

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INMARSAT PLC

We have audited the consolidated financial statements of Inmarsat plc for the year ended 31 December 2010 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes 1 to 36. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the 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.

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 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the Directors' statement contained within the Statement on Corporate Governance in relation to going concern; and
- the part of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the June 2008 Combined 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 2010 and on the information in the Directors' Remuneration Report that is described as having been audited.

Panos Kakoullis FCA

Senior Statutory Auditor
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
7 March 2011

CONSOLIDATED INCOME STATEMENT

(US\$ in millions)	Note	2010	2009
Revenues		1,171.6	1,038.1
Employee benefit costs	7	(181.7)	(190.0)
Network and satellite operations costs		(217.1)	(193.4)
Other operating costs		(93.8)	(82.4)
Own work capitalised		17.1	21.9
Total net operating costs		(475.5)	(443.9)
EBITDA		696.1	594.2
Depreciation and amortisation	6	(234.6)	(231.6)
Gain on disposal of assets		–	2.1
Acquisition-related adjustments		(2.1)	(8.8)
Share of results of associates		1.2	0.9
Operating profit		460.6	356.8
Interest receivable and similar income	9	1.4	1.7
Interest payable and similar charges	9	(128.5)	(161.6)
Net interest payable	9	(127.1)	(159.9)
Profit before income tax	6	333.5	196.9
Income tax expense	10	(72.4)	(44.1)
Profit for the year		261.1	152.8
Attributable to:			
Equity holders		260.9	152.7
Non-controlling interest		0.2	0.1
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in US\$ per share)			
– Basic	27	0.57	0.33
– Diluted	27	0.57	0.35

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(US\$ in millions)	Note	2010	2009
Profit for the year		261.1	152.8
Other comprehensive income			
Actuarial gains/(losses) from pension and post-retirement healthcare benefits		9.9	(21.4)
Net (losses)/gains on cash flow hedges	26	(9.0)	44.0
Tax credited/(charged) directly to equity	10	2.9	(5.4)
Other comprehensive income for the year, net of tax		3.8	17.2
Total comprehensive income for the year, net of tax		264.9	170.0
Attributable to:			
Equity holders		264.7	169.9
Non-controlling interest		0.2	0.1

CONSOLIDATED BALANCE SHEET

(US\$ in millions)	Note	2010	2009
Assets			
Non-current assets			
Property, plant and equipment	13	1,355.7	1,365.2
Intangible assets	14	1,127.2	1,020.0
Investments	15	30.8	31.0
Other receivables	17	5.2	1.5
Derivative financial instruments	32	6.9	12.0
		2,525.8	2,429.7
Current assets			
Cash and cash equivalents	16	343.8	226.8
Restricted cash		5.6	–
Trade and other receivables	17	255.2	227.5
Inventories	18	20.2	9.5
Derivative financial instruments	32	7.4	12.1
		632.2	475.9
Total assets		3,158.0	2,905.6
Liabilities			
Current liabilities			
Borrowings	19	58.6	109.4
Trade and other payables	20	348.6	206.1
Provisions	21	0.4	0.9
Current income tax liabilities	22	46.8	34.0
Derivative financial instruments	32	12.9	14.1
		467.3	364.5
Non-current liabilities			
Borrowings	19	1,402.3	1,403.5
Other payables	20	58.3	27.6
Provisions	21	42.5	55.8
Deferred income tax liabilities	22	85.3	71.3
Derivative financial instruments	32	13.6	12.9
		1,602.0	1,571.1
Total liabilities		2,069.3	1,935.6
Net assets		1,088.7	970.0
Shareholders' equity			
Ordinary shares	24	0.3	0.3
Share premium		683.9	679.7
Equity reserve		56.9	56.9
Other reserves	26	19.1	15.4
Retained earnings		327.8	217.2
Equity attributable to shareholders of the parent		1,088.0	969.5
Non-controlling interest		0.7	0.5
Total equity		1,088.7	970.0

The consolidated financial statements of the Group on pages 60 to 103 were approved by the Board of Directors on 7 March 2011 and were signed on its behalf by:

Andrew Sukawaty
Chairman and Chief Executive Officer

Rick Medlock
Chief Financial Officer

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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	Other reserve ^(a)	Retained earnings	Non-controlling interest	Total
Balance at 1 January 2009	0.3	679.6	56.9	18.4	(34.1)	0.6	(10.1)	220.6	1.5	933.7
Net fair value gains – cash flow hedges	–	–	–	–	44.0	–	–	–	–	44.0
Issue of share capital	–	0.1	–	–	–	–	–	–	–	0.1
Share options charge	–	–	–	9.1	–	–	–	–	–	9.1
Profit for the period	–	–	–	–	–	–	–	152.7	0.1	152.8
Dividends paid	–	–	–	–	–	–	–	(141.8)	–	(141.8)
Actuarial losses from pension and post-retirement healthcare benefits	–	–	–	–	–	–	–	(21.4)	–	(21.4)
Tax (charged)/credited directly to equity	–	–	–	–	(12.5)	–	–	7.1	–	(5.4)
Additional investment in associates	–	–	–	–	–	–	–	–	(0.1)	(0.1)
Purchase of non-controlling interest	–	–	–	–	–	–	–	–	(1.0)	(1.0)
Balance at 31 December 2009	0.3	679.7	56.9	27.5	(2.6)	0.6	(10.1)	217.2	0.5	970.0
Net fair value losses – cash flow hedges	–	–	–	–	(9.0)	–	–	–	–	(9.0)
Issue of share capital	–	4.2	–	–	–	–	–	–	–	4.2
Share options charge/(credit)	–	–	–	10.0	–	–	(1.4)	–	–	8.6
Profit for the period	–	–	–	–	–	–	–	260.9	0.2	261.1
Dividends paid	–	–	–	–	–	–	–	(159.0)	–	(159.0)
Actuarial gains from pension and post-retirement healthcare benefits	–	–	–	–	–	–	–	9.9	–	9.9
Tax credited/(charged) directly to equity	–	–	–	–	4.1	–	–	(1.2)	–	2.9
Balance at 31 December 2010	0.3	683.9	56.9	37.5	(7.5)	0.6	(11.5)	327.8	0.7	1,088.7

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

CONSOLIDATED CASH FLOW STATEMENT

(US\$ in millions)	Note	2010	2009
Cash flow from operating activities			
Cash generated from operations	23	785.8	645.8
Interest received		1.3	0.9
Income taxes paid		(42.8)	(24.6)
Net cash inflow from operating activities		744.3	622.1
Cash flow from investing activities			
Purchase of property, plant and equipment		(141.4)	(116.3)
Additions to capitalised development costs, including software		(25.3)	(29.0)
Own work capitalised		(14.0)	(17.3)
Proceeds from disposal of assets		–	4.9
Acquisition of subsidiaries and other investments		(114.8)	(16.0)
Net cash used in investing activities		(295.5)	(173.7)
Cash flow from financing activities			
Dividends paid to shareholders	12	(158.3)	(146.0)
(Repayment)/draw-down of Senior Credit Facility	19	(90.0)	290.0
Draw-down of EIB Facility	19	308.4	–
Repayment of the Stratos Senior Credit Facility	19	(209.2)	(2.6)
Redemption of the Stratos Senior Unsecured Notes	19	(65.5)	–
Redemption of Senior Discount Notes	19	–	(465.6)
Redemption of Senior Notes due 2012	19	–	(164.5)
Repayment of Previous Senior Credit Facility	19	–	(390.0)
Gross issuance proceeds of Senior Notes due 2017	19	–	645.2
Arrangement costs of new borrowing facilities	19	(3.3)	(23.8)
Purchase of own debt securities, including discount	19	(24.4)	(8.6)
Interest paid on borrowings		(93.3)	(110.5)
Net proceeds from the issue of ordinary shares	24	4.2	0.1
Other financing activities		(0.1)	–
Net cash used in financing activities		(331.5)	(376.3)
Foreign exchange adjustment		(0.1)	(0.4)
Net increase in cash and cash equivalents		117.2	71.7
Movement in cash and cash equivalents			
At beginning of year		226.3	154.6
Net increase in cash and cash equivalents		117.2	71.7
As reported on the Balance Sheet (net of bank overdrafts)	16	343.5	226.3
At end of year, comprising			
Cash at bank and in hand	16	73.5	105.8
Short-term deposits with original maturity of less than 3 months	16	270.3	121.0
Bank overdrafts	16	(0.3)	(0.5)
		343.5	226.3

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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 Great Britain and domiciled in England and Wales. The address of its registered office is 99 City Road, London, EC1Y 1AX, United Kingdom. The nature of the Group's operations and its principal activities are set out in note 5.

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

2. Principal accounting policies

Basis of preparation

The principal accounting policies adopted in the preparation of the consolidated financial statements for the years ended 31 December 2010 and 2009 ('the consolidated financial statements') are set out below.

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

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

The Group's business activities, together with factors likely to affect its future development, performance and position are set out in the Chairman and Chief Executive's Business Review and the Chief Financial Officer's Review on pages 2 to 28. 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 18 to 28. In addition, notes 3, 31 and 32 to the financial statements includes the Group's objectives, policies and processes for managing its financial risk management objectives, its capital, details of its financial instruments and hedging activities, and its exposure to credit risk and liquidity risk.

Basis of accounting

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

In the current year the Group adopted IFRS 3 (2008), 'Business Combinations'. Amongst other changes, the amendments require the expensing of acquisition costs in relation to business combinations. Previously the Group capitalised such costs as part of the cost of the investment. In addition, consideration for an acquisition is measured at fair value at the acquisition date and any changes to the consideration resulting from events after the balance sheet date are recognised in the Income Statement.

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

- IFRS 2 (as amended) – Share-based Payment – Amendments relating to group cash-settled share-based payments transactions (effective for financial years beginning on or after 1 January 2010).
- IAS 39 (as amended) – Financial Instruments: Recognition and Measurement (effective for financial years beginning on or after 1 July 2009).
- IFRIC 17 – Distribution of Non-cash Assets to Owners (effective for financial years beginning on or after 1 July 2009).
- Amendments resulting from the April 2009 Annual Improvements to IFRSs (effective for financial years beginning on or after 1 January 2010).
- Consequential amendments to other standards arising from amendments to IFRS 3 (2008), 'Business Combinations' (effective for financial years beginning on or after 1 July 2009).

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

- IFRS 7 (as amended) – Financial Instruments: Disclosures – Amendments enhancing disclosures about transfers of financial assets (effective for financial years beginning on or after 1 July 2011).
- IFRS 9 – Financial Instruments – Classification and Measurement (effective for financial years beginning on or after 1 January 2013).
- IAS 24 (as revised) – Related Party Disclosures – Revised Definition of related parties (effective for financial years beginning on or after 1 January 2011).
- IAS 32 (as amended) – Financial Instruments: Presentation – Amendments relating to classification of rights issues (effective for financial years beginning on or after 1 February 2010).
- IFRIC 14 (as amended) – IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for financial years beginning on or after 1 January 2011).
- IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments (effective for financial years beginning on or after 1 July 2010).
- Amendments resulting from the May 2010 Annual Improvements to IFRSs (effective for financial years beginning on or after 1 January 2011, except for IFRS 3 and IAS 27 which are effective for financial years beginning on or after 1 July 2010).

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

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its domestic and overseas subsidiary undertakings. All intercompany transactions and balances with subsidiary undertakings have been eliminated on consolidation.

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

The results of subsidiary undertakings established or acquired during the period are included in the consolidated 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 intragroup transactions, balances, income and expenses are eliminated on consolidation.

On the acquisition of a company or business, fair values reflecting conditions at the date of acquisition are attributed to the identifiable separable assets, liabilities and contingent liabilities acquired.

Where the fair value of the consideration paid exceeds the fair value of the identifiable separable assets, liabilities and contingent liabilities acquired, the difference is treated as purchased goodwill.

For transactions completed on or before 31 December 2009 fees and similar incremental costs incurred directly in making the acquisition were included in the cost of the acquisition and capitalised. Internal costs, and other expenses that cannot be directly attributed to the acquisition, are charged to the Income Statement.

As of 1 January 2010, on adoption of IFRS 3 (2008), 'Business Combinations', fees and similar incremental costs incurred directly in making the acquisition are charged to the Income Statement as incurred.

In the year ended 31 December 2009 the Group applied the principles of IFRS 3 (2008), 'Business Combinations', in respect of the expensing of acquisition costs in relation to the Segovia transaction which was completed on 12 January 2010 (see note 29). The Standard is effective for financial years beginning on or after 1 July 2009, for Inmarsat this applied to business combinations for which the acquisition date was on or after 1 January 2010 and therefore was applicable to the Segovia transaction. As a consequence, in the year ended 31 December 2009, we recognised US\$3.9m of transaction costs associated with the acquisition of Segovia as an expense in the Income Statement.

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

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 exchange rate between US dollars and Pounds Sterling as at 31 December 2010 was US\$1.57/£1.00 (2009: US\$1.61/£1.00). The average rate between US dollar and Pounds Sterling for 2010 was US\$1.55/£1.00 (2009: US\$1.56/£1.00). The hedged rate between US dollar and Pounds Sterling for 2010 for Inmarsat Global was US\$1.49/£1.00 (2009: US\$1.92/£1.00).

b) Transactions and balances

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

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

Financial instruments and hedging activities

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

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

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

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

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

Revenue recognition

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

The Group's revenues are stated net of volume discounts. The seasonality of volume discounts has been removed following the implementation of the new distribution agreements on 15 April 2009. Historically, volume discounts increased over the course of the financial year as specific revenue thresholds were achieved by distribution partners resulting in lower prices.

Revenue also includes income from spectrum coordination agreements, services contracts, rental income, conference facilities and income from the sale of terminals and other communication equipment. Revenue from spectrum coordination agreements is recognised using the percentage of completion approach. Revenue from service contracts, rental income and conference facilities is recognised as the service is provided. Sales of terminals and other communication equipment are recognised when the risks and rewards of ownership are transferred to the purchaser.

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

Employee benefits

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

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

The Group recognises liabilities relating to defined benefit pension plans and post-retirement healthcare benefits in respect of employees in the UK and overseas. The Group's net obligations in respect of defined benefit pension plans and post-retirement healthcare benefits are calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The calculation is performed by a qualified actuary using the projected unit credit method.

All actuarial gains and losses that arise in calculating the present value of the defined benefit obligation and the fair value of plan assets are immediately recognised in the Statement of Comprehensive Income.

The Group operates a number of defined contribution pension schemes in its principal locations. Pension costs for the defined contribution schemes are charged to the Income Statement when the related employee service is rendered.

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

Current tax

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

Deferred income tax

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

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

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

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

Research and development

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

Property, plant and equipment

Space segment assets

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

Assets in course of construction

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

Other fixed assets

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

Depreciation

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

Space segment assets	5–15 years
Fixtures and fittings, and services-related equipment	5–15 years
Buildings	20 years
Other fixed assets	3–5 years

Asset retirement obligations

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

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

Government grants

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

Gains and losses on disposals of tangible and intangible assets

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

Intangible assets

Intangible assets comprise goodwill, patents, trademarks, software, terminal development costs, spectrum rights, customer relationships and intellectual property. The amortisation period and the amortisation method for intangible assets with a finite useful life are reviewed each financial year.

(a) Goodwill

Goodwill represents the excess of consideration paid on the acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units ('CGUs') for the purpose of impairment testing.

(b) Patents and trademarks

Patents and trademarks are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over their estimated useful lives which are 7 years and between 10 and 20 years, respectively.

(c) Software development costs

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

(d) Terminal development costs

The Group capitalises development costs associated with the development of user terminals. For BGAN services terminal development costs are amortised using the straight-line method over their estimated useful lives which is between 5 and 10 years.

(e) Spectrum rights

Spectrum rights are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method. Spectrum rights acquired as a result of the ACeS collaboration in September 2006 are amortised over a remaining useful life of 4 years. Spectrum rights acquired as a result of the Stratos acquisition are amortised over their useful lives of 3 to 10 years.

(f) Customer relationships

Customer relationships acquired in connection with the Stratos and Segovia acquisitions are carried at cost less accumulated amortisation and are being amortised over the expected period of benefit of 12 and 14 years respectively using the straight-line method.

(g) Intellectual property

Intellectual property is carried at cost less accumulated amortisation and is now fully amortised.

Impairment of non-financial assets

Assets that are subject to amortisation and depreciation are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be fully recoverable. The impairment review comprises a comparison of the carrying amount of the fixed asset or goodwill with its recoverable amount, which is the higher of fair value less costs to sell and value in use. Fair value less costs to sell is calculated by reference to the amount at which the asset could be disposed of. Value in use is calculated by discounting the expected future cash flows obtainable as a result of the asset's continued use, including those resulting from its ultimate disposal, at a market-based discount rate on a pre-tax basis.

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

For the purpose of conducting impairment reviews, CGUs are identified as groups of assets, liabilities and associated goodwill that generate cash flows that are largely independent of other cash flow streams. The assets and liabilities include those directly involved in generating the cash flows and an appropriate proportion of corporate assets. For the purposes of impairment review space segment assets are treated as one CGU.

Investments

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

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 is recognised in the Income Statement using the effective interest rate method.

Transaction and arrangement costs of borrowings are capitalised as part of the carrying amount of the borrowings and amortised over the life of the debt.

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

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.

Inventories

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

Cash and cash equivalents

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

Provisions

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

Borrowings

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

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

Convertible Bonds

Convertible bonds that can be converted into share capital at the option of the holder are considered and accounted for as compound financial instruments, consisting of a separate liability component and an equity component in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible debt instrument. The embedded call and put options, since they are closely linked to the underlying instrument, are valued and recognised as part of the liability. The total liability is recognised as a liability on an amortised cost basis until extinguished on conversion or maturity of the bond. 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 bond 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 profit or loss. 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 profit or loss.

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

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

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

3. Financial risk management

Financial risk factors

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

The Board of Directors has delegated to a sub-committee, the Treasury Review Committee, the responsibility for setting the risk management policies applied by the Group. The policies are implemented by the treasury department which receives regular reports from the operating companies to enable prompt identification of financial risks so that appropriate actions may be taken. The treasury department has a policy and procedures manual that sets out specific guidelines for managing foreign exchange risk, interest rate risk and credit risk (see note 32). The management of the Group does not hold or issue derivative financial instruments for speculative or trading purposes.

(a) Market risk

(i) Foreign exchange risk

The functional currency of Inmarsat plc is US dollars. The Group generates the majority of its revenue in US dollars. The vast majority of capital expenditure is denominated in US dollars. Approximately 60% of Inmarsat Global's operating costs are denominated in Sterling. Stratos operate internationally, resulting in approximately 5% to 10% of revenue and expenditure being denominated in currencies other than in US dollar. The Group's exposures therefore need to be carefully managed to avoid variability in future cash flows and earnings caused by volatile foreign exchange rates.

The Group's long-term borrowings are denominated in US dollars, as disclosed in note 19, which is therefore not subject to risks associated with fluctuating foreign currency rates of exchange.

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

As at 31 December 2010 it is estimated that:

- A hypothetical 1% inflation of the hedged US dollar/Sterling exchange rate (US\$1.49/£1.00 to US\$1.51/£1.00) would have decreased the 2010 profit before tax by approximately US\$1.1m (2009: US\$1.3m).
- A hypothetical 1% inflation of the US dollar/Sterling foreign currency spot rate at 31 December 2010, would have reduced the 2010 profit before tax by approximately US\$0.2m (2009: US\$0.2m), primarily as a result of the translation of Sterling denominated monetary assets and liabilities. This analysis includes only outstanding foreign currency denominated monetary items and adjusts the translation of these items at the period end for a 1% change in foreign currency rates.
- A hypothetical 1% inflation in the US dollar/Sterling and a 1% deflation in the US dollar/Euro foreign currency spot rates at 31 December 2010, would have impacted equity by US\$1.8m and US\$1.3m, respectively (2009: US\$1.2m and US\$1.6m, respectively) primarily as a result of the changes in fair value of derivative instruments designated as cash flow hedges.

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

(ii) Price risk

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

(b) Interest rate risk

Given the Group has no significant interest-bearing assets, income and operating cash flows are substantially independent of changes in market interest rates. Interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The policy of the Group is to ensure certainty of the interest charge by fixing interest rates on 60 – 100% of forecast net debt for the next two years on a rolling basis. The Senior Notes due 2017 and the Convertible Bonds are at fixed rates.

The Group manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specific intervals (primarily quarterly), the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

As at 31 December 2010, if interest rates on net borrowings changed by 1%, with all other variables held constant, the Group's profit after tax for the year would have been impacted by US\$0.5m (2009: US\$0.2m). This is primarily due to the Group's exposure to interest rates on its variable rate borrowings and cash and cash equivalents. The sensitivity analysis has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at each balance sheet date was outstanding for the whole year. Management believes that a 1% sensitivity rate provides a reasonable basis upon which to assess expected changes in interest rates.

(c) Credit risk

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

The maximum exposure to credit risk is:

(US\$ in millions)	Note	2010	2009
Cash and cash equivalents	16	343.8	226.8
Trade receivables and other receivables	17	203.0	176.2
Derivative financial instruments	32	14.3	24.1
Total credit risk		561.1	427.1

The Group's average age of trade receivables as at 31 December 2010 was approximately 58 days (as at 31 December 2009: 59 days). No interest is charged on trade receivables until the receivables become overdue for payment. Thereafter, interest may be charged at varying rates depending on the terms of the individual agreements. The Group has credit evaluation, approval and monitoring processes intended to mitigate potential credit risks, and utilises both internal and third party collections processes for overdue accounts. The Group maintains provisions for potential credit losses that are assessed on an ongoing basis.

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

(US\$ in millions)	2010	2009
As at 1 January:	12.9	13.9
Charged to the provision in respect of the current year	9.7	9.4
Utilised in the year	(10.0)	(9.2)
Provision released in the year	(1.4)	(1.2)
As at 31 December^(a)	11.2	12.9

(a) The maturity of the Group's provision for uncollectable trade receivables and revenue adjustments for the year ended 31 December 2010 is US\$2.0m current, US\$1.1m between 1 and 30 days overdue, US\$1.1m between 31 and 120 days overdue and US\$7.0m over 120 days overdue (2009: US\$3.2m, US\$2.0m, US\$1.4m and US\$6.3m respectively).

For 2010, one (2009: one) distribution partner, which is reported in the Inmarsat Global segment, comprised approximately 21.3% (2009: 23.5%) of the Group's total revenues. This same customer comprised 34.0% (2009: 37.8%) of the Group's trade receivables balance as at 31 December 2010. No other customer accounted for 10% or more of the Group's revenue and accounts receivable at 31 December 2010.

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

(US\$ in millions)	Note	2010	2009
Current		146.3	129.7
Between 1 and 30 days overdue		34.6	32.1
Between 31 and 120 days overdue		3.2	4.2
Over 120 days overdue		0.5	0.8
Total trade receivables	17	184.6	166.8

(d) Liquidity risk

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

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group maintains a long-term Revolving Credit Facility of US\$300.0m that is designed to ensure it has sufficient available funds for operations. Drawings on this facility were US\$nil as at 31 December 2010 (2009: US\$90.0m). In addition, as at 31 December 2009, a Revolving Operating Facility of US\$10.0m was also available to Stratos to ensure it has sufficient funds available for operations. This facility was undrawn as at 31 December 2009 and subsequently cancelled in the year ending 31 December 2010.

4. Critical accounting estimates and judgements in applying accounting policies

The preparation of the 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 MSS, Stratos Broadband and Segovia. It has been determined that goodwill that arose on the acquisition of Inmarsat Ventures Limited represented goodwill of the Inmarsat CGU only. Goodwill that arose on the acquisition of Stratos has been allocated to the Stratos MSS and Stratos Broadband CGUs. Goodwill that arose on the acquisition of Segovia has been allocated to the Segovia CGU only. As at 31 December 2010, the carrying amount of goodwill allocated to the Inmarsat, Stratos MSS, Stratos Broadband and Segovia CGUs was US\$406.2m, US\$241.4m, US\$21.1m and US\$27.2m, respectively (as at 31 December 2009: US\$406.2m, US\$241.4m, US\$21.1m and US\$nil, respectively).

Goodwill is tested by comparing the carrying amount of the CGU with its value in use. The value in use calculation utilises an estimate of the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate the present value. The key assumptions used in calculating the value in use are as follows:

- discount rate – the pre-tax rate used to discount the operating profit projections in respect of the Group in 2010 was 10.5%-14.0% (2009: 10.5%) and;
- operating profit projections are derived from management approved five-year forecasts and have assumed terminal growth rates for the Group for 2010 of 2.5-3.0% (2009: 2.5-3.0%).

Using the value in use as a measure, no impairment to the carrying value of goodwill was recognised. In the opinion of the Directors, there have been no changes in the business strategy that would result in the carrying value of goodwill exceeding its recoverable amount. For the Stratos MSS CGU the value in use exceeds the carrying value by US\$86.4m. The discount rate would need to increase to 11.75%, before the carrying value would exceed the value in use and result in an impairment charge being recognised in the Income Statement.

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

Inmarsat Global has applied a rate of return on assets of 7.80% p.a. (2009: 7.77% p.a.) which represents the expected return on asset holdings in the future. The discount rate used to calculate the pension and post-retirement healthcare benefits liabilities was 5.50% (2009: 5.50%) (see note 28).

(c) Income tax

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

(d) Revenue in respect of the LightSquared cooperation agreement

In December 2007, Inmarsat and LightSquared entered into a cooperation agreement for the efficient use of L-band spectrum over North America. On 17 August 2010, LightSquared triggered Phase 1 of this agreement under which the Group will receive payments totalling US\$118.8m in respect of its work to transition to a modified spectrum plan, which will be accounted for based on the time spent by Inmarsat's engineers as a percentage of the expected time to complete the spectrum re-banding exercise over an eighteen month transition period. In addition, Inmarsat will receive US\$250.0m towards the costs that the Group will incur on network and terminal modifications which will be recognised according to the costs incurred to date as a percentage of management's best estimate of the total that will be incurred. These costs are expected to be incurred over the period to 2014. The key area of estimation uncertainty relates to our estimates of the total time/costs that will be incurred and our estimate of the percentage of completion of the time and costs that we have incurred.

5. Segmental information

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

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

The Group's reportable segments are therefore as follows:

- Inmarsat Global – principally the supply of wholesale airtime, equipment and services to distribution partners and other wholesale partners of mobile satellite communications by the Inmarsat Global business, including entering into spectrum coordination agreements. The segment also includes income from technical support to other operators, the provision of conference facilities and leasing surplus office space to external organisations, all of which are not material on a standalone basis and in aggregate and which were previously disclosed in 2009 in an 'other' segment. As a result of this change, the comparative amounts for 2009 have been re-presented;
- Stratos – the supply of advanced mobile and fixed-site remote telecommunications services, the provision of customised turnkey remote telecommunications solutions, value-added services, equipment and engineering services to end-users; and
- 'Unallocated' – includes Group borrowings and the related interest expense, cash and cash equivalents and current and deferred tax balances, which are not allocated to each segment.

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

Business segments:

(US\$ in millions)	2010				Total
	Inmarsat Global	Stratos ^(a)	Unallocated	Eliminations	
Revenue					
External sales	461.0	710.6	–	–	1,171.6
Inter-segment	303.1	6.2	–	(309.3)	–
Total revenue	764.1	716.8	–	(309.3)	1,171.6
Segment result (operating profit)	403.4	57.4	–	(0.2)	460.6
Net interest charged to the Income Statement	–	–	(127.1)	–	(127.1)
Profit before income tax					333.5
Income tax expense					(72.4)
Profit for the year					261.1
Segment assets	2,329.2	905.7	343.8	(420.7)	3,158.0
Segment liabilities	(367.3)	(162.4)	(1,593.0)	53.4	(2,069.3)
Investment (included in segment assets) ^(b)	23.5	–	–	–	23.5
Capital expenditure ^(c)	(157.6)	(30.6)	–	0.1	(188.1)
Depreciation	(145.6)	(27.5)	–	–	(173.1)
Amortisation of intangible assets	(23.8)	(37.7)	–	–	(61.5)

(a) Includes Segovia from 12 January 2010.

(b) Relates to 19% stake in SkyWave Mobile Communications ('SkyWave') (see note 15).

(c) Capital expenditure stated using accruals basis.

(US\$ in millions)	2009 (re-presented)				Total
	Inmarsat Global	Stratos	Unallocated	Eliminations	
Revenue					
External sales	399.0	639.1	–	–	1,038.1
Inter-segment	295.8	5.0	–	(300.8)	–
Total revenue	694.8	644.1	–	(300.8)	1,038.1
Segment result (operating profit)	315.6	43.0	–	(1.8)	356.8
Net interest charged to the Income Statement	–	–	(159.9)	–	(159.9)
Profit before income tax					196.9
Income tax expense					(44.1)
Profit for the year					152.8
Segment assets	1,974.0	777.5	226.8	(72.7)	2,905.6
Segment liabilities	(265.8)	(128.7)	(1,615.7)	74.6	(1,935.6)
Investment (included in segment assets) ^(a)	23.5	–	–	–	23.5
Capital expenditure ^(b)	(142.2)	(24.0)	–	0.4	(165.8)
Depreciation	(160.2)	(23.7)	–	–	(183.9)
Amortisation of intangible assets	(19.7)	(28.0)	–	–	(47.7)

(a) Relates to 19% stake in SkyWave (see note 15).

(b) Capital expenditure stated using accruals basis.

Geographical segments:

The Group mainly operates in the geographic areas 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 Stratos this is the billing address of the customer for whom the service is provided.

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

(US\$ in millions)	2010		2009	
	Revenue	Non-current Segment Assets ^(a)	Revenue	Non-current Segment Assets ^(a)
Europe	560.5	1,333.6	515.9	1,368.2
North America	357.3	414.7	259.4	175.4
Asia and Pacific	184.9	22.9	202.4	32.0
Rest of the world	68.9	–	60.4	–
Unallocated ^(b)	–	747.7	–	842.1
	1,171.6	2,518.9	1,038.1	2,417.7

(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 below.

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

(US\$ in millions)	Note	2010	2009
Depreciation of property, plant and equipment	13	173.1	183.9
Amortisation of intangible assets	14	61.5	47.7
Operating lease rentals			
– Land and buildings		16.8	17.5
– Services equipment, fixtures and fittings		0.6	0.2
– Space segment		17.4	18.9
Cost of inventories recognised as an expense		63.5	55.6
Research and development costs expensed		4.4	3.5

The analysis of the Auditors' remuneration is as follows:

(US\$ in millions)	2010	2009
Fees payable to the Company's Auditor for the audit of the Company's annual accounts	0.2	0.2
Fees payable to the Company's Auditor for other services to the Group:		
– The audit of the Company's subsidiaries, pursuant to legislation	0.9	1.0
Total audit fees	1.1	1.2
– Other services, pursuant to legislation	0.1	0.1
– Tax services	2.7	1.6
– Services relating to remuneration	–	0.1
– Services relating to corporate finance transactions	–	0.5
Total non-audit services	2.8	2.3

(a) In addition, total audit fees payable to other auditors in respect of the audit of the consolidated financial statements was US\$nil (2009: US\$9,944).

(b) In addition to the fees disclosed above, Inmarsat Global's pension plan incurred audit fees from our auditors of US\$18,480 for the 2010 financial year (2009: US\$27,106).

(c) As of 31 July 2009 Stratos changed their auditors to Deloitte. In 2010 Stratos incurred audit fees from other auditors of US\$nil (2009: US\$35,202 relating to the quarterly reviews in the first half of 2009).

(d) At 31 December 2010 Inmarsat Global had contractually committed to US\$0.6m of tax services to be completed in the 2011 financial year (31 December 2009: US\$0.3m to be completed in the 2010 financial year).

7. Employee benefit costs (including the Executive Directors)

(US\$ in millions)	Note	2010	2009
Wages and salaries		148.6	158.0
Social security costs		12.6	12.5
Share options charge (including employers' national insurance contribution)	25	11.4	10.8
Defined contribution pension plan costs		5.9	6.7
Defined benefit pension plan costs ^(a)	28	2.2	1.2
Post-retirement healthcare plan costs ^(a)	28	1.0	0.8
Total employee benefit costs		181.7	190.0

(a) Defined benefit pension plan costs and post-retirement healthcare plan costs for 2010 and 2009 reflect the service cost (see note 28).

Employee numbers

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

	2010			2009		
	Inmarsat Global	Stratos	Total	Inmarsat Global	Stratos	Total
Operations	191	358	549	181	341	522
Sales and marketing	92	143	235	87	132	219
Development and engineering	78	98	176	79	49	128
Administration	140	255	395	137	238	375
	501	854	1,355	484	760	1,244

8. Executive and Non-Executive Directors' remuneration

(US\$ thousands)	2010	2009
Aggregate emoluments	3,572	4,754
Company contributions to defined contribution pension schemes	136	157
	3,708	4,911

The Directors' Remuneration Report contains full disclosure of Directors' remuneration on page 54. One Director (2009: one) is accruing benefits under the Group's defined contribution pension plan. One Director is a member of the US 401k Plan (2009: one).

Key management

The Executive Directors and the Executive Staff (comprising the Chief Executive Officer and his direct reports) are the key management of the business (see note 34).

9. Net interest payable

(US\$ in millions)	2010	2009
Interest on Senior Notes and credit facilities	62.0	25.2
Interest on Senior Discount Notes	–	44.1
Interest on Convertible Bond	25.5	23.7
Interest on Stratos borrowings ^(a)	19.8	18.8
Pension and post-retirement liability finance costs	–	4.2
Interest rate swaps	13.7	11.2
Unwinding of discount on deferred satellite liabilities	2.8	3.0
Amortisation of debt issue costs ^(b)	8.0	14.8
Amortisation of discount on Senior Notes due 2017	0.6	–
Redemption premium on Senior Notes and Senior Discount Notes	–	19.7
Premium on purchase of Stratos Senior Unsecured Notes	1.4	–
Other interest	1.3	1.3
Interest payable and similar charges	135.1	166.0
Less: Amounts included in the cost of qualifying assets ^(c)	(6.6)	(4.4)
Total interest payable and similar charges	128.5	161.6
Bank interest receivable and other interest ^(d)	1.3	1.6
Net discount on purchase of Stratos' Senior Unsecured Notes	–	0.1
Pension and post-retirement liability finance gains	0.1	–
Total interest receivable and similar income	1.4	1.7
Net interest payable	127.1	159.9

(a) 2010 includes US\$8.9m non-recurring items in connection with the Stratos refinancing. This consists of the write-off of unamortised issue costs of US\$1.9m and US\$3.9m in relation to the repayment of the Stratos Senior Credit Facility and the redemption of the Stratos Senior Unsecured Notes, respectively, as well as the recognition of the net redemption premium of US\$3.1m in respect of the Stratos Senior Unsecured Notes (see note 19).

(b) 2009 includes US\$9.6m of unamortised debt issue costs which were written off in relation to the cancellation of the previous Senior Credit Facility and redemption of the Senior Notes due 2012 and Senior Discount Notes (see note 19).

(c) Borrowing costs included in the cost of qualifying assets during the year are calculated by applying a capitalisation rate to expenditure on such assets. The average interest capitalisation rate for the year was 7.33% (2009: 8.63%).

(d) 2009 includes US\$0.5m of unamortised premium which was recorded on the redemption of the Senior Notes due 2012 (see note 19).

10. Income tax

Income tax expense recognised in the Income Statement:

(US\$ in millions)	2010	2009
Current tax expense:		
Current year	(66.6)	(30.4)
Adjustments in respect of prior periods		
– Other	10.7	(0.5)
Total current tax expense	(55.9)	(30.9)
Deferred tax expense:		
Origination and reversal of temporary differences		
– Other temporary differences	(20.1)	(14.7)
Adjustment due to reduction in the Corporation Tax rate from 28% to 27%	0.8	–
Adjustments in respect of prior periods	2.8	1.5
Total deferred tax expense	(16.5)	(13.2)
Total income tax expense	(72.4)	(44.1)

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Reconciliation of effective tax rate:

(US\$ in millions)	2010	2009
Profit before tax	333.5	196.9
Income tax at 28%	(93.4)	(55.1)
Differences in overseas tax rates	(3.4)	0.9
Adjustments in respect of prior periods		
– Other	13.5	0.9
Effect of the reduction in the Corporation Tax rate from 28% to 27% on:		
– current year movement in deferred tax	0.8	–
Impact of current and prior year losses	(0.8)	2.3
Other non-deductible expenses/non taxable income ^{(a)(b)}	10.9	6.9
Total income tax expense	(72.4)	(44.1)

(a) In 2009, includes a tax credit of US\$8.8m arising from the recognition of a deferred tax asset relating to unutilised capital allowances in Stratos' UK entities. These unutilised allowances were not recognised as separate identifiable assets as part of the accounting for the purchase of Stratos. We believe that the Group will be able to utilise these capital allowances in offsetting future taxable profits of the Group's UK entities.

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

Tax credited/(charged) to equity:

(US\$ in millions)	2010	2009
Current tax credit on share options	0.4	0.2
Deferred tax credit on share options	1.0	1.6
Deferred tax credit/(charge) relating to gains on cash flow hedges	4.1	(12.5)
Deferred tax (charge)/credit on actuarial gains and losses from pension and post-retirement healthcare benefits	(2.6)	5.3
Total tax credited/(charged) to equity	2.9	(5.4)

11. Net foreign exchange gains

(US\$ in millions)	2010	2009
Pension and post-retirement liability (note 28)	(1.6)	2.8
Other operating costs	0.7	(8.6)
Total foreign exchange gains	(0.9)	(5.8)

12. Dividends

The dividends paid in 2010 were US\$64.3m (14.00 cents (US\$) per ordinary share) and US\$94.7m (20.63 cents (US\$) per ordinary share) for the 2010 interim dividend and the 2009 second interim dividend, respectively. Dividends paid in 2009 were US\$58.4m (12.73 cents (US\$) per ordinary share) and US\$83.4m (18.20 cents (US\$) per ordinary share) for the 2009 interim dividend and the 2008 final dividend, respectively.

A final dividend for the 2010 financial year of 22.69 cents (US\$) per ordinary share, amounting to a total dividend of US\$104.5m, is to be proposed at the Annual General Meeting on 3 May 2011. In accordance with IAS 37, these financial statements do not reflect this final dividend payable.

(US\$ in cents)	2010	2009
Interim dividend paid per ordinary share	14.00	12.73
Final dividend per ordinary share (2009: second interim dividend per ordinary share)	22.69	20.63
Total dividend per ordinary share	36.69	33.36

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 at 1 January 2009	12.0	180.8	1,516.6	392.3	2,101.7
Additions	0.4	24.8	41.5	58.2	124.9
Disposals	–	(0.6)	–	–	(0.6)
Transfers ^(a)	–	(4.6)	347.5	(352.4)	(9.5)
Cost at 31 December 2009	12.4	200.4	1,905.6	98.1	2,216.5
Additions	1.1	24.3	15.6	119.7	160.7
Segovia acquisition	0.8	2.2	–	–	3.0
Disposals	–	(0.3)	–	–	(0.3)
Transfers	–	2.1	72.9	(75.0)	–
Cost at 31 December 2010	14.3	228.7	1,994.1	142.8	2,379.9
Accumulated depreciation at 1 January 2009	(3.5)	(95.2)	(569.7)	–	(668.4)
Charge for the year	(0.8)	(21.8)	(161.3)	–	(183.9)
Disposals	–	0.1	–	–	0.1
Transfers ^(a)	–	0.9	–	–	0.9
Accumulated depreciation at 31 December 2009	(4.3)	(116.0)	(731.0)	–	(851.3)
Charge for the year	(0.8)	(28.6)	(143.7)	–	(173.1)
Disposals	–	0.2	–	–	0.2
Accumulated depreciation at 31 December 2010	(5.1)	(144.4)	(874.7)	–	(1,024.2)
Net book amount at 31 December 2009	8.1	84.4	1,174.6	98.1	1,365.2
Net book amount at 31 December 2010	9.2	84.3	1,119.4	142.8	1,355.7

(a) During 2009, assets with a net book value of US\$8.6m were transferred from tangible to intangible (software).

The space segment asset lives range from 5 to 15 years. The first, second and third of the Inmarsat-4 satellites were placed into service during the 2005, 2006 and 2009 financial years, respectively, and are being depreciated over 15 years.

At 31 December 2010 and 2009, freehold land and buildings for Inmarsat Global were carried at cost less accumulated depreciation (US\$nil). Had the freehold land and buildings been revalued on a market basis, their carrying amount at 31 December 2010 would have been US\$14.1m (based on the 31 December 2010 exchange rate between the US dollar and Pounds Sterling of US\$1.57/£1.00) (2009: US\$4.8m). The Directors determined the market valuation.

In 2010 the Group received government grants in relation to the purchase and construction of certain assets. The grants have been deducted from the cost of the relevant asset to arrive at the carrying amount. Government grants received in 2010 were US\$6.8m (2009: US\$22.8m).

14. Intangible assets

(US\$ in millions)	Goodwill	Trademarks	Software	Patents	Terminal development costs	Customer relationships	Spectrum rights	Intellectual property	Total
Cost at 1 January 2009	677.5	35.8	88.1	14.0	83.4	233.2	3.6	0.7	1,136.3
Additions	–	–	15.5	–	23.5	–	2.1	–	41.1
Disposals	–	–	–	–	–	(1.0)	–	–	(1.0)
Transfers ^(a)	–	–	9.5	–	–	–	–	–	9.5
Other changes ^(b)	(8.8)	–	–	–	–	–	–	–	(8.8)
Cost at 31 December 2009	668.7	35.8	113.1	14.0	106.9	232.2	5.7	0.7	1,177.1
Additions	–	–	15.9	–	11.6	–	–	–	27.5
Segovia acquisition	27.2	4.8	0.3	–	–	108.9	–	–	141.2
Cost at 31 December 2010	695.9	40.6	129.3	14.0	118.5	341.1	5.7	0.7	1,345.8
Accumulated amortisation as at									
1 January 2009	–	(6.7)	(45.6)	(10.1)	(23.6)	(20.7)	(1.2)	(0.7)	(108.6)
Charge for the year	–	(2.7)	(15.3)	(2.0)	(7.5)	(19.4)	(0.8)	–	(47.7)
Disposals	–	–	–	–	–	0.1	–	–	0.1
Transfers ^(a)	–	–	(0.9)	–	–	–	–	–	(0.9)
Accumulated amortisation at 31 December 2009	–	(9.4)	(61.8)	(12.1)	(31.1)	(40.0)	(2.0)	(0.7)	(157.1)
Charge for the year	–	(3.1)	(19.1)	(1.8)	(10.0)	(26.9)	(0.6)	–	(61.5)
Accumulated amortisation at 31 December 2010	–	(12.5)	(80.9)	(13.9)	(41.1)	(66.9)	(2.6)	(0.7)	(218.6)
Net book amount 31 December 2009	668.7	26.4	51.3	1.9	75.8	192.2	3.7	–	1,020.0
Net book amount 31 December 2010	695.9	28.1	48.4	0.1	77.4	274.2	3.1	–	1,127.2

(a) During 2009, assets with a net book value of US\$8.6m were transferred to software from tangible assets.

(b) During 2009, we recorded a US\$8.8m adjustment to the carrying amount of goodwill following the recognition of a deferred tax asset relating to unutilised capital allowances arising in Stratos' UK entities. Although these unutilised capital allowances were acquired as part of the acquisition of Stratos, in line with IFRS 3 (2004), 'Business Combinations', they were not recognised as an identifiable asset in determining goodwill that resulted from that acquisition. We now believe that the Group will be able to utilise these capital allowances in offsetting future taxable profits of the Group's UK entities and have therefore accounted for the benefit as an adjustment to goodwill in line with IAS 12, 'Income Taxes'.

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

Trademarks and patents are being amortised on a straight-line basis over their estimated useful lives. The estimated useful lives of trademarks are between 10 and 20 years. The estimated useful life of patents is 7 years.

The software capitalised relates to the Group's BGAN billing system and other internally developed operational systems and purchased software and is being amortised on a straight-line basis over its estimated useful life of 5 to 7 years. Internally developed technology acquired as a result of the acquisition of Stratos is being amortised on a straight-line basis over its estimated useful life of 5 years. All other software is amortised on a straight-line basis, over 3 to 5 years.

User terminal development costs directly relating to the development of the user terminals for the BGAN and GPS services are capitalised as intangible fixed assets. User terminals are being amortised over the estimated sales life of the services which is 5 to 10 years.

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

Spectrum rights relate to the acquisition of ACeS and Stratos. Spectrum rights acquired as a result of the ACeS collaboration are being amortised on a straight-line basis over the remaining useful lives of 4 years. Spectrum rights acquired as a result of the acquisition of Stratos are being amortised over their useful lives of 3 to 10 years.

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

15. Investments

(US\$ in millions)	As at 31 December 2010	As at 31 December 2009
Investments held at cost:		
SkyWave	23.5	23.5
Total investments held at cost	23.5	23.5
Interest in associates:		
Navarino	6.7	6.8
JSAT Mobile	0.6	0.7
Total interest in associates	7.3	7.5
Total investments	30.8	31.0

In July 2009, we acquired a stake of approximately 19% in the privately held SkyWave for an initial cash consideration of US\$10.0m and deferred consideration of US\$11.5m consisting of deferred airtime credits. The ownership in SkyWave has been recorded at cost, including capitalised transaction costs.

The Group, through Stratos, owns a 49% ownership interest in Navarino Telecom SA and NTS Maritime Limited (together, 'Navarino'). Cash dividends received for the year ended 31 December 2010 totalled US\$1.4m (2009: US\$0.8m).

Stratos owns 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 2010	As at 31 December 2009
Cash at bank and in hand	73.5	105.8
Short-term deposits with original maturity of less than three months	270.3	121.0
Cash and cash equivalents	343.8	226.8

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

(US\$ in millions)	As at 31 December 2010	As at 31 December 2009
Cash and cash equivalents	343.8	226.8
Bank overdrafts (note 19)	(0.3)	(0.5)
Net cash and cash equivalents	343.5	226.3

17. Trade and other receivables

(US\$ in millions)	As at 31 December 2010	As at 31 December 2009
Current:		
Trade receivables	184.6	166.8
Other receivables	18.4	9.4
Other prepayments and accrued income	52.2	51.3
	255.2	227.5

(US\$ in millions)	As at 31 December 2010	As at 31 December 2009
Non-current:		
Other prepayments and accrued income	5.2	1.5
	5.2	1.5

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

18. Inventories

(US\$ in millions)	As at 31 December 2010	As at 31 December 2009
Finished goods	19.4	8.2
Work in progress	0.8	1.3
	20.2	9.5

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

19. Borrowings

(US\$ in millions)	Effective interest rate % ^(a)	As at 31 December 2010	As at 31 December 2009
Current:			
Bank overdrafts	1.8	0.3	0.5
Deferred satellite payments ^(b)	7.0	8.3	9.3
Senior Credit Facility ^(c)	2.54	50.0	90.0
Stratos Senior Credit Facility ^(d)		–	9.6
Total current borrowings		58.6	109.4
Non-current:			
Deferred satellite payments ^(b)	7.0	32.5	38.1
Senior Credit Facility ^(c)	2.54	143.9	189.4
Senior Notes due 2017 ^(e)	7.375	639.2	637.5
– Issuance discount		(4.2)	(4.8)
EIB Facility ^(f)	1.65	305.8	–
Convertible Bond ^(g)	9.88	282.6	261.3
– Accretion of principal		2.5	2.3
Stratos Senior Credit Facility ^(d)		–	197.3
Stratos Senior Unsecured Notes ^(h)		–	82.4
Total non-current borrowings		1,402.3	1,403.5
Total borrowings		1,460.9	1,512.9

(a) The effective interest rates do not include the impact of the Group's interest rate hedging policy.

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

(c) On 6 November 2009, we drew down on our US\$500.0m Senior Credit Facility. The facility consists of a US\$200.0m Term Loan and a US\$300.0m Revolving Credit Facility. The Senior Credit Facility will mature in May 2012. Advances under the Senior Credit Facility bear interest equal to 3-month USD LIBOR, plus an applicable margin of between 2.00% and 3.00% determined by reference to the ratio of total net debt to EBITDA. During the year we repaid US\$90.0m of the revolving portion of the Senior Credit Facility. In addition, US\$50.0m of the Senior Credit Facility was transferred from non-current to current in the year.

(d) On 10 May 2010 we pre-paid and cancelled the outstanding amount under the Stratos Senior Credit Facility of US\$207.0m and wrote-off unamortised costs in relation to the facility of US\$1.9m.

(e) On 12 November 2009, we issued US\$650.0m aggregate principal amount of 7.375% Senior Notes due 1 December 2017 ('Senior Notes due 2017'). The aggregate gross proceeds were US\$645.2m, net of US\$4.8m issuance discount and we capitalised US\$12.5m of issuance costs.

(f) On 15 April 2010, we signed an 8-year facility agreement from the European Investment Bank (the 'EIB Facility'). Under the agreement, we were able to borrow up to €225m at any time before 23 December 2010. The facility was available in Euros and US dollars. An initial draw-down of US\$180.0m was made on 30 April 2010 and a final draw-down of US\$128.4m was made on 28 October 2010. This facility matures on 30 April 2018 and is repayable in equal annual instalments beginning 30 April 2012. Interest is equal to 3-month USD LIBOR plus a margin payable in April, July, October and January each year.

(g) On 16 November 2007, we issued US\$287.7m in principal amount of 1.75% convertible bonds due 2017 (the 'Convertible Bond'). The bonds are convertible into ordinary shares of the Company and have a 1.75% per annum coupon payable semi-annually and a yield to maturity of 4.50%. The bonds have an initial conversion premium of 32.5% over the reference share price of £4.6193 representing approximately 5% of the Company's current issued share capital. The initial conversion price is US\$12.694 and the total number of common shares to be issued if all bonds are converted is 22.7m shares. The Company will have an option to call the bonds after 7 years at their accreted principal amount under certain circumstances. In addition, the holder of each bond will have the right to require the Issuer to redeem such bond at its accreted principal amount at years 5 and 7.

The net proceeds received from the issue of the convertible bond was 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 2009	48.3
Cumulative amortisation of debt issue costs to 31 December 2009	1.6
Cumulative coupon interest accrued to 31 December 2009	(10.6)
Liability component at 31 December 2009	263.6
Interest charged	25.5
Amortisation of debt issue costs	1.0
Coupon interest accrued	(5.0)
Liability component at 31 December 2010	285.1

(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\$20.5m. The coupon interest is paid semi-annually in May and November each year until maturity. Similarly, the bonds accrete semi-annually in May and November each year until maturity.

(h) On 2 June 2010 we redeemed the entire principal amount of US\$150.0m outstanding under the Stratos Senior Unsecured Notes (US\$62.4m, net of US\$87.6m Senior Unsecured Notes held by the Group at the date of redemption) and paid the associated net note redemption premium of US\$3.1m. In addition, we wrote-off US\$3.9m in respect of unamortised debt issue costs in relation to the Stratos Senior Unsecured Notes.

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

(US\$ in millions)	As at 31 December 2010			As at 31 December 2009		
	Amount	Deferred finance cost	Net balance	Amount	Deferred finance cost	Net balance
Senior Credit Facility	200.0	(6.1)	193.9	290.0	(10.6)	279.4
EIB Facility	308.4	(2.6)	305.8	–	–	–
Senior Notes due 2017	650.0	(10.8)	639.2	650.0	(12.5)	637.5
– Issuance discount	(4.2)	–	(4.2)	(4.8)	–	(4.8)
Deferred satellite payments	40.8	–	40.8	47.4	–	47.4
Convertible Bonds	285.2	(2.6)	282.6	264.9	(3.6)	261.3
– Accretion of interest on the principal	2.5	–	2.5	2.3	–	2.3
Bank overdrafts	0.3	–	0.3	0.5	–	0.5
Stratos Senior Credit Facilities	–	–	–	209.2	(2.3)	206.9
Stratos Senior Unsecured Notes	–	–	–	86.8	(4.4)	82.4
Total Borrowings	1,483.0	(22.1)	1,460.9	1,546.3	(33.4)	1,512.9

The maturity of non-current borrowings is as follows:

(US\$ in millions)

	2010	2009
Between one and two years	477.2	50.1
Between two and five years	144.6	702.4
After five years	780.5	651.0
	1,402.3	1,403.5

The borrowings of the Group are mostly at fixed rates. The Senior Notes due 2017 and Convertible Bonds are at fixed rates.

The Group has a US\$300.0m Revolving Credit Facility that has no restrictions and as at 31 December 2010 was drawn down by US\$nil (2009: US\$90.0m).

At 31 December 2009, Stratos had in place a US\$10.0m Revolving Operating Facility which was undrawn; this was subsequently cancelled in the year ending 31 December 2010.

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 %	2010	2009
Bank overdrafts	1.8	1.8
Senior Credit Facility	2.54	2.78
EIB Facility	1.65	–
Senior Notes due 2017	7.375	7.375
Deferred satellite payments	7.0	7.0
Convertible Bonds	9.88	9.88
Stratos Senior Credit Facilities	–	2.75
Stratos Senior Unsecured Notes	–	9.875

20. Trade and other payables

(US\$ in millions)	As at 31 December 2010	As at 31 December 2009
Current:		
Trade payables	100.5	96.4
ACeS deferred consideration	0.5	2.9
SkyWave deferred consideration (note 15)	6.1	2.3
Other taxation and social security payables	2.7	2.9
Other creditors	15.5	24.1
Other short-term deferred consideration	13.2	–
Accruals and deferred income ^(a)	210.1	77.5
	348.6	206.1

(a) As at 31 December 2010, includes US\$135.0m (2009: US\$31.3m) of deferred income relating to payments received from LightSquared LP, Skyterra (Canada) Inc. and LightSquared Inc. (together 'LightSquared') in connection with an agreement for L-band operations in North America. During 2010 we released US\$17.5m to the income statement to reflect revenue earned, based on the percentage of completion method (2009: US\$nil).

(US\$ in millions)	As at 31 December 2010	As at 31 December 2009
Non-current:		
SkyWave deferred consideration (note 15)	4.0	9.7
Other long-term deferred consideration	32.2	–
Other payables	22.1	17.9
	58.3	27.6

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

21. Provisions

(US\$ in millions)	Other provision	Asset retirement obligations	Total
Current:			
As at 1 January 2009	–	–	–
Charged to provision in respect of current year	1.8	–	1.8
Utilised in current year	(1.3)	–	(1.3)
Asset retirement obligation transferred from non-current liability	–	0.4	0.4
As at 31 December 2009	0.5	0.4	0.9
Utilised in current year	(0.4)	(0.4)	(0.8)
Asset retirement obligation transferred from non-current liability	–	0.3	0.3
As at 31 December 2010	0.1	0.3	0.4

(US\$ in millions)	Post-retirement healthcare benefits	Pension	Asset retirement obligations	Other provisions	Total
Non-current:					
As at 1 January 2009	19.8	11.7	3.4	0.9	35.8
Charged to Income Statement in respect of current year	4.4	1.8	0.3	0.2	6.7
Charged directly to Comprehensive Income in respect of current year	9.3	12.1	–	–	21.4
Contributions paid	–	(6.4)	–	–	(6.4)
Utilised in current year	(0.3)	–	(0.1)	(0.6)	(1.0)
Revision in estimated cash flows and timing of settlement	–	–	(0.3)	–	(0.3)
Transfer to current liability	–	–	(0.4)	–	(0.4)
As at 31 December 2009	33.2	19.2	2.9	0.5	55.8
Charged to Income Statement in respect of current year	1.7	1.4	0.3	0.2	3.6
Credited directly to Comprehensive Income in respect of current year	(4.8)	(5.1)	–	–	(9.9)
Contributions paid	–	(5.4)	–	–	(5.4)
Utilised in current year	(0.3)	(1.0)	(0.1)	(0.1)	(1.5)
Revision in estimated cash flows and timing of settlement	–	–	0.2	–	0.2
Transfer to current liability	–	–	(0.3)	–	(0.3)
As at 31 December 2010	29.8	9.1	3.0	0.6	42.5

Following the actuarial valuation of the Inmarsat Pension Plan ('the Plan') as at 31 December 2008 (see note 28), the trustee and the Company have agreed that additional contributions will be paid to the Plan. It was agreed that £2.2m would be paid in November 2009 and £2.2m annually thereafter, up to and including November 2015. During 2010, the Group made an additional cash contribution of US\$3.5m (2009: US\$3.6m) to reduce the pension deficit.

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

Other provisions in 2010 and 2009 relate to a legally required provision for eventual severance payments to employees based overseas.

22. Current and deferred income tax assets and liabilities

The current income tax liability of US\$46.8m (2009: US\$34.0m) represents the income tax payable in respect of current and prior periods less amounts paid.

Recognised deferred income tax assets and liabilities

The movements in deferred income tax assets and liabilities (prior to the offsetting of balances within the same jurisdiction as permitted by IAS 12) during the 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.

(US\$ in millions)	As at 31 December 2010			As at 31 December 2009		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, plant and equipment and intangible assets	–	113.6	113.6	(2.6)	108.8	106.2
Other	(12.2)	9.6	(2.6)	(10.5)	3.8	(6.7)
Pension asset	(8.5)	–	(8.5)	(12.7)	–	(12.7)
Share options	(6.5)	–	(6.5)	(5.5)	–	(5.5)
Loss carry forwards	(10.7)	–	(10.7)	(10.0)	–	(10.0)
Net deferred income tax liabilities	(37.9)	123.2	85.3	(41.3)	112.6	71.3

Movement in temporary differences during the year:

(US\$ in millions)	As at	Recognised	Recognised	As at
	1 January 2010	in income	in equity	31 December 2010
Property, plant and equipment and intangible assets	106.2	7.4	–	113.6
Other	(6.7)	8.2	(4.1)	(2.6)
Pension asset	(12.7)	1.6	2.6	(8.5)
Share options	(5.5)	–	(1.0)	(6.5)
Loss carry forwards	(10.0)	(0.7)	–	(10.7)
Total	71.3	16.5	(2.5)	85.3

(US\$ in millions)	As at	Recognised	Recognised	As at
	1 January 2009	in income	in equity	31 December 2009
Property, plant and equipment and intangible assets	100.5	5.7	–	106.2
Other	(20.0)	0.8	12.5	(6.7)
Pension asset	(6.7)	(0.7)	(5.3)	(12.7)
Share options	(2.9)	(1.0)	(1.6)	(5.5)
Loss carry forwards	(18.4)	8.4	–	(10.0)
Total	52.5	13.2	5.6	71.3

Total unprovided deferred tax assets:

(US\$ in millions)	As at	As at
	31 December 2010	31 December 2009
Temporary timing differences	(4.1)	(5.2)
Unused income tax losses	(4.3)	(2.5)
Unused capital losses	(33.0)	(35.8)
Total	(41.4)	(43.5)

Overseas dividends received on or after 1 July 2009 will be largely exempt from UK tax but may be subject to foreign withholding taxes. The unrecognised deferred tax liability in respect of the unremitted earnings of those overseas subsidiaries affected by such taxes is US\$3.6m (2009: US\$2.7m). No deferred tax liability is recognised on these temporary differences as the Group is able to control the timing of reversal and it is probable that this will not take place in the foreseeable future.

23. Cash generated from operations

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

(US\$ in millions)	2010	2009
Profit for the year	261.1	152.8
Adjustments for:		
Depreciation and amortisation	234.6	231.6
Income tax charge	72.4	44.1
Interest payable	128.5	161.6
Interest receivable	(1.4)	(1.7)
Non-cash employee benefit costs	14.6	23.2
Forward exchange contracts	0.5	(8.5)
Share of results of associates, net of dividends received	0.3	(0.1)
Gain on disposal of fixed assets	–	(2.1)
Acquisition-related adjustments	2.1	8.8
Non-cash foreign exchange movements	0.2	0.6
Changes in net working capital:		
(Increase)/decrease in trade and other receivables	(20.9)	23.6
(Increase)/decrease in inventories	(9.1)	10.2
Increase in trade and other payables ^(a)	106.1	5.9
Decrease in provisions	(3.2)	(4.2)
Cash generated from operations	785.8	645.8

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

24. Share capital

(US\$ in millions)	As at 31 December 2010	As at 31 December 2009
Authorised:		
1,166,610,560 ordinary shares of €0.0005 each (2009: 1,166,610,560)	0.7	0.7
	0.7	0.7
Allotted, issued and fully paid:		
460,607,047 ordinary shares of €0.0005 each (2009: 459,554,882)	0.3	0.3
	0.3	0.3

During the year ended 31 December 2010, a total of 1,052,165 (2009: 506,234) ordinary shares of €0.0005 each were allotted and issued by the Company under its employee share schemes.

25. Employee share options and awards

In line with IFRS 2, Share-Based Payment, the Group recognised US\$11.4m (2009: US\$10.8m) in total share compensation costs across all its share plans for the 2010 financial year. Total share-based compensation costs are recognised over the vesting period of the options and share awards ranging from one to four years.

In November 2004, the Company adopted the Staff Value Participation Plan (the '2004 Plan') making awards in November 2004, January and May 2005.

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

A summary of share activity within the Trust and options outstanding under the 2004 Plan as at 31 December 2010 is as follows:

	Shares available for grant	Options outstanding	Weighted average exercise price per option
Balance at 1 January 2009	1,022,158	188,961	£3.75
Exercised	–	(25,787)	£5.64
Exercise re International Sharesave Plan	(1,922)	–	
Adjustment	(4,942)	–	
Balance at 31 December 2009	1,015,294	163,174	£3.67
Market purchase of shares (11 March 2010)	125,000	–	
Subscription for International Share Incentive Plan	43,936	–	
Exercised	–	(60,044)	£7.24
Exercise re International Sharesave Plan	(823)	–	
Exercise re International Share Incentive Plan	(12,627)	–	
Balance at 31 December 2010	1,170,780	103,130	£3.71
Exercisable at 31 December 2010	–	103,130	
Exercise Price per tranche	–	€1.00	

The weighted average of the remaining contractual life for the 2004 Plan at 31 December 2010 is 4 years.

The Company also operates a Bonus Share Plan ('BSP'). Awards have been made regularly under the BSP to the Executive Directors and certain members of senior management and details of the awards made in 2010 are provided in the Remuneration Report.

Awards are made in the form of a conditional allocation of shares. The performance conditions attached to the BSP are non-market based performance conditions. Dividends will accrue and be added as additional shares upon vesting. Details of the operation of the BSP can be found in the Remuneration Report.

The rules of the BSP provide that the Remuneration Committee has the discretion to satisfy the awards using cash instead of shares. It is the intention, however, of the Company to satisfy the awards using newly-issued shares.

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

The Company also operates a Performance Share Plan ('PSP') and regular annual awards are made to the Executive Directors and certain members of senior management. Details of awards made under the PSP in 2010 are provided in the Remuneration Report. Participants are entitled to receive the value of any dividends that are paid during the vesting period in the form of cash or additional shares.

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

The performance conditions for the PSP are based on the Group's Total Shareholder Return ('TSR') relative to constituents of the FTSE 350 Index (excluding investment trusts) and a non-market based condition, based on EBITDA measured over a three year period. The vesting schedule for PSP awards is structured so that the shape of the vesting schedule is determined by both TSR and EBITDA performance. The market based performance condition has been incorporated into the valuation. The fair value of the allocation and the assumptions used in the calculation are as follows:

Grant date	Performance Share Plan			
	19 March 2008	20 March 2009	14 May 2009	26 March 2010
Grant price	£4.39	£4.57	£5.35	£7.905
Exercise price	nil	nil	nil	nil
Bad leaver rate	0%	0%	0%	0%
Vesting period	3 years	3 years	3 years	3 years
Volatility	28.5%	34.9%	36.2%	35.7%
Fair value per share option	£2.40	£3.21	£3.30	£5.62

Both the BSP and PSP share awards expire 10 years after date of grant. The weighted average of the remaining contractual life for both the BSP and PSP share awards at 31 December 2010 is 7.4 and 6.5 years respectively.

In September 2007 the Remuneration Committee made the Chief Executive Officer an exceptional award of one million incentive shares conditional upon the delivery of significant share price growth. The mid-market closing share price on 27 September 2007 was £4.49 per share. On 1 October 2009, at the request of the Nominations Committee on behalf of the Inmarsat plc Board of Directors, the Chief Executive Officer agreed to extend his term as Chairman and Chief Executive Officer to 30 September 2011 and then remain in the role of Chairman for a period of not less than one year. The Remuneration Committee also agreed changes on the same date to the existing CEO Award. No shares will be earned unless, by 30 September 2012, the share price reaches a minimum price of £5.50. For performance above this level, shares will be earned pro rata up to a share price of £7.25 at which the full award will be earned. A further award over 700,000 shares could be earned if, at the time that performance is assessed, the share price has reached £9.25. If the share price is below £7.25, none of the additional shares would be earned and if between £7.25 and £9.25, shares would be earned pro rata up to a share price of £9.25.

The share price performance condition will be assessed on the basis of the average closing price of Inmarsat shares over the last 60 days of the performance period. Additional shares will accrue representing the value of dividends paid during the performance period on the number of shares that ultimately vest. There is no material change in the incremental fair value granted due to the above modifications.

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

An announcement was made on 16 December 2009 relating to a deferred share bonus award of 125,000 shares to the Chief Executive Officer. The mid-market closing share price on 15 December 2009 was £6.59 per share. The performance condition of EBITDA growth related to the 2010 financial year has been satisfied; therefore the shares will vest in September 2012.

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

The weighted average of the remaining contractual life for both the CEO Award and CEO Deferred Share Bonus Award at 31 December 2010 is 6.7 and 9.0 years respectively.

The Company also operates a UK Sharesave Scheme. The Sharesave Scheme is an HM Revenue & Customs approved scheme open to all UK PAYE-paying permanent employees. The maximum that can be saved each month by an employee is £250 and savings plus interest may be used to acquire shares by exercising the related option at the end of the three year savings contract. Options are exercisable for a period of up to six months following the end of the three-year savings contract and under certain circumstances if an employee leaves the Inmarsat group. No dividends are accumulated on options during the vesting period. Newly issued shares will be used to satisfy the options.

Two grants have been made so far; the first grant matured on 1 September 2008. A second grant was made in December 2008 with an option price of £3.06 per ordinary share (reflecting the maximum discount permitted of 20%).

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

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

Options under the UK Sharesave Scheme and International Sharesave Plan expire after a maximum of 3.5 years following the initial savings payments having been made. The weighted average of the remaining contractual life for the current grant of the UK Sharesave Scheme and International Sharesave Plan at 31 December 2010 is 1.5 years for each plan.

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

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

The historical volatility is based on the constituents of the FTSE 350 Telecoms Service Index, which was measured over three years to each of the grant dates. The volatility assumption used for each of the awards is based on median volatility for the constituents of the sector.

Several awards have been made under the UK Share Incentive Plan ("SIP"). The SIP is an HM Revenue & Customs approved plan open to all UK PAYE employees and operates in conjunction with a UK tax-resident trust which holds shares on behalf of participating employees. Under the SIP, the Company can award 'Free Shares' (up to a maximum value of £3,000) to employees. Employees can also acquire 'Partnership Shares' from their salary up to a maximum of £1,500 per annum and the Company will match this with up to two free 'Matching Shares' per 'Partnership Share' (equivalent to a maximum value of £3,000 per annum). Details of the SIP award made in 2010 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 2010 (excluding the 2004 Plan which is noted previously) is as follows:

	SIP (UK)	SIP (Intl and Unapproved)	BSP	CEO Share Plans ^(a)	PSP	Sharesave (UK)	Sharesave (International)	Total
Balance at 31 December 2009	505,364	12,010	1,361,511	1,125,000	867,896	799,161	158,860	4,829,802
Granted/Allocated	316,676	43,936	564,576	–	272,403	–	–	1,197,591
Lapsed	(2,800)	–	–	–	–	(29,834)	–	(32,634)
Exercised	–	–	–	–	–	(2,663)	(823)	(3,486)
Transferred/Sold	(39,986)	(12,627)	(567,655)	–	(121,235)	–	–	(741,503)
Balance at 31 December 2010	779,254	43,319	1,358,432	1,125,000	1,019,064	766,664	158,037	5,249,770
Exercisable at 31 December 2010	–	–	–	–	–	–	–	–
Exercise Price per share	n/a	n/a	nil	nil	nil	(b)	(c)	n/a

(a) The CEO Share Plans comprises (i) the CEO Award of one million shares, where as described previously, a further award over 700,000 shares could be earned if the share price has reached £9.25 per share; and (ii) the CEO Deferred Share Bonus Award of 125,000 shares.

(b) The second grant under the UK Sharesave scheme in 2008 has an exercise price of £3.06.
The weighted average exercise price at 31 December 2010 was £3.06 per share (31 December 2009: £3.06 per share).
The weighted average exercise price of options exercised during the year as £3.06 per share.

(c) The second grant under the International Sharesave plan in 2008 has an exercise price of £3.06.
The weighted average exercise price at 31 December 2010 was £3.06 per share (31 December 2009: £3.06 per share).
The weighted average exercise price of options exercised during the year as £3.06 per share.

26. Reserves

Cash flow hedge reserve:

(US\$ in millions)	2010	2009
Balance as at 1 January	(2.6)	(34.1)
Gain/(loss) recognised on cash flow hedges:		
Forward exchange contracts	0.8	15.8
Interest rate swaps	(0.2)	(1.8)
Fx movement through cash flow hedge reserve	(0.1)	(3.0)
Income tax charged directly to equity	–	(3.2)
Reclassified to the Income Statement ^(a)		
Forward exchange contracts	(7.9)	27.6
Interest rate swaps	–	11.1
Fx movement through cash flow hedge reserve	1.3	(5.9)
Income tax credited/(charged) related to amounts transferred to the Income Statement	4.1	(9.3)
Reclassified and capitalised on the Balance Sheet ^(b)		
Forward exchange contracts	(3.5)	0.2
Fx movement through cash flow hedge reserve	0.6	–
Balance as at 31 December	(7.5)	(2.6)

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

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

(US\$ in millions)	2010	2009
Total net operating costs	(6.6)	21.7
Interest payable and similar charges	–	11.1
Income tax expense/(credit)	4.1	(9.3)
Total reclassified ((credited)/charged) to the Income Statement in the year	(2.5)	23.5

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

(US\$ in millions)	2010	2009
Property, plant and equipment	(2.9)	0.2
Total reclassified and capitalised on the Balance Sheet in the year	(2.9)	0.2

27. 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.

	2010	2009
Profit attributable to equity holders of the Company (US\$ in millions)	260.9	152.7
Weighted average number of ordinary shares in issue (number)	460,148,337	459,189,778
Basic earnings per share (US\$ per share)	0.57	0.33

Diluted earnings per share

Diluted earnings per share is calculated by adjusting the profit attributable to equity holders for the interest on the Convertible Bonds (net of tax) and by 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 our Convertible Bonds outstanding and the Share options and awards in relation to employee share plans are the only categories of dilutive potential ordinary shares. For the Convertible Bonds the weighted average of the maximum number of ordinary shares, assuming full conversion, is included in the calculation of the weighted average number of shares. For employee share options and awards 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.

	2010	2009
Profit attributable to equity holders of the Company (US\$ in millions)	260.9	152.7
Adjustments for:		
– Interest on Convertible Bonds, net of tax	18.4	17.1
Profit attributable to equity holders of the Company for diluted earnings per share number (US\$ in millions)	279.3	169.8
Weighted average number of ordinary shares in issue (number)	460,148,337	459,189,778
Adjustments for:		
– Share options (number)	4,170,140	4,096,264
– Convertible Bonds (number)	22,664,251	22,664,251
Weighted average number of ordinary shares for diluted earnings per share (number)	486,982,728	485,950,293
Diluted earnings per share (US\$ per share)	0.57	0.35

2009 Adjusted earnings per share

The basic and diluted earnings per share for the year ended 31 December 2009 were adjusted to exclude the after tax effect of the one-off costs of US\$28.8m in relation to the refinancing of our previous debt facilities, (see note 9), the goodwill adjustment of US\$8.8m and the associated tax credit of US\$8.8m (see notes 10 and 14).

	2009
Adjusted basic earnings per share	
Profit attributable to equity holders of the Company (US\$ in millions)	152.7
Adjustments for:	
– One-off re-financing costs, net of tax (US\$ in millions)	20.7
– Goodwill adjustment (US\$ in millions)	8.8
– Tax credit relating to Goodwill adjustment (US\$ in millions)	(8.8)
Adjusted profit attributable to equity holders of the Company (US\$ in millions)	173.4
Weighted average number of ordinary shares in issue (number)	459,189,778
Adjusted basic earnings per share (US\$ per share)	0.38

	2009
Adjusted diluted earnings per share	
Profit attributable to equity holders of the Company for diluted earnings per share number (US\$ in millions)	169.8
Adjustments for:	
– One-off re-financing costs, net of tax (US\$ in millions)	20.7
– Goodwill adjustment (US\$ in millions)	8.8
– Tax credit relating to Goodwill adjustment (US\$ in millions)	(8.8)
Adjusted profit attributable to equity holders of the Company for diluted earnings per share number (US\$ in millions)	190.5
Weighted average number of ordinary shares in issue (number)	459,189,778
Adjustments for:	
– Share options (number)	4,096,264
– Convertible Bonds (number)	22,664,251
Weighted average number of ordinary shares for diluted earnings per share (number)	485,950,293
Adjusted diluted earnings per share (US\$ per share)	0.39

28. Pension arrangements and post-retirement healthcare benefits

Inmarsat Global provides both pension fund arrangements and post-retirement medical benefits for its employees.

Inmarsat Global operates pension schemes in each of its principal locations. The UK scheme has two plans: a defined benefit scheme, which is closed to new employees, and a defined contribution plan. The defined benefit scheme is funded and its assets are held in a separate fund administered by a corporate trustee.

The defined benefit plan was valued using the projected unit credit method with the formal valuation undertaken by professionally qualified and independent actuaries, Towers Watson Limited, as at 31 December 2008. The actuarial valuation of the liabilities of the scheme at that date, net of assets, was US\$17.3m. The results of the valuation have been updated for any material transactions and material changes in circumstances (including changes in market prices and interest rates) up to 31 December 2010. The results of this updated valuation as at 31 December 2010, for the purposes of the additional disclosures required by IAS 19, are set out below.

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

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

Stratos provides pension fund arrangements for its employees and operates schemes in each of its principal locations, the majority of which are defined contribution pension plans.

As part of a previous acquisition, Stratos assumed defined benefit pension plans administered by KPN for employees in the Netherlands. The assets of these plans were not segregated from the assets of other KPN administered plans and therefore they were treated as multi-employer plans and were accounted for in the same manner as defined contribution plans. This arrangement expired on 31 December 2009, at which point all existing and new employees began to accrue benefits under the new Stratos defined benefit plan (the 'Stratos DB Plan'). As per the arrangement with the Netherlands Works Council and KPN, all benefits accrued to employees under the KPN plan will remain within the KPN plan, with all future benefits accruing after 31 December 2009 recognised in the Stratos DB Plan. The Stratos DB Plan is a hybrid plan, meaning that it has a defined benefit component and a defined contribution component. Employees earn benefits up to a maximum salary, after which Stratos will contribute a percentage of salary to the defined contribution component of the plan.

Also as part of a previous acquisition, Stratos assumed an early retirement plan in the Netherlands. This is a defined benefit plan that is neither funded nor insured through a third party, but is paid directly to employees upon early retirement. Stratos recognises a provision for all benefits that will become a payment obligation in accordance with the then prevailing collective labour agreement.

Stratos defined benefit pension plans are denominated in Euros and subject to fluctuations in the exchange rate between US Dollars and the Euro.

The defined benefit plan and unfunded early retirement plan were valued using the projected unit credit method with the formal valuation undertaken by professionally qualified and independent actuaries Lnbb actuarissen + pensioenconsultants as at 31 December 2010.

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

	As at 31 December 2010	As at 31 December 2009
Discount rate	5.50%	5.50%
Expected return on plan assets	7.80%	7.77%
Future salary increases	5.50%	5.60%
Medical cost trend rate	7.75%	7.85%
Future pension increases	3.75%	3.85%

The principal actuarial assumptions used to calculate Stratos' pension benefit liabilities under IAS 19 are:

	As at 31 December 2010	As at 31 December 2009
Discount rate	2.70-5.00%	1.70-3.80%
Future salary increases	2.00%	1.50-2.00%
Future pension increases	0.00-1.50%	0.00-1.80%

The mortality assumption has been updated to reflect experience and expected changes in future improvements in life expectancy. The average life expectancy assumptions for Inmarsat Global's pension and post-retirement healthcare benefits liabilities are as follows:

	2010 Number of years	2009 Number of years
Male current age 65	87.5	87.4
Female current age 65	90.4	90.3

For 2010 and 2009, mortality has been assumed to follow the SAPS Series 1 Normal Health tables, with long cohort improvements from 2003 based on year of birth, subject to minimum funding improvements of 1% per annum.

Mortality rates for the new Stratos DB Plan for a male and female currently aged 65 are 84.6 and 87.5 years respectively. These mortality rates are based on the mortality tables GBM/V 2010-2060, published by the Dutch Actuarial Association. These tables include a best estimate of the mortality trend up to 2060; no age set back has been applied.

For the Stratos unfunded early retirement plan the payment of supplementary old age pension will end on the last day of the month prior to the month in which the employee reaches the age of 65 or on the last day of the month in which the employee deceases.

The assets held in respect of the Inmarsat Global's and Stratos' defined benefit scheme and the expected rates of return were:

	As at 31 December 2010		
	Long-term rate of return expected %	Value (US\$ in millions)	Percentage of total plan assets %
Equities	8.05%	52.2	79.82%
Cash	5.00%	0.4	0.61%
Bonds	4.90%	11.0	16.82%
Other	6.15%	1.8	2.75%
Fair value of scheme assets		65.4	

	As at 31 December 2009		
	Long-term rate of return expected %	Value (US\$ in millions)	Percentage of total plan assets %
Equities	8.15%	46.8	86.99%
Cash	4.75%	–	–
Bonds	5.00%	5.3	9.85%
Other	6.30%	1.7	3.16%
Fair value of scheme assets		53.8	

Amounts recognised in the Balance Sheet are:

	As at 31 December 2010	As at 31 December 2009
(US\$ in millions)		
Present value of Inmarsat Global's funded defined benefit obligations (pension)	(70.4)	(68.6)
Present value of Inmarsat Global's unfunded defined benefit obligations (post-retirement healthcare)	(29.8)	(33.2)
Present value of Stratos unfunded defined benefit obligations (pension)	(4.1)	(4.4)
Fair value of Inmarsat Global's defined benefit assets	65.0	53.8
Fair value of Stratos defined benefit assets	0.4	–
Net defined benefit liability recognised in the Balance Sheet	(38.9)	(52.4)

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

(US\$ in millions)	Inmarsat Global Defined benefit pension plan	Stratos Defined benefit pension plans	Post- retirement medical benefits
At 1 January 2009	41.9	4.8	19.8
Current service cost	1.1	0.1	0.8
Interest cost	3.4	0.1	1.6
Actuarial loss	17.4	0.5	9.3
Foreign exchange loss/(gain)	4.0	(0.1)	2.0
Benefits paid	(0.2)	(1.0)	(0.3)
Contributions by pension participants	1.0	–	–
At 31 December 2009	68.6	4.4	33.2
Current service cost	1.4	0.8	1.0
Interest cost	3.5	0.2	1.7
Actuarial gain	(2.2)	–	(4.8)
Foreign exchange gain	(1.8)	(0.3)	(1.0)
Benefits paid	(0.2)	(1.0)	(0.3)
Contributions by pension participants	1.1	–	–
At 31 December 2010	70.4	4.1	29.8

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

(US\$ in millions)	Inmarsat Global	Stratos
At 1 January 2009	35.0	–
Expected return on plan assets	3.7	–
Actuarial gain	5.8	–
Contributions by employer	5.4	–
Contributions by pension participants	1.0	–
Benefits paid	(0.2)	–
Foreign exchange gain	3.1	–
At 31 December 2009	53.8	–
Expected return on plan assets	4.0	(0.1)
Actuarial gain	2.9	–
Contributions by employer	4.9	0.5
Contributions by pension participants	1.1	–
Benefits paid	(0.2)	–
Foreign exchange loss	(1.5)	–
At 31 December 2010	65.0	0.4

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

(US\$ in millions)	2010			2009		
	Inmarsat Global Defined benefit pension plan	Stratos Defined benefit pension plans	Post- retirement healthcare benefits	Inmarsat Global Defined benefit pension plan	Stratos Defined benefit pension plans	Post- retirement healthcare benefits
Current service cost	1.4	0.8	1.0	1.1	0.1	0.8
Interest cost	3.5	0.2	1.7	3.4	0.1	1.6
Expected return on pension assets	(4.0)	0.1	–	(3.7)	–	–
Foreign exchange (gain)/loss	(0.3)	(0.3)	(1.0)	0.9	(0.1)	2.0
	0.6	0.8	1.7	1.7	0.1	4.4
Actual return on plan assets gain/(loss)	6.9	(0.1)	–	10.5	–	–

Current services costs for 2010 are included within employee benefit costs (note 7). The net financing costs together with foreign exchange losses are included within interest payable (note 9).

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

(US\$ in millions)	2010			2009		
	Inmarsat Global Defined benefit pension plan	Stratos Defined benefit pension plans	Post- retirement healthcare benefits	Inmarsat Global Defined benefit pension plan	Stratos Defined benefit pension plans	Post- retirement healthcare benefits
Net actuarial (gains)/losses	(5.1)	–	(4.8)	11.6	0.5	9.3

The cumulative amounts recognised in the Statement of Comprehensive Income in respect of the plans are as follows:

(US\$ in millions)	2010			2009		
	Inmarsat Global Defined benefit pension plan	Stratos Defined benefit pension plans	Post- retirement healthcare benefits	Inmarsat Global Defined benefit pension plan	Stratos Defined benefit pension plans	Post- retirement healthcare benefits
Cumulative pre-tax actuarial losses/(gains)	7.9	(1.9)	11.3	13.1	(1.9)	16.1

History of experience gains and losses:

(US\$ in millions)	2010		
	Inmarsat Global Defined benefit pension plan	Stratos Defined benefit pension plans	Post- retirement healthcare benefits
Present value of defined benefit obligations (US\$ in millions)	(70.4)	(4.1)	(29.8)
Fair value of plan assets (US\$ in millions)	65.0	0.4	–
Deficit in plans (US\$ in millions)	(5.4)	(3.7)	(29.8)
Experience (losses)/gains on plan liabilities (US\$ in millions)	–	(0.2)	4.1
Percentage of plan liabilities	0.0%	(4.4%)	13.9%
Experience losses on plan assets (US\$ in millions)	2.9	–	–
Percentage of plan assets	4.4%	–	–

(US\$ in millions)	2009			2008		
	Inmarsat Global Defined benefit pension plan	Stratos Defined benefit pension plans	Post- retirement healthcare benefits	Inmarsat Global Defined benefit pension plan	Stratos Defined benefit pension plans	Post- retirement healthcare benefits
Present value of defined benefit obligations (US\$ in millions)	(68.6)	(4.4)	(33.2)	(41.9)	(4.8)	(19.8)
Fair value of plan assets (US\$ in millions)	53.8	–	–	35.0	–	–
Deficit in plans (US\$ in millions)	(14.8)	(4.4)	(33.2)	(6.9)	(4.8)	(19.8)
Experience (losses)/gains on plan liabilities (US\$ in millions)	(0.3)	0.5	0.1	–	0.2	(7.1)
Percentage of plan liabilities	(0.4%)	11.4%	0.3%	0.0%	4.3%	(35.9%)
Experience losses/(gains) on plan assets (US\$ in millions)	5.8	–	–	(14.7)	–	–
Percentage of plan assets	10.8%	–	–	(42.0%)	–	–

(US\$ in millions)	2007			2006		
	Inmarsat Global Defined benefit pension plan	Stratos Defined benefit pension plans	Post- retirement healthcare benefits	Inmarsat Global Defined benefit pension plan	Post- retirement healthcare benefits	Post- retirement healthcare benefits
Present value of defined benefit obligations (US\$ in millions)	(58.2)	(7.9)	(22.3)	(56.3)	(22.0)	(22.0)
Fair value of plan assets (US\$ in millions)	51.6	–	–	41.1	–	–
Deficit in plans (US\$ in millions)	(6.6)	(7.9)	(22.3)	(15.2)	(22.0)	(22.0)
Experience gains on plan liabilities (US\$ in millions)	–	–	0.3	3.4	0.3	0.3
Percentage of plan liabilities	0.0%	0.0%	1.3%	6.0%	1.4%	1.4%
Experience gains on plan assets (US\$ in millions)	(0.3)	–	–	(0.2)	–	–
Percentage of plan assets	(0.6%)	–	–	(0.5%)	–	–

The estimated contributions expected to be paid into the Inmarsat Global defined benefit pension plan during 2011 are US\$4.7m (2010: actual US\$4.9m).

The estimated contributions expected to be paid into the Stratos DB pension plans during 2011 are US\$0.5m.

The healthcare cost trend rate assumption for Inmarsat Global's post-retirement healthcare benefits has a significant effect on the amounts recognised in the Income Statement in respect of the post-retirement medical benefits. Increasing the assumed healthcare cost trend rate by one percentage point would have increased the post-retirement medical benefit obligation as of 31 December 2010 by US\$8.0m (2009: US\$9.5m) and the aggregate of the service cost and interest cost by US\$0.8m (2009: US\$0.7m). Decreasing the assumed healthcare cost trend rate by one percentage point would have reduced the post-retirement medical benefit obligation as of 31 December 2010 by US\$6.0m (2009: US\$7.0m), and the aggregate of the service cost and interest cost by US\$0.6m (2009: US\$0.5m).

29. Acquisitions

On 12 January 2010, we completed the acquisition of the business and assets of Segovia, Inc. ('Segovia') for an initial consideration of US\$110.0m, and may pay additional amounts depending on the performance of the acquired business over the three years following the acquisition. Segovia is a leading provider of secure IP managed solutions and services to United States government agencies and other commercial customers. We have acquired Segovia in order to strengthen our relationships with key government customers across land, maritime and aeronautical environments as well as to bring enhanced services to the government sector generally. The management team that was in place before the acquisition continues to operate Segovia as a separate business.

The acquisition of Segovia has been accounted for using the purchase method of accounting in accordance with IFRS 3 (2008), 'Business Combinations'. The consolidated results of the Group for 2010 include the financial results of Segovia for the period from 12 January 2010 to 31 December 2010. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

During the year ended 31 December 2010, the allocation of the purchase consideration was finalised. As a result of this review, the Group recognised identifiable intangible assets of US\$113.7m (refer to table below) and goodwill of US\$27.2m. Goodwill represents the excess of the purchase consideration over the fair value of the assets and liabilities acquired. Qualitatively, goodwill represents among other factors, the assembled workforce, which is not separately identified as part of the purchase price allocation. In addition, the Group believes that Segovia's expertise in designing, deploying and operating mixed satellite and terrestrial networks, particularly in the government and military environment, will generate value for the Group through future customer relationships.

During the year ended 31 December 2009, the Group recognised US\$3.9m of transaction costs directly associated with the acquisition of Segovia as an expense in the Income Statement.

The allocation of the purchase consideration to the net assets and liabilities of Segovia, based on information up to 31 December 2010, is as follows:

(US\$ in millions)	Book value	Fair value adjustments	Fair value at acquisition date
Net assets acquired:			
Intangible assets ^{(a)(b)}	–	113.7	113.7
Property, plant and equipment ^(b)	3.3	–	3.3
Total non-current assets	3.3	113.7	117.0
Restricted cash ^(c)	6.0	–	6.0
Trade and other receivables ^(d)	12.9	–	12.9
Inventories	1.5	–	1.5
Total current assets	20.4	–	20.4
Trade and other payables	(2.8)	–	(2.8)
Deferred revenue	(14.9)	–	(14.9)
Total liabilities	(17.7)	–	(17.7)
Identifiable net assets	6.0	113.7	119.7
Allocated purchase consideration:			
Cash consideration			110.0
Contingent consideration ^(e)			36.9
Total allocated purchase consideration			146.9
Goodwill recognised^(f)			27.2

(a) The increase in intangible assets consists of US\$108.9m of customer relationships and US\$4.8m in relation to the Segovia trade name, which are to be amortised over their useful lives of fourteen and ten years respectively.

(b) Includes US\$0.3m software which has subsequently been reclassified from property, plant and equipment to intangible assets.

(c) Restricted cash relates to cash received from customers for the advance payment of services.

(d) The book value of trade receivables of US\$11.1m, included within trade and other receivables, approximates to their fair value and the entire balance is deemed collectable.

(e) The contingent consideration arrangement requires Inmarsat to pay the former owners of Segovia an amount in respect of each of the calendar years ending 31 December 2010, 2011 and 2012 (the 'Earn-Out Payments'), subject to Segovia achieving certain specified EBITDA and Capital Expenditure targets. The potential undiscounted amount of all future Earn-Out Payments that Inmarsat could be required to make under the contingent consideration arrangement is between US\$nil and US\$139.0m. The fair value of the contingent consideration arrangement of US\$36.9m is based on the probability-adjusted Earn-Out Payments and the application of a discount rate of 14.0%.

(f) The total goodwill recognised of US\$27.2m is deductible for tax purposes over a fifteen-year period.

The contingent consideration element relating to 2010 is estimated at US\$13.0m. We accounted for US\$10.9m of the contingent consideration as part of the initial purchase accounting, with the additional US\$2.1m being recorded directly in the Income Statement in 2010. This additional contingent consideration arose due to better than expected performance in 2010 and has been recorded directly in the income statement in line with IFRS 3 (2008).

The revenue included in the Income Statement for 2010, contributed by Segovia since the acquisition date, was US\$84.3m. Segovia also contributed a profit after tax of US\$10.3m during 2010. Given the close proximity of the acquisition date to the beginning of the year, Segovia's contribution to the Income Statement, assuming the transaction had occurred on 1 January 2010, would not be materially different from their actual contribution from the date of acquisition.

30. Operating lease and other commitments

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

(US\$ in millions)	As at 31 December 2010	As at 31 December 2009
Within one year	43.0	22.8
Within two to five years	60.3	57.3
After five years	92.9	106.9
	196.2	187.0

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

In addition the Group has the following purchase commitments, relating to future obligations to purchase space segment capacity:

(US\$ in millions)	As at 31 December 2010	As at 31 December 2009
Within one year	35.1	10.4
Within two to five years	20.2	10.0
	55.3	20.4

The total of future sub-lease payments expected to be received under non-cancellable sub leases at 31 December 2010 relating to the above head office lease is US\$6.8m over five years (as at 31 December 2009: US\$1.1m over one year).

The Group has various agreements deriving revenue from designated leased capacity charges. These amounts are recorded as revenue on a straight-line basis over the respective lease terms. The Group's future aggregate minimum lease payments under non-cancellable operating leases expected to be received (including Inmarsat Global and Stratos but excluding intragroup amounts) are as follows:

(US\$ in millions)	As at 31 December 2010	As at 31 December 2009
Within one year	85.2	58.6
Within two to five years	8.3	1.2
	93.5	59.8

31. Capital risk management

The following table summarises the capital of the Group:

(US\$ in millions)	As at 31 December 2010	As at 31 December 2009
As per Balance Sheet		
Cash and cash equivalents	(343.8)	(226.8)
Borrowings	1,460.9	1,512.9
Net debt	1,117.1	1,286.1
Equity attributable to shareholders of the parent	1,088.0	969.5
Capital	2,205.1	2,255.6

The Group's objective when managing its capital is to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group continually evaluates sources of capital and may repurchase, refinance, exchange or retire current or future borrowings and/or debt securities from time to time in private or open-market transactions, or by any other means permitted by the terms and conditions of borrowing facilities and debt securities. Additionally, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group uses a maximum ratio of net borrowings to EBITDA as an internal planning parameter and in regular forecasting and monitoring activities. In addition, movements in cash and borrowings as well as total available liquidity are monitored regularly.

The net borrowing to EBITDA ratio for the year ending 31 December 2010 is 1.64 (2009: 2.22).

The following table sets out total available liquidity of the Group:

(US\$ in millions)	As at 31 December 2010	As at 31 December 2009
Cash and cash equivalents (note 16)	343.8	226.8
Available but undrawn borrowing facilities (note 19)	300.0	210.0
Total available liquidity	643.8	436.8

No changes were made in the Group's objectives, policies or processes for managing capital in the years ended 31 December 2010 and 2009.

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.

Treasury activities are only transacted with counterparties who are approved relationship banks.

Treasury foreign exchange policy is implemented primarily through the use of forward purchases of foreign currencies. The treasury department is, however, authorised to use purchased options, futures and other derivative instruments, but only to the extent that such instruments form part of the hedging policy so as to establish a known rate of exchange.

Having arranged the purchase of foreign currency in line with the anticipated requirement for that currency over each financial year, an average rate of exchange is calculated from the agreed currency deals. This average rate is applied as per requirements of IAS 21. The policy is designed to minimise the impact of currency gains and losses in the Income Statement; gains and losses will arise to the extent that the level of actual payments in the period are different from those that were forecast.

Financial instruments by category

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

(US\$ in millions)	As at 31 December 2010			As at 31 December 2009		
	Loans and receivables	Derivatives used for hedging	Total	Loans and receivables	Derivatives used for hedging	Total
Assets as per Balance Sheet						
Trade and other receivables ^(a)	203.0	–	203.0	176.2	–	176.2
Cash and cash equivalents	343.8	–	343.8	226.8	–	226.8
Derivative financial instruments	–	14.3	14.3	–	24.1	24.1
	546.8	14.3	561.1	403.0	24.1	427.1

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

(US\$ in millions)	As at 31 December 2010			As at 31 December 2009		
	Derivatives used for hedging	Other financial liabilities	Total	Derivatives used for hedging	Other financial liabilities	Total
Liabilities as per Balance Sheet						
Borrowings	–	1,460.9	1,460.9	–	1,512.9	1,512.9
Trade and other payables ^(a)	–	178.6	178.6	–	129.2	129.2
Derivative financial instruments	26.5	–	26.5	27.0	–	27.0
	26.5	1,639.5	1,666.0	27.0	1,642.1	1,669.1

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

The table below analyses the 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 2010				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Borrowings ^(a)	123.6	549.2	304.3	884.6	1,861.7
Derivative financial instruments	12.9	7.9	5.7	–	26.5
Trade and other payables	120.3	21.3	15.9	21.1	178.6
	256.8	578.4	325.9	905.7	2,066.8

(a) Includes interest obligations on the Senior Notes due 2017, Senior Credit Facility, EIB Facility and Convertible Bond. Interest obligations on the Revolving Credit Facility assume the current balance is held to maturity in May 2012. The interest obligations do not take into account the impact of interest rate swaps and assume no changes in floating interest rates from the year end.

(US\$ in millions)	As at 31 December 2009				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Borrowings ^(a)	193.1	143.1	893.0	786.9	2,016.1
Derivative financial instruments	14.1	7.8	5.1	–	27.0
Trade and other payables	101.6	10.4	3.7	13.5	129.2
	308.8	161.3	901.8	800.4	2,172.3

(a) Includes interest obligations on the Senior Notes due 2017, Senior Credit Facility, Convertible Bond, Stratos Senior Credit Facility and Stratos Senior Unsecured Notes. Interest obligations on the Revolving Credit Facility assume the current balance is held to maturity in May 2012. The interest obligations do not take into account the impact of interest rate swaps and assume no changes in floating interest rates from the year end.

Net fair values of derivative financial instruments

The Group's derivative financial instruments as at 31 December 2010 consist of forward foreign currency contracts and interest rate swaps. The interest rate swaps and approximately 90% of forward foreign currency contracts (2009: 90%) are designated cash flow hedges.

The net fair values at the Balance Sheet date were:

(US\$ in millions)	As at 31 December 2010	As at 31 December 2009
Contracts with positive fair values:		
Forward foreign currency contracts – designated cash flow hedges	13.4	23.7
Forward foreign currency contracts – undesignated	0.9	0.4
Contracts with negative fair values:		
Forward foreign currency contracts – designated cash flow hedges	(0.6)	(1.3)
Total forward exchange currency contracts	13.7	22.8
Interest rate swap – designated cash flow hedge	(25.9)	(25.7)
Total net fair value	(12.2)	(2.9)
Less non-current portion		
Forward foreign currency contracts – designated cash flow hedges	6.9	12.0
Interest rate swap – designated cash flow hedge	(13.6)	(12.9)
Current portion	(5.5)	(2.0)

The full value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability if the maturity of the hedged item is less than 12 months.

The fair value of foreign exchange contracts performed by management are based upon a valuation provided by the counterparty and are classified as level 2 in the fair value hierarchy according to IFRS 7. The fair value of foreign exchange contracts are based upon the difference between the contract amount at the current forward rate at each period end and the contract amount at the contract rate, discounted at a variable risk free rate at the period end.

The fair value of the interest rate swaps performed by management are based upon a valuation provided by the counterparty and are classified as level 2 in the fair value hierarchy according to IFRS 7. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Forward foreign exchange

The following table sets out the face value and fair value of forward foreign exchange contracts outstanding for the Group as at 31 December 2010 and 2009:

Outstanding forward foreign exchange contracts (in millions)	As at 31 December 2010				Fair value (US\$)
	Face value	Maturing within 1 year	Maturing between 1 and 2 years	Maturing between 2 and 5 years	
GBP contracts	£128.5	£66.5	£62.0	–	7.2
Euro contracts	€122.1	€74.3	€47.8	–	5.6
Canadian dollar contracts	\$19.5	\$15.6	\$3.9	–	0.9
					13.7

Outstanding forward foreign exchange contracts (in millions)	As at 31 December 2009				Fair value (US\$)
	Face value	Maturing within 1 year	Maturing between 1 and 2 years	Maturing between 2 and 5 years	
GBP contracts	£79.3	£70.3	£9.0	–	8.3
Euro contracts	€129.6	€40.5	€45.2	€43.9	14.9
Canadian dollar contracts	\$19.2	\$19.2	–	–	(0.4)
					22.8

As at the reporting date the aggregate amount of gains under forward exchange contracts deferred in the cash flow hedge reserve relating to these anticipated future transactions is US\$0.8m (2009 gain: US\$15.8m). It is anticipated that expenditure will be incurred during the next 2 years during which the amount deferred in equity will be released into the Income Statement.

Interest rate swap

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding for the Group as at 31 December 2010:

Outstanding floating for fixed contracts	Average contracted fixed interest rate		Notional principal amount		Fair value	
	2010	2009	2010 (US\$ in millions)	2009 (US\$ in millions)	2010 (US\$ in millions)	2009 (US\$ in millions)
Less than 1 year	4.50%	–	100.0	–	(12.3)	(12.8)
1 to 2 years	–	4.50%	–	100.0	(7.9)	(7.8)
2 to 5 years	4.93%	4.93%	200.0	200.0	(5.7)	(5.1)
5 years +	–	–	–	–	–	–
			300.0	300.0	(25.9)	(25.7)

Under the interest rate swaps the Group 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. In 2009, the Group recognised a credit of US\$0.6m directly in the Income Statement as a result of ineffectiveness arising on designated interest rate swaps (2010: US\$nil).

Non-derivative financial assets and financial liabilities

Non-derivative financial assets consist of cash at bank, short-term and long-term investments, trade debtors and other debtors.

Non-derivative financial liabilities consist of bank overdrafts, deferred satellite payments, Senior Credit Facilities, Senior Notes due 2017, the EIB Facility, Convertible Bonds, accrued and accreted interest on borrowings, trade creditors and other creditors. In 2009, includes the Stratos Senior Credit Facilities and Stratos Senior Unsecured Notes.

Fair value of non-derivative financial assets and financial liabilities

With the exception of 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. In 2009, includes the Stratos Senior Unsecured Notes.

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 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).
- Senior Credit Facilities are reflected in the Balance Sheet as at 31 December 2010 net of unamortised arrangement costs of US\$6.1m (2009: US\$10.6m). The fair value approximates the carrying value (see note 19).
- The Senior Notes due 2017 are reflected in the Balance Sheet as at 31 December 2010 net of unamortised arrangement costs and issuance discount of US\$10.8m and US\$4.2m (2009: US\$12.5m and US\$4.8m), respectively (see note 19). The fair values of the Senior Notes due 2017 are based on the market price of the bonds as at 31 December 2010 and are reflected in the table below.
- The EIB Facility is reflected in the Balance Sheet as at 31 December 2010 net of unamortised arrangement costs of US\$2.6m (2009: US\$nil). The fair value approximates the carrying value (see note 19).
- The liability component of the Convertible Bond is reflected in the Balance Sheet as at 31 December 2010 on an amortised cost basis, net of unamortised arrangement costs of US\$2.6m (2009: US\$3.6m) (see note 19). The fair value of the Convertible Bond is based on the market price of the bonds as at 31 December 2010 and is reflected in the table below.
- The Stratos Senior Credit Facilities and Stratos Senior Unsecured Notes were redeemed in May and June 2010 respectively. (see note 19).

(US\$ in millions)	As at 31 December 2010		As at 31 December 2009	
	Carrying amount	Fair value amount	Carrying amount	Fair value amount
Senior Notes due 2017	(650.0)	(683.7)	(650.0)	(661.4)
Convertible Bond	(285.2)	(354.2)	(264.9)	(331.8)
Stratos Senior Unsecured Notes ^(a)	–	–	(86.8)	(91.8)

(a) At 31 December 2009 includes US\$63.2m of the aggregate principal amount outstanding which was owned by the Group (see note 19).

33. Capital commitments

The Group had authorised and contracted but not provided for capital commitments as at 31 December 2010 of US\$931.2m (2009: US\$394.5m). These amounts primarily represent commitments in respect of the Alphasat and Global Xpress projects.

34. Related party transactions

In the normal course of operations Stratos engages in transactions with its equity owned investees Navarino Telecom SA and NTS Maritime Limited (together 'Navarino') and JSAT Mobile Communications Inc. These transactions represent sales of airtime and equipment and are measured at the amounts exchanged. Group revenue from the related parties for the 2010 financial year was US\$22.1m and US\$8.6m respectively (2009: US\$23.1m and US\$0.2m respectively). The amount receivable from the related party at 31 December 2010 was US\$10.0m and US\$2.4m, respectively (2009: US\$8.4m and US\$nil, respectively).

Remuneration paid to key management personnel, being the Executive Staff (including Executive Directors) of the Company, during the year is as follows:

(US\$ in millions)	2010	2009
Short-term employee benefits ^(a)	8.8	14.2
Post-employment benefits	0.2	0.2
Share-based payment ^(a)	6.6	6.5
Total remuneration	15.6	20.9

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

The amount owing to the Executive Staff (including Executive Directors) as at 31 December 2010 and 2009 was US\$3.1m and US\$8.0m respectively.

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

35. Principal subsidiary undertakings

At 31 December 2010, the Company had investments in the following principal subsidiaries that have a significant impact on the consolidated results and total assets of the Group. To avoid a statement of excessive length, details of subsidiaries and associates which are not significant have been omitted from this list. A full list of subsidiaries and associates will be annexed to the Company's next annual return to be filed with the Registrar of Companies.

	Principal activity	Country of incorporation and operation	Interest in issued ordinary share capital at 31 December 2010	Interest in issued ordinary share capital at 31 December 2009
Inmarsat B.V.	Service provider	The Netherlands	100%	100%
Inmarsat Employment Company Limited	Employment company	Jersey	100%	100%
Inmarsat Finance plc	Finance company	England and Wales	100%	100%
Inmarsat Global Limited	Satellite telecommunications	England and Wales	100%	100%
Inmarsat Group Limited	Holding company	England and Wales	100%	100%
Inmarsat Holdings Limited	Holding company	England and Wales	100%	100%
Inmarsat Inc.	Service provider	USA	100%	100%
Inmarsat Investments Limited	Holding company	England and Wales	100%	100%
Inmarsat Leasing (Two) Limited	Satellite leasing	England and Wales	100%	100%
Inmarsat Navigation Ventures Limited	Operating company	England and Wales	100%	100%
Inmarsat Services Limited	Employment company	England and Wales	100%	100%
Inmarsat Ventures Limited	Holding company	England and Wales	100%	100%
Segovia, Inc ^(a)	Holding company	USA	100%	100%
Moskowskij Teleport	Operating company	Russia	80%	80%
Stratos Communications Inc.	Operating company	USA	100%	100%
Stratos Global Limited	Operating company	England and Wales	100%	100%
Stratos Global Solutions Limited ^(b)	Holding company	England and Wales	100%	100%
Stratos Government Services Inc.	Operating company	USA	100%	100%
Stratos Mobile Networks Inc.	Operating company	USA	100%	100%
Stratos New Zealand Limited	Operating company	New Zealand	100%	100%
Stratos Offshore Services Company	Operating company	USA	100%	100%
Stratos Wireless Inc. ^(c)	Operating company	Canada	100%	100%
Stratos B.V. ^(d)	Operating company	The Netherlands	100%	100%
Stratos Global Singapore Pte Ltd. ^(e)	Operating company	Singapore	100%	100%
Stratos Hong Kong Ltd. ^(f)	Operating company	Hong Kong	100%	100%

(a) Hornet Acquisition, Inc. was incorporated in November 2009 and was renamed Segovia, Inc. in January 2010.

(b) CIP UK Holdings Limited was renamed Stratos Global Solutions Limited in December 2010.

(c) In June 2010 there was an amalgamation of Stratos Wireless Inc., Stratos Global Corporation and CIP Canada Investment Inc. with the resulting company called Stratos Wireless Inc.

(d) Xantic Sales B.V. merged into Xantic B.V. in September 2010. Xantic B.V. subsequently changed its name to Stratos B.V. in November 2010.

(e) Xantic Mobile Satellite Services Singapore Pte Ltd changed its name to Stratos Global Singapore Pte Ltd in December 2010.

(f) Xantic Hong Kong Ltd changed its name to Stratos Hong Kong Ltd in January 2011.

36. Events after the balance sheet date

Subsequent to 31 December 2010 other than the events discussed above there have been no other material events, which would affect the information reflected in the consolidated financial statements of the Group.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INMARSAT PLC

We have audited the Parent Company financial statements of Inmarsat plc for the year ended 31 December 2010 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the Parent Company financial statements:

- give a true and fair view of the state of the Parent Company's affairs as at 31 December 2010;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other 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 2010.

Panos Kakoullis FCA
Senior Statutory Auditor
for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor
London, United Kingdom
7 March 2011

COMPANY BALANCE SHEET

(US\$ in millions)	As at 31 December 2010	As at 31 December 2009
Assets		
Non-current assets		
Investments ^(a)	1,043.2	714.1
Other receivables ^(b)	5.7	345.9
Deferred income tax asset	1.1	1.0
	1,050.0	1,061.0
Current assets		
Cash and cash equivalents	21.1	0.4
Trade and other receivables ^(c)	1.3	1.1
Current income tax asset	7.3	0.5
	29.7	2.0
Total assets	1,079.7	1,063.0
Liabilities		
Current liabilities		
Trade and other payables ^(d)	10.6	8.9
	10.6	8.9
Non-current liabilities		
Borrowings ^(e)	285.1	263.6
	285.1	263.6
Total liabilities	295.7	272.5
Net assets	784.0	790.5
Shareholders' equity		
Ordinary shares	0.3	0.3
Share premium	683.9	679.7
Convertible bond reserve	56.9	56.9
Other reserves	25.5	17.5
Retained earnings	17.4	36.1
Total equity	784.0	790.5

(a) Investments consist of a US\$1,007.8m investment in Inmarsat Holdings Limited (2009: US\$676.6m), US\$35.4m of capital contributions to Group companies in respect of share-based payments (2009: US\$26.4m) and US\$nil (2009: US\$11.1m) notional capital contribution to Inmarsat Finance III Limited.

(b) Other receivables consist of US\$5.7m amounts due from Group companies (2009: US\$345.9m).

(c) Trade and other receivables consists of US\$1.2m amounts due from Group companies (2009: US\$1.1m). In addition, 2010 includes US\$0.1m prepayments and accrued income (2009: US\$nil).

(d) Trade and other payables consists of US\$0.5m due to shareholders in respect of dividends paid during 2010 (2009: US\$0.4m), operating accruals of US\$2.2m (2009: US\$1.6m), and amounts due to Group companies of US\$7.5m (2009: US\$6.9m). In addition, 2010 includes trade creditors of US\$0.4m (2009: US\$nil).

(e) Borrowings comprise the Convertible Bond discussed in note 19 to the consolidated financial statements.

The financial statements of the Company, registered number 4886072, on pages 105 and 107 were approved by the Board of Directors on 7 March 2011 and signed on its behalf by

Andrew Sukawaty
Chairman and Chief Executive Officer

Rick Medlock
Chief Financial Officer

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COMPANY CASH FLOW STATEMENT

(US\$ in millions)	2010	2009
Cash flow from operating activities		
Cash generated (used in)/from operations	(4.3)	0.8
Interest received	0.1	31.3
Net cash (outflow)/inflow from operating activities	(4.2)	32.1
Cash flow from investing activities		
Dividend received from Group companies	159.0	144.8
Net cash from investing activities	159.0	144.8
Cash flow from financing activities		
Dividends paid to shareholders	(158.3)	(146.0)
Interest paid on convertible bond	(5.1)	(5.0)
Net proceeds from issue of ordinary shares	4.2	0.1
Intercompany funding	25.1	(29.4)
Net cash used in financing activities	(134.1)	(180.3)
Net increase/(decrease) in cash and cash equivalents	20.7	(3.4)
Movement in cash and cash equivalents		
At beginning of year	0.4	3.8
Net increase/(decrease) in cash and cash equivalents	20.7	(3.4)
As reported on the Balance Sheet (net of bank overdrafts)	21.1	0.4
At end of year, comprising		
Cash at bank and in hand	0.6	0.4
Short-term deposits with original maturity of less than 3 months	20.5	–
	21.1	0.4

COMPANY STATEMENT OF CHANGES IN EQUITY

(US\$ in millions)	Ordinary share capital	Share premium account	Convertible bond reserve	Share option reserve	Other reserve ^(a)	Accumulated profit	Total
Balance at 1 January 2009	0.3	679.6	56.9	18.3	(10.0)	34.0	779.1
Issue of share capital	–	0.1	–	–	–	–	0.1
Profit for the year	–	–	–	–	–	143.6	143.6
Dividends paid	–	–	–	–	–	(141.8)	(141.8)
Share options charge	–	–	–	9.2	–	–	9.2
Tax on share options	–	–	–	–	–	0.3	0.3
Balance at 31 December 2009	0.3	679.7	56.9	27.5	(10.0)	36.1	790.5
Issue of share capital	–	4.2	–	–	–	–	4.2
Profit for the year	–	–	–	–	–	140.2	140.2
Dividends paid	–	–	–	–	–	(159.0)	(159.0)
Share options charge/(credit)	–	–	–	10.0	(2.0)	–	8.0
Tax on share options	–	–	–	–	–	0.1	0.1
Balance at 31 December 2010	0.3	683.9	56.9	37.5	(12.0)	17.4	784.0

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

NOTES TO THE FINANCIAL STATEMENTS

Basis of accounting

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

The accounting policies 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 2010 was US\$140.2m (2009: US\$143.6m).

Auditors' remuneration

During the year, the Company paid its external Auditors US\$0.2m for statutory audit services (2009: US\$0.2m).

Employee costs and Directors' remuneration

The average monthly number of people employed during the year was 1 (2009: 1). Total staff costs for 2010 were US\$2.7m (2009: US\$3.4m). Full details of Directors' remuneration and Directors' share options and share awards are given in the Directors' Remuneration Report.

Foreign currency translation

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

The exchange rate between US dollars and Pounds Sterling as at 31 December 2010 was US\$1.57/£1.00 (2009: US\$1.61/£1.00). The average rate and hedged rate between US dollars and Pounds Sterling for 2010 was US\$1.55/£1.00 (2009: US\$1.56/£1.00) and US\$1.49/£1.00 (2009: US\$1.92/£1.00) respectively.

Cash generated (used in)/from operations

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

(US\$ in millions)	2010	2009
Profit for the year	140.2	143.6
Adjustments for:		
Income tax credit	(7.1)	(1.2)
Interest payable	26.8	24.6
Interest receivable	(11.4)	(22.0)
Dividend receivable	(159.0)	(144.9)
Finance costs	11.2	–
Non-cash employee benefit costs	1.1	1.2
Changes in net working capital:		
(Increase)/decrease in trade and other receivables	(5.0)	0.8
Decrease in trade and other payables	(1.1)	(1.3)
Cash (used in)/generated from operations	(4.3)	0.8

ADDITIONAL INFORMATION

Five-year Summary

(US\$ in millions)	2010	2009	2008	2007	2006
Revenues	1,171.6	1,038.1	996.7	576.5	500.1
EBITDA	696.1	594.2	531.2	388.1	331.7
EBITDA %	59.4%	57.2%	53.3%	67.3%	66.3%
Profit before income tax	333.5	196.9	193.8	124.7	89.8
Profit for year	261.1	152.8	355.4	96.3	127.7
Net cash inflow from operating activities	744.3	622.1	526.8	390.7	330.0
Net cash used in investing activities	(295.5)	(173.7)	(243.2)	(454.8)	(132.4)
Net cash (used in)/provided by financing activities	(331.5)	(376.3)	(244.4)	136.7	(189.8)
Total assets	3,158.0	2,905.6	2,906.8	2,826.5	1,973.6
Total liabilities	(2,069.3)	(1,935.6)	(1,973.1)	(2,093.1)	(1,257.1)
Shareholders' equity	1,088.7	970.0	933.7	733.4	716.5

Notes:

1. Results for 2010, 2009 and 2008 include Stratos for the full year. Results for 2007 include 21 days of Stratos trading. Results for 2010 include Segovia from 12 January 2010.

Financial calendar 2011

3 May	Annual General Meeting
11 May	Ex-dividend date for 2010 final dividend
13 May	Record date for 2010 final dividend
27 May	2010 final dividend payment date
August	2011 interim results
October	2011 interim dividend payment

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