would separate the roles and we have done so. It has been a privilege for me to be the CEO of Inmarsat during its first seven years as a listed company. Much has been accomplished during this time to deliver new leading-edge, dependable services for our customers, present opportunities for our staff and deliver superior returns to our shareholders. I am pleased to hand over the reins to Rupert Pearce as the new CEO. Rupert has been a vital part of the Inmarsat senior management team for seven years and he has been the driving force in many initiatives which have contributed to our success. He is therefore well prepared to assume this role. I look forward to working closely with him in my role as Executive Chairman to deliver on the investment programmes we have put in place to drive value for our customers and shareholders.

BUSINESS REVIEW

We achieved record revenues and operating profits in 2011, with significant cash generation from operations and confirmed our policy of increasing our dividend by 10%. Our balance sheet and financial position remains healthy.

During 2011 we also announced some key management changes with the appointment of Rupert Pearce as our Chief Executive Officer (CEO). The management team has reviewed how we are currently structured and we are now implementing a vision of how we can bring improved benefits to our partners and customers through the technology we offer and how we provide our services. The Board and our senior management team believe these changes will bring benefits to all stakeholders.

While we will be focused on delivering our services through our four principal markets – maritime, enterprise, US government and global government – we will continue to report financially through two reporting and operating segments: Inmarsat Global, which remains the wholesale supplier of L-band airtime, and Inmarsat Solutions, which encompasses the operations of our subsidiary companies and the sales and delivery of services to users.

EXECUTIVE TEAM

This team is responsible for the day-to-day running of the business.

Rich Harris,
SVP Legal & Regulatory Affairs

David Helfgott,
SVP Business Development & Strategy

Alison Horrocks,
SVP Corporate Governance & Company Secretary

Debbie Jones,
SVP Corporate Development

Rick Medlock,
Chief Financial Officer

Perry Melton,
Chief Strategy Officer

Leo Mondale,
MD Global Xpress

James Parm,
President, Inmarsat Solutions

Rupert Pearce,
Chief Executive Officer

Ruy Pinto,
Chief Technology Officer

Andrew Sukawaty,
Chairman

While we reported record results for Group revenues and EBITDA, we are conscious of the slowdown in our core mobile satellite services ('MSS') business, particularly in the maritime and land mobile sectors. While this has been disappointing, we have at the same time been making tremendous progress in the service and product development that will secure new MSS growth for us in the future.

We maintained our commitment to pay increasing dividends to shareholders, uplifting the interim dividend and recommended full-year 2011 dividends by 10% on the total dividend paid for 2010. We expect to sustain this level of increase for the 2012 financial year as well. During August 2011, we also announced a share repurchase programme of up to US$250m which we believe was appropriate to do in order to provide increased returns to shareholders. To date we have repurchased and cancelled 13,907,750 ordinary shares.

During the year we secured competitive financing arrangements with The Export-Import Bank of the United States to fund a significant element of the Inmarsat-5 satellites and related capital expenditure and we also completed a successful refinancing of our US$500m Senior Credit Facility with a new US$750m five-year agreement.

With the role we play in providing mission critical communications needs, we are relied upon for our safety services in the maritime and aviation sectors. We continue to move forward with our plans to take our Global Maritime Distress and Safety System ('GMDSS') and aero safety services on to our broadband platforms, enabling these new safety services to operate into the 2020s and beyond. Our satellites and network infrastructure are highly reliable, and during 2011, our overall satellite and network availability was in excess of 99.9%.

Our financial support of Télécoms Sans Frontières ('TSF'), the telecommunications relief aid organisation, continues and it remains our main charitable cause. In the emergency areas TSF has served during 2011, we have seen directly how using satellite terminals and our handheld phones has made a real difference in how it communicates with other aid agencies, local governments and those who are directly affected by a disaster. During the year, we were also able to provide briefings to the Secretary General of the European Security Foundation on the integral role that Inmarsat can play in the delivery of Europe's border security and humanitarian policy.

Highlighting Inmarsat's continued involvement in the UK space industry, we have provided several information updates to various delegations from the UK Government, the UK Space Agency and the European Commission, keeping them abreast of satellite technology trends and the specific capabilities of Inmarsat. Along with other satellite and related industries, we have been instrumental in keeping the benefits of investment in space technology high on the UK Government's agenda. We were therefore very pleased that the UK Government has pledged the first investment from the UK's National Space Technology Programme, contributing to a range of projects with industry to develop commercial products and services using space technology or space-derived data. This is being managed by the UK Space Agency, in partnership with the Technology Strategy Board and the South East England Development Agency. The Minister for Universities and Science, the Rt. Hon. David Willetts MP, said that the UK space industry is an important driver of growth, supporting thousands of the most high-tech jobs. This focus is important for us as we look to keep our position within the worldwide commercial satellite market.

We are also a founding member of the Space Data Association, a non-profit association, which has been established by commercial satellite operators to improve the safety of flight and efficiency of space operations. We believe it is important that we are involved in initiatives that share expertise affecting our business and the wider space industry.

2011 AWARDS

We are delighted to have recently received a number of high-profile industry and consumer awards, including:

February 2011

Satellite Services Provider of the Year
Recognising Inmarsat's contribution to the growth of the broadcast and production industry in the Middle East, Africa and Southern Asia.

Sail Magazine **– Pittman Innovation Award**
The magazine described IsatPhone Pro as one of the most cost-effective satellite communications alternatives on the market.

April 2011

Best Satellite Broadband Provider
The Samena Awards 2011 recognised Inmarsat for the third consecutive year for services to South Asia, the Middle East and North Africa.

May 2011

Innovator of the Year
The Confederation of Norwegian Enterprise presented Inmarsat Maritime (formerly Ship Equip) with an award from its More and Romsdal Region for promoting innovation.

June 2011

Al-Iktissad Wal-Aamal Achievement Award
This award recognised Inmarsat's exceptional contribution to the development of satellite services in the Middle East.

September 2011

Global Satellite Operator of the Year
A panel of industry experts at World Satellite Business Week 2011 presented Inmarsat with the highest accolade in the satellite sector.

December 2011

CommsMEA 2011 'Most Innovative Non-Voice Service'
BGAN was again recognised for its outstanding contribution to the telecoms sector in the Middle East and Africa.

February 2012

Satellite Services Provider of the Year
The Digital Studio Industry Leadership Awards in Dubai named Inmarsat for this major accolade for the second year running.

REVIEW OF OPERATIONS

INMARSAT GLOBAL

Our three satellite constellations, comprising 11 satellites in total, operate at geosynchronous orbit approximately 36,000km (22,500 miles) above the Earth. Positioned at nine orbital locations, each constellation offers global coverage of our services. The addition of the Alphasat satellite, which is currently under construction and expected to be launched in 2013, will complement our Inmarsat-4 satellites and provide network resilience and additional space segment capacity over Europe, Africa and the Middle East.

We are a wholesaler of satellite airtime and sell our services to our distribution partners who either engage directly with customers or through their own channel of service distributors. Through our newly-named, Inmarsat Solutions operation, we also provide support to our distributors and the majority of our revenues come through our distribution partner channel. We remain committed to supporting these partners as our primary route to market. Our Connect Accreditation Programme, which was put in place to support and recognise our service providers, is highly valued by them, such that in 2012 we are adding a Platinum tier to reflect how some of our Gold accredited service providers have grown their business with us during 2011.

This year saw increased migration from our legacy services to our latest generation broadband services across all sectors. While this was very encouraging, the transition also impacted our revenue growth in 2011 as transitioning users learned how to best use the available digital services. We are confident that as customers become more familiar with our broadband services they will see the additional benefits available to them and usage and expenditures will increase as a result. Part of the overall proposition of our broadband services is how we price the services and we seek to ensure through various pricing packages that we are competitive to our customers and provide an attractive margin for our partners.

Our government customers, both military and civilian, use our services across all sectors, on a worldwide basis. As noted in our land mobile and aviation business updates on the following pages, we have seen our revenues fluctuate as government spending on our services is dependent upon worldwide events and requirements, particularly in areas such as Afghanistan and other parts of the Middle East. This volatility is difficult to predict.

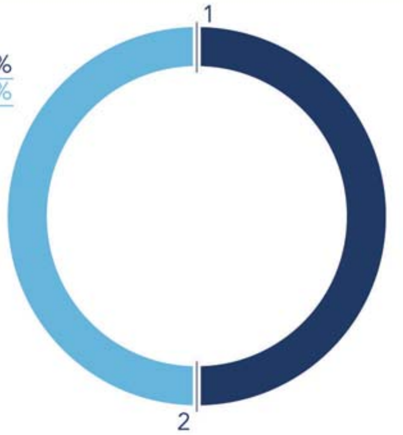
One of our business objectives is to identify how we can add accretive revenue streams. An example of how we extend our expertise to other business areas is our involvement in the Galileo programme, where we had been awarded a contract to cover the final validation, preparation and execution of two Galileo In-Orbit Testing campaigns for four Galileo navigation satellites. This has been a long-term relationship, which started in 2006 and remains ongoing and has given opportunities to our staff to learn additional skills that complement their roles within Inmarsat. Another example of long-term relationships we have developed to generate revenues is with the US Federal Aviation Administration to provide navigation and operational services enabling aircraft to fly more direct routes and providing access to airports during periods of low visibility and in difficult terrain without them having to rely on ground-based navigation.

Another key area of skill development for us is the opportunity for our satellite controllers to manage satellites for other operators. Along with our 11 owned satellites, we also control the Hylas-1 satellite which was specifically created to deliver broadband access to European consumers and we are under contract to operate the Hylas-2 satellite from mid-2012 onwards. Having this expertise in-house provides our team with additional experience ahead of the forthcoming Alphasat and Inmarsat-5 satellite launches.

MARITIME

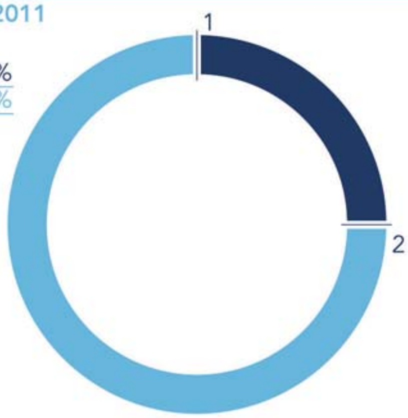
MSS REVENUE 2011

1. Maritime	50%
2. Other	50%



MARITIME REVENUE 2011

1. Voice	25%
2. Data	75%



In 2011, revenues from the maritime sector were US$358.9m, with data services accounting for 75% of sector revenues. As expected, during the year the trend of migration away from our older maritime services continued, with customers moving to our FleetBroadband ('FB') service which is cheaper, faster and offers an increased menu of applications. Users are benefiting from lower usage pricing on FleetBroadband, but this has had the short-term effect of slowing down our maritime revenue growth.

However, our new generation FleetBroadband service has been very successful, with adoption rates ahead of the strong take-up we saw in 2010. Migrating customers to FleetBroadband enhances our network capacity and commits customers to our service. Historically, we have seen average equipment lives on ships of ten years or more and would expect customers committed to FleetBroadband now to be with us for many years to come. With the migration occurring at a pace, the number of Inmarsat B terminals still being used has reduced, although we do not expect all Inmarsat B terminals to be replaced due to the conservatism of the ship operator or where the vessel is already near end-of-life. Users who operate with our Fleet service are also migrating to FleetBroadband, although their impact is less as the pricing of a Fleet service is more akin to that of FleetBroadband. This means the revenue impact of migration is being driven by a finite pool of remaining users and is reducing rapidly.

We know that shipowners and vessel captains have alternatives to Inmarsat for some of their services and we work hard to ensure that we offer them a variety of market-leading pricing packages, services and solutions to meet their needs so that they see compelling benefits and value to them for continuing to use our services. Innovating to provide new solutions is important and during 2011 we introduced FleetPhone, which is a maritime variant of our handheld phone service. New service enhancements – such as FB multi-voice and FB distress safety – are being incorporated into the manufacturing processes for FleetBroadband terminals, to be available when the services are expected to go live in 2012. The FB multi-voice service provides facilities for up to nine simultaneous voice lines on our larger FleetBroadband terminals, and four concurrent calls on our smaller terminals.

VOLVO OCEAN RACE

The organisers of the Volvo Ocean Race 2011-12 event recognised the importance of reliable satellite communications systems, by ensuring that all the yachts are equipped with our FleetBroadband service, plus an Inmarsat C for safety alerting and an IsatPhone Pro handheld. We are acting for the first time as Race Partner, and providing all the communications for the race.

Another popular initiative in our maritime offering has been our very large allowance ('VLAs') pricing plans. These plans respond directly to competition from VSAT for our heaviest users by offering a service providing the benefit of certainty of cost for unlimited usage. We have responded to the market demand for different levels of plans to cover a wide spectrum of users in the maritime sector. We have also introduced capabilities which enable traffic usage to be managed so that it remains within specified allowance plans, ensuring we are efficient in how we use our satellite resources and keeping within the pricing terms of the VLAs we have offered to customers.

We also announced during 2011 the launch of XpressLink, which is a unique hybrid service combining FleetBroadband with Ku-band connectivity in a package that is competitively priced and which will be upgraded on a committed basis to our Global Xpress Ka-band service when launched. We expect XpressLink to have compelling advantages over established Ku-band VSAT services and that therefore it will become a natural choice for ship operators looking to increase bandwidth to their vessels today, knowing that they have the reliability of the FleetBroadband service to fall back on if the Ku-band service is not available. This service, which is being offered through our retail channel to market, will give us the opportunity to build a customer base of early adopters, who will be committed to transition to Global Xpress in the future. We already have customers, for example, Frontline, the world's leading carrier of seaborne crude oil, which has committed to take the XpressLink service when it becomes commercially available during 2012.

FLEETBROADBRAND

Successful

Our new generation FleetBroadband service has been very successful, with adoption rates ahead of the strong take-up we saw in 2010.

XPRESSLINK

Customer base

This service will give us the opportunity to build a customer base of early adopters, who will be committed to transition to Global Xpress in the future.

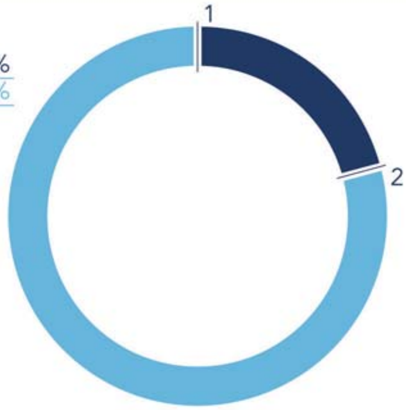
We are proud that we remain the only provider of satellite communications services for GMDSS. We have committed to extending GMDSS on FleetBroadband and the first stage of this was completed in July when we launched our FleetBroadband voice distress service. We expect to have a fully compliant service to meet IMO standards by the time our Inmarsat B service ceases at the end of 2014. Our '505' emergency calling service continues to be used and we are pleased that all our safety services are recognised by mariners and rescue co-ordination centres as vital in helping to save lives at sea.

The organisers of the 2011-12 Volvo Ocean Race acknowledged the importance of reliable satellite communications systems at sea, by ensuring that all the yachts in the race are equipped with our FleetBroadband service, plus an Inmarsat C for safety alerting and an IsatPhone Pro handheld. We are acting for the first time as Race Partner and providing all the communications for the race. This enables race fans, sponsors and the media to see the best of the action in high definition TV, viewing live video footage, while ensuring 'taken for granted' communications for position reporting and safety at sea happen automatically. This high profile and often dangerous race is an excellent opportunity for us to showcase the resilience of our services under the most severe conditions in the world's most remote environments.

LAND MOBILE

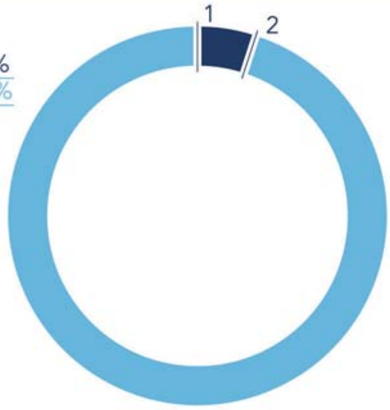
MSS REVENUE 2011

1. Land mobile	21%
2. Data	79%



LAND REVENUE 2011

1. Voice	5%
2. Data	95%



Revenues from our land mobile sector were US$151.7m for 2011. Data services represented US$144.0m of this.

Our Land sector incorporates several different sub-sectors and we experience different usage trends in each, triggered by economic conditions, natural disasters and military activities.

As with our maritime business, we have considered how we can improve and enhance the services we offer and during 2011 made preparations for several service launches.

As highlighted in last year's Annual Report, we believe that the market for machine-to-machine ('M2M') applications is growing and we focused on this opportunity during 2011 through the development of several initiatives. The first was the launch of IsatData Pro in conjunction with our partner, SkyWave, in which we have a 19% shareholding. IsatData Pro exclusively uses our satellite capacity and outperforms other satellite M2M competitive offerings. We have seen customers using IsatData Pro to transmit critical data. For example, it has been integrated into a solution for use in modern-day conflict theatres, simultaneously broadcasting data to multiple assets, minimising costs and timescales as a consequence.

It is used by transportation companies for tracking and monitoring their vehicles for security purposes and also providing logistic services. We have recently launched a new M2M terminal for our BGAN service, which is our broadband service for land users. The BGAN Link M2M service offers an end-to-end IP data capability for real-time applications, including smart metering, SCADA, monitoring and other infrastructure telemetry solutions. Our target markets for this new service are utilities, oil and gas and retail banking. We believe this cost-effective solution will be attractive to organisations which need to have reliable connectivity to unattended remote sites which operate on a global basis.

BGAN SERVICE

BGAN land

We have recently launched a new M2M terminal for our BGAN Link service, targeting utilities, oil and gas and retail banking.

ISATPHONE PRO

Subscriber growth

We now have more than 50,000 subscribers to our IsatPhone Pro handheld service.

Our BGAN service continued to add new subscribers during the year although its revenue contribution has been impacted by the reduced traffic from government customers in Afghanistan. Where our services are used in Afghanistan, ground forces have been using our BGAN terminals to assist with logistical communications between US and NATO forces. They are also made available for troop welfare calls to friends and family. This reduced traffic has been partly offset by usage from events in North Africa for part of the year. Our BGAN and IsatPhone Pro services were deployed by aid agencies across North Africa to assist the human impacts of these conflicts, not least in refugee camps on the Libyan border. We have seen our BGAN service used by local civil defence and aid agencies wherever there has been a disaster situation. An example was first responders and broadcasters in New Zealand using Inmarsat services to respond to the earthquake in Christchurch. BGAN continues to be well used by broadcasters across the world to ensure breaking news of world events. For the second consecutive year, we received the Comms MEA 2011 award for our BGAN service as the 'Most Innovative Non-Voice Service'. We were also named Best Satellite Broadband Provider in South Asia, the Middle East and North Africa for the third consecutive year and won an achievement award for our development of the satellite communications sector in the Middle East and North Africa.

It is important to continue to develop our BGAN service and we were very pleased to have signed a memorandum of understanding with Thrane & Thrane for the development and delivery of key components to implement new BGAN services. This builds on the long and close collaboration we have with our manufacturers and how we work on this platform together to bring new services to market. An example of part of this collaboration, in conjunction with the European Space Agency and the UK's Technology Strategy Board, was with the successful completion of an initial study on the feasibility of supporting IPv6 services on our broadband services. IPv6 is the next-generation version of internet protocol, which is the system by which information is transferred across networks. This successful trial will give our customers, particularly government users, confidence in our ability to support IPv6 services in the future.

An area we focused on during the year was how to combine our BGAN capability with software-defined radio ('SDR') technology to create the first commercially-available SDR implementation of a BGAN terminal. SDR technology enables a number of waveforms, also known as communication standards, to run on the same hardware platform, allowing rapid changes from one communication standard to another. The BGAN waveform opens a new method of establishing broadband satellite communications on the move which is particularly useful for the military or first responders.

We now have more than 50,000 subscribers to our IsatPhone Pro handheld service. We are pleased with the numbers of units sold and are looking at how we can increase demand for usage of these handsets and build on the existing revenue stream. We have received very positive feedback from user groups to our handheld service and believe we have made a good start to take back some voice service revenues from our competitors. The level of use by our customers is developing at a slower rate than expected, in part we believe due to the fact it is taking longer to penetrate higher spending customers, although we do expect this to change in time. Currently, therefore, IsatPhone Pro revenues are not a material element of our overall land mobile revenues. We were delighted with the results of a test by *Land Rover Owner International* magazine who tested IsatPhone Pro and an Iridium model in a variety of independent trials analysing ease of use, clarity of transmission, battery life, reliability and value for money. Our phone outscored the Iridium phone in all categories except ease of use where both phones were judged to be equal.

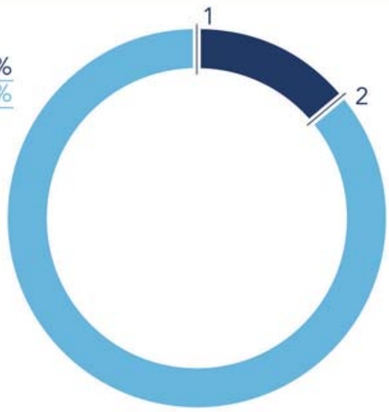
DEFENCE AND AID AGENCIES

We have seen our BGAN service used by local civil defence and aid agencies wherever there has been a disaster situation. First responders and broadcasters in New Zealand used Inmarsat services to respond to the earthquake in Christchurch.

AVIATION

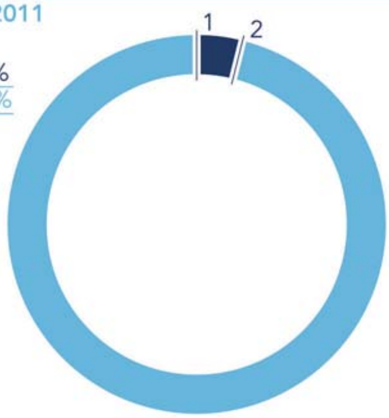
MSS REVENUE 2011

1. Aviation	14%
2. Other	86%



AVIATION REVENUE 2011

1. Voice	4%
2. Data	96%



During 2011, revenues from the aviation sector were US$99.5m.

Although our revenues were slightly down year on year, we consider this to be a very good performance as in 2010 our figures were boosted by some highly extreme use from certain users. We see that usage levels can be volatile and the average revenue per user can fluctuate strongly due to the heavy government users of this service.

Our Swift 64 service continues to do well and is complemented by an increasingly strong contribution from SwiftBroadband. SwiftBroadband terminals are being activated at a much faster rate than for Swift 64 at its peak and we benefit from the fact that aeronautical terminals are installed for the long term due to complexity and cost. The outlook for our SwiftBroadband service and the long-term revenues it brings are very positive. We have also seen SwiftBroadband terminals being installed into passenger aircraft for future passenger services, which is still a largely untapped market for us.

Some leading aviation carriers have announced their commitment to SwiftBroadband: TAM Airlines, the leading Brazilian carrier, committed to fit out its entire long-haul and short-haul fleets of aircraft and other carriers such as Singapore Airlines are beginning to move from successful trials of the service to wider deployments. Emirates has committed to introduce Wi-Fi internet connectivity on its Airbus A380s, and will fit the SwiftBroadband service to all its fleet, in addition to mobile phone and mobile data services from mid-2012 on its new A380s. We estimate that we now have approximately 150 aircraft using our services for passenger connectivity.

More and more airlines now believe that passenger connectivity will become ubiquitous and that airlines have to begin full commercial commitments or fall behind where the industry is heading. We believe our SwiftBroadband service will fulfil these requirements. Over time we also see these services enhanced with more bandwidth coming from future variants of SwiftBroadband and the launch of Global Xpress. As with other developments in our industry, the implementation periods are long and, as a result, revenue flow will take time.

SWIFTBROADBAND
Safety

We are working to extend safety capabilities to our SwiftBroadband service, planned for introduction in 2013.

PASSENGER SERVICES
On the rise

We believe passenger connectivity will become ubiquitous and that SwiftBroadband will fulfil airlines' requirements.

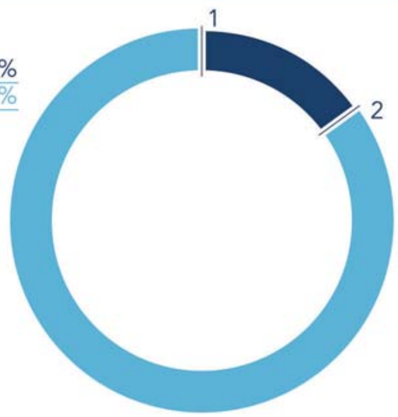
A new development we will focus on in 2012 will be the development of SwiftBroadband waveform technology to enable the transmission of sending signals through helicopter blades. This will be an additional revenue opportunity for us. The recently launched SwiftBroadband 200 continues to demonstrate huge market appeal in many segments of the aviation market and gives users excellent communication capabilities in a small, cost-effective hardware solution.

As with maritime, we also provide safety services to the aviation industry and are extending these safety capabilities to our SwiftBroadband service, which we expect to introduce in 2013. The expansion of our safety services comes as national aviation safety regulators and service providers are demanding an enhanced service with higher overall service availability and improved latency. In addition, there is a requirement for increased aircraft position reporting and user demand is growing for IP-based data applications in the aircraft cockpit. The safety service which will be supported via SwiftBroadband will be deployed alongside the existing Classic Aero safety solution, and will be available for any type of aircraft.

LEASING

MSS REVENUE 2011

1. Leasing	15%
2. Other	85%



In 2011, revenues from leasing were US$110.2m. During 2011 we have seen some existing aviation and maritime leases not being renewed or reduced, while new ones have been implemented for land-based services and we also agreed a new contract with the Federal Aviation Administration ('FAA').

The five-year FAA contract is to provide navigation and operational services on one of our Inmarsat-4 satellites via their systems, to provide access to airports during periods of low visibility and difficult terrain, without the need for ground-based navigation.

Some of our customers want to secure longer-term arrangements with us to benefit from guaranteed access to satellite capacity. In these instances, we see the revenue flow from these arrangements move from one sector, such as land mobile, to leasing.

INMARSAT SOLUTIONS

Inmarsat Solutions comprises the financial results of Stratos, Segovia and from April 2011, Ship Equip. With the emphasis in 2012 on driving revenue growth and service delivery through our market sectors of maritime, enterprise, US government and global government (non-US), we will be harnessing the market knowledge from each of these businesses to increase our penetration in each of these markets, working closely with our indirect channel and nurturing the direct relationships we have with customers through existing relationships.

We acquired Ship Equip, a leading VSAT operator, at the end of April 2011. Ship Equip supplies maritime communications services to the shipping, offshore oil and gas and fishing markets. It was an ideal acquisition for us to support the migration of certain users of our maritime services to higher speed services, especially those who will be using our Global Xpress service. We are delighted that the experienced and successful management team has remained in the business and we will benefit from their expertise to drive revenues. Ship Equip, which is now called Inmarsat Solutions AS, is the driving force behind the launch of our XpressLink service, which will unite Ku- and L-band services into a single hybrid service operating as a link between our traditional Inmarsat services and Global Xpress. We have already seen customers signing up for the XpressLink service.

Stratos, which is now branded as Inmarsat, provides services directly to customers or through a network of service providers. With its own terrestrial network, including land earth stations, it also offers fixed-site remote telecommunications services over fixed satellite systems and through its owned and operated microwave facilities, mostly located in the Gulf of Mexico. As Stratos mainly provides Inmarsat services to its customers, their results generally reflect the same factors impacting those for Inmarsat Global. An additional factor impacting their results is that as customers migrate to the Inmarsat broadband services platform, the traffic is carried on the Inmarsat ground network instead of using their legacy networks. As many distributors have been outsourcing this activity to Stratos, this revenue source to them is also naturally contracting. Stratos owns WiMAX frequency spectrum licences in certain areas of the Gulf of Mexico and has been actively seeking ways to promote its capability to offer radio access services in this region at competitive prices.

SHIP EQUIP
Acquisition

Our acquisition of Ship Equip in April 2011 gives us a significant market entry point for the XpressLink service.

SCADA
Market focus

R&M uses BGAN to transmit operational data from oil pumps and other mission critical equipment in remote areas not accessible by traditional monitoring infrastructure.

A focus area for us has been the supervisory control and data acquisition ('SCADA') market. An example of this was seen during the year with a contract secured from R&M, a US-based provider of components for the global oil and gas industry, to provide a network system using BGAN terminals to transmit operational data from oil pumps and other mission critical equipment in remote areas not accessible by traditional monitoring infrastructure. This has provided R&M with a single-source, universal solution that works anywhere and is easy to use, thus eliminating the need to engage multiple local providers in dozens of different regions.

Inmarsat and Stratos came together to support the elections in November 2011 in the Democratic Republic of Congo. Many hundreds of BGAN terminals were used for data transmission of polling information and results across 11 different regions. This example typifies the mission criticality of Inmarsat services and why they are used and relied upon. A contrasting use of the BGAN service was when Stratos provided BGAN services to the 14-day Ultramagic Experience hot air balloon expedition over Africa's Mount Kilimanjaro. This was the first time that BGAN had been used by balloonists and, as well as enabling fans to track the balloon's itineraries and view spectacular images taken during flight, also ensured the safety of all balloonists.

BGAN SERVICE

Kilimanjaro

A contrasting use of the BGAN service was when Stratos provided BGAN services to the 14-day Ultramagic Experience hot air balloon expedition over Africa's Mount Kilimanjaro.

US GOVERNMENT

Opportunity

As part of the refocusing on our government business in 2012, we have taken the opportunity to bring together our three US government operations.

The third contributor to the Inmarsat Solutions business is Segovia, which we acquired in January 2010, so have now had two full years of revenue contribution. Segovia, which now does business as 'Inmarsat Government', is a leading provider of secure IP-managed solutions and services principally to the United States Army and other US military services and government agencies. The premise for acquiring Segovia was to strengthen our relationships with these key government customers and we are pleased with how this is progressing. We were delighted when Segovia won an order from NATO for communications support for troops in Afghanistan, reflecting a broadening of their reach. As part of the refocusing on government sectors in 2012, we have taken the opportunity to bring together our three US government operations – Segovia, Stratos Government Services ('SGSI') and Inmarsat Government Services. We believe this combination of excellence and knowledge will be of value to our customers and will help drive further revenue growth in the future. Segovia and SGSI worked together to secure a contract from the Defence Information Technology Contracting Organization for the US Navy Military Sealift Command ('MSC'). Our companies created a service offering to provide an end-to-end IP communications pathway linking globally deployed MSC ships and assets. SGSI also won a contract with the US Coast Guard ('USCG') to enable its cutters to interconnect with the USCG data network to exchange operational ship traffic.

Overall, our newly reorganised Inmarsat Solutions operation is well positioned to support our channel and customers for the future. The changes bring Inmarsat into a position to understand more fully customers' evolving communications needs, in order to better customise and deliver on the connectivity solutions we provide.

OUTLOOK

During 2011, our success as a business manifested itself in many ways.

We have successfully put in place additional and new financing arrangements at very beneficial terms. Our next-generation Global Xpress programme is fully funded. This programme also remains firmly on track for delivery of the first satellite in 2013.

We received significant cash contributions from LightSquared during the year and continue to be cash generative. We continued to increase our dividend payments, and we have a commitment for continuing increases in dividend payments in 2012.

We have a strong management team, led by Rupert Pearce as CEO, and we have reorganised our business to deliver excellence to our partners and customers in terms of our services and how they are delivered.

We are confident in the growth prospects of our key services, among which are BGAN, FleetBroadband, SwiftBroadband and IsatPhone Pro. These products are seeing strong subscriber take-up and ARPU growth and will extend our leading MSS franchise well into the future. In the near term, however, overall revenue growth will be constrained by reducing revenue from Afghanistan and service migration factors. We believe like-for-like cost growth in our core Inmarsat Global MSS business will be minimal, while a certain level of operating costs will be required to support the launch of our Global Xpress service.

The revenue slowdown we saw in 2011 means we have moderated our five-year targets for Inmarsat Global MSS revenue growth. We feel it would now be prudent to target a compound annual growth rate ('CAGR') for Inmarsat Global MSS revenues in a range of 0% to 2% over the period 2012 and 2013, being the time period before our Global Xpress service is launched. We are also assuming a CAGR of between 8% and 12% for these revenues for the period 2014 to 2016, covering the initial years after Global Xpress is expected to be launched, and assuming that the delivery and launch of the Inmarsat-5 satellites goes to the current plan. While we are optimistic that MSS growth will return, we want to be prudent in setting expectations for this growth for the next couple of years.

Our employees and their contribution and dedication to the success of Inmarsat remain fundamental to our success. We are grateful to them for their continuing support and commitment to the mission of providing highly reliable and leading-edge services to our customers in the demanding environments in which they operate. This ethos for delivering reliability for our customers, which is often mission critical and even life critical, has been at the heart of Inmarsat for over 31 years now and we are committed to continue on this path.

Andrew Sukawaty
Chairman
6 March 2012

CHIEF FINANCIAL OFFICER'S REVIEW

RICK MEDLOCK
Chief Financial Officer

I am pleased to present a review of the financial performance of the Group for 2011. The year has been characterised as one in which we are building for future growth and executing on our investment plans for Global Xpress, our next generation Ka-band satellite services. We performed well against the backdrop of the unabated poor economic climate and fierce competitive environment and remained disciplined on capital expenditure, operating cost control and working capital management.

HIGHLIGHTS

REVENUE
+20%

Our Inmarsat Solutions business has maintained its market share of Inmarsat Global's MSS revenues at approximately 39%.

ACTIVATED TERMINALS
+13%

Strong growth in terminal subscribers across all sectors of maritime, land and aviation.

EBITDA
+23%

We have grown headline revenue and EBITDA by over 20% and continue to deliver solid operating cash flows.

DIVIDEND
10%

We have delivered on our commitment to raise our dividend by 10% year on year.

Overview

2011 has been another successful and exciting year for Inmarsat both from a financial and operational perspective. We have grown headline revenue and EBITDA by over 20% and continue to deliver solid operating cash flows. We have kept a tight rein on underlying costs and working capital, allowing us to continue with our significant investment plans. We made good progress with our Global Xpress programme, securing extremely favourable funding through Ex-Im Bank and we also initiated a share repurchase programme. Although we expect that leverage will increase in the coming periods, due to the Global Xpress and Alphasat investment programmes, we ended the year with a strong balance sheet and significant available liquidity. We are pleased to report that we have delivered on our commitment to raise our dividend by 10% year on year, which is in line with our strategy of increasing dividends based on the growth of normalised free cash flow.

Revenue from our Cooperation Agreement with LightSquared was the primary driver of overall revenue growth in 2011. There is no doubt that we have faced significant headwinds in our core MSS business, which has constrained MSS revenue growth; however we are pleased with the progress we are making in MSS subscriber growth across our newer services. Our 2011 revenues in the maritime sector were impacted by the migration of customers from older services (Inmarsat B, Mini M and Fleet 77) onto newer services (FleetBroadband). However, as the year progressed, we saw encouraging signs of increased usage and average revenue per user ('ARPU') of FleetBroadband. In the land mobile sector, MSS revenues were affected by reduced usage from customers in Afghanistan and whilst much of this decline was largely offset by high usage levels from events in Japan and North Africa, usage also began to fall back as events in that region abated. We saw new demand for our BGAN service and added subscribers but, while this is encouraging, it is unlikely that this organic growth will be sufficient to offset the impact of the expected ongoing decline in data revenue from Afghanistan. In the aviation sector, revenues were impacted by the consolidation of certain customer businesses with aviation leases and we expect reduced usage in Afghanistan to be a factor in 2012. However, take up of our SwiftBroadband service remains strong and revenue growth from this service is building well. We recognised contributions from our newly acquired subsidiary, Ship Equip and our Inmarsat Solutions business has maintained its market share of Inmarsat Global's MSS revenues at approximately 39%, which remains encouraging given the competitive and pricing pressures within the distribution channel.

Although we are satisfied with the progress this year, the economic climate remains uncertain, especially in our core government and maritime markets. We remain cautious on our prospects for revenue growth in 2012, especially in light of the reducing revenue from Afghanistan and service migration factors continuing, along with competition in our traditional MSS sectors.

However, we are well-positioned to grow our key new services, XpressLink, FleetBroadband, SwiftBroadband and IsatPhone Pro, which are seeing strong subscriber take-up and ARPU growth. We are implementing a number of pricing initiatives to further incentivise customer migration to FleetBroadband, the take-up of fixed-term value-added pricing plans and to improve the yield from older services. We are also seeing high levels of interest in our XpressLink maritime L-band/Ku-band hybrid service and expect this service to take share in the maritime VSAT market during 2012. Our IsatPhone Pro service, which recently passed the milestone of 50,000 active units, is well-positioned to achieve greater penetration of higher spending customer accounts and grow usage and revenues. The roll out of SwiftBroadband to support in-flight passenger services continues to add early new revenues to our aviation business and we remain well-placed for this opportunity.

We remain extremely excited by the incremental opportunities and long-term prospects which Global Xpress offers in the future. Our acquisition of Ship Equip on 28 April 2011 for a cash consideration of US$113.2m (net of cash acquired and after hedging the foreign exchange risk), positions us to support the evolution of certain segments of the maritime market to higher speed services, especially those to be offered by Global Xpress. Ship Equip is a leading provider of VSAT maritime communications services to the shipping, offshore energy and fishing markets and, with a large installed base of VSAT customers, who we expect to transition to Global Xpress services, as well as a management team with extensive knowledge of VSAT operations and customers, will help us ensure that Global Xpress is a compelling proposition for the maritime community. However, our focus remains on growing our existing core business and delivering increasing value to shareholders, which we believe we are well-positioned to achieve.

Following on from the Ship Equip acquisition, on 13 January 2012, we acquired 100% of the outstanding shares of NewWave Broadband Limited ('NewWave') for a total cash consideration of US$9.0m (net of cash acquired), financed from available liquidity. NewWave sources and provides satellite capacity to Ship Equip, as well as providing maintenance and upgrade services for the associated network hub. The operations of NewWave will be integrated within our Inmarsat Solutions business.

Last year, we undertook some significant financing activities. First, we were delighted to sign a highly attractive 12.5-year US$700m direct financing agreement with the Ex-Im Bank on 11 May 2011. This facility was put in place to fund the construction of the Inmarsat-5 satellites and other related capital expenditure and has a total availability period of four years, repayable in equal instalments over a further 8.5 years. Drawings under the facility will incur interest at a fixed rate of 3.11% for the life of the loan.

As at 31 December 2011, we had total drawings of US$277.3m under the Ex-Im Bank Facility.

In June 2011, we also took the opportunity to refinance our existing US$500m Senior Credit Facility, which was due to mature in May 2012, with a new five-year US$750m Senior Credit Facility. The full amount of the facility is available to draw in the form of a revolving credit facility and does not amortise during the five-year availability period. Advances under the new facility bear interest at a rate equal to the applicable USD LIBOR, plus a margin of between 1.00% and 2.50% depending on our ratio of net debt to EBITDA. The new facility has been provided by a group of 12 commercial banks. These two financings have both secured all funding needed for the Global Xpress programme and allowed us to significantly reduce our average cost of debt.

Once we had secured the new loan facilities, and primarily because we were receiving substantial cash payments from LightSquared, we undertook a review of our balance sheet and liquidity position to determine how we could enhance returns to shareholders. As a result of this review, in August 2011, we announced a share repurchase programme of up to US$250m, with a target implementation period of 12 months. As of 31 December 2011, 13.9m ordinary shares have been repurchased at a total cost of US$98.4m.

As noted above, LightSquared has been the main driver of revenue and EBITDA growth and has generated substantial cash flow during the year. It has also been a project where we have spent considerable time, effort and money to deliver on our obligations on a very aggressive time frame. The context for this is that in December 2007, Inmarsat and LightSquared entered into a Cooperation Agreement for the efficient use of L-band spectrum over North America as a result of which Inmarsat agreed to reorganise and lease some of its radio spectrum to LightSquared in return for substantial cash payments. As at 6 March 2012, LightSquared has made payments in respect of all the phases of the Cooperation Agreement totalling US$490.2m, of which US$308.1m was received during 2011. We received US$29.6m in January 2012. We have, thus far, recognised US$221.3m of revenue and US$11.6m of operating costs under all the phases of the Cooperation Agreement. At 31 December 2011, we had recorded US$239.3m of deferred income, within trade and other payables, on the Balance Sheet.

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

(US$ in millions)	2011	2010
Revenue	203.8	17.5
Net operating costs	(11.2)	(0.4)
Profit before income tax	192.6	17.1
Income tax expense	(51.0)	(4.8)
Profit for the year	141.6	12.3

On 17 August 2010, LightSquared triggered Phase 1 of this agreement under which the Group would receive US$118.8m for transitioning to a modified spectrum plan ('Phase 1 transition'). In addition, Inmarsat would receive US$250m towards the costs that the Group will incur on network and terminal modifications required in order for LightSquared to deploy their planned 4G network.

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

On 28 January 2011, we received notice from LightSquared triggering the commencement of transition to Phase 2 of the Cooperation Agreement. In order to activate Phase 2, we began a phased transition to a further spectrum plan that increases the total spectrum capacity available to LightSquared for ATC services in North America. In return, we are receiving payments of US$115.0m per annum, increasing at a rate of 3% annually, with effect from 28 January 2011. Under Phase 2 of the Cooperation Agreement, LightSquared has made payments totalling US$108.1m and we have recognised all of this as revenue in 2011 in relation to Phase 2.

In April 2011, we agreed with LightSquared to make certain amendments to the Cooperation Agreement. In connection with the agreed amendments, we received a payment of US$40.0m on 29 April 2011 and expect to incur certain additional costs in the future which we do not expect to exceed the payment received. We will be accounting for this payment using the percentage of completion method. We have not recorded any material amount of such revenue or costs in relation to this payment during 2011.

Recent regulatory developments in the United States have created significant uncertainty over the viability of LightSquared's ATC business model and a payment from LightSquared of US$56.25m that was due in February 2012 under the Cooperation Agreement was not received by us and remains outstanding. Inmarsat has entered into discussions with LightSquared, but cannot provide any assurance that the outstanding payment or further payments in relation to the Cooperation Agreement will now be received. The revenue generation of Inmarsat's core MSS and Inmarsat Solutions businesses remains entirely unaffected by the LightSquared developments.

Total Group Results

The results which follow are the consolidated results of operations and financial condition of Inmarsat plc for the year ended 31 December 2011. We report two operating segments, Inmarsat Global and Inmarsat Solutions. The Inmarsat Solutions segment includes the previously acquired Stratos, Segovia and Ship Equip (acquired on 28 April 2011) businesses.

The table below sets out the results of the Group for the years indicated:

(US$ in millions)	2011	2010	Increase/ (decrease)
Revenue	**1,408.5**	1,171.6	20.2%
Employee benefit costs	**(206.5)**	(181.7)	13.6%
Network and satellite operations costs	**(241.7)**	(217.1)	11.3%
Other operating costs	**(127.0)**	(93.8)	35.4%
Own work capitalised	**21.1**	17.1	23.4%
Total net operating costs	**(554.1)**	(475.5)	16.5%
EBITDA	**854.4**	696.1	22.7%
Depreciation and amortisation	**(245.8)**	(234.6)	4.8%
Acquisition-related adjustments	**(2.1)**	(2.1)	–
Impairment losses	**(141.5)**	–	–
Share of results of associates	**1.5**	1.2	25.0%
Operating profit	**466.5**	460.6	1.3%
Interest receivable and similar income	**5.0**	1.4	257%
Interest payable and similar charges	**(104.6)**	(128.5)	(18.6%)
Net interest payable	**(99.6)**	(127.1)	(21.6%)
Profit before income tax	**366.9**	333.5	10.0%
Income tax expense	**(117.4)**	(72.4)	62.2%
Profit for the year	**249.5**	261.1	(4.4%)

Revenues

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

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

Net operating costs

Total Group net operating costs for 2011 increased by 16.5% compared with 2010. The table below sets out the components, by segment, of the Group's net operating costs for each of the years indicated:

(US$ in millions)	2011	2010	Increase
Inmarsat Global	**235.7**	191.3	23.2%
Inmarsat Solutions	**625.3**	593.3	5.4%
	861.0	784.6	9.7%
Intercompany eliminations and adjustments	**(306.9)**	(309.1)	
Total net operating costs	**554.1**	475.5	16.5%

EBITDA

Group EBITDA for 2011 increased by 23% compared with 2010. EBITDA margin has increased to 60.7% for 2011, compared with 59.4% for 2010, primarily as a result of the inclusion of revenue from LightSquared.

EBITDA

Depreciation and amortisation

The increase in depreciation and amortisation of US$11.2m is due to the inclusion of depreciation on the assets of Ship Equip (see note 29) and additional depreciation on additions to tangible fixed assets in Stratos. Partially offsetting the increase is a reduction in depreciation due to the Inmarsat-3 satellites becoming fully depreciated.

Acquisition-related adjustments

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

Impairment losses

We recorded an impairment loss of US$141.5m during 2011. This relates to the impairment of goodwill of US$120.0m that was originally recognised when we acquired Stratos. Operating profit forecasts for the Stratos cash-generating unit ('CGU') have been adjusted downwards due to both internal and external factors. Firstly, changes in prices between Inmarsat Global and the distribution channel have not been passed on to end customers of Stratos, resulting in reduced margins for the Stratos CGU. Secondly, in connection with our commitments under the Cooperation Agreement with LightSquared, we expect to discontinue certain customer leases for Inmarsat B and certain other services which will directly impact the Stratos CGU. We expect to retain the majority of this customer business through agreements using our non-lease services, albeit at lower margins for the Stratos CGU and we may not retain all of the business. Thirdly, a reduction in Inmarsat MSS revenues, changes in product mix and competitive pricing have all contributed to lower revenues during 2011. The combination of these factors will continue to erode operating profits at the Inmarsat Solutions level, particularly in respect of the Stratos CGU and, therefore, have been reflected in the revised forecasts, giving rise to the impairment of the Stratos CGU. In Group terms, some of the factors that give rise to the impairment of the Stratos CGU at the Inmarsat Solutions level, have an offsetting positive benefit at the Inmarsat Global level and should not give rise to an equivalent gross impact at the Group level. In addition, we wrote off US$21.5m of intangible assets associated with the Stratos, Segovia and Ship Equip trade names following the rebranding and reorganisation of the Inmarsat Solutions business.

Share of results of associates

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

Operating profit

During 2011, operating profit was US$466.5m, an increase of US$5.9m, or 1.3%, compared with 2010. The contribution to operating profit from LightSquared during 2011 of US$192.6m was partially offset by the impairment losses of US$141.5m.

Interest

Net interest payable for 2011 was US$99.6m, a decrease of US$27.5m, or 22%, compared with 2010.

Interest payable for 2011 was US$104.6m, a decrease of US$23.9m, or 18.6%, compared with 2010. The decrease in 2011 is predominantly due to interest of US$24.4m which was capitalised as borrowing costs attributable to the construction of our Alphasat and Inmarsat-5 satellites and associated ground infrastructure, compared with US$6.6m capitalised in 2010. In addition, we incurred lower interest on Inmarsat Solutions borrowings in 2011 compared with 2010. In 2011, we recorded US$7.9m of unwinding interest in respect of the Segovia deferred consideration compared with US$5.1m in 2010. Furthermore, 2010 includes US$8.9m of non-recurring items in connection with certain refinancing activities.

Interest receivable for 2011 was US$5.0m compared with US$1.4m for 2010. The increase is primarily due to a hedge accounting gain of US$3.0m recorded in 2011 in relation to the repayment of Ship Equip long-term debt and higher interest on cash deposits in 2011 compared with 2010.

Profit before tax

For 2011, profit before tax was US$366.9m, an increase of US$33.4m, or 10.0% compared with 2010. The increase is due primarily to increased revenues as a result of our Cooperation Agreement with LightSquared and decreased net interest payable during 2011. The increase is partially offset by increased Group operating costs, increased depreciation and amortisation and the impairment losses, during 2011.

Income tax expense

The tax charge for 2011 was US$117.4m, an increase of US$45.0m, or 62%, compared with 2010. The increase in the tax charge is largely driven by the non-deductible impairment of Stratos goodwill (tax effect US$31.8m), together with the underlying increase in profits for 2011. This was partially offset by the change in the UK main rate of corporation tax from 28% in 2010 to 26% with effect from 1 April 2011. In addition, the 2010 tax charge was reduced due to US$7.0m of non-recurring current year tax benefits and a US$13.5m credit on prior year tax positions compared with a US$6.7m credit on prior year positions in 2011.

The effective tax rate for 2011 was 32.0% compared with 21.7% for 2010. In the absence of the above adjustments, the effective rates would have been 25.2% for 2011 and 27.9% for 2010 and the difference is mainly due to the reduction in tax rates already mentioned.

Profit for the period

As a result of the factors discussed above, profit for 2011 was US$249.5m, a decrease of US$11.6m, or 4.4%, compared with 2010.

Earnings per share

For 2011, basic and diluted earnings per share for profit attributable to the equity holders of the Company were 55 cents (US$) and 54 cents (US$), respectively, compared with 57 cents (US$) and 56 cents (US$), respectively for 2010.

The 2011 basic and diluted earnings per share adjusted to exclude the after tax effect of the LightSquared contribution and the impairment losses, were 53 cents (US$) and 53 cents (US$), respectively, compared with 54 cents (US$) and 54 cents (US$), respectively for 2010.

Inmarsat Global Results

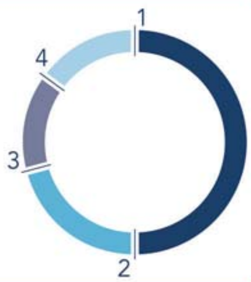
Revenues

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

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

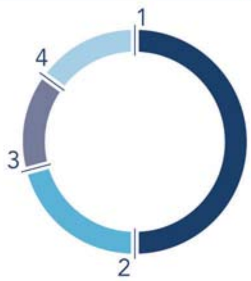
INMARSAT GLOBAL MSS REVENUE BY SECTOR 2011

1. Maritime	50%
2. Land mobile	21%
3. Aviation	14%
4. Leasing	15%



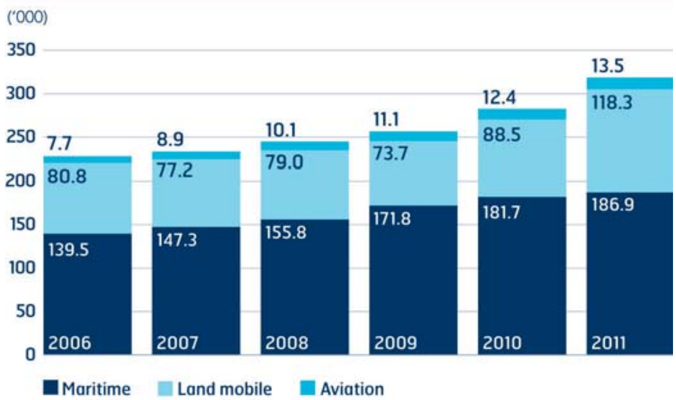
INMARSAT GLOBAL MSS REVENUE BY SECTOR 2010

1. Maritime	50%
2. Land mobile	21%
3. Aviation	14%
4. Leasing	15%



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

ACTIVE TERMINALS (a)



(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 12-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 terminals (Inmarsat D+, IsatM2M and IsatData Pro) used to access our M2M or telemetry services. At 31 December 2011, we had 220,453 (2010: 215,895) M2M terminals.

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

Maritime sector

During 2011, revenues from the maritime sector were US$358.9m, a decrease of US$1.7m, or 0.5%, compared with 2010. Revenues from data services in the maritime sector during 2011 were US$268.7m, an increase of US$6.2m, or 2.4%, compared with 2010. Although our 2011 revenues were adversely impacted by continuing customer migration to our FleetBroadband service, we have seen strong growth in FleetBroadband average revenue per user ('ARPUs') as the year progressed. Customer migration has constrained our rate of revenue growth as the price of services using FleetBroadband is typically less than the price of equivalent services on the terminals being replaced. Growth in FleetBroadband ARPUs continues to support our view that maritime customers are increasing their usage with FleetBroadband and we believe this trend will offset the revenue impact of service migration during 2012. In addition, FleetBroadband terminal activations remained strong throughout the year and we added 9,818 terminals during 2011. We believe that the ongoing challenging economic and competitive environment for the shipping industry continues to impact our rate of revenue growth and we have experienced increased competition from VSAT offerings since the announcement of our Global Xpress service.

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

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

Land Mobile sector

During 2011, revenues from the land mobile sector were US$151.7m, a decrease of US$2.0m, or 1.3%, compared with 2010. Revenues from data services in the land mobile sector during 2011 were US$144.0m, a decrease of US$2.4m, or 1.6%, compared with 2010. During 2011, a substantial increase in BGAN revenues resulted from additional usage driven by events in North Africa and Japan. This usage was partially offset by a decline in BGAN and GAN revenue due to ongoing reduced traffic levels from government users in Afghanistan. We believe our revenue from Afghanistan is in decline due to reduced military activity and gradual troop withdrawal programmes. Although we continue to see new growth in BGAN usage from new subscribers, this growth will be unlikely to fully offset declines due to reduced revenue from Afghanistan.

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

Aviation sector

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

Leasing

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

Other income

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

Net operating costs

Net operating costs for 2011 increased by 23%, compared with 2010. Included within net operating costs for 2011 are net costs in relation to our Global Xpress programme totalling US$11.2m (2010: US$2.7m) and costs in relation to the LightSquared Cooperation Agreement of US$11.2m (2010: US$0.4m). The table below sets out the components of Inmarsat Global's net operating costs for each of the periods indicated:

(US$ in millions)	2011	2010	Increase
Employee benefit costs	**105.1**	91.6	14.7%
Network and satellite operations costs	**45.7**	43.7	4.6%
Other operating costs	**101.3**	70.0	44.7%
Own work capitalised	**(16.4)**	(14.0)	17.1%
Net operating costs	**235.7**	191.3	23.2%

Impact of hedged foreign exchange rate. The functional currency of the Group's principal subsidiaries is US dollars. Approximately 50% of Inmarsat Global's costs are denominated in Pounds Sterling. Inmarsat Global's hedged rate of exchange for 2011 is US$1.51/£1.00 compared with US$1.49/£1.00 in 2010, which does not give rise to a material variance in comparative costs. We have completed our hedging arrangements for our anticipated sterling costs in 2012 and as a result expect our hedge rate of exchange for 2012 to be US$1.48/£1.00.

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

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

Other operating costs. Other operating costs for 2011 increased by US$31.3m compared with 2010. The increase relates partially to higher direct cost of sales of US$13.3m due to IsatPhone Pro terminal sales and increased interconnect charges resulting from increased traffic. In addition, other operating costs increased by US$10.5m due to activities in relation to our Global Xpress programme and our Cooperation Agreement with LightSquared. Furthermore in 2011, we expensed US$2.0m of fees in relation to our acquisition of Ship Equip, recorded a redundancy provision of US$2.6m in connection with our recent reorganisation and recorded a foreign exchange loss of US$1.4m, compared with US$0.2m in 2010.

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

Operating profit

(US$ in millions)	2011	2010	Increase/ (decrease)
Total revenue	**958.4**	764.1	25.4%
Net operating costs	**(235.7)**	(191.3)	23.2%
EBITDA	**722.7**	572.8	26.2%
EBITDA margin %	***75.4%***	*75.0%*	
Depreciation and amortisation	**(161.9)**	(169.4)	(4.4%)
Operating profit	**560.8**	403.4	39.0%

The increase in operating profit for 2011 of US$157.4m, compared with 2010, is a result of higher revenues and lower depreciation and amortisation, partially offset by higher net operating costs.

Inmarsat Solutions Results

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

Revenues

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

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

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

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

For 2011, Stratos' share of Inmarsat Global's MSS revenues was 39%, broadly in line with 2010.

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

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

Net operating costs

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

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

(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 2011 increased by US$20.5m, compared to 2010. The increase is predominantly due to the addition of Ship Equip costs.

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

Operating (loss)/profit

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

Inmarsat Solutions' operating profit for 2011 decreased by US$150.5m, compared to 2010. The decrease is primarily due to impairment losses of US$120.0m relating to the impairment of goodwill that was originally recognised when we acquired Stratos and US$21.5m for the reduction of the carrying amounts of the Stratos, Segovia and Ship Equip trade names to US$nil. Additionally, depreciation and amortisation increased, primarily as a result of the addition of Ship Equip and increased capital expenditures in Stratos. Furthermore, gross margin contributed by Stratos has decreased primarily as a result of a reduction in Inmarsat MSS revenues, changes in product mix and competitive pricing. The decrease has been partially offset by the inclusion of the results of Ship Equip from 28 April 2011.

Gross margin consists of revenues less cost of goods and services. Gross margin and gross margin percentage for 2011 increased as a result of the addition of Ship Equip, which has a higher gross margin.

Group liquidity and capital resources

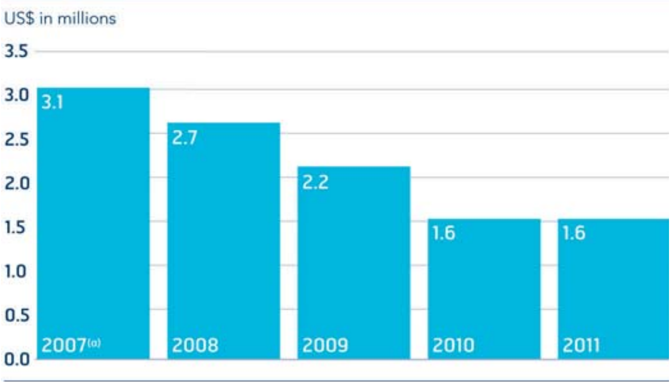
At 31 December 2011, the Group had cash and cash equivalents of US$183.5m and available but undrawn borrowing facilities of US$1,172.7m under our Senior Credit Facility and Ex-Im Bank Facility. We believe our liquidity position is more than sufficient to meet the Group's needs for the foreseeable future. In addition, we remain well positioned to access the capital markets when needed to meet new financing needs or to improve our liquidity or change the mix of our liquidity sources.

The Group continually evaluates sources of capital and may repurchase, refinance, exchange or retire current or future borrowings and/or debt securities from time to time in private or open-market transactions, or by any other means permitted by the terms and conditions of our borrowing facilities and debt securities.

The Group's net borrowings (gross of deferred finance costs) are presented in the table below:

(US$ in millions)	As at 31 December 2011	As at 31 December 2010
Senior Credit Facility	**–**	200.0
EIB Facility	**308.4**	308.4
Ex-Im Bank Facility	**277.3**	–
Senior Notes due 2017	**650.0**	650.0
– issuance discount	**(3.6)**	(4.2)
Convertible Bonds	**307.4**	285.2
– accretion of principal	**2.7**	2.5
Deferred satellite payments	**34.7**	40.8
Bank overdrafts	**0.7**	0.3
Total borrowings	**1,577.6**	1,483.0
Cash and cash equivalents	**(183.5)**	(343.8)
Net borrowings (gross of deferred finance costs)	**1,394.1**	1,139.2

NET BORROWINGS (EXCLUDING DEFERRED FINANCE COSTS)/EBITDA



(a) Represents the Inmarsat Group, with EBITDA normalised to include full year of Stratos trading results.

The table below shows the condensed consolidated cash flow for the Group for the years ended 31 December 2011 and 2010:

(US$ in millions)	2011	2010
Net cash from operating activities	**881.6**	744.3
Net cash used in investing activities, excluding capital expenditure	**(171.0)**	(114.8)
Capital expenditure, including own work capitalised	**(531.0)**	(180.7)
Dividends paid	**(172.2)**	(158.3)
Net cash used in financing activities, excluding dividends paid	**(168.3)**	(173.2)
Foreign exchange adjustment	**0.2**	(0.1)
Net (decrease)/increase in cash and cash equivalents	**(160.7)**	117.2

The increase in net cash generated from operating activities in 2011, compared with 2010, of US$137.3m, primarily relates to increased EBITDA, partially offset by movements in working capital and higher cash tax paid.

The increase in net cash used in investing activities excluding capital expenditure in 2011, compared with 2010, was US$56.2m. The increase relates primarily to our acquisition of Ship Equip for US$113.2m, the acquisition of the operational assets of Blue Ocean Wireless for US$3.2m, the settlement of the 2010 Segovia deferred consideration of US$12.3m and the accelerated settlement of the remainder of the Segovia deferred consideration of US$36.1m. In 2010, we acquired Segovia for a cash consideration of US$110.0m and paid deferred consideration relating to previous acquisitions of US$4.8m.

Capital expenditure, including own work capitalised, increased by US$350.3m in 2011, compared with 2010, primarily due to expenditure on our Global Xpress programme. Capital expenditure may fluctuate with the timing of milestone payments on current projects. Inmarsat Solutions' cash outflow in respect of capital expenditure for property, plant and equipment and additions to capitalised development costs, including software, was US$43.0m for 2011 (2010: US$26.4m).

During 2011 the Company paid dividends of US$172.2m, compared with US$158.3m in 2010.

Net cash used in financing activities, excluding the payment of dividends, decreased by US$4.9m in 2011, compared with 2010. During 2011, the Group repaid US$200.0m outstanding under our old Senior Credit Facility, repaid US$44.7m of outstanding debt in Ship Equip (net of US$3.0m of hedge gains), paid cash interest of US$79.7m, purchased own shares of US$98.4m and paid arrangement costs in respect of new financing of US$22.4m. We received US$277.3m from the drawdown of our Ex-Im Bank Facility during 2011.

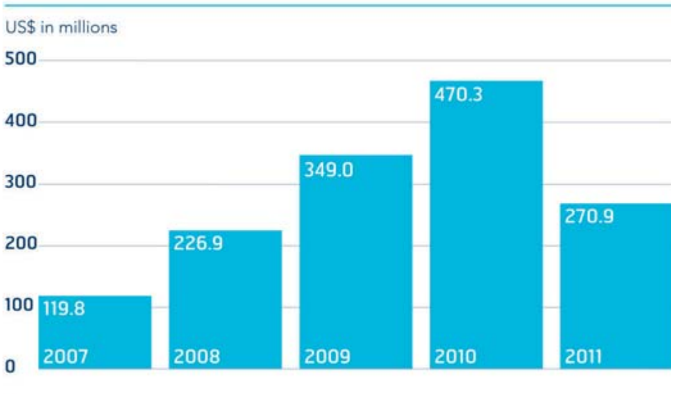
During 2010, the Group repaid US$90.0m principal of the Senior Credit Facility, drew down US$308.4m from the EIB Facility, repaid US$209.2m principal of the Stratos Senior Credit Facility and redeemed US$65.5m principal of the Stratos Senior Unsecured Notes. In addition, the Group paid cash interest of US$93.3m, arrangement fees in respect of new borrowing facilities of US$3.3m and purchased US$24.4m principal amount of its own debt securities.

Group free cash flow

Free cash flow decreased by US$199.4m, or 42%, during 2011, compared with 2010. The decrease is due to an increase in capital expenditure, primarily on our Global Xpress and Alphasat programmes, and cash tax paid, offset in part by decreased cash interest paid and increased cash generated from operations, which is primarily as a result of amounts received from LightSquared in 2011.

(US$ in millions)	2011	2010
Cash generated from operations	**991.2**	785.8
Capital expenditure, including own work capitalised	**(531.0)**	(180.7)
Net cash interest paid	**(76.7)**	(92.0)
Cash tax paid	**(112.6)**	(42.8)
Free cash flow	**270.9**	470.3

FREE CASH FLOW



Foreign exchange and treasury policy

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. Details of financial instruments and policies are in note 32 to the consolidated financial statements.

Dividends

The Inmarsat plc Board of Directors intends to recommend a final dividend of 24.96 cents (US$) per ordinary share in respect of the year ended 31 December 2011 to be paid on 25 May 2012 to ordinary shareholders on the register of members at the close of business on 18 May 2012. Shareholders will be asked to approve the final dividend payment at the Annual General Meeting to be held on 3 May 2012. Dividend payments will be made in Pounds Sterling based on the exchange rate prevailing in the London market four business days prior to payment. In accordance with IAS 10, this final dividend has not been recorded as a liability in the financial statements at 31 December 2011. This adds to the interim dividend of 15.40 cents (US$) per ordinary share in respect of the year ended 31 December 2011, taking the total dividend paid and proposed for the year ended 31 December 2011 to 40.36 cents (US$) per ordinary share, a 10.0% increase over 2010, and amounts to US$180.9m.

DIVIDENDS

Group balance sheet

The table below shows the consolidated Group balance sheet at 31 December 2011 and 2010:

(US$ in millions)	**As at 31 December 2011**	As at 31 December 2010
Non-current assets	**2,937.1**	2,525.8
Current assets	**472.0**	632.2
Total assets	**3,409.1**	3,158.0
Current liabilities	**(966.3)**	(467.3)
Non-current liabilities	**(1,361.7)**	(1,602.0)
Total liabilities	**(2,328.0)**	(2,069.3)
Net assets	**1,081.1**	1,088.7

The increase in the Group's non-current assets of US$411.3m is due primarily to the recognition of US$112.6m of non-current assets and US$66.6m of goodwill following the acquisition of Ship Equip on 28 April 2011 (see note 29) and additions during 2011. The increase was offset in part by US$120.0m impairment of goodwill that was originally recognised when we acquired Stratos, the write-off of US$21.5m of intangible assets associated with the Stratos, Segovia and ShipEquip trade names following the rebranding and reorganisation of the Inmarsat Solutions business and the decrease in derivative financial instruments relating to our foreign exchange rate hedging and depreciation and amortisation of capital assets, during 2011.

The decrease in current assets of US$160.2m is due predominantly to the decrease in cash and cash equivalents from US$343.8m at 31 December 2010 to US$183.5m at 31 December 2011. The decrease in cash and cash equivalents is due primarily to cash paid in relation to our acquisition of Ship Equip, the purchase of capital assets and the settlement of the Segovia deferred consideration, partially offset by cash received in relation to our Cooperation Agreement with LightSquared.

The increase in current liabilities of US$499.0m relates primarily to the reclassification of the liability element of the Convertible Bonds from non-current to current and deferred revenue recognised in relation to our Cooperation Agreement with LightSquared (see note 20), during 2011. Although our outstanding Convertible Bonds do not mature until November 2017, holders have the right to require the Company to redeem any or all of the bonds at its accreted principal amount on 16 November 2012. As there can be no certainty as to the outcome of this potential redemption event, we have classified all the bonds as current liabilities. If the holders exercised their rights in full the cost of redeeming all of the bonds would be US$331.5m.

The decrease in non-current liabilities of US$240.3m relates primarily to the decrease in borrowings due to the reclassification of the liability component of the Convertible Bonds to current liabilities, the repayment of the non-current portion of the old Senior Credit Facility of US$150.0m and the transfer of US$44.1m of the EIB Facility to current borrowings, offset in part by the receipt of US$277.3m from the drawdown of the Ex-Im Bank Facility. In addition, during 2011, other payables decreased due to the early settlement of the Segovia deferred consideration, provisions decreased due to a reduction in the Inmarsat Global post-retirement liability provision following the review of actuarial assumptions for accounting purposes. Partially offsetting the decrease is the increase in deferred income tax liabilities, due predominantly to a deferred tax liability recognised on the acquisition of Ship Equip (see note 29).

Critical accounting policies

Details of our critical accounting policies are in note 4 to the consolidated financial statements.

Principal risks and uncertainties

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

Our principal risks and uncertainties are discussed below; however, this summary is not intended to be an exhaustive analysis of all risks and uncertainties affecting the business. Some risks and uncertainties may be unknown to us and other risks and uncertainties, currently regarded as immaterial, could turn out to be material. All of them have the potential to impact our business, operations, liquidity, financial position or future performance adversely.

Satellites

Our satellites are subject to significant operational risks while in orbit which, if they were to occur, could adversely affect our revenues, profitability and liquidity. Although we have in-orbit insurance on our Inmarsat-4 satellite fleet, this may be insufficient to cover all losses if we had a satellite failure. Even if our insurance were sufficient, delays in building and launching a replacement satellite could adversely affect our revenues, profitability and liquidity.

Distribution

We continue to rely on other third party distribution partners and service providers to sell our services to end-users and they determine the prices end-users pay. There is a risk that our distribution partners or service providers could fail to distribute our services effectively, or fail to offer services at prices which are competitive. In addition, the loss of any key distribution partners could materially affect our routes to market, reduce customer choice or represent a significant bad debt risk. Since the acquisition of Stratos, Segovia and Ship Equip and the signing of new distribution agreements and new distribution partners, this risk has been mitigated to some extent.

Spectrum

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

Development of hybrid networks, including ATC

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

LightSquared Cooperation Agreement

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

In addition, following the notice of default issued to LightSquared on 20 February 2012 in respect of the non-payment of US$56.25m compensation for the completion of 'Phase 1 transition', we are subject to the risk that LightSquared may not remedy the payment before the expiry of the 60 calendar day remedy period as set out in the Cooperation Agreement. Inmarsat would then be entitled to enforce its rights and remedies under the Cooperation Agreement for payment default, including pre-agreed spectrum arrangements and termination of certain LightSquared rights. Inmarsat and LightSquared have entered into discussions regarding the future of the Cooperation Agreement, but Inmarsat cannot provide any assurance that these discussions will result in any further payments being received from LightSquared.

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

Next generation services and satellites
Our major new investment project, Global Xpress, which will be deployed over a global network of Ka-band satellites, is currently being developed. The development, which includes the satellites, ground network, terminals and related services, may be subject to delays and/or material cost over-runs. There can be no assurance that the development of new satellites, ground networks, or terminals and/or the introduction of new services will proceed according to anticipated schedules or cost estimates, or that the level of demand for the new services will justify the cost of setting up and providing such new services. Failure or a delay in the completion of such networks and/or services and/or the launch or deployment or operation of such satellites and/or new services, or increases in the associated costs, could have a material adverse effect on our revenue, profitability and liquidity.

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

OUTLOOK
We are providing the following medium term revenue targets for our core Inmarsat Global MSS revenue for the period 2012 and 2013 and separately for the period 2014 to 2016, in each case on a compound annual growth rate basis ('CAGR'). Over the period 2012 and 2013 we expect MSS revenue growth to be between 0% and 2%. This period excludes revenue from our Global Xpress service which is not expected to generate any material revenue before 2014. Over the period 2014 to 2016 we expect MSS revenue growth, which will include revenue from our Global Xpress service, to be between 8% and 12%. Our target for the period 2014 to 2016 is subject to the commercial launch of Global Xpress services remaining on our current schedule.

We continue to implement our Global Xpress investment programme, including the build and launch of three Ka-band satellites, at an expected total cost of US$1.2bn. This programme remains on track as to schedule and cost expectations. We reiterate our target to achieve US$500m of annual revenues from the Global Xpress service not later than five years after global service launch, which is currently expected to occur in late 2014.

Our outlook for total capital expenditure for new investment programmes and ongoing maintenance remains unchanged. Capital expenditure on a cash basis in 2012 is expected to be between US$650m and US$700m.

Rick Medlock
Chief Financial Officer
6 March 2012

For more information about our financial performance:
www.inmarsat.com/annualreport

CORPORATE SOCIAL RESPONSIBILITY

Ensuring we act in an ethical manner, taking account of our responsibilities – socially and environmentally – is integral to the way we conduct our business. We consider the interests of our stakeholders, including investors, employees, suppliers and business partners.

Code of conduct

Inmarsat has a specific Anti-Bribery Policy which we introduced to comply with the requirements of the UK Bribery Act introduced in July 2011. The Inmarsat plc Board requires that all employees adhere to the policy even though strictly not all our subsidiary companies are caught by the Act. A summary of our Anti-Bribery Policy is on the Investor Relations section of our website. Our Anti-Bribery Policy incorporates guidelines on dealing with gifts and accepting and giving hospitality.

Separate policies are in place dealing with ethics, fraud, the use of inside information and whistleblowing. The Code of Ethics policy states that Directors, officers and employees are expected to conduct business in accordance with the highest standards of personal and professional integrity. The Code of Ethics is also published on our website.

Employment

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.

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

Rupert Pearce has been identified as having responsibility for health and safety issues within the Inmarsat Global operations. Our subsidiary operations have various managers responsible for health and safety across their operations. The Group recognises its legal responsibilities to ensure the well-being, safety and welfare of its employees and to maintain a safe and healthy working environment for them and for visitors and contractors. Regular health and safety audits are undertaken at operating sites across the Group and health and safety updates are available to staff to show what improvements have been made to their working environments. In 2011, at our principal operating site in London, we received several inspection visits from local regulators during the year and reports from these visits were that the standards at our London site were very good, with no significant issues reported for follow-up.

Community

As referenced in the Chairman's statement, safety at sea remains core to our Company's activities. We are proud of our maritime heritage and that our business continues with its involvement, particularly in maritime safety issues. Inmarsat remains the only approved provider of satellite communications services for the Global Maritime Distress and Safety System ('GMDSS').

TSF
During 2011, TSF sent response teams to deal with emergency missions in places as diverse as Turkey, El Salvador, North Kenya, Libya, the Philippines and Indonesia.

We continue to invest in safety services and have already launched voice distress calling on our FleetBroadband services. We plan to extend our maritime safety services on FleetBroadband to meet the GMDSS requirements for safety at sea.

We are continuing to support the International Maritime Organization ('IMO') in its funding and development of Search and Rescue ('SAR') projects around the world. The IMO's primary purpose is to develop and maintain a comprehensive regulatory framework for shipping and its remit today includes maritime security and safety, environmental concerns and the efficiency of shipping.

Our Inmarsat C SafetyNET service continues to be used to provide vital updates on reported pirate activity. The service enables ship masters to access reports of pirate movements, giving them information on which regions to avoid and to re-route if necessary. In addition to maritime safety services, we also promote safety services to the aviation industry for use in the cockpit. Our commitment and investment to enhancing aviation safety services using our SwiftBroadband service is progressing well.

VOICE DISTRESS **FleetBroadband**	SAFETY AND RESCUE **IMO**
We continue to invest in safety services and have launched voice distress calling on our FleetBroadband services.	We are continuing to support the International Maritime Organization ('IMO') in their funding and development of Search and Rescue ('SAR') projects around the world.

Also as highlighted in the Chairman's statement, we continue to support Télécoms Sans Frontières ('TSF'), the telecommunications aid organisation. TSF runs programmes on disaster relief and preparedness, training other relief organisations and regional and national disaster response agencies about the available capabilities for emergency telecommunications. TSF helps these organisations respond to an emergency knowing they have the necessary training to use BGAN terminals and IsatPhone Pro, our handheld satellite phone. We believe the work TSF does is vital in emergency situations and we are delighted to continue to support them.

During 2011, TSF sent response teams to deal with emergencies in many different countries, including Turkey, El Salvador, North Kenya, Libya, the Philippines and Indonesia. During these missions, they worked with organisations such as the International Medical Corps, the UN Office for the Coordination of Humanitarian Affairs, the European Commission's Humanitarian Aid Department and local civil protection teams. TSF provided them with essential communications, using BGAN terminals or our IsatPhone Pro handheld phones to liaise with local teams, civil organisations and other aid agencies to ensure appropriate assistance was provided.

It was in recognition of the work that TSF undertakes and how our services contribute to its mission that they received the prestigious 2011 Space Achievement Award for their use of space-based technology to support their disaster relief work. The award was made at the 27th National Space Symposium and TSF was the first-ever recipient of the award by a humanitarian organisation.

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

Employees across our offices are encouraged to support individual charities of their choice, and for employees in our principal UK office, this is encouraged through the UK Government's tax approved contributions scheme. For employees in our US Government business, the company's employee matching fund includes a dollar-for-dollar match for all contributions made to charities elected by staff. Throughout our offices there are many local causes which are supported at a corporate and employee level.

Additionally, our US Government business also supports three charitable organisations through its Corporate Partnerships initiative. The identified charities within this initiative are Wounded Warriors, which provides assistance services to service men and women as they recover and transition back into civilian life; Habitat for Humanity, which supports home-building initiatives; and Operation Smile, which offers life-changing surgeries.

Befitting its maritime heritage, our company in Norway supports the Sail Training Ship, *Christian Radich*, which was built in 1937 and was initially used as a training ship for sailors. Now it is preserved to be enjoyed by all age groups who can gain first-hand experience of how a fully-rigged ship operates. They also support local events set within the maritime community with the aim of increasing the industry's appeal to new employees.

2011 SPACE ACHIEVEMENT AWARD

It was in recognition of the work that TSF undertakes and how our services contribute to its mission that TSF's US representative Paul Margie (centre) received the 2011 Space Achievement Award at the 27th National Space Symposium on behalf of the organisation.

2011 OPERATIONS GOVERNANCE FINANCIAL STATEMENTS

Environment

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

We are not a satellite modem manufacturer. We only type approve satellite terminals accessing our system by manufacturers who provide health and safety guidance as to how terminals should be utilised. Controls are in place to ensure that antennas do not radiate any power at low elevation angles. During 2010, we started to manufacture our new handheld satellite phone, IsatPhone Pro. The design and manufacturing processes have met all the relevant safety standards, and disposal requirements are included in the packaging for each handset.

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

WORLDWIDE STAFF

1,500+

We have over 1,500 staff worldwide represented by approximately 50 different nationalities.

ORBITS

36,000km

We operate our satellites in geosynchronous orbit which is approximately 36,000km (22,500 miles) above the Earth.

As a satellite operator, we have adopted the highest industry standards in terms of space debris mitigation, including end-of-life graveyard manoeuvre plans for the disposal of satellites when they reach the end of their commercial life. To date we have only had one satellite disposal, which was in 2006. Its disposal was undertaken in full compliance with the relevant ITU standards. There are no near-term plans for decommissioning any of the remaining satellites. We operate our satellites in geosynchronous orbit which is approximately 36,000km (22,500 miles) above the earth. This orbit has significantly less debris than in a low earth orbit, which is approximately 700km above the earth, and where several MSS operators have their satellite constellations. We were a founding member of the Space Data Association ('SDA') in 2009. Along with Intelsat, SES and Eutelsat we aim to improve the satellite safety of flight. The SDA operates as an independent organisation monitoring various satellite constellations and providing advance warning of possible collisions to all its members.

We have over 1,500 staff worldwide represented by more than 50 different nationalities. Due to the size and nature of our business activities, we acknowledge that we have a degree of environmental impact on the local and global environment.

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

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

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

Similar activities occur across our global offices.

We continue to monitor our energy consumption and comply with our social and legal responsibilities in terms of carbon emissions in the UK. We are fully committed to the UK Government's CRC Energy Efficiency Scheme and during 2011 complied with all aspects of the requirements.

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

Despite a rising base load we managed to reduce our electrical consumption at our principal UK site by 83,309kWh. As in previous years the base load continued to rise due to the increase in technology used in our core business and with the testing of equipment used in our laboratories as we develop new services.

In the UK we have maintained our commitment to improve our waste management and increased the volumes sent for recycling. Where possible we have diverted waste away from landfill. In 2011 the amount of waste sent to landfill from our principal UK site reduced by 19% to three tonnes, and another 69 tonnes was diverted to energy recovery (incineration) which resulted in a 12% increase in recycling to just over 41 tonnes.

We recently installed additional video conferencing equipment in our main UK and Washington offices which we use regularly. We have found, apart from the benefit of improved visual communication between the various teams using the equipment, that the high quality of the picture and audio has meant some meetings have been conducted using these systems rather than incurring the time or expense of travelling. This has meant that we have, in addition, minimised our carbon footprint where we have been able to.

KEEP OCEANS CLEAN

The organisers of the Volvo Ocean Race have been mounting a global campaign to combat the growing polution of beaches and seas.

Our concern for the world's ocean environment continued on from our sponsorship in 2010 of The Plastiki, a boat made almost entirely from plastic bottles, with our involvement in the Volvo Ocean Race and their environmental campaign. The Plastiki Expedition was a campaign to highlight severe environmental degradation across the Pacific Ocean. In 2011, as Race Partner to the Volvo Ocean Race, the organisers of the race have been mounting a global campaign called 'Keep the Oceans Clean!' to raise awareness of the increasing volume of pollution in the oceans and the threat to sea life across the globe. Information about the campaign is available on the Volvo Ocean Race website and at each of the host ports for the 2011-12 race.

Education

We continued with our funding of the Inmarsat Chair of Maritime Education and Training at the World Maritime University which supports the education of maritime specialists. We encourage internships with schools and universities to provide students with the opportunity to experience at first-hand the engineering and technical aspects of satellite operations. During the year, we also continued our support of the International Space University by funding two half-scholarships for students on its Masters Programme.

We also committed funds to the UK's first national Space Academy, which is a network of teachers and space scientists that will use the inspirational context of space to teach science, technology, engineering, mathematics and geography to students and their teachers. The aim is to boost the size and quality of the UK's science and engineering pool.

Our Stratos business has worked over several years with Ray Zahab, supporting his World Expedition Series. In 2011, Stratos sponsored Ray Zahab and his Impossible to Possible Experimental Learning Programme to the Salar in Bolivia to illustrate the role that chemistry plays in the region, in honour of the United Nations' International Year of Chemistry. We supplied BGAN terminals to enable him and his Youth Ambassadors to post photos, blog entries and stream live video conferencing into classrooms in North America.

Partnerships

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

BOARD OF DIRECTORS

1. ANDREW SUKAWATY

Chairman and Chief Executive Officer to 31 December 2011
Executive Chairman from 1 January 2012

Dates of Appointment: Chairman – December 2003
Chief Executive Officer – March 2004 – 31 December 2011

Committee Membership: Chairman of the Nominations Committee

Background and relevant experience: Andy served as President and Chief Executive Officer of Sprint PCS, a Nasdaq-listed global internet carrier for four years and as Chief Executive Officer of NTL Limited, a broadband and internet provider for three years. His previous career has included various management positions with US West and AT&T, and as a non-executive director on various listed companies. Mr Sukawaty holds a BBA and MBA respectively from the University of Wisconsin and Minnesota.

External Appointments: Non-Executive Chairman of Ziggo B.V.

2. RUPERT PEARCE

Chief Executive Officer

Dates of Appointment: Executive Director – 6 July 2011
Chief Executive Officer – 1 January 2012

Background and relevant experience: Rupert joined Inmarsat in 2005 as Group General Counsel and from January 2009, additionally held the position of Senior Vice President, Inmarsat Enterprises. Previously, Rupert worked for Atlas Venture, where he was a partner working with the firm's European and US investment teams. He has also been a partner at the international law firm Linklaters, where he spent 13 years specialising in corporate finance, mergers and acquisitions, and private equity transactions.

Rupert received an MA (First Class) in Modern History from Oxford University and won the 1995 Fulbright Fellowship in US securities law, studying at the Georgetown Law Center. He has been a visiting fellow of the Imperial College Business School, London lecturing on the school's Entrepreneurship programme, and is the co-author of 'Raising Venture Capital' (Wiley).

External Appointments: None

3. RICK MEDLOCK

Chief Financial Officer

Date of Appointment: September 2004

Background and relevant experience: Rick is a Chartered Accountant. He served as Chief Financial Officer and Company Secretary of NDS Group plc, a provider of digital technology solutions listed on Nasdaq and Euronext for eight years. His previous career has included serving as Chief Financial Officer of several private equity backed technology companies in the UK and the US. He holds an MA in Economics from Cambridge University.

External Appointments: Non-Executive Director of Cheapflights Media Limited.

4. SIR BRYAN CARSBERG

Independent Non-Executive Director

Date of Appointment: June 2005

Committee Membership: Member of the Audit and Remuneration Committees

Background and relevant experience: Sir Bryan is a Chartered Accountant. He spent eight years as Director General of Telecommunications (head of Oftel), having served as Director General of Fair Trading and Secretary General of the International Accounting Standards Board. He was previously a non-executive director of Cable and Wireless Communications plc and a non-executive Chairman of MLL Telecom Limited. He was knighted in January 1989.

External Appointments: Chairman of the Council of Loughborough University and Independent Non-Executive Director of RM plc and Novae Group plc.

5. STEPHEN DAVIDSON

Independent Non-Executive Director

Date of Appointment: June 2005

Committee Membership: Chairman of the Remuneration Committee. Member of the Audit and the Nominations Committees

Background and relevant experience: Stephen was Global Head of Media and Telecoms Investment Banking and subsequently Vice Chairman of Investment Banking at West LB Panmure. His previous career has included various senior positions in investment banking. He was Finance Director, then Chief Executive Officer of Telewest Communications plc and has been Chairman of the Cable Communications Association.

External Appointments: Chairman of Datatec Limited and Mecom Group plc (LSE) and holds several other Non-Executive Directorships.

6. ADMIRAL JAMES ELLIS JR. (RTD)

Independent Non-Executive Director

Date of Appointment: June 2005

Committee Membership: Member of the Remuneration and Nominations Committees

Background and relevant experience: Jim's last military assignment was as Commander of the US Strategic Command responsible for the global command and control of US strategic forces. He is a graduate of the US Naval Academy, was designated a Naval Aviator in 1971 and held a variety of sea and shore assignments in the US and abroad.

External Appointments: President and Chief Executive Officer of the Institute of Nuclear Power Operations. Non-Executive Director of the Lockheed Martin Corporation, Level 3 Communications and of the not-for-profit Space Foundation.

7. KATHLEEN FLAHERTY

Independent Non-Executive Director

Date of Appointment: May 2006

Committee Membership: Member of the Remuneration Committee

Background and relevant experience: Kathleen has served on the Board of a number of public companies including Marconi Corporation plc and Telent plc. She was President and Chief Operating Officer of Winstar International. Her pervious career has included senior roles as Chief Marketing Officer with AT&T and other senior roles with BT and MCI Communications Inc. Kathleen was a Non-Executive Director of GenTek Inc until October 2009.

External Appointments: Non-Executive Director of Yell Group plc (LSE). A member of the McCormick Advisory Board and its executive committee of Northwestern University.

8. AMBASSADOR JANICE OBUCHOWSKI

Independent Non-Executive Director

Date of Appointment: May 2009

Committee Membership: Member of the Audit Committee

Background and relevant experience: Janice was formerly Head of Delegation and US Ambassador to the World Radiocommunications Conference and Assistant Secretary for Communications and Information at the Department of Commerce. She held several senior positions both in the US Government and in the private sector. Janice's previous career has included serving as Senior Advisor to the Chairman at the Federal Communications Commission in the US.

External Appointments: Non-Executive Director of Orbital Sciences Corporation and CSG Systems, Inc.

9. JOHN RENNOCKS

Deputy Chairman and Senior Independent Non-Executive Director

Date of Appointment: January 2005

Committee Membership: Chairman of the Audit Committee and member of the Nominations Committee

Background and relevant experience: John has broad experience in emerging energy sources, support services and manufacturing. He served as an Executive Director – Finance of a number of public companies including British Steel plc/Corus Group plc, Powergen plc and Smith & Nephew plc.

External Appointments: Non-Executive Chairman of Diploma plc and Intelligent Energy plc and holds Non-Executive directorships of several other companies.

10. ALISON HORROCKS

Senior Vice President – Corporate Governance and Company Secretary

Date of Appointment: February 1999

Background and relevant experience: Alison is a Chartered Secretary. She served as Group Company Secretary of International Public Relations plc, a worldwide public relations company, for 11 years prior to joining Inmarsat.

ALISON HORROCKS
Senior Vice President – Corporate Governance and Company Secretary

The Directors have pleasure in submitting their report and the audited financial statements for the year ended 31 December 2011.

References to 'Group' include Inmarsat Global, and the Inmarsat Solutions operations (unless otherwise noted). Inmarsat Solutions includes the operations of Stratos, Segovia and Ship Equip.

Principal activities

The Group is the leading provider of global mobile satellite communications services ('MSS'), providing data and voice connectivity to end-users worldwide. We have over 30 years of experience in designing, launching and operating a satellite-based network. With a fleet of eleven owned and operated geostationary satellites, we provide a comprehensive portfolio of global mobile satellite communications services for use on land, at sea and in the air. We also offer a broad portfolio of remote telecommunications services to end user customers, offering services over mobile and fixed satellite systems, at L-band, Ku-band or VSAT, and through our owned and operated microwave and satellite telecommunications facilities. We also provide secure, end-to-end telecommunication solutions for US Government operations worldwide.

Areas of operation

We have several branch and regional offices throughout the world. The subsidiary and associated undertakings principally affecting the profits or net assets of the Group in the year are listed in note 35 to the consolidated financial statements. A full list of subsidiary undertakings will be attached to the Company's next annual return to be submitted to Companies House.

Business review and state of affairs

The Directors are required to provide a comprehensive review of the development, performance and future prospects of the Group's operations during the financial year ended 31 December 2011, and the position at year-end. The information that fulfils the requirements of the Business Review can be found in the Chairman's Review of the business and its operations on pages 2 to 15, the Chief Financial Officer's Review on pages 16 to 27 and the Corporate Social Responsibility Report on pages 28 to 31, all of which are incorporated into this report by reference.

Post-balance sheet events

Details of material post-balance sheet events are included in note 36 to the consolidated financial statements.

Results and dividends

The results for the year are shown in the Consolidated Income Statement on page 56.

A final dividend of 24.96 cents (US$) will be paid on 25 May 2012 to shareholders on the share register at the close of business on 18 May 2012. Dividend payments are made in Pounds Sterling based on the exchange rate prevailing in the London market four business days prior to payment.

Share capital and control

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

The Company has one class of ordinary share which carries no rights to fixed income. On a show of hands, each member present has the right to one vote at our general meetings. On a poll, each member is entitled to one vote for each share of €0.0005 held. There are no specific restrictions on the size of holding or on the transfer of shares, which are both governed by the general provisions of the articles of association and prevailing legislation. The Directors are not aware of any arrangements between shareholders that may result in restrictions on the transfer of securities or on voting rights. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

On-market purchase

On 4 August 2011, the Company announced an on-market purchase programme – a US$250 million share buy-back. In the period to 31 December 2011, 13,907,750 Inmarsat plc shares had been repurchased for a total aggregate consideration of US$98.4m. All shares purchased were subsequently cancelled. No Treasury shares were held during the year.

Directors

The names of the Directors who served during the year, together with their biographical details and other information are shown in the Board of Directors section.

Details of Directors' service contracts and letters of appointment and amount of each element of the remuneration (including share awards) of each of the Directors can be found in the Remuneration Report.

We do not have agreements with any Director or Officer that would provide compensation for loss of office or employment resulting from a takeover, except legacy employment agreements for certain senior executives of our subsidiary companies where a change of control provision was in place at the time of our acquisition of the respective subsidiary companies. The provisions of the Company's share option schemes and share plans may cause options and awards granted under such schemes to vest on a takeover. The Directors' authorities are determined by UK legislation and the articles of association in force from time to time. At the 2011 AGM, the Directors were authorised by shareholders to allot ordinary shares up to agreed limits and to have the ability to make market purchases of ordinary shares. Shareholders are being requested to renew these authorities at the 2012 AGM.

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. To adopt good corporate governance, all Directors will retire and put themselves forward for re-appointment at the 2012 AGM.

The Directors' shareholding details are disclosed in the Remuneration Report. None of the Directors have at any time had any interests in subsidiary company shares.

Indemnities and insurance

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

Employees

Inmarsat has a positive attitude towards the development of all our employees and we do not discriminate between employees or potential employees on grounds of race, ethnic or national origin, sex, age, marital status or religious beliefs. Our workforce is diverse in that we have more than 50 different nationalities amongst our staff.

We maintain open and productive relationships with our employees by effective communication and employee engagement through the use of intranets and other communication channels. These include regular briefing sessions and discussions with groups of employees. Staff Forums and a Works Council are established in some of the operating businesses and, in accordance with local legislative requirements. Two-way communications between employees and management enable the views of employees to be taken into account in making decisions which are likely to affect their interests. For all our offices, appropriate employee relations practices are in place. Employees are able to join Trades Union organisations if they wish.

Participation in the Group's share plans is encouraged. Details of employee share awards and option schemes can be found on pages 48 to 51 of the Directors' Remuneration Report. Shares acquired through Company share schemes and plans rank *pari passu* with the shares in issue and have no special rights. All of the ordinary shares held by the Inmarsat Employee Share Ownership Trust, being 1,265,142 shares, carry voting rights.

Equal opportunities

We give full consideration to applications from disabled persons and to the continuing employment of staff that become disabled, including making reasonable adjustments where appropriate or considering them for alternative positions. There is significant interest in the United Kingdom currently as to the numbers of women engaged in management positions in business. Across the Inmarsat Group, women make up approximately 30% of the workforce, representing about 30% at middle to senior executive management grades.

Health and safety

The Group is committed to maintaining high standards of health and safety for its employees, customers, visitors, contractors and anyone affected by its business activities.

Significant contracts

The Group has in place several significant agreements, which include, inter alia, its banking and debt arrangements, distribution agreements with its distribution partners ('DPs'), manufacturing agreements and contracts for the in-orbit insurance of its satellites. Subject to the identity of a third-party bidder, in the event of a change of control following a takeover bid, the Group does not believe that these agreements would suffer a material adverse effect or be subject to termination upon a change of control. However, there are customary clauses in the long-term debt funding agreements specifying that in the event of a change of control following a takeover bid, the lenders have the option to have the debt repaid under the specific terms of each type of debt.

The majority of the space segment revenue of Inmarsat Global is derived from sales to its DPs who operate in accordance with a suite of agreements regarding the distribution of Inmarsat's services. Stratos is one of the DPs to whom these distribution agreements apply. Stratos itself has operating agreements with its own customers. These contracts vary in monetary value and length of term.

In addition, we have significant on-going contracts with our partners regarding the construction of the Alphasat satellite and its subsequent launch, and for the Global Xpress programme which includes the construction of three Ka-band satellites and its related ground infrastructure; and with third parties for the manufacture and production of our GSPS service.

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.

Financial instruments

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

Research and development

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

Charitable and political donations

During the year, the Group donated in aggregate US$370,889 to charities worldwide. This amount included a donation of US$250,000 to the telecommunications relief aid organisation, Télécoms Sans Frontières and a payment of US$108,700 to the World Maritime University as part of our support for the education of maritime specialists. In addition, Inmarsat Global provides satellite telecommunication services and equipment, in conjunction with support offered by its DPs and manufacturers, to service providers and customers in support of disaster relief management in affected areas of the world.

Our subsidiary companies also made contributions to local charitable causes.

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

Policy and practice on payment of creditors

It is our policy to agree terms of payments with suppliers when entering into contracts and to meet our obligations accordingly. We do not follow any specific published code or standard on payment practice. At 31 December 2011, the Group's trade creditors represented 66 days equivalent of aggregate amounts invoiced by suppliers during the year (2010: 58 days).

Interests in voting rights

At 6 March 2012, the Company had been notified, in accordance with chapter 5 of the Financial Services Authority's Disclosure and Transparency Rules, of the following voting rights as a shareholder of the Company:

	Percentage of voting rights over ordinary shares of €0.0005 each
Lansdowne Partners Limited	13.99%
BlackRock Inc.	10.00%
KDDI Corporation	4.85%
Legal and General Group plc	3.81%
Allianz SE	3.09%

Note: Voting rights are based on the information notified as a disclosable interest to the Company, adjusted for the issued share capital as at 6 March 2012.

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 him/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

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

A resolution to re-appoint Deloitte LLP as Auditor of the Company and to authorise the Board to determine its remuneration will be proposed at the 2012 AGM.

2012 Annual General Meeting

The Annual General Meeting will be held on 3 May at 10.00am at 99 City Road, London EC1Y 1AX. The Notice of Meeting which sets out the resolutions to be proposed at the forthcoming AGM is enclosed with this Annual Report.

By order of the Board

Alison Horrocks FCIS
Senior Vice President – Corporate Governance
and Company Secretary
6 March 2012

STATEMENT ON CORPORATE GOVERNANCE

ANDREW SUKAWATY
Chairman

A robust governance structure underpins the delivery of the Group's strategy.

The Board believes that a robust governance structure contributes to the delivery of the Group's strategy. Transparency and accountability are key elements of the Board's decision making in setting the direction for the Group. This report shows the approach taken by the Board to achieve the Group's governance.

The Board

Responsibilities

Our Board, collectively, is the primary decision-making body for all material matters affecting the Group. It also provides leadership, guidance and sets strategic direction. The composition of the Board and its various Committees is regularly reviewed and evaluated so as to reflect the balance of skills, knowledge, experience and ability of Directors to provide sufficient time to fulfil their Board responsibilities.

Our Board is ultimately accountable to the shareholders for the performance of the business. Responsibility for implementing strategy within the Group's operations and for day-to-day management of the business is delegated to the Chief Executive Officer who, with and through his executive team, cascades it through the Group. Management of the business is delegated to the Company's Executive Staff team, details of whom are listed on page 7.

A formal schedule of matters specifically reserved for decision or consideration by the Board as a whole has been agreed by the Directors. This schedule covers areas such as the Group's business strategy, major investments and acquisitions. Where appropriate, specific responsibilities are delegated to Board Committees or to committees convened for special purposes. The Board has an annual rolling plan of items for discussion which is reviewed and adapted regularly to ensure all matters reserved to the Board, with other items as appropriate, are discussed.

Number of scheduled meetings held and meeting attendance in 2011

	Board	Audit Committee	Remuneration Committee	Nominations Committee
1. Andrew Sukawaty■	8/8	-	-	2/2
2. Rupert Pearce	4/4	-	-	-
3. Rick Medlock	8/8	-	-	-
4. Sir Bryan Carsberg	8/8	4/4	4/4	-
5. Stephen Davidson◆	8/8	4/4	4/4	2/2
6. Admiral James Ellis Jr (Rtd)	8/8	-	4/4	2/2
7. Kathleen Flaherty	8/8	-	4/4	-
8. Janice Obuchowski	8/8	4/4	-	-
9. John Rennocks▲	8/8	4/4	-	2/2

■ Chairman of the Board and Nominations Committee
◆ Chairman of the Remuneration Committee
▲ Chairman of the Audit Committee

Constitution and appointments

Our Board is comprised of Directors drawn from a wide range of professional backgrounds. It was further strengthened by the appointment of Rupert Pearce, who took office as an Executive Director on 6 July 2011. Currently, our Board is made up of three Executive Directors and six Non-Executive Directors. The names of the directors who served during the year, their relevant skills and experience are set out in their biographical details on pages 32 and 33. The Board also considers the need for diversity on the Board and within the Group as a whole. Succession planning for the Board and within the Group takes account of diversity generally, including gender. The Board has two female Non-Executive Directors out of six Non-Executive Directors. Female representation as a percentage of the full Board is 22%. The Board is comfortable with its current composition.

Chairman and Chief Executive Officer

We announced in last year's annual report a planned intention to separate the roles of Chairman and Chief Executive Officer to comply with the UK Corporate Governance code (the 'Code'). This change was advised to shareholders in July 2011 and became effective on 1 January 2012.

With effect from 1 January 2012, Andrew Sukawaty remains Executive Chairman and Rupert Pearce became Chief Executive Officer. There is a clear division of their respective executive responsibilities. John Rennocks, our Senior Independent Director, continues to act as Deputy Chairman and we continue to value his contribution in this dual role. John is available to discuss issues or concerns from our shareholders where they have been unable to resolve them through existing channels for investor communications.

Independent Non-Executive Directors

The diverse experience and backgrounds of the Non-Executive Directors ensures that they can debate with, and constructively challenge management both in relation to the development of strategy and in relation to operational and financial performance. To determine their independence, all Non-Executive Directors are reviewed annually against any circumstances relevant to their current or ongoing independence as set out in the Code.

Following such review, the Board considers all the Non-Executive Directors to be independent and free of any circumstances that could materially interfere with their ability to provide a strong, valuable contribution to the Board's deliberations, or which could interfere with the Director's ability to also act in the best interests of the Group.

Appointment and re-appointment

The Directors may appoint additional members to join the Board during the year. Directors appointed in this way will, upon the recommendation of the Board, offer themselves for election by shareholders at the first Annual General Meeting ('AGM') after their appointment.

The re-appointment of Directors is subject to their ongoing commitment to Board activities and satisfactory performance.

Non-Executive Directors have been appointed initially for three years and all Non-Executive Directors may not, unless agreed by the Board, remain in office for a period longer than six years, or two terms in office, whichever is the shorter.

Four of our Non-Executive Directors were appointed for the first time at the 2006 AGM and therefore will be reaching their six-year term at the 2012 AGM. The Board has approved that these Directors: John Rennocks, Stephen Davidson, Sir Bryan Carsberg and Admiral James Ellis Jr (Rtd) should remain in office, subject to being re-appointed by shareholders.

Rupert Pearce, who joined the Board on 6 July 2011, will stand for election in the 2012 Annual General Meeting. Additionally, in accordance with the provision of the Code, all directors will stand for re-appointment annually.

The Nominations Committee confirmed to the Board that the contributions made by the Directors offering themselves for re-appointment at the 2012 AGM continued to benefit the Board and the Company should support their re-appointment.

Governance

Our Board meets as often as necessary to effectively conduct its business. During the year, the Board met eight times, with one of those meetings being held in Washington DC where the Board met with senior members of the US management teams, enabling it to develop its relationships with these employee groups. The rest of the meetings are held in the UK. Unscheduled supplementary meetings also take place as and when necessary.

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

Directors receive Board and Committee papers in advance of the relevant meetings. Typically, at each meeting, the Chief Executive Officer and Chief Financial Officer provide reports to the Board and several senior executives, by invitation, present updates on strategy and the Group's operations. All Committee Chairmen report orally on the proceedings of their Committees at the following Board meeting. Meeting proceedings and any unresolved concerns expressed by any Director are minuted by the Company Secretary.

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

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

Board effectiveness

The effectiveness of the Board is an essential element of the Company's overall performance. During 2011, the Board and each of the Audit, Remuneration and Nominations Committees completed an internally facilitated performance evaluation designed to assess the quality and effectiveness of the Board's decision making. The Directors reflected and commented on decisions taken over the previous 12 months and how debate and presentations could be improved going forward to enhance their own impact and contribution to the success of the Company, and its preparation for future challenges.

The main elements in the evaluation process included individual Directors and Committee members completing separate evaluation questionnaires regarding the processes of the Board and its Committees, their effectiveness and where improvements could be considered. They also undertook a peer review in which they assessed their fellow Directors' performance and each of the Non-Executive Directors had a discussion with the Company Secretary. The results were compiled and analysed by the Company Secretary and circulated to the full Board and considered as a specific item of Board business.

The evaluation process concluded that during the year, the Board and its main Committees had functioned well with a good balance of the necessary skills required and that the individual Directors had also met the standards expected of them, with each making strong contributions, generally and through the knowledge derived from their specialised areas. With the Non-Executive Directors generally having five to six years experience of the Company's business, this gave them greater business sector maturity and understanding of competitors' activities and their impact on the Group, thus aiding their understanding of the strategy for the business and new technologies being considered.

A performance evaluation of the Board will continue to be conducted annually and the process for such evaluation will be reviewed by the Board, considering the Code recommendation that an external review is undertaken at least every three years. It is expected that an external evaluation will be undertaken in 2012.

The Non-Executive Directors unanimously supported the appointment of Rupert Pearce as Chief Executive Officer and continue to be highly supportive of all the Executive team. The culture of openness and transparency with the sharing of updates on Group activities has remained evident following the senior management changes. The reorganisation of the business, which was announced in late 2011, had been briefed to the full Board, particularly in the last quarter of 2011, to ensure that there was full knowledge of, and support for the changes in management structure, and in the reporting team to the new Chief Executive Officer. The Board supported the rationale for the changes in business approach to bring together all the Group's subsidiaries as a unified Inmarsat presence, enabling a more defined market approach to revenue generation.

External directorships

The Board believes, in principle, in the benefit of Executive Directors accepting non-executive directorships of other companies in order to widen their skills and knowledge for the benefit of the Company. All such appointments require the prior approval of the Board. Executive Directors may not take on more than one non-executive directorship of a FTSE 100 company or any chairmanship of such a company. Messrs Sukawaty and Medlock have external directorships and are permitted to retain any director's fees from these appointments. Mr Pearce does not currently have any external directorships. Details of these directorships can be found in their biographies on page 32 and details of the fees paid to them can be found on page 47. To avoid potential conflicts of interest, Non-Executive Directors are expected to inform the Chairman before taking up any additional external appointments.

Induction and on-going developments

To ensure that each director receives the appropriate support on joining the Board, they are given a comprehensive, formal and tailored induction programme organised through the Company Secretary, including the provision of background material on the Company and briefings with senior management. Each Director's individual experience and background is taken into account in developing a programme tailored to his or her own requirements.

For professional on-going developments, the Board receives presentations appropriate to the Company's business and changes to legislation. The Company Secretary supplies all Directors with information on relevant legal and best practice.

Directors' remuneration

Details of the Company's remuneration policy and Directors' remuneration are contained in the Directors' Remuneration Report on pages 44 to 53.

Company Secretary

The Company Secretary is responsible for developing and maintaining the information systems and processes that enable the Board to fulfil its role. She is also responsible to the Board for ensuring that Board procedures are complied with and advising the Board on all governance matters.

All Directors have access to the advice and services of the Company Secretary and are able to take independent advice in the furtherance of their duties if necessary. No requests for external professional advice were received during the year.

Board Committees

The Board has established Committees to assist it in exercising its authority. The permanent Committees of the Board are the Audit, Remuneration and Nominations Committees.

Each of the permanent Committees has Terms of Reference under which authority is delegated by the Board. The Terms of Reference for each Committee can be found on our website at www.inmarsat.com.

The Company Secretary is Secretary to these Board Committees and the office of the Company Secretary provides secretariat services for each of the Committees.

Board Committees

Reports from each of the Committees are as follows:

Audit Committee

All members of the Audit Committee are independent, Non-Executive Directors and the majority have significant, recent and relevant financial experience. The Board is confident that the collective experience of the Audit Committee members enables them, as a group, to act as an effective Committee. Committee membership and attendance at meetings are shown on page 37.

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

The Audit Committee has particular responsibility for monitoring the financial reporting process, the adequacy and effectiveness of the operation of internal controls and risk management and the integrity of the financial statements. This includes a review of significant issues and judgements, policies and disclosures. Its duties include keeping under review the scope and results of the audit and its cost effectiveness, consideration of management's response to any major external or internal audit recommendations and the independence and objectivity of the internal and external auditors.

During the year to 31 December 2011, the Audit Committee reviewed and endorsed, prior to submission to the Board, half-year and full-year financial statements, interim management statements and results announcements. It considered internal audit reports and risk management updates, agreed external and internal audit plans, received updates on management responses to audit recommendations and approved the review of accounting policies. Progress on implementation of processes to meet the requirements of the UK Bribery Act were also provided to the Committee. Reviews by the Committee of audit plans and risk reports include all Group operations. Detailed standardised risk reporting is used for all Group companies, including Ship Equip which was acquired during the year under review. During 2011, the Senior Statutory Auditor of the external Auditor. completed his five-year term working with the Company. The process of introducing a new Partner has gone smoothly, with briefings from the Committee Chairman and management to provide transparency of business activities.

The Company Secretary, as Chairman of the Disclosure Committee (the role of which is detailed on page 42), 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.

External Auditor

The audit engagement partner rotates every five years and a new audit partner took responsibility for reporting on results for the 2011 financial year.

Auditor objectivity and independence is safeguarded through a variety of mechanisms. To ensure the Auditor's independence, the Committee annually reviews the Company's relationship with Deloitte. Following the review in 2011, the Company concluded that it continues to have an objective and professional relationship with Deloitte and that there are sufficient controls and processes in place to ensure the required level of independence. In addition, the Auditor is required to review and confirm their independence to the Committee on a regular basis.

Non-audit services

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

Fees charged by Deloitte in respect of non-audit services require the prior approval of the Audit Committee, except where the fee does not exceed more than 5% of the total audit fees paid to the Auditor in that financial year. The Audit Committee has agreed that the Company could commit to fees in relation to tax advisory and tax compliance work from the Auditor, in aggregate, of up to 20% of the total audit fee each year, with up to £50,000 for any one project, without the need to seek approval for individual projects. A breakdown of the fees paid to Deloitte during the year is set out in note 6 to the Consolidated Financial Statements.

It is the Company's practice that it will seek quotes from several firms, including the Auditor, before work on non-audit projects is awarded. Contracts are awarded to our suppliers based on individual merits. The Committee and the Company's management are aware that the level of fees paid to Deloitte LLP for non-audit services compared to audit services is, and has been, significantly higher over the last few years. The increase is due to work undertaken on recent acquisitions and refinancing activities. The Committee does not believe that this is an issue for the Company as it is happy with the quality of work and advice provided and that where non-audit work is undertaken management will have negotiated competitive rates for each piece of work.

Remuneration Committee

The Remuneration Committee comprises solely 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 the Group. Full details of areas that the Committee focuses on are set out in the Remuneration Report on pages 44 to 53.

Nominations Committee

The Nominations Committee comprises a majority of independent, Non-Executive Directors. The Nominations Committee meets as and when necessary and details of the membership of the Committee and attendance at meetings are shown on page 37. The Nominations Committee has responsibility for nominating to the Board, candidates for appointment as Directors, bearing in mind the need for diversity and a broad representation of skills across the Board.

The Nominations Committee will also make recommendations to the Board concerning the re-appointment of any independent, Non-Executive Director at the conclusion of his or her specified term; the election and re-election of any Director by shareholders in accordance with the provisions of the Code and changes to senior management, including Executive Directors.

The Nominations Committee agreed that it was appropriate to adopt the recommendation of the Code that all Directors would retire at the 2012 AGM and offer themselves for re-appointment. The Committee further agreed that it was appropriate that directors approaching their six-year term of office should be permitted to serve for a longer period.

During 2011, a significant activity for the Committee was the succession planning for the Chief Executive role. The Deputy Chairman, Mr Rennocks, chaired the Committee for these meetings and throughout the process would additionally call meetings of all the Non-Executive Directors to brief them on progress. An external consultant, RHR International, was engaged to benchmark Mr Pearce against the requirements of the position, assessing his capabilities and identifying where a development programme would be helpful as he took on new responsibilities. The Committee was also involved in the succession planning for the Chief Technology Officer role and endorsed management's recommendation of the internal candidate for the position.

Another area of activity, which the Committee debated, and which was also discussed with the full Board, related to Board diversity and agreement to the issue of a statement of how the Board considers diversity as part of its succession planning. Gender is one element of the considerations made in appointing senior management, Board appointees and as part of general recruitment practices across the Group. The Nominations Committee gives full consideration to succession planning in the course of its work, taking into account the challenges and opportunities facing the Company, how to take account of diversity, including gender, and what skills and expertise are needed on the Board and from senior management in the future.

Relations with shareholders

The Company recognises the importance of communicating with its shareholders to ensure that its strategy and performance is understood and that it remains accountable to shareholders. The Board as a whole is responsible for ensuring that a satisfactory dialogue with shareholders takes place, whilst the Chairman, Chief Executive Officer and Chief Financial Officer ensure that the views of shareholders are communicated to the Board as a whole. The Board ensures that the Company's strategic plans have been carefully reviewed in terms of their ability to deliver long-term shareholder value. This audited 2011 Annual Report will be made available to shareholders and all results are posted on the Company's website, as are presentations made in respect of the full-year results.

The Company has undertaken regular investor roadshows in the UK and overseas and presentations were also made after publication of the Preliminary Results in March 2011 and also in March 2012. Investor and analyst conference calls took place after the announcement of each set of quarterly financial results. There is an ongoing programme of dialogue and meetings between the Executive Directors and institutional investors, fund managers and analysts. At these meetings, a wide range of relevant issues including strategy, performance, management and governance are discussed within the constraints of information which has already been made public. The Board is aware that institutional shareholders may be in more regular contact with the Company than other shareholders, but care is exercised to ensure that any price-sensitive information is released to all shareholders, institutional and private, at the same time in accordance with the Financial Services Authority requirements.

The Senior Independent Director, John Rennocks, is available to shareholders if they have concerns which cannot be raised through the normal channels or such concerns have not been resolved. Arrangements can be made to meet with him through the Company Secretary.

In the past, the Board has consulted with shareholders in connection with specific issues where it considers it appropriate and it would do so in the future.

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

Annual General Meeting

Shareholders are welcome at the Company's AGM where they will have an opportunity to meet the Board. The notice of the AGM is sent to all shareholders at least 20 working days before the meeting. The Chairmen of the Audit Committee and the Remuneration Committee, together with as many Directors as possible, will attend the 2012 AGM and be available to answer shareholders' questions. Voting may be by form of proxy, by poll, by a show of hands or a combination of all three. Facilities are provided for shareholders to vote electrically either through Electronic Proxy Voting or through CREST. The voting results will be notified to the UK Listing Authority through a Regulatory Information Service immediately after the meeting and will be published on our website.

Internal controls

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

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

The Board and the Audit Committee have carried out a review of the effectiveness of the system of internal controls during the year ended 31 December 2011 and for the period up to the date of approval of the consolidated financial statements contained in the Annual Report. The review covered all material controls, including financial, operational and compliance controls and risk management systems. The Board confirms that the actions it considers necessary have been or are being taken to remedy any significant failings or weaknesses identified from its review of the system of internal control. This has involved considering the matters reported to it and developing plans and programmes that it considers are reasonable in the circumstances. The Board also confirms that it has not been advised of material weaknesses in the part of the internal control system that relates to financial reporting.

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

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

As required by the policy, management operates a risk management process to identify, evaluate and report significant risks within the business and to report to the Board on how those risks are being managed. Risks are highlighted through a number of different reviews and culminate in a risk register, monitored by Risk Committees across the Group, which identify the risk area, the probability of the risk occurring, the impact if it does occur and the actions being taken to manage the risk to the desired level. All the risk registers are available for review by senior management of each business and provided quarterly to the Board and to the Audit Committee. With the reorganisation of the Group's businesses, additional focus on how risk reporting will be managed going forwards will be key for management in 2012.

Management structure: there is a clearly defined organisational structure throughout the Group with established lines of reporting and delegation of authority based on job responsibilities and experience. Within the businesses, senior management meetings occur regularly to allow prompt discussion of relevant business issues. A process of self-certification is used where Directors and senior managers are required to detail and certify controls in operation to mitigate risk in key process areas. They also confirm annually, in writing, that risk management processes are in place and are operating effectively.

Financial reporting: monthly management accounts provide relevant, reliable, up-to-date financial and non-financial information to management and the Board. Annual plans, forecasts, performance targets and long range financial plans allow management to monitor the key business and financial activities and the progress towards achieving the financial objectives. The annual budget is approved by the Board. The Group reports half-yearly based on a standardised reporting process. In addition, in line with the Transparency Directive, the Company publishes interim management statements.

Information systems: information systems are developed to support the Group's long-term objectives and are managed by professionally staffed teams. Appropriate policies and procedures are in place covering all significant areas of the business.

Contractual commitments: there are clearly defined policies and procedures for entering into contractual commitments. These include detailed requirements that must be completed prior to submitting proposals and/or tenders for work, both in respect of the commercial, control and risk management aspects of the obligations being entered into.

Monitoring of controls: the Audit Committee receives regular reports from the internal and external auditors and assures itself that the internal control environment of the Group is operating effectively. There are formal policies and procedures in place to ensure the integrity and accuracy of the accounting records and to safeguard the Group's assets. Significant capital projects and acquisitions and disposals require Board approval. There are formal procedures by which staff can, in confidence, raise concerns about possible improprieties in financial and other matters, including pensions administration – often referred to as 'whistleblowing' procedures. Arrangements are in place for proportionate and independent investigation and appropriate follow-up action with the results being reported to the Audit Committee.

Going concern

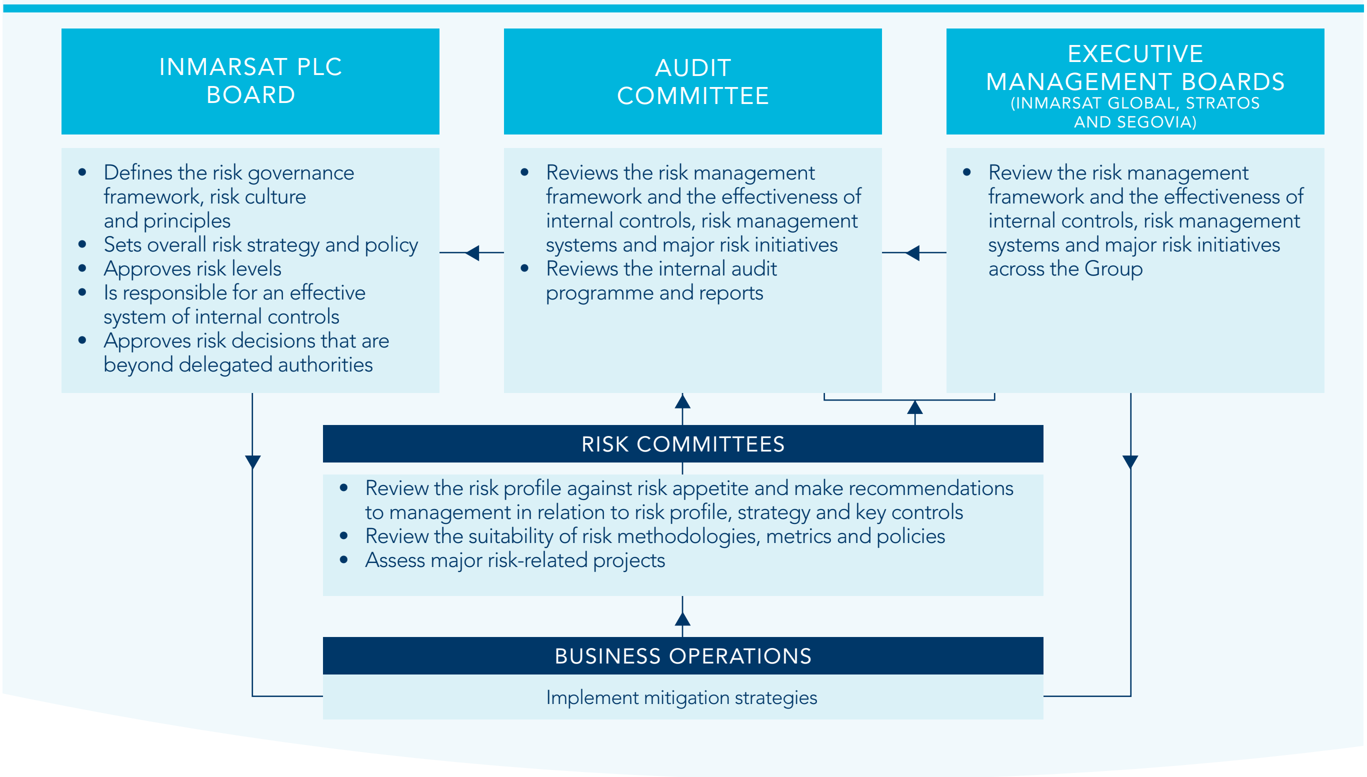
The Directors acknowledge the latest guidance on going concern. Despite the current volatility in financial markets and uncertain economic outlook, the Directors believe that the Group has a robust and resilient business model, strong free cash flow generation and is compliant with all its financial covenants. In making their assessment of going concern, the Directors considered the Board-approved budget, the 15-month rolling forecast, the cash flow forecast and the most recent Long Range Financial Plan. In addition, the Directors considered the maturity profile of existing debt facilities, other liabilities as well as actual and forecast covenant calculations. Furthermore, the forecasts and covenant calculations were stress tested by applying a set of downside scenarios. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, Inmarsat continues to adopt the going concern basis in preparing the consolidated financial statements.

Overall summary statement on corporate governance

The Company is committed to the highest standards of corporate governance, taking into account the new UK Corporate Governance Code. Throughout the year ended 31 December 2011, the Company has been in compliance with the provisions set out in Section 1 of the Code save as noted below.

Until 31 December 2011, Andrew Sukawaty acted in the dual role of Chairman and Chief Executive Officer. He was appointed Chairman in December 2003 and assumed the additional role of Chief Executive Officer at the Board's request in March 2004. The Board believes that Mr Sukawaty's wide experience of the telecommunications industry in an executive capacity meant that he was extremely well qualified to lead the Company in the joint role. This area of non-compliance is no longer applicable following the split of the roles effective 1 January 2012.

Risk management process



STEPHEN DAVIDSON
Chairman of the Remuneration Committee

In preparing this report, we have followed the requirements of the UK Corporate Governance Code 2010 and the UK Listing Authority listing rules and aim to comply with best practice guidelines.

The Directors' Remuneration Report explains the role, responsibilities and activities of the Remuneration Committee. It has been drawn up in accordance with applicable legislation and includes details of the Group's remuneration policy for Directors and employees, information on the Group's share incentive plans and details of the Directors' emoluments, pension arrangements and share awards.

The Remuneration Committee

The Committee consists entirely of independent Non-Executive Directors. It met five times during the year to discharge its responsibilities. Committee membership and attendance at meetings are shown on page 37.

Role and responsibilities

The role of the Committee is to ensure that remuneration policy and practices reward employees fairly and responsibly with a clear link to corporate and individual performance. It operates under delegated authority from the Board and its activities are governed by terms of reference which can be found on our website at www.inmarsat.com. Its responsibilities include reviewing and determining the terms of employment, including remuneration and termination arrangements for the Chairman, Executive Directors and certain senior executives; approving the use of share and cash-based incentive plans for the Group and monitoring the effectiveness and appropriateness of executive remuneration policy and practice. During the year, the Committee has a work plan to deal with each area of responsibility and will generally meet in January, March, June and December each year.

During 2011, the Committee spent additional time in its meetings considering:

- The Chief Executive succession planning and the remuneration package to be put in place for Rupert Pearce, ensuring it is competitive and also reflective that Rupert is new into the position and the package should allow scope to increase in future years;
- The package elements for Andrew Sukawaty as he became Executive Chairman on 1 January 2012;
- Focus on planned LightSquared activities achieved significant revenue and profit contributions. However, due to the uncertain future of LightSquared earnings, the Committee believed it was appropriate to discount their impact on incentive plan results.

Another area of planning in 2011 which will continue into 2012 relates to the structure of remuneration, annual bonus and long-term share awards for the Group following the reorganisation of the business into focused revenue and service delivery units. The Committee will review the balance of reward for individuals in the context of value delivered to shareholders as part of these arrangements.

Advisers

The Committee is advised internally by Andrew Sukawaty (Chairman and Chief Executive Officer for the reporting year), Rick Medlock (Chief Financial Officer), Debbie Jones (Senior Vice President, Corporate Development whose responsibilities include human resources) and Alison Horrocks (Senior Vice President, Corporate Governance and Company Secretary). No member of management is present at a Committee meeting when their own arrangements are being discussed. The Committee also has access to external advice as required, principally from Deloitte LLP ('Deloitte'). Deloitte is the Committee's remuneration consultant and also acts as the Company's Auditor. The Deloitte remuneration team provided remuneration services in compliance with the terms of reference of the Audit Committee and the Ethical Standards of the Auditing Practices Board. During the year, external advice was also sought from Hewitt New Bridge Street regarding the valuation of share awards for accounting purposes.

Remuneration policy

The Group's remuneration policy is designed to deliver rewards that enable it to attract and retain talent of the highest quality, linking rewards to the achievement of financial and strategic goals of the Group. When determining remuneration policy, the Committee takes into account all factors which it deems necessary, including the global economic situation, the Group's business performance in the current year and expectations in future years, and pay arrangements in the wider Inmarsat workforce. Where appropriate, shareholders will be consulted in advance for major changes in the remuneration policy or individual arrangements.

Executive Directors' remuneration

Following the appointment of Rupert Pearce as an Executive Director on 6 July 2011, there are three Executive Directors on the Board: Andrew Sukawaty, Chairman (and Chief Executive to 31 December 2011); Rick Medlock, Chief Financial Officer; and Rupert Pearce, our new Chief Executive Officer from 1 January 2012. Mr Sukawaty split the responsibility for the Chairman and Chief Executive Officer roles on 1 January 2012.

Remuneration for Executive Directors is made up of fixed and variable elements. Pay levels and benefits are set to take account of individual responsibility, experience, contribution and remuneration awards being made across the Company's workforce and with reference to the latest available market data and prevailing best practice. The Company participated in several remuneration benchmarking surveys which use data from companies in different sectors and the information from these surveys is considered by the Remuneration Committee as they make their decisions on levels of salary increase or not, as appropriate to award to Executive Directors, senior management and across Group employees.

Performance-related elements form a significant part of the total remuneration package for the Executive Directors, and are designed to align their interests with those of shareholders.

The Committee is careful to give due attention to the principle that Executive Directors should not be paid more than is necessary to recruit and retain executives and incentivise them to achieve the Company's objectives and create value for shareholders.

Fixed vs variable remuneration

The Committee believes that there is an appropriate balance between fixed and variable remuneration. The table below demonstrates the balance for the Executive Directors' annual total reward opportunity, reflecting the link between pay and performance:

Circa 30% FIXED	Circa 70% VARIABLE		
	SHORT-TERM INCENTIVE	MEDIUM-TERM INCENTIVE	LONG-TERM INCENTIVE
OBJECTIVE:	OBJECTIVE:	OBJECTIVE:	OBJECTIVE:
To reflect the competitive market salary level for the individual and their role.	To incentivise the achievement of annual financial and operational goals.	To link the delivery of short-term financial and operational performance and medium-term shareholder value creation.	To align executives with long-term shareholder value creation through the delivery of strong TSR and earnings performance and share price performance in respect of the CEO Share Award.
BASIC SALARY BENEFITS: (including pension)	ANNUAL CASH BONUS:	AWARDS UNDER BONUS SHARE PLAN:	AWARDS UNDER PERFORMANCE SHARE PLAN:
Reflects market value of the position together with the skills/experience of the Director. This is reviewed annually.	Payable against achievement of annual financial and personal objectives. Objectives are reviewed annually.	Awards made subject to achievement of agreed financial targets each year. Awards vest over three years after performance conditions each year have been achieved.	Awards made subject to the achievement of agreed financial (EBITDA) growth and external relative performance conditions (relative TSR performance). Awards vest after three years subject to performance conditions being achieved.
		CEO DEFERRED SHARE BONUS AWARD:	CEO SHARE AWARD:
		Award vests in 2012.	Award vests in 2012 subject to share price targets being met.

Service agreements

All Executive Directors have service agreements with the Company. The main terms of their agreements are provided in the table below.

	Date of agreement	Term of office	Notice period	Termination terms
Andrew Sukawaty	17 June 2005	Indefinite until termination by either party	Twelve months' written notice by Company or Director	The Company has the discretion to terminate employment on making a lump sum payment in lieu of notice. The employee will also receive a pro-rated bonus (as determined by the Remuneration Committee) for the period up to termination and other contractual benefits
Rupert Pearce	18 January 2012	Indefinite until termination by either party	Twelve months' written notice by Company or Director	The Company can terminate employment by making monthly payments in lieu of notice which may be offset in value depending on any new employment gained. The employee will also receive a pro-rated bonus (as determined by the Remuneration Committee) for the period up to termination and other contractual benefits
Rick Medlock	17 June 2005	Indefinite until termination by either party	Twelve months' written notice by Company or Director	The Company can terminate employment by making a lump sum notice payment. The employee will also receive a pro-rated bonus (as determined by the Remuneration Committee) for the period up to termination and other contractual benefits

Basic salary

Base salary is set by the Committee and reviewed annually taking account of an individual's performance and experience measured by a formal performance appraisal by the Committee, market practice and the remuneration arrangements operated throughout the Group.

No salary increases were awarded to any of the Executive Directors in July 2011. However, Mr Pearce received a salary increase upon his promotion to become Chief Executive Officer. On 1 January 2012, his salary increased from £262,650 to £410,000 which is below the benchmark range for someone experienced in this position. The Committee would expect to increase Mr Pearce's salary as he develops in his new role. The average annual salary increase across the Inmarsat Global group of employees made at 1 July 2011 was 2.38%, limited to a certain number of employees up to middle management levels while salary levels were held static for all other Inmarsat Global employees. The Committee believes that the current Executive Director salaries are competitively positioned against the market and this is appropriate given the context of individual performance, Inmarsat's sector and the competition for talent in this sector. The next review of basic salary for Executive Directors will be with effect from 1 July 2012. Our benchmarking and remuneration reviews generally reflect that our employee base rank above the 50th percentile of broader sector survey data. This positioning remains competitively placed.

Basic salaries for Executive Directors at 1 January 2012 are:

Andrew Sukawaty (Executive Chairman)	£614,744
Rupert Pearce (Chief Executive Officer)	£410,000
Rick Medlock (Chief Financial Officer)	£330,839

Benefits for our Executive Directors include private medical insurance, permanent disability insurance and life assurance. These benefits are non-pensionable.

Aggregate remuneration paid to the Executive Staff

The aggregate remuneration (including income resulting from share award charges) of the Executive Staff (including Executive Directors and comprising eight individuals) for services in all capacities during the 2011 financial year is shown in note 34 of the consolidated financial statements.

Pensions

The Executive Directors are eligible to participate in the Company's defined contribution pension plan arrangements. None participate in the defined benefit plan. Pensionable salary is limited to basic salary and subject to a scheme-specific cap. Messrs Pearce and Medlock are members of the defined contribution pension plan for employees who will draw a UK pension; Mr Sukawaty is a member of the US 401k plan and has also made additional one-off employee contributions to the UK defined contribution pension plan. Mr Sukawaty is entitled to an annual salary supplement equal to 12.5% of the difference between his basic salary and the US Internal Revenue Service capped basic salary in lieu of the employer pension contribution.

The current employer contributions (subject to the UK Pension Plan Scheme specific cap of £129,600 and £136,200 for the 2011/12 and 2012/13 tax years respectively and US Internal Revenue Service earnings cap as appropriate) are:

Andrew Sukawaty	12.5% salary
Rupert Pearce	10.0% salary
Rick Medlock	12.5% salary

Details of the pension arrangements are provided in note 28 to the consolidated financial statements.

Annual cash bonus

Bonus awards, which are not pensionable, are made to Executive Directors based on Group financial and individual performance. Personal performance is appraised against achievement of challenging objectives set by the Committee at the start of each financial year, and is linked to Group strategic and operational performance. The Group financial performance targets represent 80% weighting and individual performance targets represent 20% weighting. The Committee considered that revenue, operating and capital expenditure, with an EBITDA underpin, remained appropriate key performance measures for the financial year to 31 December 2011. The Committee reviewed these targets in respect of annual cash bonus arrangements for the current year – year ending 31 December 2012 – and considered that they continued to remain appropriate.

For the 2011 financial year, the corporate financial targets for EBITDA, operating and capital expenditure were achieved, the Group fell short of the mobile satellite services revenue target but LightSquared delivered significant revenue and profit contributions. An aggregate bonus amount of 127.65% of target bonus, adjusted for personal performance, will be paid to the Executive Directors and Inmarsat Global staff. The percentage bonus target and cash bonus awarded to each Executive Director is set out below.

	Target bonus (as percentage of basic salary)	Maximum (subject to individual and Group performance)	Bonus actually approved for 2011 financial year (as percentage of basic salary)
Andrew Sukawaty	75%	125%	105%
Rupert Pearce	50%	100%	69%
Rick Medlock	50%	100%	65%

Non-Executive Directorships held by the Executive Directors

As permitted under their service agreements, two of the Executive Directors hold positions in other companies as non-executive Directors. The fees they received relating to the 2011 financial year were as follows:

	Company in which non-executive directorship held	2011 Fee
Rick Medlock	Openbet Technologies Limited	£13,750
	Lovefilm UK Limited	£7,000
	Cheapflights Media Limited*	£31,125
Andrew Sukawaty	Xyratex Limited (Nasdaq)	US$183,333
	Ziggo B.V.*	€290,000

* Current non-executive directorships

Share incentives

The Board believes that share ownership at all levels is an effective way of encouraging employees' involvement in the development of the business and bringing together their interests and those of shareholders. Details of share plans which have been in operation during 2011 are provided on pages 48 and 49 and awards made to Executive Directors under the plans can be found on pages 50 and 51.

Share incentive plans

Awards under all of the Company's share plans (including the long-term incentive plans for Executive Directors and senior management) will normally be made only during the six weeks following the announcement of the results for any period and exceptionally at other times when the grant of awards will not be prohibited by the Model Code or the Company's own share dealing code.

In any ten-year period, the number of shares which may be issued or placed under option under any executive share plan established by the Company, may not exceed 5% of the issued ordinary share capital of the Company from time to time. In any ten-year period, the number of shares which may be issued or placed under option, under all employee share plans established by the Company, may not exceed 10% of the issued ordinary share capital of the Company from time to time. Options and awards granted before the Company's listing on the London Stock Exchange are not counted towards the limits. The current level of dilution for share awards is within the above limits.

The Group operates the following Share Plans:

Inmarsat 2005 Performance Share Plan ('PSP')

The PSP aligns executives with long-term shareholder value creation through the delivery of strong TSR and earnings performance and is intended for Executive Directors and certain members of senior management. Awards under the plan can be made with a value of up to 200% of basic salary with exceptions made for circumstances such as recruitment or retention where larger awards of up to 300% of annual basic salary may be made. The Committee will not automatically make share awards up to these maximum levels.

The performance targets applicable to the awards which have been awarded, and the award made in 2011, will be determined by joint reference to the Company's relative TSR performance against companies within the FTSE 350 Index (excluding investment trusts) and its EBITDA performance over the relevant three-year performance period. The Committee believes that using two performance targets represents a good balance of external market performance and delivery of earnings, both of which are key measures of success for the Company. The performance period for each PSP award is three years. For awards to be made in 2012 and onwards, these two performance elements of EBITDA and TSR will continue to be used, although they will be tested separately. Previously the two tests were related by formula and the Committee believes it is more effective to simplify the Plan by testing each measure separately.

The Committee believes that the constituents of the FTSE 350 Index (excluding investment trusts) continues to represent the most appropriate comparator group against which to measure the Company's relative market performance. Growth in EBITDA was selected to reflect the Company's primary driver of value and this also remains appropriate at the moment for future awards. The Committee will keep the performance measures used for the PSP under review to ensure that they remain appropriate and aligned with our long-tem business strategy and the creation of shareholder value.

The PSP awards made in 2009 will not vest in 2012 as although the EBITDA target exceeded the upper range of performance, the TSR performance was not achieved at the median level. There are no provisions for the re-testing of performance under the PSP.

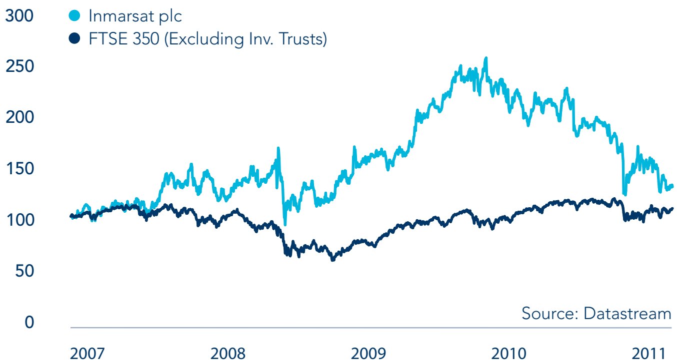
The performance tests for the current unvested PSP awards made in 2010 and 2011 require target EBITDA growth of between 5–8% with TSR being at least median to trigger any vesting and to be in the upper quartile to trigger maximum vesting.

It is intended that awards will be made to the Executive Directors and senior management for 2012 in the open period following the announcement of the Company's full-year results.

Details of the PSP awards to the Executive Directors are provided on page 51.

Performance graph

The following graph shows the Company's performance, measured by total shareholder return delivered for the last five years, in comparison with the performance of the FTSE 350 Index (excluding investment trusts) also measured by total shareholder return.



Source: Datastream

Inmarsat 2005 Bonus Share Plan ('BSP')

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

The levels of bonus share award that can be earned are equivalent to 200% of the maximum annual cash bonus which may be paid and in exceptional circumstances, equivalent to 300% of the maximum annual cash bonus. For the Chairman and Chief Executive Officer, the existing maximum annual cash bonus opportunities are 125% of basic salary and for the Chief Financial Officer, the maximum annual cash bonus opportunity is 100% of basic salary. The Committee will use these limits carefully and does not intend automatically to make share awards at the higher levels.

For the bonus share award, the Committee sets the annual performance targets in respect of the financial year relating to the award. To date, these have been the same financial targets as those used for the annual cash bonus, comprising four financial measures of Inmarsat plc, being: revenue, operating expenditure, capital expenditure and EBITDA (individual objectives are not taken into account). These financial measures have been selected as they are considered to be key to driving annual operational performance. The number of bonus shares awarded depends on performance against these key metrics. The Committee can determine how dividends paid during the vesting period shall be awarded to participants, and to date have determined that dividends will accrue in the form of ordinary shares which are added to the original award of shares and vest in line with the relevant award.

Share awards under the BSP were made to the Executive Directors and certain members of senior management as noted on page 50. The allocation of shares in respect of the awards was made based upon the mid-market closing price of the Company's ordinary shares following the announcement of the Preliminary Results for the relevant financial year.

It is intended that awards will be made to the Executive Directors and management for the 2012 financial year in the open period following the announcement of the Company's full-year results.

CEO Share Award

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

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

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

CEO Deferred Share Bonus Award

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

Inmarsat 2005 Sharesave Scheme ('Sharesave Scheme')

To encourage alignment of employee interests with those of shareholders and the long-term performance of the Group, we have operated UK and International Sharesave schemes for Inmarsat Global employees. The UK plan is a scheme approved by HM Revenue & Customs for employees paying UK PAYE. The International Scheme was established to replicate the UK approved Sharesave Scheme as closely as possible for all non-UK based employees where participants receive the gain on the growth in share price when they exercise their options and retain the savings they have made.

The plans allow the participant to save up to £250 per month (or equivalent in local currency) for a three-year period, before exercising options which have to date been granted at a discount of 20% to the market value at the time of grant.

Grants made to Executive Directors under this plan are set out on page 50.

Inmarsat 2005 Share Incentive Plan ('SIP')

The SIP is a HM Revenue & Customs approved plan which we have previously used for all eligible employees paying UK PAYE and operates in conjunction with a UK tax-resident trust which holds shares on behalf of participating employees.

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

An award was made under both arrangements in 2010.

No Executive Director participated in the SIP or equivalent overseas arrangements.

Inmarsat 2005 Restricted Share Scheme ('RSS') and Inmarsat 2005 Executive Share Option Scheme ('Executive Scheme')

Both the RSS and the Executive scheme have not yet been operated but the Board wishes to retain the flexibility to operate them in the future if circumstances make it appropriate to do so.

Directors' share options and share awards

Audited information in respect of share options and share awards held by the Executive Directors of the Company during the year to 31 December 2011 (except for Rupert Pearce who was appointed to the Board on 6 July 2011) is set out on the following pages. No other Director has received share awards.

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

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

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

1) The number of shares subject to the award increases by the number of shares that the Executive Director could have purchased with the value of dividends they would have received on their award, based on the share price on the ex-dividend date.
2) On 13 May 2011, the three executives sold sufficient shares to cover tax and national insurance and retained the balance. Details of the monetary values of the shares sold to cover the tax/national insurance are: Mr Sukawaty sold 42,168 vested shares at a price of £6.09 per share, representing a monetary value of £256,803. Mr Pearce sold 25,396 vested shares at a price of £6.09 per share, representing a monetary value of £154,662 and Mr Medlock also sold 35,772 vested shares at a price of £6.09 per share, representing a monetary value of £217,851.
3) The shares vest in three equal instalments with the remaining instalment in March 2012.
4) The shares vest in three equal instalments with the remaining two instalments in March 2012 and 2013.
5) The shares vest in three equal instalments with the final instalment in March 2014.

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

Inmarsat 2005 Performance Share Plan

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

1) The number of shares subject to the award increases by the number of shares that the Executive Director could have purchased with the value of dividends they would have received on their award, based on the share price on the ex-dividend date.
2) The award vested in full after the announcement of the 2010 Preliminary Results. The performance conditions of the plan were achieved at the upper levels to permit full vesting. On 13 May 2011, the three executives sold sufficient shares to cover tax and national insurance and retained the balance. Details of the monetary values of the shares sold to cover the tax/national insurance are: Mr Sukawaty sold 59,052 shares at a price of £6.09, representing a monetary value of £359,627. Mr Pearce sold 15,767 shares at a price of £6.09 per share, representing a monetary value of £96,021 and Mr Medlock sold 53,911 shares at a price of £6.09, representing a monetary value of £328,318.
3) No amount of the 2009 PSP will vest.

Share Awards to the Chief Executive Officer

	Share awards held at 1 January 2011	Awarded during the year	Vested during the year	**Share awards held at 31 December 2011**	Share price at date of award	Vesting date
CEO Share Award[1]						
Andrew Sukawaty	1,000,000	–	–	**1,000,000**	£4.49	30 September 2012
CEO Deferred Share Bonus Award						
Andrew Sukawaty	125,000	–	–	**125,000**	£6.59	30 September 2012

1) The award may be increased by 700,000 shares subject to the achievement of certain performance conditions (see page 49 for details).

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

The Committee has generally granted share awards on the basis that on vesting, new shares will be issued to satisfy the awards or a cash amount has been used to satisfy the award. This has been the situation for share awards under the BSP, PSP, SIP and SAYE plans. For the International Sharesave Plan and equivalent SIP scheme, shares are held by an employee Trust, funded by loans from Inmarsat plc with the potential that some awards will be satisfied by the issue of new shares. The Trust holds shares acquired in the market to satisfy the Chief Executive Officer Share Award and the CEO Deferred Share Bonus Award.

Directors' remuneration

Audited information on the remuneration each Director received during the year (except for Rupert Pearce who was appointed to the Board on 6 July 2011) is detailed below:

	Salaries/Fees		Bonus		Benefits		Total		Pension	
(£000)	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Executive Directors										
Andrew Sukawaty	**615**	606	**645**	768	**29**	28	**1,289**	1,402	**79**	76
Rupert Pearce (from 6 July 2011)	**131**	–	**90**	–	**2**	–	**223**	–	**6**	–
Rick Medlock	**331**	326	**214**	250	**6**	6	**551**	582	**15**	15
	1,077	932	**949**	1,018	**37**	34	**2,063**	1,984	**100**	91
Non-Executive Directors										
Sir Bryan Carsberg	**55**	52	**–**	–	**–**	–	**55**	52	**–**	–
Stephen Davidson	**62**	60	**–**	–	**–**	–	**62**	60	**–**	–
Admiral James Ellis Jr (Rtd)	**144**	107	**–**	–	**–**	–	**144**	107	**–**	–
Kathleen Flaherty	**53**	50	**–**	–	**–**	–	**53**	50	**–**	–
Janice Obuchowski	**53**	50	**–**	–	**–**	–	**53**	50	**–**	–
John Rennocks	**99**	94	**–**	–	**–**	–	**99**	94	**–**	–
	466	413	**–**	–	**–**	–	**466**	413	**–**	–

1) £:US$ exchange rate used was £1=US$1.51 (2010: £1=US$1.49).
2) The pension for Andrew Sukawaty includes an annual salary supplement in lieu of employer pension contribution.
3) The fee for Admiral James Ellis Jr (Rtd) included a fee as a Non-Executive Director of Inmarsat Inc., a wholly-owned subsidiary in the US. As at 31 December 2011, this fee was US$76,905 per annum (2010: US$80,645 per annum).
4) The annual basic salary for Rupert Pearce in 2011 was £262,650. The basic salary and bonus shown in the above table were pro-rated from the date of appointment.

Non-Executive Directors

Fees for Non-Executive Directors reflect the time commitment in preparing and attending meetings, the responsibilities and duties of the position and the contribution that is expected of them. Fees are determined annually by the Board as a whole, taking advice as appropriate. The Board agreed that no increase should be paid in July 2011. The fee levels will be reviewed again in July 2012 and increases considered as part of the overall review for increases for staff.

Non-Executive Directors' fees per annum as at 31 December 2011 were:

Basic fee	£50,000
Chairman of Audit Committee	£5,000
Chairman of Remuneration Committee	£7,500
Chairman of Nominations Committee	£5,000
Committee membership	£2,500
Deputy Chairman/SID (inclusive of Committee membership but excluding Audit Chairman fee)	£94,085

Non-Executive Directors do not receive an annual bonus and do not participate in any of the Company's incentive plans. They receive no benefits. The Company reimburses the reasonable expenses they incur in carrying out their duties as Directors.

Letters of appointment are in place for all Non-Executive Directors. Appointments are initially for three years and unless agreed by the Board, they may not remain in office for a period longer than six years, or two terms in office, whichever is the shorter. As four of the Non-Executive Directors reach their sixth year at the 2012 AGM, the Nominations Committee has concluded that their contribution remains valuable and therefore they should continue in office subject to being re-appointed by shareholders.

Non-Executive Director appointment details are:

Name	Date of appointment letter	Date of appointment
Stephen Davidson	16 June 2005	22 June 2005
John Rennocks	5 January 2005	4 January 2005
Sir Bryan Carsberg	18 April 2005	22 June 2005
Admiral James Ellis Jr (Rtd)	18 April 2005	22 June 2005
Kathleen Flaherty	9 May 2006	9 May 2006
Janice Obuchowski	6 May 2009	5 May 2009

The letters of appointment of the Non-Executive Directors are available for inspection at the Company's registered office during normal business hours and at the AGM (for 15 minutes prior to the meeting and during the meeting).

Shareholding guidelines

In line with best practice and to bring Directors' and shareholders' interests further into line, Executive Directors and the Executive Staff group are encouraged to maintain a holding of ordinary shares in the Company with a guideline value of five times salary for Executive Directors and one times salary over a four-year period for Executive Staff. Executive Directors consistently hold approximately five times or over.

Directors' interests

Details of the beneficial shareholdings of the Directors are shown below. No right to subscribe for ordinary shares in the Company or any subsidiary company in the same group was granted to, or exercised by any Director or a member of a Director's immediate family during the financial year.

Interest in ordinary shares of €0.0005 each	**As at 31 December 2011**	As at 31 December 2010 (or date of appointment if later)
Executive Directors		
Andrew Sukawaty	**731,915**	390,534
Rupert Pearce	**550,837**	302,402
Rick Medlock	**289,686**	240,000
Non-Executive Directors		
Sir Bryan Carsberg	**16,327**	16,327
Stephen Davidson	**1,500**	1,500
Admiral James Ellis Jr (Rtd)	**21,727**	21,727
Kathleen Flaherty	**3,073**	2,043
Janice Obuchowski	**7,000**	2,000
John Rennocks	**44,900**	14,600

Approved by the Board

Stephen Davidson
Chairman, Remuneration Committee
6 March 2012

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 Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the Parent Company financial statements under IFRSs as adopted by the European Union. Under company law, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, 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

We confirm to the best of our knowledge:

1. the financial statements, prepared in accordance with IFRS as adopted by the EU, 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 management report, which is incorporated into the Report of the Directors, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Andrew Sukawaty
Chairman
6 March 2012

Rick Medlock
Chief Financial Officer
6 March 2012

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INMARSAT PLC

We have audited the consolidated financial statements of Inmarsat plc for the year ended 31 December 2011 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes 1 to 36. 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 consolidated 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 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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 2011 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

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 consolidated financial statements are prepared is consistent with the consolidated financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required 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.

Under the Listing Rules we are required to review:

- the Directors' statement, contained within the Statement on Corporate Governance, in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

Other matter

We have reported separately on the Parent Company financial statements of Inmarsat plc for the year ended 31 December 2011 and on the information in the Directors' Remuneration Report that is described as having been audited.

Stephen Griggs FCA
(Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
6 March 2012

CONSOLIDATED INCOME STATEMENT

(US$ in millions)	Note	2011	2010
Revenues		**1,408.5**	1,171.6
Employee benefit costs	7	**(206.5)**	(181.7)
Network and satellite operations costs		**(241.7)**	(217.1)
Other operating costs		**(127.0)**	(93.8)
Own work capitalised		**21.1**	17.1
Total net operating costs		**(554.1)**	(475.5)
EBITDA		**854.4**	696.1
Depreciation and amortisation	6	**(245.8)**	(234.6)
Acquisition-related adjustments		**(2.1)**	(2.1)
Impairment losses	6	**(141.5)**	–
Share of results of associates		**1.5**	1.2
Operating profit		**466.5**	460.6
Interest receivable and similar income	9	**5.0**	1.4
Interest payable and similar charges	9	**(104.6)**	(128.5)
Net interest payable	9	**(99.6)**	(127.1)
Profit before income tax	6	**366.9**	333.5
Income tax expense	10	**(117.4)**	(72.4)
Profit for the year		**249.5**	261.1
Attributable to:			
Equity holders		**249.3**	260.9
Non-controlling interest		**0.2**	0.2
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in US$ per share)			
– Basic	27	**0.55**	0.57
– Diluted	27	**0.54**	0.56
Adjusted earnings per share for profit attributable to the equity holders of the Company during the year (expressed in US$ per share)			
– Basic	27	**0.53**	0.54
– Diluted	27	**0.53**	0.54

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(US$ in millions)	Note	2011	2010
Profit for the year		**249.5**	261.1
Other comprehensive income			
Actuarial gains from pension and post-retirement healthcare benefits		**13.4**	9.9
Net losses on cash flow hedges	26	**(2.7)**	(9.0)
Foreign exchange translation differences		**0.4**	–
Tax (charged)/credited directly to equity	10	**(4.2)**	2.9
Other comprehensive income for the year, net of tax		**6.9**	3.8
Total comprehensive income for the year, net of tax		**256.4**	264.9
Attributable to:			
Equity holders		**256.2**	264.7
Non-controlling interest		**0.2**	0.2

CONSOLIDATED BALANCE SHEET

(US$ in millions)	Note	2011	2010
Assets			
Non-current assets			
Property, plant and equipment	13	**1,820.1**	1,355.7
Intangible assets	14	**1,081.7**	1,127.2
Investments	15	**31.0**	30.8
Other receivables	17	**4.2**	5.2
Derivative financial instruments	32	**0.1**	6.9
		2,937.1	2,525.8
Current assets			
Cash and cash equivalents	16	**183.5**	343.8
Trade and other receivables	17	**257.2**	260.8
Inventories	18	**23.5**	20.2
Derivative financial instruments	32	**7.8**	7.4
		472.0	632.2
Total assets		**3,409.1**	3,158.0
Liabilities			
Current liabilities			
Borrowings	19	**361.5**	58.6
Trade and other payables	20	**535.4**	348.6
Provisions	21	**2.9**	0.4
Current income tax liabilities	22	**52.3**	46.8
Derivative financial instruments	32	**14.2**	12.9
		966.3	467.3
Non-current liabilities			
Borrowings	19	**1,188.9**	1,402.3
Other payables	20	**28.1**	58.3
Provisions	21	**26.7**	42.5
Deferred income tax liabilities	22	**108.9**	85.3
Derivative financial instruments	32	**9.1**	13.6
		1,361.7	1,602.0
Total liabilities		**2,328.0**	2,069.3
Net assets		**1,081.1**	1,088.7
Shareholders' equity			
Ordinary shares	24	**0.3**	0.3
Share premium		**683.9**	683.9
Equity reserve		**56.9**	56.9
Other reserves	26	**25.8**	19.1
Retained earnings		**313.3**	327.8
Equity attributable to shareholders of the parent		**1,080.2**	1,088.0
Non-controlling interest		**0.9**	0.7
Total equity		**1,081.1**	1,088.7

The consolidated financial statements of the Group on pages 56 to 99 were approved by the Board of Directors on 6 March 2012 and were signed on its behalf by:

Andrew Sukawaty
Chairman

Rick Medlock
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(US$ in millions)	Ordinary share capital	Share premium account	Equity reserve	Share option reserve	Cash flow hedge reserve	Revaluation reserve	Currency reserve	Other reserve[a]	Retained earnings	Non-controlling interest	Total
Balance at 1 January 2010	0.3	679.7	56.9	27.5	(2.6)	0.6	–	(10.1)	217.2	0.5	970.0
Issue of share capital	–	4.2	–	–	–	–	–	–	–	–	4.2
Share options charge/(credit)	–	–	–	10.0	–	–	–	(1.4)	–	–	8.6
Dividends paid	–	–	–	–	–	–	–	–	(159.0)	–	(159.0)
Comprehensive Income:											
Profit for the period	–	–	–	–	–	–	–	–	260.9	0.2	261.1
Other Comprehensive Income – before tax	–	–	–	–	(9.0)	–	–	–	9.9	–	0.9
Other Comprehensive Income – tax	–	–	–	–	4.1	–	–	–	(1.2)	–	2.9
Balance at 31 December 2010	0.3	683.9	56.9	37.5	(7.5)	0.6	–	(11.5)	327.8	0.7	1,088.7
Share options charge/(credit)	**–**	**–**	**–**	**10.2**	**–**	**–**	**–**	**–**	**(2.4)**	**–**	**7.8**
Purchase of own shares	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(98.4)**	**–**	**(98.4)**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(173.4)**	**–**	**(173.4)**
Comprehensive Income:											
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**249.3**	**0.2**	**249.5**
Other Comprehensive Income – before tax	**–**	**–**	**–**	**–**	**(2.7)**	**–**	**0.4**	**–**	**13.4**	**–**	**11.1**
Other Comprehensive Income – tax	**–**	**–**	**–**	**–**	**(1.2)**	**–**	**–**	**–**	**(3.0)**	**–**	**(4.2)**
Balance at 31 December 2011	**0.3**	**683.9**	**56.9**	**47.7**	**(11.4)**	**0.6**	**0.4**	**(11.5)**	**313.3**	**0.9**	**1,081.1**

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

CONSOLIDATED CASH FLOW STATEMENT

(US$ in millions)	Note	2011	2010
Cash flow from operating activities			
Cash generated from operations	23	**991.2**	785.8
Interest received		**3.0**	1.3
Income taxes paid		**(112.6)**	(42.8)
Net cash inflow from operating activities		**881.6**	744.3
Cash flow from investing activities			
Purchase of property, plant and equipment		**(489.7)**	(141.4)
Additions to capitalised development costs, including software		**(20.0)**	(25.3)
Own work capitalised		**(21.3)**	(14.0)
Acquisition of subsidiaries and other investments	29	**(171.0)**	(114.8)
Net cash used in investing activities		**(702.0)**	(295.5)
Cash flow from financing activities			
Dividends paid to shareholders	12	**(172.2)**	(158.3)
Repayment of Previous Senior Credit Facility	19	**(200.0)**	(90.0)
Drawdown of EIB Facility	19	**–**	308.4
Drawdown of Ex-Im Bank Facility	19	**277.3**	–
Repayment of the Stratos Senior Credit Facility	19	**–**	(209.2)
Redemption of the Stratos Senior Unsecured Notes	19	**–**	(65.5)
Repayment of Ship Equip long-term debt		**(44.7)**	–
Arrangement costs of new borrowing facilities	19	**(22.4)**	(3.3)
Purchase of own debt securities, including discount	19	**–**	(24.4)
Interest paid on borrowings		**(79.7)**	(93.3)
Net proceeds from the issue of ordinary shares	24	**–**	4.2
Purchase of own shares, including costs	24	**(98.4)**	–
Other financing activities		**(0.4)**	(0.1)
Net cash used in financing activities		**(340.5)**	(331.5)
Foreign exchange adjustment		**0.2**	(0.1)
Net (decrease)/increase in cash and cash equivalents		**(160.7)**	117.2
Movement in cash and cash equivalents			
At beginning of year		**343.5**	226.3
Net (decrease)/increase in cash and cash equivalents		**(160.7)**	117.2
As reported on the Balance Sheet (net of bank overdrafts)	16	**182.8**	343.5
At end of year, comprising			
Cash at bank and in hand	16	**65.0**	73.5
Short-term deposits with original maturity of less than three months	16	**118.5**	270.3
Bank overdrafts	16	**(0.7)**	(0.3)
		182.8	343.5

1. General information

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

The Company's ticker symbol on the London Stock Exchange is ISAT (LSE: ISAT).

2. Principal accounting policies

Basis of preparation

The principal accounting policies adopted in the preparation of the consolidated financial statements for the years ended 31 December 2011 and 2010 (the 'consolidated financial statements') are set out below.

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

The Group has a robust and resilient business model, strong free cash flow generation and is compliant with all covenants. As a consequence and despite the continuing uncertain economic climate, the Directors believe that the Group is well placed to manage its business risks successfully. After considering current financial projections and facilities available and after making enquiries, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, Inmarsat plc continues to adopt the going concern basis in preparing the consolidated financial statements.

The Group's business activities, together with factors likely to affect its future development, performance and position are set out in the Chairman's Review, Business Review and the Chief Financial Officer's Review on pages 2 to 27. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Chief Financial Officer's Review on pages 16 to 27. In addition, notes 3, 31 and 32 to the financial statements include the Group's objectives, policies and processes for managing its financial risk management objectives, its capital, details of its financial instruments and hedging activities, and its exposure to credit risk and liquidity risk.

Basis of accounting

The preparation of the consolidated financial statements in conformity with IFRS requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the Balance Sheet dates and the reported amounts of revenue and expenses during the reported period. Although these estimates are based on management's best estimate of the amount, event or actions, the actual results ultimately may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

The following standards and interpretations, as adopted by the EU, are effective for the first time in the current financial year and have been adopted by the Group with no significant impact on its consolidated results or financial position:

- IAS 24 (as revised) – Related Party Disclosures – Revised definition of related parties (effective for financial years beginning on or after 1 January 2011);
- IAS 32 (as revised) – Financial Instruments: Presentation – Classification of rights issues (effective for financial years beginning on or after 1 February 2010);
- IFRIC 14 (as amended) – IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – November 2009 Amendments with respect to voluntary prepaid contributions (effective for financial years beginning on or after 1 January 2011);
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments (effective for financial years beginning on or after 1 July 2010); and
- Amendments resulting from the May 2010 Annual Improvements to IFRSs (effective for financial years beginning on or after 1 January 2011, except for IFRS 3 and IAS 27 which are effective for financial years beginning on or after 1 July 2010).

At the date of approval of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements, were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- IFRS 7 (as amended) – Financial Instruments: Disclosures – Amendments enhancing disclosures about transfers of financial assets (effective for financial years beginning on or after 1 July 2011);
- IFRS 9 – Financial Instruments – Classification and Measurement (effective for financial years beginning on or after 1 January 2013);
- IFRS 10 – Consolidated Financial Statements (effective for financial years beginning on or after 1 January 2013);
- IFRS 11 – Joint Arrangements (effective for financial years beginning on or after 1 January 2013);

- IFRS 12 – Disclosures of Interests in Other Entities (effective for financial years beginning on or after 1 January 2013);
- IFRS 13 – Fair Value Measurement (effective for financial years beginning on or after 1 January 2013);
- IAS 1 (as amended) – Presentation of Financial Statements – Amendments to revise the way other comprehensive income is presented (effective for financial years beginning on or after 1 July 2012);
- IAS 12 (as amended) – Income Taxes – Limited scope amendment (recovery of underlying assets) (effective for financial years beginning on or after 1 January 2012);
- IAS 19 (as amended) – Employee Benefits – Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects (effective for financial years beginning on or after 1 January 2013);
- IAS 27– Consolidated and Separate Financial Statements – Reissued as IAS 27 *Separate Financial Statements* (as amended in 2011) (effective for financial years beginning on or after 1 January 2013);
- IAS 28 – Investments in Associates – Reissued as IAS 28 *Investments in Associates and Joint Ventures* (as amended in 2011) (effective for financial years beginning on or after 1 January 2013); and
- IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine (effective for financial years beginning on or after 1 January 2013).

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

Basis of consolidation
The consolidated financial statements include the accounts of the Company and its domestic and overseas subsidiary undertakings.

Subsidiary undertakings include all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than 50% of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The results of subsidiary undertakings established or acquired during the period are included in the consolidated profit and loss account from the date of establishment or acquisition of control. The results of subsidiary undertakings disposed of during the period are included until the date of disposal.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All transactions, balances, income and expenses with and between subsidiary undertakings have been eliminated on consolidation.

On the acquisition of a company or business, fair values reflecting conditions at the date of acquisition are attributed to the identifiable separable assets, liabilities and contingent liabilities acquired. Where the fair value of the total consideration, both paid and deferred, exceeds the fair value of the identifiable separable assets, liabilities and contingent liabilities acquired, the difference is treated as purchased goodwill. Fees and similar incremental costs incurred directly in making the acquisition are recorded in the Income Statement as incurred, in line with IFRS 3.

Where the deferred consideration is payable in cash, the liability is discounted to its present value. Where the deferred consideration is contingent upon future trading performance, an estimate of the present value of the deferred consideration payable is made. The contingent deferred consideration is reassessed annually and any gain or loss on remeasurement is recorded in the Income Statement.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests share of changes in equity since the date of the original combination.

Foreign currency translation
a) Functional and presentation currency
The functional currency of the Company and all of the Group's subsidiaries and the presentation currency of the Group is the US Dollar, as the majority of operational transactions are denominated in US Dollars.

The hedged rate between US Dollar and Pounds Sterling for 2011 for Inmarsat Global was US$1.51/£1.00 (2010: US$1.49/£1.00).

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

Monetary assets and liabilities not denominated in the functional currency of the respective subsidiary undertaking of the 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. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts, which are included as current borrowings in liabilities on the Balance Sheet. Non-derivative financial liabilities are all classified as other liabilities and stated at amortised cost using the effective interest method. For borrowings, their carrying value includes accrued interest payable, as well as unamortised issue costs.

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational and financing activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting under IAS 39 are accounted for as trading instruments. Derivatives are initially recognised and measured at fair value on the date a derivative contract is entered into and subsequently measured at fair value. The gain or loss on remeasurement is taken to the Income Statement except where the derivative is a designated cash flow hedging instrument.

In order to qualify for hedge accounting, the Group is required to document in advance the relationship between the item being hedged and the hedging instrument. The Group is also required to demonstrate that the hedge will be highly effective on an ongoing basis. This effectiveness testing is reperformed at each period end to ensure that the hedge remains highly effective.

Gains or losses on cash flow hedges that are regarded as highly effective are recognised in equity. Where the forecast transaction results in a financial asset or liability, gains or losses previously recognised in equity are reclassified to the Income Statement in the same period as the asset or liability impacts income. If the forecasted transaction or commitment results in future income or expenditure, gains or losses deferred in equity are transferred to the Income Statement in the same period as the underlying income or expenditure. The ineffective portions of the gain or loss on the hedging instrument are recognised immediately in the Income Statement.

Where a hedge no longer meets the effectiveness criteria, any gains or losses deferred in equity are only transferred to the Income Statement when the committed or forecasted transaction is recognised in the Income Statement. However, where the Group has applied cash flow hedge accounting for a forecasted or committed transaction that is no longer expected to occur, then the cumulative gain or loss that has been recorded in equity is transferred to the Income Statement. When a hedging instrument expires or is sold, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement.

Revenue recognition

Mobile satellite communications services revenue results from utilisation charges that are recognised as revenue in the period during which the services are provided. Deferred income attributable to mobile satellite communications services or subscription fees represents the unearned balances remaining from amounts received from customers pursuant to prepaid contracts. Mobile satellite communications services lease revenues are recorded on a straight-line basis over the term of the contract concerned, which is typically between one and 12 months, unless another systematic basis is deemed more appropriate.

Revenue also includes income from spectrum coordination agreements, services contracts and income from the sale of terminals and other communication equipment. Revenue from spectrum coordination agreements is recognised using the percentage of completion or straight-line approach depending on the underlying terms of the agreement (see note 4(d)). Revenue from service contracts is recognised as the service is provided. Sales of terminals and other communication equipment are recognised when the risks and rewards of ownership are transferred to the purchaser.

The Company offers certain products and services as part of multiple deliverable arrangements. Multi-deliverable arrangements are divided into separate units of accounting provided, 1) the deliverable has a standalone value to the customer if it is sold separately, and 2) the fair value of the item can be objectively and reliably determined. Consideration for these items is measured and allocated to each separate unit based on their relative fair values and the Company's relevant revenue recognition policies are applied to them.

Employee benefits

Wages, salaries, social security contributions, accumulating annual leave, bonuses and non-monetary benefits are accrued in the year in which the associated services are performed by the employees of the Group.

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it has demonstrably committed to either terminate the employment of current employees or to provide termination benefits, as a result of an offer made to encourage voluntary redundancy.

The Group recognises liabilities relating to defined benefit pension plans and post-retirement healthcare benefits in respect of employees. The Group's net obligations 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 also operates a number of defined contribution pension schemes. Pension costs for the defined contribution schemes are charged to the Income Statement when the related employee service is rendered.

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

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax
Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary deductible differences or tax loss carry forwards can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Research and development
Research expenditure is expensed when incurred. Development expenditure is expensed when incurred unless it meets criteria for capitalisation. Development costs are only capitalised once the technical feasibility and commercial viability of a business case has been demonstrated and they can be measured reliably. Capitalised development costs are amortised on a straight-line basis over their expected useful economic life.

Property, plant and equipment
Space segment assets
Space segment assets comprise satellite construction, launch and other associated costs, including ground infrastructure. Expenditure charged to space segment projects includes invoiced progress payments, amounts accrued appropriate to the stage of completion of contract milestone payments, external consultancy costs and direct internal costs. Internal costs, comprising primarily staff costs, are only capitalised when they are directly attributable to the construction of an asset. Progress payments are determined on milestones achieved to date together with agreed cost escalation indices. Deferred satellite payments represent the net present value of future payments dependent on the future performance of each satellite and are recognised in space segment assets when the satellite becomes operational. The associated liability is stated at its net present value and included within liabilities. These space segment assets are depreciated over the life of the satellites from the date they become operational and are placed into service. Borrowing costs attributable to the construction of assets which take a substantial period of time to get ready for intended use ('qualifying assets') are added to the costs of those assets.

Assets in course of construction
Assets in course of construction primarily relate to the Alphasat satellite, Inmarsat-5 satellites and Global Xpress services. These assets will be transferred to space segment assets and depreciated over the life of the satellites or services once they become operational and placed into service. No depreciation has been charged on these assets.

Other fixed assets
Other fixed assets are stated at historical cost less accumulated depreciation.

Depreciation
Depreciation is calculated to write off the historical cost less residual values, if any, of fixed assets, except land, on a straight-line basis over the expected useful lives of the assets concerned. The Group selects its depreciation rates and residual values carefully and reviews them annually to take account of any changes in circumstances. When setting useful economic lives, the principal factors the Group takes into account are the expected rate of technological developments, expected market requirements for the equipment and the intensity at which the assets are expected to be used.

Asset retirement obligations
The fair value of legal obligations associated with the retirement of tangible property, plant and equipment is recognised in the financial statements in the period in which the liability is incurred. Upon initial recognition of a liability for an asset retirement obligation, a corresponding asset retirement cost is added to the carrying amount of the related asset, which is subsequently amortised to income over the remaining useful life of the asset. Following the initial recognition of an asset retirement obligation, the carrying amount of the liability is increased for the passage of time by applying an interest method of allocation to the liability with a corresponding accretion cost reflected in operating expenses.

Revisions to either the timing or the amount of the original estimate of undiscounted cash flows are recognised each period as an adjustment to the carrying amount of the asset retirement obligation.

Government grants
Government grants have been received in relation to the purchase and construction of certain assets. Government grants are deducted from the cost of the relevant assets to arrive at carrying amount. The grants are therefore recognised as income over the lives of the assets by way of a reduced depreciation charge.

Gains and losses on disposals of tangible and intangible assets
Gains and losses on disposals are determined by comparing net proceeds with the carrying amount. These are included in the Income Statement.

Intangible assets
Intangible assets comprise goodwill, patents, trademarks, software, terminal development costs, spectrum rights, orbital slots and licences, customer relationships and intellectual property.

Intangible assets arise from separate purchases and acquisitions as part of business combinations. In addition, internally-generated intangible assets are recognised only if all the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be reliably measured.

Development costs directly relating to the development of new services are capitalised as intangible assets. Costs are capitalised once a business case has been demonstrated as to technical feasibility and commercial viability.

Intangible assets with a finite useful life are depreciated on a straight-line basis over the life of the asset and the amortisation period and method are reviewed each financial year. Intangible assets with an indefinite useful life are reviewed annually for impairment.

Impairment of non-financial assets
At each balance sheet date, the Group reviews the carrying amounts of assets that are subject to amortisation and depreciation to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, an impairment review is conducted. Intangible assets with an indefinite life are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Impairment testing involves a comparison of the carrying amount of the asset with its recoverable amount, which is the higher of fair value less costs to sell and value in use. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit ('CGU') to which the asset belongs. Fair value less costs to sell is calculated by reference to the amount at which the asset could be disposed of. Value in use is calculated by discounting the expected future cash flows obtainable as a result of the asset's continued use, including those resulting from its ultimate disposal, at a market-based discount rate on a pre-tax basis.

CGUs are identified as groups of assets, liabilities and associated goodwill that generate cash flows that are largely independent of other cash flow streams. The assets and liabilities include those directly involved in generating the cash flows and an appropriate proportion of corporate assets.

An impairment loss is recognised in the Income Statement whenever the carrying amount of an asset exceeds its recoverable amount. The carrying amount will only be increased where an impairment loss recognised in a previous period for an asset other than goodwill either no longer exists or has decreased, up to the amount that it would have been had the original impairment not occurred. Any impairment to goodwill recognised in a previous period is not reversed.

Investments

Investments in equity instruments that do not have quoted market prices in active markets are recorded at cost. Investments are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be fully recoverable.

Trade receivables

Trade receivables are stated at their nominal value and reduced by appropriate allowances for estimated irrecoverable amounts. Estimated irrecoverable amounts are recognised in other operating costs when there is objective evidence that trade receivables are impaired. Larger accounts are specifically reviewed to assess a customer's ability to make payments.

Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases by the lessee. Rentals payable under operating leases are charged to the Income Statement on a straight-line basis over the term of the lease.

Interest and finance costs

Interest on borrowings and other financial liabilities is recognised in the Income Statement using the effective interest rate method.

The accretion of the discount on the principal on the Convertible Bonds is accounted for as an interest expense.

Borrowing costs attributable to qualifying assets are added to the costs of those assets.

Inventories

Inventories are stated at the lower of cost (determined by the weighted average cost method) and net realisable value. Allowances for obsolescence are recognised in other operating costs when there is objective evidence that inventory is obsolete.

Cash and cash equivalents

Cash and cash equivalents, measured at fair value, includes cash in hand, deposits held on call with banks and other short-term highly-liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings as current liabilities on the Balance Sheet.

Provisions

Provisions, other than in respect of pension and post-retirement healthcare benefits, are recognised when the Group has a legal or constructive obligation to transfer economic benefits arising from past events and the amount of the obligation can be estimated reliably. Provisions are not recognised unless the outflow of economic benefits to settle the obligation is more likely than not to occur.

Borrowings

Borrowings are initially recognised as proceeds received, net of transaction and arrangement costs incurred. Borrowings are subsequently stated at amortised cost. Transaction and arrangement costs of borrowings and the difference between the proceeds and the redemption value are recognised in the Income Statement over the life of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the Balance Sheet date.

Convertible Bonds

Convertible bonds that can be converted into share capital at the option of the holder are considered and accounted for as compound financial instruments, consisting of a separate liability component and an equity component in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible debt instrument. The embedded call and put options, since they are closely linked to the underlying instrument, are valued and recognised as part of the liability. The total liability is recognised as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The equity component initially brought to account is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole and represents the option for the holder to convert the bonds into equity of the company. This conversion option is recognised and included directly in equity and is not subsequently remeasured. Issue costs are apportioned between the liability and equity components based on their respective carrying amounts at the date of issue.

On conversion, the liability is reclassified to equity and no gain or loss is recognised in the Income Statement. Where the convertible borrowing is redeemed early or repurchased in a way that does not alter the original conversion privileges, the consideration paid is allocated to the liability and equity components. The consideration relating to the equity component is recognised in equity and the amount of gain or loss relating to the liability element is recognised in the Income Statement.

The finance costs recognised in respect of the convertible borrowings includes the accretion of the liability component to the amount that will be payable on redemption.

Earnings before interest, tax, depreciation and amortisation ('EBITDA')

EBITDA is a non GAAP performance measure used by analysts and investors, and is defined as profit before income tax, net interest payable, depreciation and amortisation, acquisition-related adjustments, impairment losses and share of results of associates.

3. Financial risk management

Financial risk factors

The Group's operations and significant debt financing expose it to a variety of financial risks that include the effects of changes in debt market prices, foreign currency exchange rates, credit risks, liquidity risks and interest rates. The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Group by using forward exchange contracts to limit exposure to foreign currency risk and interest rate swaps to reduce the impact of fluctuating interest rates on its floating rate long-term debt.

The Board of Directors 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 32). The management of the Group does not hold or issue derivative financial instruments for speculative or trading purposes.

(a) Market risk

(i) Foreign exchange risk

The functional currency of Inmarsat plc is US Dollars. The Group's long-term borrowings are denominated in US Dollars, the majority of its revenue is earned in US Dollars and the vast majority of capital expenditure is denominated in US Dollars, which are therefore not subject to risks associated with fluctuating foreign currency rates of exchange. However, approximately 50% (2010: 60%) of Inmarsat Global's operating costs are denominated in Sterling. Inmarsat Solutions operate internationally, resulting in approximately 5%–10% of revenue and expenditure being denominated in currencies other than the US Dollar. The Group's exposures therefore need to be carefully managed to avoid variability in future cash flows and earnings caused by volatile foreign exchange rates.

The foreign currency hedging policy of the Group is to economically hedge a minimum of 50% of anticipated foreign currency exposure in operating expenses for the next 12 months and up to a maximum of 100% for the next three years on a rolling basis.

As at 31 December 2011 it is estimated that:

- A hypothetical 1% inflation of the hedged US Dollar/Sterling exchange rate (US$1.51/£1.00 to US$1.53/£1.00) would have decreased the 2011 profit before tax by approximately US$1.1m (2010: US$1.1m).
- A hypothetical 1% inflation of the US Dollar/Sterling foreign currency spot rate at 31 December 2011, would have reduced the 2011 profit before tax by approximately US$0.2m (2010: US$0.2m), primarily as a result of the translation of Sterling denominated monetary assets and liabilities. This analysis includes only outstanding foreign currency denominated monetary items and adjusts the translation of these items at the period end for a 1% change in foreign currency rates.
- A hypothetical 1% deflation (2010: inflation) in the US Dollar/Sterling and a 1% deflation in the US Dollar/Euro foreign currency spot rates at 31 December 2011, would have decreased equity by US$1.0m and US$1.0m, respectively (2010: US$1.8m and US$1.3m, respectively) primarily as a result of the changes in fair value of derivative instruments designated as cash flow hedges.

Management believes that a 1% sensitivity rate provides a reasonable basis upon which to assess expected changes in foreign exchange rates.

(ii) Price risk

The Group is not exposed to significant equity securities price risk or commodity price risk.

(b) Interest rate risk

Given the Group has no significant interest-bearing assets (except cash and cash equivalents), income and operating cash flows are substantially independent of changes in market interest rates. Interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Senior Credit Facility and the EIB Facility are at variable rates whilst the Senior Notes due 2017, the Convertible Bonds and the Ex-Im Facility are at fixed rates.

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

As at 31 December 2011, if interest rates on net borrowings changed by 1%, with all other variables held constant, the Group's profit after tax for the year would have been impacted by US$2.1m (2010: US$0.5m). This is primarily due to the Group's exposure to interest rates on its variable rate borrowings and cash and cash equivalents. The sensitivity analysis has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at each balance sheet date was outstanding for the whole year. Management believes that a 1% sensitivity rate provides a reasonable basis upon which to assess expected changes in interest rates.

(c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Financial instruments that potentially subject the Group to a concentration of credit risk consist of cash and cash equivalents, short-term deposits, trade receivables and derivative financial instruments. The credit risk on liquid funds (cash and cash equivalents and short-term deposits) and derivative financial instruments is limited because the counterparties are highly rated financial institutions.

The maximum exposure to credit risk is:

(US$ in millions)	Note	2011	2010
Cash and cash equivalents	16	**183.5**	343.8
Trade receivables and other receivables	17	**187.5**	203.0
Derivative financial instruments	32	**7.9**	14.3
Total credit risk		**378.9**	561.1

The Group's average age of trade receivables as at 31 December 2011 (excluding the impact of LightSquared) was approximately 50 days (as at 31 December 2010: 59 days). At 31 December 2011, US$139.3m (2010: US$146.3m) of trade receivables were not yet due for payment. No interest is charged on trade receivables until the receivables become overdue for payment. Thereafter, interest may be charged at varying rates depending on the terms of the individual agreements. The Group has credit evaluation, approval and monitoring processes intended to mitigate potential credit risks, and utilises both internal and third party collections processes for overdue accounts. The Group maintains provisions for potential credit losses that are assessed on an ongoing basis.

The following table sets out the Group's provision for uncollectable trade receivables and revenue adjustments:

(US$ in millions)	2011	2010
As at 1 January:	**11.2**	12.9
Charged to the provision in respect of the current year	**10.3**	9.7
Utilised in the year	**(9.6)**	(10.0)
Provision released in the year	**(0.7)**	(1.4)
As at 31 December[(a)]	**11.2**	11.2

(a) The maturity of the Group's provision for uncollectable trade receivables and revenue adjustments for the year ended 31 December 2011 is US$2.9m current, US$2.5m between 1 and 30 days overdue, US$2.4m between 31 and 120 days overdue and US$3.4m over 120 days overdue (2010: US$2.0m, US$1.1m, US$1.1m and US$7.0m respectively).

For 2011, one (2010: one) distribution partner, which is reported in the Inmarsat Global segment, comprised approximately 16.7% (2010: 21.3%) of the Group's total revenues. This same customer comprised 24.0% (2010: 34.0%) of the Group's trade receivables balance as at 31 December 2011. In addition, for 2011, revenue from our Cooperation Agreement with LightSquared made up approximately 14.5% (2010: 1.5%) of the Group's total revenues. No other customer accounted for 10% or more of the Group's revenue and accounts receivable at 31 December 2011.

The following table sets out the maturity of the Group's trade receivables that are past due, net of provisions for uncollectable trade receivables and revenue adjustments:

(US$ in millions)	Note	2011	2010
Between 1 and 30 days overdue		**19.0**	34.6
Between 31 and 120 days overdue		**5.8**	3.2
Over 120 days overdue		**1.6**	0.5
As at 31 December	17	**26.4**	38.3

(d) Liquidity risk

The Group is exposed to liquidity risk with respect to its contractual obligations and financial liabilities. Prudent liquidity risk management implies maintaining sufficient cash and short-term deposits and the availability of funding through an adequate amount of committed credit facilities.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The following table sets out total available liquidity of the Group:

(US$ in millions)	Note	As at 31 December 2011	As at 31 December 2010
Cash and cash equivalents	16	**183.5**	343.8
Available but undrawn borrowing facilities[a]	19	**1,172.7**	300.0
Total available liquidity		**1,356.2**	643.8

(a) Relates to the Senior Credit Facility and Ex-Im Bank Facility (see note 19).

We believe our liquidity position is more than sufficient to meet the Group's needs for the foreseeable future.

4. Critical accounting estimates and judgements in applying accounting policies

The preparation of the consolidated financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the Balance Sheet dates and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates. The more significant estimates are discussed below:

(a) Estimated impairment of goodwill

The Group annually undertakes tests to determine whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2. The carrying amounts of goodwill and intangible assets are given in note 14.

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

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

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

Recoverable amount

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

Growth rates

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

Discount rate

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

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

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

The Group has applied a weighted average rate of return on assets of 6.65% p.a. (2010: 7.78% p.a.) which represents the expected return on asset holdings in the future. The weighted average discount rate used to calculate the pension and post-retirement healthcare benefits liabilities was 4.74% (2010: 5.40%) (see note 28).

(c) Income tax

The Group's income tax balance is the sum of the total current and deferred tax balances. The calculation of this, and of the Group's potential liabilities or assets, necessarily involves a degree of estimation and judgement in respect of certain items whose tax treatment cannot be finally determined until resolution has been reached with the relevant tax authority, or, as appropriate, through a formal legal process. Issues can, and often do, take a number of years to resolve. The amounts recognised or disclosed are derived from the Group's best estimation and judgement. However, the inherent uncertainty regarding the outcome of these means eventual realisation could differ from the accounting estimates and therefore impact the Group's results and cash flows.

(d) Revenue in respect of the LightSquared Cooperation Agreement

In December 2007, Inmarsat and LightSquared LP, Skyterra (Canada) Inc. and LightSquared Inc. (together 'LightSquared') entered into a Cooperation Agreement for the efficient use of L-band spectrum over North America. To date, LightSquared has made payments totalling US$490.2m, of which US$308.1m has been received during 2011 and US$29.6m in January 2012. The Group has, thus far, recognised US$221.3m of revenue and US$11.6m of operating costs under all phases of the Cooperation Agreement. For the year ended 31 December 2011, the Group recognised US$203.8m of revenue and US$11.2m of operating costs, in respect of all phases of the Cooperation Agreement (year ended 31 December 2010: US$17.5m and US$0.4m, respectively).

On 17 August 2010, LightSquared triggered Phase 1 of this agreement under which the Group will receive payments totalling US$118.8m in respect of its work to transition to a modified spectrum plan, which will be accounted for based on the time spent by Inmarsat's engineers as a percentage of the expected time to complete the spectrum re-banding exercise over an 18-month transition period. In addition, Inmarsat will receive US$250.0m towards the costs that the Group will incur on network and terminal modifications which will be recognised according to the costs incurred to date as a percentage of management's best estimate of the total that will be incurred. These costs are expected to be incurred over the period to 2014. Under Phase 1 of the Cooperation Agreement, LightSquared has made payments totalling US$312.5m. During the year ended 31 December 2011, the Group has recognised US$95.6m of revenue and US$11.1m of operating costs in respect of Phase 1 (year ended 31 December 2010: US$17.5m and US$0.4m, respectively).

On 28 January 2011, Inmarsat received notice from LightSquared triggering Phase 2 of the Cooperation Agreement. Under Phase 2, the Group will support a phased transition to a further spectrum plan that increases the total capacity available to LightSquared. In return, the Group will receive payments of US$115.0m per annum, increasing at a rate of 3% annually, with effect from January 2011. The deliverables under Phase 2 can be split into two distinct periods: 1) To transition to a spectrum plan ('Plan 2B') which is necessary for LightSquared to operate their proposed services over North America. Work on this will be continuous and the opportunity cost affects the entire period from commencement of Phase 2 equally, therefore revenue will be recognised on a straight-line basis over the entire period. 2) To provide the necessary spectrum on an ongoing basis, this period will commence on the signing over of the Phase 2B spectrum plan to LightSquared. The payments in respect of this element will also be recognised on a straight-line basis over the period to which the payment relates. Under Phase 2 of the Cooperation Agreement, LightSquared has made payments totalling US$108.1m. During the year ended 31 December 2011, the Group has recognised US$108.1m of revenue and US$nil of operating costs in respect of Phase 2.

On 15 April 2011, Inmarsat signed an amendment to the Cooperation Agreement, in which the Group might (at our option) accelerate delivery of the lower 2 x 10MHz under Phase 2 by up to nine months from the date that Inmarsat agreed with LightSquared in December 2007. LightSquared will pay the Group as much as US$105.0m if we deliver the spectrum in March 2012, which slides down to US$nil if we deliver in January 2013 (the normal delivery date). In connection with the agreed amendments, the Group received a payment of US$40.0m on 29 April 2011. The total costs to deliver the accelerated spectrum plan will be recognised as incurred, with revenue recognised based on the percentage of completion approach relative to the total Phase 1.5 costs. Under Phase 1.5 of the Cooperation Agreement, LightSquared has made payments totalling US$40.0m. During the year ended 31 December 2011, the Group has recognised US$0.1m of revenue and US$0.1m of operating costs in respect of Phase 1.5.

See note 36 for LightSquared events after the balance sheet date.

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

5. Segmental information

IFRS 8, 'Operating Segments' requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker ('CODM') to allocate resources and assess performance. The CODM of Inmarsat plc is the Chief Executive Officer who is responsible for assessing the performance of the individual segments.

Information reported to the CODM for the purposes of resource allocation and assessment of segment performance is specifically focused on the individual performance of each of the divisions within the Group, namely Inmarsat Global and Inmarsat Solutions (previously named Stratos).

The Group's reportable segments are therefore as follows:

- Inmarsat Global – principally the supply of wholesale airtime, equipment and services to distribution partners and other wholesale partners of mobile satellite communications by the Inmarsat Global business, including entering into spectrum coordination agreements. The segment also includes income from technical support to other operators, the provision of conference facilities and leasing surplus office space to external organisations, all of which are not material on a standalone basis and in aggregate.
- Inmarsat Solutions – the supply of advanced mobile and fixed-site remote telecommunications services, the provision of customised turnkey remote telecommunications solutions, value-added services, equipment and engineering services to end-users.
- 'Unallocated' – includes Group borrowings and the related interest expense, cash and cash equivalents and current and deferred tax balances, which are not allocated to each segment.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Segment profit represents the profit earned by each segment without allocation of investment revenue, finance costs and income tax expense.

Business segments:

(US$ in millions)	Inmarsat Global	Inmarsat Solutions[a]	Unallocated	Eliminations	Total
Revenue					
External sales	661.6	746.9	–	–	1,408.5
Inter-segment	296.8	11.3	–	(308.1)	–
Total revenue	958.4	758.2	–	(308.1)	1,408.5
EBITDA	722.7	132.9	–	(1.2)	854.4
Segment result (operating profit) before operating profit from LightSquared and impairment losses	368.2	48.4	–	(1.2)	415.4
Operating profit from LightSquared	192.6	–	–	–	192.6
Impairment losses	–	(141.5)	–	–	(141.5)
Segment result (operating profit/(loss))	560.8	(93.1)	–	(1.2)	466.5
Net interest charged to the Income Statement	–	–	(99.6)	–	(99.6)
Profit before income tax					366.9
Income tax expense					(117.4)
Profit for the year					249.5
Segment assets	2,733.5	920.5	183.5	(428.4)	3,409.1
Segment liabilities	(534.1)	(141.2)	(1,711.6)	58.9	(2,328.0)
Investment (included in segment assets)[b]	23.5	–	–	–	23.5
Capital expenditure[c]	(577.2)	(47.6)	–	0.2	(624.6)
Depreciation	(140.8)	(39.2)	–	–	(180.0)
Amortisation of intangible assets	(21.1)	(44.7)	–	–	(65.8)

(a) Includes Ship Equip International A.S. ('Ship Equip') from 28 April 2011.
(b) Relates to 19% stake in SkyWave Mobile Communications ('SkyWave') (see note 15).
(c) Capital expenditure stated using accruals basis.

(US$ in millions)	Inmarsat Global	Inmarsat Solutions[a]	Unallocated	Eliminations	Total
Revenue					
External sales	461.0	710.6	–	–	1,171.6
Inter-segment	303.1	6.2	–	(309.3)	–
Total revenue	764.1	716.8	–	(309.3)	1,171.6
EBITDA	572.8	123.5	–	(0.2)	696.1
Segment result (operating profit) before operating profit from LightSquared	386.3	57.4	–	(0.2)	443.5
Operating profit from LightSquared	17.1	–	–	–	17.1
Segment result (operating profit)	403.4	57.4	–	(0.2)	460.6
Net interest charged to the Income Statement	–	–	(127.1)	–	(127.1)
Profit before income tax					333.5
Income tax expense					(72.4)
Profit for the year					261.1
Segment assets	2,329.2	905.7	343.8	(420.7)	3,158.0
Segment liabilities	(367.3)	(162.4)	(1,593.0)	53.4	(2,069.3)
Investment (included in segment assets)[b]	23.5	–	–	–	23.5
Capital expenditure[c]	(157.6)	(30.6)	–	0.1	(188.1)
Depreciation	(145.6)	(27.5)	–	–	(173.1)
Amortisation of intangible assets	(23.8)	(37.7)	–	–	(61.5)

(a) Includes Segovia from 12 January 2010.
(b) Relates to 19% stake in SkyWave (see note 15).
(c) Capital expenditure stated using accruals basis.

Geographical segments:
The Group mainly operates in the geographic areas shown in the table below. The home country of the Group is the United Kingdom, with its head office and central operations located in London.

Revenues are allocated to countries based on the billing address of the customer. For Inmarsat Global this is the distribution partner who receives the invoice for the service and for Inmarsat Solutions this is the billing address of the customer for whom the service is provided.

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

	2011		2010	
(US$ in millions)	**Revenue**	**Non-current segment assets[a]**	Revenue	Non-current segment assets[a]
Europe	**509.3**	**1,462.1**	560.5	1,333.6
North America	**630.2**	**794.9**	357.3	414.7
Asia and Pacific	**211.0**	**15.5**	184.9	22.9
Rest of the world	**58.0**	**–**	68.9	–
Unallocated[b]	**–**	**664.5**	–	747.7
	1,408.5	**2,937.0**	1,171.6	2,518.9

(a) In line with IFRS 8, 'Operating Segments', non-current segment assets exclude derivative financial instruments.
(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.

Profit before income tax is stated after charging the following items:

(US$ in millions)	Note	2011	2010
Depreciation of property, plant and equipment	13	**180.0**	173.1
Amortisation of intangible assets	14	**65.8**	61.5
Impairment of goodwill	4	**120.0**	–
Impairment of trademarks	14	**21.5**	–
Operating lease rentals			
– Land and buildings		**16.7**	16.8
– Services equipment, fixtures and fittings		**1.2**	0.6
– Space segment		**20.1**	17.4
Cost of inventories recognised as an expense		**66.6**	63.5
Research and development costs expensed		**6.3**	4.4

The analysis of the Auditor's remuneration is as follows:

(US$ in millions)	2011	2010
Fees payable to the Company's Auditor for the audit of the Company's annual accounts	**0.2**	0.2
Fees payable to the Company's Auditor for other services to the Group:		
– The audit of the Company's subsidiaries, pursuant to legislation	**0.9**	0.9
– Audit-related assurance services	**0.1**	0.1
– Tax compliance services	**0.2**	0.6
– Tax advisory services	**1.3**	2.1
– Services relating to corporate finance transactions	**0.3**	–
Total Auditor's remuneration	**3.0**	3.9

(a) In addition to the fees disclosed above, Inmarsat Global's pension plan incurred audit fees from our auditor of US$23,890 for the 2011 financial year (2010: US$18,480).
(b) At 31 December 2011 Inmarsat Global had contractually committed to US$nil of services to be completed in the 2012 financial year (31 December 2010: US$0.6m of tax services to be completed in the 2011 financial year).

7. Employee benefit costs (including the Executive Directors)

(US$ in millions)	Note	2011	2010
Wages and salaries		**169.4**	148.6
Social security costs		**14.1**	12.6
Share options charge (including employers' national insurance contribution)	25	**13.0**	11.4
Defined contribution pension plan costs		**6.5**	5.9
Defined benefit pension plan costs[a]	28	**2.6**	2.2
Post-retirement healthcare plan costs[a]	28	**0.9**	1.0
Total employee benefit costs		**206.5**	181.7

(a) Defined benefit pension plan costs and post-retirement healthcare plan costs for 2011 and 2010 reflect the service cost (see note 28).

Employee numbers

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

	2011			2010		
	Inmarsat Global	**Inmarsat Solutions[a]**	**Total**	Inmarsat Global	Inmarsat Solutions	Total
Operations	**203**	**455**	**658**	191	358	549
Sales and marketing	**96**	**188**	**284**	92	143	235
Development and engineering	**94**	**71**	**165**	78	98	176
Administration	**146**	**290**	**436**	140	255	395
	539	**1,004**	**1,543**	501	854	1,355

(a) Includes 136 people employed by Ship Equip, which was acquired on 28 April 2011.

8. Executive and Non-Executive Directors' remuneration

(US$ in thousands)	2011	2010
Aggregate emoluments	3,583	3,572
Company contributions to defined contribution pension schemes	151	136
	3,734	3,708

On 6 July 2011, Rupert Pearce became an Executive Director of Inmarsat plc. With effect from 1 January 2012, Rupert Pearce became the new Chief Executive Officer.

The Directors' Remuneration Report contains full disclosure of Directors' remuneration on page 52. Two Directors (2010: one) are accruing benefits under the Group's defined contribution pension plan. One Director is a member of the US 401k Plan (2010: 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 (see note 34).

9. Net interest payable

(US$ in millions)	2011	2010
Interest on Senior Notes and credit facilities	65.0	62.0
Interest on Convertible Bonds	27.5	25.5
Interest on Inmarsat Solutions borrowings[a]	0.5	14.7
Pension and post-retirement liability finance costs	0.5	–
Interest rate swaps	12.7	13.7
Unwinding of discount on deferred satellite liabilities	2.6	2.8
Unwinding of discount on deferred consideration	7.9	5.1
Amortisation of debt issue costs[b]	11.1	8.0
Amortisation of discount on Senior Notes due 2017	0.6	0.6
Premium on purchase of Stratos Senior Unsecured Notes	–	1.4
Other interest	0.6	1.3
Interest payable and similar charges	129.0	135.1
Less: Amounts included in the cost of qualifying assets[c]	(24.4)	(6.6)
Total interest payable and similar charges	104.6	128.5
Bank interest receivable and other interest	5.0	1.3
Pension and post-retirement liability finance gains	–	0.1
Total interest receivable and similar income	5.0	1.4
Net interest payable	99.6	127.1

(a) 2010 includes US$8.9m non-recurring items in connection with the Stratos refinancing. This consists of the write-off of unamortised issue costs of US$1.9m and US$3.9m in relation to the repayment of the Stratos Senior Credit Facility and the redemption of the Stratos Senior Unsecured Notes, respectively, as well as the recognition of the net redemption premium of US$3.1m in respect of the Stratos Senior Unsecured Notes (see note 19).
(b) 2011 includes the write-off of unamortised issue costs of US$3.8m in relation to the refinancing of our previous US$500.0m Senior Credit Facility (see note 19).
(c) Borrowing costs included in the cost of qualifying assets during the year are calculated by applying a capitalisation rate to expenditure on such assets. The average interest capitalisation rate for the year was 7.99% (2010: 7.33%).

10. Income tax

Income tax expense recognised in the Income Statement:

(US$ in millions)	2011	2010
Current tax expense:		
Current year	(120.8)	(66.6)
Adjustments in respect of prior periods		
– Other	2.0	10.7
Total current tax expense	(118.8)	(55.9)
Deferred tax credit/(expense):		
Origination and reversal of temporary differences		
– Other temporary differences	(8.7)	(20.1)
Adjustment due to reduction in the corporation tax rate from 27% to 25% (2010: 28% to 27%)	5.4	0.8
Adjustments in respect of prior periods	4.7	2.8
Total deferred tax credit/(expense)	1.4	(16.5)
Total income tax expense	(117.4)	(72.4)

Reconciliation of effective tax rate:

(US$ in millions)	2011	2010
Profit before tax	**366.9**	333.5
Income tax at 26.5% (2010: 28%)	**(97.2)**	(93.4)
Differences in overseas tax rates	**(2.9)**	(3.4)
Adjustments in respect of prior periods:		
– Other	**6.7**	13.5
Effect of the reduction in the corporation tax rate from 27% to 25% (2010: 28% to 27%) on:		
– current year movement in deferred tax	**5.4**	0.8
Impact of current and prior year losses	**1.7**	(0.8)
Non-deductible impact of Stratos goodwill impairment	**(31.8)**	–
Other non-deductible expenses/non taxable income[(a)]	**0.7**	10.9
Total income tax expense	**(117.4)**	(72.4)

(a) In 2010, includes a non-recurring tax credit of US$7.0m.

Tax (charged)/credited to equity:

(US$ in millions)	2011	2010
Current tax credit on share options	**0.7**	0.4
Deferred tax (charge)/credit on share options	**(3.1)**	1.0
Deferred tax (charge)/credit relating to gains on cash flow hedges	**(1.2)**	4.1
Deferred tax charge on actuarial gains and losses from pension and post-retirement healthcare benefits	**(3.0)**	(2.6)
Total tax (charged)/credited to equity	**(6.6)**	2.9

11. Net foreign exchange losses/(gains)

(US$ in millions)	2011	2010
Pension and post-retirement liability (note 28)	**(0.4)**	(1.6)
Other operating costs	**0.5**	0.7
Total foreign exchange losses/(gains)	**0.1**	(0.9)

12. Dividends

The dividends paid in 2011 were US$68.9m (15.40 cents (US$) per ordinary share) and US$104.5m (22.69 cents (US$) per ordinary share) for the 2011 interim dividend and the 2010 final dividend, respectively. Dividends paid in 2010 were US$64.3m (14.00 cents (US$) per ordinary share) and US$94.7m (20.63 cents (US$) per ordinary share) for the 2010 interim dividend and the 2009 second interim dividend, respectively.

A final dividend for the 2011 financial year of 24.96 cents (US$) per ordinary share, amounting to a total dividend of US$180.9m, is to be proposed at the Annual General Meeting on 3 May 2012. In accordance with IAS 10, these financial statements do not reflect this final dividend payable.

(US$ in cents)	2011	2010
Interim dividend paid per ordinary share	**15.40**	14.00
Final dividend per ordinary share	**24.96**	22.69
Total dividend per ordinary share	**40.36**	36.69

13. Property, plant and equipment

(US$ in millions)	Freehold land and buildings	Services, equipment, fixtures and fittings	Space segment	Assets in the course of construction	Total
Cost:					
1 January 2010	12.4	200.4	1,905.6	98.1	2,216.5
Additions	1.1	24.3	15.6	119.7	160.7
Acquisitions	0.8	2.2	–	–	3.0
Disposals	–	(0.3)	–	–	(0.3)
Transfers	–	2.1	72.9	(75.0)	–
31 December 2010	14.3	228.7	1,994.1	142.8	2,379.9
Additions	**0.5**	**30.0**	**22.0**	**542.8**	**595.3**
Acquisitions	**–**	**3.1**	**46.6**	**–**	**49.7**
Disposals	**–**	**(0.5)**	**(0.3)**	**–**	**(0.8)**
Transfers	**–**	**2.7**	**0.1**	**(2.8)**	**–**
31 December 2011	**14.8**	**264.0**	**2,062.5**	**682.8**	**3,024.1**
Accumulated depreciation:					
1 January 2010	(4.3)	(116.0)	(731.0)	–	(851.3)
Charge for the year	(0.8)	(28.6)	(143.7)	–	(173.1)
Disposals	–	0.2	–	–	0.2
31 December 2010	(5.1)	(144.4)	(874.7)	–	(1,024.2)
Charge for the year	**(0.9)**	**(34.5)**	**(144.6)**	**–**	**(180.0)**
Disposals	**–**	**0.1**	**0.1**	**–**	**0.2**
31 December 2011	**(6.0)**	**(178.8)**	**(1,019.2)**	**–**	**(1,204.0)**
Net book amount at 31 December 2010	9.2	84.3	1,119.4	142.8	1,355.7
Net book amount at 31 December 2011	**8.8**	**85.2**	**1,043.3**	**682.8**	**1,820.1**

The lives assigned to significant tangible fixed assets are:

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

At 31 December 2011 and 2010, freehold land and buildings for Inmarsat Global were carried at cost less accumulated depreciation (US$nil). Had the freehold land and buildings been revalued on a market basis, their carrying amount at 31 December 2011 would have been US$14.0m (based on the 31 December 2011 exchange rate between the US Dollar and Pounds Sterling of US$1.55/£1.00) (2010: US$14.1m). The Directors determined the market valuation.

In 2011 the Group received government grants in relation to the purchase and construction of certain assets. The grants have been deducted from the cost of the relevant asset to arrive at the carrying amount. Government grants received in 2011 were US$9.7m (2010: US$6.8m).

14. Intangible assets

(US$ in millions)	Goodwill	Trademarks	Software	Patents	Terminal development costs	Customer relationships	Spectrum Rights, Orbital Slots & Licences	Intellectual property	Total
Cost:									
1 January 2010	668.7	35.8	113.1	14.0	106.9	232.2	5.7	0.7	1,177.1
Additions	–	–	15.9	–	11.6	–	–	–	27.5
Acquisitions	27.2	4.8	0.3	–	–	108.9	–	–	141.2
31 December 2010	695.9	40.6	129.3	14.0	118.5	341.1	5.7	0.7	1,345.8
Additions	**–**	**–**	**21.3**	**–**	**5.7**	**–**	**2.3**	**–**	**29.3**
Acquisitions	**66.6**	**9.3**	**16.8**	**–**	**–**	**38.0**	**1.8**	**–**	**132.5**
31 December 2011	**762.5**	**49.9**	**167.4**	**14.0**	**124.2**	**379.1**	**9.8**	**0.7**	**1,507.6**
Accumulated amortisation and impairment losses:									
1 January 2010	–	(9.4)	(61.8)	(12.1)	(31.1)	(40.0)	(2.0)	(0.7)	(157.1)
Charge for the year	–	(3.1)	(19.1)	(1.8)	(10.0)	(26.9)	(0.6)	–	(61.5)
31 December 2010	–	(12.5)	(80.9)	(13.9)	(41.1)	(66.9)	(2.6)	(0.7)	(218.6)
Charge for the year	**–**	**(3.2)**	**(20.3)**	**(0.1)**	**(11.9)**	**(29.0)**	**(1.3)**	**–**	**(65.8)**
Impairment losses	**(120.0)**	**(21.5)**	**–**	**–**	**–**	**–**	**–**	**–**	**(141.5)**
31 December 2011	**(120.0)**	**(37.2)**	**(101.2)**	**(14.0)**	**(53.0)**	**(95.9)**	**(3.9)**	**(0.7)**	**(425.9)**
Net book amount 31 December 2010	695.9	28.1	48.4	0.1	77.4	274.2	3.1	–	1,127.2
Net book amount 31 December 2011	**642.5**	**12.7**	**66.2**	**–**	**71.2**	**283.2**	**5.9**	**–**	**1,081.7**

Goodwill represents the excess of consideration paid on an acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to CGUs for the purpose of impairment testing. At 31 December 2011, the Directors believe the goodwill in relation to the Stratos CGU to be impaired and consequently have recorded an impairment charge of US$120.0m in the Income Statement (see note 4(a)).

Patents and trademarks are being amortised on a straight-line basis over their estimated useful lives, which are seven years and between seven and 20 years, respectively. During the year ended 31 December 2011, an impairment loss of US$21.5m was recognised in the Income Statement to reduce the carrying amount of the Stratos, Segovia and Ship Equip trade names to US$nil. During the year ended 31 December 2011, the Group comprised Inmarsat, Stratos, Segovia and Ship Equip, all acting as relatively independent business units. From 1 January 2012, Stratos, Segovia and Ship Equip were rebranded as 'Inmarsat' and therefore the previous trade names are no longer used and have been impaired.

The software capitalised relates to the Group's BGAN billing system and other internally developed operational systems and purchased software and is being amortised on a straight-line basis over its estimated useful life of three to 12 years. Internally developed technology acquired as a result of the acquisition of Stratos is being amortised on a straight-line basis over its estimated useful life of five years.

The Group capitalises development costs associated with the development of user terminals as intangible fixed assets. Costs directly relating to the development of the user terminals for the BGAN and GSPS services are being amortised over the estimated sales life of the services which is five to 10 years.

Customer relationships acquired in connection with Stratos, Segovia and Ship Equip are being amortised over the expected period of benefit of between 12 and 14 years, using the straight-line method.

Spectrum rights relate to the acquisition of ACeS and Stratos. Spectrum rights acquired as a result of the ACeS collaboration in September 2006 are being amortised on a straight-line basis over the remaining useful lives of three years. Spectrum rights acquired as a result of the acquisition of Stratos are being amortised over their useful lives of three to 10 years.

Orbital slots and licences relate to the Global Xpress programme. Each individual asset is reviewed to determine whether it has a finite or indefinite useful life, amortisation of finite life assets will commence when the Inmarsat-5 satellites are operational. Indefinite life assets will be tested annually for impairment.

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

15. Investments

(US$ in millions)	As at 31 December 2011	As at 31 December 2010
Investments held at cost:		
SkyWave	**23.5**	23.5
Total investments held at cost	**23.5**	23.5
Interest in associates:		
Navarino	**7.0**	6.7
JSAT Mobile	**0.5**	0.6
Total interest in associates	**7.5**	7.3
Total investments	**31.0**	30.8

The Group has an ownership interest of approximately 19% in the privately held SkyWave. The ownership in SkyWave has been recorded at cost, including capitalised transaction costs.

The Group owns a 49% ownership interest in Navarino Telecom SA and NTS Maritime Limited (together, 'Navarino'). Cash dividends received for the year ended 31 December 2011 totalled US$1.4m (2010: US$1.4m).

The Group owns 26.67% of JSAT Mobile Communications Inc. and the interest has been treated as an associate using the equity method of accounting. The aggregated assets, liabilities, revenue and profit of associates are deemed to be immaterial for reporting purposes.

16. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held on call with banks, other short-term highly-liquid investments with original maturities of three months or less, and for the purposes of the Cash Flow Statement also includes bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

(US$ in millions)	As at 31 December 2011	As at 31 December 2010
Cash at bank and in hand	**65.0**	73.5
Short-term deposits with original maturity of less than three months	**118.5**	270.3
Cash and cash equivalents	**183.5**	343.8

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

(US$ in millions)	Note	As at 31 December 2011	As at 31 December 2010
Cash and cash equivalents		**183.5**	343.8
Bank overdrafts	19	**(0.7)**	(0.3)
Net cash and cash equivalents		**182.8**	343.5

17. Trade and other receivables

(US$ in millions)	As at 31 December 2011	As at 31 December 2010
Current:		
Trade receivables	**165.7**	184.6
Other receivables	**21.8**	18.4
Prepayments and accrued income	**69.7**	57.8
	257.2	260.8

(US$ in millions)	As at 31 December 2011	As at 31 December 2010
Non-current:		
Prepayments and accrued income	**4.2**	5.2
	4.2	5.2

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

18. Inventories

(US$ in millions)	As at 31 December 2011	As at 31 December 2010
Finished goods	22.3	19.4
Work in progress	1.2	0.8
	23.5	20.2

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

19. Borrowings

	As at 31 December 2011			As at 31 December 2010		
(US$ in millions)	Gross amount	Deferred finance cost[a]	Net balance	Gross amount	Deferred Finance cost[a]	Net balance
Current:						
Bank overdrafts	0.7	–	0.7	0.3	–	0.3
Deferred satellite payments[b]	7.9	–	7.9	8.3	–	8.3
Senior Credit Facility[c]	–	–	–	50.0	–	50.0
EIB facility[d]	44.1	–	44.1	–	–	–
Convertible Bonds[e]	307.4	(1.3)	306.1	–	–	–
– Accretion of principal	2.7	–	2.7	–	–	–
Total current borrowings	362.8	(1.3)	361.5	58.6	–	58.6
Non-current:						
Deferred satellite payments[b]	26.8	–	26.8	32.5	–	32.5
Senior Credit Facility[c]	–	–	–	150.0	(6.1)	143.9
Senior Notes due 2017[f]	650.0	(9.2)	640.8	650.0	(10.8)	639.2
– Issuance discount	(3.6)	–	(3.6)	(4.2)	–	(4.2)
EIB Facility[d]	264.3	(2.2)	262.1	308.4	(2.6)	305.8
Ex-Im Bank Facility[g]	277.3	(14.5)	262.8	–	–	–
Convertible Bonds[e]	–	–	–	285.2	(2.6)	282.6
– Accretion of principal	–	–	–	2.5	–	2.5
Total non-current borrowings	1,214.8	(25.9)	1,188.9	1,424.4	(22.1)	1,402.3
Total borrowings	1,577.6	(27.2)	1,550.4	1,483.0	(22.1)	1,460.9

(a) Borrowings are recorded net of unamortised deferred finance costs in the balance sheet.

(b) Deferred satellite payments represent amounts payable to satellite manufacturers which become payable annually depending on the continued successful performance of the satellite. The gross amounts of the deferred satellite payments have been discounted to net present value at 7%.

(c) On 30 June 2011, we refinanced our previous US$500.0m Senior Credit Facility, which was due to mature in May 2012, with a new five-year US$750.0m Senior Credit Facility. Under the terms of the new facility the full US$750.0m amount is available to draw in the form of a revolving credit facility and does not amortise during the five-year availability period. Advances under the new facility bear interest at a rate equal to the applicable USD LIBOR, plus a margin of between 1.00% and 2.50% determined by reference to our ratio of net debt to EBITDA. The amount outstanding on the previous facility on the date of prepayment was US$200.0m and this amount was funded from available cash balances on 30 June 2011. As a result, as at 31 December 2011 there were no drawings on the new Senior Credit Facility.

(d) On 15 April 2010, we signed an eight-year facility agreement from the European Investment Bank (the 'EIB Facility'). Under the agreement, we were able to borrow up to €225m at any time before 23 December 2010. The facility was available in Euros and US Dollars. An initial drawdown of US$180.0m was made on 30 April 2010 and a final drawdown of US$128.4m was made on 28 October 2010. This facility matures on 30 April 2018 and is repayable in equal annual instalments on both tranches beginning 30 April 2012. Interest is equal to three-month USD LIBOR plus a margin payable in April, July, October and January each year.

(e) On 16 November 2007, we issued US$287.7m in principal amount of 1.75% convertible bonds due 2017 (the 'Convertible Bonds'). The bonds are convertible into ordinary shares of the Company and have a 1.75% per annum coupon payable semi-annually and a yield to maturity of 4.50%. The bonds have an initial conversion premium of 32.5% over the reference share price of £4.6193 representing approximately 5% of the Company's current issued share capital. The initial conversion price is US$12.694 and the total number of common shares to be issued if all bonds are converted is 22.7 million shares. The Company will have an option to call the bonds after seven years at their accreted principal amount under certain circumstances. In addition, the holder of each bond will have the right to require the Issuer to redeem such bond at its accreted principal amount on 16 November 2012 and 16 November 2014. Management have assumed a maturity of five years for the purpose of the effective interest rate calculation. At 31 December 2011, the convertible bonds were recorded as a current liability. The net proceeds received from the issue of the Convertible Bonds were split into a liability component of US$224.3m and an equity component of US$56.9m. The equity component represents the fair value of the option to convert the liability into equity of the Group, as follows:

(US$ in millions)	
Fair value of Convertible Bonds issued	287.7
Cost of issue	(6.5)
Net proceeds	281.2
Equity component[(1)]	(56.9)
Liability component at date of issue[(2)]	224.3
Cumulative interest charged to 31 December 2010	73.8
Cumulative amortisation of debt issue costs to 31 December 2010	2.6
Cumulative coupon interest accrued to 31 December 2010	(15.6)
Liability component at 31 December 2010	285.1
Interest charged	**27.5**
Amortisation of debt issue costs	**1.2**
Coupon interest accrued	**(5.0)**
Liability component at 31 December 2011	**308.8**

(1) Net of capitalised issue costs of US$1.3m.
(2) Net of capitalised issue costs of US$5.2m.

The interest charged for the year is calculated by applying an effective interest rate of 9.88% to the liability component. The total interest charge is split between the coupon interest charge of US$5.0m and accreted interest of US$22.5m. The coupon interest is paid semi-annually in May and November each year until maturity. Similarly, the bonds accrete semi-annually in May and November each year until maturity.

(f) On 12 November 2009, we issued US$650.0m aggregate principal amount of 7.375% Senior Notes due 1 December 2017 ('Senior Notes due 2017'). The aggregate gross proceeds were US$645.2m, net of US$4.8m issuance discount and we capitalised US$12.5m of issuance costs.
(g) On 11 May 2011, we signed a 12.5-year US$700.0m direct financing agreement with the Export-Import Bank of the United States (the 'Ex-Im Bank Facility'). The facility has a total availability period of four years and will then be repayable in equal instalments over a further 8.5 years. Drawings under the facility will incur interest at a fixed rate of 3.11% for the life of the loan.

The maturity of non-current borrowings is as follows:

(US$ in millions)	2011	2010
Between one and two years	**47.0**	477.2
Between two and five years	**202.5**	144.6
After five years	**939.4**	780.5
	1,188.9	1,402.3

The borrowings of the Group are mostly at fixed rates. The Senior Notes due 2017, Convertible Bonds and the Ex-Im Bank Facility are at fixed rates.

The Group has a US$750.0m Revolving Credit Facility that has no restrictions and as at 31 December 2011 was drawn down by US$nil (as at 31 December 2010: the previous Revolving Credit Facility was drawn down by US$nil).

The Directors consider the carrying value of borrowings, other than the Senior Notes due 2017 and Convertible Bonds to approximate to their fair value (see note 32).

The effective interest rates, excluding the impact of the Group's interest rate hedging policy, at the balance sheet dates were as follows:

Effective interest rate %	2011	2010
Bank overdrafts	**1.8**	1.8
Senior Credit Facility	**–**	2.54
EIB Facility	**1.75**	1.65
Senior Notes due 2017	**7.375**	7.375
Ex-Im Bank Facility	**3.11**	–
Deferred satellite payments	**7.0**	7.0
Convertible Bonds	**9.88**	9.88

20. Trade and other payables

(US$ in millions)	As at 31 December 2011	As at 31 December 2010
Current:		
Trade payables	**202.0**	100.5
Deferred consideration[a]	**6.5**	19.8
Other taxation and social security payables	**3.6**	2.7
Other creditors	**1.9**	15.5
Accruals and deferred income[b]	**321.4**	210.1
	535.4	348.6

(a) Deferred consideration includes US$2.2m SkyWave deferred consideration (see note 15) (2010: US$6.1m), US$3.3m Segovia deferred consideration (2010: US$12.7m) and US$1.0m other short-term deferred consideration (2010: US$1.0m). During 2011, the majority of the remaining value of the contingent deferred consideration on the Segovia acquisition was settled ahead of the scheduled payout dates (see note 29).
(b) As at 31 December 2011, includes US$239.3m (2010: US$135.0m) of deferred income relating to payments received from LightSquared. During 2011 we released US$203.8m to the income statement to reflect revenue earned, based on the percentage of completion method (2010: US$17.5m).

(US$ in millions)	As at 31 December 2011	As at 31 December 2010
Non-current:		
Deferred consideration[a]	**4.9**	36.2
Other payables	**23.2**	22.1
	28.1	58.3

(a) Deferred consideration includes US$2.0m SkyWave deferred consideration (see note 15) (2010: US$4.0m), US$1.9m Segovia deferred consideration (2010: US$31.0m) and US$1.0m other long-term deferred consideration (2010: US$1.2m). During 2011, the majority of the remaining value of the contingent deferred consideration on the Segovia acquisition was settled ahead of the scheduled payout dates (see note 29).

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

21. Provisions

(US$ in millions)	Other provision	Asset retirement obligations	Total
Current:			
As at 1 January 2010	0.5	0.4	0.9
Utilised in current year	(0.4)	(0.4)	(0.8)
Asset retirement obligation transferred from non-current liability	–	0.3	0.3
As at 31 December 2010	0.1	0.3	0.4
Charged in respect of current year[a]	**2.6**	**–**	**2.6**
Utilised in current year	**–**	**(0.1)**	**(0.1)**
As at 31 December 2011	**2.7**	**0.2**	**2.9**

(a) In the year ended 31 December 2011, the Group announced the intention to restructure the organisation to operate the Group with business units aligned to vertical market sectors. As a result of the restructure, a small number of individual positions will cease to exist as business functions are combined. The amount charged to the restructuring provision for the year ended 31 December 2011 is US$2.6m, of which US$nil was utilised during the year. Management expects to utilise the US$2.7m restructuring provision that remains at 31 December 2011 during 2012.

(US$ in millions)	Post-retirement healthcare benefits	Pension	Asset retirement obligations	Other provisions	Total
Non-current:					
As at 1 January 2010	33.2	19.2	2.9	0.5	55.8
Charged to Income Statement in respect of current year	1.7	1.4	0.3	0.2	3.6
Credited directly to Comprehensive Income in respect of current year	(4.8)	(5.1)	–	–	(9.9)
Contributions paid	–	(5.4)	–	–	(5.4)
Utilised in current year	(0.3)	(1.0)	(0.1)	(0.1)	(1.5)
Revision in estimated cash flows and timing of settlement	–	–	0.2	–	0.2
Transfer to current liability	–	–	(0.3)	–	(0.3)
As at 31 December 2010	29.8	9.1	3.0	0.6	42.5
Acquisition of Ship Equip	**–**	**1.3**	**–**	**–**	**1.3**
Charged to Income Statement in respect of current year	**2.4**	**1.6**	**0.3**	**0.1**	**4.4**
(Credited)/charged directly to Comprehensive Income in respect of current year	**(16.6)**	**3.2**	**–**	**–**	**(13.4)**
Contributions paid	**–**	**(7.4)**	**–**	**–**	**(7.4)**
Utilised in current year	**(0.3)**	**(0.9)**	**–**	**–**	**(1.2)**
Revision in estimated cash flows and timing of settlement	**–**	**–**	**0.5**	**–**	**0.5**
As at 31 December 2011	**15.3**	**6.9**	**3.8**	**0.7**	**26.7**

The Trustee and the Company have agreed that additional annual contributions of £2.2m will be paid to the Inmarsat Pension Plan (the 'Plan') starting in November 2009 and continuing annually thereafter, up to and including November 2015. During 2011, the actual additional cash contribution the Group made to the Plan was £3.4m or US$5.4m (2010: US$3.5m) to reduce the pension deficit.

Asset retirement obligations have been recognised in respect of the expected costs of removal of equipment from leased premises by Stratos.

Other provisions in 2011 and 2010 relate to a legally required provision for eventual severance payments to employees based overseas.

22. Current and deferred income tax assets and liabilities

The current income tax liability of US$52.3m (2010: US$46.8m) 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 year are shown below.

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

	As at 31 December 2011			As at 31 December 2010		
(US$ in millions)	**Assets**	**Liabilities**	**Net**	Assets	Liabilities	Net
Property, plant and equipment and intangible assets	**–**	**120.2**	**120.2**	–	113.6	113.6
Other	**(6.9)**	**8.0**	**1.1**	(12.2)	9.6	(2.6)
Pension asset	**(4.0)**	**–**	**(4.0)**	(8.5)	–	(8.5)
Share options	**(3.1)**	**–**	**(3.1)**	(6.5)	–	(6.5)
Loss carry forwards	**(5.3)**	**–**	**(5.3)**	(10.7)	–	(10.7)
Net deferred income tax liabilities	**(19.3)**	**128.2**	**108.9**	(37.9)	123.2	85.3

Movement in temporary differences during the year:

(US$ in millions)	As at 1 January 2011	Ship Equip acquisition	Recognised in income	Recognised in equity	As at 31 December 2011
Property, plant and equipment and intangible assets	**113.6**	**17.7**	**(11.1)**	**–**	**120.2**
Other	**(2.6)**	**–**	**2.5**	**1.2**	**1.1**
Pension asset	**(8.5)**	**–**	**1.5**	**3.0**	**(4.0)**
Share options	**(6.5)**	**–**	**0.3**	**3.1**	**(3.1)**
Loss carry forwards	**(10.7)**	**–**	**5.4**	**–**	**(5.3)**
Total	**85.3**	**17.7**	**(1.4)**	**7.3**	**108.9**

(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	(5.5)	–	(1.0)	(6.5)
Loss carry forwards	(10.0)	(0.7)	–	(10.7)
Total	71.3	16.5	(2.5)	85.3

Total unprovided deferred tax assets:

(US$ in millions)	As at 31 December 2011	As at 31 December 2010
Temporary timing differences	**(18.3)**	(4.1)
Unused income tax losses	**(14.8)**	(4.3)
Unused capital losses	**(31.6)**	(33.0)
Total	**(64.7)**	(41.4)

Overseas dividends received are largely exempt from UK tax but may be subject to foreign withholding taxes. The unrecognised deferred tax liability in respect of the unremitted earnings of those overseas subsidiaries affected by such taxes is US$4.6m (2010: US$3.6m). No deferred tax liability is recognised on these temporary differences as the Group is able to control the timing of reversal and it is probable that this will not take place in the foreseeable future.

The Chancellor, in the Budget on 22 June 2010, announced reductions in the main rate of corporation tax and rates of capital allowances. The standard rate of corporation tax will be reduced from 26% to 25% from 1 April 2012 and there will be further progressive annual reductions of 1% until a rate of 23% is reached with effect from 1 April 2014. The Finance Act 2011 received Royal Assent on 19 July 2011, with the rate reduction to 25% being substantively enacted from 5 July 2011.

The deferred tax assets and liabilities at the balance sheet date are calculated at the substantively enacted rate of 25%. Whilst detailed calculations have not been prepared at this stage, it is estimated that the impact of the remaining annual corporation tax rate reductions would reduce the value of the group's deferred tax liabilities at the balance sheet date by approximately US$8.6m and reduce the value of the group's deferred tax assets at the balance sheet date by approximately US$0.8m.

23. Cash generated from operations

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

(US$ in millions)	2011	2010
Profit for the year	**249.5**	261.1
Adjustments for:		
Depreciation and amortisation	**245.8**	234.6
Income tax charge	**117.4**	72.4
Interest payable	**104.6**	128.5
Interest receivable	**(5.0)**	(1.4)
Non-cash employee benefit costs	**11.5**	14.6
Forward exchange contracts	**0.7**	0.5
Share of results of associates, net of dividends received	**(0.3)**	0.3
Acquisition-related adjustments	**2.1**	2.1
Impairment losses	**141.5**	–
Non-cash foreign exchange movements	**(1.6)**	0.2
Changes in net working capital:		
Decrease/(increase) in trade and other receivables	**38.9**	(20.9)
Increase in inventories	**(2.7)**	(9.1)
Increase in trade and other payables[a]	**91.0**	106.1
Decrease in provisions	**(2.2)**	(3.2)
Cash generated from operations	**991.2**	785.8

(a) The increase is due primarily due to deferred revenue recognised in respect of payments received from LightSquared (see note 20).

24. Share capital

(US$ in millions)	As at 31 December 2011	As at 31 December 2010
Authorised:		
1,166,610,560 ordinary shares of €0.0005 each (2010: 1,166,610,560)	**0.7**	0.7
	0.7	0.7
Allotted, issued and fully paid:		
447,856,844 ordinary shares of €0.0005 each (2010: 460,607,047)	**0.3**	0.3
	0.3	0.3

During the year ended 31 December 2011, a total of 1,157,547 (2010: 1,052,165) ordinary shares of €0.0005 each were allotted and issued by the Company under its employee share schemes.

During the year ended 31 December 2011, the Company repurchased 13.9m ordinary shares at a total cost of US$98.4m, all of which were cancelled immediately.

25. Employee share options and awards

In line with IFRS 2, 'Share-based Payment', the Group recognised US$13.0m (2010: US$11.4m) in total share compensation costs across all its share plans for the 2011 financial year. Total share-based compensation costs are recognised over the vesting period of the options and share awards ranging from one to four years.

In November 2004, the Company adopted the Staff Value Participation Plan (the '2004 Plan') making awards in November 2004, January and May 2005. All options granted under the 2004 Plan and held by optionholders have now vested and are exercisable. Whenever options are exercised under the 2004 Plan, the holder must pay a de minimis charge of €1 for each tranche of options exercised. The options expire 10 years from the date of grant. Shares are transferred to the optionholders from the Inmarsat Employees' Share Ownership Plan Trust (the 'Trust') (resident in Guernsey). No new shares have been issued to satisfy the exercise of these options.

A summary of share activity within the Trust and options outstanding under the 2004 Plan as at 31 December 2011 is as follows:

	Shares available for grant	Options outstanding	Weighted average exercise price per option
Balance at 1 January 2010	1,015,294	163,174	£3.67
Market purchase of shares (11 March 2010)	125,000	–	
Subscription for International Share Incentive Plan	43,936	–	
Exercised	–	(60,044)	£7.24
Exercise re International Sharesave Plan	(823)	–	
Exercise re International Share Incentive Plan	(12,627)	–	
Balance at 31 December 2010	1,170,780	103,130	£3.71
Exercised	**–**	**(7,347)**	**£5.83**
Exercise re International Sharesave Plan	**(1,421)**	**–**	
Exercise re International Share Incentive Plan	**–**	**–**	
Balance at 31 December 2011	**1,169,359**	**95,783**	**£3.72**
Exercisable at 31 December 2011	**–**	**95,783**	
Exercise Price per tranche	**–**	**€1.00**	

The weighted average of the remaining contractual life for the 2004 Plan at 31 December 2011 is three years.

The Company also operates a Bonus Share Plan ('BSP'). Awards have been made regularly under the BSP to the Executive Directors and certain members of senior management and details of the awards made in 2011 are provided in the Remuneration Report.

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 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 generally satisfy the awards using newly-issued shares.

As the BSP provides free share awards with no market-based performance conditions attached, and which carry an entitlement to dividends paid in cash or shares during the vesting period, the fair value of the awards is the value of the grant. This is due to the fact that regardless of the market price at the time the award of shares is made, the total value of shares to be awarded will not change.

The Company also operates a Performance Share Plan ('PSP') and regular annual awards are made to the Executive Directors and certain members of senior management. Details of awards made under the PSP in 2011 are provided in the Remuneration Report. Participants are entitled to receive the value of any dividends that are paid during the vesting period in the form of cash or additional shares.

The PSP shares will not normally be transferred to participants until the third anniversary of the award date. The transfer of shares is dependent upon the performance conditions being satisfied over the three consecutive financial years starting in the financial year the award date falls. The rules of the PSP provide that the Remuneration Committee has the discretion to satisfy the awards using cash instead of shares. It is the intention, however, of the Company to satisfy the awards using newly-issued shares at the end of the relevant three-year period unless a participant leaves and is entitled under the Rules to receive a proportionate award and the performance condition has been met. Details of the operation of the PSP can be found in the Remuneration Report.

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	18 May 2011
Grant price	£4.39	£4.57	£5.35	£7.905	£6.07
Exercise price	nil	nil	nil	nil	nil
Bad leaver rate	0%	0%	0%	0%	0%
Vesting period	3 years	3 years	3 years	3 years	3 years
Volatility	28.5%	34.9%	36.2%	35.7%	32.1%
Fair value per share option	£2.40	£3.21	£3.30	£5.62	£3.17

Both the BSP and PSP share awards expire 10 years after date of grant. The weighted average of the remaining contractual life for both the BSP and PSP share awards at 31 December 2011 is 4.9 and 4.2 years respectively.

In September 2007, the Remuneration Committee made the Chief Executive Officer an exceptional award of one million incentive shares conditional upon the delivery of significant share price growth. The mid-market closing share price on 27 September 2007 was £4.49 per share. On 1 October 2009, at the request of the Nominations Committee on behalf of the Inmarsat plc Board of Directors, the Remuneration Committee agreed changes to the existing CEO Award. No shares will be earned unless, by 30 September 2012, the share price reaches a minimum price of £5.50. For performance above this level, shares will be earned pro rata up to a share price of £7.25 at which the full award will be earned. A further award over 700,000 shares could be earned if, at the time that performance is assessed, the share price has reached £9.25. If the share price is below £7.25, none of the additional shares would be earned and if between £7.25 and £9.25, shares would be earned pro rata up to a share price of £9.25. Details of the award are contained in the Remuneration Report on page 49.

A deferred share bonus award of 125,000 shares to the Chief Executive Officer was made in December 2009. The mid-market closing share price on 15 December 2009 was £6.59 per share. The performance condition of EBITDA growth related to the 2010 financial year has been satisfied; therefore the shares will vest in September 2012.

	CEO Award	CEO Deferred Share Bonus Award
Grant date	28 September 2007	16 December 2009
Grant price	£4.49	£6.59
Exercise price	nil	nil
Bad leaver rate	0%	0%
Vesting period	3 years	3 years
Expected correlation between any pair of shares in PSP comparator group	n/a	n/a
Volatility	28%	n/a
Fair value per share option	£2.65	£6.59

The weighted average of the remaining contractual life for both the CEO Award and CEO Deferred Share Bonus Award at 31 December 2011 is 5.7 and 8.0 years respectively.

The Company also operates a HM Revenue & Customs approved UK Sharesave Scheme. Two grants have been made so far; the first grant matured on 1 September 2008. A second grant which was made in December 2008 with an option price of £3.06 per ordinary share (reflecting the maximum discount permitted of 20%) matures on 1 February 2012.

The Company also operates an International Sharesave Plan which mirrors the operation of the UK Sharesave Scheme as closely as possible. However, instead of receiving a share option, participants receive the spread between the share price at the date of exercise and the grant price, delivered (at the Company's discretion) in cash or shares. It is the Company's intention to satisfy the awards using shares only – some of which are held by the Trust and some of which will be newly-issued.

Two grants have been made so far; the first grant matured on 1 September 2008. A second grant under the International Sharesave Plan which was made in December 2008 with an option price of £3.06 per ordinary share matures on 1 February 2012.

Options under the UK Sharesave Scheme and International Sharesave Plan expire after a maximum of 3.5 years following the initial savings payments having been made. The weighted average of the remaining contractual life for the current grant of the UK Sharesave Scheme and International Sharesave Plan at 31 December 2011 is 0.5 years for each plan.

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

Grant date	Sharesave Scheme (UK and International) 15 December 2008
Market price at date of grant	£4.44
Exercise price	£3.06
Bad leaver rate	3%pa
Vesting period	3 years
Volatility	33.2%
Dividend yield assumption	3.36%
Risk free interest rate	2.46%
Fair value per option	£1.50

Several awards have been made under a HM Revenue & Customs approved the UK Share Incentive Plan ('SIP'). Details of the SIP award made in 2011 are provided in the Remuneration Report.

Arrangements were put in place for eligible overseas employees to replicate the awards made under the SIP as closely as possible. The same market values per ordinary share were used as for the SIP for each award.

A summary of share awards and option activity as at 31 December 2011 (excluding the 2004 Plan which is noted previously) is as follows:

	SIP (UK)	SIP (International and Unapproved)	BSP	CEO Share Plans[a]	PSP	Sharesave (UK)	Sharesave (International)	Total
Balance at 31 December 2010	779,254	43,319	1,358,432	1,125,000	1,019,064	766,664	158,037	5,249,770
Granted/Allocated	**–**	**–**	**813,736**	**–**	**331,548**	**–**	**–**	**1,145,284**
Forfeited and expired	**(666)**	**–**	**–**	**–**	**–**	**(22,538)**	**(5,396)**	**(28,600)**
Exercised	**(48,963)**	**(1,421)**	**(794,407)**	**–**	**–**	**(5,695)**	**–**	**(850,486)**
Transferred/Sold	**(53,709)**	**–**	**–**	**–**	**(360,810)**	**–**	**–**	**(414,519)**
Balance at 31 December 2011	**675,916**	**41,898**	**1,377,761**	**1,125,000**	**989,802**	**738,431**	**152,641**	**5,101,449**
Exercisable at 31 December 2011	**–**	**–**	**–**	**–**	**–**	**738,431**	**152,641**	**891,072**
Exercise Price per share	**n/a**	**n/a**	**nil**	**nil**	**nil**	(b)	(c)	

(a) The CEO Share Plans comprises (i) the CEO Award of one million shares, where as described previously, a further award over 700,000 shares could be earned if the share price has reached £9.25 per share; and (ii) the CEO Deferred Share Bonus Award of 125,000 shares.
(b) The second grant under the UK Sharesave scheme in 2008 has an exercise price of £3.06.
The weighted average exercise price at 31 December 2011 was £3.06 per share (31 December 2010: £3.06 per share).
The weighted average exercise price of options exercised during the year as £3.06 per share.
(c) The second grant under the International Sharesave plan in 2008 has an exercise price of £3.06.
The weighted average exercise price at 31 December 2011 was £3.06 per share (31 December 2010: £3.06 per share).
The weighted average exercise price of options exercised during the year as £3.06 per share.

26. Reserves

Cash flow hedge reserve:

(US$ in millions)	2011	2010
Balance as at 1 January	**(7.5)**	(2.6)
(Loss)/gain recognised on cash flow hedges:		
Forward exchange contracts	**(5.1)**	0.8
Interest rate swaps	**5.6**	(0.2)
Fx movement through cash flow hedge reserve	**–**	(0.1)
Income tax charged directly to equity	**(1.0)**	–
Reclassified to the Income Statement[a]		
Forward exchange contracts	**(3.5)**	(7.9)
Interest rate swaps	**3.1**	–
Fx movement through cash flow hedge reserve	**–**	1.3
Income tax (charged)/credited related to amounts transferred to the Income Statement[a]	**(0.2)**	4.1
Reclassified and capitalised on the Balance Sheet[b]		
Forward exchange contracts	**(2.8)**	(3.5)
Fx movement through cash flow hedge reserve	**–**	0.6
Balance as at 31 December	**(11.4)**	(7.5)

The cash flow hedge reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in the Income Statement or capitalised on the Balance Sheet when the hedged transactions impacts the Income Statement/Balance Sheet.

(a) Gains and losses reclassified from equity into the Income Statement during the period are included in the following Income Statement lines:

(US$ in millions)	2011	2010
Total net operating costs	**(3.5)**	(6.6)
Interest payable and similar charges	**3.1**	–
Income tax (credit)/expense	**(0.2)**	4.1
Total reclassified (credited) to the Income Statement in the year	**(0.6)**	(2.5)

(b) Gains and losses reclassified from equity and capitalised on the Balance Sheet during the period are included in the following Balance Sheet lines:

(US$ in millions)	2011	2010
Property, plant and equipment	**(2.8)**	(2.9)
Total reclassified and capitalised on the Balance Sheet in the year	**(2.8)**	(2.9)

27. Earnings per share and adjusted earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding those held in the employee share trust, which are treated as cancelled, and after taking account of the restructuring of the existing share capital.

	2011	2010
Profit attributable to equity holders of the Company (US$ in millions)	**249.3**	260.9
Weighted average number of ordinary shares in issue (number)	**456,383,635**	460,148,337
Basic earnings per share (US$ per share)	**0.55**	0.57

Diluted earnings per share

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Currently the underlying shares in relation to the share options and awards in relation to employee share plans are the only categories of dilutive potential ordinary shares. We perform a calculation to determine the number of shares that could have been acquired at fair value (determined as the average annual market price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options and awards and value of related future employee services. The 2010 diluted earnings per share and adjusted diluted earnings per share have been amended to appropriately reflect the anti-dilutive impact of the Convertible Bonds.

	2011	2010
Profit attributable to equity holders of the Company for diluted earnings per share number (US$ in millions)	**249.3**	260.9
Weighted average number of ordinary shares in issue (number)	**456,383,635**	460,148,337
Adjustments for:		
– Share options (number)	**4,232,761**	4,170,140
Weighted average number of ordinary shares for diluted earnings per share (number)	**460,616,396**	464,318,477
Diluted earnings per share (US$ per share)	**0.54**	0.56

Adjusted earnings per share

The basic and diluted earnings per share for the year ended 31 December 2011 were adjusted to exclude the US$192.6m (US$141.6m net of tax) in relation to the LightSquared Cooperation Agreement and the impairment losses of US$141.5m (US$134.8m net of tax).

The basic and diluted earnings per share for the year ended 31 December 2010 were adjusted to exclude the US$17.1m (US$12.3m net of tax) in relation to the LightSquared Cooperation Agreement.

Adjusted basic earnings per share	2011	2010
Profit attributable to equity holders of the Company (US$ in millions)	**249.3**	260.9
Adjustments for:		
– LightSquared Cooperation Agreement (net of tax)	**(141.6)**	(12.3)
– Impairment losses (net of tax)	**134.8**	–
Profit attributable to equity holders of the Company for diluted earnings	**242.5**	248.6
Weighted average number of ordinary shares in issue (number)	**456,383,635**	460,148,337
Adjusted basic earnings per share (US$ per share)	**0.53**	0.54

Adjusted diluted earnings per share	2011	2010
Profit attributable to equity holders of the Company for diluted earnings per share number (US$ in millions)	**249.3**	260.9
Adjustments for:		
– LightSquared Cooperation Agreement (net of tax)	**(141.6)**	(12.3)
– Impairment losses (net of tax)	**134.8**	–
Profit attributable to equity holders of the Company for diluted earnings per share number (US$ in millions)	**242.5**	248.6
Weighted average number of ordinary shares in issue (number)	**456,383,635**	460,148,337
Adjustments for:		
– Share options (number)	**4,232,761**	4,170,140
Weighted average number of ordinary shares for diluted earnings per share (number)	**460,616,396**	464,318,477
Adjusted diluted earnings per share (US$ per share)	**0.53**	0.54

28. Pension arrangements and post-retirement healthcare benefits

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

The Group operates defined benefit pension schemes in the United Kingdom, the Netherlands and Norway. The Group's principal defined benefit pension scheme is the UK scheme for Inmarsat Global, which is a funded scheme with assets held in a separate fund administered by a corporate trustee; the scheme is closed to new employees.

The Inmarsat Global defined benefit plan was valued using the projected unit credit method with the valuation undertaken by professionally qualified and independent actuaries as at 31 December 2010. The results of the valuation have been updated for any material transactions and material changes in circumstances (including changes in market prices and interest rates) up to 31 December 2011. The results of this updated valuation as at 31 December 2011, for the purposes of the additional disclosures required by IAS 19, are set out below.

Inmarsat Global also provides post-retirement medical benefits for its employees. The post-retirement healthcare benefits are the provision of healthcare to retired employees (and their dependants) who were employed before 1 January 1998. Employees who have 10 years of service at the age of 58 and retire are eligible to participate in the post-retirement healthcare benefit plans. The plan is self-funded and there are no plan assets from which the costs are paid. The cost of providing retiree healthcare is actuarially determined and accrued over the service period of the active employee group. Membership of this plan is multi-national, although most staff are currently employed in the UK.

Both the Inmarsat Global defined benefit pension plan and the post-retirement healthcare benefits plan are denominated in Pounds Sterling and are subject to fluctuations in the exchange rate between US Dollars and Pounds Sterling.

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

	As at 31 December 2011	As at 31 December 2010
Weighted average actuarial assumptions used at 31 December:		
Discount rate	**4.74%**	5.40%
Expected return on plan assets	**6.65%**	7.78%
Future salary increases	**4.55%**	5.30%
Medical cost trend rate[a]	**3.70%**	7.75%
Future pension increases	**3.09%**	3.59%

(a) With effect from 1 January 2012, an inflationary cap on premiums for the post-retirement healthcare benefits was introduced, set at CPI plus 1%. The Group will pay the annual premium and any increase in percentage terms to the premium, up to a percentage amount capped at no more than CPI plus 1%. Any increase to the annual premium above the inflationary cap will be payable by the members of the scheme.

Mortality assumptions have been updated to reflect experience and expected changes in future improvements in life expectancy. The average life expectancy assumptions for the Company's pension and post-retirement healthcare benefits liabilities are as follows:

	2011 Number of years	2010 Number of years
Male current age 65	**87.4**	87.3
Female current age 65	**90.3**	90.2

Mortality assumptions used are consistent with those recommended by the individual scheme actuaries and reflect the latest available tables, adjusted for the experience of the Group where appropriate. For the Inmarsat Global defined benefit pension scheme and the post-retirement healthcare for 2011 and 2010, mortality has been assumed to follow the SAPS Series 1 Normal Health tables, with long cohort improvements from 2003 based on year of birth, subject to minimum funding improvements of 1% per annum.

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

	As at 31 December 2011			As at 31 December 2010		
	Long-term rate of return expected %	**Value (US$ in millions)**	**Percentage of total plan assets %**	Long-term rate of return expected %	Value (US$ in millions)	Percentage of total plan assets %
Equities	**7.50%**	**52.8**	**74.26%**	8.05%	52.2	79.82%
Cash	**5.00%**	**0.1**	**0.14%**	5.00%	0.4	0.61%
Bonds	**4.17%**	**15.3**	**21.52%**	4.90%	11.0	16.82%
Other	**5.34%**	**2.9**	**4.08%**	6.15%	1.8	2.75%
Fair value of scheme assets		**71.1**			65.4	
Actual return on plan assets (loss)/gain		**(3.2)**			6.8	

Amounts recognised in the Balance Sheet are:

(US$ in millions)	As at 31 December 2011	As at 31 December 2010
Present value of funded defined benefit obligations (pension)	**(75.6)**	(71.2)
Present value of unfunded defined benefit obligations (pension)	**(2.4)**	(3.3)
Present value of unfunded defined benefit obligations (post-retirement healthcare)	**(15.3)**	(29.8)
Fair value of defined benefit assets	**71.1**	65.4
Net defined benefit liability recognised in the Balance Sheet	**(22.2)**	(38.9)

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

(US$ in millions)	Defined benefit pension plan	Post-retirement medical benefits
At 1 January 2010	73.0	33.2
Current service cost	2.2	1.0
Interest cost	3.7	1.7
Actuarial gain	(2.2)	(4.8)
Foreign exchange gain	(2.1)	(1.0)
Benefits paid	(1.2)	(0.3)
Contributions by pension participants	1.1	–
At 31 December 2010	74.5	29.8
Acquisition of Ship Equip	**2.6**	**–**
Current service cost	**2.6**	**0.9**
Interest cost	**4.0**	**1.6**
Actuarial gain	**(4.8)**	**(16.6)**
Foreign exchange gain	**(0.8)**	**(0.1)**
Benefits paid	**(1.4)**	**(0.3)**
Contributions by pension participants	**1.3**	**–**
At 31 December 2011	**78.0**	**15.3**

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

(US$ in millions)	As at 31 December 2011	As at 31 December 2010
At 1 January	**65.4**	53.8
Acquisition of Ship Equip	**1.3**	–
Expected return on plan assets	**4.7**	3.9
Actuarial (loss)/gain	**(8.0)**	2.9
Contributions by employer	**7.4**	5.4
Contributions by pension participants	**1.3**	1.1
Benefits paid	**(0.5)**	(0.2)
Foreign exchange loss	**(0.5)**	(1.5)
At 31 December	**71.1**	65.4

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

	2011		2010	
	Defined benefit pension plan	Post-retirement healthcare benefits	Defined benefit pension plan	Post-retirement healthcare benefits
Recognised in Income Statement:				
Current service cost	**2.6**	**0.9**	2.2	1.0
Interest cost	**4.0**	**1.6**	3.7	1.7
Expected return on pension assets	**(4.7)**	**–**	(3.9)	–
Foreign exchange gain	**(0.3)**	**(0.1)**	(0.6)	(1.0)
	1.6	**2.4**	1.4	1.7
Recognised in Statement of Comprehensive Income:				
Net actuarial losses/(gains)[a]	**3.2**	**(16.6)**	(5.1)	(4.8)
Cumulative pre-tax actuarial losses/(gains)	**9.2**	**(5.3)**	6.0	11.3

(a) As a result of the inflationary cap on premiums for the post-retirement healthcare benefits set at CPI plus 1% (effective from 1 January 2012), a one-off actuarial gain of US$12.4m was recognised in the statement of comprehensive income in respect of the post-retirement provision for the year ended 31 December 2011.

Current services costs for 2011 are included within employee benefit costs (note 7). The net financing costs together with foreign exchange gains are included within interest payable (note 9).

A history of experience gains and losses is provided below for the Group's principal defined benefit pension scheme (Inmarsat Global), for the Group as whole and for the post-retirement healthcare benefits:

	2011		
	Inmarsat Global defined benefit pension plan	Total Group defined benefit pension plans	Post-retirement healthcare benefits
Present value of defined benefit obligations (US$ in millions)	**(71.2)**	**(78.0)**	**(15.3)**
Fair value of plan assets (US$ in millions)	**68.9**	**71.1**	**–**
Deficit in plans (US$ in millions)	**(2.3)**	**(6.9)**	**(15.3)**
Experience gains on plan liabilities (US$ in millions)	**6.4**	**6.4**	**1.0**
Percentage of plan liabilities	**9.0%**	**8.2%**	**6.5%**
Experience losses on plan assets (US$ in millions)	**(8.0)**	**(8.0)**	**–**
Percentage of plan assets	**(11.6%)**	**(11.3%)**	**–**

	2010			2009		
	Inmarsat Global defined benefit pension plan	Total Group defined benefit pension plans	Post-retirement healthcare benefits	Inmarsat Global defined benefit pension plan	Total Group defined benefit pension plans	Post-retirement healthcare benefits
Present value of defined benefit obligations (US$ in millions)	(70.4)	(74.5)	(29.8)	(68.6)	(73.0)	(33.2)
Fair value of plan assets (US$ in millions)	65.0	65.4	–	53.8	53.8	–
Deficit in plans (US$ in millions)	(5.4)	(9.1)	(29.8)	(14.8)	(19.2)	(33.2)
Experience (losses)/gains on plan liabilities (US$ in millions)	–	(0.2)	4.1	(0.3)	0.2	0.1
Percentage of plan liabilities	0.0%	(0.3%)	13.9%	(0.4%)	0.3%	0.3%
Experience losses on plan assets (US$ in millions)	2.9	2.9	–	5.8	5.8	–
Percentage of plan assets	4.4%	4.4%	–	10.8%	10.8%	–

	2008			2007		
	Inmarsat Global defined benefit pension plan	Total Group defined benefit pension plans	Post-retirement healthcare benefits	Inmarsat Global defined benefit pension plan	Total Group defined benefit pension plans	Post-retirement healthcare benefits
Present value of defined benefit obligations (US$ in millions)	(41.9)	(46.7)	(19.8)	(58.2)	(66.1)	(22.3)
Fair value of plan assets (US$ in millions)	35.0	35.0	–	51.6	51.6	–
Deficit in plans (US$ in millions)	(6.9)	(11.7)	(19.8)	(6.6)	(14.5)	(22.3)
Experience gains/(losses) on plan liabilities (US$ in millions)	–	0.2	(7.1)	–	–	0.3
Percentage of plan liabilities	0.0%	0.4%	(35.9%)	0.0%	0.0%	1.3%
Experience gains on plan assets (US$ in millions)	(14.7)	(14.7)	–	(0.3)	(0.3)	–
Percentage of plan assets	(42.0%)	(42.0%)	–	(0.6%)	(0.6%)	–

The estimated contributions expected to be paid into the Group defined benefit pension plan during 2012 are US$5.4m (2011: actual US$7.4m).

The healthcare cost trend rate assumption for Inmarsat Global's post-retirement healthcare benefits has a significant effect on the amounts recognised in the Income Statement in respect of the post-retirement medical benefits. Increasing the assumed healthcare cost trend rate by one percentage point would have increased the post-retirement medical benefit obligation as of 31 December 2011 by US$3.5m (2010: US$8.0m) and the aggregate of the service cost and interest cost by US$0.8m (2010: US$0.8m). Decreasing the assumed healthcare cost trend rate by one percentage point would have reduced the post-retirement medical benefit obligation as of 31 December 2011 by US$2.7m (2010: US$6.0m), and the aggregate of the service cost and interest cost by US$0.6m (2010: US$0.6m).

29. Acquisitions

Acquisition of Ship Equip

On 28 April 2011, we acquired 100% of the outstanding ordinary shares of Ship Equip for a total cash consideration of US$113.2m (net of cash acquired and after hedging the foreign exchange risk). Immediately following the transaction, we repaid Ship Equip's external long-term debt amounting to US$44.7m (net of gains from hedging the foreign exchange risk). Inmarsat financed the acquisition of the shares and the debt repayment from available liquidity.

We have acquired Ship Equip as it is ideally positioned to support the evolution of maritime services to our new Global Xpress services after its expected launch in 2013. Ship Equip has a large installed base of VSAT customers, who we expect to be in the forefront of the transition to Global Xpress services, as well as a management team with extensive knowledge of VSAT operations and customers which will help us develop our Global Xpress offering.

The acquisition of Ship Equip has been accounted for using the purchase method of accounting in accordance with IFRS 3, 'Business Combinations'. The consolidated results of the Group for 2011 include the financial results of Ship Equip for the period from 28 April 2011 to 31 December 2011. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

During the year ended 31 December 2011, the allocation of the purchase consideration was finalised. As a result of this review, we recognised identifiable intangible assets of US$63.9m (refer to table below) and goodwill of US$66.6m. Goodwill represents the excess of the purchase consideration over the fair value of the assets and liabilities acquired. Qualitatively, goodwill represents among other factors, the assembled workforce, which is not separately identified as part of the purchase price allocation. In addition, the Group believes that Ship Equip's expertise in delivering VSAT maritime communications services to the shipping, offshore oil and gas and fishing markets, will generate value for the Group through future customer relationships. During the year ended 31 December 2011, we recognised US$2.0m of transaction costs directly associated with the acquisition of Ship Equip as an expense in the Income Statement.

The final allocation of the purchase consideration to the net assets and liabilities of Ship Equip, is as follows:

(US$ in millions)	Book value	Fair value adjustments	Fair value at acquisition date
Net assets acquired:			
Intangible assets[a]	1.3	62.6	63.9
Property, plant and equipment	48.4	–	48.4
Other assets	0.3	–	0.3
Total Non-current assets	**50.0**	**62.6**	**112.6**
Trade and other receivables[b]	8.7	–	8.7
Inventories	6.2	–	6.2
Other assets	4.1	–	4.1
Total Current assets	**19.0**	**–**	**19.0**
Trade and other payables	(11.1)	–	(11.1)
Deferred revenue	(8.5)	–	(8.5)
Deferred tax liability	(0.2)	(17.5)	(17.7)
Long term debt	(47.7)	–	(47.7)
Total liabilities	**(67.5)**	**(17.5)**	**(85.0)**
Identifiable net assets	**1.5**	**45.1**	**46.6**
Allocated purchase consideration:			
Cash consideration			119.8
Less: hedge accounting gains			(6.6)
Total allocated purchase consideration			**113.2**
Goodwill recognised[c]			**66.6**

(a) The intangible assets consists of US$37.8m of customer relationships, US$9.3m in relation to the Ship Equip trade name and US$16.8m for technology, which are to be amortised over their useful lives of 14, 15 and seven years, respectively. Subsequently, due to the vertical market reorganisation in Inmarsat Solutions, the Ship Equip trade name has been written-off.
(b) The book value of trade receivables of US$8.4m, included within trade and other receivables, approximates to their fair value and the entire balance is deemed collectable.
(c) The total goodwill recognised of US$66.6m is not deductible for tax purposes.

The revenue included in the Income Statement for the year ended 31 December 2011, contributed by Ship Equip since the acquisition date, was US$42.1m. Ship Equip also contributed a loss after tax of US$1.6m, during the year ended 31 December 2011. Ship Equip's contribution to revenue and profit after tax for the year ended 31 December 2011, assuming the transaction had occurred on 1 January 2011, would have been US$60.3m and a loss of US$4.6m, respectively.

Acquisition of Segovia

On 12 January 2010, we completed the acquisition of the business and assets of Segovia Inc ('Segovia'). The allocation of the purchase consideration was finalised during the year ended 31 December 2010.

In the year ending 31 December 2011, the Inmarsat plc Group comprised Inmarsat, Stratos, Segovia and Ship Equip all operating as relatively independent business units. Effective from 1 January 2012, the Group is operating with business units aligned to vertical market sectors as part of Inmarsat Solutions. To enable effective operation of the new Inmarsat Government – US business unit, in December 2011, the majority of the remaining value of the contingent deferred consideration on the Segovia acquisition relating to the calendar years ending 31 December 2011 and 2012 was settled ahead of the scheduled payout dates in Q1 2012 and 2013. As a result of accelerating the settlement of the deferred consideration, we recorded an additional charge of US$5.6m in the Income Statement, in line with IFRS 3. US$2.1m of the charge represents the better than expected performance in 2011 (2010: US$2.1m charge reflecting better than expected performance in 2010) and was recorded in the acquisition-related adjustments line in the Income Statement and US$3.5m recorded in interest payable, representing the effect of the acceleration of the settlement of the liability ahead of schedule.

Acquisition of Blue Ocean Wireless

In addition, in July 2011, we acquired most of the operational assets of Blue Ocean Wireless ('BOW') for a total consideration of US$3.4m. The acquisition of BOW has been accounted for using the purchase method of accounting in accordance with IFRS 3, 'Business Combinations'. No goodwill was recognised on the acquisition. The final purchase price allocation will be finalised in due course in line with IFRS 3.

30. Operating lease and other commitments

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

(US$ in millions)	As at 31 December 2011	As at 31 December 2010
Within one year	**25.1**	43.0
Within two to five years	**65.8**	60.3
After five years	**97.3**	92.9
	188.2	196.2

Operating lease commitments relate to leased office space, primarily of the Group's head office located at 99 City Road, London, and various non-cancellable network service contracts and maintenance contracts, which have varying terms.

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

(US$ in millions)	As at 31 December 2011	As at 31 December 2010
Within one year	**42.7**	35.1
Within two to five years	**87.7**	20.2
	130.4	55.3

The total of future sub-lease payments expected to be received under non-cancellable sub-leases at 31 December 2011 relating to the above head office lease is US$5.5m over four years (as at 31 December 2010: US$6.8m over five years).

The Group has various agreements deriving revenue from designated leased capacity charges. These amounts are recorded as revenue on a straight-line basis over the respective lease terms. The Group's future aggregate minimum lease payments under non-cancellable operating leases expected to be received (including Inmarsat Global and Inmarsat Solutions but excluding intragroup amounts) are as follows:

(US$ in millions)	As at 31 December 2011	As at 31 December 2010
Within one year	**32.5**	85.2
Within two to five years	**–**	8.3
	32.5	93.5

31. Capital risk management

The following table summarises the capital of the Group:

(US$ in millions)	As at 31 December 2011	As at 31 December 2010
As per Balance Sheet		
Cash and cash equivalents	**(183.5)**	(343.8)
Borrowings	**1,550.4**	1,460.9
Net debt	**1,366.9**	1,117.1
Equity attributable to shareholders of the parent	**1,080.2**	1,088.0
Capital	**2,447.1**	2,205.1

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 2011 is 1.63 (2010: 1.64).

The Group's liquidity is disclosed in note 3(d).

No changes were made in the Group's objectives, policies or processes for managing capital in the years ended 31 December 2011 and 2010.

32. Financial instruments

Treasury management and strategy

The Group's treasury activities are managed by its corporate finance department under the direction of a Treasury Review Committee whose chairman is the Chief Financial Officer, and are consistent with Board-approved treasury policies and guidelines. The overriding objective of treasury activities is to manage financial risk.

Key features of treasury management include:

- ensuring that the Group is in a position to fund its obligations in appropriate currencies as they fall due;
- maintaining adequate undrawn borrowing facilities;
- economically hedging both contracted and anticipated foreign currency cash flows on a minimum 12 months rolling basis with the option of covering exposures up to a maximum of three years forward;
- interest rate hedging; and
- maximising return on short-term investments based on counter-party limits and credit ratings.

Treasury activities are only transacted with counterparties 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 are different from those that were forecast.

Financial instruments by category

The following table sets out the categorisation of financial assets and liabilities in terms of IAS 39:

	As at 31 December 2011			As at 31 December 2010		
(US$ in millions)	Loans and receivables	Derivatives used for hedging	Total	Loans and receivables	Derivatives used for hedging	Total
Assets as per Balance Sheet						
Trade and other receivables[(a)]	**187.5**	**–**	**187.5**	203.0	–	203.0
Cash and cash equivalents	**183.5**	**–**	**183.5**	343.8	–	343.8
Derivative financial instruments	**–**	**7.9**	**7.9**	–	14.3	14.3
	371.0	**7.9**	**378.9**	546.8	14.3	561.1

(a) Consists of trade receivables and other receivables (see note 17).

	As at 31 December 2011			As at 31 December 2010		
(US$ in millions)	Derivatives used for hedging	Other financial liabilities	Total	Derivatives used for hedging	Other financial liabilities	Total
Liabilities as per Balance Sheet						
Borrowings	**–**	**1,550.4**	**1,550.4**	–	1,460.9	1,460.9
Trade and other payables[(a)]	**–**	**236.6**	**236.6**	–	178.6	178.6
Derivative financial instruments	**23.3**	**–**	**23.3**	26.5	–	26.5
	23.3	**1,787.0**	**1,810.3**	26.5	1,639.5	1,666.0

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

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

(US$ in millions)	As at 31 December 2011 Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Borrowings[(a)]	**429.3**	**112.0**	**388.3**	**1,016.9**	**1,946.5**
Derivative financial instruments	**14.2**	**9.1**	**–**	**–**	**23.3**
Trade and other payables	**208.5**	**1.2**	**5.9**	**21.0**	**236.6**
	652.0	**122.3**	**394.2**	**1,037.9**	**2,206.4**

(a) Includes interest obligations on the Senior Notes due 2017, EIB Facility, Ex-Im Bank Facility and Convertible Bonds. The interest obligations do not take into account the impact of interest rate swaps and assume no changes in floating interest rates from the year-end.

(US$ in millions)	As at 31 December 2010 Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Borrowings[(a)]	123.6	549.2	304.3	884.6	1,861.7
Derivative financial instruments	12.9	7.9	5.7	–	26.5
Trade and other payables	120.3	21.3	15.9	21.1	178.6
	256.8	578.4	325.9	905.7	2,066.8

(a) Includes interest obligations on the Senior Notes due 2017, Senior Credit Facility, EIB Facility and Convertible Bonds. 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 Group's derivative financial instruments as at 31 December 2011 consist of forward foreign currency contracts and interest rate swaps. The interest rate swaps and approximately 90% of forward foreign currency contracts (2010: 90%) are designated cash flow hedges.

The net fair values at the Balance Sheet date were:

(US$ in millions)	As at 31 December 2011	As at 31 December 2010
Contracts with positive fair values:		
Forward foreign currency contracts – designated cash flow hedges	**7.5**	13.4
Forward foreign currency contracts – undesignated	**0.4**	0.9
Contracts with negative fair values:		
Forward foreign currency contracts – designated cash flow hedges	**(6.1)**	(0.6)
Total forward exchange currency contracts	**1.8**	13.7
Interest rate swap – designated cash flow hedge	**(17.2)**	(25.9)
Total net fair value	**(15.4)**	(12.2)
Less non-current portion		
Forward foreign currency contracts – designated cash flow hedges	**(0.6)**	6.9
Interest rate swap – designated cash flow hedge	**(8.4)**	(13.6)
Current portion	**(6.4)**	(5.5)

The full value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability if the maturity of the hedged item is less than 12 months.

The fair value of foreign exchange contracts performed by management are based upon a valuation provided by the counterparty and are classified as level 2 in the fair value hierarchy according to IFRS 7. The fair value of foreign exchange contracts are based upon the difference between the contract amount at the current forward rate at each period end and the contract amount at the contract rate, discounted at a variable risk free rate at the period end.

The fair value of the interest rate swaps performed by management are based upon a valuation provided by the counterparty and are classified as level 2 in the fair value hierarchy according to IFRS 7. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Forward foreign exchange

The following table sets out the face value and fair value of forward foreign exchange contracts outstanding for the Group as at 31 December 2011 and 2010:

	As at 31 December 2011				
Outstanding forward foreign exchange contracts (in millions)	**Face value**	**Maturing within 1 year**	**Maturing between 1 and 2 years**	**Maturing between 2 and 5 years**	**Fair value (US$)**
GBP contracts	**£70.5**	**£68.0**	**£2.5**	**–**	**4.4**
Euro contracts	**€85.1**	**€78.2**	**€6.9**	**–**	**(2.1)**
Canadian Dollar contracts	**$19.5**	**$16.5**	**$3.0**	**–**	**(0.5)**
					1.8

	As at 31 December 2010				
Outstanding forward foreign exchange contracts (in millions)	Face value	Maturing within 1 year	Maturing between 1 and 2 years	Maturing between 2 and 5 years	Fair value (US$)
GBP contracts	£128.5	£66.5	£62.0	–	7.2
Euro contracts	€122.1	€74.3	€47.8	–	5.6
Canadian Dollar contracts	$19.5	$15.6	$3.9	–	0.9
					13.7

As at the reporting date the aggregate amount of losses under forward exchange contracts deferred in the cash flow hedge reserve relating to these anticipated future transactions is US$5.1m (2010: gains of US$0.8m). It is anticipated that expenditure will be incurred during the next two years during which the amount deferred in equity will be released into the Income Statement.

Interest rate swap

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding for the Group as at 31 December 2011 and 2010:

	Average contracted fixed interest rate		Notional principal amount		Fair value	
Outstanding floating for fixed contracts	**2011 %**	2010 %	**2011 (US$ in millions)**	2010 (US$ in millions)	**2011 (US$ in millions)**	2010 (US$ in millions)
Less than one year	**–**	4.50%	**–**	100.0	**(8.8)**	(12.3)
One to two years	**4.93%**	–	**200.0**	–	**(8.4)**	(7.9)
Two to five years	**–**	4.93%	**–**	200.0	**–**	(5.7)
Five years+	**–**	–	**–**	–	**–**	–
			200.0	300.0	**(17.2)**	(25.9)

Under the interest rate swaps the Group receives quarterly floating interest (three-month USD LIBOR) to offset floating interest payable. Gains or losses will reverse in the Income Statement when the swaps expire.

Non-derivative financial assets and financial liabilities

Non-derivative financial assets consist of cash at bank, short-term and long-term investments, trade debtors and other debtors.

Non-derivative financial liabilities consist of bank overdrafts, deferred satellite payments, Senior Credit Facilities, Senior Notes due 2017, the EIB Facility, the Ex-Im Bank Facility, Convertible Bonds, accrued and accreted interest on borrowings, trade creditors, deferred consideration and other payables.

Fair value of non-derivative financial assets and financial liabilities

With the exception of the Senior Notes due 2017 and Convertible Bonds, the fair values of all non-derivative financial instruments approximate to the carrying value in the Balance Sheet.

The following methods and assumptions have been used to determine fair values:

- The fair values of cash at bank, overdrafts and short-term deposits approximate their carrying values because of the short-term maturity of these instruments (see note 16).
- The fair value of trade and other receivables and payables and deferred consideration approximate their carrying values (see notes 17 and 20 respectively).
- The carrying amount of deferred satellite payments represents the present value of future payments discounted, using an appropriate rate, at the period end. This carrying amount approximately equals fair value (see note 19).

- The Senior Notes due 2017 are reflected in the Balance Sheet as at 31 December 2011 net of unamortised arrangement costs and issuance discount of US$9.2m and US$3.6m (2010: US$10.8m and US$4.2m), respectively (see note 19). The fair values of the Senior Notes due 2017 are based on the market price of the bonds as at 31 December 2011 and are reflected in the table below.
- The EIB Facility is reflected in the Balance Sheet as at 31 December 2011 net of unamortised arrangement costs of US$2.2m (2010: US$2.6m). The fair value approximates the carrying value (see note 19).
- The Ex-Im Bank Facility is reflected in the Balance Sheet as at 31 December 2011 net of unamortised arrangement costs of US$14.5m (2010: US$nil). The fair value approximates the carrying value (see note 19).
- The liability component of the Convertible Bonds is reflected in the Balance Sheet as at 31 December 2011 on an amortised cost basis, net of unamortised arrangement costs of US$1.3m (2010: US$2.6m) (see note 19). The fair value of the Convertible Bonds is based on the market price of the bonds as at 31 December 2011 and is reflected in the table below.
- The Senior Credit Facility was repaid in June 2011 (see note 19).

	As at 31 December 2011		As at 31 December 2010	
(US$ in millions)	**Carrying amount**	**Fair value amount**	Carrying amount	Fair value amount
Senior Notes due 2017	**(650.0)**	**(677.6)**	(650.0)	(683.7)
Convertible Bonds	**(307.4)**	**(332.8)**	(285.2)	(354.2)

33. Capital commitments

The Group had authorised and contracted but not provided for capital commitments as at 31 December 2011 of US$1,086.7m (2010: US$931.2m). These amounts primarily represent commitments in respect of the Alphasat and Global Xpress projects.

34. Related party transactions

In the normal course of operations Stratos engages in transactions with its equity owned investees Navarino Telecom SA and NTS Maritime Limited (together 'Navarino') and JSAT Mobile Communications Inc. These transactions represent sales of airtime and equipment and are measured at the amounts exchanged. Group revenue from the related parties for the 2011 financial year was US$21.3m and US$11.4m respectively (2010: US$22.1m and US$8.6m respectively). The amount receivable from the related party at 31 December 2011 was US$12.2m and US$1.5m, respectively (2010: US$10.0m and US$2.4m, respectively).

Remuneration paid to key management personnel, being the Executive Staff (including Executive Directors) of the Company, during the year is as follows:

(US$ in millions)	**2011**	2010
Short-term employee benefits[a]	**7.1**	8.8
Post-employment benefits	**0.2**	0.2
Share-based payment[a]	**6.7**	6.6
Total remuneration	**14.0**	15.6

(a) Includes employers National Insurance or other social security contributions.

The amount owing to the Executive Staff (including Executive Directors) as at 31 December 2011 and 2010 was US$2.8m and US$3.1m, respectively.

The post-retirement healthcare and defined benefit pension plans are related parties (see note 28).

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

35. Principal subsidiary undertakings

At 31 December 2011, the Company had investments in the following principal subsidiaries that have a significant impact on the consolidated results and total assets of the Group. To avoid a statement of excessive length, details of subsidiaries and associates which are not significant have been omitted from this list. A full list of subsidiaries and associates will be annexed to the Company's next annual return to be filed with the Registrar of Companies.

	Principal activity	Country of incorporation and operation	**Interest in issued ordinary share capital at 31 December 2011**	Interest in issued ordinary share capital at 31 December 2010
Inmarsat Finance plc	Finance company	England and Wales	**100%**	100%
Inmarsat Global Limited	Satellite telecommunications	England and Wales	**100%**	100%
Inmarsat Group Limited	Holding company	England and Wales	**100%**	100%
Inmarsat Investments Limited	Holding company	England and Wales	**100%**	100%
Inmarsat Leasing (Two) Limited	Satellite leasing	England and Wales	**100%**	100%
Inmarsat Navigation Ventures Limited	Operating company	England and Wales	**100%**	100%
Inmarsat SA	Operating company	Switzerland	**100%**	100%
Inmarsat Solutions B.V.[(a)]	Operating company	The Netherlands	**100%**	100%
Inmarsat Solutions (US) Inc.[(b)]	Operating company	USA	**100%**	100%
Segovia, Inc.	Holding company	USA	**100%**	100%
Ship Equip International AS[(c)]	Operating company	Norway	**100%**	–
Stratos Government Services Inc.	Operating company	USA	**100%**	100%
Stratos Mobile Networks Inc.	Operating company	USA	**100%**	100%
Stratos New Zealand Limited	Operating company	New Zealand	**100%**	100%
Stratos Offshore Services Company	Operating company	USA	**100%**	100%
Stratos Wireless Inc.	Operating company	Canada	**100%**	100%

(a) Stratos B.V. was renamed Inmarsat Solutions B.V. in February 2012.
(b) Stratos Communications Inc. was renamed Inmarsat Solutions (US) Inc. in February 2012.
(c) Ship Equip International AS was acquired on 28 April 2011 (see note 29).

36. Events after the balance sheet date

On 13 January 2012, we acquired 100% of the outstanding shares of NewWave Broadband Limited ('NewWave') for a total cash consideration of US$9.0m, financed from available liquidity.

On 20 January 2012, we delivered the 'Phase 1 transition' completion notice to LightSquared indicating that our obligations in respect of the Phase 1 spectrum reorganisation were complete. A payment of US$56.25m became due upon the completion of 'Phase 1 transition'. This payment has not been received. On 20 February 2012, Inmarsat issued a notice of default to LightSquared under the Cooperation Agreement. This notice triggers a period of 60 calendar days during which LightSquared can remedy the payment before Inmarsat is entitled to enforce its rights and remedies under the agreement for payment default, including pre-agreed spectrum arrangements and termination of certain LightSquared rights under the Cooperation Agreement.

Subsequent to 31 December 2011 other than the events discussed above there have been no other material events, which would affect the information reflected in the consolidated financial statements of the Group.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF INMARSAT PLC

We have audited the Parent Company financial statements of Inmarsat plc for the year ended 31 December 2011 which comprise the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the 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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the Parent Company financial statements:

- give a true and fair view of the state of the Parent Company's affairs as at 31 December 2011;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the 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 and the part of the Directors' Remuneration Report to be audited 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 plc for the year ended 31 December 2011.

Stephen Griggs FCA
(Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
6 March 2012

COMPANY BALANCE SHEET

(US$ in millions)	As at 31 December 2011	As at 31 December 2010
Assets		
Non-current assets		
Investments[(a)]	**1,052.6**	1,043.2
Other receivables[(b)]	**6.0**	5.7
Deferred income tax asset	**0.5**	1.1
	1,059.1	1,050.0
Current assets		
Cash and cash equivalents	**18.2**	21.1
Trade and other receivables[(c)]	**149.4**	1.3
Current income tax asset	**8.0**	7.3
	175.6	29.7
Total assets	**1,234.7**	1,079.7
Liabilities		
Current liabilities		
Trade and other payables[(d)]	**3.6**	10.6
Borrowings[(e)]	**308.8**	–
	312.4	10.6
Non-current liabilities		
Borrowings[(e)]	**–**	285.1
	–	285.1
Total liabilities	**312.4**	295.7
Net assets	**922.3**	784.0
Shareholders' equity		
Ordinary shares	**0.3**	0.3
Share premium	**683.9**	683.9
Convertible bonds reserve	**56.9**	56.9
Other reserves	**35.7**	25.5
Retained earnings	**145.5**	17.4
Total equity	**922.3**	784.0

(a) Investments consist of a US$1,007.8m investment in Inmarsat Holdings Limited (2010: US$1,007.8m) and US$44.8m of capital contributions to Group companies in respect of share-based payments (2010: US$35.4m).
(b) Other receivables consist of US$6.0m amounts due from Group companies (2010: US$5.7m).
(c) Trade and other receivables consist of US$149.3m amounts due from Group companies (2010: US$1.2m) and US$0.1m prepayments and accrued income (2010: US$0.1m).
(d) Trade and other payables consists of US$0.7m due to shareholders in respect of dividends paid during 2011 (2010: US$0.5m), operating accruals of US$2.0m (2010: US$2.2m), amounts due to Group companies of US$0.5m (2010: US$7.5m) and trade creditors of US$0.4m (2010: US$0.4m).
(e) Borrowings comprise the Convertible Bonds discussed in note 19 to the consolidated financial statements.

The financial statements of the Company, registered number 4886072, on pages 101 and 103 were approved by the Board of Directors on 6 March 2012 and signed on its behalf by:

Andrew Sukawaty
Chairman

Rick Medlock
Chief Financial Officer

COMPANY CASH FLOW STATEMENT

(US$ in millions)	2011	2010
Cash flow from operating activities		
Cash used in operations	**(0.9)**	(4.3)
Interest received	**0.3**	0.1
Net cash used in operating activities	**(0.6)**	(4.2)
Cash flow from investing activities		
Dividend received from Group companies	**323.4**	159.0
Net cash from investing activities	**323.4**	159.0
Cash flow from financing activities		
Dividends paid to shareholders	**(172.2)**	(158.3)
Interest paid on convertible bonds	**(5.1)**	(5.1)
Net proceeds from issue of ordinary shares	**–**	4.2
Purchase of own shares, including costs	**(98.4)**	–
Intercompany funding	**(50.0)**	25.1
Net cash used in financing activities	**(325.7)**	(134.1)
Net (decrease)/increase in cash and cash equivalents	**(2.9)**	20.7
Movement in cash and cash equivalents		
At beginning of year	**21.1**	0.4
Net (decrease)/increase in cash and cash equivalents	**(2.9)**	20.7
As reported on the Balance Sheet (net of bank overdrafts)	**18.2**	21.1
At end of year, comprising		
Cash at bank and in hand	**2.2**	0.6
Short-term deposits with original maturity of less than three months	**16.0**	20.5
	18.2	21.1

COMPANY STATEMENT OF CHANGES IN EQUITY

(US$ in millions)	Ordinary share capital	Share premium account	Convertible bonds reserve	Share option reserve	Other Reserve[(a)]	Accumulated profit	Total
Balance at 1 January 2010	0.3	679.7	56.9	27.5	(10.0)	36.1	790.5
Issue of share capital	–	4.2	–	–	–	–	4.2
Profit for the year	–	–	–	–	–	140.2	140.2
Dividends paid	–	–	–	–	–	(159.0)	(159.0)
Share options charge/(credit)	–	–	–	10.0	(2.0)	–	8.0
Tax on share options	–	–	–	–	–	0.1	0.1
Balance at 31 December 2010	0.3	683.9	56.9	37.5	(12.0)	17.4	784.0
Profit for the year	**–**	**–**	**–**	**–**	**–**	**400.0**	**400.0**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**(173.4)**	**(173.4)**
Share options charge	**–**	**–**	**–**	**10.2**	**–**	**–**	**10.2**
Tax on share options	**–**	**–**	**–**	**–**	**–**	**(0.1)**	**(0.1)**
Purchase of own shares	**–**	**–**	**–**	**–**	**–**	**(98.4)**	**(98.4)**
Balance at 31 December 2011	**0.3**	**683.9**	**56.9**	**47.7**	**(12.0)**	**145.5**	**922.3**

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

Basis of accounting
In the 2011 and 2010 financial statements the Directors have applied International Financial Reporting Standards ('IFRS') as adopted by the European Union and IFRS as issued by the International Accounting Standards Board.

The accounting policies and financial risk management policies and objectives, where relevant to the Company, are consistent with those of the consolidated Group as set out in notes 2 and 3 to the consolidated financial accounts.

Income Statement
The Company has taken advantage of the exemption available under section 408 of Companies Act 2006 and has not presented an Income Statement. The profit for the year ended 31 December 2011 was US$400.0m (2010: US$140.2m).

Auditor's remuneration
During the year, the Company paid its external Auditor US$0.2m for statutory audit services (2010: US$0.2m).

Employee costs and Directors' remuneration
The average monthly number of people employed during the year was one (2010: one). Total staff costs for 2011 were US$2.6m (2010: US$2.7m). Full details of Directors' remuneration and Directors' share options and share awards are given in the Directors' Remuneration Report.

Foreign currency translation
Accounting for foreign currency transactions of the Company is consistent with that of the Group, which is disclosed in note 2 to the consolidated financial accounts.

Financial Instruments
The IFRS 7, 'Financial Instruments' disclosures, where relevant to the Company, are consistent with that of the Group as set out in note 32 of the consolidated financial statements.

The differences between the Group and the Company are in relation to intercompany balances; US$155.3m (2010: US$6.9m) amounts due from Group companies and US$0.5m (2010: US$7.5m) amounts due to group companies, which eliminate on consolidation. The Directors consider the carrying value of the intercompany balances to approximate to their fair value.

Cash used in from operations
Reconciliation of operating profit to net cash outflow from operating activities.

(US$ in millions)	2011	2010
Profit for the year	400.0	140.2
Adjustments for:		
Income tax credit	(4.7)	(7.1)
Interest payable	28.9	26.8
Interest receivable	(0.6)	(11.4)
Dividend receivable	(423.4)	(159.0)
Finance costs	–	11.2
Non-cash employee benefit costs	0.9	1.1
Changes in net working capital:		
Decrease/(increase) in trade and other receivables	1.9	(5.0)
Decrease in trade and other payables	(3.9)	(1.1)
Cash used in operations	**(0.9)**	(4.3)

ADDITIONAL INFORMATION

Five-Year Summary

(US$ in millions)	**2011**	2010	2009	2008	2007
Revenues	**1,408.5**	1,171.6	1,038.1	996.7	576.5
EBITDA	**854.4**	696.1	594.2	531.2	388.1
EBITDA %	**60.7%**	59.4%	57.2%	53.3%	67.3%
Profit before income tax	**366.9**	333.5	196.9	193.8	124.7
Profit for year	**249.5**	261.1	152.8	355.4	96.3
Net cash inflow from operating activities	**881.6**	744.3	622.1	526.8	390.7
Net cash used in investing activities	**(702.0)**	(295.5)	(173.7)	(243.2)	(454.8)
Net cash (used in)/provided by financing activities	**(340.5)**	(331.5)	(376.3)	(244.4)	136.7
Total assets	**3,409.1**	3,158.0	2,905.6	2,906.8	2,826.5
Total liabilities	**(2,328.0)**	(2,069.3)	(1,935.6)	(1,973.1)	(2,093.1)
Shareholders' equity	**1,081.1**	1,088.7	970.0	933.7	733.4

Notes:

1. Results for 2011, 2010, 2009 and 2008 include Stratos for the full year. Results from 2007 include 21 days of Stratos trading.
   Results for 2011 include Segovia for the full year. Results for 2010 include Segovia from 12 January 2010.
   Results for 2011 include Ship Equip from 28 April 2011.

Financial calendar 2012

3 May	Annual General Meeting
16 May	Ex-dividend date for 2011 final dividend
18 May	Record date for 2011 final dividend
25 May	2011 final dividend payment date
August	2012 interim results
October	2012 interim dividend payment

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Cautionary statement regarding forward-looking statements

Certain statements in this Annual Report constitute 'forward-looking statements' within the meaning of the US Private Securities Litigation Reform Act of 1995. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results, to be materially different from those projected in the forward-looking statements. These factors include: general economic and business conditions; changes in technology; timing or delay in signing, commencement, implementation and performance of programmes, or the delivery of products or services under them; structural change in the satellite industry; relationships with customers; competition; and ability to attract personnel. You are cautioned not to rely on these forward-looking statements, which speak only as of the date of this Annual Report.

Inmarsat undertakes no obligation to update or revise any forward-looking statement to reflect any change in its expectations or any change in events, conditions or circumstances, except where it would be required to do so under applicable law.

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