

Inmarsat Investments Limited

(Registered Number: 4886096)

Directors' Report and Financial Statements
For the year ended 31 December 2012



Inmarsat Investments Limited

Directors' Report

For the year ended 31 December 2012

Directors' Report

The Directors have pleasure in submitting their report and the audited financial statements for Inmarsat Investments Limited (the 'Company' or together with its subsidiaries, the 'Group') for the year ended 31 December 2012

Principal activities

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

The results for the period are disclosed in the financial statements for the Company on pages 57 to 59 and for the Group on pages 8 to 55. Both the level of business and financial position of the Company and the Group are satisfactory to the Directors. The Company Balance Sheet on page 57 and the Group's Balance Sheet on page 9, show the Company's and the Group's financial position at 31 December 2012.

Business review

The Group's key financial and other performance indicators during the year were as follows:

(US\$ in millions)	2012	2011	Increase/(decrease)
Revenue	1,337.8	1,408.5	(5.0%)
Operating profit	346.3	466.3	(25.7%)
Profit after tax	213.9	274.8	(22.2%)
Net assets	1,322.0	1,211.3	9.1%
Average number of employees	1,616	1,543	4.7%

Revenue decreased year-on-year due to reduced revenues from the LightSquared Cooperation Agreement, which was partially offset by growth in our wholesale MSS revenues, new US Government contracts in Segovia and a full year's contribution from Ship Equip. Operating profit decreased year-on-year due to the reduced revenues, an increase in net operating costs to support the new contracts in Segovia and the full year impact of costs from Ship Equip, which was partially offset by a reduction in the impairment charge year-on-year. Profit after tax decreased year-on-year due to the factors described above being partially offset by a reduced income tax expense year-on-year.

Going concern

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

Further details regarding the adoption of the going concern basis can be found in note 2 to the consolidated financial statements.

Inmarsat Investments Limited
Directors' Report (continued)
For the year ended 31 December 2012

Results and dividends

The results for the year are disclosed in the Company financial statements on page 59 and of the Group in the Consolidated Income Statement on page 8. The Company's profit after tax for the year amounted to US\$48.9m (2011 US\$365.5m) and the Group's profit after tax for the year amounted to US\$213.9m (2011 US\$274.8m).

The Company paid dividends during the year ended 31 December 2012 of US\$75.7m and US\$50.0m for the 2012 interim dividend and the 2011 final dividend, respectively (year ended 31 December 2011 US\$68.9m and US\$104.5m for the 2011 interim dividend and the 2010 final interim dividend, respectively). Additionally, in the year ended 31 December 2011, the Company declared a one-off dividend totalling US\$250m, to fund a share repurchase programme by Inmarsat plc, the ultimate parent company.

Research and development

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

Charitable and political donations

During the year, the Group donated in aggregate US\$367,458 (2011 US\$370,889) to charities worldwide. This amount included a donation of US\$200,000 to the telecommunications relief aid organisation, Télécoms Sans Frontières and a payment of US\$111,000 to the World Maritime University as part of our support for the education of maritime specialists. In addition, Inmarsat Global provides satellite telecommunication services and equipment, in conjunction with support offered by its DPs and manufacturers, to service providers and customers in support of disaster relief management in affected areas of the world. Our subsidiary companies also made contributions to local charitable causes.

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

Financial instruments

Details of the financial risk management objectives and policies of the Company are the same as the Group. These details are explained in notes 3 and 31 to the consolidated financial statements.

Post balance sheet events

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

Directors and their interests

The Directors who served during the year and who were in office on 1 January 2012 were as follows:

- Alison Horrocks
- Rick Medlock
- Andrew Sukawaty
- Rupert Pearce

None of the Directors, at any time during the year ended 31 December 2012 or subsequently, have had any interests in any shares of the Company or its subsidiaries.

Employees

The Company has no directly employed staff.

Inmarsat Investments Limited
Directors' Report (continued)
For the year ended 31 December 2012

Employee involvement in the Inmarsat plc group's share and share option schemes is encouraged. Details of employee share awards and option schemes are shown in note 25 to the financial statements.

Health and safety

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

The Group recognises its legal responsibilities to ensure the well-being, safety and welfare of its employees and to maintain a safe and healthy working environment for them and for visitors and contractors. Regular health and safety audits are undertaken at operating sites across the Group, with inspections during 2012 at premises in the UK, Canada and the US. Across the Group, fewer than 20 accidents were reported, and we had no fatalities. We held our first worldwide health and wellbeing programme across all our offices which received very positive feedback from our global workforce.

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

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

Policy and practice on payment of creditors

It is our policy to agree terms of payments with suppliers when entering into contracts and to meet our obligations accordingly. We do not follow any specific published code or standard on payment practice. At 31 December 2012, the Group's trade creditors represented 62 days equivalent of aggregate amounts invoiced by suppliers during the year (2011: 66 days).

Share capital and control

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

Details of the authorised and issued share capital of the Company are given in note 24 to the financial statements.

There are no restrictions on transfer, or limitations on the holding of any shares and no requirements for prior approval of any transfers. None of the shares carry any special rights with regard to control of the Company. There are no known arrangements under which financial rights are held by a person other than the holder of the shares and no known agreements on restrictions on share transfers or on voting rights.

Details of employee share schemes are set out in note 25. Shares of Inmarsat plc (the Company's ultimate parent company) acquired through Company share schemes and plans rank *pari passu* with the shares in issue and have no special rights.

The powers of the Directors are determined by UK legislation and the Articles of Association in force from time to time. The rules about the appointment and replacement of Directors are contained in the Company's Articles of Association. Changes to the Articles of Association must be approved by shareholders in accordance with legislation in force from time to time.

Inmarsat Investments Limited
Directors' Report (continued)
For the year ended 31 December 2012

Significant contracts

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

The majority of the space segment revenue of Inmarsat Global is derived from sales to its DPs who operate in accordance with a suite of agreements regarding the distribution of Inmarsat's services. Our subsidiary companies, Stratos and Segovia Commercial Services Inc are two of the DPs to whom these distribution agreements apply. Both have operating agreements with their own customers. These contracts vary in monetary value and length of term.

In addition, we have significant ongoing contracts with our suppliers regarding the construction of the Alphasat satellite and its subsequent launch, and for the Global Xpress programme which includes the construction of three Ka-band satellites and its related ground infrastructure, and with third parties for the manufacture and production of new terminals for the Alphasat and Global Xpress programmes and also for our global satellite phone service ('GSPS').

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

Principal risks and uncertainties

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

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

Satellites

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

Distribution

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

Spectrum

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

Inmarsat Investments Limited
Directors' Report (continued)
For the year ended 31 December 2012

Development of hybrid networks, including ATC

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

LightSquared Cooperation Agreement

Our Cooperation Agreement with LightSquared may present us with operational and financial risks. If fully implemented, the Cooperation Agreement will ultimately result in a reduction in available L-band spectrum for Inmarsat services over North America and the need for our L-band services to coexist in North America with ATC services in adjacent frequencies. Whilst we believe that we can continue to operate our services over North America with minimal impact to our users following the launch of ATC services, there is a risk that our L-band services may be congested, interrupted and/or interfered with, which could have an adverse effect on our future L-band service performance in North America.

Regulation

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

Next generation services and satellites

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

Competition

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

Indemnities and insurance

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

Inmarsat Investments Limited
Directors' Report (continued)
For the year ended 31 December 2012

Auditor

Each of the Directors has confirmed that

- i) so far as the Director is aware, there is no relevant audit information of which the Company's Auditor is unaware, and
- ii) the Director has taken all the steps that he/she ought to have taken as a Director to make him/herself aware of any relevant audit information and to establish that the Company's Auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006. An elective resolution was passed on 12 July 2004 dispensing with the requirement to appoint an auditor annually. Therefore, Deloitte LLP are deemed to continue as auditor.

Directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

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

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping proper accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



By order of the Board
Alison Horrocks FCIS
Company Secretary
24 June 2013

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

We have audited the consolidated financial statements of Inmarsat Investments Limited for the year ended 31 December 2012 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes 1 to 36. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the consolidated financial statements

- give a true and fair view of the state of the Group's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006

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

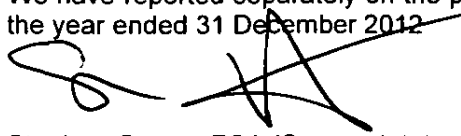
Matters on which we are required to report by exception

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

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

Other matter

We have reported separately on the parent company financial statements of Inmarsat Investments Limited for the year ended 31 December 2012.



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

Inmarsat Investments Limited
Consolidated Income Statement
For the year ended 31 December 2012

(US\$ in millions)	Note	2012	2011
Revenues		1,337 8	1,408 5
Employee benefit costs	7	(233 0)	(206 5)
Network and satellite operations costs		(295 1)	(241 7)
Other net operating costs		(139 2)	(127 2)
Own work capitalised		24 1	21 1
Total net operating costs		(643 2)	(554 3)
EBITDA		694 6	854 2
Depreciation and amortisation	6	(255 2)	(245 8)
Loss on disposal of assets		(0 5)	—
Acquisition-related adjustments		—	(2 1)
Impairment losses	6	(94 7)	(141 5)
Share of profit of associates		2 1	1 5
Operating profit		346 3	466 3
Interest receivable and similar income	9	2 9	4 9
Interest payable and similar charges	9	(60 9)	(76 2)
Net interest payable	9	(58 0)	(71 3)
Profit before income tax	6	288 3	395 0
Income tax expense	10	(74 4)	(120 2)
Profit for the year		213 9	274 8
Attributable to:			
Equity holders		213 6	274 6
Non-controlling interest		0 3	0 2

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2012


(US\$ in millions)	Note	2012	2011
Profit for the year		213 9	274 8
Other comprehensive income			
Actuarial gains from pension and post-employment benefits	27	4 4	13 4
Net gains/(losses) on cash flow hedges	26	11 4	(2 7)
Foreign exchange translation differences		—	0 4
Tax charged directly to equity	10	(3 7)	(4 2)
Other comprehensive income for the year, net of tax		12 1	6 9
Total comprehensive income for the year, net of tax		226 0	281 7
Attributable to:			
Equity holders		225 7	281 5
Non-controlling interest		0 3	0 2

Inmarsat Investments Limited
Consolidated Balance Sheet
As at 31 December 2012

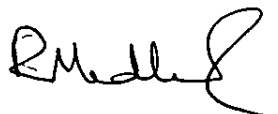
(US\$ in millions)	Note	As at 31 December 2012	As at 31 December 2011
Assets			
Non-current assets			
Property, plant and equipment	13	2,081 6	1,820 1
Intangible assets	14	970 5	1,081 7
Investments	15	31 6	31 0
Other receivables	17	15 4	4 2
Derivative financial instruments	31	—	0 1
Total non-current assets		3,099.1	2,937 1
Current assets			
Cash and cash equivalents	16	331 3	165 7
Trade and other receivables	17	293 7	260 3
Inventories	18	25 4	23 5
Derivative financial instruments	31	6 4	7 8
Total current assets		656 8	457 3
Total assets		3,755 9	3,394 4
Liabilities			
Current liabilities			
Borrowings	19	53 2	53 2
Trade and other payables	20	666 5	684 1
Provisions	21	5 5	2 9
Current income tax liabilities	22	39 2	60 5
Derivative financial instruments	31	11 4	14 2
Total current liabilities		775 8	814 9
Non-current liabilities			
Borrowings	19	1,466 8	1,194 9
Other payables	20	25 7	28 1
Provisions	21	25 4	26 7
Deferred income tax liabilities	22	140 2	109 4
Derivative financial instruments	31	—	9 1
Total non-current liabilities		1,658 1	1,368 2
Total liabilities		2,433 9	2,183 1
Net assets		1,322 0	1,211 3
Shareholders' equity			
Ordinary shares	24	0 3	0 3
Share premium		365 6	365 6
Other reserves		693 1	674 2
Retained earnings		261 9	170 3
Equity attributable to Parent Company		1,320 9	1,210 4
Non-controlling interest		1 1	0 9
Total equity		1,322 0	1,211 3

The accompanying notes are an integral part of the financial statements

The consolidated financial statements of Inmarsat Investments Limited, registered number 4886096, on pages 8 to 55 were approved by the Board of Directors on 24 June 2013 and signed on its behalf by


Rupert Pearce
 Director

Rick Medlock
 Director



Inmarsat Investments Limited
Consolidated Statement of Changes in Equity
For the year ended 31 December 2012

(US\$ in millions)	Ordinary share capital	Share premium account	Share option reserve	Revaluation reserve	Currency reserve	Cash flow hedge reserve	Capital contribution reserve	Retained earnings	Non- controlling interest	Total
Balance as at 1 January										
2011	0.3	365.6	35.5	0.6	—	(7.5)	314.0	311.0	0.7	1,020.2
Share options charge/(credit)	—	—	9.4	—	—	—	—	(2.3)	—	7.1
Dividends paid	—	—	—	—	—	—	—	(423.4)	—	(423.4)
Capital contribution	—	—	—	—	—	—	325.7	—	—	325.7
Comprehensive income										
Profit for the period	—	—	—	—	—	—	—	274.6	0.2	274.8
Other comprehensive income – before tax	—	—	—	—	0.4	(2.7)	—	13.4	—	11.1
Other comprehensive income – tax	—	—	—	—	—	(1.2)	—	(3.0)	—	(4.2)
Balance as at 31 December										
2011	0.3	365.6	44.9	0.6	0.4	(11.4)	639.7	170.3	0.9	1,211.3
Share options charge	—	—	9.9	—	—	—	—	0.5	—	10.4
Dividends paid	—	—	—	—	—	—	—	(125.7)	(0.1)	(125.8)
Capital contribution	—	—	—	—	—	—	0.1	—	—	0.1
Comprehensive income										
Profit for the period	—	—	—	—	—	—	—	213.6	0.3	213.9
Other comprehensive income – before tax	—	—	—	—	—	11.4	—	4.4	—	15.8
Other comprehensive income – tax	—	—	—	—	—	(2.5)	—	(1.2)	—	(3.7)
Balance as at 31 December										
2012	0.3	365.6	54.8	0.6	0.4	(2.5)	639.8	261.9	1.1	1,322.0

Inmarsat Investments Limited
Consolidated Cash Flow Statement
For the year ended 31 December 2012

(US\$ in millions)	Note	2012	2011
Cash flow from operating activities			
Cash generated from operations	23	723 6	992 1
Interest received		1 5	2 7
Income taxes paid		(69 2)	(112 6)
Net cash inflow from operating activities		655 9	882 2
Cash flow from investing activities			
Purchase of property, plant and equipment		(437 2)	(489 7)
Additions to capitalised development costs, including software		(22 9)	(20 0)
Own work capitalised		(23 9)	(21 3)
Acquisition of subsidiaries and other investments	28	(15 1)	(171 0)
Net cash used in investing activities		(499 1)	(702 0)
Cash flow from financing activities			
Dividends paid to Parent Company	12	(225 7)	(323 4)
Repayment of Previous Senior Credit Facility	19	—	(200 0)
Repayment of EIB Facility	19	(44 1)	—
Drawdown of Ex-Im Bank Facility	19	120 3	277 3
Gross issuance proceeds of Subordinated Senior Notes due 2017 Loan	19	212 0	—
Repayment of Ship Equip long-term debt		—	(44 7)
Interest prepaid on Subordinated Senior Notes due 2017 Loan		5 3	—
Interest paid on borrowings		(92 5)	(74 7)
Arrangement costs of financing	19	(8 1)	(22 4)
Intercompany funding		42 7	50 0
Other financing activities		(0 7)	(0 4)
Net cash from/(used) in financing activities		9 2	(338 3)
Foreign exchange adjustment		—	0 2
Net increase/(decrease) in cash and cash equivalents		166 0	(157 9)
Movement in cash and cash equivalents			
At beginning of year		164 5	322 4
Net increase/(decrease) in cash and cash equivalents		166 0	(157 9)
As reported on Balance Sheet (net of bank overdrafts)	16	330 5	164 5
At end of year, comprising			
Cash at bank and in hand	16	56 2	63 2
Short-term deposits with original maturity of less than three months	16	275 1	102 5
Bank overdrafts	16	(0 8)	(1 2)
		330 5	164 5

Inmarsat Investments Limited
Notes to the Financial Statements
For the year ended 31 December 2012

1. General information

The principal activity of Inmarsat Investments Limited (the 'Company' or together with its subsidiaries, the 'Group') is the provision of mobile satellite communications services. The nature of the Group's operations and its principal activities are set out in note 5.

The Company's parent undertaking is Inmarsat Group Limited and ultimate controlling party is Inmarsat plc, both incorporated in the United Kingdom and registered in England and Wales. The largest and smallest groups into which the results of the Company are consolidated are headed by Inmarsat plc and the Company respectively.

2. Principal accounting policies

Basis of preparation

The principal accounting policies adopted in the preparation of the consolidated financial statements for the years ended 31 December 2012 and 2011 (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 Investments Limited continues to adopt the going concern basis in preparing the consolidated financial statements.

Basis of accounting

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

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

- IFRS 7 (as amended) – Financial Instruments: Disclosures – Amendments enhancing disclosures about transfers of financial assets (effective for financial years beginning on or after 1 July 2011), and
- IAS 12 (as amended) – Income Taxes – Limited scope amendment (recovery of underlying assets) (effective for financial years beginning on or after 1 January 2012).

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

- IFRS 7 (as amended) – Financial Instruments: Disclosures – Amendments to facilitate comparison between financial statements prepared under IFRS and under US GAAP (effective for financial years beginning on or after 1 July 2013),
- IFRS 9 Financial Instruments – Classification and Measurement (effective for financial years beginning on or after 1 January 2015),
- IFRS 10 (as amended) – Consolidated Financial Statements (effective for financial years beginning on or after 1 January 2013),

Inmarsat Investments Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2012

2. Principal accounting policies (continued)

- IFRS 11 (as amended) – Joint Arrangements (effective for financial years beginning on or after 1 January 2013),
- IFRS 12 (as amended) – Disclosures of Interests in Other Entities (effective for financial years beginning on or after 1 January 2013),
- IFRS 13 – Fair Value Measurement (effective for financial years beginning on or after 1 January 2013),
- IAS 1 (as amended) – Presentation of Financial Statements – Amendments to revise the way other comprehensive income is presented (effective for financial years beginning on or after 1 July 2012),
- IAS 19 (as amended) – Employee Benefits – Amended standard resulting from the Post-Retirement Benefits and Termination Benefits projects (effective for financial years beginning on or after 1 January 2013),
- IAS 27– Consolidated and Separate Financial Statements – Reissued as IAS 27 Separate Financial Statements (as amended in 2011) (effective for financial years beginning on or after 1 January 2013),
- IAS 28 – Investments in Associates – Reissued as IAS 28 Investments in Associates and Joint Ventures (as amended in 2011) (effective for financial years beginning on or after 1 January 2013),
- IAS 32 (as amended) – Financial Instruments Presentation – Amended application guidance to clarify offsetting of financial assets and liabilities on the balance sheet (effective for financial years beginning on or after 1 January 2014),
- IAS 36 (as amended) – Impairment of Assets – Amended to clarify the disclosure requirements about the recoverable amount of certain impaired assets (effective for financial years beginning on or after 1 January 2014),
- IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine (effective for financial years beginning on or after 1 January 2013),
- IFRIC 21 – Levies (effective for financial years beginning on or after 1 January 2014), and
- Amendments resulting from the 'Annual Improvements 2009-2011 cycle' paper issued in May 2012 (effective for financial years beginning on or after 1 January 2013)

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

Basis of consolidation

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

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

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

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

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

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

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

Inmarsat Investments Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2012

2. Principal accounting policies (continued)

Foreign currency translation

a) Functional and presentation currency

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

The hedged rate between US Dollar and Pound Sterling for 2012 for Inmarsat Global's Sterling operating expenditure was US\$1 48/£1 00 (2011 US\$1 51/£1 00)

b) Transactions and balances

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

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

Shares issued by the Company and denominated in a currency other than US Dollars are translated at the rates ruling at the date of issue

Financial instruments and hedging activities

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

Inmarsat Investments Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2012

2. Principal accounting policies (continued)

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

Revenue recognition

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

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

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

Employee benefits

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

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

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

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

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

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

Inmarsat Investments Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2012

2. Principal accounting policies (continued)

Current tax

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

Deferred income tax

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

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

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

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

Research and development

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

Property, plant and equipment

Space segment assets

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

Assets in course of construction

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

Other fixed assets

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

Inmarsat Investments Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2012

2. Principal accounting policies (continued)

Depreciation

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

Asset retirement obligations

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

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

Government grants

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

Gains and losses on disposals of tangible and intangible assets

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

Intangible assets

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

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

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

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

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

Impairment of non-financial assets

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

Impairment testing involves a comparison of the carrying amount of the asset with its recoverable amount, which is the higher of fair value less costs to sell and value in use. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit ('CGU') to

Inmarsat Investments Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2012

2. Principal accounting policies (continued)

which the asset belongs. Fair value less costs to sell is calculated by reference to the amount at which the asset could be disposed of. Value in use is calculated by discounting the expected future cash flows obtainable as a result of the asset's continued use, including those resulting from its ultimate disposal, at a market-based discount rate on a pre-tax basis.

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

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

Investments

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

Trade receivables

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

Leases

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

Interest and finance costs

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

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

Inventories

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

Cash and cash equivalents

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

Provisions

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

Borrowings

Borrowings are initially recognised as proceeds received, net of transaction and arrangement costs incurred. Borrowings are subsequently stated at amortised cost. Transaction and arrangement costs of borrowings and the

Inmarsat Investments Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2012

2. Principal accounting policies (continued)

difference between the proceeds and the redemption value are recognised in the Income Statement over the life of the borrowings using the effective interest rate method

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

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

EBITDA is a non-GAAP performance measure used by analysts and investors, and is defined as profit before interest, taxation, depreciation and amortisation, loss on disposal of assets, acquisition-related adjustments, impairment losses and share of profit of associates

3. Financial risk management

Financial risk factors

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

The Board of Directors of Inmarsat plc has delegated to a sub-committee, the Treasury Review Committee, the responsibility for setting the risk management policies applied by the Group. The policies are implemented by the treasury department which receives regular reports from the operating companies to enable prompt identification of financial risks so that appropriate actions may be taken. The treasury department has a policy and procedures manual that sets out specific guidelines for managing foreign exchange risk, interest rate risk and credit risk (see note 31). The management of the Group does not hold or issue derivative financial instruments for speculative or trading purposes.

(a) Market risk

(i) Foreign exchange risk

The functional currency of Inmarsat Investments Limited is the US Dollar. The Group's long-term borrowings are denominated in US Dollars, the majority of its revenue is earned in US Dollars and the vast majority of capital expenditure is denominated in US Dollars, which are therefore not subject to risks associated with fluctuating foreign currency rates of exchange. However, approximately 50% (2011: 50%) of Inmarsat Global's operating costs are denominated in Pounds Sterling. Inmarsat Solutions operate internationally, resulting in approximately 9% and 16% of revenue and expenditure, respectively, being denominated in currencies other than the US Dollar. The Group's exposures therefore need to be carefully managed to avoid variability in future cash flows and earnings caused by volatile foreign exchange rates.

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

As at 31 December 2012 it is estimated that

- A hypothetical 1% inflation of the hedged US Dollar/Sterling exchange rate (US\$1.48/£1.00 to US\$1.49/£1.00) would have decreased the 2012 profit before tax by approximately US\$0.9m (2011: US\$1.1m),
- A hypothetical 1% inflation of the US Dollar/Sterling foreign currency spot rate at 31 December 2012, would have reduced the 2012 profit before tax by approximately US\$0.2m (2011: US\$0.2m), primarily as a result of the translation of Sterling denominated monetary assets and liabilities. This analysis includes only outstanding foreign currency denominated monetary items and adjusts the translation of these items at the period end for a 1% change in foreign currency rates, and
- A hypothetical 1% deflation in the US Dollar/Sterling and a 1% deflation in the US Dollar/Euro foreign currency spot rates at 31 December 2012, would have decreased equity by US\$1.0m and US\$0.6m, respectively (2011: US\$1.0m and US\$1.0m, respectively) primarily as a result of the changes in fair value of derivative instruments designated as cash flow hedges.

Inmarsat Investments Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2012

3 Financial risk management (continued)

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

(ii) Price risk

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

(b) Interest rate risk

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

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

As at 31 December 2012, if interest rates on net borrowings changed by 1%, with all other variables held constant, the Group's profit after tax for the year would have been impacted by US\$2.7m (2011: US\$2.1m). This is primarily due to the Group's exposure to 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, other receivables, amounts due to Parent undertakings, accrued income and derivative financial instruments. The credit risk on liquid funds (cash and cash equivalents and short-term deposits) and derivative financial instruments is limited because the counterparties are highly rated financial institutions.

The maximum exposure to credit risk is

(US\$ in millions)	Note	As at 31 December 2012	As at 31 December 2011
Cash and cash equivalents	16	331.3	165.7
Trade receivables, amounts due from Parent undertakings, other receivables and accrued income	17	266.3	234.1
Derivative financial instruments	31	6.4	7.9
Total credit risk		604.0	407.7

The Group's average age of trade receivables as at 31 December 2012 (excluding the impact of LightSquared) was approximately 58 days (as at 31 December 2011: 50 days). At 31 December 2012, US\$156.5m (2011: US\$139.3m) of trade receivables were not yet due for payment. No interest is charged on trade receivables until the receivables become overdue for payment. Thereafter, interest may be charged at varying rates depending on the terms of the individual agreements. The Group has credit evaluation, approval and monitoring processes intended to mitigate potential credit risks, and utilises both internal and third party collections processes for overdue accounts. The Group maintains provisions for potential credit losses that are assessed on an ongoing basis.

Inmarsat Investments Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2012

3. Financial risk management (continued)

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

(US\$ in millions)	2012	2011
As at 1 January	11.2	11.2
Charged to the provision in respect of the current year	13.8	10.3
Utilised in the year	(6.5)	(9.6)
Provision released in the year	(0.2)	(0.7)
As at 31 December^(a)	18.3	11.2

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

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

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

(US\$ in millions)	Note	2012	2011
Between 1 and 30 days overdue		30.6	19.0
Between 31 and 120 days overdue		12.1	5.8
Over 120 days overdue		2.4	1.6
As at 31 December	17	45.1	26.4

(d) Liquidity risk

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

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

(US\$ in millions)	Note	As at 31 December 2012	As at 31 December 2011
Cash and cash equivalents	16	331.3	165.7
Available but undrawn borrowing facilities ^(a)	19	1,052.4	1,172.7
Total available liquidity		1,383.7	1,338.4

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

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

4. Critical accounting estimates and judgements in applying accounting policies

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

(a) Estimated impairment of goodwill

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

Inmarsat Investments Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2012

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

For the purpose of testing for impairment, goodwill is specifically allocated to one of four CGUs which have been identified, being Inmarsat Global, Stratos, Segovia and Ship Equip. It has been determined that goodwill that arose on the acquisition of Inmarsat Ventures Limited represented goodwill of the Inmarsat Global CGU only. Goodwill that arose on the acquisition of Stratos, Segovia and Ship Equip has been allocated to the Stratos, Segovia and Ship Equip CGU, respectively. As at 31 December 2012, the carrying amount of goodwill allocated to the Inmarsat Global, Stratos, Segovia and Ship Equip CGUs was US\$406.2m, US\$76.8m, US\$34.2m and US\$33.5m, respectively (2011 US\$406.2m, US\$142.5m, US\$27.2m and US\$66.6m, respectively). During 2012, the Stratos CGU sold its Stratos Government Services Inc. business to the Segovia CGU. As a result, US\$7.0m of goodwill was reallocated from the Stratos CGU to the Segovia CGU.

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

Recoverable amount

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

Growth rates

Long-term growth rates of between 2.5%-3.0% (2011 2.5%-3.0%) have been applied to extrapolate the cash flows into perpetuity. The growth rate has been determined using long-term historical growth rates of the CGU and management's conservative expectation of future growth.

Discount rate

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

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

Inmarsat Investments Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2012

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

The US\$120.0m impairment charge in respect of the Stratos CGU in the year ended 31 December 2011 also related to operating profit forecasts for the Stratos CGU being adjusted downwards due to both internal and external factors. The changes in prices between Inmarsat Global and the distribution channel were not passed onto the end customers of Stratos, resulting in reduced margins for the Stratos CGU. In addition, commitments under our LightSquared Cooperation Agreement resulted in the expected discontinuance of certain customer leases for Inmarsat B, and certain other services which directly impacted the Stratos CGU. While this business was expected to be partly retained through agreements using non-lease services, these are at a lower margin. There was also a reduction in Inmarsat MSS revenues, changes in product mix and competitive pricing, all of which contributed to lower than expected revenues. In 2011, a long-term growth rate of 2.5% was applied to extrapolate the Stratos CGU cash flow projections into perpetuity and a pre-tax discount rate of 13.8% was used to discount the cash flow projections.

(b) Pension arrangements and post-employment benefits assumptions

The Group has applied a weighted rate of return on assets of 6.68% p.a. (2011: 6.65% p.a.) which represents the expected return on asset holdings in the future. The weighted average discount rate used to calculate the pension and post-employment benefits liability was 4.60% (2011: 4.74%) (see note 27).

(c) Income tax

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

A contingent liability has been disclosed for the year ended 31 December 2012 in respect of the financing of a financing and operating leaseback transaction entered in 2007 (see note 33).

(d) Revenue in respect of the LightSquared Cooperation Agreement

In December 2007, Inmarsat and LightSquared LP, Skyterra (Canada) Inc. and LightSquared Inc. (together 'LightSquared') entered into a Cooperation Agreement for the efficient use of L-band spectrum over North America. The Cooperation Agreement was segregated into phases and designed to enable and support the deployment of an ATC network by LightSquared in North America. To date, LightSquared has made payments under the agreement totalling US\$546.4m, of which US\$85.8m has been received during 2012 (2011: US\$308.1m). The Group has, thus far, recognised US\$281.5m of revenue and US\$19.9m of operating costs under all phases of the agreement. For the year ended 31 December 2012, the Group recognised US\$60.2m of revenue and US\$8.3m of operating costs, in respect of all phases (year ended 31 December 2011: US\$203.8m and US\$11.2m, respectively).

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

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

Inmarsat Investments Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2012

5. Segmental information

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

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

The Group's reportable segments are therefore as follows:

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

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

Business segments:

(US\$ in millions)	2012				
	Inmarsat Global	Inmarsat Solutions ^(a)	Unallocated	Eliminations	Total
Revenue					
External sales	540.7	797.1	—	—	1,337.8
Inter-segment	295.2	13.2	—	(308.4)	—
Total revenue	835.9	810.3	—	(308.4)	1,337.8
EBITDA	597.2	97.1	—	0.3	694.6
Segment result (operating profit) before operating profit from LightSquared and impairment losses	387.2	1.6	—	0.3	389.1
Operating profit from LightSquared	51.9	—	—	—	51.9
Impairment losses	—	(94.7)	—	—	(94.7)
Segment result (operating profit/(loss))	439.1	(93.1)	—	0.3	346.3
Net interest charged to the Income Statement	—	—	(58.0)	—	(58.0)
Profit before income tax					288.3
Income tax expense					(74.4)
Profit for the year					213.9
Segment assets	3,002.8	824.8	335.0	(406.7)	3,755.9
Segment liabilities	(496.7)	(164.3)	(1,812.9)	40.0	(2,433.9)
Investment (included in segment assets) ^(b)	23.5	—	—	—	23.5
Capital expenditure ^(c)	(433.6)	(56.3)	—	0.1	(489.8)
Depreciation	(138.8)	(49.5)	—	—	(188.3)
Amortisation of intangible assets	(19.3)	(47.6)	—	—	(66.9)

(a) Includes NewWave Broadband Limited ('NewWave') from 13 January 2012 (see note 28)

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

(c) Capital expenditure stated using accruals basis

Inmarsat Investments Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2012

5. Segmental information (continued)

(US\$ in millions)	2011				
	Inmarsat Global	Inmarsat Solutions ^(a)	Unallocated	Eliminations	Total
Revenue					
External sales	661 6	746 9	—	—	1,408 5
Inter-segment	296 8	11 3	—	(308 1)	—
Total revenue	958 4	758 2	—	(308 1)	1,408 5
EBITDA	722 5	132 9	—	(1 2)	854 2
Segment result (operating profit) before operating profit from LightSquared and impairment losses	368 0	48 4	—	(1 2)	415 2
Operating profit from LightSquared	192 6	—	—	—	192 6
Impairment losses	—	(141 5)	—	—	(141 5)
Segment result (operating profit/(loss))	560 6	(93 1)	—	(1 2)	466 3
Net interest charged to the Income Statement	—	—	(71 3)	—	(71 3)
Profit before income tax					395 0
Income tax expense					(120 2)
Profit for the year					274 8
Segment assets	2,731 0	920 5	168 8	(425 9)	3,394 4
Segment liabilities	(526 2)	(141 2)	(1,574 6)	58 9	(2,183 1)
Investment (included in segment assets) ^(b)	23 5	—	—	—	23 5
Capital expenditure ^(c)	(577 2)	(47 6)	—	0 2	(624 6)
Depreciation	(140 8)	(39 2)	—	—	(180 0)
Amortisation of intangible assets	(21 1)	(44 7)	—	—	(65 8)

(a) Includes Ship Equip International A S ('Ship Equip') from 28 April 2011

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

(c) Capital expenditure stated using accruals basis

Geographical segments

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

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

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

(US\$ in millions)	2012		2011	
	Revenue	Non-current segment assets ^(a)	Revenue	Non-current segment assets ^(a)
Europe	499 1	1,668 1	509 3	1,462 1
North America	547 5	827 0	630 2	794 9
Asia Pacific	243 2	14 7	211 0	15 5
Rest of the world	48 0	—	58 0	—
Unallocated ^(b)	—	589 3	—	664 5
	1,337.8	3,099 1	1,408 5	2,937 0

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

(b) Unallocated items relate to satellites which are in orbit

Inmarsat Investments Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2012

6 Profit before income tax

Costs are presented by the nature of the expense to the Group. Network and satellite operations costs comprise costs to third parties for network service contracts, operating lease rentals and services. A further breakdown of employee benefit costs is given in note 7.

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

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

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

(US\$ in millions)	2012	2011
Fees payable to the Company's Auditor for the audit of the Company's annual accounts	—	—
Fees payable to the Company's Auditor for other services to the Group		
— The audit of the Company's subsidiaries, pursuant to legislation	0.9	0.9
Total audit fees	0.9	0.9
Fees payable to the Company's Auditor for other services to the Group		
— Audit-related assurance services	0.2	0.1
— Tax compliance services	0.2	0.2
— Tax advisory services	1.3	1.3
— Services relating to corporate finance transactions	—	0.3
— Other services	0.2	—
Total Auditor's remuneration	2.8	2.8

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

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

7. Employee benefit costs (including the Directors)

(US\$ in millions)	Note	2012	2011
Wages and salaries		195.0	169.4
Social security costs		15.8	14.1
Share options charge (including employers' National Insurance contribution)	25	10.8	13.0
Defined contribution pension plan costs		7.9	6.5
Defined benefit pension plan costs ^(a)	27	3.1	2.6
Post-employment benefits costs ^(a)	27	0.4	0.9
Total employee benefit costs		233.0	206.5

(a) Defined benefit pension plan costs and post-employment benefits costs for 2012 and 2011 reflect the service cost (see note 27).

Inmarsat Investments Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2012

7. Employee benefit costs (including the Directors) (continued)

Employee numbers

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

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

8. Executive and Non-Executive Directors' remuneration

The Directors of the Company are also Directors of the ultimate parent company Inmarsat plc and other subsidiary companies within the Inmarsat plc group. The total Directors' remuneration for Inmarsat plc is shown below, it is not practicable to allocate this between their services as Directors of Inmarsat plc, the Company and other companies within the Inmarsat plc group.

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

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

Highest paid Director's remuneration for Inmarsat plc (the ultimate parent company) was

(US\$ in thousands)	2012	2011
Aggregate emoluments	1,299	1,289
Company contributions to defined contribution pension schemes	77	79
	1,376	1,368

In addition to the above, Executive Directors receive share options and share awards in the ultimate parent company, Inmarsat plc, in respect of their work for the Group. Details of these can be found in the Inmarsat plc Annual report, pages 55 and 56.

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

Two Directors (2011: two) are members of the Group's defined contribution pension plan. One Director is a member of the US 401k Plan (2011: one).

Key management

As at 31 December 2012, the Executive Chairman, the Executive Directors and the direct reports of the Executive Chairman and Chief Executive Officer are the key management of the business (see note 34).

Inmarsat Investments Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2012

9. Net interest payable

(US\$ in millions)	2012	2011
Interest on credit facilities	21.9	16.4
Interest on Subordinated Senior Notes due 2017 Loan and intercompany interest payable	62.9	49.5
Interest on Inmarsat Solutions borrowings	0.4	0.5
Pension and post-employment liability finance costs	0.5	0.5
Interest rate swaps	9.1	12.7
Unwinding of discount on deferred satellite liabilities	2.2	2.6
Unwinding of discount on deferred consideration	—	7.9
Amortisation of debt issue costs ^(a)	6.4	9.9
Other interest	0.4	0.6
Interest payable and similar charges	103.8	100.6
Less: Amounts included in the cost of qualifying assets ^(b)	(42.9)	(24.4)
Total interest payable and similar charges	60.9	76.2
Bank interest receivable and other interest	2.0	4.7
Intercompany interest receivable	0.9	0.2
Total interest receivable and similar income	2.9	4.9
Net interest payable	58.0	71.3

(a) 2011 includes the write-off of unamortised issue costs of US\$3.8m in relation to the refinancing of our previous US\$500.0m Senior Credit Facility

(b) Borrowing costs included in the cost of qualifying assets during the year are calculated by applying a capitalisation rate to expenditure on such assets. The average interest capitalisation rate for the year was 5.87% (2011: 7.99%)

10. Income tax

Income tax expense recognised in the Income Statement

(US\$ in millions)	2012	2011
Current tax expense:		
Current year	(51.9)	(128.5)
Adjustments in respect of prior periods		
— Other	3.0	6.8
Total current tax expense	(48.9)	(121.7)
Deferred tax(expense)/credit:		
Origination and reversal of temporary differences		
— Other temporary differences	(44.1)	(8.6)
Adjustment due to reduction in the corporation tax rate from 25% to 23% (2011: 27% to 25%)	8.4	5.4
Adjustments in respect of prior periods		
— Other	10.2	4.7
Total deferred tax (expense)/credit	(25.5)	1.5
Total income tax expense	(74.4)	(120.2)

Inmarsat Investments Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2012

10. Income tax (continued)

Reconciliation of effective tax rate

(US\$ in millions)	2012	2011
Profit before tax	288.3	395.0
Income tax at 24.5% (2011: 26.5%)	(70.6)	(104.7)
Differences in overseas tax rates	1.0	(2.9)
Adjustments in respect of prior periods		
— Other	13.2	11.5
Effect of the reduction in the corporation tax rate from 25% to 23% (2011: 27% to 25%) on		
— Current year movement in deferred tax	8.4	5.4
Impact of current and prior year losses	(1.8)	1.7
Non-deductible impact of Inmarsat Solutions goodwill impairment	(23.2)	(31.8)
Other non-deductible expenses/non-taxable income	(1.4)	0.6
Total income tax expense	(74.4)	(120.2)

Tax charged to equity

(US\$ in millions)	2012	2011
Current tax credit on share options	0.2	0.3
Deferred tax credit/(charge) on share options	0.3	(2.6)
Deferred tax charge relating to gains on cash flow hedges	(2.5)	(1.2)
Deferred tax charge on actuarial gains and losses from pension and post-employment benefits	(1.2)	(3.0)
Total tax charged to equity	(3.2)	(6.5)

11. Net foreign exchange losses

(US\$ in millions)	Note	2012	2011
Pension and post-employment liability	27-	0.6	(0.4)
Other operating costs		6.0	0.5
Total foreign exchange losses		6.6	-0.1

12. Dividends

The Company paid dividends during the year ended 31 December 2012 of US\$75.7m and US\$50.0m for the 2012 interim dividend and the 2011 final dividend, respectively (year ended 31 December 2011: US\$68.9m and US\$104.5m for the 2011 interim dividend and the 2010 final interim dividend, respectively). In addition, in the year ended 31 December 2011 the Company declared a one-off dividend totalling US\$250.0m, to fund a share repurchase programme by Inmarsat plc, the ultimate parent company.

No final dividend for the year ended 31 December 2012 has been declared or paid.

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Notes to the Financial Statements (continued)
For the year ended 31 December 2012

13 Property, plant and equipment

(US\$ in millions)	Freehold land and buildings	Services equipment, fixtures and fittings	Space segment	Assets in the course of construction	Total
Cost					
1 January 2011	14.3	228.7	1,994.1	142.8	2,379.9
Additions	0.5	30.0	22.0	542.8	595.3
Acquisitions	—	3.1	46.6	—	49.7
Disposals	—	(0.5)	(0.3)	—	(0.8)
Transfers	—	2.7	0.1	(2.8)	—
31 December 2011	14.8	264.0	2,062.5	682.8	3,024.1
Additions	1.9	24.7	24.9	398.5	450.0
Acquisitions	—	0.6	—	—	0.6
Disposals	(0.3)	(2.7)	(11.6)	—	(14.6)
31 December 2012	16.4	286.6	2,075.8	1,081.3	3,460.1
Accumulated depreciation					
1 January 2011	(5.1)	(144.4)	(874.7)	—	(1,024.2)
Charge for the year	(0.9)	(34.5)	(144.6)	—	(180.0)
Disposals	—	0.1	0.1	—	0.2
31 December 2011	(6.0)	(178.8)	(1,019.2)	—	(1,204.0)
Charge for the year	(0.9)	(41.5)	(145.9)	—	(188.3)
Disposals	0.3	2.2	11.3	—	13.8
31 December 2012	(6.6)	(218.1)	(1,153.8)	—	(1,378.5)
Net book amount at 31 December 2011	8.8	85.2	1,043.3	682.8	1,820.1
Net book amount at 31 December 2012	9.8	68.5	922.0	1,081.3	2,081.6

The lives assigned to significant tangible fixed assets are

Space segment assets

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

At 31 December 2012 and 2011, freehold land and buildings for Inmarsat Global were carried at cost less accumulated depreciation (US\$nil). Had the freehold land and buildings been revalued on a market basis, their carrying amount at 31 December 2012 would have been US\$14.6m (based on the 31 December 2012 exchange rate between the US Dollar and Pounds Sterling of US\$1.63/£1.00) (2011 US\$14.0m). Market valuation is based on the Directors' best estimates.

In 2012, the Group received government grants in relation to the purchase and construction of certain assets. The grants have been deducted from the cost of the relevant asset to arrive at the carrying amount. Government grants received in 2012 were US\$4.6m (2011 US\$9.7m).

Inmarsat Investments Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2012

14. Intangible assets

(US\$ in millions)	Goodwill	Trademarks	Software	Patents	Terminal development costs	Customer relationships	Spectrum rights, orbital slots & licences	Intellectual property	Total
Cost									
1 January 2011	695.9	40.6	129.3	14.0	118.5	341.1	5.7	0.7	1,345.8
Additions	–	–	21.3	–	5.7	–	2.3	–	29.3
Acquisitions	66.6	9.3	16.8	–	–	38.0	1.8	–	132.5
31 December 2011	762.5	49.9	167.4	14.0	124.2	379.1	9.8	0.7	1,507.6
Additions	–	–	26.9	–	5.9	–	7.0	–	39.8
Acquisitions	2.9	–	–	–	–	7.7	–	–	10.6
31 December 2012	765.4	49.9	194.3	14.0	130.1	386.8	16.8	0.7	1,558.0
Accumulated amortisation and impairment losses									
1 January 2011	–	(12.5)	(80.9)	(13.9)	(41.1)	(66.9)	(2.6)	(0.7)	(218.6)
Charge for the year	–	(3.2)	(20.3)	(0.1)	(11.9)	(29.0)	(1.3)	–	(65.8)
Impairment losses	(120.0)	(21.5)	–	–	–	–	–	–	(141.5)
31 December 2011	(120.0)	(37.2)	(101.2)	(14.0)	(53.0)	(95.9)	(3.9)	(0.7)	(425.9)
Charge for the year	–	(1.1)	(20.5)	–	(11.9)	(31.5)	(1.9)	–	(66.9)
Impairment losses	(94.7)	–	–	–	–	–	–	–	(94.7)
31 December 2012	(214.7)	(38.3)	(121.7)	(14.0)	(64.9)	(127.4)	(5.8)	(0.7)	(587.5)
Net book amount									
31 December 2011	642.5	12.7	66.2	–	71.2	283.2	5.9	–	1,081.7
Net book amount									
31 December 2012	550.7	11.6	72.6	–	65.2	259.4	11.0	–	970.5

Goodwill represents the excess of consideration paid on an acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Goodwill is allocated to CGUs for the purpose of impairment testing. At 31 December 2012, the Directors believe the goodwill in relation to the Stratos and Ship Equip CGUs to be impaired and consequently have recorded impairment charges of US\$58.7m (2011 US\$120.0m) and US\$36.0m (2011 US\$nil), respectively, in the Income Statement (see note 4(a)).

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

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

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

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

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

Orbital slots and licences relate to the Global Xpress programme and other licences acquired. Each individual asset is reviewed to determine whether it has a finite or indefinite useful life, amortisation of the Global Xpress programme

Inmarsat Investments Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2012

14 Intangible assets (continued)

finite life assets will commence when the Inmarsat-5 satellites are operational Indefinite life assets will be tested annually for impairment

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

15. Investments

	As at 31 December 2012	As at 31 December 2011
(US\$ in millions)		
Investments held at cost		
SkyWave	23.5	23.5
Total investments held at cost	23.5	23.5
Interest in associates		
Navarino	7.5	7.0
JSAT Mobile	0.6	0.5
Total interest in associates	8.1	7.5
Total investments	31.6	31.0

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

The Group owns a 49% ownership interest in Navarino Telecom SA and NTS Maritime Limited (together, 'Navarino'). Cash dividends received for the year ended 31 December 2012 totalled US\$1.5m (2011: US\$1.4m).

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

16. Cash and cash equivalents

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

	As at 31 December 2012	As at 31 December 2011
(US\$ in millions)		
Cash at bank and at hand	56.2	63.2
Short-term deposits with original maturity of less than three months	275.1	102.5
Cash and cash equivalents	331.3	165.7

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

	Note	As at 31 December 2012	As at 31 December 2011
(US\$ in millions)			
Cash and cash equivalents		331.3	165.7
Bank overdrafts	19	(0.8)	(1.2)
Net cash and cash equivalents		330.5	164.5

Inmarsat Investments Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2012

17. Trade and other receivables

	As at 31 December 2012	As at 31 December 2011
(US\$ in millions)		
Current:		
Trade receivables	201.6	165.7
Other receivables	21.0	21.8
Amounts due from Parent undertakings	3.7	3.1
Prepayments and accrued income	67.4	69.7
	293.7	260.3

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

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

18. Inventories

	As at 31 December 2012	As at 31 December 2011
(US\$ in millions)		
Finished goods	23.7	22.3
Work in progress	1.7	1.2
	25.4	23.5

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

Inmarsat Investments Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2012

19. Borrowings

(US\$ in millions)	At 31 December 2012			At 31 December 2011		
	Principal amount	Deferred finance cost	Net balance	Principal amount	Deferred finance cost	Net balance
Current:						
Bank overdrafts	0.8	—	0.8	1.2	—	1.2
Deferred satellite payments ^(b)	8.3	—	8.3	7.9	—	7.9
EIB Facility ^{(c)(e)}	44.1	—	44.1	44.1	—	44.1
Total current borrowings	53.2	—	53.2	53.2	—	53.2
Non-current:						
Deferred satellite payments ^(b)	20.4	—	20.4	26.8	—	26.8
Subordinated Senior Notes due 2017 Loan ^{(d)(e)}	850.0	(11.0)	839.0	650.0	(9.2)	640.8
— Net issuance premium/(discount)	7.5	—	7.5	(3.6)	—	(3.6)
EIB Facility ^{(c)(e)}	220.2	(1.6)	218.6	264.3	(2.2)	262.1
Ex-Im Bank Facility ^{(e)(f)}	397.6	(16.3)	381.3	277.3	(14.5)	262.8
Intercompany loan	—	—	—	6.0	—	6.0
Total non-current borrowings	1,495.7	(28.9)	1,466.8	1,220.8	(25.9)	1,194.9
Total borrowings^(g)	1,548.9	(28.9)	1,520.0	1,274.0	(25.9)	1,248.1

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

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

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

(d) On 12 November 2009, Inmarsat Finance plc, which is 99.9% owned by Inmarsat Group Limited, 0.1% by Inmarsat Holdings Limited, issued 7.375% Senior Notes due 1 December 2017 ('Senior Notes Due 2017'). The Senior Notes due 2017 mature on 1 December 2017. Interest is payable semi-annually in June and December. On 11 April 2012, there was a further issue of the Group's Senior Notes due 2017, under the same conditions. In both cases the proceeds of the Senior Notes due 2017 were loaned to Inmarsat Investments via the Subordinated Senior Notes due 2017 Loan (the terms of which replicate those of the Senior Notes due 2017).

(e) The Company's ability to obtain funds from its subsidiaries by dividend or loan is limited by the Senior Credit Facility and the indenture governing the Senior Notes. The Senior Credit Facility, the EIB Facility and the Ex-Im Bank Facility all contain negative covenants that, among other things, generally restrict or prohibit the Company and its subsidiaries from making any repayment of principal under the indentures governing the Senior Notes and from declaring or paying certain dividends or making certain other distributions to shareholders. In addition, the indentures governing the Senior Notes contain covenants that, among other things, directly or indirectly restrict the Company's ability to make certain payments, including dividends or other distributions, prepay or redeem subordinated debt or equity. Substantially all of the net assets of the Company's unconsolidated and consolidated subsidiaries as of the end of 31 December 2012 are restricted net assets.

(f) On 11 May 2011, we signed a 12.5-year US\$700.0m direct financing agreement with the Export-Import Bank of the United States (the 'Ex-Im Bank Facility'). The facility has a total availability period of four years and will then be repayable in equal instalments over a further 8.5 years. Drawings under the facility will incur interest at a fixed rate of 3.11% for the life of the loan.

(g) On 30 June 2011, the Group signed a five-year US\$750.0m Senior Credit Facility with a group of commercial banks as lenders. Under the terms of the facility the full US\$750m amount is available to draw in the form of a revolving credit facility and does not amortise during the five-year availability period. Advances under the facility bear interest at a rate equal to the applicable USD LIBOR, plus a margin of between 1.00% and 2.50% determined by reference to our ratio of net debt to EBITDA. As at 31 December 2012 and 2011, there were no drawings on the Senior Credit Facility.

The maturity of non-current borrowings is as follows

(US\$ in millions)	As at 31 December 2012	As at 31 December 2011
Between one and two years	58.1	47.0
Between two and five years	1,116.7	202.5
After five years	292.0	945.4
	1,466.8	1,194.9

Inmarsat Investments Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2012

19. Borrowings (continued)

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

The Directors consider that with the exception of the Subordinated Senior Notes due 2017 Loan, the carrying value of borrowings to approximate to their fair value, (see note 31)

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

Effective interest rate %	2012	2011
Bank overdrafts	2.05	1.8
Senior Credit Facility	—	—
EIB Facility	1.65	1.75
Subordinated Senior Notes due 2017 Loan	7.375	7.375
Ex-Im Facility	3.11	3.11
Deferred satellite payments	7.0	7.0
Intercompany loan	—	5.5

20. Trade and other payables

(US\$ in millions)	As at 31 December 2012	As at 31 December 2011
Current:		
Trade payables	169.0	201.6
Deferred consideration ^(a)	2.1	6.5
Other taxation and social security payables	3.9	3.6
Other creditors	0.9	1.2
Interest on Subordinated Senior Notes due 2017 Loan	7.7	5.5
Amounts due to Parent undertakings	105.8	151.1
Accruals and deferred income ^(b)	377.1	314.6
	666.5	684.1

(a) Deferred consideration includes US\$1.1m SkyWave deferred consideration (see note 15) (2011 US\$2.2m), US\$nil Segovia deferred consideration (2011 US\$3.3m) and US\$1.0m other short-term deferred consideration (2011 US\$1.0m). During 2011, the majority of the remaining value of the contingent deferred consideration on the Segovia acquisition was settled ahead of the scheduled payout dates (see note 28).

(b) As at 31 December 2012, includes US\$264.9m (2011 US\$239.3m) of deferred income relating to payments received from LightSquared. During 2012 US\$60.2m was released to the Income Statement to reflect revenue earned, based on the percentage of completion method (2011 US\$203.8m).

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

(a) Deferred consideration includes US\$1.1m SkyWave deferred consideration (see note 15) (2011 US\$2.0m), US\$nil Segovia deferred consideration (2011 US\$1.9m) and US\$0.8m other long-term deferred consideration (2011 US\$1.0m). During 2011, the majority of the remaining value of the contingent deferred consideration on the Segovia acquisition was settled ahead of the scheduled payout dates (see note 28).

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

Inmarsat Investments Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2012

21. Provisions

(US\$ in millions)	Other provision	Asset retirement obligations	Total
Current:			
As at 1 January 2011	0.1	0.3	0.4
Charged in respect of current year ^(a)	2.6	—	2.6
Utilised in current year	—	(0.1)	(0.1)
As at 31 December 2011	2.7	0.2	2.9
Charged in respect of current year ^(b)	6.5	—	6.5
Utilised in current year	(3.8)	(0.1)	(3.9)
As at 31 December 2012	5.4	0.1	5.5

- (a) In the year ended 31 December 2011, the Group announced the intention to restructure the organisation to operate the Group with business units aligned to vertical market sectors. As a result of the reorganisation, a small number of individual positions ceased to exist as business functions were combined. The restructuring provision at 31 December 2011 was US\$2.7m, all of which was utilised during 2012 (2011: US\$nil).
- (b) In addition, in the year ended 31 December 2012 a further US\$6.5m was charged to the restructuring provision, of which US\$1.1m was utilised during the year. Management expects to utilise the US\$5.4m restructuring provision that remains at 31 December 2012 during 2013.

(US\$ in millions)	Post-employment benefits	Pension	Asset retirement obligations	Other provisions	Total
Non-current:					
As at 1 January 2011	29.8	9.1	3.0	0.6	42.5
Acquisition of Ship Equip	—	1.3	—	—	1.3
Charged to Income Statement in respect of current year	2.4	1.6	0.3	0.1	4.4
(Credited)/charged directly to Comprehensive Income in respect of current year	(16.6)	3.2	—	—	(13.4)
Contributions paid	—	(7.4)	—	—	(7.4)
Utilised in current year	(0.3)	(0.9)	—	—	(1.2)
Revision in estimated cash flows and timing of settlement	—	—	0.5	—	0.5
As at 31 December 2011	15.3	6.9	3.8	0.7	26.7
Charged to Income Statement in respect of current year	2.0	2.0	0.3	—	4.3
Credited directly to Comprehensive Income in respect of current year	(0.5)	(3.9)	—	—	(4.4)
Contributions paid	—	(11.9)	—	—	(11.9)
Utilised in current year	(0.3)	(0.9)	—	(0.1)	(1.3)
Transferred to non-current assets ^(a)	—	12.0	—	—	12.0
As at 31 December 2012	16.5	4.2	4.1	0.6	25.4

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

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

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

Inmarsat Investments Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2012

22. Current and deferred income tax assets and liabilities

The current income tax liability of US\$39.2m (2011 US\$60.5m) represents the income tax payable in respect of current and prior periods less amounts paid

Recognised deferred income tax assets and liabilities

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

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

(US\$ in millions)	As at 31 December 2012			As at 31 December 2011		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, plant and equipment and intangible assets	—	138.9	138.9	—	120.2	120.2
Other	(7.4)	21.3	13.9	(7.0)	8.0	1.0
Pension and post-employment benefits asset	(1.4)	—	(1.4)	(4.0)	—	(4.0)
Share options	(3.3)	—	(3.3)	(2.5)	—	(2.5)
Loss carry forwards	(7.9)	—	(7.9)	(5.3)	—	(5.3)
Net deferred income tax liabilities	(20.0)	160.2	140.2	(18.8)	128.2	109.4

Movement in temporary differences during the year

(US\$ in millions)	As at 1 January 2012	NewWave acquisition	Recognised in income	Recognised in equity	As at 31 December 2012
Property, plant and equipment and intangible assets	120.2	1.9	16.8	—	138.9
Other	1.0	—	10.4	2.5	13.9
Pension and post-employment benefits asset	(4.0)	—	1.4	1.2	(1.4)
Share options	(2.5)	—	(0.5)	(0.3)	(3.3)
Loss carry forwards	(5.3)	—	(2.6)	—	(7.9)
Total	109.4	1.9	25.5	3.4	140.2

(US\$ in millions)	As at 1 January 2011	Ship Equip acquisition	Recognised in income	Recognised in equity	As at 31 December 2011
Property, plant and equipment and intangible assets	113.6	17.7	(11.1)	—	120.2
Other	(2.7)	—	2.5	1.2	1.0
Pension and post-employment benefits asset	(8.5)	—	1.5	3.0	(4.0)
Share options	(5.3)	—	0.2	2.6	(2.5)
Loss carry forwards	(10.7)	—	5.4	—	(5.3)
Total	86.4	17.7	(1.5)	6.8	109.4

Total unprovided deferred tax assets

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

Inmarsat Investments Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2012

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

Overseas dividends received are largely exempt from UK tax but may be subject to foreign withholding taxes. The unrecognised deferred tax liability in respect of the unremitted earnings of those overseas subsidiaries affected by such taxes is US\$5.2m (2011 US\$4.6m). No deferred tax liability is recognised on these temporary differences as the Group is able to control the timing of reversal and it is probable that this will not take place in the foreseeable future.

The Finance Act 2012 reduced the main rate of corporation tax to 23% with effect from 1 April 2013. This rate reduction was substantively enacted on 3 July 2012.

In the Budget on 20 March 2013, the Chancellor announced further periodic reductions to the main rate of corporation tax, until a rate of 20% is reached with effect from 1 April 2015.

The deferred tax assets and liabilities at the balance sheet date are calculated at the substantively enacted rate of 23%. Whilst detailed calculations have not been prepared at this stage, it is estimated that the impact of the remaining annual corporation tax rate reductions would reduce the value of the Group's deferred tax liabilities by approximately US\$27.5m and reduce the value of the Group's deferred tax assets by approximately US\$1.7m.

23. Cash generated from operations

Reconciliation of profit for the year to net cash inflow from operating activities

(US\$ in millions)	2012	2011
Profit for the year	213.9	274.8
Adjustments for		
Depreciation and amortisation	255.2	245.8
Income tax charge	74.4	120.2
Interest payable	60.9	76.2
Interest receivable	(2.9)	(4.9)
Non-cash employee benefit costs	10.8	11.5
Forward exchange contracts	1.1	0.7
Share of profits of associates, net of dividends received	(0.6)	(0.3)
Loss on disposal of fixed assets	0.5	—
Acquisition-related adjustments	—	2.1
Impairment losses	94.7	141.5
Non-cash foreign exchange movements	1.0	(1.6)
Changes in net working capital		
(Increase)/decrease in trade and other receivables	(26.5)	43.5
Increase in inventories	(1.9)	(2.7)
Increase in trade and other payables ^(a)	37.9	87.5
Increase/(decrease) in provisions	5.1	(2.2)
Cash generated from operations	723.6	992.1

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

Inmarsat Investments Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2012

24. Share capital

(US\$ in millions)	As at 31 December 2012	As at 31 December 2011
Authorised:		
630,780,000 ordinary shares of €0.0005 each (2011: 630,780,000)	0.4	0.4
Allotted, issued and fully paid:		
534,900,000 ordinary shares of €0.0005 each (2011: 534,900,000)	0.3	0.3

25. Employee share options and awards

In line with IFRS 2, 'Share-based Payment', the Group recognised US\$10.8m (2011: US\$13.0m) in total share compensation costs across all its share plans for the 2012 financial year. Total share-based compensation costs are recognised over the vesting period of the options and share awards ranging from one to four years. Given that these schemes operate at the Inmarsat plc group level, the information below is for the Inmarsat plc group as a whole.

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

A summary of share activity within the Trust, which reflects the options outstanding under the 2004 Plan as at 31 December 2012 is as follows:

	Shares available for grant	2004 Plan Options outstanding	Weighted average exercise price per option
Balance at 1 January 2011	1,170,780	103,130	£3.71
Exercised re 2004 Plan	–	(7,347)	£5.83
Exercise re International Sharesave Plan	(1,421)	–	
Exercise re International Share Incentive Plan	–	–	
Balance at 31 December 2011	1,169,359	95,783	£3.72
Exercised re 2004 Plan	–	(18,757)	£5.00
Exercise re International Sharesave Plan	(47,998)	–	
Exercise re International Share Incentive Plan	(3,365)	–	
Exercise re CEO Plans	(303,308)	–	£5.73
Balance at 31 December 2012	814,688	77,026	£3.72
Exercisable at 31 December 2012		77,026	
Exercise Price per tranche		€1.00	

The weighted average of the remaining contractual life for the 2004 Plan at 31 December 2012 is two years.

The Company also operates a Bonus Share Plan ('BSP'). Awards have been made regularly under the BSP to the Executive Directors and certain members of senior management.

Awards are made in the form of a conditional allocation of shares. The performance conditions attached to the BSP are non market-based performance conditions. Dividends will accrue and be added as additional shares upon vesting. Details of the awards made to the Executive Directors in 2012 and the operation of the BSP can be found in the Inmarsat plc Annual Report, pages 54 and 55.

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Notes to the Financial Statements (continued)
For the year ended 31 December 2012

25. Employee share options and awards (continued)

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

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

The Company also operates a Performance Share Plan ('PSP') and regular annual awards are made to the Executive Directors and certain members of senior management. Participants are entitled to receive the value of any dividends that are paid between the date of award to the date of vesting in the form of additional shares. Any such additional shares are only added to the number of shares which will vest subject to performance conditions being satisfied.

The PSP shares will not normally be transferred to participants until the third anniversary of the award date. The transfer of shares is dependent upon the performance conditions being satisfied over the three consecutive financial years starting in the financial year the award date falls. The rules of the PSP provide that the Remuneration Committee of Inmarsat plc has the discretion to satisfy the awards using cash instead of shares. It is, however, the intention of the Company to satisfy the awards using newly-issued shares at the end of the relevant three-year period. Details of the awards made to the Executive Directors in 2012 and the operation of the PSP can be found in the Inmarsat plc Annual Report, pages 53, 54 and 56.

The performance conditions for the PSP are based on the Group's Total Shareholder Return ('TSR') relative to constituents of the FTSE 350 Index (excluding investment trusts) and a non market-based condition, based on EBITDA measured over a three-year period. The vesting schedule for PSP awards up to and including the award made in 2011 is determined by a combination of TSR and EBITDA performance. For the award made in March 2012, the vesting schedule is structured so that 50% of the reward is linked to the performance of TSR and EBITDA as individual performance measures. The market-based performance condition has been incorporated into the fair value.

The fair value of the allocation and the assumptions used in the calculation are as follows:

	Performance Share Plan					
	19 March 2008	20 March 2009	14 May 2009	26 March 2010	18 May 2011	30 March 2012
Grant date						
Grant price	£4.39	£4.57	£5.35	£7.905	£6.07	£4.603
Exercise price	nil	nil	nil	nil	nil	nil
Bad leaver rate	0%	0%	0%	0%	0%	0%
Vesting period	3 years	3 years	3 years	3 years	3 years	3 years
Volatility	28.5%	34.9%	36.2%	35.7%	32.1%	33.9%
Fair value per share option	£2.40	£3.21	£3.30	£5.62	£3.17	£3.61

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

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

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

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Notes to the Financial Statements (continued)
For the year ended 31 December 2012

25. Employee share options and awards (continued)

	CEO Award	CEO Deferred Share Bonus Award
	28 September 2007	16 December 2009
Grant date		
Grant price	£4 49	£6 59
Exercise price	nil	nil
Bad leaver rate	0%	0%
Vesting period	5 years	3 years
Expected correlation between any pair of shares in PSP comparator group	n/a	n/a
Volatility	28%	n/a
Fair value per share option	£2 65	£6 59

In addition, the Company operates a HM Revenue & Customs approved UK Sharesave Scheme. The grant made in December 2008 with an option price of £3 06 per ordinary share (reflecting the maximum discount permitted of 20%) matured in February 2012. A new grant was made in December 2012 with an option price of £4 59 (reflecting the maximum discount permitted of 20%) which will mature in February 2016.

The Company also operates an International Sharesave Plan which mirrors the operation of the UK Sharesave Scheme as closely as possible. Participants receive either the opportunity to receive options in the same way as the UK Sharesave Scheme, or receive the spread between the share price at the date of exercise and the grant price, delivered (at the Company's discretion) in cash or shares. It is the Company's intention to satisfy the awards using shares – some of which are held by the Trust and some of which will be newly-issued. A grant under the International Sharesave Plan made in December 2008 with an option price of £3 06 per ordinary share matured in February 2012. A new grant was made in December 2012 with an option price of £4 59 which will mature in February 2016.

Options under the UK Sharesave Scheme and International Sharesave Plan expire after a maximum of 3 5 years following the initial savings payments having been made. The remaining contractual life for the current grant of the UK Sharesave Scheme and International Sharesave Plan at 31 December 2012 is 3 5 years for each plan.

In 2012, the Company introduced a new Employee Stock Purchase Plan (ESPP), for US and Canadian employees to purchase the Company's stock at a 15% discount using funds accumulated by an aggregate of 24 monthly contributions through payroll. This plan will be put to shareholders for approval at Inmarsat plc's Annual General Meeting in May 2013. A grant was made under the scheme in November 2012 with an option price of £4 94 (reflecting the maximum discount permitted of 15%) which will mature in January 2015. Options under the ESPP expire after a maximum of 2 25 years. The remaining contractual life for the current grant of the ESPP is 2 2 years.

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

	Sharesave Scheme (UK and International) 15 December 2008	Sharesave Scheme (UK and International) 18 December 2012	Employee Stock Purchase Plan 26 November 2012
Grant date			
Market price at date of grant	£4 44	£5 93	£5 93
Exercise price	£3 06	£4 59	£4 94
Bad leaver rate	3% pa	3% pa	3% pa
Vesting period	3 years	3 years	2 years
Volatility	33 2%	33 1%	36 5%
Dividend yield assumption	3 36%	4 53%	4 53%
Risk free interest rate	2 46%	0 46%	0 36%
Fair value per option	£1 50	£1 45	£1 34

Several awards have been made under a HM Revenue & Customs approved UK Share Incentive Plan ('SIP'). 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.

Inmarsat Investments Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2012

25. Employee share options and awards (continued)

A summary of share awards and option activity as at 31 December 2012 (excluding the 2004 Plan which is noted previously) is as follows

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

(a) The grants made under the UK Sharesave scheme and Sharesave International schemes in 2012 have an exercise price of £4.59 per share.

The grants made under the UK Sharesave scheme and Sharesave International schemes in 2008 had an exercise price of £3.06 per share.

The weighted average exercise price at 31 December 2012 is £4.59 (31 December 2011: £3.06).

The weighted average exercise price of options exercised during the year was £3.06 per share.

(b) The weighted average exercise price at 31 December 2012 was £4.94 per share.

26. Reserves

Cash flow hedge reserve

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

The cash flow hedge reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in the Income Statement or capitalised on the Balance Sheet when the hedged transactions impacts the Income Statement/Balance Sheet. All of the outstanding balance as at 31 December 2012 relates to expenditure which is expected to take place in 2013. Any capital items will be subsequently depreciated in line with the underlying asset.

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

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

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

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Notes to the Financial Statements (continued)
For the year ended 31 December 2012

26. Reserves (continued)

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

(US\$ in millions)	2012	2011
Property, plant and equipment	(0.2)	(2.8)
Total reclassified and capitalised on the Balance Sheet in the year	(0.2)	(2.8)

27. Pension arrangements and post-employment benefits

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

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

The Inmarsat Global defined benefit plan was valued using the projected unit credit method with the valuation undertaken by professionally qualified and independent actuaries as at 31 December 2011. The results of the valuation have been updated for any material transactions and material changes in circumstances (including changes in market prices and interest rates) up to 31 December 2012. The results of this updated valuation as at 31 December 2012, for the purposes of the additional disclosures required by IAS 19, are set out below.

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

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

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

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

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

Inmarsat Investments Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2012

27 Pension arrangements and post-employment benefits (continued)

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

	As at 31 December 2012	As at 31 December 2011
Male current age 65	88.0	87.4
Female current age 65	89.9	90.3

Mortality assumptions used are consistent with those recommended by the individual scheme actuaries and reflect the latest available tables, adjusted for the experience of the Group where appropriate. For the Inmarsat Global defined benefit pension scheme and the Inmarsat Global post-retirement healthcare benefits for 2012 and 2011, mortality has been assumed to follow the SAPS Series 1 Normal Health tables, with long cohort improvements from 2003 based on year of birth, subject to minimum funding improvements of 1% per annum.

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

	As at 31 December 2012			As at 31 December 2011		
	Long-term rate of return expected %	Value (US\$ in millions)	Percentage of total plan assets %	Long-term rate of return expected %	Value (US\$ in millions)	Percentage of total plan assets %
Equities	7.40%	69.1	71.90%	7.50%	52.8	74.26%
Cash	0.56%	9.4	9.78%	5.00%	0.1	0.14%
Bonds	4.16%	15.4	16.03%	4.17%	15.3	21.52%
Other	4.42%	2.2	2.29%	5.34%	2.9	4.08%
Fair value of scheme assets		96.1			71.1	
Actual return on plan assets (loss)		(7.9)			(3.2)	

Amounts recognised in the Balance Sheet are

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

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

(US\$ in millions)	As at 31 December 2012	As at 31 December 2011
Pension asset	12.0	—
Defined benefit liability	(20.7)	(22.2)

Inmarsat Investments Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2012

27. Pension arrangements and post-employment benefits (continued)

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

(US\$ in millions)	Defined benefit pension plan	Post-employment benefits
At 1 January 2011	74.5	29.8
Acquisition of Ship Equip	2.6	—
Current service cost	2.6	0.9
Interest cost	4.0	1.6
Actuarial gain	(4.8)	(16.6)
Foreign exchange gain	(0.8)	(0.1)
Benefits paid	(1.4)	(0.3)
Contributions by pension participants	1.3	—
At 31 December 2011	78.0	15.3
Current service cost	3.1	0.4
Interest cost	3.5	0.9
Actuarial gain	(0.1)	(0.5)
Foreign exchange loss	4.2	0.7
Benefits paid	(1.7)	(0.3)
Contributions by pension participants	1.3	—
At 31 December 2012	88.3	16.5

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

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

Inmarsat Investments Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2012

27. Pension arrangements and post-employment benefits (continued)

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

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

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

Current service costs for 2012 are included within employee benefit costs (note 7). The net financing costs together with foreign exchange gains are included within interest payable (note 9).

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

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

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

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Notes to the Financial Statements (continued)
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27 Pension arrangements and post-employment benefits (continued)

	2010		
	Inmarsat Global defined benefit pension plan	Total Group defined benefit pension plan	Post-employment benefits
Present value of defined benefit obligations (US\$ in millions)	(70.4)	(74.5)	(29.8)
Fair value of plan assets (US\$ in millions)	65.0	65.4	—
Deficit in plans (US\$ in millions)	(5.4)	(9.1)	(29.8)
Experience (losses)/gains on plan liabilities (US\$ in millions)	—	(0.2)	4.1
Percentage of plan liabilities	0.0%	(0.3%)	13.8%
Experience gains on plan assets (US\$ in millions)	2.9	2.9	—
Percentage of plan assets	4.5%	4.4%	—

	2009		
	Inmarsat Global defined benefit pension plan	Total Group defined benefit pension plan	Post-employment benefits
Present value of defined benefit obligations (US\$ in millions)	(68.6)	(73.0)	(33.2)
Fair value of plan assets (US\$ in millions)	53.8	53.8	—
Deficit in plans (US\$ in millions)	(14.8)	(19.2)	(33.2)
Experience (losses)/gains on plan liabilities (US\$ in millions)	(0.3)	0.2	0.1
Percentage of plan liabilities	(0.4%)	0.3%	0.3%
Experience gains on plan assets (US\$ in millions)	5.8	5.8	—
Percentage of plan assets	10.8%	10.8%	—

	2008		
	Inmarsat Global defined benefit pension plan	Total Group defined benefit pension plan	Post-employment benefits
Present value of defined benefit obligations (US\$ in millions)	(41.9)	(46.7)	(19.8)
Fair value of plan assets (US\$ in millions)	35.0	35.0	—
Deficit in plans (US\$ in millions)	(6.9)	(11.7)	(19.8)
Experience gains/(losses) on plan liabilities (US\$ in millions)	—	0.2	(7.1)
Percentage of plan liabilities	0.0%	0.4%	(35.9%)
Experience losses on plan assets (US\$ in millions)	(14.7)	(14.7)	—
Percentage of plan assets	(42.0%)	(42.0%)	—

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

The healthcare cost trend rate assumption for Inmarsat Global's post-retirement healthcare benefits has a significant effect on the amounts recognised in the Income Statement in respect of the post-retirement medical benefits. Increasing the assumed healthcare cost trend rate by one percentage point would have increased the post-retirement medical benefit obligation as of 31 December 2012 by US\$3.5m (2011 US\$3.5m) and the aggregate of the service cost and interest cost by US\$0.2m (2011 US\$0.8m). Decreasing the assumed healthcare cost trend rate by one percentage point would have reduced the post-retirement medical benefit obligation as of 31 December 2012 by US\$2.7m (2011 US\$2.7m), and the aggregate of the service cost and interest cost by US\$0.2m (2011 US\$0.6m).

28. Acquisitions

Acquisition of NewWave Broadband Limited

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

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Notes to the Financial Statements (continued)
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28 Acquisitions (continued)

Acquisition of Ship Equip

On 28 April 2011, the Group acquired 100% of the outstanding ordinary shares of Ship Equip for a total cash consideration of US\$113.2m (net of cash acquired and after hedging the foreign exchange risk). The allocation of the purchase consideration was finalised during the year ended 31 December 2011.

The revenue included in the Income Statement for the year ended 31 December 2011, contributed by Ship Equip since the acquisition date, was US\$42.1m. Ship Equip also contributed a loss after tax of US\$1.6m, during the year ended 31 December 2011. Ship Equip's contribution to revenue and profit after tax for the year ended 31 December 2011, assuming the transaction had occurred on 1 January 2011, would have been US\$60.3m and a loss of US\$4.6m, respectively.

Acquisition of Segovia

In the year ended 31 December 2011, the Inmarsat plc Group comprised Inmarsat, Stratos, Segovia and Ship Equip all operating as relatively independent business units. Effective from 1 January 2012, the Group has been operating with business units aligned to vertical market sectors as part of Inmarsat Solutions. The original acquisition of Segovia on 12 January 2010 involved an element of deferred consideration. To enable effective operation of the new Inmarsat Government – US business unit, in December 2011, the majority of the remaining value of the contingent deferred consideration on the Segovia acquisition relating to the calendar years ending 31 December 2011 and 2012 was settled ahead of the scheduled payout dates in 2012 and 2013. As a result of accelerating the settlement of the deferred consideration, the Group recorded an additional charge of US\$5.6m in the 2011 Income Statement, in line with IFRS 3. US\$2.1m of the charge represents the better than expected performance in 2011 and was recorded in the acquisition-related adjustments line in the Income Statement and US\$3.5m was recorded in interest payable, representing the effect of the acceleration of the settlement of the liability ahead of schedule.

Acquisition of Blue Ocean Wireless

In addition, in July 2011, the Group acquired most of the operational assets of Blue Ocean Wireless ('BOW') for a total consideration of US\$3.4m.

29. Operating lease and other commitments

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

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

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

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

(US\$ in millions)	As at 31 December 2012	As at 31 December 2011
Within one year	40.1	42.7
Within two to five years	42.9	87.7
	83.0	130.4

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Notes to the Financial Statements (continued)
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29 Operating lease and other commitments (continued)

The total of future sublease payments expected to be received under non-cancellable subleases at 31 December 2012 relating to the above head office lease is US\$3.7m over three years (as at 31 December 2011 US\$5.5m over four years)

The Group has various agreements deriving revenue from designated leased capacity charges. These amounts are recorded as revenue on a straight-line basis over the respective lease terms and represent the majority of the Group's future aggregate minimum lease payments under non-cancellable operating leases expected to be received.

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

30. Capital risk management

The following table summarises the capital of the Group

	As at 31 December 2012	As at 31 December 2011
(US\$ in millions)		
As per Balance Sheet		
Cash and cash equivalents	(331.3)	(165.7)
Borrowings	1,520.0	1,248.1
Net debt	1,188.7	1,082.4
Equity attributable to Parent	1,320.9	1,210.4
Capital	2,509.6	2,292.8

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

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

The net borrowing (gross of deferred finance costs) to EBITDA ratio for the year ending 31 December 2012 is 1.75 (2011 1.30).

The Group's liquidity is disclosed in note 3(d).

No changes were made in the Group's objectives, policies or processes for managing capital in the years ended 31 December 2012 and 2011.

Inmarsat Investments Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2012

31. Financial instruments

Treasury management and strategy

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

Key features of treasury management include:

- ensuring that the Group is in a position to fund its obligations in appropriate currencies as they fall due,
- maintaining adequate undrawn borrowing facilities,
- economically hedging both contracted and anticipated foreign currency cash flows on a minimum 12 month rolling basis with the option of covering exposures up to a maximum of three years forward,
- interest rate hedging, and
- maximising return on short-term investments based on counter-party limits and credit ratings

Treasury activities are only transacted with counter-parties who are approved relationship banks.

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

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

Financial Instrument by category

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

(US\$ in millions)	As at 31 December 2012			As at 31 December 2011		
	Loans and receivables	Derivatives used for hedging	Total	Loans and receivables	Derivatives used for hedging	Total
Assets as per Balance Sheet						
Trade receivables, other receivables and accrued income ^(a)	266.3	—	266.3	234.1	—	234.1
Cash and cash equivalents	331.3	—	331.3	165.7	—	165.7
Derivative financial instrument	—	6.4	6.4	—	7.9	7.9
	597.6	6.4	604.0	399.8	7.9	407.7

(a) Consists of trade receivables, other receivables, accrued income and amounts due from Parent undertakings (see note 17).

(US\$ in millions)	As at 31 December 2012			As at 31 December 2011		
	Derivatives used for hedging	Other financial liabilities	Total	Derivatives used for hedging	Other financial liabilities	Total
Liabilities as per Balance Sheet						
Borrowings	—	1,520.0	1,520.0	—	1,248.1	1,248.1
Trade payables, other payables and accruals ^(a)	—	337.4	337.4	—	430.7	430.7
Derivative financial instrument	11.4	—	11.4	23.3	—	23.3
	11.4	1,857.4	1,868.8	23.3	1,678.8	1,702.1

(a) Consists of trade payables, deferred consideration, other payables, accruals and amounts due to Parent undertakings (see note 20).

Inmarsat Investments Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2012

31. Financial instruments (continued)

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

As at 31 December 2012					
(US\$ in millions)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Borrowings ^(a)	132.3	141.6	1,354.2	380.1	2,008.2
Derivative financial instruments	11.4	—	—	—	11.4
Trade payables, other payables and accruals	311.7	1.6	1.8	22.3	337.4
	455.4	143.2	1,356.0	402.4	2,357.0

(a) Includes interest obligations on the Subordinated Senior Notes due 2017 Loan, EIB Facility and Ex-Im Bank Facility. The interest obligations do not take into account the impact of interest rate swaps and assume no changes in floating interest rates from the year end.

As at 31 December 2011					
(US\$ in millions)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Borrowings ^(a)	114.7	112.0	388.3	1,022.9	1,637.9
Derivative financial instruments	14.2	9.1	—	—	23.3
Trade payables, other payables and accruals	402.6	1.2	5.9	21.0	430.7
	531.5	122.3	394.2	1,043.9	2,091.9

(a) Includes interest obligations on the Subordinated Senior Notes due 2017 Loan, EIB Facility and Ex-Im Bank Facility. The interest obligations do not take into account the impact of interest rate swaps and assume no changes in floating interest rates from the year end.

Net fair values of derivative financial instruments

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

The net fair values at the balance sheet date were:

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

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

Inmarsat Investments Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2012

31. Financial instruments (continued)

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

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

Forward foreign exchange

The following table sets out the face value and fair value of forward exchange contracts outstanding for the Group as at 31 December 2012 and 2011.

As at 31 December 2012					
Outstanding forward foreign exchange contracts (in millions)	Face value	Maturing within 1 year	Maturing between 1 and 2 years	Maturing between 2 and 5 years	Fair value (US\$)
GBP contracts	£63.5	£63.5	—	—	3.3
Euro contracts	€45.6	€45.6	—	—	0.9
Canadian Dollar contracts	C\$12.0	C\$12.0	—	—	0.2
					4.4

As at 31 December 2011					
Outstanding forward foreign exchange contracts (in millions)	Face value	Maturing within 1 year	Maturing between 1 and 2 years	Maturing between 2 and 5 years	Fair value (US\$)
GBP contracts	£70.5	£68.0	£2.5	—	4.4
Euro contracts	€85.1	€78.2	€6.9	—	(2.1)
Canadian Dollar contracts	C\$19.5	C\$16.5	C\$3.0	—	(0.5)
					1.8

Interest rate swap

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding for the Group as at 31 December 2012 and 2011.

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

Under the interest rate swaps the Group receives quarterly floating interest (three-month USD LIBOR) to offset floating interest payable. Gains or losses will reverse in the Income Statement when the swaps expire.

Non derivative financial assets and financial liabilities

Non derivative financial assets consist of cash at bank, short-term investments, trade receivables, other receivables, accrued income and amounts due from Parent undertakings.

Non-derivative financial liabilities consist of borrowings, trade payables, deferred consideration, other payables, accruals and amounts due to Parent undertakings.

Inmarsat Investments Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2012

31. Financial instruments (continued)

Fair value of non-derivative financial assets and financial liabilities

The fair values of all non-derivative financial instruments approximate to the carrying value in the Balance Sheet, except for the Subordinated Senior Notes due 2017 Loan

The following methods and assumptions have been used to determine fair values

- The fair values of cash at bank, overdrafts and short-term deposits approximate their carrying values because of the short-term maturity of these instruments (see note 16),
- The fair value of trade and other receivables and payables, accrued income and costs, deferred consideration and amounts due from and to Parent undertakings approximate their carrying values (see note 17 and 20 respectively),
- The carrying amount of deferred satellite payments represents the present value of future payments discounted, using an appropriate rate, at the period end. This carrying amount approximately equals fair value (see note 19),
- The fair value of the Subordinated Senior Notes due 2017 Loan is US\$912.7m (2011 US\$677.6m) based on the fair value of the Senior Notes due 2017 as at 31 December 2012 (see note 19),
- The EIB Facility is reflected in the Balance Sheet as at 31 December 2012 net of unamortised arrangement costs of US\$1.6m (2011 US\$2.2m). The fair value approximates the carrying value (see note 19), and
- The Ex-Im Bank Facility is reflected in the Balance Sheet as at 31 December 2012 net of unamortised arrangement costs of US\$16.3m (2011 US\$14.5m). The fair value approximates the carrying value (see note 19)

32. Capital commitments

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

33. Contingent liability

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

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

34. Related party transactions

In the normal course of operations Inmarsat Solutions engages in transactions with its equity owned investees Navarino Telecom SA and NTS Maritime Limited (together 'Navarino') and JSAT Mobile Communications Inc. These transactions represent sales of airtime and equipment and are measured at the amounts exchanged. Group revenue from the related parties for the 2012 financial year was US\$24.7m and US\$18.5m respectively (2011 US\$21.3m and US\$11.4m respectively). The amount receivable from the related party at 31 December 2012 was US\$15.5m and US\$3.3m, respectively (2011 US\$12.2m and US\$1.5m, respectively).

Inmarsat Investments Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2012

34 Related party transactions (continued)

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

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

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

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

The post-employment benefits and defined benefit pension plans are related parties (see note 27)

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

The table below sets out transactions with related parties, being fellow subsidiary companies of the Inmarsat plc group

(US\$ in millions)	2012	2011
Transactions with Inmarsat plc:		
Intercompany interest payable	3.3	0.3
Repayment of loan	119.4	—
Receipt of loan	162.1	—
Other net trading	1.6	—
Transactions with Inmarsat Finance plc:		
Interest payable on Subordinated Senior Notes due 2017 Loan	59.6	49.2
Intercompany interest receivable	0.9	—
Gross proceeds of the Subordinated Senior Notes due 2017 Loan	212.0	—
Interest paid on Subordinated Senior Notes due 2017 Loan	62.7	47.9
Interest prepaid on Subordinated Senior Notes due 2017 Loan	5.3	—
Transactions with Inmarsat Holdings Limited:		
Intercompany interest receivable	—	0.2
Other net trading	0.5	—
Transactions with Inmarsat Group Limited:		
Dividend paid	100.0	325.7

The table below sets out balances with related parties, being fellow subsidiary companies of the Group

(US\$ in millions)	As at 31 December 2012	As at 31 December 2011
Outstanding balances with Inmarsat plc:		
Amounts due from fellow Group companies	1.1	—
Loan due to fellow Group companies	—	(6.0)
Amounts due to fellow Group companies	(103.9)	(49.2)
Outstanding balances with Inmarsat Finance plc:		
Subordinated Senior Notes due 2017 Loan	(857.5)	(646.4)
Interest on Subordinated Senior Notes due 2017 Loan	(7.7)	(5.5)
Amounts due to fellow Group companies	(1.9)	(1.9)
Outstanding balances with Inmarsat Group Limited:		
Amounts due to fellow Group companies	—	(100.0)
Outstanding balances with Inmarsat Holdings Limited:		
Amounts due from fellow Group companies	2.6	3.1

Inmarsat Investments Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2012

35. Principal subsidiary undertakings

At 31 December 2012, the Company had investments in the following principal subsidiaries that have a significant impact on the consolidated results and total assets of the Group. To avoid a statement of excessive length, details of subsidiaries and associates which are not significant have been omitted from this list. A full list of subsidiaries and associates will be annexed to the Company's next annual return to be filed with the Registrar of Companies.

		Country of incorporation and operation	Interest in issued ordinary share capital at 31 December 2012	Interest in issued ordinary share capital at 31 December 2011
	Principal activity			
Inmarsat Global Limited	Satellite telecommunications	England and Wales	100%	100%
Inmarsat Leasing (Two) Limited	Satellite leasing	England and Wales	100%	100%
Inmarsat Navigation Ventures Limited	Operating company	England and Wales	100%	100%
Inmarsat SA	Operating company	Switzerland	100%	100%
Inmarsat Employment Company Limited	Employment company	Jersey	100%	100%
Inmarsat Hawaii Inc	Satellite telecommunications	USA	100%	100%
Inmarsat Canada Holdings Inc	Holding company	Canada	100%	100%
Inmarsat Solutions B V ^(a)	Operating company	The Netherlands	100%	100%
Inmarsat Solutions (US) Inc ^(b)	Operating company	USA	100%	100%
Segovia, Inc	Operating company	USA	100%	100%
Inmarsat Solutions Pte Limited	Operating company	Singapore	100%	100%
Stratos Government Services Inc	Operating company	USA	100%	100%
Inmarsat Solutions AS ^(c)	Operating company	Norway	100%	100%
Stratos Mobile Networks Inc	Operating company	USA	100%	100%
Inmarsat New Zealand Limited ^(d)	Operating company	New Zealand	100%	100%
Stratos Offshore Services Company	Operating company	USA	100%	100%
Inmarsat Solutions (Canada) Inc ^(e)	Operating company	Canada	100%	100%
Moskovsky Teleport	Operating company	Russia	80%	80%
Inmarsat Solutions Global Limited ^(f)	Operating company	England and Wales	100%	100%

(a) Stratos B V was renamed Inmarsat Solutions B V in February 2012

(b) Stratos Communications Inc was renamed Inmarsat Solutions (US) Inc in February 2012

(c) Ship Equip AS was acquired on 28 April 2011 (see note 28). It was renamed Inmarsat Solutions AS in February 2012

(d) Stratos New Zealand Limited was renamed Inmarsat New Zealand Limited in November 2012

(e) Stratos Wireless Inc was renamed Inmarsat Solutions (Canada) Inc in March 2012

(f) Stratos Global Limited was renamed Inmarsat Solutions Global Limited in April 2012

36. Events after the balance sheet date

Subsequent to 31 December 2012, other than the events discussed above, there have been no other material events which would affect the information reflected in the consolidated financial statements of the Group.

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

We have audited the Parent Company financial statements of Inmarsat Investments Limited for the year ended 31 December 2012 which comprise the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the Parent Company financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012,
- have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

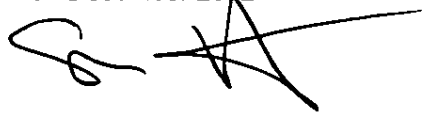
Matters on which we are required to report by exception

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

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

Other matter

We have reported separately on the group financial statements of Inmarsat Investments Limited for the year ended 31 December 2012.



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

Inmarsat Investments Limited
Company Balance Sheet
As at 31 December 2012

(US\$ in millions)	As at 31 December 2012	As at 31 December 2011
Assets		
Non-current assets		
Investments ^(a)	2,606 9	2,517 9
Other receivables ^(b)	313 9	558 3
Deferred income tax assets	2 0	4 1
Total non-current assets	2,922 8	3,080 3
Current assets		
Trade and other receivables ^(c)	4 4	105 9
Current income tax asset	23 6	24 5
Total current assets	28 0	130 4
Total assets	2,950 8	3,210 7
Liabilities		
Current liabilities		
Borrowings ^(d)	44 1	44 1
Trade and other payables ^(e)	477 2	945 1
Derivative financial instruments	9 3	8 8
Total current liabilities	530 6	998 0
Non-current liabilities		
Borrowings ^(f)	1,664 9	1,377 8
Derivative financial instruments	—	8 4
Total non-current liabilities	1,664 9	1,386 2
Total liabilities	2,195 5	2,384 2
Net assets	755 3	826 5
Shareholders' equity		
Ordinary shares	0 3	0 3
Share premium	365 6	365 6
Other reserves	631 3	625 7
Accumulated losses	(241 9)	(165 1)
Total shareholders' equity	755 3	826 5

(a) Investments consist of a US\$2,606 9m investment in Inmarsat Ventures Limited (2011 US\$2,517 9m)

(b) Other receivables consist of US\$313 9m of amounts due from Group companies (2011 US\$558 3m)

(c) Trade and other receivables consist of US\$4 4m of other debtors (2011 US\$100 0m amounts due to Group companies and US\$5 9m of other debtors)

(d) Current borrowings comprise a US\$44 1m drawdown of the EIB Facility (2011 US\$44 1m drawdown)

(e) Trade and other payables consists of US\$0 2m trade payables (2011 US\$0 2m), US\$470 1m due to Group companies (2011 US\$939 1m) and US\$6 9m in relation to accruals and deferred income (2011 US\$5 8m)

(f) Non-current borrowings comprise US\$857 5m Subordinated Senior Notes due 2017 Loan (2011 US\$646 4m), US\$218 5m amounts due to Group companies (2011 US\$215 7m), US\$220 2m drawdown of the EIB Facility (2011 US\$264 3m), US\$397 6m drawdown of the EXIM Facility (2011 US\$277 3m) less deferred finance costs on the Senior Notes due 2017 of US\$11 0m (2011 US\$9 2m), on the EIB Facility of US\$1 6m (2011 US\$2 2m) and US\$16 3m on the EXIM Facility (2011 US\$14 5m)

The financial statements of Inmarsat Investments Limited, registered number 4886096, on pages 57 to 59 were approved by the Board of Directors on 24 June 2013 and signed on its behalf by



Rupert Pearce
Director



Rick Medlock
Director

Inmarsat Investments Limited
Company Statement of Changes in Equity
For the year ended 31 December 2012

(US\$ in millions)	Ordinary share capital	Share premium account	Cash flow hedge reserve	Capital contribution reserve	Accumulated losses	Total
Balance as at 1 January 2011	0 3	365 6	(18 0)	311 9	(107 2)	552 6
Capital contribution	—	—	—	325 7	—	325 7
Dividends paid	—	—	—	—	(423 4)	(423 4)
Comprehensive Income						
Profit for the period	—	—	—	—	365 5	365 5
Other comprehensive income – before tax	—	—	8 8	—	—	8 8
Other Comprehensive Income – tax	—	—	(2 7)	—	—	(2 7)
Balance as at 31 December 2011	0 3	365 6	(11 9)	637 6	(165 1)	826 5
Dividends paid	—	—	—	—	(125 7)	(125 7)
Comprehensive Income						
Profit for the period	—	—	—	—	48 9	48 9
Other Comprehensive Income – before tax	—	—	7 7	—	—	7 7
Other Comprehensive Income – tax	—	—	(2 1)	—	—	(2 1)
Balance as at 31 December 2012	0 3	365 6	(6 3)	637 6	(241 9)	755 3

Company Cash Flow Statement
For the year ended 31 December 2012

(US\$ in millions)	2012	2011
Cash flow from operating activities		
Cash generated from operations	32 1	145 4
Interest received	—	0 2
Net cash from operating activities	32 1	145 6
Cash flow from investing activities		
Dividend received from Group companies	225 7	323 4
Investment in subsidiary company	(89 0)	(605 0)
Net cash (used in)/from investing activities	136 7	(281 6)
Cash flow from financing activities		
Dividends paid to Parent Company	(225 7)	(323 4)
Repayment of Previous Senior Credit Facility	—	(200 0)
Drawdown of EIB Facility	(44 1)	—
Drawdown of Ex-Im Facility	120 3	277 3
Gross issuance proceeds of Subordinated Senior Notes due 2017 Loan	212 0	—
Arrangement costs of new borrowing facilities	(8 1)	(22 4)
Interest paid on borrowings	(122 0)	(75 1)
Interest prepaid on Subordinated Senior Notes due 2017 Loan	5 3	—
Intercompany funding	(106 5)	479 5
Net cash (used in)/from financing activities	(168 8)	135 9
Net decrease in cash and cash equivalents	—	(0.1)
Movement in cash and cash equivalents		
At beginning of year	—	0 1
Net decrease in cash and cash equivalents	—	(0 1)
As reported on balance sheet (net of bank overdrafts)	—	—
At end of year, comprising		
Cash at bank and in hand	—	—
	—	—

Inmarsat Investments Limited
Notes to the Company Financial Statements
For the year ended 31 December 2012

Basis of accounting

In the 2012 and 2011 financial statements the Directors have applied International Financial Reporting Standards ('IFRS') as adopted by the European Union and IFRS as issued by the International Accounting Standards Board

The accounting policies and financial risk management policies and objectives, where relevant to the Company, are consistent with those of the consolidated Group as set out in notes 2 and 3 to the consolidated financial statements

Income Statement

The Company has taken advantage of the exemption available under section 408 of Companies Act 2006 and has not presented an Income Statement. The profit after tax for the year ended 31 December 2012 was US\$48.9m (2011 US\$365.5m)

Auditor's remuneration

The Auditor's remuneration incurred for the audit of the Company amounting to US\$10,000 (2011 US\$10,000) was paid by a company within the Group. No recharge was made.

Employee costs and Directors' remuneration

The Company does not have any directly employed employees.

Foreign currency translation

Accounting for foreign currency transactions of the Company is consistent with that of the Group, which is disclosed in note 2 to the consolidated financial accounts.

Financial Instruments

The IFRS 7, 'Financial Instruments' disclosures of the Company are consistent with that of the Group as set out in note 31 of the consolidated financial statements.

The differences between the Group and the Company are in relation to intercompany balances. As at 31 December 2012, the Company had US\$313.9m (2011 US\$658.3m) amounts due from Group companies and US\$1,546.1m (2011 US\$1,801.2m) amounts due to Group companies. The Directors consider that with the exception of the Subordinated Senior Notes due 2017 Loan the carrying value of the intercompany balances is approximate to their fair value.

Cash generated from operations

Reconciliation of profit for the year to net cash inflow from operating activities

(US\$ in millions)	2012	2011
Profit for the year	48.9	365.5
Adjustments for:		
Income tax credit	(24.9)	(36.0)
Interest payable	121.2	104.6
Interest receivable	(22.2)	(16.2)
Dividend receivable	(125.7)	(423.4)
Forward exchange contracts	(0.2)	0.2
Changes in net working capital:		
(Increase)/decrease in trade and other receivables	(10.7)	49.9
Increase in trade and other payables	45.7	100.8
Cash generated from operations	32.1	145.4