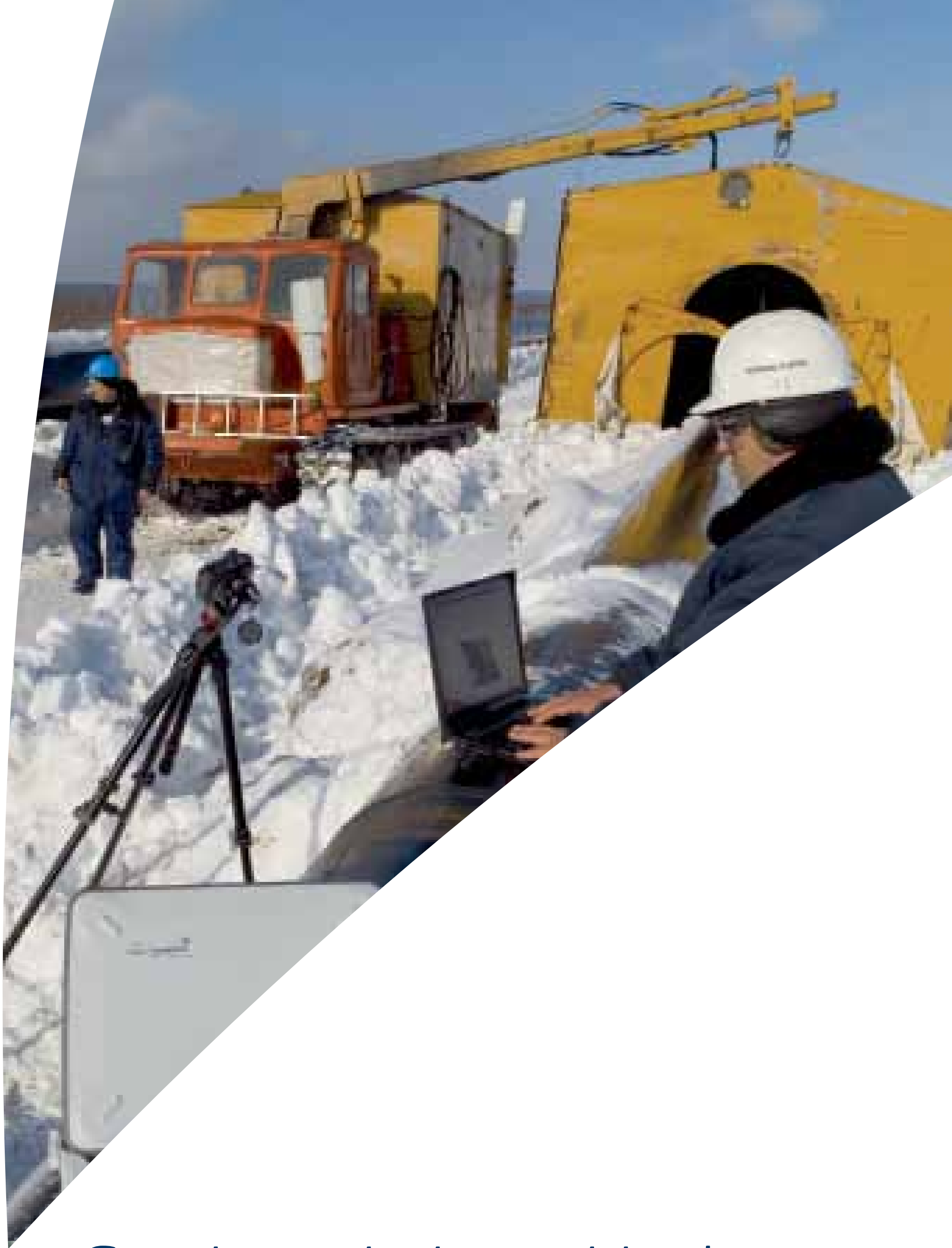
The mobile satellite company™



Serving mission critical communication needs

Inmarsat plc
Annual Report and Accounts 2012

Find out more online
www.inmarsat.com

What we do

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.

Where we do it

Our global operations are designed to bring us closer to our customers and support our partners

40+
Presence in countries

60+
Locations

1,600+
Number of employees

600+
Number of partners

In hot pursuit
BGAN Vehicular enables comms on the move – even when crossing the desert

2012 financial highlights

The value we have created

We believe our solution-led approach plus our relevant product and service offering are attractive to the partners and customers we serve.

Total Revenue*
US$m

1,277.6m
2011: 1,204.7m

Total Dividend Payable
¢ (US$)

44.39¢
2011: 40.36¢

Adjusted basic earnings per share ¢ (US$)

0.61¢
2011: 0.53¢

EBITDA*
US$m

642.8m
2011: 661.8m

* Excluding our LightSquared Cooperation Agreement

1. Our competitive advantage

Fully funded
US$1.5 billion liquidity and FTSE 250 status

History
34 years and 3 fleet generations of satellite network reliability

Reach
Global distribution network

Security
Highly secure networks

Safety
Unique long-term commitment to safety services

Multiple networks
L, Ka, Mil-Ka & Ku-band and WiMAX capabilities

Innovative
US$3 billion invested into next generation networks (I-4 and I-5)

Global
Seamless global coverage and in-orbit redundancy

Mobile
Network specifically built for mobility

Breadth
Unrivalled product and service range

2. On land, at sea and in the air

Land Mobile
A range of services for businesses and individuals operating beyond the reach of land-based terrestrial communications.
Find out more
Page 14

Maritime
Voice, high-speed data and safety communications for all vessel sizes.
Find out more
Page 13

Aviation
Global voice and data connectivity for cockpit and cabin.
Find out more
Page 16

Valued cargo
With FleetBroadband vessel operators can now enjoy our lowest ever per megabyte pricing

3.
Drives our progress

Enhanced L-band services and the launch of Global Xpress position us for long-term growth

New wave of innovative products generates real value for customers

On schedule for two satellite launches in 2013

Business reorganisation in 2012 brought us closer to our channel and customers

New internal values shared across all our businesses, now all operating as Inmarsat

Focus on quality and speed of product and service innovation

Risks retired as milestones met for Global Xpress satellite programme

Executive Chairman's review

Dear Shareholder,

Significantly, our full year results for 2012 showed a solid return to growth for our core Mobile Satellite Services business. This is despite a difficult environment, with the pull-out in Afghanistan and the pressure on global maritime shipping rates. Results for 2011 included significant revenues from our Cooperation Agreement with LightSquared which did not continue at the same level in 2012. If we exclude these, our underlying revenues in 2012 increased by just over 6%, which is a real and positive development for us. Our cash flow remains strong and our balance sheet is healthy.

We are proposing a final dividend, payable at the end of May, of 27.45 cents US$ per share. We are delighted once again to deliver improving dividend payments. The total dividend proposed and paid for 2012 will be 10% higher than in 2011. This increase delivers on the commitment we made to grow the dividend by 10% per year for three years and completes this commitment. We remain committed to a goal of sustainable increases in dividend payments going forward.

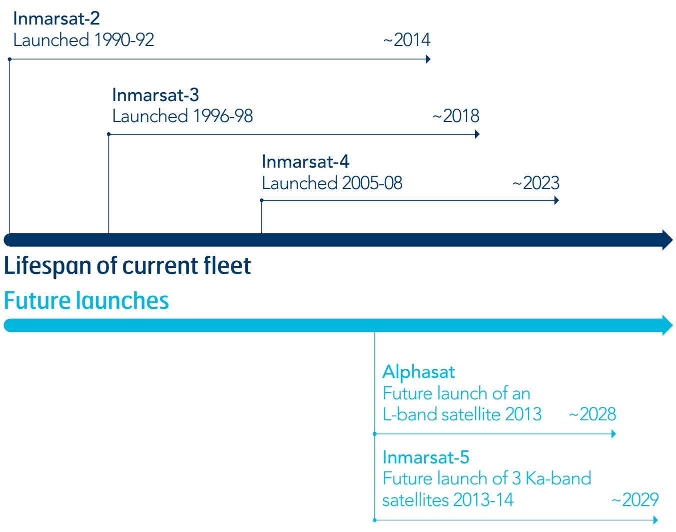
2012 saw some significant changes for Inmarsat as a business. We split the role of Chairman and Chief Executive Officer at the beginning of the year. The Inmarsat plc Board is delighted with how Rupert Pearce has stepped into the role of Chief Executive and is leading the business. He has led a series of changes in management and in our structure to coincide with our objectives of focusing on our customers more closely and to align along vertical lines of business. We have a stronger management team in place as a result, which is focused on delivering our revenue and profitability growth targets. The Board of Directors has confidence they will achieve this.

To simplify how we present ourselves to the market, we brought together all our subsidiary companies to operate under the Inmarsat brand name and we believe this has been beneficial for all our stakeholders – our partners, customers and employees. Our global workforce is now more than 1,600 strong and with over 45 nationalities employed across the business. This represents how we have remained a truly global business. It gives us local knowledge and experience to serve our partners and customers throughout the globe. We have an outstanding Board of Directors and have the right mix and skills to support our business going forward. Nevertheless, we plan to add two new non-executive Board members over the next two years so that we maintain an appropriate refreshment of Board membership in the years ahead. This year, we supplemented our annual assessment of Board effectiveness with an independent outside advisor. The review confirmed the effectiveness of the Board, while recommending some fairly minor areas for improvement which we will implement. No specific areas of concern were raised.

For over 30 years, our business has served mission critical communication needs, providing services where terrestrial networks don't effectively go. Continuing to provide customers with high levels of reliability, with the most advanced services that technology allows, remains fundamental to how we serve our customers in the future. We can achieve this by enhancing our L-band Inmarsat-4 broadband services for continued long-term growth and soon by successfully launching our advanced new Ka-band Inmarsat-5 generation of Global Xpress services. The services offered on our new Ka-band satellites when launched, combined with our existing L-band services, will provide a comprehensive package of global coverage, high speed, bandwidth, mobility, quality and reliability unrivalled in the satellite industry. In addition, our L-band service will benefit from more capacity, improved coverage and extended life through the addition of, in effect, a fourth Inmarsat-4, called Alphasat.

Andrew Sukawaty
Executive Chairman

Long-term Infrastructure Investment



This European Space Agency supported satellite is targeted to launch in mid-2013 on an Ariane 5 launch vehicle.

Serving the maritime market is our heritage, with safety at its heart. We remain the only satellite provider which meets the International Maritime Organization's standards to offer the Global Maritime Distress and Safety System ('GMDSS'), providing mariners with the unique opportunity to reliably make a life-saving call. In addition, to ensure the future of global maritime safety services, we are making the necessary investments to qualify our services for safety on our Inmarsat-4 platform. Aviation safety has also been a prime global service offering for us; here too we are investing to expand safety services to be available on our new generation SwiftBroadband service. Investing in future safety services is an important part of our public service remit, part of our history and an important part of our future.

We also support a number of important humanitarian efforts. Central to these is our continued support of Télécoms Sans Frontières ('TSF'). TSF is a telecommunications relief aid agency, which is often the first aid agency into disaster areas. Their work, with our services in support, benefits not only other aid agencies and governments as they assess initial requirements, but also supports displaced families, enabling them to contact family or friends. On the humanitarian relief side, we also support the International Telecommunications Union's ('ITU') Emergency Telecommunications initiative and this year we were honoured to receive their Humanitarian Award for this life-saving work.

We also frequently sponsor both significant sporting events and charities which uniquely demonstrate the role Inmarsat services can play in remote environments. Examples include our support of Guo Chuan in his solo non-stop around the world sailing challenge, as well as the completion of another successful round the world Volvo Ocean Race. We have also supported Race2Recovery, which was the first team made up predominantly of wounded service personnel to complete the world's toughest off-road race – the Dakar Rally.

We continue to be involved and contribute in many areas of the space industry – whether through our involvement with dedicated government agencies, collaboration work with government and education/research organisations, trade associations, or our involvement with the valuable work of the Space Data Association ('SDA') which focuses on the ground-breaking work of space logistics.

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.

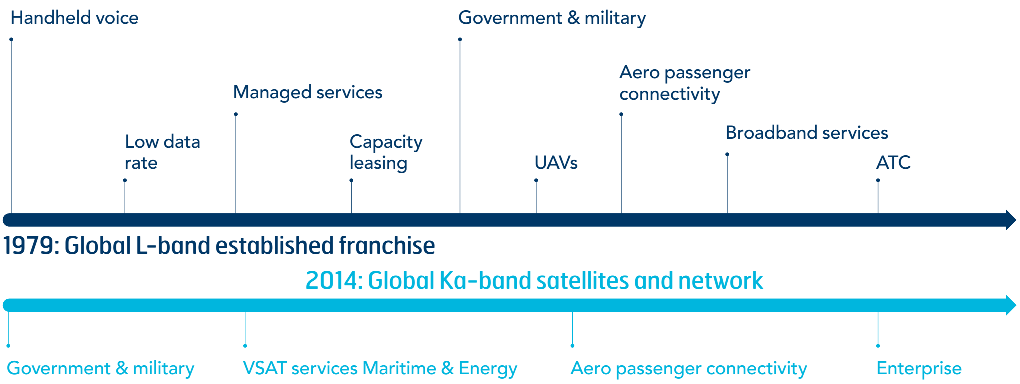
Our strategy is clear and we are focused on how we will achieve it. Although the economic and geopolitical climate remains difficult for our business, we expect growth for communications in remote environments will continue. Therefore, we are investing at the highest level in our history to continue our leadership in the growing global market of satellite communications. Behind that investment stands a committed workforce with significant experience in the markets we serve. I would like to thank them for another year of extraordinary efforts to keep Inmarsat as the global leader in mobile satellite communications.

Congratulations to Rupert Pearce and the executive management team for their leadership in taking the Company back to growth and for delivering this message to investors. Our stock performance over the year seemed to recognise this and we were pleased and proud to have been selected 'Best Communications PLC' in the UK Stock Market Awards recently announced in London.

We want to thank our shareholders for their continued support, and our partners and customers for trusting us to provide them with communications services which are vitally important to them. It is a responsibility that we take on with the highest degree of commitment and dedication.

Andrew Sukawaty
Executive Chairman
7 March 2013

Our Multiple Paths To Growth Help Us Achieve Our Mission



Our mission
To serve mission critical communications needs where terrestrial networks don't go or are ineffective.

Chief Executive's strategic review

Q&A with Rupert Pearce

Rupert Pearce, in his first year as CEO, shares his views and thoughts on Inmarsat's strategy and plans for the future.

Q: What is Inmarsat's strategy for the next few years?
A: We have three core strategic objectives:

1. To continue to grow revenues and profitability from our core L-band services business
2. To successfully launch our new Inmarsat-5 Ka-band Global Xpress services, and
3. To complement both of those objectives by actively empowering a new era of solutions, services and value-adds across our global networks.

These three objectives are the foundation of what we believe will be a new era of growth for the Inmarsat group.

Rupert Pearce
Chief Executive Officer

We intend to grow revenues and profitability in our core L-band services business both organically and thanks to the complementarity of our new Inmarsat-5 satellite network, which is currently expected to be globally operational by the end of 2014. The Global Xpress era depends on the successful launch of the three Inmarsat-5 satellites being manufactured by Boeing, but when we have achieved this, Global Xpress will both future-proof our mobile satellite services activities, offering new levels of capacity and speed to some of our traditional customers, and take us into new growth markets.

Finally, our investment in a highly innovative service enablement platform will both provide the glue between our diverse networks – welding them together into a unique integrated capability – and empower and accelerate the business of turning our global network into a super-charged value-added delivery mechanism for end-users.

Q: What were the key drivers for 2012 and how did the business perform against them?
A: 2012 was first and foremost about demonstrating to our shareholders that our Maritime business remains a robust and successful operation. It contributes more than half of our annual revenues and its seemingly poor growth through the latter half of 2010 and 2011 demanded an answer. That's why we were delighted to see such a strong performance from the Maritime business throughout 2012, when it grew revenues by almost 15% year on year, with growth in FleetBroadband subscribers, average revenue per user ('ARPU') and data usage meeting our expectations. We're delighted at this turn-round, as we'd stressed in the prior 18 months that the negative financial impact of a technology transition from our older services to Inmarsat-4 services would be short-term. We believe our Maritime business is now well-placed to deliver enhanced value to our customers and to grow our market share in the commercial maritime sector.

Beyond Maritime, we were equally busy, working hard to expand our Land and Aviation services businesses despite the twin headwinds of lower operational use by our government customers in Afghanistan and the absence of major event revenues in 2012.

There was also a keen focus on the future in 2012 – bedding in some significant organisational changes designed to make us more agile and entrepreneurial in our market-facing activities, and driving the Global Xpress programme forward in a crucial development year. I am extremely pleased at our achievements in these areas in 2012.

Q: There was good share price appreciation during 2012. What do you put this down to?
A: Our share price will always respond to macro-economic and market trends as well as fundamental operational performance, so we can't afford to place too much importance on short-term price movements, up or down. However, it was gratifying to see a strong rally to our stock price through the second half of 2012. I believe this was down to us delivering on our core 2012 objectives. I believe we have communicated those achievements powerfully and clearly to the investment community.

Q: What challenges do you see on the horizon and where are the risks?
A: It remains a challenging global macro-economic environment and so we take nothing for granted. The merchant maritime industry is suffering from over-capacity, high fuel costs and low cargo rates, which places a premium on us finding ways to make our services ever more relevant to solving the operational needs of that industry. Similarly, governments across the globe are budget-constrained and so we also have to find ways to be more relevant to their needs and to be uniquely agile, efficient and effective as their supplier.

Continued on page 8

Volvo Ocean Race
As Race Partner and official satellite communications provider to the Volvo Ocean Race, Inmarsat's satellite technology is a key enabler for all aspects of the race – for position reporting, safety communications and sending live video footage or photos of on-board action to the world's media.

Our strategy

Objective	Progress	How we manage risk	KPIs
Continue to grow revenues and profitability from our core L-band services business	The successful launch of Alphasat in 2013 will bring more capacity, improved coverage and extended life through the addition of, in effect, a fourth Inmarsat-4 satellite.	Long-term growth comes primarily from successful innovation, which builds sustained differentiation and value in the marketplace.	Activated MSS terminals increased 14% in 2012, reflecting strong demand across all our sectors +14%
Successfully launch our new Inmarsat-5 Ka-band Global Xpress ('GX') services	On budget and with key milestones met, including the launch contract and a number of distribution and technology agreements already signed to ensure a fast start when GX rolls-out globally.	Global Xpress will future-proof our mobile satellite services business with higher capacity and speeds, as well as significantly diversify our operations into new VSAT markets.	20% of target revenues for first five years already committed 20%
Complement both of those objectives by actively empowering a new era of solutions, services and value-adds across our global networks	Our partnership with Cisco to create a service enablement platform will allow Inmarsat and our partners to develop and deploy innovative applications.	Integrated L-band/GX services and applications developed and deployed using a standard open architecture will foster growth in our ecosystem and contribute to revenue growth.	We are targeting MSS wholesale revenue growth targets of 8-12% CAGR for the period 2014-16 8-12%

Chief Executive's strategic review
continued

Finally, the Global Xpress programme is a US$1.2bn technological, commercial and operational challenge, which we need to deliver on time and to budget in order to reap the maximum reward from our visionary innovation. We will be the first operator to offer global seamless high broadband speeds using a combination of L-band and Ka-band satellites and we believe this will be attractive to many customers.

Wider portfolio
Innovation
Market-enhancing products coming to market such as an updated IsatPhone Pro, M2M services and broadband variants.

Inmarsat-4 services
Track record
BGAN, FleetBroadband and SwiftBroadband are now making material contributions to our growth.

Q: How well-prepared is Inmarsat to meet challenges and opportunities?
A: I think we're in good shape. The twin engines of growth for us are innovation and the strength of our channel partners, and they position us well to meet the challenges and opportunities ahead.

We have a strong track record as successful innovators, but right now is perhaps as exciting as it's ever been in our 34-year history. The Inmarsat-4 services platform is hitting its stride, with BGAN, FleetBroadband and SwiftBroadband all now highly successful and making material contributions to our growth, with the additional promise of a new wave of market-enhancing Inmarsat-4-based innovation coming to market, such as an updated IsatPhone Pro, machine to machine ('M2M') services and new variants of our core broadband services.

Alongside the Inmarsat-4 services platform, in 2013 we'll be launching our first Inmarsat-5 satellite, which ushers in the enhanced capabilities of Global Xpress services, which none of our competitors can match on a global basis.

Lastly, the capabilities of both these powerful satellite platforms will be enriched by the development work to create an integration and solutions platform for our partners and customers.

This wave of innovation, fully funded from our strong balance sheet and highly cash-generative business model, gives us great confidence in the future. That innovation is then leveraged by our many distribution channel partners, who together reach every corner of the globe with our services and who add the necessary customer intimacy and, of course, the value-added services and solutions that transform our global mobile connectivity into highly relevant operational outcomes for the customer. We see this collaborative business model as both agile and relevant in a rapidly changing world.

An example of innovation is also our involvement as a founder and active industrial contributor to the newly established Satellite Applications Catapult Centre, which is funded by the Technology Strategy Board, the UK premier agency for fostering innovation. Its aim is to create new products and technology applications across a range of different sectors, including innovative applications for use on the Inmarsat system.

Q: How does Inmarsat respond to competitors across its various market sectors?
A: We watch our competitors closely and we compete vigorously with them across the different markets in which we operate. But we would never allow ourselves to be defined exclusively by our competitors – that's a mistake. Instead, we define ourselves by our customers and their communications needs. What keeps us focused competitively is our desire to make our capabilities more and more relevant to satisfying our customers' requirements, and to make sure we keep on being highly relevant to those customers as part of our day-to-day business. That passion drives our investment in innovation and organisational development and is the key to our success in the marketplace.

Q: How can you achieve long-term growth?
A: We are a technology company and so long-term growth comes primarily from successful innovation, which builds sustained differentiation and value in the marketplace. Successful innovation itself comes not purely from engineering excellence, which we have demonstrated over many years, but from being market-leaning. We want our innovation to respond to the requirements from our customer base, and to do this in close collaboration with our distribution channel. We believe that this combination of customer intimacy and technological excellence drives unique long-term advantage.

Q: How do you balance the need to invest in new satellites and services against providing a growing return to shareholders?
A: Our Inmarsat-4 fleet, to be augmented by the Alphasat satellite in 2013, will not need replacement until the early-2020s, which demonstrates not only how long-term the satellite business is, but also how historic investments can be leveraged over a satellite's lifetime through a largely fixed-cost operational structure. We expect the Inmarsat-5 programme will, by the end of 2014, have completed the launch of the three satellites necessary for global coverage, and we expect their lifetime to last into the 2030s. As a result, we expect our capital investment requirements to start to decline rapidly from 2014 for several years, and in this same time period, we expect to enter a new revenue growth phase. These two elements working together translate into a growing return to shareholders.

We also believe we are more conservatively financed (i.e. relatively less debt) than many of our competitors which gives us greater investment and return flexibility.

All our capital expenditure is required to pass stringent return on investment ('ROI') requirements before we will approve it. This high bar is designed to ensure that our investments are self-financing and deliver positive returns to our shareholders. We firmly believe, for example, that the US$1.2bn investment in our Inmarsat-5 programme will surpass our ROI approval threshold and be a major contributor to shareholder returns.

Q: You have a highly motivated management team and wider staff. How does Inmarsat maintain a skilled and committed workforce?
A: We are extremely proud of our workforce and their extraordinary contribution to the success of the business. I'd say that we are all highly motivated and I believe that this motivation springs from a common passion for what we do, rooted in a belief that what we do is worthwhile, recognising that we are vital and relevant to the many communities we serve – whether it is providing services for saving lives daily through our commitment to maritime and aviation safety services, or delivering mission-critical connectivity and solutions to commercial and government customers in extraordinary situations. That unity of purpose is expressed in our core values of Passion, Openness, Enterprise and being Market-driven – values that reinforce our relevance and differentiation amongst our employees and to our customers and make us proud of who we are.

Powering global connectivity

We are also committed to developing the skills and capabilities of our workforce through training and career development, good management practices, a safe and happy workplace, and a stimulating environment which is at the forefront of satellite communications services. Our employees make our business a success.

Q: How do your company values feed through to value for shareholders?

A: These corporate values of Passion, Openness, Enterprise and Market-focus represent standards of behaviour which both unite us into a powerful collaborative organisation, and also directly link our actions to successful business outcomes. For example, Passion drives engineering excellence and the desire to go the extra mile for the customer; Openness drives collaboration and humility; Enterprise drives intelligent risk-taking and a winning mentality; and Market-focus drives customer intimacy and relevance.

Q: How do you view your wider social and environmental responsibilities?

A: We were founded in 1979 to save lives at sea and that heritage is woven into how we operate today to provide mission critical services. Of course, a network that is relied upon to support those in peril on the sea can also be depended upon by an enterprise or government for mission critical services too, so the basis for our foundation is also our differentiating, driving force today.

Wherever we operate, we are part of the local community and we are pleased that our offices participate in various local charitable activities. Our corporate charitable commitment is to Télécoms Sans Frontières, which we have supported for many years. This is an outstanding charity, where we see our services bringing direct benefit to those affected by human or natural disasters.

We provide equipment and support to Télécoms Sans Frontières, which in the wake of disasters sets up telecom centres to help co-ordinate first responders' relief efforts and gives survivors the opportunity to telephone loved-ones to say they're alive.

We have also supported other specific charities relevant to different parts of our business, such as Race2Recovery and Everest Million, which are supported by our Global Government and Enterprise business units, respectively.

Q: What have been the highlights for you in your first year as CEO?

A: It's been a privilege to have the chance to lead Inmarsat, particularly at such an exciting time of transformation and opportunity. It has been exciting to follow my Chairman, Andy Sukawaty, who led us through a tremendous era of growth and success from 2003 to 2011. I've had great support from Andy, the Inmarsat plc Board and my Executive Team colleagues in my first year.

Having the opportunity to meet many of our employees across the world has been very informative and beneficial for my deeper understanding of our local operations. And I've been able to see first-hand how our diverse cultural workforce of around 45 different nationalities brings operational advantages. Inmarsat is a technologically challenging business and very capital intensive. For a company of our scale and complexity we have a relatively small number of employees, around 1,600, but they are of very high calibre and we are rightly, in my view, very proud of their contributions.

There have been many highlights in my first year at the helm:

Growth
The performance turn-round at the Q1 and Q2 results announcements reflecting revenue growth.

Organisation
The successful creation of the four new business units to focus on revenue generation.

Leadership
The gelling of the new Executive Team to work with me to lead the business.

Progress
Many successful milestones on the Inmarsat-5 programme have been achieved.

Chief Executive's strategic review
continued

But perhaps the key highlight of the year was the Shareholder Investor Day in October when everything came together into a really powerful enunciation of the transformative power of Global Xpress. That day demonstrated the strength of Inmarsat's positioning – not just the growth potential of the new Global Xpress services, but also the way that our legacy L-band services and our new Ka-band services can be so complementary to each other, as well as the extraordinary power of our new Business Unit structure and the depth of our management talent. As such, the Investor Day was the moment when we could see the true power of transformation of what we are all working so hard to create.

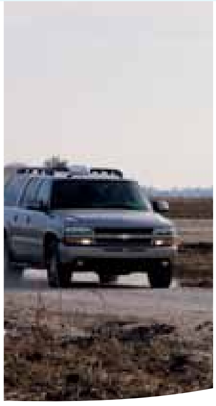
Q: What are your priorities for 2013?
A: This year shares many of the same priorities as 2012. We're focusing on continuing the pace of growth in Maritime, fuelled by FleetBroadband, and broadening the opportunities in our Land and Aviation sectors, in a tough market environment caused by the lower operational requirements of our government customers in Afghanistan. However, we feel optimistic about the capabilities of SwiftBroadband, BGAN and IsatPhone Pro to deliver sustainable new revenues for us in the Aviation and Land sectors. We are also focusing efforts on expanding our market reach in the growing machine to machine ('M2M') market, where we are targeting utility and logistics organisations which require reliable cost-effective communications capabilities.

In addition, a new wave of L-band product innovation will start to be delivered in 2013, aimed at broadening our addressable markets in Maritime, Land and Aviation, so we have to stay focused on those development programmes.

We also need to remain vigilant and committed to the Inmarsat-5 and service enablement platform programmes. These two key programmes will continue to be highly demanding as they move into their most intensive period before commercial operation in 2014.

What makes 2013 different, of course, is the exciting prospect of not one but two satellite launches – the first since 2008. The L-band Alphasat satellite looks set to launch around the middle of the year, and the first Inmarsat-5 satellite launch is expected before the end of the year. These extraordinary events have infused the entire organisation with energy and enthusiasm, and will push us all to raise our game to new heights in 2013.

In the face of a tough economic environment, we are confident about prospects for growth during 2013 in our Maritime FleetBroadband service and harnessing new opportunities in our Land and Aviation sectors to deliver sustainable new revenues.


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

Rich Harris
SVP Legal & Regulatory Affairs

David Helfgott
President, Inmarsat Government (US)

Alison Horrocks
SVP Corporate Governance & Company Secretary

Debbie Jones
SVP Corporate Development

Rick Medlock
Chief Financial Officer

Ronald Spithout
President, Enterprise

Andy Start
President, Global Government

Leo Mondale
MD, Global Xpress

Frank Coles
President, Maritime

Rupert Pearce
Chief Executive Officer

Ruy Pinto
Chief Technology Officer

Andrew Sukawaty
Executive Chairman

Award-winning products and services 2012-2013

June 2012
Safety at Sea award for Voice Distress service
Voice Distress over FleetBroadband won the *Safety at Sea* magazine's Systems Award for helping mariners in difficulties.

The Inmarsat Voice Distress (Non-SOLAS) service uses FleetBroadband to provide priority call access – interrupting all non-distress calls as soon as the red distress button is pushed – to connect a caller to an operator at a Maritime Rescue Coordination Centre.

October 2012
ITU Humanitarian Award for Lifesaving
The Company was presented with the first International Telecommunication Union (ITU) Humanitarian Award for Lifesaving.

Inmarsat was praised during the award ceremony – held at ITU Telecom World 2012 in Dubai – for its commitment and consistent leadership in supporting the use of telecommunications to save lives during emergencies.

February 2013
Best Telecommunications PLC in the UK Stock Market Awards
The UK Stock Market Awards recognise publicly quoted companies that are 'truly creating shareholder value'.

They are judged by a 10-strong panel of City of London investment firms and personal advisors who look for excellence in financial performance, strategic and operational development, and robust shareholder return.

March 2013
Innovation award for improving space safety
Inmarsat's role in making operations in space safer and more reliable was recognised with an industry innovator award from the Society of Satellite Professionals International.

The society presented the Space Data Association (SDA) with its Innovation in Industry Collaboration on the Safe Use of Space award.

SDA was founded by Inmarsat, Intelsat and SES in 2009 to address the increased crowding of the Earth's orbit and the lack of industry-wide data on satellite positioning.

Business review

Our business has two reporting segments:

Inmarsat Global – sells wholesale L-band satellite communications airtime to distribution partners, who then on-sell services to service providers and end-users.

Inmarsat Solutions – our direct and indirect distribution business, which offers a wide portfolio of remote telecommunications solutions to service providers and end-users, including our L-band services.

We review the operational performance of our core business areas, as well as progress on the Global Xpress programme, on the following pages.

Chief Executive's business review
continued

In 2012 we implemented a new organisational structure which brought our operations closer to our key vertical market segments, and strengthened our ability to support our direct and indirect distribution channel. At the same time, we brought our three subsidiaries, Stratos, Segovia and Ship Equip together with our Inmarsat Global business to operate as one under the 'Inmarsat' brand. We have worked through significant change management during 2012 to emerge at the end of the year a stronger, better aligned business, with shared values of how we expect our employees to work together.

Significant focus during 2012 has been on the implementation of our Global Xpress ('GX') programme, which is a US$1.2 billion investment project. GX will offer seamless global coverage and deliver services with broadband speeds of up to 50Mbps for users in the government, maritime, energy, enterprise and aviation sectors. GX services will be supported by a constellation of three Ka-band satellites, with the first scheduled for launch in 2013. Full constellation deployment is expected by the end of 2014.

The management team has changed over the year as we have refined how we want the organisation to operate and we now have the heads of the four business units as members of the senior management team. We are very pleased with the strong contributions they have made in a short time. Having a strong management team in place in a period of significant organisational change is critical, especially as we need to ensure we meet the GX programme milestones.

The GX programme commenced in 2010 and remains on budget, with key milestones having been met over this time. Significant ones include a contract with International Launch Services for the launch of three Ka-band satellites using their Proton launch vehicle and the placement of launch and in-orbit insurance for these satellites. We also reached an agreement with Cisco to create a satellite applications service enablement platform which will allow us and our partners to rapidly develop and remotely deploy innovative applications to extend the reach of new services across the new GX and the existing L-band BGAN networks, as well as powerfully integrate our L-band and Ka-band services together via a single network device.

Another major component of the GX programme is the ground network and we have made an excellent start in establishing new satellite access stations and the network required to distribute our satellite traffic. We have also made very good progress on licence applications across the world to allow the use of the new GX services.

During 2012, we signed a number of distribution and technology agreements which will ensure a fast start for the launch of Global Xpress and underpin the commercial success of the GX programme, together with a number of agreements with parties who will develop either end-user equipment or other connectivity solutions for the GX network. As a result of the capacity pre-commitments we have signed, and our growing installed base of VSAT users, we now estimate that 20% of our cumulative plan revenues for GX through the first five years of operations are now either contractually committed or on our networks. It is very pleasing that a number of partners have already demonstrated their support for the service.

With the launch of the first GX satellite expected before the end of this year, we know that 2013 is a critical year to ensure we remain focused on completing the technological and commercial milestones necessary to achieve a successful GX introduction.

Work in progress on one of the Inmarsat I-5 satellites, being built by Boeing, which will form part of our Global Xpress network offering seamless worldwide coverage and broadband connectivity at speeds of up to 50Mbps.


Photograph provided courtesy of Boeing

Our business has two reporting segments – Inmarsat Global which sells wholesale L-band satellite communications services to distribution partners (who then on-sell services to service providers and end-users); and Inmarsat Solutions, which is our direct and indirect distribution business, offering a broad portfolio of remote telecommunications solutions to service providers and end-users, including our L-band services.

The review of operations for Inmarsat Global and Inmarsat Solutions follows.

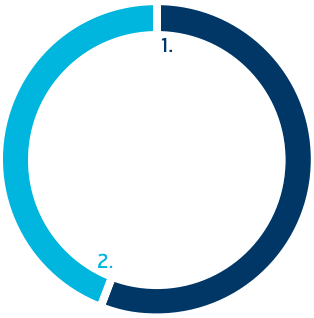
Inmarsat Global

Our existing satellite fleet, comprising 10 satellites, operate at geosynchronous orbit approximately 36,000km (22,240 miles) above the Earth. Positioned at key orbital locations, our fleet offers global coverage for our services. The addition of the Alphasat satellite, which is nearing completion 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.

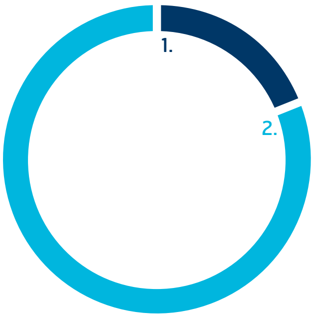
As well as managing our own fleet of satellites, we also provide launch services for other satellite operators and manage the station-keeping of two third-party satellites. During 2012, we decommissioned an Inmarsat-2 satellite which had provided us with a reliable service for almost 21 years, much longer than its 13-year design life. This was only the second decommissioning in our history.

Maritime

MSS Revenue 2012
1. Maritime – 56%
2. Other – 44%



Maritime Revenue 2012
1. Voice – 19%
2. Data – 81%



In 2012, wholesale revenues from the Inmarsat Maritime business unit were US$411.2m, with data services accounting for over 80% of sector revenues. We have seen a continued steady migration away from our legacy maritime services, with customers moving to FleetBroadband ('FB'), which offers our lowest ever per megabyte pricing at faster speeds and with greater access to a variety of Value-Added Services ('VAS') than any previous Inmarsat service.

FB continues to be our most successful service launch to date, with an average of 665 new subscribers added every month in 2012. As the end of life of our Inmarsat B and Inmarsat M services approaches at the end of 2014, we have seen an increase in the migration to FB, which is an important contributing factor to the growth of this service. However, we are also seeing users of our legacy Fleet services begin to increase the rate of migration as the requirement for more data-heavy applications becomes prevalent, as well as to take advantage of newly introduced FB pricing plans, especially around the mid to high-end allowance packages available. Finally, the agility of FB has enabled us to extend the relevance of our maritime services into the fishing and leisure markets with smaller, cheaper variants such as FB150, and the maritime VSAT market with special pricing plans such as FB Unlimited. We think this augurs well for future growth of our services revenue from the maritime sector.

Global Xpress

Upgrade path

We see already that there is interest from maritime users in our Global Xpress offering and we expect that some ship owners will move straight to GX from Fleet or FleetBroadband.

Economic conditions remained bleak in the maritime market in 2012 – a year in which the Clarksea Index dipped below US$10,000 a day. Inmarsat is competing in a market where alternative providers of maritime communications services create increasingly more complicated and challenging offerings. So the level of subscriber and revenue growth achieved in maritime in 2012 is a reflection that ship owners and fleet managers see the benefits and value of our services.

We must continue to innovate and provide new levels of value to the shipping community and during 2012 we strove to offer a simplified pricing model that rewards end-users for commitment to longer contract periods with greater volumes of data at lower unit prices.

Through 2012, we sold on average one FB150 installation for every four FB 250/500 installations. We believe that FB150 is extending our market relevance in the small boat market, including the fishing and leisure sectors. Indeed, we have seen strong growth in subscription to our Small Boat Plan, a pricing package that is specifically tailored to the needs of smaller boats, often with seasonal communications needs.

FleetBroadband

Market penetration

FleetBroadband has enabled us to extend the relevance of our maritime services into the fishing and leisure markets with smaller, cheaper variants such as FB150 and the maritime VSAT market with special pricing plans such as FleetBroadband Unlimited.

Continuous improvements to our core network infrastructure have resulted in an increased ability to manage our L-band resources more efficiently. These improvements have allowed us to launch the FB Unlimited Plan. This new package combines our global coverage and unsurpassed network up-time with an 'All You Can Eat' data allowance at a very competitive fixed monthly rate. The high number of activations of this package in the two months that followed its launch in November 2012 is a testament to the popularity of this service. As an alternative to the high-end FB packages for end-users who require a VSAT service, our combined Ku-band and FB XpressLink solution has also been successful. XpressLink was launched in 2011 and has been received well by end-users.

We see already that there is interest from maritime users in our GX offering and we expect that some ship owners will move straight to GX from Fleet or FB immediately, whereas others will move naturally to our XpressLink service (which, as the name suggests, enables a defined and committed pathway to GX, via an upgradable SEVSAT/FB integrated service) and then transition to GX over a period of time.

Chief Executive's business review
continued

Beyond the commercial maritime market, a large number of governments leverage the benefits of global coverage and immediate availability that our services provide. In 2012 we continued to successfully provide managed network and mobile satellite services to our US Navy and US Coast Guard customers. We also launched the FB Assured Access service specifically to meet the wider needs of the important government sector, providing all of the benefits of Inmarsat's leased service, but with the additional benefit of simple global roaming. The first Assured Access client is operational and more are expected to commit in 2013.

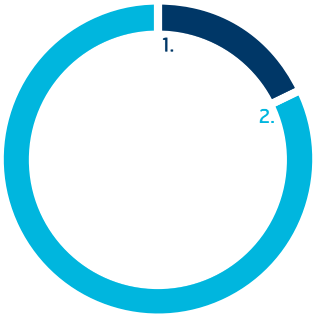
Our relationships with our distribution partners remain our strongest resource for growth and our indirect business, through our channel partners, continued to be our largest source of revenue by far. The announcement of our first Global Xpress Value-Added Resellers ('VAR') is evidence of our commitment to continue operating via a primarily indirect business model, focused on supporting our customers in partnership with our highly skilled channel partners – indeed, names such as Imtech, Telemar, Navarino, NSSL, GMPCS and SingTel (our current GX launch VARs) are synonymous with the provision of high-quality maritime services. These VARs, in conjunction with a strategic partnership with Cisco for the development of a service enablement platform for applications, and committed terminal development from hardware manufacturers such as Cobham, JRC and Intellian, indicates a level of confidence in the potential of Global Xpress not only within Inmarsat but also within the wider maritime communications industry.

FleetBroadband is a major success story for Inmarsat, with more ship owners migrating from older services as the demand for data-heavy applications increases. We are also seeing early interest from maritime users in our forthcoming Global Xpress network.

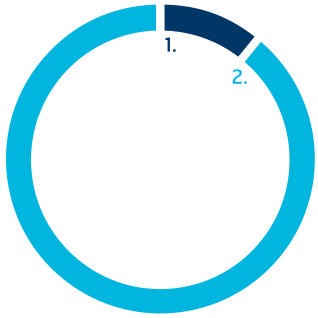
We are proud to remain the only provider of satellite communications services for the Global Maritime Distress and Safety System ('GMDSS') and we are taking all steps we can for FB to be a fully compliant service to meet IMO standards for GMDSS by the end of 2014. In the meantime, we continue to support Voice Distress services and '505' emergency calling through FB and are pleased that all our safety services are recognised by mariners and rescue co-ordination centres as vital in helping save lives at sea.

Land Mobile

MSS Revenue 2012
1. Land mobile – 18%
2. Other – 82%



Land Revenue 2012
1. Voice – 11%
2. Data– 89%

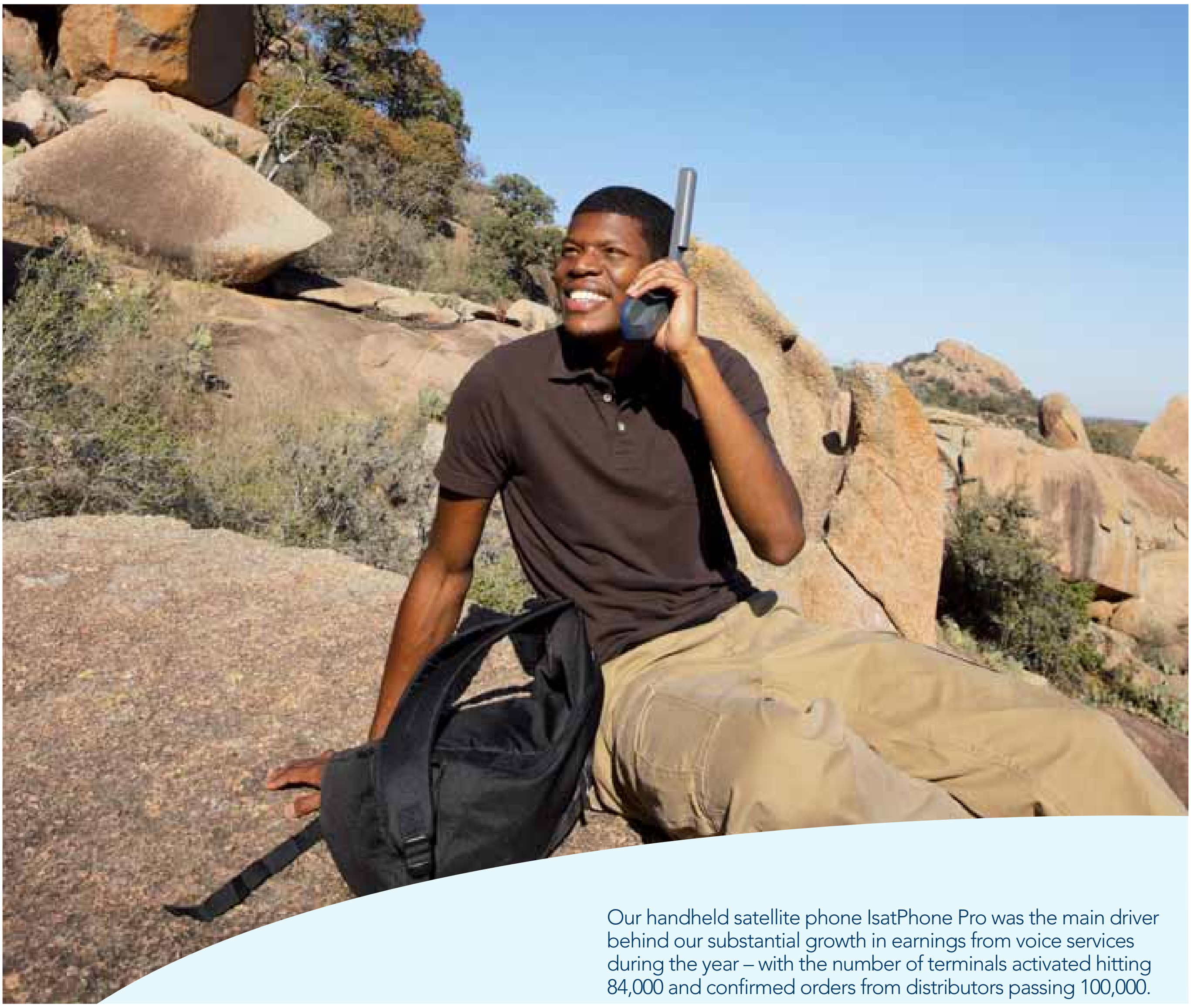


Revenues for our land mobile sector were US$132.4m for 2012. Earnings from voice services advanced by 86% over the previous year to US$14.3m, with our handheld satellite phone service, IsatPhone Pro, being the principal driver. However, while we also saw continued underlying growth in data services, we were again affected by the planned and on-going withdrawal of government customers from Afghanistan, resulting in much of the 18% decline in revenue to US$118.1m. We estimate that Afghanistan and events in North Africa and Japan in 2011 contributed US$30m more revenue when compared with 2012.

BGAN
Diverse

By focusing on a wider and more diverse utilisation of BGAN for enterprise solutions, the installed base of BGAN subscribers continued to grow, with the number of net new BGAN users increasing by 15% in 2012.

Elsewhere, however, BGAN continues to be a core capability of most defence and civil government customers around the world, and is used extensively as the first means of communications, logistics and welfare communications in the initial period of any activity. We have also released a wider range of added-value solutions in this sector for both fixed and communications-on-the-move ('COTM') customers, including real-time video conferencing and situational awareness applications.



Our handheld satellite phone IsatPhone Pro was the main driver behind our substantial growth in earnings from voice services during the year – with the number of terminals activated hitting 84,000 and confirmed orders from distributors passing 100,000.

To enhance the performance of our BGAN service to US government users and in response to the ever-growing demand for higher data rates, a new service, BGAN Converge, has been introduced. This innovative service dramatically enhances throughput up to 800kbps bi-directionally, while maintaining BGAN's core characteristics of reliability, security, scalability, and global coverage.

M2M

Capacity

With the advent of Global Xpress, we believe capacity on our L-band network can be re-directed to markets such as M2M to capture new growth, and we are laying the foundations for this today.

Revenue from world events is always unpredictable and compared with 2011, which experienced natural disasters in Asia and geo-political conflicts in the Middle East, there were fewer such events in 2012. This had a dampening effect on usage in three of our main customer groups for Inmarsat land mobile data services – broadcast media, aid agencies and governments. It seems, however, that such events do not go away, they ebb and flow, as we have seen recently in Saharan-Africa.

In addition, by focusing on a wider and more diverse utilisation of BGAN for enterprise solutions, the installed base of BGAN subscribers continued to grow, with the number of net new BGAN users increasing by 15% in 2012. This move towards greater diversification is partly driven by greater knowledge and understanding of our customers, showing the benefit from the organisational change early in 2012, where through the formation of market-vertical business units we were able to deploy our BGAN technology in a number of emerging energy sectors, including utilities, mining and land drilling, to support applications such as 'smart metering' and 'push to talk'.

We realised a successful first market-entry in the Sub-Saharan Africa, Middle East and Asia regions with our BGAN Link propositions, which are fixed-fee, large allowance BGAN packages designed to serve customers such as mining, construction and engineering companies, using data-heavy applications for sustained periods of operation in semi-permanent environments. Historically these markets have been dominated by VSAT solutions. We remain optimistic that the portability, reliability and resilience of our BGAN service, when packaged in VSAT-like economics, will prove to be a strong competitor in these markets.

Also in 2012, we successfully positioned BGAN M2M in the higher throughput segment of the machine to machine ('M2M') market next to our established IsatM2M and new IsatData Pro services. We launched IsatData Pro in 2011 in conjunction with our partner, Skywave (in which we have a 19% shareholding) to serve the M2M market. IsatData Pro provides a store and forward short-burst data exchange at speeds of 6,400 and 10,000 bytes in the send and receive directions, which enables the tracking and monitoring of fixed or mobile assets globally. By comparison, the BGAN M2M service offers an end-to-end IP data capability for real-time applications, such as smart metering, SCADA, monitoring and other infrastructure telemetry solutions, at speeds of up to 464kbps in both directions.

We believe the M2M market represents a significant future opportunity for our L-band service capability. M2M is a fast-growing MSS market where we have limited presence today, but one that can be uniquely served by our L-band satellite services. As a result, we are developing our product and service capabilities and distribution channel relationships, investing in the resources necessary to take market share. With the advent of Global Xpress, we believe capacity on our L-band network can be re-directed to markets such as M2M to capture new growth, and we are laying the foundations for this today.

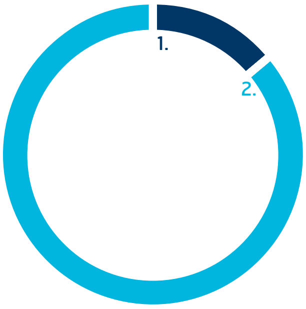
The total number of IsatPhone Pro activated terminals at year-end was over 84,000, representing an increase of 95% compared with 2011; this figure included 41,000 terminals activated during 2012.

This growth has been realised through wider adoption of the Inmarsat handheld service across the enterprise and government sectors, in particular in Latin America, South-East Asia, China and Japan, as well as in the United States where an agreement with Freedom Wireless Inc in September 2012 now means that Inmarsat is the only mobile satellite provider in the world to be licensed to offer prepay voice services in the US. Indeed, this agreement ensured that prepay voice became available in the US for all existing Inmarsat land and maritime services, including IsatPhone Pro, BGAN, FleetBroadband and FleetPhone.

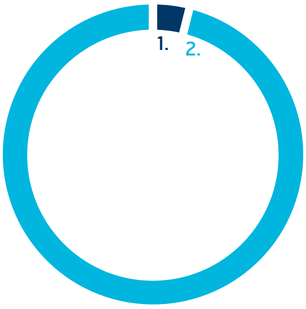
In Japan, the trend among government customers to adopt IsatPhone Pro for crisis communications was demonstrated by a significant order of handsets by government departments and local authorities throughout the country following the devastating tsunami in 2011.

Aviation

MSS Revenue 2012
1. Aviation – 14%
2. Other – 86%



Aviation Revenue 2012
1. Voice – 3%
2. Data – 97%



In 2012 our aviation business saw some growth, with revenue slightly up by 1.3% at US$100.8m.

SwiftBroadband ('SB') is now Inmarsat's fastest growing aviation service. The strong adoption of our voice and broadband data service in the air transport and business aviation markets continued during the year and SB is now used on board more than 15,000 aircraft, ranging from the small turbo-prop King Air to the Airbus A380. The growth in SB terminal numbers in the air transport market has been driven by airlines continuing to roll out connectivity programmes in passenger cabins. SB is now a factory installable option on both Boeing and Airbus aircraft, reflecting the support for this service from airframe manufacturers.

SwiftBroadband

Fastest growing

The strong adoption of our voice and broadband data service in the aviation markets continued during the year and SB is now used on board more than 15,000 aircraft, ranging from the small turbo-prop King Air to the Airbus A380.

With the number of connected aircraft continuing to grow, SwiftBroadband usage has risen accordingly, driven by the increase in passenger acceptance of in-flight connectivity. At the end of the year there were more than 20 airlines across the world contracted by our partners to use SB, and 16 more already using the service to offer their passengers in-flight mobile phone and Wi-Fi connectivity for email, text messages, updating social networks, international phone calls and internet access.

Today SwiftBroadband is also a factory option on most high-end aircraft in the business aviation market and this segment has continued to show a strong demand for in-flight connectivity throughout the current worldwide economic recession. The characteristics of SB, providing a highly reliable and ubiquitous global high data rate IP-based service, make it a particularly good fit for this important market.

Global Xpress

Exclusive

With our upcoming Global Xpress aviation service, Inmarsat will be the only company able to provide a consistent global high-speed data service.

Swift 64, the forerunner to SB, is continuing to contribute significant revenues to our aviation business, although we see some customers starting to migrate to the broadband service and so legacy Swift 64 usage is expected progressively to reduce over time. We have also seen reduced government usage particularly over Afghanistan.

We remain committed to the provision of ICAO-approved safety services, and we are upgrading the ground infrastructure that supports our Aero Classic Safety Services, as well as introducing SwiftBroadband Safety Services and supporting cockpit priority IP connectivity.

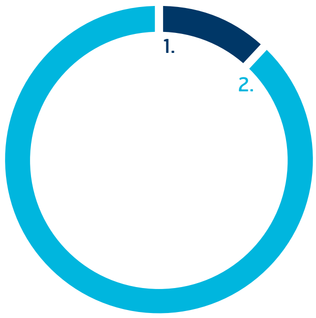
We also remain focused on increasing our addressable aviation markets by developing new products and services for smaller aircraft and helicopters, and by increasing the capacity of our services.

With our upcoming Global Xpress aviation service, Inmarsat will be the only company able to provide a consistent global high-speed data service. During 2012 we signed an exclusive agreement with Honeywell to develop, produce and distribute the on-board hardware that will enable users to connect to the Global Xpress network, a deal that was estimated by Honeywell to represent US$2.8bn for Honeywell in future sales of hardware, customer service, and maintenance to airlines, government entities and original equipment manufacturers (OEMs) over the next two decades. Honeywell's endorsement of our GX aviation service is reflected in its commitment to purchase GX capacity for five years and reserve capacity up to 2021.

Leasing

MSS Revenue 2012

1. Leasing – 12%
2. Other – 88%



In 2012, revenues from leasing were US$93.6m, a decline of US$16.6m compared with the previous year. This was partly due to a reduction in the number of government maritime customers switching to the newly launched FB Assured Access service, which provides all of the benefits of Inmarsat's leased service, but with the additional benefit of simple global roaming. Also, a number of Inmarsat B leases have not been renewed as a result of our Cooperation Agreement with LightSquared, a decision we took in preparation for the future opportunities for an ATC service to be provided in North America.

Growing passenger acceptance of in-flight connectivity helped drive the usage of SwiftBroadband – our fastest growing aviation service to date – while Swift64 continues to generate substantial revenues ahead of the scheduled launch of Global Xpress in 2014.

Inmarsat Solutions

Our Inmarsat Solutions business, which comprises direct and indirect distribution businesses, offers a broad portfolio of remote telecommunications solutions to service providers and end-user customers, offering services over the mobile and fixed satellite systems of a number of the leading global and regional satellite system operators, predominantly the Inmarsat satellite system, and through owned and operated microwave and satellite telecommunications facilities.

On 3 January 2012, we implemented a new organisational structure for our Inmarsat Solutions business that aligns its operations more closely with our core vertical market segments and strengthens our support to both direct and indirect distribution of services. This is intended over time to ensure that our owned distribution activities are aligned as much as possible with the distribution activities of our independent channel partners, maximising the effectiveness and efficiency of our global distribution activities.

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

- Inmarsat Maritime, focusing on worldwide commercial maritime opportunities
- Inmarsat Government, focusing on US government opportunities, both military and civil on land, at sea and in the air
- Inmarsat Global Government, focusing on worldwide (i.e. non-US) civil and military government opportunities on land, at sea and in the air, and
- Inmarsat Enterprise, focusing on worldwide energy, industry, carriers, commercial aviation and M2M opportunities.

The Stratos, Segovia and Ship Equip operations are now providing their services within the relevant business units, and are using the 'Inmarsat' brand name.

In 2012 the business of Ship Equip and elements of the former Stratos business came together to operate within the newly formed Inmarsat Maritime business unit. FB services saw an increase in revenue of 75% year-on-year, confirming the continued success of the service since its introduction. The new 200MB Entry Plan for FB saw a large migration from the Standard Plan within the first month of launch, and the number of subscribers continued to increase throughout the year. The Unlimited Plan has been another instant success, seeing one major customer move across a 50-vessel fleet.

Inmarsat's entry into VSAT services, via the former Ship Equip business, has also been a very positive experience with XpressLink. Frontline, the world leader in the international seaborne transportation of crude oil, committed to Inmarsat XpressLink for more than 100 vessels from its existing fleet and its planned new-builds. Also leading Malaysian shipping conglomerate MISC Berhad (MISC) signed up to XpressLink for 46 of its vessels, comprised of chemical and LNG tankers. We have more than 330 XpressLink systems active at the end of 2012 and an order book of over 250 XpressLink or VSAT systems still to be installed.

In addition to XpressLink, VSAT services acquired through our merger of Stratos and Ship Equip into the Inmarsat Maritime business unit means we now have a customer base of more than 1,100 VSAT installed vessels. These vessels will be among the first to be upgraded to our Global Xpress Ka-band service when it is fully operational. These vessels, plus any installed between now and our Global Xpress service launch, will create an upgradable base of customers primed for the next level of communications to the shipping industry.

US government

Contract win

We won a prime contract under the Custom Satcom Solutions ('CS2') contract, a US government programme, to acquire up to US$2.6bn in satellite telecom solutions and end-to-end managed network services over the next five years.

Leveraging the strengths of former Stratos and Inmarsat in the non-maritime and non-government sectors was assigned to the Enterprise business unit, which targeted accelerated growth through new solution enablement with partners in various key target sectors, such as media, energy and M2M.

In the media sector, we have successfully worked on widening the geographical take-up of our BGAN streaming services and saw the Asian broadcasters outpace their US and European peers with new technology utilisation of our high-end streaming services, including vehicular and maritime broadcasting in HD. European and US-based broadcasters positively received the newly introduced mixed services bundles of BGAN and IsatPhone Pro. Our BGAN terminals were also used for the voting system infrastructure for national elections in Brazil.

In the transportation sector, we saw the first deployments of IsatData Pro, a product designed and produced in collaboration with our partner SkyWave. This is a higher ARPU product than our traditional IsatM2M service, which fills the gap in the higher-end store-and-forward M2M market just below the upper end of the market covered by BGAN M2M.

In the mining sector, we achieved a promising breakthrough with projects where the combination of 'push-to-talk' functionality and comms-on-the-move vehicular BGANs is being used, mainly in Sub-Saharan Africa.

In the emerging oil and gas market, leveraging the expertise of the former Stratos engineering and integration services department, we saw an increasing and promising opportunity for BGAN services. In the Gulf of Mexico, a more established oil and gas market, we continued to expand our network operations with more than 150 new WiMAX and microwave installations.

Finally, BGAN and BGAN M2M played an important role in a number of utility smart-metering projects in North America and Europe, with potential for a high number of deployed terminals.

Our US government business is conducted through Inmarsat Government, a security-cleared organisation operating under a Proxy Agreement with the US government. During the year, we won key government contracts, working with highly capable sub-contractors, small businesses and vendors creating innovative solutions. We won a prime contract under the Custom Satcom Solutions contract, a US government programme, to acquire up to US$2.6bn in satellite telecom solutions and end-to-end managed network services over the next five years. The CS2 programme is the final segment of the Future Comsatcom Services Acquisition ('FCSA') initiative managed jointly by the General Services Administration and the Defense Information Systems Agency.

Inmarsat Government is also a prime contractor under the FCSA Schedule 70 programme that supports federal, state and local governments with direct access to the highest quality commercial telecommunications hardware, software and services.

In the US in particular, government organisations such as the Department of Defense, the Department of State and the Federal Emergency Management Agency ('FEMA') turned to Inmarsat Government and its partners for crucial voice, video and data connectivity to support a diverse set of land mobile communication applications.

Outlook

2012 has been a challenging and exciting year.

Our Inmarsat Global, MSS business returned to growth and we saw this particularly in our Maritime business. Despite ongoing uncertainty in the macro-economic environment, we are seeing continued growth momentum in our key MSS services.

Our L-band MSS business will continue to be our main revenue driver for many years and we continue to invest in this – whether through the upcoming launch of the Alphasat satellite, which will become effectively an enhanced fourth Inmarsat-4 satellite, or through our continued investment in developing market opportunities for our existing broadband services of FleetBroadband, SwiftBroadband and BGAN. We will be active in promoting our handheld satellite phone service and in pushing our various low data rate services.

We are very pleased with our progress so far on the GX programme and that key milestones have been retired. We are excited about how GX will deliver future growth opportunities for our business and look forward to planning to make this a reality. We have a strong management team which is focused on delivering increased revenues and consequently increasing shareholder returns. We are grateful to our employees for their continuing passion for the business and for their skill, hard work and the collaborative way in which they drive our business forward. We want our teams to be motivated and remain committed to building the Inmarsat Group into an even more successful business.

Rupert Pearce
Chief Executive Officer
7 March 2013

Chief Financial Officer's review

Revenue*

+6%

Our underlying revenue excluding the LightSquared Cooperation Agreement was up $72.9m year-on-year. LightSquared revenue for 2012 was US$60.2m (2011: US$203.8m).

Activated MSS terminals

+14%

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

Adjusted basic earnings per share

+15%

Our adjusted basic earnings per share for 2012 was 61 cents (US$) (2011: 53 cents (US$)).

Dividend

+10%

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

* Excluding our LightSquared Cooperation Agreement

Rick Medlock
Chief Financial Officer

Operationally and financially, this has been one of the toughest years for Inmarsat since we went public in 2005. The reorganisation of our business into the vertical market focus and the continuing investment in Global Xpress, Alphasat and our products and services has placed huge challenges on our people and systems. The economic backdrop, uncertainty over government spending programmes and intense, sometimes irrational, competition has made it extremely tough to win business and the impact of reduced revenues from LightSquared has meant that, for the first time in nine years, we are not able to report growth in revenue and EBITDA. However, in our core underlying MSS business, we have shown a return to growth and, excluding LightSquared, the Global Xpress investment and non-recurring items, our underlying EBITDA is up on last year. This is testimony to the underlying strength and resilience of our business model, and the launch of Global Xpress in 2013 will only enhance our ability to generate growth.

Overview

Overall, Inmarsat recorded a solid performance during 2012, amidst continuing difficult market and economic conditions. We saw growth returning to our core wholesale MSS business and have made good progress on both the operational and commercial preparations for the launch of our Global Xpress programme, including good initial take-up of the hybrid XpressLink maritime product. We have continued to exercise tight control over both our operating costs and capital expenditures, and are therefore able, as promised, once again to increase our final dividend by 10% to a figure of 27.45 cents per share in line with our strategy of a sustainable dividend based on our normalised free cash flow.

Revenue growth of 2.5% in our core wholesale MSS business during 2012 was encouraging, although our total revenue fell year-on-year due to the significant reduction in revenue recognised from our Cooperation Agreement with LightSquared. Maritime turned in a strong performance, where growth in usage and active users was maintained despite increasing some prices during the year. The trend of migration from older services (Inmarsat B, Mini M, Fleet 77) to FleetBroadband continues, and an increasing proportion of FleetBroadband revenues – estimated at around 50% – is now earned through contractually recurring subscription charges rather than through more variable usage-based payments. In our Land Mobile segment, as expected, we saw a significant reduction in BGAN revenues due to reduced activity in Afghanistan, and an absence of events comparable with those which took place in North Africa and Japan in 2011. We estimate that the impact of these factors on our wholesale revenue is a reduction of $30m year-on-year. Whilst we have seen encouraging levels of activity in other regions during the year, this usage remains volatile. Although our Aviation business has also been similarly affected by reduced traffic over Afghanistan, at the wholesale level it has shown encouraging growth during the year, reflecting the growth in activations and usage of our SwiftBroadband service both in the business jet and commercial air transport segments. Some of this growth reflects a switch out of lease contracts into pay-as-you-go. Revenue from Leases has reduced in 2012, in part due to transfers to demand-assigned usage, in part due to customers migrating to new technologies, as well as planned spectrum reallocations, following our Cooperation Agreement with LightSquared.

Wholesale MSS growth was however not matched in our Inmarsat Solutions business, and 2012 revenue was below that achieved in 2011. This is because Inmarsat Solutions is more exposed to both Leasing and BGAN business which have shown a slow down over the period. For 2012 Inmarsat Solutions market share was 39%, slightly lower than the 41% share for 2011.

Outside MSS, we have benefited from strong growth in our US Government network services based around our Segovia acquisition of 2010, as well as a full year of revenues from the Ship Equip business that was acquired in April 2011.

Overall, the economic environment remains very difficult, and both our Commercial and Government end user markets face significant pressure on spending. We therefore remain cautious in respect of our outlook. However, we remain confident in the ability of our core new services, FleetBroadband, SwiftBroadband and IsatPhone Pro, to continue to deliver growth. Handset deliveries and activations of the IsatPhone Pro are particularly pleasing – we ended the year with over 84,000 active subscribers, compared to approximately 43,000 at the beginning of the year.

On 3 January 2012, we announced a new organisational structure for our Inmarsat Solutions business that aligns its operations more closely to our core vertical market segments and strengthens our ability to support to our direct and indirect distribution channels.

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

- Inmarsat Maritime, focusing on worldwide commercial maritime opportunities;
- Inmarsat Government, focusing on US government opportunities, both military and civil;
- Inmarsat Global Government, focusing on worldwide (i.e. non-US) civil and military government opportunities; and
- Inmarsat Enterprise, focusing on worldwide energy, industry, media, carriers, commercial aviation and machine-to-machine opportunities.

The former Stratos, Segovia and Ship Equip operations are now providing their services within the relevant business units, and are using the 'Inmarsat' brand name. As the new business units continue to separately address wholesale and retail sales activities, the reorganisation has had no impact on our two primary reporting segments, Inmarsat Global and Inmarsat Solutions. However, during the course of 2013 we expect to make changes to the presentation of our financial results, so that the revenue analysis for Inmarsat Solutions is more closely aligned to the business unit structure. We expect these reporting changes to be implemented by the time of our first quarter Interim Management Statement. We believe these changes will also be helpful to analysts and investors and allow for a better understanding of operational trends within our Inmarsat Solutions reporting segment.

At the end of 2012 we had more than 330 ships using our recently launched XpressLink product, the hybrid L- and Ku-band maritime service which will transition customers to Global Xpress. Whilst we believe that the ships installing XpressLink primarily reflect increased market share rather than migration from L-band customers it should be noted that, to the extent that customers do transfer from L-band to the hybrid service, customer revenue on a ship-by-ship basis will largely migrate from our Inmarsat Global segment to our Inmarsat Solutions segment. Operationally we continue to increase our focus on preparation for the launch of our Global Xpress services.

As I noted earlier, revenue and EBITDA fell in 2012 as a result of decreased revenue from our Cooperation Agreement with LightSquared. This agreement was originally entered into in 2007, and set out arrangements through which Inmarsat agreed to reorganise and lease some of our L-band radio spectrum over North America to LightSquared in return for substantial cash payments.

In April 2012, we agreed with LightSquared to amend our Cooperation Agreement, resulting in the receipt of a Phase 1 completion payment of US$56.25m. Under the terms of the amendment, we renegotiated and agreed to suspend Phase 2 of the Cooperation Agreement until 31 March 2014. The amended terms of the Cooperation Agreement are designed to allow LightSquared more time to secure regulatory consents that may ultimately lead to the deployment of its ATC network in North America.

LightSquared has made total payments to us in respect of all the phases of the Cooperation Agreement of US$546.4m, of which US$85.8m was received during 2012. We have, thus far, recognised US$281.5m of revenue and US$19.9m of operating costs under all the phases of the Cooperation Agreement. At 31 December 2012, we recorded a balance of US$264.9m of deferred income, within trade and other payables on the Balance Sheet.

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

(US$ in millions)	2012	2011
Revenue	**60.2**	203.8
Net operating costs	**(8.3)**	(11.2)
EBITDA	**51.9**	192.6
Income tax expense	**(12.7)**	(51.0)
Profit for the year	**39.2**	141.6

Under Phase 1 (including the previous Phase 1.5), LightSquared has made payments to us totalling US$408.7m. We are accounting for the Phase 1 payments using the percentage of completion method. We have recognised US$30.6m of revenue and US$8.3m of operating costs during 2012 (2011: US$95.7m and US$11.2m, respectively).

Under the original Phase 2, LightSquared has made payments to us totalling US$137.7m. Revenue has been recognised on a straight-line basis over the period from commencement of the original Phase 2 until 31 March 2012. We have recognised US$29.6m of revenue during 2012 (2011: US$108.1m). As a result of the suspension of Phase 2, we do not expect to recognise any further revenue under Phase 2 of the Cooperation Agreement until this phase recommences.

As part of our continuing policy of ensuring that an appropriate financing structure remains in place for the Group, on 11 April 2012, our indirect subsidiary Inmarsat Finance plc, issued a further US$200m aggregate principal amount of our 7.375% Senior Notes due 1 December 2017. The aggregate gross proceeds were US$212m, including US$12m premium on issuance and we capitalised issuance costs of US$3.8m.

Under the terms of our outstanding Convertible Bonds, holders had an option to require us to redeem the bonds at the accreted principal amount together with interest on 16 November 2012. This holder right expired on 17 October 2012 at which point no holders had exercised their rights. As a result, we were not required to redeem any of the Convertible Bonds on 16 November 2012. In connection with the expiry of this option we have made accounting adjustments impacting the amount of net interest payable reported for the year ended 31 December 2012 and the principal amount recorded in the balance sheet at 31 December 2012.

Total Group results

The results are the consolidated results of operations and financial condition of Inmarsat plc for the year ended 31 December 2012. We report two operating segments: Inmarsat Global and Inmarsat Solutions. The Inmarsat Solutions segment includes the operations of formerly acquired businesses: Stratos, Segovia, Ship Equip (acquired on 28 April 2011) and NewWave (acquired on 13 January 2012).

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

(US$ in millions)	2012	2011	Increase/ (decrease)
Revenue	**1,337.8**	1,408.5	(5.0%)
Employee benefit costs	**(233.0)**	(206.5)	12.8%
Network and satellite operations costs	**(295.1)**	(241.7)	22.1%
Other operating costs	**(139.1)**	(127.0)	9.5%
Own work capitalised	**24.1**	21.1	14.2%
Total net operating costs	**(643.1)**	(554.1)	16.1%
EBITDA	**694.7**	854.4	(18.7%)
Depreciation and amortisation	**(255.2)**	(245.8)	3.8%
Loss on disposal of assets	**(0.5)**	–	–
Acquisition-related adjustments	**–**	(2.1)	(100.0%)
Impairment losses	**(94.7)**	(141.5)	(33.1%)
Share of profit of associates	**2.1**	1.5	40.0%
Operating profit	**346.4**	466.5	(25.7%)
Interest receivable and similar income	**3.2**	5.0	(36.0%)
Interest payable and similar charges	**(56.0)**	(104.6)	(46.5%)
Net interest payable	**(52.8)**	(99.6)	(47.0%)
Profit before income tax	**293.6**	366.9	(20.0%)
Income tax expense	**(76.2)**	(117.4)	(35.1%)
Profit for the year	**217.4**	249.5	(12.9%)

Revenues

Total Group revenues for 2012 decreased by 5.0% compared with 2011. However, underlying revenues (excluding LightSquared) increased by US$72.9m, or 6.1%, as a result of growth in our wholesale MSS revenues, new US Government contracts in Segovia and a full year contribution from Ship Equip. The table below sets out the components, by segment, of the Group's total revenue for each of the years indicated:

(US$ in millions)	2012	2011	Increase/ (decrease)
Inmarsat Global:			
Wholesale MSS	**738.0**	720.3	2.5%
LightSquared	**60.2**	203.8	(70.5%)
Other	**37.7**	34.3	9.9%
Total Inmarsat Global segment	**835.9**	958.4	(12.8%)
Inmarsat Solutions segment	**810.3**	758.2	6.9%
	1,646.2	1,716.6	(4.1%)
Intercompany eliminations and adjustments	**(308.4)**	(308.1)	
Total revenue	**1,337.8**	1,408.5	(5.0%)

Net operating costs

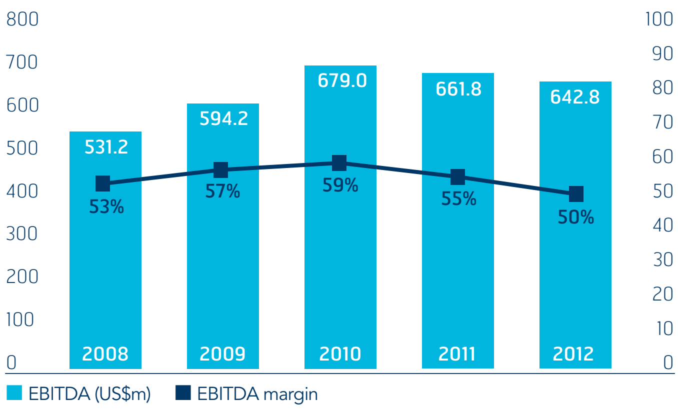
Total Group net operating costs for 2012 increased by 16.1% compared with 2011. Cost increases primarily arose from additional costs to support the new contracts in Segovia and the full year impact of costs from Ship Equip. The table below sets out the components, by segment, of the Group's net operating costs for each of the years indicated:

(US$ in millions)	2012	2011	Increase
Inmarsat Global	**238.6**	235.7	1.2%
Inmarsat Solutions	**713.2**	625.3	14.1%
	951.8	861.0	10.5%
Intercompany eliminations and adjustments	**(308.7)**	(306.9)	
Total net operating costs	**643.1**	554.1	16.1%

EBITDA

Group EBITDA for 2012 decreased by 18.7% compared with 2011; this was primarily as a result of decreased revenue from our Cooperation Agreement with LightSquared. As a consequence, EBITDA margin has decreased to 51.9% for 2012, compared with 60.7% for 2011.

EBITDA (excluding LightSquared)[(a)]
US$ in millions



(a) Represents the Inmarsat plc Group, which includes Segovia from 12 January 2010, Ship Equip from 28 April 2011 and NewWave Broadband from 13 January 2012.

Depreciation and amortisation
The increase in depreciation and amortisation of US$9.4m is due to an impairment recognised in the year through accelerated depreciation of previously capitalised S-band assets and the inclusion of depreciation on the assets acquired through the purchase of Ship Equip. In addition, in 2012 there was amortisation of the intangible assets recognised in the NewWave acquisition and additional depreciation on additions to tangible fixed assets in our Inmarsat Solutions segment. Partially offsetting the increase was a decrease in depreciation and amortisation in Inmarsat Global due to the Inmarsat-3 satellites becoming fully depreciated and a decrease in amortisation as a result of the reduction in the carrying amount of the Stratos, Segovia and Ship Equip trade names to US$nil at the end of 2011.

Acquisition-related adjustments
During 2011, we recorded an adjustment of US$2.1m (2012: US$nil) relating to increased consideration in respect of our acquisition of Segovia in 2010. This was due to the better-than-expected performance of the Segovia business against previously agreed financial targets. In line with IFRS 3, the contingent consideration adjustment was charged as an expense to the income statement.

Impairment losses
During the year we continued to implement operational changes arising from our vertical market reorganisation and our preparations for the introduction of GX services. These changes, and certain other external factors, gave rise to an impairment loss within our Inmarsat Solutions segment of US$94.7m for the year ended 31 December 2012 (2011: US$141.5m). Some of the factors that gave rise to the impairment within the Inmarsat Solutions segment will have an offsetting positive benefit within the Inmarsat Global segment and therefore should not result in an equivalent gross impact at the Group level. This loss is related to a partial impairment of the goodwill that was originally recognised when we acquired the Stratos and Ship Equip businesses (impairment of US$58.7m and US$36.0m, respectively). Operating profit forecasts for the Stratos and Ship Equip cash-generating units ('CGUs') have been adjusted downwards due to both internal and external factors. Internally, the Group has made certain business decisions during the year which will affect the future profitability of each CGU, but with offsetting benefits elsewhere in the Inmarsat Group. In relation to the Stratos CGU, the Group has appointed a number of significant service providers as distribution partners of the Inmarsat Global segment for GX, therefore redirecting future revenues to the Inmarsat Global segment that would previously have been forecast as received in the Stratos CGU. In addition, certain revenue development plans for value-added services are now expected to be progressed within the Inmarsat Global segment and therefore not contribute to the Stratos CGU. For the Ship Equip CGU, we now intend for Ship Equip to become a Value-Added Reseller for GX, which carries lower margins at the CGU level than its historic standalone VSAT business. Externally, we have considered two further factors in our CGU forecasts. Firstly, we have seen delays in purchase decision-making for maritime VSAT systems, impacting the Ship Equip CGU. We believe these delays are due to ship operators preferring to wait for the launch of our GX services in order to compare GX to existing VSAT alternatives. Secondly, for the Stratos CGU there has been a decline in demand for certain products throughout 2012 resulting from reduced military activities in Afghanistan, reduced event-driven traffic and termination of some lease business. The combination of these factors is expected to result in reduced operating profits at the Inmarsat Solutions level and have therefore been reflected in the revised forecasts, giving rise to the impairment of the Stratos and Ship Equip CGUs.

In 2011, the total US$141.5m impairment loss related to a US$120.0m impairment of the goodwill that was originally recognised when we acquired Stratos and a write-off of 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. The prior year impairment of the Stratos goodwill was again a combination of internal and external factors which resulted in profit forecasts to be revised downwards. In 2011, changes in prices between Inmarsat Global and the distribution channel were not passed onto the end customers of Stratos, resulting in reduced margins for the Stratos CGU. In addition, commitments under our LightSquared Cooperation Agreement resulted in the expected discontinuance of certain customer leases for Inmarsat B and certain other services which directly impacted the Stratos CGU. While this business was expected to be partly retained through agreements using non-lease services, these are at a lower margin. There was also a reduction in Inmarsat MSS revenues, changes in product mix and competitive pricing, all of which contributed to lower than expected revenues.

Operating profit
As a result of the factors discussed above, operating profit during 2012 was US$346.4m, a decrease of US$120.1m, or 26%, compared with 2011.

Interest
Net interest payable for 2012 was US$52.8m, a decrease of US$46.8m, or 47%, compared with 2011.

Interest payable for 2012 was US$56.0m, a decrease of US$48.6m, or 46%, compared with 2011. In November 2012, we recognised a non-recurring US$30.2m credit to interest payable on the Convertible Bonds arising from an adjustment to the expected maturity date. In addition, there was a significant increase in the amount of interest that we are required to capitalise in the year. During 2012 we capitalised US$42.9m of interest that was attributable to the construction of our Alphasat and Inmarsat-5 satellites and associated ground infrastructure, compared with US$24.4m capitalised in 2011. In addition, in 2011, we recorded US$7.9m of interest in respect of unwinding of the discount we applied to the Segovia acquisition deferred consideration compared with US$nil in 2012 and wrote off unamortised issue costs of US$3.8m following the refinancing of our previous Senior Credit Facility. The decrease was partially offset by increased interest following further drawdowns of our Ex-Im Bank Facility and the issue of additional Senior Notes due 2017.

Interest receivable for 2012 was US$3.2m compared with US$5.0m for 2011. The decrease is primarily due to a non-recurring hedge accounting gain of US$3.0m recorded in 2011 in relation to the repayment of Ship Equip long-term debt.

Profit before tax
For 2012, profit before tax was US$293.6m, a decrease of US$73.3m, or 20%, compared with 2011. The reduction is due primarily to decreased revenues from our Cooperation Agreement with LightSquared and increased net operating costs, partially offset by decreased net interest payable and a reduced impairment charge during 2012.

Chief Financial Officer's review
continued

Income tax expense
The tax charge for 2012 was US$76.2m, a decrease of US$41.2m, or 35%, compared with 2011. The decrease in the tax charge is largely driven by the underlying decrease in profits for 2012, together with a prior year adjustment for the year ended 31 December 2012 which resulted in a non-recurring tax credit of US$12.6m (prior year adjustment for the year ended 31 December 2011 resulted in a US$6.7m non-recurring tax credit). The reduction in the substantively enacted tax rate at which deferred tax is recognised from 25% to 23% has also given rise to a non-recurring tax credit of US$8.4m on the revaluation of deferred tax liabilities. These adjustments are offset by the non-deductible impairment of goodwill (tax effect US$23.2m) and other non-deductible items (tax effect US$1.7m) for the year ended 31 December 2012. For the year ended 31 December 2011 the tax effect relating to the non-deductible impairment of Stratos goodwill was US$31.8m.

The effective tax rate for 2012 was 26.0% compared with 32.0% for 2011. In the absence of the above adjustments, the effective rates would have been 24.6% for 2012 and 25.2% for 2011. This decrease is primarily due to the reduction in the UK main rate of corporation tax from 26% to 24%. While the reduction did not become effective until 1 April 2012, this has the effect of lowering the average UK statutory rate for 2012 to 24.5%. The average UK statutory tax rate for the year ended 31 December 2011 was 26.5%.

Profit for the period
As a result of the factors discussed above, profit for 2012 was US$217.4m, a decrease of US$32.1m, or 12.9%, compared with 2011.

Earnings per share
For 2012, basic and diluted earnings per share for profit attributable to the equity holders of the Company were 48 cents (US$) and 48 cents (US$), respectively, compared with 55 cents (US$) and 54 cents (US$), respectively, for 2011.

The 2012 basic and diluted earnings per share adjusted to exclude the after-tax effect of the LightSquared contribution and the impairment losses, were 61 cents (US$) and 60 cents (US$), respectively, compared with 53 cents (US$) and 53 cents (US$), respectively, for 2011.

Inmarsat Global results
Revenues
During 2012, although revenues from Inmarsat Global were US$835.9m, a decrease of US$122.5m, or 12.8%, compared with 2011, MSS revenues increased by US$17.7m, or 2.5%, year-on-year. The decrease in total revenues in 2012 is due to the reduction in revenues recognised in relation to our Cooperation Agreement with LightSquared.

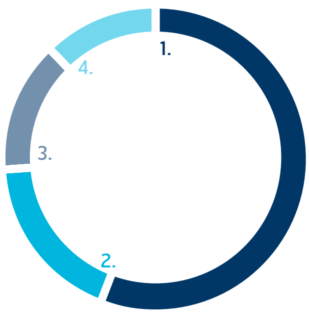
The MSS revenue growth was primarily driven by increased activations and usage of our FleetBroadband and SwiftBroadband services and by the effect of price initiatives for maritime data services. We have also seen encouraging growth in our land mobile IsatPhone Pro service. As in recent periods, this growth has been partly offset by the continued expected decline in revenues from our BGAN and GAN services due to the combination of troop withdrawals from Afghanistan and lower event revenues in 2012 compared to 2011. In addition, we experienced a decline in maritime voice revenues due to the impact of product mix changes and, more generally, we have experienced a decline in revenues from older services such as Inmarsat B, Mini M, Fleet, GAN and Swift 64, year-on-year. The results also reflect the termination of certain lease business during the year, which was expected.

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

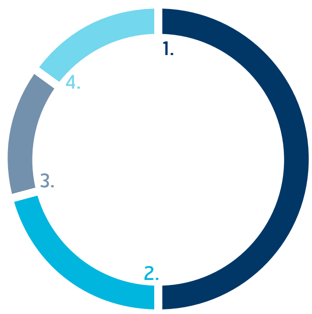
(US$ in millions)	2012	2011	Increase/ (decrease)
Revenue			
Maritime sector:			
Voice services	**79.7**	90.2	(11.6%)
Data services	**331.5**	268.7	23.4%
Total maritime sector	**411.2**	358.9	14.6%
Land mobile sector:			
Voice services	**14.3**	7.7	85.7%
Data services	**118.1**	144.0	(18.0%)
Total land mobile sector	**132.4**	151.7	(12.7%)
Aviation sector	**100.8**	99.5	1.3%
Leasing	**93.6**	110.2	(15.1%)
Total MSS revenue	**738.0**	720.3	2.5%
Other income (including LightSquared)	**97.9**	238.1	(58.9%)
Total revenue	**835.9**	958.4	(12.8%)

Inmarsat Global MSS Revenue

By sector 2012
1. Maritime – 56%
2. Land mobile – 18%
3. Aviation– 14%
4. Leasing – 12%



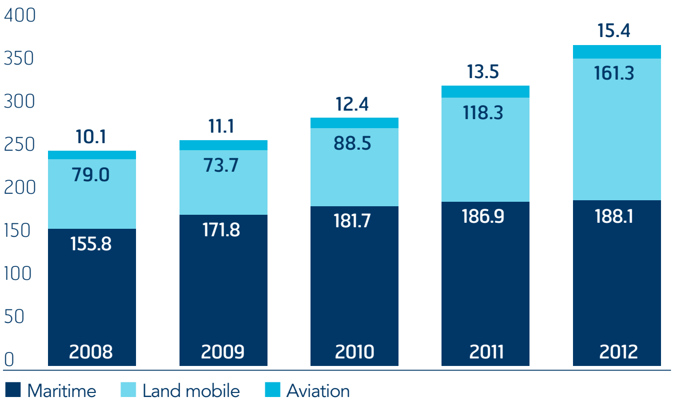
By sector 2011
1. Maritime – 50%
2. Land mobile – 21%
3. Aviation– 14%
4. Leasing – 15%



Active terminals

Total active terminal numbers as at 31 December 2012 increased by 14.5%, compared with 31 December 2011. The table below sets out the active terminals by sector for each of the years indicated:

Active terminals(a)
('000)



(a) Active terminals is the number of subscribers or terminals that have been used to access commercial services (except certain handheld terminals) at any time during the preceding twelve-month period and registered at 31 December. Active terminals also include the average number of certain handheld terminals active on a daily basis during the final month of the period. Active terminals exclude terminals (Inmarsat D+, IsatM2M, IsatData Pro and BGAN M2M) used to access our M2M services. At 31 December 2012, we had 229,881 (2011: 220,453) M2M terminals.

The growth of active terminals in the maritime sector is primarily due to take-up of our FleetBroadband service, where we have seen active terminal numbers grow by 31% year-over-year. This growth has been partially offset by the expected decline in active terminals of older services such as Inmarsat B and Fleet, where users have been migrating to our FleetBroadband service. The growth of active terminals in the land mobile sector is predominantly due to our IsatPhone Pro service, which was introduced in 2010. In the aviation sector, we have seen growth in SwiftBroadband active terminals of 52%, year-over-year, partially offset by the decline in our other older aviation services.

Maritime sector

During 2012, revenues from the maritime sector were US$411.2m, an increase of US$52.3m, or 14.6%, compared with 2011.

Revenues from data services in the maritime sector during 2012 were US$331.5m, an increase of US$62.8m, or 23%, compared with 2011. Growth in our maritime data revenues was primarily driven by pricing and service package changes implemented in January and May 2012 and increased take-up and usage of our FleetBroadband terminals. During the year we have seen significant migration of end-users from usage-based pricing plans to subscription-based plans with higher monthly fees and inclusive usage. We estimate that at the end of the year nearly half of our FleetBroadband revenues now come from recurring customer subscriptions. We have also seen strong terminal activations and increasing average revenue per user ('ARPU'). During 2012, we added 7,980 FleetBroadband subscribers. Despite the overall revenue growth reported, customer migration to FleetBroadband from older services continues to be a constraint on our rate of revenue growth as the price of FleetBroadband services is typically lower than the price of equivalent services on the terminals being replaced.

Revenues from some older services continue to decline due to the natural run-off and migration of these services, for example, active Inmarsat B and Fleet terminal numbers are reducing due to older ships being decommissioned or refitted with FleetBroadband terminals.

Revenues from voice services in the maritime sector during 2012 were US$79.7m, a decrease of US$10.5m, or 11.6%, compared with 2011. We have continued to see voice revenues being negatively impacted by product mix changes as users transition from our older services to our 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.

We continue to believe that the current economic environment for the shipping industry and increased competition are also factors impacting revenues in the maritime sector. In addition, the take-up of XpressLink by ships currently using our existing L-band maritime services is expected to increasingly impact the wholesale maritime revenues we report for Inmarsat Global, as the customer revenue on a ship-by-ship basis will largely migrate to our Inmarsat Solutions segment. While this impact has so far been limited due to the early stage of the XpressLink service, customer interest is gaining traction and the impact may be more pronounced in future reporting periods.

Land mobile sector

During 2012, revenues from the land mobile sector were US$132.4m, a decrease of US$19.3m, or 12.7%, compared with 2011.

Revenues from data services in the land mobile sector during 2012 were US$118.1m, a decrease of US$25.9m, or 18.0%, compared with 2011. This expected decline in revenues is due to the combination of troop withdrawals from Afghanistan and the comparative impact of significant event revenue in 2011. We estimate that Afghanistan and events in North Africa and Japan in 2011 contributed US$30m more revenue year-over-year, compared with 2012. Although we continue to see growth in BGAN usage from new subscribers, this growth is unable to fully offset the impact of reduced revenues from Afghanistan and other world events.

Revenues from voice services in the land mobile sector during 2012 were US$14.3m, an increase of US$6.6m, or 86%, compared with 2011. The increase is due to growth in revenues from our IsatPhone Pro service. Take-up of the IsatPhone Pro service has remained strong and we ended the year with over 84,000 active subscribers, compared to approximately 43,000 at the beginning of the year. The increase in our installed subscriber base is driving overall traffic growth and is the primary contributor to our voice revenue growth. In addition, our IsatPhone Pro revenues also benefited from pricing and package changes made in June 2012 and, during the fourth quarter, we recognised approximately US$1.0m of non-recurring revenues which related to a customer contract adjustment and the unused portion of certain expired prepay agreements.

Aviation sector

During 2012, revenues from the aviation sector were US$100.8m, an increase of US$1.3m, or 1.3%, compared with 2011. We have seen strong growth in revenues from our SwiftBroadband service, year-over-year. However, this increase has been offset by a decline in Swift 64 revenues, due to a reduction in usage by certain government customers, including usage related to reduced activity in Afghanistan.

Leasing
During 2012, revenues from leasing were US$93.6m, a decrease of US$16.6m, or 15.1%, compared with 2011. The expected decrease is predominantly due to a reduction in revenues from a number of government maritime contracts. In addition, we terminated some Inmarsat-B leases in connection with our Cooperation Agreement with LightSquared.

Other income
Other income for 2012 was US$97.9m, a decrease of US$140.2m, or 59%, compared with 2011. The decrease is due to lower revenues from LightSquared (US$60.2m, in 2012, compared with US$203.8m for 2011). During 2012, we had US$23.5m of revenues from the sale of terminals and accessories (predominantly in relation to IsatPhone Pro) compared with US$18.1m in 2011.

Net operating costs
Net operating costs for 2012 increased by 1.2%, compared with 2011. Included within net operating costs for 2012 are net costs in relation to our GX programme totalling US$15.6m (2011: US$11.2m) and costs in relation to the LightSquared Cooperation Agreement of US$8.3m (2011: US$11.2m).

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

(US$ in millions)	2012	2011	Increase/ (decrease)
Employee benefit costs	**109.4**	105.1	4.1%
Network and satellite operations costs	**39.6**	45.7	(13.3%)
Other operating costs	**108.7**	101.3	7.3%
Own work capitalised	**(19.1)**	(16.4)	16.5%
Net operating costs	**238.6**	235.7	1.2%

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 2012 was US$1.48/£1.00 compared to US$1.51/£1.00 in 2011, which did not give rise to a material variance in comparative costs. We have completed our hedging arrangements for our anticipated Sterling costs in 2013 and as a result expect our hedged rate of exchange for 2013 to be US$1.57/£1.00.

Employee benefit costs
Employee benefits costs increased by US$4.3m, or 4.1% for 2012, compared with 2011, primarily due to an increase in total full-time equivalent headcount (on average in 2012 there were 569 employees compared to 546 in 2011), primarily to support our GX programme. During the fourth quarter, we recognised additional employee benefit costs of approximately US$3.3m in relation to some limited employee redundancies. In addition, the phasing of costs in the fourth quarter was more pronounced in 2012 than in previous years.

Network and satellite operations costs
Network and satellite operations costs fell by US$6.1m, or 13.3%, for 2012 compared with 2011, primarily due to lower in-orbit insurance costs following the annual contract renewals in August 2012. In addition, costs of service contracts, warranties and maintenance decreased year-on-year.

Other operating costs
Other operating costs for 2012 increased by US$7.4m, or 7.3%, compared with 2011. The increase relates to higher direct cost of sales due to IsatPhone Pro terminal sales and increased interconnect charges as voice traffic grew. In addition, in 2012 a US$5.4m provision was made against certain trade receivables and a foreign exchange translation loss of US$5.2m was recorded (2011: US$1.4m). Partially offsetting the increase was a decrease in professional fees incurred in 2012, including reduced professional fees incurred in relation to our Cooperation Agreement with LightSquared and the absence of US$2.0m non-recurring professional fees expensed in 2011 in relation to our acquisition of Ship Equip.

Own work capitalised
Own work capitalised increased by US$2.7m, or 16.5%, compared with 2011, predominantly a result of increased activity on our GX programme.

Operating profit

(US$ in millions)	2012	2011	Increase/ (decrease)
Total revenue	**835.9**	958.4	(12.8%)
Net operating costs	**(238.6)**	(235.7)	1.2%
EBITDA	**597.3**	722.7	(17.4%)
EBITDA margin %	***71.5%***	*75.4%*	
EBITDA excluding LightSquared and Global Xpress	**561.0**	541.3	3.6%
EBITDA margin % excluding LightSquared and Global Xpress	***72.3%***	*71.7%*	
Depreciation and amortisation	**(158.1)**	(161.9)	(2.3%)
Operating profit	**439.2**	560.8	(21.7%)

The decrease in operating profit for 2012 of US$121.6m, compared with 2011, is primarily a result of decreased revenues from our Cooperation Agreement with LightSquared, partially offset by higher MSS revenues year-on-year.

Inmarsat Solutions results
On 28 April 2011, we completed the acquisition of Ship Equip. On 13 January 2012, we completed the acquisition of NewWave. We include the operations of formerly acquired businesses: Stratos, Segovia, Ship Equip and NewWave in a single reporting segment, Inmarsat Solutions.

Revenues
During 2012, revenues from Inmarsat Solutions increased by US$52.1m, or 6.9%, compared to 2011. The table below sets out the components of Inmarsat Solutions' revenues for each of the years indicated:

(US$ in millions)	2012	2011	Increase/ (decrease)
Inmarsat MSS	**400.5**	423.4	(5.4%)
Broadband and Other MSS[(a)]	**409.8**	334.8	22.4%
Total revenue	**810.3**	758.2	6.9%

(a) Includes Ship Equip from 28 April 2011 and NewWave from 13 January 2012.

Inmarsat MSS

Revenues derived from Inmarsat MSS for 2012 decreased by US$22.9m, or 5.4%, compared to 2011. The decrease in Inmarsat MSS revenue at the Inmarsat Solutions level was driven primarily by a combination of lower leasing revenue and by lower BGAN revenue from Afghanistan and other world events year-over-year. As Inmarsat Solutions has a disproportionately higher share of both our leasing and BGAN business, the negative impact of these factors contributed to an overall decrease in revenue, even though Inmarsat Solutions benefited from strong growth in maritime revenues and other factors that contributed to an overall increase in MSS revenues at the wholesale level.

In addition, growth in maritime MSS revenues at Inmarsat Solutions lagged the growth reported at the Inmarsat Global level as effective wholesale price increases, resulting from the elimination of certain volume discounts in January 2012, were not wholly passed on by Inmarsat Solutions to end-users. As a result, certain price increases at the Inmarsat Global wholesale level did not result in equivalent revenue increases at the Inmarsat Solutions retail level.

For 2012, Inmarsat Solutions' share of Inmarsat Global's MSS revenues was 39%, slightly lower than the 41% share for 2011.

Broadband and Other MSS

'Broadband and Other MSS' revenues primarily consist of sales of VSAT and microwave services, mobile terminal and equipment sales, rental and repairs, mobile telecommunications services sourced on a wholesale basis from other MSS providers, network services provided to certain distributors and other ancillary services. Also included within 'Broadband and Other MSS' are revenues from our Inmarsat Government business unit (primarily drawn from the operations of Segovia), relating to the provision of secure IP managed solutions and services to United States government agencies and an element of revenues from our Inmarsat Maritime business unit (primarily drawn from the operations of Ship Equip), relating to the provision of VSAT maritime communications services, including our XpressLink service, to the shipping, offshore energy and fishing markets.

Revenues from 'Broadband and Other MSS' during 2012 increased by US$75.0m, or 22%, compared with 2011. The increase is due to increased revenues in our Inmarsat Government business unit from growth in network services and equipment sales and the inclusion of Ship Equip for the full year in 2012 compared to the period from 28 April to 31 December in 2011. There were also increases in mobile terminal and equipment sales and other ancillary revenues from other business units, which were partially offset by a reduction in VSAT revenues from energy operations.

Net operating costs

Net operating costs in 2012 increased by US$87.9m, or 14.1%, compared to 2011, primarily as a result of increased costs in Inmarsat Government related to the increased revenue, the inclusion of Ship Equip for the full year in 2012 compared to the period from 28 April to 31 December in 2011 and increased cost for airtime from Inmarsat Global as a result of price increases. 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)	2012	2011	Increase
Cost of goods and services	**602.6**	538.0	12.0%
Operating costs	**110.6**	87.3	26.7%
Total operating costs	**713.2**	625.3	14.1%
Allocated as follows:			
Employee benefit costs	**123.6**	101.4	21.9%
Network and satellite operations costs[a]	**555.6**	497.2	11.7%
Other operating costs	**38.7**	31.4	23.2%
Own work capitalised	**(4.7)**	(4.7)	–
Net operating costs	**713.2**	625.3	14.1%

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

Cost of goods and services

Cost of goods and services includes variable expenses such as the cost of airtime and satellite capacity purchased from satellite operators (predominantly from Inmarsat Global), cost of equipment, materials and services, and variable labour costs related to our 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 2012 increased by US$64.6m, or 12.0%, compared to 2011. The increase is predominantly due to increased costs in Inmarsat Government, related to the increased revenues, the inclusion of Ship Equip for the full year in 2012 compared to the period from 28 April to 31 December in 2011 and increased cost for airtime from Inmarsat Global as a result of price increases.

Operating costs

Operating costs during 2012 increased by US$23.3m, or 27%, compared to 2011. The increase is primarily due to increased costs in Inmarsat Government related to an increased number of employees, increased benefits and higher sales, marketing and rent costs and the inclusion of Ship Equip for the full year in 2012 compared to the period from 28 April to 31 December in 2011. Within the fourth quarter, we recognised certain costs that are not expected to be recurring in nature. These costs amount to approximately US$5.0m, of which US$2.2m relates to some limited employee redundancies.

Operating loss

(US$ in millions)	2012	2011	Increase/ (decrease)
Total revenue	**810.3**	758.2	6.9%
Cost of goods and services	**(602.6)**	(538.0)	12.0%
Gross margin	**207.7**	220.2	(5.7%)
Gross margin %	***25.6%***	*29.0%*	
Operating costs	**(110.6)**	(87.3)	26.7%
EBITDA	**97.1**	132.9	(26.9%)
EBITDA margin %	***12.0%***	*17.5%*	
Depreciation and amortisation	**(97.1)**	(83.9)	15.7%
Loss on the disposal of assets	**(0.5)**	–	–
Acquisition-related adjustments	**–**	(2.1)	(100.0%)
Impairment losses	**(94.7)**	(141.5)	(33.1%)
Share of profit of associates	**2.1**	1.5	40.0%
Operating loss	**(93.1)**	(93.1)	–

Inmarsat Solutions' operating loss for 2012 was US$93.1m in line with 2011. US$94.7m of impairment losses were recognised in 2012 relating to the impairment of goodwill, compared to US$120.0m in 2011 relating to the impairment of goodwill and US$21.5m in 2011 for the reduction of the carrying amounts of the Stratos, Segovia and Ship Equip trade names to US$nil. Offsetting the decrease in impairment losses year-on-year was a decrease in EBITDA and an increase in depreciation and amortisation. The EBITDA reduction is due primarily to a decreased contribution from the sales of Inmarsat MSS as a result of lower revenues, an increase in the cost of airtime from Inmarsat Global, increased operating costs and changes in product mix. The increase in depreciation and amortisation is primarily a result of the inclusion of Ship Equip for the full year in 2012 compared to the period from 28 April to 31 December in 2011, the amortisation of NewWave intangibles and increased capital expenditures, partially offset by a decrease in amortisation as a result of the reduction in the carrying amount of the Stratos, Segovia and Ship Equip trade names to US$nil at the end of 2011.

Gross margin consists of revenues less cost of goods and services. Gross margin and gross margin percentage have decreased by US$12.5m and 3.4%, respectively, in 2012 compared to 2011. These decreases are a result of a decrease in Inmarsat MSS revenue along with increased cost of airtime from Inmarsat Global and migration to newer lower margin services, as well as reduced gross margin percentages in Inmarsat Government and Inmarsat Maritime as a result of the newer revenues being at lower margins and changes in product mix. These decreases have been partially offset by the additional operations of Ship Equip which has a higher gross margin.

Group liquidity and capital resources

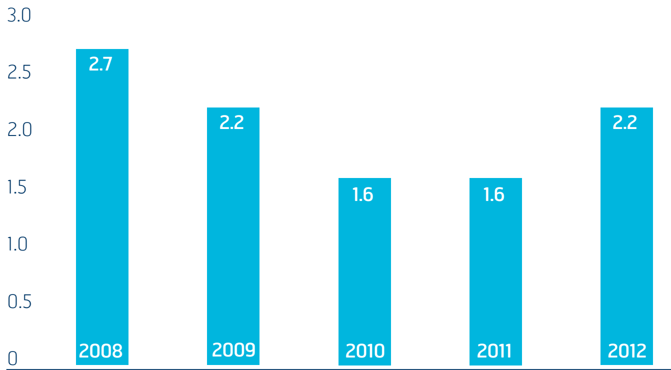
At 31 December 2012, the Group had cash and cash equivalents of US$332.1m and available but undrawn borrowing facilities of US$1,052.4m under our Senior Credit Facility and Ex-Im Bank Facility. We believe our liquidity position is more than sufficient to meet the Group's needs for the foreseeable future. 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 below:

(US$ in millions)	As at 31 December 2012	As at 31 December 2011
EIB Facility	**264.3**	308.4
Ex-Im Bank Facility	**397.6**	277.3
Senior Notes due 2017	**850.0**	650.0
– Net issuance premium/(discount)	**7.5**	(3.6)
Convertible Bonds	**301.3**	307.4
– accretion of principal	**2.9**	2.7
Deferred satellite payments	**28.7**	34.7
Bank overdrafts	**–**	0.7
Total borrowings	**1,852.3**	1,577.6
Cash and cash equivalents	**(332.1)**	(183.5)
Net borrowings (gross of deferred finance costs)	**1,520.2**	1,394.1

Net borrowings (excluding deferred finance costs)/EBITDA
US$ in millions



The table below shows the condensed consolidated cash flow for the Group for the years ended 31 December 2012 and 2011:

(US$ in millions)	2012	2011
Net cash from operating activities	**659.5**	881.6
Net cash used in investing activities excluding capital expenditure	**(15.1)**	(171.0)
Capital expenditure, including own work capitalised	**(484.0)**	(531.0)
Dividends paid	**(186.6)**	(172.2)
Net cash from/(used in) financing activities, excluding dividends paid	**175.5**	(168.3)
Foreign exchange adjustment	**–**	0.2
Net increase/(decrease) in cash and cash equivalents	**149.3**	(160.7)

The decrease in net cash generated from operating activities in 2012, compared with 2011, of US$222.1m primarily relates to decreased EBITDA in 2012 and movements in working capital, partially offset by lower cash tax paid. Our LightSquared Cooperation Agreement contributed to US$219.4m of the decrease in net cash from operating activities year-on-year (this excludes the impact on cash tax paid due to reduced profit before tax year-on-year).

The decrease in net cash used in investing activities excluding capital expenditure in 2012, compared with 2011, was US$155.9m. During 2012 we acquired 100% of the outstanding shares of NewWave for a total cash consideration of US$7.7m (net of cash acquired) and paid US$7.4m of deferred consideration in relation to previous acquisitions. During 2011 we purchased Ship Equip for a cash consideration of US$113.2m (excluding the repayment of debt which was treated as a financing activity and net of cash acquired and foreign exchange risk hedging gains), paid US$54.5m of deferred consideration in relation to previous acquisitions and paid US$3.2m relating to Inmarsat Solutions' acquisition of certain operational assets.

Capital expenditure, including own work capitalised, decreased by US$47.0m in 2012, compared with 2011. Capital expenditure may fluctuate with the timing of milestone payments on current projects.

During 2012 the Company paid dividends of US$186.6m, compared with US$172.2m in 2011.

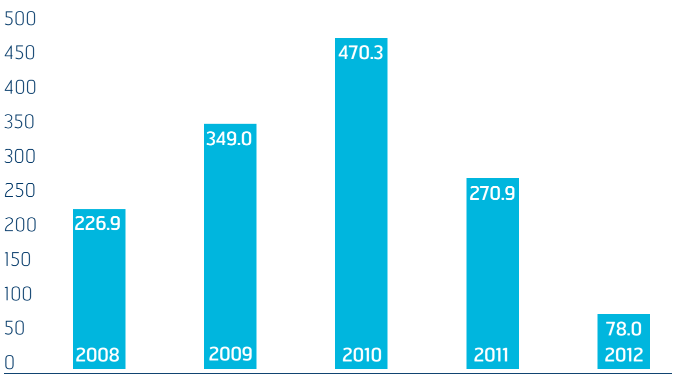
During 2012 net cash from financing activities, excluding the payment of dividends, was US$175.5m, compared to net cash used in financing activities, excluding the payment of dividends of US$168.3m in 2011. During 2012 we received gross proceeds of US$212.0m on the April 2012 issue of additional Senior Notes due 2017, we drew down US$120.3m of our Ex-Im Bank Facility and we received US$3.5m from the issue of ordinary shares in connection with certain staff incentive programmes. In addition, we paid cash interest of US$97.5m, repaid US$44.1m of our EIB Facility, paid fees in relation to debt issuance of US$8.1m and paid US$9.9m to repurchase our own shares.

During 2011, the Group repaid US$200.0m outstanding under our previous 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, paid US$98.4m to repurchase our own shares and paid arrangement costs in respect of new financing of US$22.4m. In addition, we received US$277.3m from the drawdown of our Ex-Im Bank Facility during 2011.

Group free cash flow

(US$ in millions)	2012	2011
Cash generated from operations	**726.9**	991.2
Capital expenditure, including own work capitalised	**(484.0)**	(531.0)
Net cash interest paid	**(95.7)**	(76.7)
Cash tax paid	**(69.2)**	(112.6)
Free cash flow	**78.0**	270.9

Free cash flow
US$ in millions



Free cash flow decreased by US$192.9m, or 71%, during 2012, compared with 2011. The decrease is due to a reduction in cash generated from operations (of which US$219.4m related to our Cooperation Agreement with LightSquared) and an increase in net cash interest paid, partially offset by lower capital expenditure and reduced cash tax paid.

Foreign exchange and treasury policy

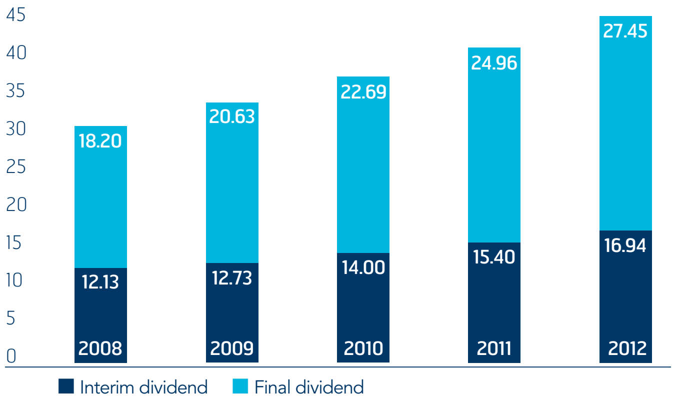
The Group's treasury activities are managed by its corporate finance department under the direction of a Treasury Review Committee whose chairman is the Chief Financial Officer, and are consistent with Board-approved treasury policies and guidelines. The overriding objective of treasury activities is to manage financial risk. Details of financial instruments and policies are shown in note 32 to the consolidated financial statements.

Dividends

On 25 May 2012, the Company paid a final dividend for the year ended 31 December 2011 of 24.96 cents (US$) per ordinary share. On 25 October 2012, the Company paid an interim dividend of 16.94 cents (US$) per ordinary share in respect of the year ended 31 December 2012, a 10.0% increase over 2011.

The Inmarsat plc Board of Directors intends to recommend a final dividend of 27.45 cents (US$) per ordinary share in respect of the year ended 31 December 2012 to be paid on 24 May 2013 to ordinary shareholders on the register of members at the close of business on 17 May 2013. Shareholders will be asked to approve the final dividend payment at the Annual General Meeting to be held on 2 May 2013. Dividend payments will be made in Pounds Sterling based on the exchange rate prevailing in the London market four business days prior to payment. In accordance with IAS 10, this final dividend has not been recorded as a liability in the financial statements at 31 December 2012. The total dividend paid and proposed for the year ended 31 December 2012 equals 44.39 cents (US$) per ordinary share, a 10.0% increase over 2011, and amounts to US$198.7m.

Dividends
Cents (US$) per share



Group balance sheet

The table below shows the consolidated Group balance sheet at 31 December 2012 and 2011:

(US$ in millions)	As at 31 December 2012	As at 31 December 2011
Non-current assets	**3,099.1**	2,937.1
Current assets	**653.9**	472.0
Total assets	**3,753.0**	3,409.1
Current liabilities	**(665.7)**	(966.3)
Non-current liabilities	**(1,961.4)**	(1,361.7)
Total liabilities	**(2,627.1)**	(2,328.0)
Net assets	**1,125.9**	1,081.1

The increase in the Group's non-current assets of US$162.0m is due primarily to an increase in property, plant and equipment due to additions in 2012 predominantly as a result of our GX and Alphasat programmes. Offsetting the increase was a US$94.7m impairment relating to partial impairments of goodwill previously recognised when we acquired our Stratos and Ship Equip businesses of US$58.7m and US$36.0m, respectively.

The increase in current assets of US$181.9m is due predominantly to an increase in cash and cash equivalents from US$183.5m at 31 December 2011 to US$332.1m at 31 December 2012. The increase in cash and cash equivalents is due primarily to the gross proceeds of US$212.0m received on the April 2012 issue of additional Senior Notes due 2017. In addition, trade and other receivables rose by US$32.8m to US$290.0m at 31 December 2012.

The decrease in current liabilities of US$300.6m relates primarily to the reclassification of the liability component of the Convertible Bonds from current to non-current. Although our outstanding Convertible Bonds do not mature until November 2017, holders had the right to require the Company to redeem any or all of the bonds at their accreted principal amount on 16 November 2012. As no holders elected to redeem their bonds in November 2012 a revised maturity assumption based on the next date that holders can redeem their bonds of 16 November 2014 has subsequently been adopted. In addition, during 2012, current income tax liabilities decreased US$19.6m to US$32.7m at 31 December 2012. The decrease has been partially offset by a US$25.6m increase in deferred revenue recognised in relation to our Cooperation Agreement with LightSquared during 2012.

The increase in non-current liabilities of US$599.7m relates primarily to an increase in non-current borrowings of US$580.1m to US$1,769.0m at 31 December 2012. The increase in non-current borrowings is due to the reclassification of the liability component of the Convertible Bonds to non-current liabilities, the additional Senior Notes due 2017 issued in April 2012 (gross proceeds of US$212.0m) and the drawdown of US$120.3m of our Ex-Im Bank Facility, partially offset by the repayment of US$44.1m of our EIB Facility. In addition, during 2012, deferred income tax liabilities increased US$32.4m to US$141.3m at 31 December 2012.

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 our business. Some risks and uncertainties may be unknown to us and other risks and uncertainties, currently regarded as immaterial, could turn out to be material. All of them have the potential to impact our business, operations, liquidity, financial position or future performance adversely.

Satellites

Our satellites are subject to significant operational risks at launch or while in orbit which, if they were to occur, could adversely affect our revenues, profitability and liquidity. Although we maintain in-orbit insurance on our Inmarsat-4 satellite fleet and have obtained launch insurance for Alphasat and our Inmarsat-5 satellites, this may be insufficient to cover all losses if we had a satellite failure. Even if our insurance cover was sufficient, delays in building and launching a replacement satellite could adversely affect our revenues, profitability and liquidity.

Distribution

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

Spectrum

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

Development of hybrid networks, including ATC

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

LightSquared Cooperation Agreement

Our Cooperation Agreement with LightSquared may present us with operational and financial risks. If fully implemented, the Cooperation Agreement will ultimately result in a reduction in available L-band spectrum for Inmarsat services over North America and the need for our L-band services to coexist in North America with ATC services in adjacent frequencies. Whilst we believe that we can continue to operate our services over North America with minimal impact to our users following the launch of ATC services, 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.

Regulation

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

Next generation services and satellites

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

Competition

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

Outlook

Despite ongoing uncertainty in the macro-economic environment, we are seeing continued growth momentum in our key MSS services of FleetBroadband, SwiftBroadband and IsatPhone Pro. Growth in revenue from these services is the result of both increased subscriber numbers and higher ARPUs. With the continuation of these trends we would expect organic new revenue growth to continue to outpace the expected loss of revenue from the ongoing withdrawal of troops from Afghanistan. As a result, we remain confident that we will report net revenue growth in 2013 in our Inmarsat Global MSS business. We believe our existing medium-term wholesale revenue targets including Global Xpress (8–12% CAGR: 2014–2016) continue to reflect our expectations for the performance of the Group and these are therefore reiterated and unchanged.

We remain highly confident in the Global Xpress opportunity and pleased by our technical and commercial progress to date. We remain on track for a first satellite deployment before the end of the 2013 and the completion of global coverage in 2014. Our expectations as to total programme capital costs remain unchanged at US$1.2bn. We also expect the launch of Alphasat, our latest L-band satellite, to occur in the third quarter of 2013.

Across all our investment and maintenance programmes, we expect our 2013 capital expenditure on a cash basis to be in the range of US$575m to US$625m.

Rick Medlock
Chief Financial Officer
7 March 2013

2012 highlights

Rupert Pearce provides an overview of Inmarsat's corporate social responsibility framework.

'Our safety services supported over 1,500 calls made from vessels with safety, distress or urgency requirements, providing a regular reminder to us of the value of what we provide to those in need.'

Rupert Pearce
Chief Executive Officer

Employment

- Elected Staff Forums are established in the UK and Batam in Indonesia and a Works Council in The Netherlands
- The Board received an annual update on health and safety activity across the Group which identified five continuing health and safety priorities based on business activities
- Women continue to represent approximately 30% of our workforce.

Community

- Our safety services supported over 1,500 calls from vessels with safety, distress or urgency requirements
- We invested in enhancing aviation safety services using our SwiftBroadband service
- We continued our support of Télécoms Sans Frontières ('TSF'), the telecommunications relief aid organisation
- We supported a Race2Recovery (race2recovery.com) team to compete in the gruelling Dakar Rally
- We encouraged employees across our worldwide offices to support individual charities of their choice.

Environment

- Type-approved satellite terminals are available from manufacturers who provide health and safety user guidance
- Our sites where there are satellite dishes have restricted access to protect the general public
- We adopt the highest industry standards in terms of space debris mitigation
- Our objective is to ensure we have no detrimental effect on the environment through our business operations.

Education

- We continued to fund the Inmarsat Chair of Maritime Education and Training at the World Maritime University
- We encourage internships with schools and universities
- We sponsored the UK National Space Academy, which was created to teach space science subjects to students and their teachers.

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

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 published on our website.

We comply with local laws where we operate, and across our Group we ensure our employees comply with the UK Bribery Act and the US Foreign & Corrupt Practices Act. Details of our anti-bribery policy can be found on our website. Our anti-bribery policy incorporates guidelines on dealing with gifts and accepting and giving hospitality.

We have separate policies in place dealing with ethics, fraud, the use of inside information and whistleblowing.

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 an elected Staff Forum in the UK, Batam in Indonesia, and a Works Council in The Netherlands. These groups extend two-way communication 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.

Wellbeing programme

Positive feedback

We held our first worldwide health and wellbeing programme across all our offices which received very positive feedback from our global workforce.

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, and represent slightly more than 30% of our managers. We are pleased that this percentage representation has remained consistent with the levels reported last year.

The Inmarsat plc Board receives an annual update on Health and Safety activity across the Group. Rupert Pearce, CEO, has been identified as having responsibility for health and safety issues within the Inmarsat Global operations. Our subsidiary operations have various managers responsible for health and safety across their operations. Our goal is to encourage strong leadership in championing the importance of, and a common-sense approach to, health and safety in the workplace.

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, with inspections during 2012 at premises in the UK, Canada and the US. Across the Group, less than 20 accidents were reported, and we had no fatalities. We held our first worldwide health and wellbeing programme across all our offices which received very positive feedback from our global workforce.

We have identified five continuing health and safety priorities based on business activities:

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

Community

Our maritime heritage remains prevalent in how we support mariners and the wider maritime community. Key ways we demonstrate this are:

- Inmarsat remains the only approved provider of satellite communications services for the Global Mobile Distress and Safety System ('GMDSS') and we continue to invest in the development of maritime safety services.
- 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 to know which regions to avoid with high pirate activity and allowing them to re-route if necessary.
- Our safety services supported over 1,500 calls made from vessels with safety, distress or urgency requirements, providing a regular reminder to us of the value of what we provide to those in need.
- We supported Guo Chuan (guochuangsailing.com) in his solo non-stop around the world sailing challenge enabling him to maintain communications with the outside world.

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.

Corporate Social Responsibility
continued

Our core charitable support is for Télécoms Sans Frontières ('TSF'), the telecommunications relief 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 the year Télécoms Sans Frontières set up telecoms centres in drought-hit Kenya, and in Costa Rica and Guatemala following earthquakes, and led a national network of emergency response teams in The Philippines in the wake of Typhoon Bopha. They have also helped civilians to make calls in Timbuktu, Mali, after the terrestrial network was destroyed.

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.

Through our Global Government and Enterprise business units respectively, we provided support for Race2Recovery, (race2recovery.com) which was a team made up predominantly of wounded service personnel competing in the world's toughest off-road race – the Dakar Rally; and we are also supporting the effort by a British pilot to attempt to conquer the highest peak in the world raising money for good causes (everestmillion.com) and stream live footage of his achievement from the summit.

Race2Recovery – a team made up predominantly of wounded service personnel – became the first disabled team to complete the world's toughest off-road race, the Dakar Rally, relying on Inmarsat equipment and services throughout the 15-day challenge.

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 unit, the company's employee matching fund includes a dollar-for-dollar match for all contributions made to charities elected by employees. Throughout our offices there are many local causes which are supported at a corporate and employee level and we encourage our offices to get involved in local community initiatives.

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 from 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 power at low-elevation angles. We do, however, manufacture our 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 VSAT and telemetry and tracking facilities where there are satellite dishes which generate radiation. Access to these sites is restricted and there are regular health and safety checks to ensure that they are in protected areas away from access by the general public. Personnel who work at these sites are provided with relevant training as to health and safety issues.

Space debris

Highest standards

We disposed of a second Inmarsat-2 satellite in 2012. 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.

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. We disposed of a second Inmarsat-2 satellite in 2012; the previous disposal 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 spacecraft in geosynchronous orbit, which is approximately 36,000km (22,240 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 have also been a founding member of the Space Data Association ('SDA') since 2009. Along with Intelsat, SES and Eutelsat we aim to improve the satellite safety of flight. We were delighted that in March 2013, SDA received an innovation award for improving space safety, which recognises our efforts to make operations in orbit safer and more reliable.

We have over 1,600 staff worldwide represented by more than 45 different nationalities. Due to the size and nature of these activities, we acknowledge that we have a degree of environmental impact on the local and global environment. However, in terms of our size we are low generators of carbon due to the nature of our business operations.

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.

Environment

Our impact

The activities of the Group are judged to have low environmental impact.

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
- To reduce business travel and using more site-based technology such as video and audio conferencing.

We continue to monitor our energy consumptions and comply with our social and legal responsibilities in terms of carbon emissions. We are fully committed to the UK government's CRC Energy Efficiency Scheme and during 2012 complied with all aspects of the requirements.

In our principal office in London we managed to reduce electrical consumption by 162,429kWh, reflecting a 2.1% saving compared with 2011. In terms of gas consumption 104,393kWh savings were achieved, which was a 3.4% reduction from the previous year. During 2012 the main UK office effectively emitted 4,548 tonnes of CO_2 to the atmosphere, which is a 3% reduction compared with the previous year.

Energy efficiency is one of the key considerations when replacing obsolete and inefficient machinery. We continue to review new technologies and control building operational strategies, which includes using energy efficient lights to reduce electricity consumption.

Education

UK National Space Academy

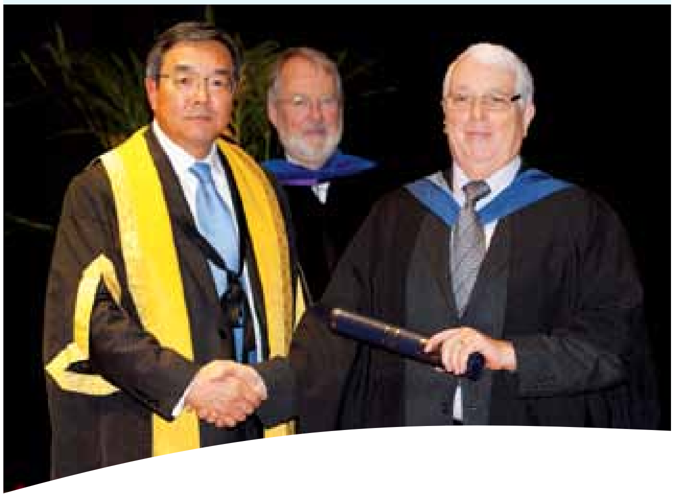
Inmarsat is a sponsor of the National Space Academy, created to teach space science subjects to students and their teachers.

We continue to be committed to our waste management and recycling scheme with volume at the same levels as last year.

Video conferencing (VC) and other collaborations tools are being used to reduce the dependency on air transport. In addition to the VC units in London and Washington DC the video network has been extended by adding equipment in Nyon, Switzerland, St Johns, Canada, and Houston, Texas, as these are key global offices for our business.

For the 2011-12 Volvo Ocean Race, where we were appointed Race Partner, organisers mounted a global campaign called 'Keep the Oceans Clean!'. There was an active campaign via the Volvo Ocean Race website and activities in each of the host ports to raise awareness of the increasing volume of pollution in the oceans and the threat to sea life across the globe.

Our Manager of Maritime Safety Engineering, Chris Wortham, who retired this year, was awarded an honorary fellowship of the World Maritime University (WMU). He is pictured (right) being presented with his fellowship by WMU Chancellor and Secretary General of the IMO, Mr Koji Sekimizu, with WMU President Dr Björn Kjerfve (centre).



Education

We continued our funding of the Inmarsat Chair of Maritime Education and Training at the World Maritime University which supports the education of maritime specialists. We encourage internships with schools and universities to provide students with the opportunity to experience first-hand the engineering and technical aspects of satellite operations. 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 are a sponsor of the UK National Space Academy, created to teach space science subjects to students and their teachers. In addition, Inmarsat intends to participate in a 'Higher Apprenticeship' in space engineering programme, being organised by the National Space Academy. This is a route for students to enter into a vocational degree-type scheme, designed to promote growth in the sector.

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

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1. Andrew Sukawaty
Executive Chairman

Dates of Appointment: Chairman – December 2003
Chairman and Chief Executive Officer – March 2004 – December 2011
Executive Chairman – January 2012

Committee Membership: Chairman of the Nominations Committee

Background and relevant experience: Andy joined Inmarsat in December 2003 and held the joint role of Chairman and Chief Executive Officer until 2011. He became Executive Chairman in 2012. Andy served as President and Chief Executive Officer of Sprint PCS, a NYSE listed global national wireless carrier for four years, and previously as Chief Executive Officer of NTL Limited. 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 – July 2011
Chief Executive Officer – January 2012

Background and relevant experience: Rupert joined Inmarsat in January 2005 as Group General Counsel and from January 2009, additionally held the position of Senior Vice President, Inmarsat Enterprises. He became an Executive Director in July 2011 and CEO in January 2012. Previously, Rupert worked for Atlas Venture, where he was a partner working with the firm's European and U.S. investment teams. He has also been a partner at the international law firm Linklaters, where he spent 13 years specialising in corporate finance, mergers & acquisitions and private equity transactions.

Rupert received an MA (First Class) in Modern History from Oxford University and won the 1995 Fulbright Fellowship in U.S. 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 joined Inmarsat in 2004. In addition to his CFO responsibilities he is also responsible for the customer services, commercial management and global IT functions. 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 Momondo Group Ltd (formerly Cheapflights Media Ltd) and Edwards Vacuum Ltd.

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 the Telecommunications (head of Oftel), and then served as Director General of Fair Trading and Secretary General of the International Accounting Standards Board. He was previously Chairman of the Council of Loughborough University, a non-executive director of Cable and Wireless Communications plc, RM plc and a non-executive Chairman of MLL Telecom Limited. He was knighted in January 1989.

External Appointments: 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.

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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 and was designated a Naval Aviator in 1971. He was President and Chief Executive Officer of the Institute of Nuclear Power Operations from 2005 to 2012 and has held a variety of sea and shore assignments in the US and abroad.

External Appointments: 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 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 previous career has included senior roles as Chief Marketing Officer with AT&T and other senior roles with BT and MCI Communications Inc. Kathleen was a Non-Executive Director of GenTek Inc until October 2009.

External Appointments: Non-Executive Director of hibu 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 held several senior positions both in the US government and in the private sector. She was formerly Head of Delegation and US Ambassador to the World Radiocommunications Conference, Assistant Secretary for Communications and information at the Department of Commerce and Senior Advisor to the Chairman at the Federal Communications Commission in the US.

External Appointments: Non-Executive Director of Orbital 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 Non-Executive Director of Greenko Group plc

10. Alison Horrocks
Senior Vice President – Corporate Governance and Company Secretary
Date of Appointment: February 1999

Background and relevant experience: Alison joined Inmarsat in 1999 and provides corporate governance advice and acts as Company Secretary to the Board and its Committees. She is Chairman of the Trustee Company responsible for Inmarsat's UK pension plans. Alison is a Chartered Secretary. She was Group Company Secretary of International Public Relations plc, a worldwide public relations company, for 11 years prior to joining Inmarsat.

Report of the Directors

For the year ended 31 December 2012

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 2012.

References to 'Group' include Inmarsat Global, and the Inmarsat Solutions operations (unless otherwise noted). Inmarsat Solutions includes the operations of our subsidiary companies: 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 10 owned and operated geosynchronous satellites, we provide a comprehensive portfolio of global mobile satellite communications services for use on land, at sea and in the air; 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 36 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 2012, and the position at year-end. The information that fulfils the requirements of the Business Review can be found in the Business Model, the Executive Chairman's Statement, the Chief Executive Officer's strategic review and review of the business on pages 2 to 19, the Chief Financial Officer's Review on pages 20 to 31 and the Corporate Social Responsibility Report on pages 32 to 35, 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 37 to the consolidated financial statements.

Results and dividends

The results for the year are shown in the Consolidated Income Statement on page 61.

A final dividend of 27.45 cents (US$) will be paid on 24 May 2013 to shareholders on the share register at the close of business on 17 May 2013. 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 Euro 0.0005 each are listed on the London Stock Exchange (LSE: ISAT.L). Details of the issued share capital of the Company, together with movements in the issued share capital during the year can be found in note 24 to the consolidated financial statements.

The Company has one class of ordinary share which carries no rights to fixed income. On a show of hands, each member present at our general meetings has the right to one vote. On a poll, each member is entitled to one vote for each share of Euro 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 a US$250m on-market share repurchase programme. As at 31 December 2012, a total of 15,252,658 Inmarsat plc shares had been repurchased for a total of US$108.3m of which 1,344,908 shares had been repurchased for a total aggregate consideration of US$9.9m between 1 January 2012 and 31 December 2012. 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 on pages 36 and 37.

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 2012 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 2013 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. All Directors will retire and put themselves forward for re-appointment at the 2013 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 does 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 45 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. Two Staff Forums and a Works Council are established in some of the operating businesses in accordance with local legislative requirements. We encourage two-way communications between employees and management as it enables 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 and a new employee share savings plan was offered to employees in 2012. Details of employee share awards and option schemes can be found on pages 53 to 56 of the Remuneration Report. Shares acquired through Company share schemes and plans rank *pari passu* with the shares in issue. All 891,714 ordinary shares held by the Inmarsat Employee Share Ownership Trust 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, and represent slightly more than 30% of our managers. We are pleased that this percentage representation has remained consistent with the levels reported last year.

Health and safety

The Group is committed to maintaining high standards of health and safety for its employees, customers, visitors, and contractors and anyone affected by its business activities. During 2012, we have worked closely with our subsidiary companies to harmonise health and safety best practice. Rupert Pearce, our CEO, is the Director designated for health and safety matters at Board level.

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. 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. Our subsidiary companies, Stratos and Segovia Commercial Services Inc are two of the DPs to whom these distribution agreements apply. Both have operating agreements with their own customers. These contracts vary in monetary value and length of term.

In addition, we have significant on-going contracts with our suppliers 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 new terminals for the Alphasat and Global Xpress programmes and also for our global satellite phone service ('GSPS').

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$367,458 (2011: US$370,889) to charities worldwide. This amount included a donation of US$200,000 to the telecommunications relief aid organisation, Télécoms Sans Frontières and a payment of US$111,000 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. Our CSR report provides further detail about these activities.

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 Annual General Meeting 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 2012, the Group's trade creditors represented 62 days equivalent of aggregate amounts invoiced by suppliers during the year (2011: 66 days).

Interests in voting rights
As at 7 March 2013, the Company had been notified, in accordance with chapter 5 of the Financial Services Authority's Disclosure and Transparency Rules, of the following significant interests:

	Percentage of voting rights over ordinary shares of €0.0005 each
Lansdowne Partners Limited	13.38%
BlackRock Inc.	10.00%
KDDI Corporation	4.85%
F&C Asset Management	4.28%
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 7 March 2013.

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 2013 AGM.

2013 Annual General Meeting
The Annual General Meeting will be held on 2 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
7 March 2013

Statement on Corporate Governance

Andrew Sukawaty
Executive Chairman

Statement from the Chairman

Your Board believes that a robust governance structure is vital to effective management of the Company and that it should underpin how we operate. In setting our governance, we have followed standards of good practice on how companies should be directed and controlled as set out in the UK Corporate Governance Code ('the Code'). The information below will help you to understand how your Board has run the Company, managed risks, monitored control, and describe how decisions have been taken.

The Board

Responsibilities

Our Board is the primary decision-making body for all material matters affecting the Inmarsat Group. It also provides leadership, guidance and sets our 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, diversity (of which gender is one component), experience and the 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 this responsibility through the Group. Management of the business is delegated to the Company's Executive Staff team, details of whom are listed on page 10.

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. Specific annual items include an update on the Company's policy on compliance with the UK Bribery Act and the U.S. Foreign Corrupt Practices Act requirements and health and safety.

The attendance of the Directors at the Board meetings held in 2012 is shown in the table below. Attendance at Committee meetings is shown in the relevant Committee reports.

Number of scheduled meetings held and meeting attendance in 2012

	Board	Percentage Attendance
1. Andrew Sukawaty[a]	8/8	100%
2. Rupert Pearce	8/8	100%
3. Rick Medlock	7/8	88%
4. Sir Bryan Carsberg	8/8	100%
5. Stephen Davidson[b]	8/8	100%
6. Admiral James Ellis Jr (Rtd)	8/8	100%
7. Kathleen Flaherty	7/8	88%
8. Janice Obuchowski	8/8	100%
9. John Rennocks[c]	8/8	100%

a Chairman of the Board and Nominations Committee
b Chairman of the Remuneration Committee
c Chairman of the Audit Committee

Constitution and appointments

Our Board is comprised of Directors drawn from a wide range of professional backgrounds. 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 36 and 37. In succession planning for the Board and within the Group, the Board takes account of the need for 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%.

We have already started to consider Non-Executive Director succession planning as four of the originally appointed independent directors at the 2006 AGM reach nine years with the Company at the 2015 AGM. The Board is conscious of the need to manage a smooth transition of changes in Non-Executive Directors and Committee Chairmen so as not to lose key knowledge on the Board during any handover periods.

Chairman and Chief Executive Officer roles

The role of Chairman and Chief Executive Officer was split on 1 January 2012. Andrew Sukawaty remained Executive Chairman and Rupert Pearce became Chief Executive Officer. John Rennocks, our Senior Independent Director, continues to act as Deputy Chairman and we continue to value his contribution. 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.

As Executive Chairman, Mr Sukawaty remains employed in a full-time position and undertakes executive responsibilities as summarised here. In addition to chairing the Board and ensuring that the Company meets its fiduciary responsibilities and is accountable for those to shareholders, he oversees the evaluation process to ensure the Board's effective operation. A major responsibility Mr Sukawaty has is to mentor Mr Pearce as he develops into his role as Chief Executive. Mr Sukawaty acts as the Company's representative with key governmental and industry trade bodies where his previous telecoms experience, combined with his knowledge from being with Inmarsat, is beneficial to our representation and influence at these meetings. In the business, Mr Sukawaty is responsible for driving new business opportunities in key geographic markets – Brazil, Russia, India, China and sub-Sahara. He also drives the decision-making on the future development of our handheld satellite phone. Mr Sukawaty has also assumed responsibility for being the Company's nominated individual dealing with the proxy board of our US Government subsidiary company. The Board remains unanimously of the opinion that retaining Mr Sukawaty in a full-time executive capacity until the end of 2014 significantly benefits the business as it goes through major changes in the lead-up to the launch of a new complementary revenue stream from the Inmarsat-5 Ka-band Global Xpress programme.

Mr Pearce as Chief Executive Officer is responsible for the day to day running of Inmarsat's operations and its financial results. He has been instrumental in restructuring the operations to ensure that we are closer to the markets and partners we serve, efficient in how we manage our business activities and agile in how we make decisions. Mr Pearce has ultimate responsibility for ensuring we meet the milestones for our key programmes – the delivery of four satellites over 2013 and 2014, a new network to deliver the Global Xpress programme and maximising the opportunities from our existing L-band business – all of which will target revenue growth and deliver enhanced returns to shareholders. The Board has been extremely pleased with how Mr Pearce has already grown into the role as Chief Executive and believes his increasing experience will be beneficial to the long-term success of the Company.

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 to the Company's operational and financial performance. To determine their independence, all Non-Executive Directors are reviewed by the Board 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. All Directors will stand for re-appointment annually in accordance with the provision of the Code. The Nominations Committee confirmed to the Board that the contributions made by the Directors offering themselves for re-appointment at the 2013 AGM continued to benefit the Board and the Company should support their re-appointment. Non-Executive Directors are appointed initially for three years and all Non-Executive Directors may not, unless agreed by the Board, remain in office for a period longer than six years, or two terms in office, whichever is the shorter.

Four of our Non-Executive Directors, John Rennocks, Stephen Davidson, Sir Bryan Carsberg and Admiral James Ellis Jr (Rtd) were appointed for the first time at the 2006 AGM and therefore reached their six-year term at the 2012 AGM. They were re-appointed by shareholders at the 2012 AGM. The Nominations Committee has reaffirmed that it believes these Directors continue to be independent and, subject to them being re-appointed by the shareholders at the 2013 AGM, they should remain in office thus providing continuity of experience and knowledge of the business.

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. The rest of the meetings are held in the UK and are also attended by key management to present on specific business issues. 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. At each meeting, the Chief Executive Officer and Chief Financial Officer provide reports to the Board and senior executives, by invitation, and present updates on strategy and the Group's operations. This way the Board is given exposure to the next layer of management at the Executive Staff level and often from their direct reports. This is helpful to the Board as it assists with management succession planning. 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. At these meetings they assess the Chairman's performance, discuss Board balance, monitor the powers of individual Executive Directors and raise any issues between themselves as appropriate.

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

Board effectiveness

The Board undertook a formal evaluation of its own performance and that of its Committees and individual Directors during the year. The Code requires that the Company conduct an externally facilitated evaluation every three years and the 2012 Board performance evaluation was facilitated by Duncan Reed of Condign Board Consulting Ltd, a company which is dedicated to board effectiveness work. Mr Reed and Condign have no other connection with the Company.

The evaluation process consisted of a structured interview with the Chairman, each Director, and the Company Secretary with an outline of the topics to be covered in the interview sent to each Director in advance. The evaluation also included the review of relevant Board papers. The outcome of the review was first discussed with the Chairman, the Deputy Chairman and the Company Secretary collectively, and then as an agenda item at the Board meeting in March 2013. The full output from the evaluation was presented in a report to all of the Directors at that Board meeting, with collective and individual feedback provided as appropriate.

The review concluded 'it is clearly felt that the overall functioning of the Board is now at a very good level indeed, and that the Board is fundamentally an effective and appropriately constituted body which can carry out its task of overseeing the business, now and in the future… offering good stewardship of the Company to its shareholders.' All the Directors expressed a high degree of satisfaction with their experience on the Board, with the Chairman facilitating a culture of openness, honesty and collegiality which encourages constructive challenge. In particular, the transition of Chief Executive responsibilities from him to Mr Pearce during 2012 was deemed to have been successful. The engagement by the Board with a wide group of management at Board meetings was particularly noted, as was the Board's high degree of satisfaction with the quality and rigour of the Company's risk management systems, investment analysis, and investor relations.

During the year, the Non-Executive Directors, led by the Senior Independent Non-executive Director, evaluated the performance of the Chairman and gave feedback on his performance as Chairman which was also reflected in the externally facilitated evaluation. The Chairman did the same in relation to the Directors. The Chairman also meets the Non-Executive Directors on an individual basis at least once a year. The Board believes that, as confirmed by the independently facilitated performance evaluation, the Directors have strong familiarity with the Group and its businesses. They contribute to strategic thinking, providing multiple perspectives and, importantly, ongoing independent judgement.

The recommendations which will be implemented following the 2012 Board performance evaluation include making more time available for the Board to discuss the forward agenda planner, to ensure that the right topics are being covered at the right times; the scheduling of further meetings for the Non-Executive Directors to be chaired by the Deputy Chairman; and an ongoing emphasis – at the Nominations Committee and then at the Board – on formal succession planning of the Non-Executive element of the Board. This is to ensure the composition of the Board is progressively refreshed over the next two years, including the Committee Chairmen roles, to reflect the needs of the Group as they develop. It is envisaged that in the short to medium term this may result in the Board temporarily increasing in size to ensure no loss of continuity and valued input.

The Non-Executive Directors continue to be highly supportive of all the executive management team. The culture of openness and transparency with the sharing of updates on Group activities has remained evident following senior management changes. This transparency has been enhanced with the change in reporting line of the business unit heads who have revenue responsibility now reporting to the Chief Executive Officer. The Board continues to support the further changes in business approach to maximise efficiency and agility in its operations.

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 36 and details of the fees paid to them can be found on page 55. To avoid potential conflicts of interest, Non-Executive Directors are expected to inform the Chairman before taking up any additional external appointments.

Induction and ongoing 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 ongoing 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 48 to 58.

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

BOARD

AUDIT COMMITTEE
Oversight and review of financial, risk management, audit and internal control issues.

REMUNERATION COMMITTEE
Oversight and review of remuneration, bonus and share plan issues.

NOMINATIONS COMMITTEE
Oversight and review of Board and senior management appointments and succession planning.

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.

The Committee comprises the following Non-Executive Directors:

John Rennocks (Committee Chairman), Stephen Davidson, Sir Bryan Carsberg and Janice Obuchowski.

There were five meetings during the year, attended by all members.

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 2012, 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. Reviews by the Committee of audit plans and risk reports include all Group operations. Detailed risk reporting is used for all Group companies and business operations. One of our subsidiary companies is required to produce quarterly financial statements, as required by its loan agreements, which are reviewed and approved by the Committee.

The Company Secretary, as Chairman of the Disclosure Committee (the role of which is detailed on page 46), 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 approval and 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. The Committee notes that FTSE 350 companies should put the external audit contract out to tender at least every 10 years. To avoid significant disruption, the Financial Reporting Council has provided details of transitional arrangements which would mean that as Deloitte became auditors after 2000, we would not need to undertake a tender review until 2020. Auditor objectivity and independence is safeguarded through a variety of mechanisms. To ensure the Auditor's independence, the Committee annually reviews the Company's relationship with Deloitte and receives summaries at each Audit Committee meeting from the Auditor as to its independence. 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.

Non-audit services
The Company's Auditor may also be used to provide specialist advice where, as a result of their position as Auditor, they either must, or are best placed to perform the work in question. A formal policy is in place in relation to the provision of non-audit services by the Auditor to ensure that there is adequate protection of its 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 regarding specialist tax advice on certain transactions. The Committee does not believe that asking Deloitte to undertake this work is of concern for the Company as it is satisfied with the quality of work and advice provided and importantly it believes the independence of the Auditor is not at risk. Additionally, where non-audit work is undertaken management will have negotiated competitive rates for each piece of work.

We receive advice from other firms for specific projects where we have established a new entity and operation, and other long-term projects where we have worked with KPMG and Ernst & Young on specific tax issues. We also use different firms to support us on VAT and ad hoc PAYE issues.

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 48 and 49.

Nominations Committee
The Nominations Committee comprises a majority of independent, Non-Executive Directors. The Nominations Committee meets as and when necessary and is represented by Andrew Sukawaty, its Chairman, Admiral James Ellis Jr (Rtd), Stephen Davidson and John Rennocks. During the year the Committee met twice with full membership attendance at each meeting. The Committee has responsibility for nominating candidates for appointment as Directors to the Board, bearing in mind the need for diversity (including gender) consideration, and a broad representation of skills across the Board.

The Nominations Committee will also make recommendations to the Board concerning the re-appointment of any Non-Executive Director as he or she reaches their ninth year of re-appointment by shareholders; the annual election and re-election of any Director by shareholders and changes to senior management, including Executive Directors.

All Directors will retire at the 2013 AGM and offer themselves for re-appointment. The Committee further agreed that it was appropriate that Directors exceeding their six-year term of office should be invited to serve for a longer period.

An area of activity, which the Committee noted at its March 2013 meeting, related to Board diversity and the importance of this being considered as part of succession planning. Gender is one element of consideration when appointing senior management, and 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 and last reviewed management succession in September 2012. It takes into account the challenges and opportunities facing the Company; diversity, including gender; and what skills and expertise are needed on the Board and from senior management in the future.

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 2012 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 2013. Investor and analyst conference calls took place after the announcement of each set of quarterly financial results. The Company also held an investor day focused on the Global Xpress Inmarsat-5 satellite programme, where a full update on the different elements of the programme was provided by the GX management team. 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 second half of 2012, the Remuneration Chairman, the Deputy Chairman and the Company Secretary visited many of the Company's significant and influential shareholders, and several proxy agencies, to discuss with them the issues arising from the voting at the 2012 AGM regarding the Directors' Remuneration Report. These meetings were helpful and have contributed to the planning of our future remuneration structure. Further information is provided in the Remuneration Report on pages 48, 49 and 51.

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 Executive Directors. 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 2013 AGM and be available to answer shareholders' questions. Voting may be by a form of proxy, by poll, by a show of hands or a combination of all three. Facilities are provided for shareholders to vote electronically 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 mis-statement 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 2012 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 and provided quarterly to the Board and to the Audit Committee.

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 on a quarterly basis.

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

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

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, pensions administration and other matters – 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

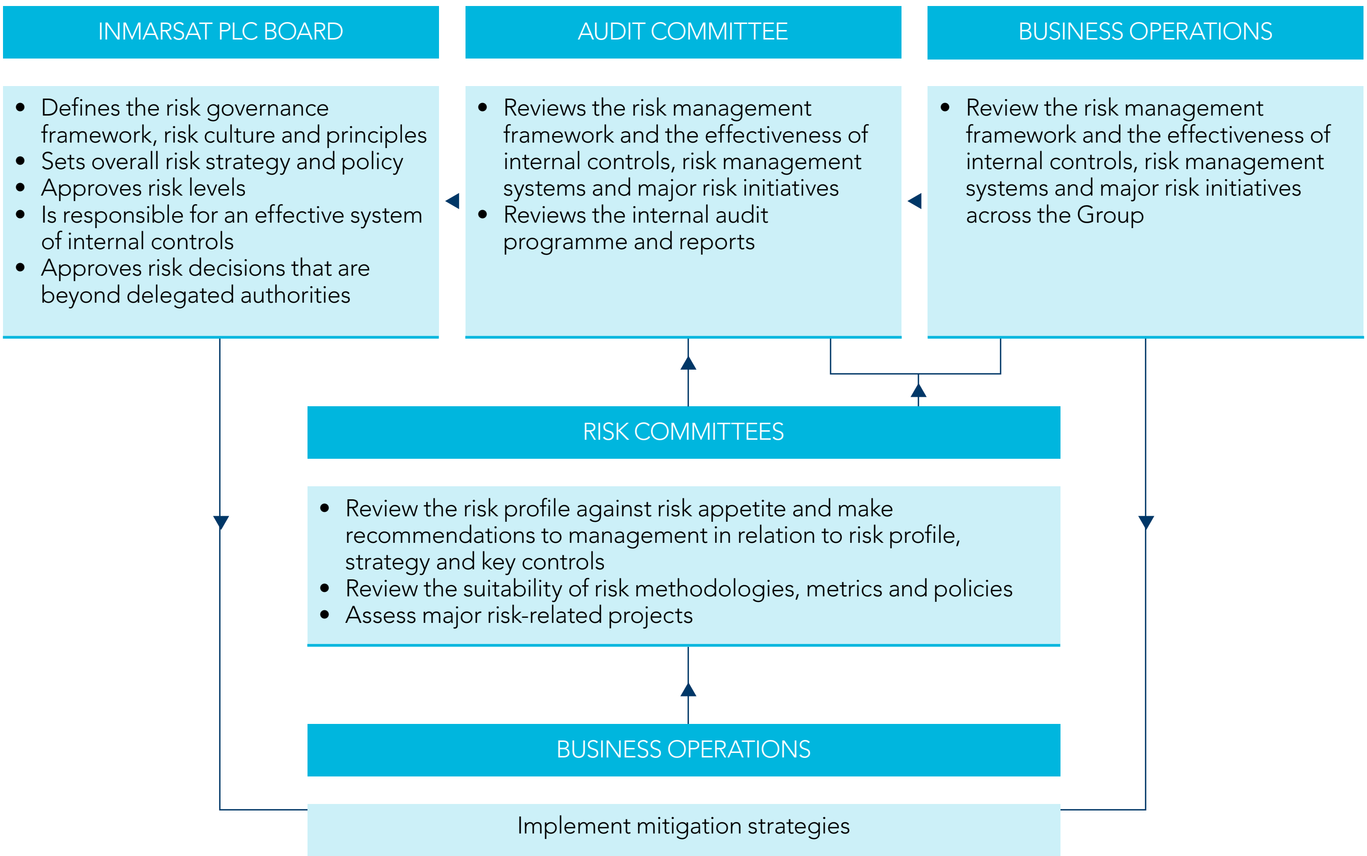
The Directors acknowledge the latest guidance on going concern. Despite the current volatility in financial markets and uncertain economic outlook, the Directors believe that the Group has a resilient business model, strong free cash flow generation and is compliant with all its financial covenants. 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 five-year 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 UK Corporate Governance Code. Throughout the year ended 31 December 2012, the Company has been in compliance with the provisions set out in Section 1 of the Code save as noted below.

The Executive Chairman, Andrew Sukawaty, did not meet the independence criteria on appointment. He was appointed Chairman in December 2003 and assumed the additional role of Chief Executive Officer at the Board's request in March 2004. On 1 January 2012, the roles were split and Mr Sukawaty continued as Executive Chairman. The Board believes that Mr Sukawaty's wide experience means that he remains extremely well qualified to lead the Company as its Executive Chairman and ensure that the Board continues to function effectively.

Risk management process



Remuneration Report

Stephen Davidson
Remuneration Committee Chairman

Dear Shareholder,

In this year's Remuneration Report, we have included some elements reflecting the new reporting requirements arising from the BIS proposals. We will adopt the proposals fully in our 2013 Report.

At the 2012 AGM, the resolution requesting shareholders to vote for the Directors' Remuneration Report received a significant vote against. In response to this, in the second half of 2012, we undertook extensive shareholder consultation, including speaking with leading proxy agencies. These discussions were attended by myself as Remuneration Committee Chairman and Alison Horrocks, our Senior Vice President for Corporate Governance & Company Secretary. John Rennocks, our Deputy Chairman and Senior Independent Director, also attended some of the meetings.

The discussion focused on several key areas:

- The roles and responsibilities of the two individuals fulfilling the roles of the Executive Chairman and Chief Executive Officer and their remuneration packages
- The operation of our existing annual bonus and share plans and shareholders' desire to have further information and transparency around financial targets and personal objectives
- How our incentive plans and remuneration policy should be structured in the light of shareholder and Executive Director feedback, and the market and regulatory developments.

We have set out in this Report, and also in the Corporate Governance statement, our commentary on each of these areas and we hope that this will provide additional clarity and transparency for shareholders.

Although full details are provided in this Report, I thought it would be helpful to summarise how our incentive structures operated during the 2012 financial year.

The business performed well during 2012, reflecting a return to revenue growth in our MSS business, continued strong cash flow generation, well managed costs and a share price which over 2012 increased by over 45%. As a consequence of this combination, the annual bonus plan financial targets were met. The Executive Directors also performed well against their personal objectives. This translated into bonus awards above target levels. The financial targets for the 2012 Bonus Share Plan share award were achieved in full. This means that the monetary award will be converted in full to shares which will vest over the next three years which the Committee believes represents a significant element of the retention and future incentive for the participants. However, the Performance Share Plan award made in 2010 did not vest and has lapsed.

The Remuneration Committee is focused on continued shareholder engagement to review how incentive and share plans will operate post-2014. We acknowledge that there is an increasing desire from shareholders, proxy agencies and government to encourage greater and longer shareholding by Executive Directors and agree that such holdings represent the strongest alignment between shareholders and management.

For a number of years, our Company's guideline has been for Executive Directors to hold 5x salary in wholly owned shares and that guideline has been consistently followed. Indeed, during 2012, it was significantly exceeded.

I hope you will find the rest of this Report informative.

Best regards,

Stephen Davidson
Remuneration Committee Chairman
7 March 2013

The Remuneration Report explains the roles, 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. We had three additional ad hoc meetings in addition to the four scheduled meeting during the year to discharge our responsibilities. Committee membership and attendance are set out in the table below:

	Attendance
Number of scheduled meetings in 2012:	4
Stephen Davidson (Committee Chairman)	4/4
Sir Bryan Carsberg	4/4
Admiral James Ellis Jr (Rtd)	4/4
Kathleen Flaherty	3/4

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. We operate under delegated authority from the Board and our activities are governed by terms of reference which can be found on our website at www.inmarsat.com. Our 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. 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 the year, the main work of the Committee has involved significant shareholder engagement to listen to comments on our current remuneration policy and a review of incentives for Executive Directors and senior executives. Our objective is to have a remuneration framework that will align the interests of executives and shareholders, provide simplification of operation, improve transparency of the share plans to executives and shareholders, and makes more effective use of share-based incentives. The review is in progress, and any changes to remuneration will take place from 2014, subject to seeking appropriate shareholder approval.

Advisers

The Committee is advised internally by Andrew Sukawaty (Executive Chairman), Rupert Pearce (Chief Executive Officer), 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). John Rennocks, the Company's Deputy Chairman, also attends the meetings and contributes to the discussion. No member of management is present at a Committee meeting when their own arrangements are being discussed.

In September 2012, following a tendering process, Kepler Associates was appointed as the Committee's independent external adviser to review our remuneration principles and practices against corporate governance best practice. Kepler reports directly to the Committee Chairman and is a signatory of the Code of Conduct for Remuneration Consultants (which can be found at www.remunerationconsultantsgroup.com). Kepler provides no other services to the Company. Deloitte LLP acted as our advisers until Kepler's appointment. In light of feedback received from shareholders the Committee decided that it would be appropriate to have separate firms for remuneration and audit work. Deloitte is also a signatory to the Code of Conduct for Remuneration Consultants. 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, retain and motivate talent of the highest appropriate quality, linking rewards to the achievement of financial and strategic goals of the Group. When determining remuneration policy, we take into account all factors which we deem necessary, including the Group's overall business strategy, business performance in the current year and expectations for future years, pay arrangements in the wider Inmarsat workforce, and the global economic situation. Where appropriate, we will consult with shareholders in advance for major changes in the remuneration policy or individual remuneration arrangements. The Committee is committed to the principle that the Company should not pay more than is necessary to recruit and retain executives, and incentivise them to achieve the Company's objectives which will create value for shareholders.

Fixed vs. variable remuneration

Remuneration for Executive Directors is made up of fixed and variable elements linked to performance. 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. We believe that there is an appropriate balance between fixed and variable remuneration. The elements of total remuneration for Executive Directors for 2013 are set out below. There are no changes to the remuneration policy compared with 2012.

Fixed remuneration represents circa 30% of total remuneration and includes basic salary, including pension and benefits.

Variable remuneration represents circa 70% of total remuneration and includes the annual cash bonus and benefits from participation in the Company's share plans.

	Circa 30% FIXED	Circa 70% VARIABLE		
	Basic salary (including pension and benefits)	**Annual cash bonus**	**Bonus Share Plan**	**Performance Share Plan**
Objective	To attract and retain talent by setting salaries and benefits at market-competitive levels	To incentivise the achievement of annual financial and operational goals in line with the Group strategy	To link the delivery of short-term financial and operational performance to sustained shareholder value creation	To align executives' interests with long-term shareholder value creation through rewarding the delivery of strong TSR and earnings performance
Operation and performance metrics	Salaries are reviewed annually Salary levels and increases reflect the market value of the position together with the skills/experience of the Director. The average increase awarded across the Group is also taken into account when considering increases for Executive Directors	Payable against achievement of annual financial (revenue, operating and capital expenditure, with EBITDA underpin) and personal objectives Objectives are reviewed and agreed annually	Annual awards of restricted shares made subject to achievement of agreed financial targets (currently the same performance conditions as for the annual cash bonus) each year Awards are earned based on performance in the first year and vest over a further three years (a four-year plan from shares being awarded) subject to continued employment	Annual awards of performance shares vesting 50% on EBITDA and 50% on TSR relative to the FTSE350 (excluding investment trusts) Awards vest after three years subject to performance conditions being achieved
Opportunity	As of 1 January 2013, salaries will be £451,000 and £340,760 for the CEO and CFO, respectively. Salaries are subject to review in July 2013 The Executive Chairman's salary remains unchanged at £614,744	75%, 75% and 50% of salary payable for achieving target performance for the Executive Chairman, CEO and CFO, respectively 125%, 125% and 100% of salary payable for achieving stretch performance against all measures for the Executive Chairman, CEO and CFO, respectively	Maximum award levels are 200% of the maximum annual cash bonus, and in exceptional circumstances, 300% of the maximum annual cash bonus The normal range of awards has typically been 100%-275%, 100%-150% and 100%-120% of salary for the Executive Chairman, CEO and CFO, respectively	Maximum award levels are 200% of salary, and in exceptional circumstances, 300% of salary The normal range of awards has typically been 100%-225%, 100%-150% and 100%-120% of salary for the Executive Chairman, CEO and CFO, respectively

Service agreements

The three 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 *Executive Chairman*	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. He will also be entitled to other contractual benefits.
Rupert Pearce *Chief Executive Officer*	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. He will also be entitled to other contractual benefits.
Rick Medlock *Chief Financial Officer*	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. He will also be entitled to other contractual benefits.

Consideration of shareholder views

When determining remuneration, the Committee considers shareholder views and the guidelines of investor bodies. During 2012, Stephen Davidson, Chairman of the Committee, Alison Horrocks, SVP Corporate Governance and Company Secretary, and for some meetings, John Rennocks, Deputy Chairman, approached 27 shareholders representing approximately 45% of our shares, and leading proxy agencies, to seek their views on all aspects of the Company's current executive remuneration arrangements. We are currently reviewing remuneration arrangements in light of this shareholder feedback, and any changes will take place from 2014, subject to key shareholder consultation and approval of the new plans at the 2014 AGM. The Committee is always open to feedback from shareholders on remuneration policy or individual arrangements, and is committed to consulting shareholders in advance of major changes.

Base salary

Base salary is set by the Committee and reviewed annually in July taking account of an individual's performance and experience measured by a formal appraisal by the Committee, market pay levels, a review of salaries against companies of similar size, complexity and type as well as the remuneration arrangements operated throughout the Group.

The next review of base salary for Executive Directors will be with effect from 1 July 2013. We have already indicated to shareholders that the Committee expects to increase Mr Pearce's salary each year to reflect how he develops in the Chief Executive role and the performance of the business. We expect the level of annual increase for Mr Pearce in July 2013 (the next salary review date) to be around 10%. The Committee will determine the levels of future increases considering both his individual and the Company's performance, and will benchmark as well. His current salary level of £451,000 is well below the median level for Chief Executive's of FTSE 50-150 sized companies.

The average annual salary increase across the Inmarsat group of employees made at 1 July 2012 was 2.23%. The salaries for the Executive Directors for 2012 and 2013 are set out in the table below.

Name	1 January 2012	1 July 2012	1 January 2013
Andrew Sukawaty (Executive Chairman)	£614,744	£614,744 (0% increase)	£614,744
Rupert Pearce (Chief Executive Officer)	£410,000	£451,000 (10% increase)	£451,000
Rick Medlock (Chief Financial Officer)	£330,839	£340,760 (3% increase)	£340,760

Pensions and benefits

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, as noted below. Messrs Pearce and Medlock are members (active and deferred, respectively) 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. With effect from 1 April 2012, Mr Medlock became a deferred member of the defined contribution pension plan and instead receives an annual salary supplement of approximately £15,000, which is equivalent to 12.5% of the capped salary.

The current employer contributions (subject to the UK Pension Plan scheme specific cap of £136,200 and £141,000 for the 2012/13 and 2013/14 tax years respectively and US Internal Revenue Service earnings caps as appropriate) are:

Andrew Sukawaty	12.5% of capped salary was paid in 2012: £18,636 as employer contributions
Rupert Pearce	10% of capped salary was paid in 2012: £13,905 as employer contributions

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

Annual cash bonus

Bonus awards, which are not pensionable, are made to Executive Directors based on Group financial and individual performance. 80% of the bonus is linked to financial performance, as measured through revenue (50% of financial element), operating expenditure (35%) and capital expenditure (15%), with an EBITDA underpin. The remaining 20% of the bonus is linked to personal performance, as appraised against achievement of challenging objectives set by the Committee at the start of each financial year. Personal performance targets are clearly defined and measurable, and are linked to Group strategic and operational performance. The Committee reviewed the performance measures and targets in respect of using them for the 2013 bonus, and determined them to remain appropriate.

Examples of personal objectives for the Executive Directors included:

Executive Chairman:
- Manage the transition of work to the Chief Executive and assist him generally in support of business success
- Manage the Board and Board evaluation process effectively, and
- Increase business development efforts specifically in China, India and Russia.

Chief Executive:
- Lead the Group restructuring process through its 2012 milestone
- Deliver a return to growth for the Group's wholesale MSS business, and
- Maintain the GX/Inmarsat-5 programme on track and to budget and ensure development of further strategic channel relationships.

Chief Financial Officer:
- Support the Group restructuring process through its 2012 milestone
- Play a leading role with shareholders and analysts, and
- Ensure effective internal financial reporting to support the creation of new Business Units.

In 2012, the corporate financial targets for EBITDA, revenue, operating and capital expenditure were met, however the stretch target for revenue was not achieved. The revenue target made appropriate allowance for LightSquared revenues. The target and maximum annual bonus amounts and actual cash bonus which will be awarded to each Executive Director are set out below.

	Target bonus (% of salary)	Maximum bonus (% of salary)	Bonus actually approved for 2012 financial year (% of salary)
Andrew Sukawaty	75%	125%	106%
Rupert Pearce	75%	125%	114%
Rick Medlock	50%	100%	76%

Annual bonus awards for the Executive Directors, and other senior management members, will be paid at the end of April 2013 subject to the Director still being in employment at that date.

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 above limits. The current level of dilution for share awards is within the above limits. The existing share plans reach their ten year maturity in 2015 and we would expect that share plans will be renewed at the 2014 AGM.

The Group operates the following share plans:

Inmarsat 2005 Performance Share Plan ('the PSP')

The purpose of the PSP is to align executives' interests with long-term shareholder value creation through rewarding the delivery of strong TSR and earnings performance. Executive Directors and certain members of senior management participate in this plan. Awards are generally made over a specific number of shares, and vest after a three-year performance period with vesting determined by performance targets and employment conditions.

Awards under the plan can be made with a value of up to 200% of base 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. To date, the normal range of awards has been 100%-225%, 100%-150% and 100%-120% of salary for the Executive Chairman, CEO and CFO, respectively.

Awards made in 2012 will vest based 50% on the Company's relative TSR performance against companies within the FTSE350 Index (excluding investment trusts) and 50% on 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 constituents of the FTSE350 Index (excluding investment trusts) continue to represent the most appropriate comparator group against which to measure the Company's relative TSR performance. Growth in EBITDA was selected to reflect the Company's primary driver of value and we consider that this also remains appropriate for future awards.

Performance targets for the 2012 award are as follows:

3-year TSR relative to FTSE350 (excluding investment trusts)	Vesting percentage (% of maximum)
Below median	0%
Median	30%
Upper quartile	100%
Between median and upper quartile	Straight line basis

3-year EBITDA growth p.a.	Vesting percentage (% of maximum)
Less than 1%	0%
Between 1% and 4%	Straight line basis

Awards made prior to 2012 will vest with joint reference to relative TSR and EBITDA. The Committee made the decision to measure relative TSR and EBITDA independently from 2012 to simplify the plan.

Performance targets for awards made in 2010 and 2011 are as follows:

		3-year EBITDA growth p.a.		
		Less than 5%	5%	8%
3-year TSR relative to FTSE350 (excluding investment trusts)	Upper quartile	No vesting	75%	100%
	Median	No vesting	30%	75%
	Below median	No vesting	No vesting	No vesting

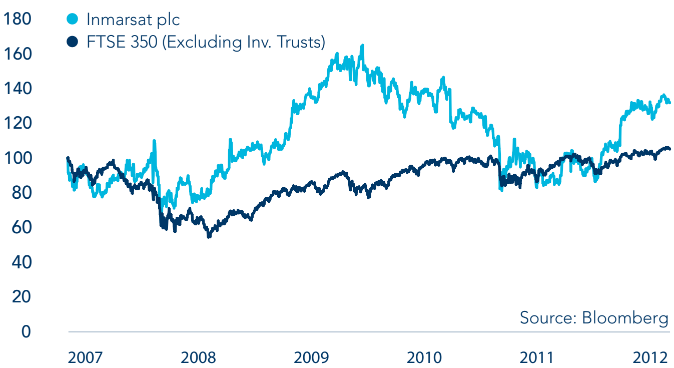
The PSP award made in 2009 did not vest in 2012. Similarly the PSP award made in 2010 will not vest in 2013 as although the EBITDA target was triggered, the TSR performance did not meet the criteria to trigger any level of vesting. There are no provisions for the re-testing of performance under the PSP. It is intended that awards will be made to the Executive Directors and senior management for 2013 at similar levels to the awards made in 2012 in the open period following the announcement of the Company's full year results.

Details of the PSP awards made to the Executive Directors are provided on page 56.

In the event an Executive Director leaves the Company for reasons of death, ill-health, redundancy, retirement, or any other reason which the Committee in its absolute discretion permits (i.e. so that the Executive Director is determined to be a 'good leaver'), any outstanding PSP awards will be pro-rated for time and will either vest at the end of the performance period or immediately, at the Committee's discretion, subject to the performance conditions having been achieved. Upon a change of control of the Company, awards will be pro-rated for time and may be transferred to participants within such period as the Committee may permit based on the extent to which the Committee determines that the performance conditions have been met. For all other leavers, outstanding awards will lapse.

Performance graph

The following graph shows the Company's performance over the last five years, measured by total shareholder return on a holding of the Company's shares compared to a hypothetical holding of shares in the FTSE350 Index (excluding investment trusts).



Inmarsat 2005 Bonus Share Plan ('the BSP')

The purpose of the BSP is to reward the achievement of financial and operational performance, and to align the interests of executives and shareholders through payment in, and deferral of shares. The size of BSP awards is determined based on performance, and awards generally vest in three equal tranches on the first, second and third anniversaries following the conversion of a monetary award into shares at the end of year one. This scheme is a four-year retention and incentive plan.

The maximum levels of bonus share award that can be earned are equivalent to 200% of the maximum annual cash bonus, and in exceptional circumstances, equivalent to 300% of the maximum annual cash bonus. The Committee will use these limits carefully and does not intend automatically to make share awards at the higher levels. The normal range of awards has been 100%-275%, 100%-150% and 100%-120% of salary for the Executive Chairman, CEO and CFO, respectively.

To date, the annual performance targets used for the BSP have been the same financial targets as those used for the annual cash bonus, comprising the four key financial measures for Inmarsat of revenue, operating expenditure, capital expenditure, and EBITDA. These financial measures have been selected as they are considered key to driving operational performance. The Committee can determine how dividends paid during the vesting period shall be awarded to participants, and to date, has determined dividends accrue in the form of ordinary shares which are added to the original award of shares and vest in line with the relevant award.

The allocation of shares in respect of the awards is 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 2013 in the open period following the announcement of the Company's full year results and will be at similar levels to those made in 2012.

Details of the BSP awards made to the Executive Directors are provided on page 55.

In the event an Executive Director leaves the Company and is determined by the Committee to be a 'good leaver' (with the same definition as described in the Performance Share Plan above), any outstanding BSP awards have previously vested immediately. In future, subject to the Committee's discretion, a good leaver will receive vested awards at the same time as other BSP participants and there will be no acceleration (other than in the event of a change of control where the awards may be issued to participants within such period as the Committee may permit). For all other leavers, outstanding awards will lapse.

Under the operation of the BSP rules, we have also created a Business Unit long-term incentive plan which is designed to incentivise the Business Unit heads and their key staff through the delivery of shares over a long term period. The principles of the plan are to support an entrepreneurial focus and culture to deliver Business Unit strategies, rewarding delivery of current and new business objectives to deliver transformational growth. Challenging targets have been set and if they are achieved, the Business Unit will have out-performed and the long-term incentive opportunity will be self-funding. No Executive Director participates in this plan.

Other share incentive schemes

The Company operates a Sharesave Scheme in the UK in which eligible Executive Directors are permitted to participate. An International Sharesave Plan was established to replicate this scheme for non-UK-based employees. The Company also has shareholder approval to operate a Restricted Share Scheme ('the RSS') and an Executive Share Option Scheme ('the Executive Scheme'). Neither the RSS nor the Executive Scheme has 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.

Grants made to Executive Directors under the above plans, where relevant, are set out on page 55.

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 2012 financial year were as follows:

	Company in which non-executive directorship held	2012 Fee
Andrew Sukawaty	Ziggo B.V.*	€290,000
Rick Medlock	Momondo Group Ltd (formerly Cheapflights Media Ltd)	£35,000
	Edwards Vacuum Ltd	£30,000

* Following Ziggo's successful listing in the NYSE Euronext Amsterdam in 2012, Andy Sukawaty waived his annual cash and equity remuneration and received a compensation of €300k and €1,100k respectively for the wavier, €20k for other benefits and expenses, and received a share based payment of €2,817k.

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 2012 is set out below. No other Director has received share awards.

Inmarsat 2005 Sharesave Scheme

	Options held at 1 January 2012	Granted during the year	Exercised during the year	**Options held at 31 December 2012**	Option price per share	Date from which exercisable	Expiry Date
Andrew Sukawaty	3,137	1,960	3,137	**1,960**	£4.59	February 2016	July 2016
Rupert Pearce	3,137	1,960	3,137	**1,960**	£4.59	February 2016	July 2016
Rick Medlock	3,137	1,960	3,137	**1,960**	£4.59	February 2016	July 2016

The three Executive Directors exercised their 2008 Sharesave share option on 1 February 2012 at a price of £3.06 per share and continue to hold the shares as part of their beneficial holdings.

Inmarsat 2005 Bonus Share Plan

	Share awards held at 1 January 2012	Awarded during the year	Reinvested dividends during the year[1]	Vested during the year[2]	**Share awards held at 31 December 2012**	Award Price	Vesting Date
Andrew Sukawaty							
Award made in March 2008[3]	34,903	–	764	35,667	**–**	£4.59	March 2012
Award made in March 2009[4]	42,086	–	1,218	21,504	**22,722**	£7.68	March 2012 and May 2013
Award made in March 2010[5]	91,103	–	3,593	31,706	**67,005**	£6.07	March 2012, May 2013 and 2014
Award made in March 2011[6]		319,884	18,651	–	**338,535**	£4.549	May 2013, March 2014 and 2015
Rupert Pearce							
Award made in March 2008[3]	18,638	–	408	19,047	**–**	£4.59	March 2012
Award made in March 2009[4]	22,882	–	661	11,692	**12,353**	£7.68	March 2012 and May 2013
Award made in March 2010[5]	42,009	–	1,656	14,619	**30,896**	£6.07	March 2012, May 2013 and 2014
Award made in March 2011[6]		56,381	3,286	–	**59,667**	£4.549	May 2013, March 2014 and 2015
Rick Medlock							
Award made in March 2008[3]	31,865	–	698	32,563	**–**	£4.59	March 2012
Award made in March 2009[4]	29,457	–	852	15,051	**15,903**	£7.68	March 2012 and May 2013
Award made in March 2010[5]	53,019	–	2,090	18,451	**38,994**	£6.07	March 2012, May 2013 and 2014
Award made in March 2011[6]	–	71,018	4,140	–	**75,158**	£4.549	May 2013, March 2014 and 2015

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 12 March 2012, the three Executive Directors 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 46,333 vested shares at a price of £4.87 per share, representing a monetary value of £225,642. On the same date, Mr Pearce sold 23,645 vested shares at a price of £4.87 per share, representing a monetary value of £115,151 and Mr Medlock sold 34,441 vested shares at a price of £4.87 per share, representing a monetary value of £167,728.
3) The shares vest in three equal instalments and the last instalment vested in March 2012.
4) The shares vest in three equal instalments, the second instalment vested in March 2012 and the remaining instalment will vest in May 2013.
5) The shares vest in three equal instalments with the final instalment in March 2014.
6) The shares vest in three equal instalments with the final instalment in March 2015.
7) The targets for the 2012 BSP award were achieved. As a result, the monetary value of the awards made in March 2012 will be fully converted into ordinary shares based on the share price following the announcement of the 2012 financial results in March 2013. The monetary value of the awards made in March 2012 was £1,564,760, £615,000 and £397,007 for Messrs Sukawaty, Pearce and Medlock respectively and the shares into which this will be converted will vest in equal proportions in March 2014, March 2015 and March 2016.

Inmarsat 2005 Performance Share Plan

	Share awards held at 1 January 2012	Awarded during the year	Reinvested dividends during the year[1]	Vested during the year	Lapsed during the year	**Share awards held at 31 December 2012**	Award Price	Vesting Date
Andrew Sukawaty								
Award made in 2009	100,667	–	–	–	100,667	**–**	£4.57	March 2012
Award made in 2010[3]	75,648	–	–	–	–	**75,648**	£7.91	Will lapse March 2013
Award made in 2011	100,612	–	–	–	–	**100,612**	£6.11	May 2014
Award made in 2012	–	304,663	–	–	–	**304,663**	£4.54	March 2015
Rupert Pearce								
Award made in 2009	54,735	–	–	–	54,735	**–**	£4.57	March 2012
Award made in 2010[3]	32,258	–	–	–	–	**32,258**	£7.91	Will lapse March 2013
Award made in 2011	42,986	–	–	–	–	**42,986**	£6.11	May 2014
Award made in 2012	–	135,462	–	–	–	**135,462**	£4.54	March 2015
Rick Medlock								
Award made in 2009	70,460	–	–	–	70,460	**–**	£4.57	March 2012
Award made in 2010[3]	40,712	–				**40,712**	£7.91	Will lapse March 2013
Award made in 2011	54,147	–	–	–	–	**54,147**	£6.11	May 2014
Award made in 2012	–	87,446	–	–	–	**87,446**	£4.54	March 2015

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) No amount of the 2009 PSP vested in 2012.
3) No amount of the 2010 PSP will vest in 2013.

Share awards to the former Chief Executive Officer

Two share plans were in operation for the former Chief Executive Officer, Mr Sukawaty. The CEO Share award which was an award made in 2007 over 1,000,000 shares, which could have been increased by a further 700,000 shares subject to achieving certain share price conditions. The performance period ended on 30 September 2012 and an average share price over the last 60 days was £5.73. The performance condition was to exceed a share price of £5.50. Out of a potential award of 1,000,000 shares, Mr Sukawaty received 160,631 shares, which included 46,937 additional shares in lieu of dividends.

The second share plan was the CEO Deferred Share Bonus Plan where 125,000 shares were awarded in 2009. The performance condition was achieved in 2010 and shares were due to vest on 30 September 2012. The number of shares which vested, including additional shares in lieu of dividends, totalled 142,677.

Vesting for both plans could not occur on 30 September as this was a Sunday and then the Company went into its close period for the Q3 2012 results. Therefore, the first time shares could vest was 5 November 2012.

Mr Sukawaty elected to sell sufficient shares at £5.60 to pay tax and national insurance deductions falling due and has retained a balancing aggregate number of 145,271 shares.

The market price of the ordinary shares at 31 December 2012 was 584.5p and the range during the year was 390.8p to 605.5p.

Directors' remuneration

Audited information on the remuneration each Director received during the year is detailed below:

	Salaries/Fees		Bonus		Benefits		Total		Pension	
(£000)	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Executive Directors										
Andrew Sukawaty	**615**	615	**652**	645	**32**	29	**1,299**	1,289	**77**	79
Rupert Pearce	**431**	131	**514**	90	**6**	2	**951**	223	**14**	6
Rick Medlock	**308**	331	**238**	214	**5**	6	**551**	551	**16**	15
	1,354	1,077	**1,404**	949	**43**	37	**2,801**	2,063	**107**	100
Non-Executive Directors										
Sir Bryan Carsberg	**57**	55	**–**	–	**–**	–	**57**	55	**–**	–
Stephen Davidson	**66**	62	**–**	–	**–**	–	**66**	62	**–**	–
Admiral James Ellis Jr (Rtd)	**109**	144	**–**	–	**–**	–	**109**	144	**–**	–
Kathleen Flaherty	**54**	53	**–**	–	**–**	–	**54**	53	**–**	–
Janice Obuchowski	**54**	53	**–**	–	**–**	–	**54**	53	**–**	–
John Rennocks	**102**	99	**–**	–	**–**	–	**102**	99	**–**	–
	442	466	**–**	–	**–**	–	**442**	466	**–**	–

Notes:
1) £:US$ exchange rate used was £1=US$1.48 (2011: £1=US$1.51).
2) The pension for Andrew Sukawaty includes an annual salary supplement in lieu of employer pension contribution.
3) The pension for Rick Medlock includes an annual salary supplement in lieu of employer pension contribution with effect from April 2012 and his salary for 2012 reflects a short period of unpaid leave.
4) 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 2012, this fee was US$76,905 per annum (2011: US$76,905 per annum).

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. Following a review in July 2012, the Board agreed that no increase would be made to basic fee but the fee levels for Committees should be adjusted to take effect from July 2012. The Board will next consider the level of fees in July 2013.

Non-Executive Directors' fees per annum as at 31 December 2012 were:

Basic fee	£50,000
Chairman of Audit Committee	£10,000
Chairman of Remuneration Committee	£10,000
Chairman of Nominations Committee[1]	£5,000
Committee membership	£4,500
Deputy Chairman/SID (inclusive of Committee membership but excluding Audit Chairman fee)	£94,085

1) Mr Sukawaty as Chairman of the Nominations Committee does not receive this fee.

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. Four of the Non-Executive directors were appointed at the 2006 AGM and have served longer than six years. The Corporate Governance Code has special provisions regarding determination of the independence of directors when they have served for more than nine years. The Nominations Committee has concluded that all Non-Executive directors are independent, and that the contribution of all remains valuable and therefore they should continue in office subject to being reappointed by shareholders.

Non-Executive Director appointment details are:

Name	Date of appointment letter	Date of appointment
Sir Bryan Carsberg	18 April 2005	22 June 2005
Stephen Davidson	16 June 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
John Rennocks	5 January 2005	4 January 2005

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 built up over a four-year period for Executive Staff. Executive Directors consistently hold approximately five times or over, and based on a share price of £6.50 at the end of February 2013, these levels are equivalent to a range of 6-10x salary. We believe this reflects a very close alignment with the interests of shareholders.

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 corporate body 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 2012**	As at 31 December 2011
Executive Directors		
Andrew Sukawaty	**922,867**	731,915
Rupert Pearce	**575,686**	550,837
Rick Medlock	**324,447**	289,686
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**	3,073
Janice Obuchowski	**7,000**	7,000
John Rennocks	**43,326**	44,900

Approved by the Board

Stephen Davidson
Chairman, Remuneration Committee
7 March 2013

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 International Financial Reporting Standards 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.

Rupert Pearce
Chief Executive Officer
7 March 2013

Rick Medlock
Chief Financial Officer
7 March 2013

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 2012 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 37. 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 2012 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;
- 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 2012 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
7 March 2013

Consolidated Income Statement

(US$ in millions)	Note	2012	2011
Revenues		**1,337.8**	1,408.5
Employee benefit costs	7	**(233.0)**	(206.5)
Network and satellite operations costs		**(295.1)**	(241.7)
Other operating costs		**(139.1)**	(127.0)
Own work capitalised		**24.1**	21.1
Total net operating costs		**(643.1)**	(554.1)
EBITDA		**694.7**	854.4
Depreciation and amortisation	6	**(255.2)**	(245.8)
Loss on disposal of assets		**(0.5)**	–
Acquisition-related adjustments		**–**	(2.1)
Impairment losses	6	**(94.7)**	(141.5)
Share of profit of associates		**2.1**	1.5
Operating profit		**346.4**	466.5
Interest receivable and similar income	9	**3.2**	5.0
Interest payable and similar charges	9	**(56.0)**	(104.6)
Net interest payable	9	**(52.8)**	(99.6)
Profit before income tax	6	**293.6**	366.9
Income tax expense	10	**(76.2)**	(117.4)
Profit for the year		**217.4**	249.5
Attributable to:			
Equity holders		**217.1**	249.3
Non-controlling interest		**0.3**	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	**0.48**	0.55
– Diluted	27	**0.48**	0.54
Adjusted earnings per share for profit attributable to the equity holders of the Company during the year (expressed in US$ per share)			
– Basic	27	**0.61**	0.53
– Diluted	27	**0.60**	0.53

Consolidated Statement of Comprehensive Income

(US$ in millions)	Note	2012	2011
Profit for the year		**217.4**	249.5
Other comprehensive income			
Actuarial gains from pension and post-employment benefits		**4.4**	13.4
Net gains/(losses) on cash flow hedges	26	**11.4**	(2.7)
Foreign exchange translation differences		**–**	0.4
Tax charged directly to equity	10	**(3.7)**	(4.2)
Other comprehensive income for the year, net of tax		**12.1**	6.9
Total comprehensive income for the year, net of tax		**229.5**	256.4
Attributable to:			
Equity holders		**229.2**	256.2
Non-controlling interest		**0.3**	0.2

Consolidated Balance Sheet

(US$ in millions)	Note	2012	2011
Assets			
Non-current assets			
Property, plant and equipment	13	**2,081.6**	1,820.1
Intangible assets	14	**970.5**	1,081.7
Investments	15	**31.6**	31.0
Other receivables	17	**15.4**	4.2
Derivative financial instruments	32	**–**	0.1
		3,099.1	2,937.1
Current assets			
Cash and cash equivalents	16	**332.1**	183.5
Trade and other receivables	17	**290.0**	257.2
Inventories	18	**25.4**	23.5
Derivative financial instruments	32	**6.4**	7.8
		653.9	472.0
Total assets		**3,753.0**	3,409.1
Liabilities			
Current liabilities			
Borrowings	19	**52.4**	361.5
Trade and other payables	20	**563.7**	535.4
Provisions	21	**5.5**	2.9
Current income tax liabilities	22	**32.7**	52.3
Derivative financial instruments	32	**11.4**	14.2
		665.7	966.3
Non-current liabilities			
Borrowings	19	**1,769.0**	1,188.9
Other payables	20	**25.7**	28.1
Provisions	21	**25.4**	26.7
Deferred income tax liabilities	22	**141.3**	108.9
Derivative financial instruments	32	**–**	9.1
		1,961.4	1,361.7
Total liabilities		**2,627.1**	2,328.0
Net assets		**1,125.9**	1,081.1
Shareholders' equity			
Ordinary shares	24	**0.3**	0.3
Share premium		**687.4**	683.9
Equity reserve		**56.9**	56.9
Other reserves	26	**43.5**	25.8
Retained earnings		**336.7**	313.3
Equity attributable to shareholders of the parent		**1,124.8**	1,080.2
Non-controlling interest		**1.1**	0.9
Total equity		**1,125.9**	1,081.1

The consolidated financial statements of the Group on pages 61 to 99 were approved by the Board of Directors on 7 March 2013 and were signed on its behalf by:

Rupert Pearce
Chief Executive Officer

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 2011	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
Issue of share capital	**–**	**3.5**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3.5**
Share options charge	**–**	**–**	**–**	**8.8**	**–**	**–**	**–**	**–**	**0.4**	**–**	**9.2**
Purchase of own shares	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(9.9)**	**–**	**(9.9)**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(187.4)**	**(0.1)**	**(187.5)**
Comprehensive Income:											
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**217.1**	**0.3**	**217.4**
Other comprehensive income – before tax	**–**	**–**	**–**	**–**	**11.4**	**–**	**–**	**–**	**4.4**	**–**	**15.8**
Other comprehensive income – tax	**–**	**–**	**–**	**–**	**(2.5)**	**–**	**–**	**–**	**(1.2)**	**–**	**(3.7)**
Balance at 31 December 2012	**0.3**	**687.4**	**56.9**	**56.5**	**(2.5)**	**0.6**	**0.4**	**(11.5)**	**336.7**	**1.1**	**1,125.9**

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

Consolidated Cash Flow Statement

(US$ in millions)	Note	2012	2011
Cash flow from operating activities			
Cash generated from operations	23	**726.9**	991.2
Interest received		**1.8**	3.0
Income taxes paid		**(69.2)**	(112.6)
Net cash inflow from operating activities		**659.5**	881.6
Cash flow from investing activities			
Purchase of property, plant and equipment		**(437.2)**	(489.7)
Additions to capitalised development costs, including software		**(22.9)**	(20.0)
Own work capitalised		**(23.9)**	(21.3)
Acquisition of subsidiaries and other investments	29	**(15.1)**	(171.0)
Net cash used in investing activities		**(499.1)**	(702.0)
Cash flow from financing activities			
Dividends paid to shareholders	12	**(186.6)**	(172.2)
Repayment of Previous Senior Credit Facility	19	**–**	(200.0)
Repayment of EIB Facility	19	**(44.1)**	–
Drawdown of Ex-Im Bank Facility	19	**120.3**	277.3
Gross issuance proceeds of Senior Notes due 2017	19	**212.0**	–
Repayment of Ship Equip long-term debt		**–**	(44.7)
Interest paid on borrowings		**(97.5)**	(79.7)
Arrangement costs of financing	19	**(8.1)**	(22.4)
Purchase of own shares	24	**(9.9)**	(98.4)
Net proceeds from the issue of ordinary shares	24	**3.5**	–
Other financing activities		**(0.7)**	(0.4)
Net cash used in financing activities		**(11.1)**	(340.5)
Foreign exchange adjustment		**–**	0.2
Net increase/(decrease) in cash and cash equivalents		**149.3**	(160.7)
Movement in cash and cash equivalents			
At beginning of year		**182.8**	343.5
Net increase/(decrease) in cash and cash equivalents		**149.3**	(160.7)
As reported on the balance sheet (net of bank overdrafts)	16	**332.1**	182.8
At end of year, comprising			
Cash at bank and in hand	16	**57.0**	65.0
Short-term deposits with original maturity of less than three months	16	**275.1**	118.5
Bank overdrafts	16	**–**	(0.7)
		332.1	182.8

Notes to the Consolidated Financial Statements

1. General information

Inmarsat plc (the 'Company' or together with its subsidiaries, the 'Group') is a company incorporated in the United Kingdom and domiciled in England and Wales. The address of its registered office is 99 City Road, London EC1Y 1AX, United Kingdom. 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 2012 and 2011 (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 Business Model, the Executive Chairman's Review, the Chief Executive's Strategic and Business Reviews and the Chief Financial Officer's Review on pages 2 to 31. 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 20 to 31. 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 amounts, events or actions, the actual results ultimately may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

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

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

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 to facilitate comparison between financial statements prepared under IFRS and under US GAAP (effective for financial years beginning on or after 1 July 2013);
- IFRS 9 Financial Instruments – Classification and Measurement (effective for financial years beginning on or after 1 January 2015);
- IFRS 10 (as amended) – Consolidated Financial Statements (effective for financial years beginning on or after 1 January 2013);
- IFRS 11 (as amended) – Joint Arrangements (effective for financial years beginning on or after 1 January 2013);
- IFRS 12 (as amended) – 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 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);
- IAS 32 (as amended) – Financial Instruments: Presentation – Amended application guidance to clarify offsetting of financial assets and liabilities on the balance sheet (effective for financial years beginning on or after 1 January 2014);

2. Principal accounting policies continued

- IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine (effective for financial years beginning on or after 1 January 2013); and
- Amendments resulting from the 'Annual Improvements 2009-2011 cycle' paper issued in May 2012 (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 Pound Sterling for 2012 for Inmarsat Global's Sterling operating expenditure was US$1.48/£1.00 (2011: US$1.51/£1.00).

b) Transactions and balances

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

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

Financial instruments and hedging activities

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the relevant instrument and derecognised when it ceases to be a party to such provisions. Financial instruments are initially measured at fair value. Subsequent measurement depends on the designation of the instrument. Non-derivative financial assets are classified as trade receivables, other receivables, accrued income, short-term deposits or cash and cash equivalents. They are stated at amortised cost using the effective interest method, subject to reduction for allowances for estimated irrecoverable amounts. For interest-bearing assets, their carrying value includes accrued interest receivable. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts, which are included as current borrowings in liabilities on the Balance Sheet. Non-derivative financial liabilities are classified as borrowings, trade payables, other liabilities and accruals and stated at amortised cost using the effective interest method. For borrowings, their carrying value includes accrued interest payable, as well as unamortised issue costs.

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

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

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

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

Revenue recognition

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

Revenue also includes income from spectrum coordination agreements, services contracts, other communications services and income from the sale of terminals and other communication equipment. Revenue from spectrum coordination agreements is recognised using the percentage of completion or straight-line approach depending on the underlying terms of the agreement (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-employment benefits in respect of employees. The Group's net obligations in respect of defined benefit pension plans and post-employment benefits are calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The 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.

2. Principal accounting policies continued

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

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

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

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

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

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

Property, plant and equipment

Space segment assets
Space segment assets comprise satellite construction, launch and other associated costs, including ground infrastructure. Expenditure charged to space segment projects includes invoiced progress payments, amounts accrued appropriate to the stage of completion of contract milestones, external consultancy costs and direct internal costs. Internal costs, comprising primarily staff costs, are only capitalised when they are directly attributable to the construction of an asset.

Progress payments are determined on milestones achieved to date together with agreed cost escalation indices. Deferred satellite payments represent the net present value of future payments dependent on the future performance of each satellite and are recognised in space segment assets when the satellite becomes operational. The associated liability is stated at its net present value and included within 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 service infrastructure. These assets will be transferred to space segment assets and depreciated over the life of the satellites or services once they become operational and placed into service. No depreciation has yet been charged on these assets.

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

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

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

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

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

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

Intangible assets
Intangible assets comprise goodwill, patents, trademarks, software, terminal development 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 amortised on a straight-line basis over the life of the asset and the amortisation period and method are reviewed each financial year. Intangible assets with an indefinite useful life are reviewed annually for impairment.

Impairment 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 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 subsequently added to the costs of those assets.

2. Principal accounting policies continued

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

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

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

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

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

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 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 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 interest, taxation, depreciation and amortisation, loss on disposal of assets, acquisition-related adjustments, impairment losses and share of profit of associates.

3. Financial risk management

Financial risk factors
The Group's operations and significant debt financing expose it to a variety of financial risks that include the effects of changes in debt market prices, foreign currency exchange rates, credit risks, liquidity risks and interest rates. The Group has in place a risk management programme that seeks to limit adverse effects on the financial performance of the Group by using forward exchange contracts to limit exposure to foreign currency risk and 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 financial risk management policies applied by the Group. The policies are implemented by the treasury department which receives regular reports from the operating companies to enable prompt identification of financial risks so that appropriate actions may be taken. The treasury department has a policy and procedures manual that sets out specific guidelines for managing foreign exchange risk, interest rate risk and credit risk (see note 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 the US Dollar. 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% (2011: 50%) of Inmarsat Global's operating costs are denominated in Pounds Sterling. Inmarsat Solutions operates internationally, resulting in approximately 9% and 16% of revenue and expenditure, respectively, being denominated in currencies other than the US Dollar. The Group's exposures therefore need to be carefully managed to avoid variability in future cash flows and earnings caused by volatile foreign exchange rates.

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

As at 31 December 2012 it is estimated that:

- A hypothetical 1% inflation of the hedged US Dollar/Sterling exchange rate (US$1.48/£1.00 to US$1.49/£1.00) would have decreased the 2012 profit before tax by approximately US$0.9m (2011: US$1.1m);
- A hypothetical 1% inflation of the US Dollar/Sterling foreign currency spot rate at 31 December 2012, would have reduced the 2012 profit before tax by approximately US$0.2m (2011: 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; and
- A hypothetical 1% deflation in the US Dollar/Sterling and a 1% deflation in the US Dollar/Euro foreign currency spot rates at 31 December 2012, would have decreased equity by US$1.0m and US0.6m, respectively (2011: US$1.0m and US$1.0m, 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 EIB Facility is at a variable rate 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 2012, 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$2.7m (2011: US$2.1m). This is primarily due to the Group's exposure to movements on interest rates on its variable rate borrowings and cash and cash equivalents. The sensitivity analysis has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the liability outstanding at each balance sheet date was outstanding for the whole year. Management believes that a 1% sensitivity rate provides a reasonable basis upon which to assess expected changes in interest rates.

(c) Credit risk

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

The maximum exposure to credit risk is:

(US$ in millions)	Note	**As at 31 December 2012**	As at 31 December 2011
Cash and cash equivalents	16	**332.1**	183.5
Trade receivables, other receivables and accrued income	17	**262.6**	231.0
Derivative financial instruments	32	**6.4**	7.9
Total credit risk		**601.1**	422.4

3. Financial risk management continued

The Group's average age of trade receivables as at 31 December 2012 (excluding the impact of LightSquared) was approximately 58 days (as at 31 December 2011: 50 days). At 31 December 2012, US$156.5m (2011: US$139.3m) 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 collection 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)	2012	2011
As at 1 January:	**11.2**	11.2
Charged to the provision in respect of the current year	**13.8**	10.3
Utilised in the year	**(6.5)**	(9.6)
Provision released in the year	**(0.2)**	(0.7)
As at 31 December[(a)]	**18.3**	11.2

(a) The maturity of the Group's provision for uncollectable trade receivables and revenue adjustments for the year ended 31 December 2012 is US$2.1m current, US$2.9m between 1 and 30 days overdue, US$6.5m between 31 and 120 days overdue and US$6.8m over 120 days overdue (2011: US$2.9m, US$2.5m, US$2.4m and US$3.4m respectively).

For 2012, one (2011: one) distribution partner, which is reported in the Inmarsat Global segment, comprised approximately 16.2% (2011: 16.7%) of the Group's total revenues. This same customer comprised 19.7% (2011: 24.0%) of the Group's trade receivables balance as at 31 December 2012. No other customer accounted for 10% or more of the Group's revenue and accounts receivable at 31 December 2012. In addition, for 2012, revenue from our Cooperation Agreement with LightSquared made up approximately 4.5% (2011: 14.5%) of the Group's total revenues.

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	2012	2011
Between 1 and 30 days overdue		**30.6**	19.0
Between 31 and 120 days overdue		**12.1**	5.8
Over 120 days overdue		**2.4**	1.6
As at 31 December	17	**45.1**	26.4

(d) Liquidity risk

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

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The following table sets out total available liquidity of the Group:

(US$ in millions)	Note	As at 31 December 2012	As at 31 December 2011
Cash and cash equivalents	16	**332.1**	183.5
Available but undrawn borrowing facilities[(a)]	19	**1,052.4**	1,172.7
Total available liquidity		**1,384.5**	1,356.2

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

The Directors believe the Group's liquidity position is more than sufficient to meet its needs for the foreseeable future.

4. Critical accounting estimates and judgements in applying accounting policies

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

(a) Estimated impairment of goodwill

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

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 Global CGU only. Goodwill that arose on the acquisition of Stratos, Segovia and Ship Equip has been allocated to the Stratos, Segovia and Ship Equip CGU, respectively. As at 31 December 2012, the carrying amount of goodwill allocated to the Inmarsat Global, Stratos, Segovia and Ship Equip CGUs was US$406.2m, US$76.8m, US$34.2m and US$33.5m, respectively (2011: US$406.2m, US$142.5m, US$27.2m and US$66.6m, respectively). During 2012, the Stratos CGU sold its Stratos Government Services Inc. business to the Segovia CGU. As a result, US$7.0m of goodwill was reallocated from the Stratos CGU to the Segovia 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% (2011: 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 rates

The pre-tax rates used to discount the cash flow projections in respect of the Group for 2012 were between 9.76% –12.72% (2011: 11.6%–17.2%). The discount rates reflect the time value of money and are derived from the Group's weighted average cost of capital, adjusted for the risk associated with each individual CGU.

An impairment charge of US$94.7m in respect of goodwill was recorded in the year ended 31 December 2012 (2011: US$120.0m). This loss related to the partial impairment of the goodwill that was originally recognised when the Group acquired the Stratos and Ship Equip businesses (impairment of US$58.7m and US$36.0m, respectively). Operating profit forecasts for the Stratos and Ship Equip CGUs have been adjusted downwards due to both internal and external factors. Internally, the Group has made certain business decisions during the year which will affect the future profitability of each CGU, but with offsetting benefits elsewhere in the Inmarsat Group. In relation to the Stratos CGU, the Group has appointed a number of significant service providers as distribution partners of the Inmarsat Global segment for Global Xpress, therefore redirecting future revenues to the Inmarsat Global segment that would previously have been forecast as received in the Stratos CGU. In addition, certain revenue development plans for value-added services are now expected to be progressed within the Inmarsat Global segment and therefore not contribute to the Stratos CGU. For the Ship Equip CGU, the Group now intends for Ship Equip to become a Value-Added Reseller for Global Xpress, which carries lower margins at the CGU level than its historic standalone VSAT business. Externally, the management has considered two further factors in its CGU forecasts. Firstly, the Group has seen delays in purchase decision-making for maritime VSAT systems, impacting the Ship Equip CGU. The management believes these delays are due to ship operators preferring to wait for the launch of our GX services in order to compare GX to existing VSAT alternatives. Secondly, for the Stratos GCU there has been a decline in demand for certain products throughout 2012 resulting from reduced military activities in Afghanistan and reduced event-driven traffic and termination of some lease business. The combination of these factors is expected to result in reduced operating profits at the Inmarsat Solutions level and have therefore been reflected in the revised forecasts, giving rise to the impairment of the Stratos and Ship Equip CGUs. In Group terms, some of the factors that give rise to the impairment 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. A long-term growth rate of 2.5% was applied to extrapolate the Stratos and Ship Equip CGU cash flow projections into perpetuity and a pre-tax discount rate of 12.72% was used to discount the cash flow projections.

The US$120.0m impairment charge in respect of the Stratos CGU in the year ended 31 December 2011 also related to operating profit forecasts for the Stratos CGU being adjusted downwards due to both internal and external factors. The changes in prices between Inmarsat Global and the distribution channel were not passed onto the end customers of Stratos, resulting in reduced margins for the Stratos CGU. In addition, commitments under our LightSquared Cooperation Agreement resulted in the expected discontinuance of certain customer leases for Inmarsat B, and certain other services which directly impacted the Stratos CGU. While this business was expected to be partly retained through agreements using non-lease services, these are at a lower margin. There was also a reduction in Inmarsat MSS revenues, changes in product mix and competitive pricing, all of which contributed to lower than expected revenues. In 2011, 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% was used to discount the cash flow projections.

(b) Pension arrangements and post-employment benefits assumptions

The Group has applied a weighted average rate of return on assets of 6.68% p.a. (2011: 6.65% 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-employment benefits liabilities was 4.60% (2011: 4.74%) (see note 28).

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

(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.

A contingent liability has been disclosed for the year ended 31 December 2012 in respect of the financing of a finance and operating leaseback transaction entered into in 2007 (see note 34).

(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. The Cooperation Agreement was segregated into phases and designed to enable and support the deployment of an ATC network by LightSquared in North America. To date, LightSquared has made payments under the agreement totalling US$546.4m, of which US$85.8m has been received during 2012 (2011: US$308.1m). The Group has, thus far, recognised US$281.5m of revenue and US$19.9m of operating costs under all phases of the agreement. For the year ended 31 December 2012, the Group recognised US$60.2m of revenue and US$8.3m of operating costs, in respect of all phases (year ended 31 December 2011: US$203.8m and US$11.2m, respectively).

On 20 April 2012, Inmarsat and LightSquared reached an agreement to suspend the Cooperation Agreement until 31 March 2014. The period of suspension is designed to allow LightSquared time to secure certain regulatory consents and, during this period, LightSquared will not be required to make any further payments to Inmarsat. On 1 April 2014, or any earlier date as may be required or elected by LightSquared, payments under the agreement will recommence from that date based on a restructured payment plan that will be dependent on certain future outcomes with regard to deployment of the LightSquared ATC network.

In connection with our accounting for different phases of the Cooperation Agreement, we have used the accounting method considered most appropriate to the individual phase, including the percentage of completion method and straight line method in the case of both revenues and costs. Where the percentage of completion method was used, we have had to measure the number of man-hours undertaken against our estimate of the total man-hours required to complete the phase or activity. Similarly, we have measured costs incurred against our estimate of the total costs required to complete the phase or activity. The key area of estimation uncertainty relates to the Directors' estimates of the total time/costs that will be incurred and the Directors' estimate of the percentage of completion of the time and costs that the Group has incurred.

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.

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 service providers and end-users; and
- 'Unallocated' – includes Group borrowings and the related interest expense, cash and cash equivalents and current and deferred tax balances, which are not allocated to each segment.

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

Business segments:

(US$ in millions)	2012 Inmarsat Global	Inmarsat Solutions[a]	Unallocated	Eliminations	Total
Revenue					
External sales	**540.7**	**797.1**	**–**	**–**	**1,337.8**
Inter-segment	**295.2**	**13.2**	**–**	**(308.4)**	**–**
Total revenue	**835.9**	**810.3**	**–**	**(308.4)**	**1,337.8**
EBITDA	**597.3**	**97.1**	**–**	**0.3**	**694.7**
Segment result (operating profit) before operating profit from LightSquared and impairment losses	**387.3**	**1.6**	**–**	**0.3**	**389.2**
Operating profit from LightSquared	**51.9**	**–**	**–**	**–**	**51.9**
Impairment losses	**–**	**(94.7)**	**–**	**–**	**(94.7)**
Segment result (operating profit/(loss))	**439.2**	**(93.1)**	**–**	**0.3**	**346.4**
Net interest charged to the Income Statement	**–**	**–**	**(52.8)**	**–**	**(52.8)**
Profit before income tax					**293.6**
Income tax expense					**(76.2)**
Profit for the year					**217.4**
Segment assets	**3,007.1**	**824.8**	**332.1**	**(411.0)**	**3,753.0**
Segment liabilities	**(507.4)**	**(164.3)**	**(1,995.4)**	**40.0**	**(2,627.1)**
Investment (included in segment assets)[b]	**23.5**	**–**	**–**	**–**	**23.5**
Capital expenditure[c]	**(433.6)**	**(56.3)**	**–**	**0.1**	**(489.8)**
Depreciation	**(138.8)**	**(49.5)**	**–**	**–**	**(188.3)**
Amortisation of intangible assets	**(19.3)**	**(47.6)**	**–**	**–**	**(66.9)**

(a) Includes NewWave Broadband Limited ('NewWave') from 13 January 2012 (see note 29).
(b) Relates to 19% stake in SkyWave Mobile Communications ('SkyWave') (see note 15).
(c) Capital expenditure stated using accruals basis.

(US$ in millions)	2011 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 (see note 29).
(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.

5. Segmental information continued

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

(US$ in millions)	2012 Revenue	2012 Non-current segment assets[a]	2011 Revenue	2011 Non-current segment assets[a]
Europe	**499.1**	**1,668.1**	509.3	1,462.1
North America	**547.5**	**827.0**	630.2	794.9
Asia and Pacific	**243.2**	**14.7**	211.0	15.5
Rest of the world	**48.0**	**–**	58.0	–
Unallocated[b]	**–**	**589.3**	–	664.5
	1,337.8	**3,099.1**	1,408.5	2,937.0

(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	2012	2011
Depreciation of property, plant and equipment	13	**188.3**	180.0
Amortisation of intangible assets	14	**66.9**	65.8
Impairment of goodwill	4	**94.7**	120.0
Impairment of trademarks	14	**–**	21.5
Operating lease rentals			
– Land and buildings		**19.2**	16.7
– Services equipment, fixtures and fittings		**1.3**	1.2
Cost of inventories recognised as an expense		**79.4**	66.6
Research and development costs expensed		**12.8**	6.3

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

(US$ in millions)	2012	2011
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	**1.0**	0.9
Total audit fees	**1.2**	1.1
Fees payable to the Company's Auditor for other services to the Group:		
– Audit-related assurance services	**0.2**	0.1
– Tax compliance services	**0.2**	0.2
– Tax advisory services	**1.3**	1.3
– Services relating to corporate finance transactions	**–**	0.3
– Other services	**0.2**	–
Total Auditor's remuneration	**3.1**	3.0

In addition to the fees disclosed above, Inmarsat Global's pension plan incurred audit fees from the Group's Auditor of US$22,876 for the 2012 financial year (2011: US$23,890).

At 31 December 2012 Inmarsat Global had contractually committed to US$0.3m of services to be completed in the 2013 financial year (31 December 2011: US$nil for services to be completed in the 2012 financial year).

7. Employee benefit costs (including the Executive Directors)

(US$ in millions)	Note	2012	2011
Wages and salaries		**195.0**	169.4
Social security costs		**15.8**	14.1
Share options charge (including employers' National Insurance contribution)	25	**10.8**	13.0
Defined contribution pension plan costs		**7.9**	6.5
Defined benefit pension plan costs[a]	28	**3.1**	2.6
Post-employment benefits costs[a]	28	**0.4**	0.9
Total employee benefit costs		**233.0**	206.5

(a) Defined benefit pension plan costs and post-employment benefits costs for 2012 and 2011 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:

	2012			2011		
	Inmarsat Global	Inmarsat Solutions	Total	Inmarsat Global	Inmarsat Solutions	Total
Operations	**218**	**528**	**746**	203	455	658
Sales and marketing	**109**	**209**	**318**	96	188	284
Development and engineering	**94**	**74**	**168**	94	71	165
Administration	**146**	**238**	**384**	146	290	436
	567	**1,049**	**1,616**	539	1,004	1,543

8. Executive and Non-Executive Directors' remuneration

(US$ in thousands)	2012	2011
Aggregate emoluments	**4,800**	3,583
Company contributions to defined contribution pension schemes	**158**	151
	4,958	3,734

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

The Directors' Remuneration Report contains full disclosure of Directors' remuneration on page 57. Two Directors (2011: two) are members of the Group's defined contribution pension plan. One Director is a member of the US 401k Plan (2011: one).

Key management

The Executive Chairman, the Executive Directors and the Chief Executive Officer's direct reports are the key management of the business (see note 35).

9. Net interest payable

(US$ in millions)	2012	2011
Interest on Senior Notes and credit facilities	**81.5**	65.0
Interest on Convertible Bonds[a]	**(0.9)**	27.5
Interest on Inmarsat Solutions borrowings	**0.4**	0.5
Pension and post-employment liability finance costs	**0.5**	0.5
Interest rate swaps	**9.1**	12.7
Unwinding of discount on deferred satellite liabilities	**2.2**	2.6
Unwinding of discount on Segovia deferred consideration	**–**	7.9
Amortisation of debt issue costs[b]	**5.7**	11.1
Amortisation of discount on Senior Notes due 2017	**–**	0.6
Other interest	**0.4**	0.6
Interest payable and similar charges	**98.9**	129.0
Less: Amounts included in the cost of qualifying assets[c]	**(42.9)**	(24.4)
Total interest payable and similar charges	**56.0**	104.6
Bank interest receivable and other interest	**2.3**	5.0
Net amortisation of premium on Senior Notes due 2017	**0.9**	–
Total interest receivable and similar income	**3.2**	5.0
Net interest payable	**52.8**	99.6

(a) 2012 includes a US$30.2m adjustment of the Convertible Bonds liability following a change in the estimated maturity date (see note 19).
(b) 2012 includes an add-back of US$2.1m previously amortised issue costs in relation to Convertible Bonds, following a change in the estimated maturity date. 2011 includes the write-off of unamortised issue costs of US$3.8m in relation to the refinancing of the Group's 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 5.87% (2011: 7.99%).

10. Income tax

Income tax expense recognised in the Income Statement:

(US$ in millions)	2012	2011
Current tax expense:		
Current year	**(46.9)**	(120.8)
Adjustments in respect of prior periods:		
– Other	**(2.2)**	2.0
Total current tax expense	**(49.1)**	(118.8)
Deferred tax (expense)/credit:		
Origination and reversal of temporary differences:		
– Other temporary differences	**(50.3)**	(8.7)
Adjustment due to reduction in the corporation tax rate from 25% to 23% (2011: 27% to 25%)	**8.4**	5.4
Adjustments in respect of prior periods:		
– Other	**14.8**	4.7
Total deferred tax (expense)/credit	**(27.1)**	1.4
Total income tax expense	**(76.2)**	(117.4)

Reconciliation of effective tax rate:

(US$ in millions)	2012	2011
Profit before tax	**293.6**	366.9
Income tax at 24.5% (2011: 26.5%)	**(71.9)**	(97.2)
Differences in overseas tax rates	**1.0**	(2.9)
Adjustments in respect of prior periods:		
– Other	**12.6**	6.7
Effect of the reduction in the corporation tax rate from 25% to 23% (2011: 27% to 25%) on:		
– current year movement in deferred tax	**8.4**	5.4
Impact of current and prior year losses	**(1.8)**	1.7
Non-deductible impact of Inmarsat Solutions goodwill impairment	**(23.2)**	(31.8)
Other non-deductible expenses/non-taxable income	**(1.3)**	0.7
Total income tax expense	**(76.2)**	(117.4)

Tax charged to equity:

(US$ in millions)	2012	2011
Current tax credit on share options	**0.1**	0.7
Deferred tax credit/(charge) on share options	**0.3**	(3.1)
Deferred tax relating to gains on cash flow hedges	**(2.5)**	(1.2)
Deferred tax charge on actuarial gains and losses from pension and post-employment benefits	**(1.2)**	(3.0)
Total tax charged to equity	**(3.3)**	(6.6)

11. Net foreign exchange losses

(US$ in millions)	2012	2011
Pension and post-retirement liability (note 28)	**0.6**	(0.4)
Other operating costs	**6.0**	0.5
Total foreign exchange losses	**6.6**	0.1

12. Dividends

The dividends paid in 2012 were US$75.7m (16.94 cents (US$) per ordinary share) and US$111.7m (24.96 cents (US$) per ordinary share) for the 2012 interim dividend and the 2011 final dividend, respectively. 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.

A final dividend for the 2012 financial year of 27.45 cents (US$) per ordinary share, amounting to a total dividend of US$123.0m, is to be proposed at the Annual General Meeting on 2 May 2013. In accordance with IAS 10, these financial statements do not reflect this final dividend payable.

(US$ in cents)	**2012**	2011
Interim dividend paid per ordinary share	**16.94**	15.40
Final dividend per ordinary share	**27.45**	24.96
Total dividend per ordinary share	**44.39**	40.36

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 2011	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
Additions	**1.9**	**24.7**	**24.9**	**398.5**	**450.0**
Acquisitions	**–**	**0.6**	**–**	**–**	**0.6**
Disposals	**(0.3)**	**(2.7)**	**(11.6)**	**–**	**(14.6)**
31 December 2012	**16.4**	**286.6**	**2,075.8**	**1,081.3**	**3,460.1**
Accumulated depreciation:					
1 January 2011	(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)
Charge for the year	**(0.9)**	**(41.5)**	**(145.9)**	**–**	**(188.3)**
Disposals	**0.3**	**2.2**	**11.3**	**–**	**13.8**
31 December 2012	**(6.6)**	**(218.1)**	**(1,153.8)**	**–**	**(1,378.5)**
Net book amount at 31 December 2011	8.8	85.2	1,043.3	682.8	1,820.1
Net book amount at 31 December 2012	**9.8**	**68.5**	**922.0**	**1,081.3**	**2,081.6**

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 2012 and 2011, 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 2012 would have been US$14.6m (based on the 31 December 2012 exchange rate between the US Dollar and Pounds Sterling of US$1.63/£1.00) (2011: US$14.0m). Market valuation is based on the Directors' best estimates.

In 2012 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 2012 were US$4.6m (2011: US$9.7m).

14. Intangible assets

(US$ in millions)	Goodwill	Trademarks	Software	Patents	Terminal development costs	Customer relationships	Spectrum Rights, Orbital Slots and Licences	Intellectual property	Total
Cost:									
1 January 2011	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
Additions	**–**	**–**	**26.9**	**–**	**5.9**	**–**	**7.0**	**–**	**39.8**
Acquisitions	**2.9**	**–**	**–**	**–**	**–**	**7.7**	**–**	**–**	**10.6**
31 December 2012	**765.4**	**49.9**	**194.3**	**14.0**	**130.1**	**386.8**	**16.8**	**0.7**	**1,558.0**
Accumulated amortisation and impairment losses:									
1 January 2011	–	(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)
Charge for the year	**–**	**(1.1)**	**(20.5)**	**–**	**(11.9)**	**(31.5)**	**(1.9)**	**–**	**(66.9)**
Impairment losses	**(94.7)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(94.7)**
31 December 2012	**(214.7)**	**(38.3)**	**(121.7)**	**(14.0)**	**(64.9)**	**(127.4)**	**(5.8)**	**(0.7)**	**(587.5)**
Net book amount 31 December 2011	642.5	12.7	66.2	–	71.2	283.2	5.9	–	1,081.7
Net book amount 31 December 2012	**550.7**	**11.6**	**72.6**	**–**	**65.2**	**259.4**	**11.0**	**–**	**970.5**

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 2012, the Directors believe the goodwill in relation to the Stratos and Ship Equip CGUs to be impaired and consequently have recorded impairment charges of US$58.7m (2011: US$120.0m) and US$36.0m (2011: US$nil), respectively, 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 were impaired.

The capitalised software 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 two 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 and other licences acquired. Each individual asset is reviewed to determine whether it has a finite or indefinite useful life, amortisation of the Global Xpress programme 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 2012	As at 31 December 2011
Investments held at cost:		
SkyWave	**23.5**	23.5
Total investments held at cost	**23.5**	23.5
Interest in associates:		
Navarino	**7.5**	7.0
JSAT Mobile	**0.6**	0.5
Total interest in associates	**8.1**	7.5
Total investments	**31.6**	31.0

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 2012 totalled US$1.5m (2011: 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 2012	As at 31 December 2011
Cash at bank and in hand	**57.0**	65.0
Short-term deposits with original maturity of less than three months	**275.1**	118.5
Cash and cash equivalents	**332.1**	183.5

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

(US$ in millions)	Note	As at 31 December 2012	As at 31 December 2011
Cash and cash equivalents		**332.1**	183.5
Bank overdrafts	19	**–**	(0.7)
Net cash and cash equivalents		**332.1**	182.8

17. Trade and other receivables

(US$ in millions)	As at 31 December 2012	As at 31 December 2011
Current:		
Trade receivables	**201.6**	165.7
Other receivables	**21.0**	21.8
Prepayments and accrued income	**67.4**	69.7
	290.0	257.2

(US$ in millions)	As at 31 December 2012	As at 31 December 2011
Non-current:		
Prepayments and accrued income	**3.4**	4.2
Pension asset	**12.0**	–
	15.4	4.2

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 2012	As at 31 December 2011
Finished goods	**23.7**	22.3
Work in progress	**1.7**	1.2
	25.4	23.5

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

19. Borrowings

	As at 31 December 2012			As at 31 December 2011		
(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
Deferred satellite payments[b]	**8.3**	**–**	**8.3**	7.9	–	7.9
EIB Facility[c]	**44.1**	**–**	**44.1**	44.1	–	44.1
Convertible Bonds[d]	**–**	**–**	**–**	307.4	(1.3)	306.1
– Accretion of principal	**–**	**–**	**–**	2.7	–	2.7
Total current borrowings	**52.4**	**–**	**52.4**	362.8	(1.3)	361.5
Non-current:						
Deferred satellite payments[b]	**20.4**	**–**	**20.4**	26.8	–	26.8
Senior Notes due 2017[e]	**850.0**	**(11.0)**	**839.0**	650.0	(9.2)	640.8
– Net issuance premium/(discount)	**7.5**	**–**	**7.5**	(3.6)	–	(3.6)
EIB Facility[c]	**220.2**	**(1.6)**	**218.6**	264.3	(2.2)	262.1
Ex-Im Bank Facility[f]	**397.6**	**(16.3)**	**381.3**	277.3	(14.5)	262.8
Convertible Bonds[d]	**301.3**	**(2.0)**	**299.3**	–	–	–
– Accretion of principal	**2.9**	**–**	**2.9**	–	–	–
Total non-current borrowings	**1,799.9**	**(30.9)**	**1, 769.0**	1,214.8	(25.9)	1,188.9
Total borrowings[g]	**1,852.3**	**(30.9)**	**1,821.4**	1,577.6	(27.2)	1,550.4

(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 15 April 2010, the Group signed an eight-year facility agreement from the European Investment Bank (the 'EIB Facility'). Under the agreement, the Group was 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.
(d) On 16 November 2007, the Group 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 was US$12.694 and the total number of common shares to be issued if all bonds are converted was 22.7 million shares. The conversion price is subject to periodic adjustment if dividends paid on ordinary shares exceed defined levels. In 2012, the conversion price was adjusted to US$12.490 and the total number of shares to be issued if all bonds are converted to 23.0 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 had the right to require the Company to redeem the bonds at the accreted principal amount on 16 November 2012 and will have the right again on 16 November 2014. None of the bonds were redeemed on 16 November 2012; as a result management have revised the estimated maturity date to November 2014. The amortised cost has been adjusted and as at 31 December 2012 the Convertible Bonds have been recorded as a long-term liability. The net proceeds received from the issue of the Convertible Bonds were initially 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 2011	101.3
Cumulative amortisation of debt issue costs to 31 December 2011	3.8
Cumulative coupon interest accrued to 31 December 2011	(20.6)
Liability component at 31 December 2011	308.8
Interest charged	**(0.9)**
Amortisation of debt issue costs	**(0.7)**
Coupon interest accrued	**(5.0)**
Liability component at 31 December 2012	**302.2**

(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$29.3m, which has been adjusted in 2012 by US$30.2m following the revised maturity of the Convertible Bonds. 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.

(e) On 12 November 2009, the Group 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 the Group capitalised US$12.5m of issuance costs. On 11 April 2012, a further US$200.0m aggregate principal amount of the Group's Senior Notes due 2017 was issued. The aggregate proceeds were US$212.0m, including US$12.0m premium on issuance and the Group capitalised US$3.8m of issuance costs.
(f) On 11 May 2011, the Group 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 incur interest at a fixed rate of 3.11% for the life of the loan.
(g) On 30 June 2011, the Group signed a five-year US$750.0m Senior Credit Facility with a group of commercial banks as lenders. Under the terms of the 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 facility bear interest at a rate equal to the applicable USD LIBOR, plus a margin of between 1.00% and 2.50% determined by reference to the Group's ratio of net debt to EBITDA. As at 31 December 2012 and 2011 there were no drawings on the Senior Credit Facility.

The maturity of non-current borrowings is as follows:

(US$ in millions)	As at 31 December 2012	As at 31 December 2011
Between one and two years	**360.3**	47.0
Between two and five years	**1,116.7**	202.5
After five years	**292.0**	939.4
	1,769.0	1,188.9

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 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 %	2012	2011
Bank overdrafts	**2.05**	1.8
Senior Credit Facility	**–**	–
EIB Facility	**1.65**	1.75
Senior Notes due 2017	**7.375**	7.375
Ex-Im Bank Facility	**3.11**	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 2012	As at 31 December 2011
Current:		
Trade payables	**169.0**	202.0
Deferred consideration[(a)]	**2.1**	6.5
Other taxation and social security payables	**4.0**	3.6
Other creditors	**2.2**	1.9
Accruals and deferred income[(b)]	**386.4**	321.4
	563.7	535.4

(a) Deferred consideration includes US$1.1m SkyWave deferred consideration (see note 15) (2011: US$2.2m), US$nil Segovia deferred consideration (2011: US$3.3m) and US$1.0m other short-term deferred consideration (2011: 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 2012, includes US$264.9m (2011: US$239.3m) of deferred income relating to payments received from LightSquared. During 2012, US$60.2m was released to the Income Statement to reflect revenue earned, based on the percentage of completion method (2011: US$203.8m).

(US$ in millions)	As at 31 December 2012	As at 31 December 2011
Non-current:		
Deferred consideration[(a)]	**1.9**	4.9
Other payables	**23.8**	23.2
	25.7	28.1

(a) Deferred consideration includes US$1.1m SkyWave deferred consideration (see note 15) (2011: US$2.0m), US$nil Segovia deferred consideration (2011: US$1.9m) and US$0.8m other long-term deferred consideration (2011: 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).

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 2011	0.1	0.3	0.4
Utilised in current year	–	(0.1)	(0.1)
Charged in respect of current year[(a)]	2.6	–	2.6
As at 31 December 2011	2.7	0.2	2.9
Charged in respect of current year[(b)]	**6.5**	**–**	**6.5**
Utilised in current year	**(3.8)**	**(0.1)**	**(3.9)**
As at 31 December 2012	**5.4**	**0.1**	**5.5**

(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 reorganisation, a small number of individual positions ceased to exist as business functions were combined. The restructuring provision at 31 December 2011 was US$2.7m, all of which was utilised during 2012 (2011: US$nil).
(b) In addition, in the year ended 31 December 2012 a further US$6.5m was charged to the restructuring provision, of which US$1.1m was utilised during the year. Management expects to utilise the US$5.4m restructuring provision that remains at 31 December 2012 during 2013.

(US$ in millions)	Post-employment benefits	Pension	Asset retirement obligations	Other provisions	Total
Non-current:					
As at 1 January 2011	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
Charged to Income Statement in respect of current year	**2.0**	**2.0**	**0.3**	**–**	**4.3**
Credited directly to Comprehensive Income in respect of current year	**(0.5)**	**(3.9)**	**–**	**–**	**(4.4)**
Contributions paid	**–**	**(11.9)**	**–**	**–**	**(11.9)**
Utilised in current year	**(0.3)**	**(0.9)**	**–**	**(0.1)**	**(1.3)**
Transferred to non-current assets[(a)]	**–**	**12.0**	**–**	**–**	**12.0**
As at 31 December 2012	**16.5**	**4.2**	**4.1**	**0.6**	**25.4**

(a) At 31 December 2012 the Inmarsat Global defined benefit pension plan was in an asset position, and this balance has therefore been transferred to non-current trade and other receivables (see note 17).

The Trustee and the Company have agreed that to reduce the Pension Plan (the 'Plan') deficit additional annual contributions of £2.2m will be paid to the Plan starting in November 2009 and continuing annually thereafter, up to and including November 2015. During 2012, the actual additional cash contribution the Group made to the Plan was £6.0m or US$9.6m (2011: US$5.4m). As a result of the additional contributions in the year the Plan is no longer in a deficit position, therefore no further additional cash contributions are expected under the agreement.

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

22. Current and deferred income tax assets and liabilities

The current income tax liability of US$32.7m (2011: US$52.3m) 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 2012			As at 31 December 2011		
(US$ in millions)	**Assets**	**Liabilities**	**Net**	Assets	Liabilities	Net
Property, plant and equipment and intangible assets	**–**	**138.9**	**138.9**	–	120.2	120.2
Other	**(7.4)**	**23.0**	**15.6**	(6.9)	8.0	1.1
Pension and post-employment benefits asset	**(1.4)**	**–**	**(1.4)**	(4.0)	–	(4.0)
Share options	**(3.9)**	**–**	**(3.9)**	(3.1)	–	(3.1)
Loss carry forwards	**(7.9)**	**–**	**(7.9)**	(5.3)	–	(5.3)
Net deferred income tax liabilities	**(20.6)**	**161.9**	**141.3**	(19.3)	128.2	108.9

Movement in temporary differences during the year:

(US$ in millions)	**As at 1 January 2012**	**NewWave acquisition**	**Recognised in income**	**Recognised in equity**	**As at 31 December 2012**
Property, plant and equipment and intangible assets	**120.2**	**1.9**	**16.8**	**–**	**138.9**
Other	**1.1**	**–**	**12.0**	**2.5**	**15.6**
Pension and post-employment benefits asset	**(4.0)**	**–**	**1.4**	**1.2**	**(1.4)**
Share options	**(3.1)**	**–**	**(0.5)**	**(0.3)**	**(3.9)**
Loss carry forwards	**(5.3)**	**–**	**(2.6)**	**–**	**(7.9)**
Total	**108.9**	**1.9**	**27.1**	**3.4**	**141.3**

(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 and post-employment benefits 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

Total unprovided deferred tax assets:

(US$ in millions)	**As at 31 December 2012**	As at 31 December 2011
Temporary timing differences	**(8.9)**	(18.3)
Unused income tax losses	**(13.9)**	(14.8)
Unused capital losses	**(29.1)**	(31.6)
Total	**(51.9)**	(64.7)

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$5.2m (2011: US$4.6m). 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.

On 22 June 2010, the UK government announced reductions in the main rate of corporation tax and rates of capital allowances. The standard rate of corporation tax was reduced from 24% to 23% from 1 April 2013 and there will be further reductions until a rate of 21% is reached with effect from 1 April 2014. The Finance Act 2012 received Royal Assent on 17 July 2012, with the rate reduction to 23% being substantively enacted from 3 July 2012.

The deferred tax assets and liabilities at the balance sheet date are calculated at the substantively enacted rate of 23%. 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$18.5m and reduce the value of the Group's deferred tax assets at the balance sheet date by approximately US$1.2m.

23. Cash generated from operations

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

(US$ in millions)	2012	2011
Profit for the year	**217.4**	249.5
Adjustments for:		
Depreciation and amortisation	**255.2**	245.8
Income tax charge	**76.2**	117.4
Interest payable	**56.0**	104.6
Interest receivable	**(3.2)**	(5.0)
Non-cash employee benefit costs	**10.8**	11.5
Forward exchange contracts	**1.1**	0.7
Share of profit of associates, net of dividends received	**(0.6)**	(0.3)
Loss on disposal of fixed assets	**0.5**	–
Acquisition-related adjustments	**–**	2.1
Impairment losses	**94.7**	141.5
Non-cash foreign exchange movements	**1.0**	(1.6)
Changes in net working capital:		
(Increase)/decrease in trade and other receivables	**(26.8)**	38.9
Increase in inventories	**(1.9)**	(2.7)
Increase in trade and other payables[a]	**41.4**	91.0
Increase/(decrease) in provisions	**5.1**	(2.2)
Cash generated from operations	**726.9**	991.2

(a) Includes US$25.6m increase relating to deferred revenue recognised in respect of payments received from LightSquared (2011: US$104.3m) (see note 20).

24. Share capital

(US$ in millions)	As at 31 December 2012	As at 31 December 2011
Authorised:		
1,166,610,560 ordinary shares of €0.0005 each (2011: 1,166,610,560)	**0.7**	0.7
	0.7	0.7
Allotted, issued and fully paid:		
447,861,846 ordinary shares of €0.0005 each (2011: 447,856,844)	**0.3**	0.3
	0.3	0.3

During the year ended 31 December 2012, a total of 1,349,910 (2011: 1,157,547) ordinary shares of €0.0005 each were allotted and issued by the Company under its employee share schemes.

During the year ended 31 December 2012, the Company repurchased 1.3m ordinary shares at a total cost of US$9.9m, all of which were cancelled immediately (2011: 13.9m shares at a total cost of US$98.4m).

25. Employee share options and awards

In line with IFRS 2, 'Share-based Payment', the Group recognised US$10.8m (2011: US$13.0m) in total share compensation costs across all of its share plans for the 2012 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.

All options granted under the Staff Value Participation Plan (the '2004 Plan') have now vested and are exercisable. Whenever options are exercised under the 2004 Plan, the holder must pay a de minimis charge of €1 for each tranche of options exercised. The options expire 10 years from the date of grant. Shares are transferred to the 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 all share activity within the Trust, which reflects the options outstanding under the 2004 Plan as at 31 December 2012, is as follows:

	Shares available for grant	2004 Plan options outstanding	Weighted average exercise price per option
Balance at 1 January 2011	1,170,780	103,130	£3.71
Exercised re 2004 Plan	–	(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
Exercised re 2004 Plan	**–**	**(18,757)**	**£5.00**
Exercise re International Sharesave Plan	**(47,998)**	**–**	
Exercise re International Share Incentive Plan	**(3,365)**	**–**	
Exercise re CEO Share Plans	**(303,308)**	**–**	**£5.73**
Balance at 31 December 2012	**814,688**	**77,026**	**£3.72**
Exercisable at 31 December 2012		**77,026**	
Exercise Price per tranche		**€1.00**	

The weighted average of the remaining contractual life for the 2004 Plan at 31 December 2012 is two 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 to the Executive Directors in 2012 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, however, the intention 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 (excluding shares added in lieu of dividends) 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 to the Executive Directors under the PSP in 2012 are provided in the Remuneration Report. Participants are entitled to receive the value of any dividends that are paid between the date of award to the date of vesting in the form of additional shares. Any such additional shares are only added to the number of shares which will vest subject to performance conditions being satisfied.

The 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, however, the intention of the Company to satisfy the awards using newly-issued shares at the end of the relevant three-year period.

The performance conditions for the 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 up to and including the award made in 2011 is determined by a combination of TSR and EBITDA performance. For the award made in March 2012, the vesting schedule is structured so that 50% of the reward is linked to the performance of TSR and EBITDA as individual performance measures. The market-based performance condition has been incorporated into the fair value. 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	30 March 2012
Grant price	£4.39	£4.57	£5.35	£7.905	£6.07	£4.603
Exercise price	nil	nil	nil	nil	nil	nil
Bad leaver rate	0%	0%	0%	0%	0%	0%
Vesting period	3 years	3 years	3 years	3 years	3 years	3 years
Volatility	28.5%	34.9%	36.2%	35.7%	32.1%	33.9%
Fair value per share option	£2.40	£3.21	£3.30	£5.62	£3.17	£3.61

25. Employee share options and awards continued

Both the BSP and PSP share awards expire 10 years after date of grant or such shorter period as the Remuneration Committee may determine before the grant of an award. For share awards outstanding at the period end the weighted average of the remaining contractual life for both the BSP and PSP share awards at 31 December 2012 is 1.5 and 1.7 years respectively.

The CEO Award, made in 2007, reached its maturity date on 30 September 2012 and vested in November 2012. The share price for assessing the performance of the CEO Award was £5.7299. Of the total 1.7 million shares potentially available under the award, 160,631 shares, including shares in lieu of accrued dividends, vested and were issued to the former Chief Executive Officer (now Executive Chairman).

In addition, the deferred share bonus award of 125,000 shares (share price of £6.59 per share) made to the former Chief Executive Officer (now Executive Chairman) in December 2009 reached its maturity date on 30 September 2012. The performance condition of EBITDA growth relating to the 2010 financial year had already been satisfied. 142,677 shares, including shares issued in lieu of accrued dividends, vested and were issued to the former Chief Executive Office (now Executive Chairman) in November 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	5 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

In addition, the Company operates a HM Revenue & Customs approved UK Sharesave Scheme. The grant made in December 2008 with an option price of £3.06 per ordinary share (reflecting the maximum discount permitted of 20%) matured in February 2012. A new grant was made in December 2012 with an option price of £4.59 (reflecting the maximum discount permitted of 20%) which will mature in February 2016.

The Company also operates an International Sharesave Plan which mirrors the operation of the UK Sharesave Scheme as closely as possible. Participants receive either the opportunity to receive options in the same way as the UK Sharesave Scheme, or 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 – some of which are held by the Trust and some of which will be newly-issued. A grant under the International Sharesave Plan made in December 2008 with an option price of £3.06 per ordinary share matured in February 2012. A new grant was made in December 2012 with an option price of £4.59 which will mature in February 2016.

Options under the UK Sharesave Scheme and International Sharesave Plan expire after a maximum of 3.5 years following the initial savings payments having been made. The remaining contractual life for the current grant of the UK Sharesave Scheme and International Sharesave Plan at 31 December 2012 is 3.5 years for each plan.

In 2012, the Company introduced a new Employee Stock Purchase Plan (ESPP), for US and Canadian employees to purchase the Company's stock at a 15% discount using funds accumulated by an aggregate of 24 monthly contributions through payroll. This plan will be put to shareholders for approval at the Company's Annual General Meeting in May 2013. A grant was made under the scheme in November 2012 with an option price of £4.94 (reflecting the maximum discount permitted of 15%) which will mature in January 2015. Options under the ESPP expire after a maximum of 2.25 years. The remaining contractual life for the current grant of the ESPP is 2.2 years.

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

Grant date	Sharesave Scheme (UK and International) 15 December 2008	Sharesave Scheme (UK and International) 18 December 2012	Employee Stock Purchase Plan 26 November 2012
Market price at date of grant	£4.44	£5.93	£5.93
Exercise price	£3.06	£4.59	£4.94
Bad leaver rate	3% pa	3% pa	3% pa
Vesting period	3 years	3 years	2 years
Volatility	33.2%	33.1%	36.5%
Dividend yield assumption	3.36%	4.53%	4.53%
Risk free interest rate	2.46%	0.46%	0.36%
Fair value per option	£1.50	£1.45	£1.34

Several awards have been made under a HM Revenue & Customs approved UK Share Incentive Plan ('SIP'). Details of the SIP awards previously made 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 2012 (excluding the 2004 Plan which is noted above) is as follows:

	SIP (UK)	SIP (International)	BSP	CEO Share Plans	PSP	Sharesave (UK)	Sharesave (International)	ESPP	Total
Balance at 31 December 2011	675,916	41,898	1,377,761	1,125,000	989,802	738,431	152,641	–	5,101,449
Granted/ Allocated	–	–	1,335,364	46,937	834,710	626,904	312,771	126,402	3,283,088
Forfeited and lapsed	(706)	–	(151,335)	(868,629)	(584,644)	(6,524)	(54,821)	–	(1,666,659)
Exercised	–	–	–	–	–	(731,907)	(97,820)	–	(829,727)
Transferred/Sold	(102,739)	(3,365)	(913,223)	(303,308)	(20,398)	–	–	–	(1,343,033)
Balance at 31 December 2012	**572,471**	**38,533**	**1,648,567**	**–**	**1,219,470**	**626,904**	**312,771**	**126,402**	**4,545,118**
Exercisable at 31 December 2012	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Exercise Price per share	**n/a**	**n/a**	**nil**	**nil**	**nil**	(a)	(a)	(b)	

(a) The grants made under the UK Sharesave scheme and Sharesave International schemes in 2012 have an exercise price of £4.59 per share.
The grants made under the UK Sharesave scheme and Sharesave International schemes in 2008 had an exercise price of £3.06 per share.
The weighted average exercise price at 31 December 2012 is £4.59 (31 December 2011: £3.06).
The weighted average exercise price of options exercised during the year was £3.06 per share.
(b) The weighted average exercise price at 31 December 2012 was £4.94 per share.

26. Reserves

Cash flow hedge reserve:

(US$ in millions)	**2012**	2011
Balance as at 1 January	**(11.4)**	(7.5)
Gain/(loss) recognised on cash flow hedges:		
Forward exchange contracts[(a)]	**4.6**	(5.1)
Interest rate swaps	**7.8**	5.6
Income tax charged directly to equity	**(2.9)**	(1.0)
Reclassified to the Income Statement[(b)]		
Forward exchange contracts	**(0.6)**	(3.5)
Interest rate swaps	**–**	3.1
FX movement through cash flow hedge reserve	**(0.2)**	–
Income tax credited/(charged) related to amounts transferred to the Income Statement[(b)]	**0.4**	(0.2)
Reclassified and capitalised on the Balance Sheet[(c)]		
Forward exchange contracts	**(0.2)**	(2.8)
Balance as at 31 December	**(2.5)**	(11.4)

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. All of the outstanding balance as at 31 December 2012 relates to expenditure which is expected to take place in 2013. Any capital items will be subsequently depreciated in line with the underlying asset.

(a) Includes US$0.3m of ineffective hedges which will be capitalised on the Balance Sheet when the hedged transactions occur, and subsequently depreciated.

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

(US$ in millions)	**2012**	2011
Total net operating costs	**(0.8)**	(3.5)
Interest payable and similar charges	**–**	3.1
Income tax expense/(credit)	**0.4**	(0.2)
Total reclassified (credited) to the Income Statement in the year	**(0.4)**	(0.6)

(c) 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)	**2012**	2011
Property, plant and equipment	**(0.2)**	(2.8)
Total reclassified and capitalised on the Balance Sheet in the year	**(0.2)**	(2.8)

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.

	2012	2011
Profit attributable to equity holders of the Company (US$ in millions)	**217.1**	249.3
Weighted average number of ordinary shares in issue (number)	**447,721,218**	456,383,635
Basic earnings per share (US$ per share)	**0.48**	0.55

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. A calculation is performed 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.

	2012	2011
Profit attributable to equity holders of the Company for diluted earnings per share number (US$ in millions)	**217.1**	249.3
Weighted average number of ordinary shares in issue (number)	**447,721,218**	456,383,635
Adjustments for:		
– Share options (number)	**3,176,105**	4,232,761
Weighted average number of ordinary shares for diluted earnings per share (number)	**450,897,323**	460,616,396
Diluted earnings per share (US$ per share)	**0.48**	0.54

Adjusted earnings per share

The basic and diluted earnings per share for the year ended 31 December 2012 were adjusted to exclude the US$51.9m (US$39.2m net of tax) in relation to the LightSquared Cooperation Agreement and the impairment losses of US$94.7m.

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).

Adjusted basic earnings per share	2012	2011
Profit attributable to equity holders of the Company (US$ in millions)	**217.1**	249.3
Adjustments for:		
– LightSquared Cooperation Agreement (net of tax)	**(39.2)**	(141.6)
– Impairment losses (net of tax)	**94.7**	134.8
Profit attributable to equity holders of the Company for diluted earnings	**272.6**	242.5
Weighted average number of ordinary shares in issue (number)	**447,721,218**	456,383,635
Adjusted basic earnings per share (US$ per share)	**0.61**	0.53

Adjusted diluted earnings per share	2012	2011
Profit attributable to equity holders of the Company for diluted earnings per share number (US$ in millions)	**217.1**	249.3
Adjustments for:		
– LightSquared Cooperation Agreement (net of tax)	**(39.2)**	(141.6)
– Impairment losses (net of tax)	**94.7**	134.8
Profit attributable to equity holders of the Company for diluted earnings per share number (US$ in millions)	**272.6**	242.5
Weighted average number of ordinary shares in issue (number)	**447,721,218**	456,383,635
Adjustments for:		
– Share options (number)	**3,176,105**	4,232,761
Weighted average number of ordinary shares for diluted earnings per share (number)	**450,897,323**	460,616,396
Adjusted diluted earnings per share (US$ per share)	**0.60**	0.53

28. Pension arrangements and post-employment benefits

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

The Group operates defined benefit pension schemes in the United Kingdom, the Netherlands and Norway. The Group's principal defined benefit pension 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 2011. 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 2012. The results of this updated valuation as at 31 December 2012, for the purposes of the additional disclosures required by IAS 19, are set out below.

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

Schemes denominated in local currencies are subject to fluctuations in the exchange rate between US Dollars and local currencies.

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

	As at 31 December 2012	As at 31 December 2011
Weighted average actuarial assumptions used at 31 December:		
Discount rate	**4.60%**	4.74%
Expected return on plan assets	**6.68%**	6.65%
Future salary increases	**3.05%**	4.55%
Medical cost trend rate[(a)]	**3.60%**	3.70%
Future pension increases	**2.93%**	3.09%

(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-employment benefits liabilities are as follows:

	2012 Number of years	2011 Number of years
Male current age 65	**88.0**	87.4
Female current age 65	**89.9**	90.3

Mortality assumptions used are consistent with those recommended by the individual scheme actuaries and reflect the latest available tables, adjusted for the experience of the Group where appropriate. For the Inmarsat Global defined benefit pension scheme and the Inmarsat Global post-retirement healthcare benefits for 2012 and 2011, 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 schemes and the expected and actual rates of return were:

	As at 31 December 2012			As at 31 December 2011		
	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	**7.40%**	**69.1**	**71.90%**	7.50%	52.8	74.26%
Cash	**0.56%**	**9.4**	**9.78%**	5.00%	0.1	0.14%
Bonds	**4.16%**	**15.4**	**16.03%**	4.17%	15.3	21.52%
Other	**4.42%**	**2.2**	**2.29%**	5.34%	2.9	4.08%
Fair value of scheme assets		**96.1**			71.1	
Actual return on plan assets (loss)		**(7.9)**			(3.2)	

28. Pension arrangements and post-employment benefits continued

Amounts recognised in the Balance Sheet are:

(US$ in millions)	As at 31 December 2012	As at 31 December 2011
Present value of funded defined benefit obligations (pension)	**(86.5)**	(75.6)
Present value of unfunded defined benefit obligations (pension)	**(1.8)**	(2.4)
Present value of unfunded defined benefit obligations (post-employment benefits)	**(16.5)**	(15.3)
Fair value of defined benefit assets	**96.1**	71.1
Net defined benefit liability recognised in the Balance Sheet	**(8.7)**	(22.2)

The above net liability is recognised in the Balance Sheet as follows:

	As at 31 December 2012	As at 31 December 2011
Pension asset	**12.0**	–
Defined benefit liability	**(20.7)**	(22.2)

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

(US$ in millions)	Defined benefit pension plan	Post-employment benefits
At 1 January 2011	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
Current service cost	**3.1**	**0.4**
Interest cost	**3.5**	**0.9**
Actuarial gain	**(0.1)**	**(0.5)**
Foreign exchange loss	**4.2**	**0.7**
Benefits paid	**(1.7)**	**(0.3)**
Contributions by pension participants	**1.3**	**–**
At 31 December 2012	**88.3**	**16.5**

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 2012	As at 31 December 2011
At 1 January	**71.1**	65.4
Acquisition of Ship Equip	**–**	1.3
Expected return on plan assets	**4.5**	4.7
Actuarial gain/(loss)	**3.8**	(8.0)
Contributions by employer	**11.9**	7.4
Contributions by pension participants	**1.3**	1.3
Benefits paid	**(0.8)**	(0.5)
Foreign exchange gain/(loss)	**4.3**	(0.5)
At 31 December	**96.1**	71.1

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

	2012 Defined benefit pension plan	2012 Post-employment benefits	2011 Defined benefit pension plan	2011 Post-employment benefits
Recognised in Income Statement:				
Current service cost	**3.1**	**0.4**	2.6	0.9
Interest cost	**3.5**	**0.9**	4.0	1.6
Expected return on pension assets	**(4.5)**	**–**	(4.7)	–
Foreign exchange gain	**(0.1)**	**0.7**	(0.3)	(0.1)
	2.0	**2.0**	1.6	2.4
Recognised in Statement of Comprehensive Income:				
Net actuarial (gains)/losses[a]	**(3.9)**	**(0.5)**	3.2	(16.6)
Cumulative pre-tax actuarial losses/(gains)	**5.3**	**(5.8)**	9.2	(5.3)

(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 2012 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-employment benefits:

(US$ in millions)	2012 Inmarsat Global Defined benefit pension plan	2012 Total Group Defined benefit pension plans	2012 Post-employment benefits
Present value of defined benefit obligations (US$ in millions)	**(80.8)**	**(88.3)**	**(16.5)**
Fair value of plan assets (US$ in millions)	**92.8**	**96.1**	**–**
Surplus/(deficit) in plans (US$ in millions)	**12.0**	**7.8**	**(16.5)**
Experience (losses)/gains on plan liabilities (US$ in millions)	**(0.6)**	**0.7**	**0.1**
Percentage of plan liabilities	**0.7%**	**(0.8%)**	**(0.6%)**
Experience gains on plan assets (US$ in millions)	**4.0**	**3.9**	**–**
Percentage of plan assets	**4.3%**	**4.1%**	**–**

	2011 Inmarsat Global defined benefit pension plan	2011 Total Group defined benefit pension plans	2011 Post-employment benefits	2010 Inmarsat Global defined benefit pension plan	2010 Total Group defined benefit pension plans	2010 Post-employment benefits
Present value of defined benefit obligations (US$ in millions)	(71.2)	(78.0)	(15.3)	(70.4)	(74.5)	(29.8)
Fair value of plan assets (US$ in millions)	68.9	71.1	–	65.0	65.4	–
Deficit in plans (US$ in millions)	(2.3)	(6.9)	(15.3)	(5.4)	(9.1)	(29.8)
Experience gains/(losses) on plan liabilities (US$ in millions)	6.4	6.4	1.0	–	(0.2)	4.1
Percentage of plan liabilities	9.0%	8.2%	6.5%	0.0%	(0.3%)	13.8%
Experience (losses)/gains on plan assets (US$ in millions)	(8.0)	(8.0)	–	2.9	2.9	–
Percentage of plan assets	(11.6%)	(11.3%)	–	4.5%	4.4%	–

	2009 Inmarsat Global defined benefit pension plan	2009 Total Group defined benefit pension plans	2009 Post-employment benefits	2008 Inmarsat Global defined benefit pension plan	2008 Total Group defined benefit pension plans	2008 Post-employment benefits
Present value of defined benefit obligations (US$ in millions)	(68.6)	(73.0)	(33.2)	(41.9)	(46.7)	(19.8)
Fair value of plan assets (US$ in millions)	53.8	53.8	–	35.0	35.0	–
Deficit in plans (US$ in millions)	(14.8)	(19.2)	(33.2)	(6.9)	(11.7)	(19.8)
Experience (losses)/gains on plan liabilities (US$ in millions)	(0.3)	0.2	0.1	–	0.2	(7.1)
Percentage of plan liabilities	(0.4%)	0.3%	0.3%	0.0%	0.4%	(35.9%)
Experience gains/(losses) on plan assets (US$ in millions)	5.8	5.8	–	(14.7)	(14.7)	–
Percentage of plan assets	10.8%	10.8%	–	(42.0%)	(42.0%)	–

The estimated contributions expected to be paid into the Group defined benefit pension plan during 2013 are US$2.5m (2012: actual US$11.9m) .

28. Pension arrangements and post-employment benefits continued

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 2012 by US$3.5m (2011: US$3.5m) and the aggregate of the service cost and interest cost by US$0.2m (2011: 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 2012 by US$2.7m (2011: US$2.7m), and the aggregate of the service cost and interest cost by US$0.2m (2011: US$0.6m).

29. Acquisitions

Acquisition of NewWave Broadband Limited

On 13 January 2012, the Group acquired all of the outstanding and issued common shares of NewWave Broadband Limited for a total consideration of US$7.7m (net of cash acquired). The acquisition has been accounted for using the purchase method of accounting in accordance with IFRS 3, 'Business Combinations'. Goodwill recognised on this acquisition amounts to US$2.9m.

Acquisition of Ship Equip

On 28 April 2011, the Group 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). The allocation of the purchase consideration was finalised during the year ended 31 December 2011.

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

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 has been operating with business units aligned to vertical market sectors as part of Inmarsat Solutions. The original acquisition of Segovia on 12 January 2010 involved an element of deferred consideration. 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 2012 and 2013. As a result of accelerating the settlement of the deferred consideration, the Group recorded an additional charge of US$5.6m in the 2011 Income Statement, in line with IFRS 3. US$2.1m of the charge represents the better than expected performance in 2011 and was recorded in the acquisition-related adjustments line in the Income Statement and US$3.5m was 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, the Group acquired most of the operational assets of Blue Ocean Wireless ('BOW') for a total consideration of US$3.4m.

30. Operating lease and other commitments

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

	As at 31 December 2012			As at 31 December 2011		
(US$ in millions)	**Non-cancellable operating leases**	**Other unrecognised contractual commitments**	**Total**	Non-cancellable operating leases	Other unrecognised contractual commitments	Total
Within one year	**17.5**	**11.7**	**29.2**	17.2	7.9	25.1
Within two to five years	**54.2**	**14.8**	**69.0**	51.9	13.9	65.8
After five years	**87.4**	**0.2**	**87.6**	97.1	0.2	97.3
	159.1	**26.7**	**185.8**	166.2	22.0	188.2

Operating lease commitments relate to primarily leased office space, including the Group's head office located at 99 City Road, London. Other unrecognised non-cancellable contractual commitments relate to network service contracts and maintenance contracts, which have varying terms.

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 2012**	As at 31 December 2011
Within one year	**40.1**	42.7
Within two to five years	**42.9**	87.7
	83.0	130.4

The total of future sublease payments expected to be received under non-cancellable subleases at 31 December 2012 relating to the above head office lease is US$3.7m over three years (as at 31 December 2011: US$5.5m over four 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 and represent the majority of the Group's future aggregate minimum lease payments under non-cancellable operating leases expected to be received:

(US$ in millions)	As at 31 December 2012	As at 31 December 2011
Within one year	**67.5**	32.5
Within two to five years	**5.4**	–
After five years	**2.3**	–
	75.2	32.5

31. Capital risk management

The following table summarises the capital of the Group:

(US$ in millions)	As at 31 December 2012	As at 31 December 2011
As per Balance Sheet		
Cash and cash equivalents	**(332.1)**	(183.5)
Borrowings	**1,821.4**	1,550.4
Net debt	**1,489.3**	1,366.9
Equity attributable to shareholders of the parent	**1,124.8**	1,080.2
Capital	**2,614.1**	2,447.1

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 (gross of deferred finance costs) to EBITDA ratio for the year ended 31 December 2012 is 2.19 (2011: 1.63).

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 2012 and 2011.

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 counterparty 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 transactions. This average rate is applied as per requirements of IAS 21. The policy is designed to minimise the impact of currency gains and losses in the Income Statement; gains and losses will arise to the extent that the level of actual payments in the period are different from those that were forecast.

32. Financial instruments continued

Financial instruments by category

The following table sets out the categorisation of financial assets and liabilities in terms of IAS 39:

(US$ in millions)	As at 31 December 2012 Loans and receivables	Derivatives used for hedging	Total	As at 31 December 2011 Loans and receivables	Derivatives used for hedging	Total
Assets as per Balance Sheet						
Trade receivables, other receivables and accrued income[a]	**262.6**	**–**	**262.6**	231.0	–	231.0
Cash and cash equivalents	**332.1**	**–**	**332.1**	183.5	–	183.5
Derivative financial instruments	**–**	**6.4**	**6.4**	–	7.9	7.9
	594.7	**6.4**	**601.1**	414.5	7.9	422.4

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

(US$ in millions)	As at 31 December 2012 Derivatives used for hedging	Other financial liabilities	Total	As at 31 December 2011 Derivatives used for hedging	Other financial liabilities	Total
Liabilities as per Balance Sheet						
Borrowings	**–**	**1,821.4**	**1,821.4**	–	1,550.4	1,550.4
Trade payables, other payables and accruals[a]	**–**	**233.3**	**233.3**	–	270.2	270.2
Derivative financial instruments	**11.4**	**–**	**11.4**	23.3	–	23.3
	11.4	**2,054.7**	**2,066.1**	23.3	1,820.6	1,843.9

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

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

(US$ in millions)	As at 31 December 2012 Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Borrowings[a]	**136.5**	**450.8**	**1,354.2**	**380.1**	**2,321.6**
Derivative financial instruments	**11.4**	**–**	**–**	**–**	**11.4**
Trade payables, other payables and accruals	**207.6**	**1.6**	**1.8**	**22.3**	**233.3**
	355.5	**452.4**	**1,356.0**	**402.4**	**2,566.3**

(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 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	242.1	1.2	5.9	21.0	270.2
	685.6	122.3	394.2	1,037.9	2,240.0

(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.

Net fair values of derivative financial instruments

The Group's derivative financial instruments as at 31 December 2012 consist of forward foreign currency contracts and interest rate swaps. The interest rate swaps and approximately 90% of forward foreign currency contracts (2011: 90%) are designated cash flow hedges.

The net fair values at the Balance Sheet date were:

(US$ in millions)	**As at 31 December 2012**	As at 31 December 2011
Contracts with positive fair values:		
Forward foreign currency contracts – designated cash flow hedges	**6.2**	7.5
Forward foreign currency contracts – undesignated	**0.2**	0.4
Contracts with negative fair values:		
Forward foreign currency contracts – designated cash flow hedges	**(2.0)**	(6.1)
Total forward exchange currency contracts	**4.4**	1.8
Interest rate swap – designated cash flow hedge	**(9.4)**	(17.2)
Total net fair value	**(5.0)**	(15.4)
Less non-current portion		
Forward foreign currency contracts – designated cash flow hedges	**–**	(0.6)
Interest rate swap – designated cash flow hedge	**–**	(8.4)
Current portion	**(5.0)**	(6.4)

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 2012 and 2011:

	As at 31 December 2012				
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	**£63.5**	**£63.5**	**–**	**–**	**3.3**
Euro contracts	**€45.6**	**€45.6**	**–**	**–**	**0.9**
Canadian Dollar contracts	**$12.0**	**$12.0**	**–**	**–**	**0.2**
					4.4

	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

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 2012 and 2011:

	Average contracted fixed interest rate		Notional principal amount		Fair value	
Outstanding floating for fixed contracts	**2012 %**	2011 %	**2012 (US$ in millions)**	2011 (US$ in millions)	**2012 (US$ in millions)**	2011 (US$ in millions)
Less than one year	**4.93%**	–	**200.0**	–	**(9.4)**	(8.8)
One to two years	**–**	4.93%	**–**	200.0	**–**	(8.4)
Two to five years	**–**	–	**–**	–	**–**	–
Five years+	**–**	–	**–**	–	**–**	–
			200.0	200.0	**(9.4)**	(17.2)

32. Financial instruments continued

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 investments, trade receivables, other receivables and accrued income.

Non-derivative financial liabilities consist of borrowings, trade payables, deferred consideration, other payables and accruals.

Fair value of non-derivative financial assets and financial liabilities

With the exception of the Senior Notes due 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, accrued income and costs, and deferred consideration approximate their carrying values (see notes 17 and 20 respectively);
- The carrying amount of deferred satellite payments represents the present value of future payments discounted, using an appropriate rate, at the period end. This carrying amount approximately equals fair value (see note 19);
- The Senior Notes due 2017 are reflected in the Balance Sheet as at 31 December 2012 net of unamortised arrangement costs and net issuance premium of US$11.0m and US$7.5m (2011: US$9.2m and US$3.6m of unamortised arrangement costs and net issuance discount, respectively), 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 2012 and are reflected in the table below;
- The EIB Facility is reflected in the Balance Sheet as at 31 December 2012 net of unamortised arrangement costs of US$1.6m (2011: US$2.2m). 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 2012 net of unamortised arrangement costs of US$16.3m (2011: US$14.5m). The fair value approximates the carrying value (see note 19); and
- The liability component of the Convertible Bonds is reflected in the Balance Sheet as at 31 December 2012 on an amortised cost basis, net of unamortised arrangement costs of US$2.0m (2011: US$1.3m) (see note 19). The fair value of the Convertible Bonds is based on the market price of the bonds as at 31 December 2012 and is reflected in the table below.

	As at 31 December 2012		As at 31 December 2011	
(US$ in millions)	**Carrying amount**	**Fair value amount**	Carrying amount	Fair value amount
Senior Notes due 2017	**850.0**	**912.7**	650.0	677.6
Convertible Bonds	**301.3**	**374.8**	307.4	332.8

33. Capital commitments

The Group had authorised and contracted but not provided for capital commitments as at 31 December 2012 of US$740.3m (2011: US$1,086.7m). These amounts primarily represent commitments in respect of the Alphasat and Global Xpress programmes.

34. Contingent liability

The Group has received an enquiry from Her Majesty's Revenue and Customs ('HMRC') into the financing of a finance lease and operating leaseback transaction entered into in 2007 in respect of the Inmarsat-4 satellites. The full tax benefit of the transaction of US$218.6m was recognised and disclosed in the Group's financial statements for the year ended 31 December 2008. The potential current tax liability in relation to the element of the transaction subject to the HMRC enquiry is estimated to be in the region of US$65m. The Group has sought external advice and management do not believe that a material economic outflow is probable; therefore no provision has been recorded in these financial statements. However, this disclosure has been made in light of the enquiries being made by HMRC.

No accurate estimation of the time required to settle this matter can currently be given.

35. Related party transactions

In the normal course of operations Inmarsat Solutions 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 2012 financial year was US$24.7m and US$18.5m respectively (2011: US$21.3m and US$11.4m respectively). The amount receivable from the related party at 31 December 2012 was US$15.5m and US$3.3m, respectively (2011: US$12.2m and US$1.5m, respectively).

Aggregate remuneration for key management personnel, being the Executive Staff (including Executive Directors) of the Company, during the year is as follows:

(US$ in millions)	2012	2011
Short-term employee benefits[a]	**9.7**	7.1
Post-employment benefits	**0.3**	0.2
Termination benefits	**0.5**	–
Share-based payment[a]	**7.5**	6.7
Total remuneration	**18.0**	14.0

(a) Includes employers National Insurance or other social security contributions.

The amount owing to the Executive Staff (including Executive Directors) as at 31 December 2012 and 2011 was US$3.5m and US$2.8m, respectively.

The post-employment benefits 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.

36. Principal subsidiary undertakings

At 31 December 2012, 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 2012	Interest in issued ordinary share capital at 31 December 2011
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 Employment Company Limited	Employment company	Jersey	**100%**	100%
Inmarsat Hawaii Inc.	Satellite telecommunications	USA	**100%**	100%
Inmarsat Canada Holdings Inc.	Holding company	Canada	**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.	Operating company	USA	**100%**	100%
Inmarsat Solutions Pte Limited	Operating company	Singapore	**100%**	100%
Stratos Government Services Inc.	Operating company	USA	**100%**	100%
Inmarsat Solutions AS[c]	Operating company	Norway	**100%**	100%
Stratos Mobile Networks Inc.	Operating company	USA	**100%**	100%
Inmarsat New Zealand Limited[d]	Operating company	New Zealand	**100%**	100%
Stratos Offshore Services Company	Operating company	USA	**100%**	100%
Inmarsat Solutions (Canada) Inc.[e]	Operating company	Canada	**100%**	100%
Moskovsky Teleport	Operating company	Russia	**80%**	80%
Inmarsat Solutions Global Limited[f]	Operating company	England and Wales	**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 AS was acquired on 28 April 2011 (see note 29). It was renamed Inmarsat Solutions AS in February 2012.
(d) Stratos New Zealand Limited was renamed Inmarsat New Zealand Limited in November 2012.
(e) Stratos Wireless Inc. was renamed Inmarsat Solutions (Canada) Inc. in March 2012.
(f) Stratos Global Limited was renamed Inmarsat Solutions Global Limited in April 2012.

37. Events after the Balance Sheet date

Subsequent to 31 December 2012, 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 2012 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 2012;
- 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 2012.

Stephen Griggs FCA
(Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
7 March 2013

Company Balance Sheet

(US$ in millions)	**As at 31 December 2012**	As at 31 December 2011
Assets		
Non-current assets		
Investments[a]	**1,062.5**	1,052.6
Other receivables[b]	**103.0**	6.0
Deferred income tax asset	**–**	0.5
	1,165.5	1,059.1
Current assets		
Cash and cash equivalents	**1.6**	18.2
Trade and other receivables[c]	**1.2**	149.4
Current income tax asset	**6.3**	8.0
	9.1	175.6
Total assets	**1,174.6**	1,234.7
Liabilities		
Current liabilities		
Trade and other payables[d]	**4.8**	3.6
Borrowings[e]	**–**	308.8
	4.8	312.4
Non-current liabilities		
Borrowings[e]	**302.2**	–
Deferred income tax liability	**1.1**	–
	303.3	–
Total liabilities	**308.1**	312.4
Net assets	**866.5**	922.3
Shareholders' equity		
Ordinary shares	**0.3**	0.3
Share premium	**687.4**	683.9
Convertible bonds reserve	**56.9**	56.9
Other reserves	**44.5**	35.7
Retained earnings	**77.4**	145.5
Total equity	**866.5**	922.3

(a) Investments consist of a US$1,007.8m investment in Inmarsat Holdings Limited (2011: US$1,007.8m) and US$54.7m of capital contributions to Group companies in respect of share-based payments (2011: US$44.8m).
(b) Other receivables consist of US$103.0m amounts due from Group companies (2011: US$6.0m).
(c) Trade and other receivables consist of US$1.2m amounts due from Group companies (2011: US$149.3m) and US$nil prepayments and accrued income (2011: US$0.1m).
(d) Trade and other payables consists of US$1.2m due to shareholders in respect of dividends paid during 2012 (2011: US$0.7m), operating accruals of US$2.2m (2011: US$2.0m), amounts due to Group companies of US$1.3m (2011: US$0.5m), and trade creditors of US$nil (2011: US$0.4m). In addition, 2012 includes US$0.1m of tax and social security creditors (2011: US$nil).
(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 to 103 were approved by the Board of Directors on 7 March 2013 and signed on its behalf by:

Rupert Pearce
Chief Executive Officer

Rick Medlock
Chief Financial Officer

Company Cash Flow Statement

(US$ in millions)	2012	2011
Cash flow from operating activities		
Cash used in operations	**(3.6)**	(0.9)
Interest received	**0.4**	0.3
Net cash used in operating activities	**(3.2)**	(0.6)
Cash flow from investing activities		
Dividend received from Group companies	**225.7**	323.4
Net cash from investing activities	**225.7**	323.4
Cash flow from financing activities		
Dividends paid to shareholders	**(186.6)**	(172.2)
Interest paid on convertible bonds	**(5.1)**	(5.1)
Net proceeds from issue of ordinary shares	**3.5**	–
Purchase of own shares, including costs	**(9.9)**	(98.4)
Intercompany funding	**(41.0)**	(50.0)
Net cash used in financing activities	**(239.1)**	(325.7)
Net decrease in cash and cash equivalents	**(16.6)**	(2.9)
Movement in cash and cash equivalents		
At beginning of year	**18.2**	21.1
Net decrease in cash and cash equivalents	**(16.6)**	(2.9)
As reported on the Balance Sheet (net of bank overdrafts)	**1.6**	18.2
At end of year, comprising		
Cash at bank and in hand	**1.6**	2.2
Short-term deposits with original maturity of less than three months	**–**	16.0
	1.6	18.2

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 2011	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
Issue of share capital	**–**	**3.5**	**–**	**–**	**–**	**–**	**3.5**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**129.2**	**129.2**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**(187.4)**	**(187.4)**
Share options charge	**–**	**–**	**–**	**8.8**	**–**	**–**	**8.8**
Purchase of own shares	**–**	**–**	**–**	**–**	**–**	**(9.9)**	**(9.9)**
Balance at 31 December 2012	**0.3**	**687.4**	**56.9**	**56.5**	**(12.0)**	**77.4**	**866.5**

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

Notes to the Financial Statements

Basis of accounting
In the 2012 and 2011 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 2012 was US$129.2m (2011: US$400.0m).

Auditor's remuneration
During the year, the Company paid its external Auditor US$0.2m for statutory audit services (2011: US$0.2m).

Employee costs and Directors' remuneration
The average monthly number of people employed during the year was one (2011: one). Total staff costs for 2012 were US$2.4m (2011: US$2.6m). 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 to the consolidated financial statements.

The differences between the Group and the Company in relation to intercompany balances are US$104.2m (2011: US$155.3m) amounts due from Group companies and US$1.3m (2011: US0.5m) 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 operations
Reconciliation of operating profit to net cash outflow from operating activities.

(US$ in millions)	**2012**	2011
Profit for the year	**129.2**	400.0
Adjustments for:		
Income tax expense/(credit)	**1.9**	(4.7)
Interest payable	**(1.6)**	28.9
Interest receivable	**(3.7)**	(0.6)
Dividend receivable	**(125.7)**	(423.4)
Non-cash employee benefit costs	**0.9**	0.9
Changes in net working capital:		
(Increase)/decrease in trade and other receivables	**(4.4)**	1.9
Decrease in trade and other payables	**(0.2)**	(3.9)
Cash used in operations	**(3.6)**	(0.9)

Additional Information

Five-Year Summary

(US$ in millions)	**2012**	2011	2010	2009	2008
Revenues	**1,337.8**	1,408.5	1,171.6	1,038.1	996.7
EBITDA	**694.7**	854.4	696.1	594.2	531.2
EBITDA %	**51.9%**	60.7%	59.4%	57.2%	53.3%
Profit before income tax	**293.6**	366.9	333.5	196.9	193.8
Profit for year	**217.4**	249.5	261.1	152.8	355.4
Net cash inflow from operating activities	**659.5**	881.6	744.3	622.1	526.8
Net cash used in investing activities	**(499.1)**	(702.0)	(295.5)	(173.7)	(243.2)
Net cash used in financing activities	**(11.1)**	(340.5)	(331.5)	(376.3)	(244.4)
Total assets	**3,753.0**	3,409.1	3,158.0	2,905.6	2,906.8
Total liabilities	**(2,627.1)**	(2,328.0)	(2,069.3)	(1,935.6)	(1,973.1)
Shareholders' equity	**1,125.9**	1,081.1	1,088.7	970.0	933.7

Notes:
Results for 2012 and 2011 include Segovia for the full year. Results for 2010 include Segovia from 12 January 2010.
Results for 2012 include Ship Equip for the full year. Results for 2011 include Ship Equip from 28 April 2011.
Results for 2012 include NewWave from 13 January 2012.

Financial calendar 2013

2 May	Annual General Meeting
15 May	Ex-dividend date for 2012 final dividend
17 May	Record date for 2012 final dividend
24 May	2012 final dividend payment date
August	2013 interim results
October	2013 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.

Inmarsat plc Annual Report and Accounts 2012

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