Uniquely placed

INMARSAT PLC
ANNUAL REPORT AND
ACCOUNTS 2005

Inmarsat is the world's leading provider of global mobile satellite communications services.

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

First Inmarsat-4 satellite launches successfully on an Atlas V rocket from Cape Canaveral, Florida

Courtesy of International Launch Services and Lockheed Martin Corporation

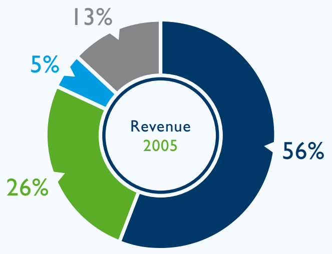
Inmarsat, pioneering global mobile satellite communications.

Inmarsat has been developing, building and operating satellite networks for more than a quarter of a century. We are committed to innovation and continue to introduce new technologies that redefine the standard for the industry.

End-users of our services operate at sea, on land and in the air, and include: government entities; the US Department of Defense; the UK Ministry of Defence; shipping, energy and media companies; airlines; and aid agencies including Télécom Sans Frontières. We provide a wide range of mobile data and voice services, including broadband data, telephony, fax, videoconferencing, email and high-speed intranet and Internet access.

MSS revenue by sector 2005

- Maritime 56%
- Land 26%
- Aero 5%
- Leasing 13%



MARITIME

Inmarsat provides voice and data services to vessels of all sizes, from the biggest ocean-going ships through to the smallest yachts. The range of services has changed dramatically over the years, moving away from analogue technology to faster, smaller digital terminals. Our heritage is in the maritime sector and we are still the only provider of global distress and safety services – helping to save lives at sea. Many ships use a variety of dedicated maritime services to gain online access to weather and chart updates and telemedicine for remote patient diagnostics. The services also offer phone and email so that crew can contact friends and family whilst away at sea.

LAND

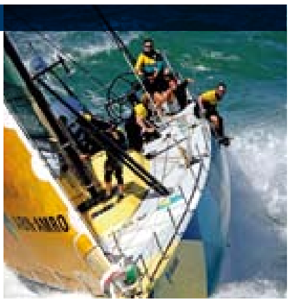
Our users include businesses operating in remote areas away from conventional fixed or wireless communications or those who are travelling to these environments and need access to the same communications offered by their office. Our services are used extensively by governments, energy and mining companies and also the world's media. These users have vastly different operational needs, but they all share the need for fast, reliable communications to the outside world, from locations that may have little, unreliable or no terrestrial infrastructure.

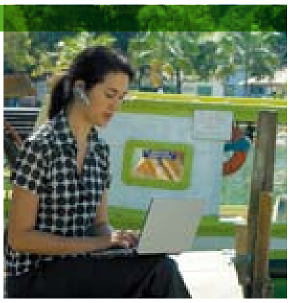
AERONAUTICAL

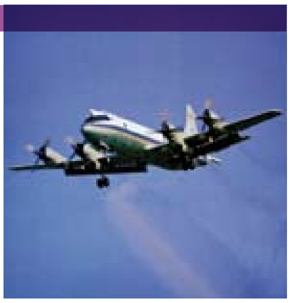
Our advanced voice and data solutions are specifically designed for all types of private, air transport, business and government aviation. Inmarsat offers a wide and growing range of solutions for passengers, cabin and flight-deck crew, and organisations requiring airborne commands-and-control communications. As well as air-to-ground voice links comparable in quality with ground phone services, passengers can now use all of the data services they are accustomed to on the ground: short messaging service (SMS), email, Internet and intranet access, and videoconferencing.

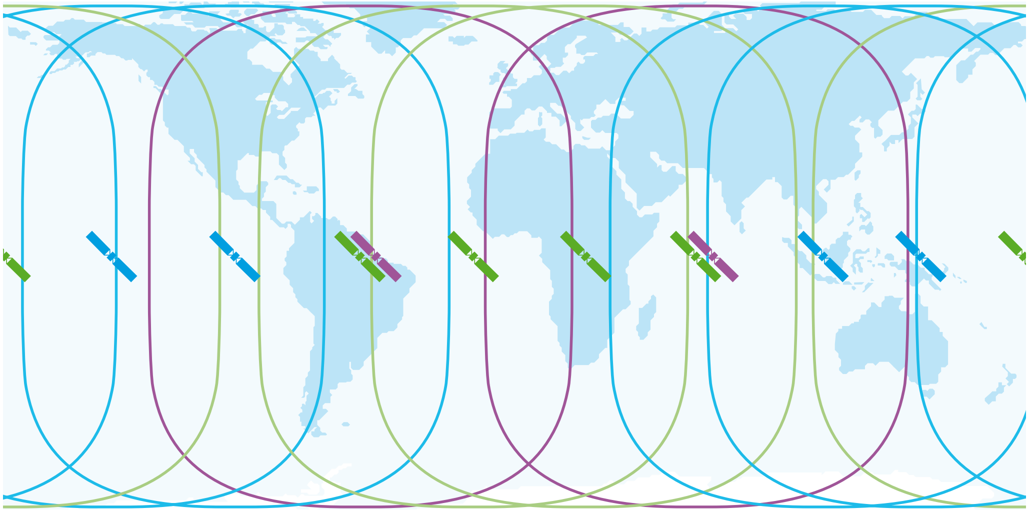
GOVERNMENT

Inmarsat offers a variety of tailored and off-the-shelf solutions designed to meet the growing demand for worldwide communications in support of modern military and homeland security operations. Whether the mission lies on land, at sea or in the air, Inmarsat enables organisations to create the secure mobile networks required for effective network-centric operations. Civil governments, the UN and aid agencies also count on Inmarsat's flexible, highly portable solutions to maintain essential communications for their mobile and remote teams who deliver a range of disaster-relief, peacekeeping and telemedicine activities.









Inmarsat-2 Constellation   Inmarsat-3 Constellation   Inmarsat-4 Constellation

In-orbit operations Inmarsat's constellation of 11 satellites, positioned in geostationary orbit around 36,000 km from the earth's surface, are controlled from Inmarsat's head office in London, UK. In 2005, we launched two new satellites (Inmarsat-4) which, between them, cover approximately 85% of the world's landmass covering around 98% of the world's population.

Spectrum Inmarsat operates all its services in the L-band spectrum. This is a vital resource allowing mobile or portable end-user terminals to communicate with our satellites.

Partners Inmarsat's leading-edge solutions and services are available through our world-class network of distribution partners, service providers and manufacturers, providing terminals and services to end-users throughout the world. With extensive industry expertise, many Inmarsat partners specialise in particular markets – developing products and solutions that meet the specific needs of their customers.

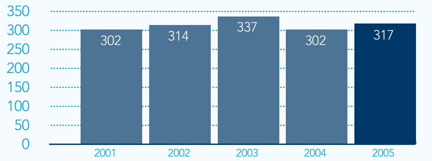
2005 Highlights

Operational highlights

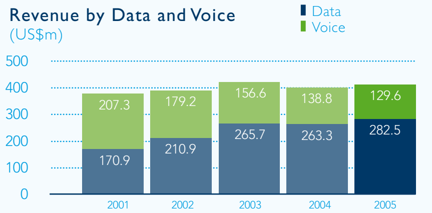
- Data services account for 68% of 'on-demand' revenues
- Maritime sector continues to drive revenue performance
- Two new satellites successfully launched
- Successful IPO results in substantial reduction in borrowing
- New broadband data and voice service (BGAN) available
- Active terminals increased by 6.55%

Financial highlights

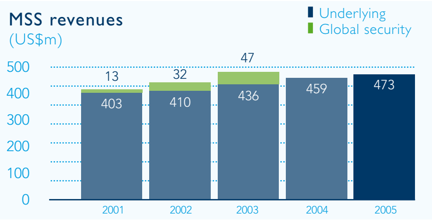
EBITDA from continuing operations
(US$m)



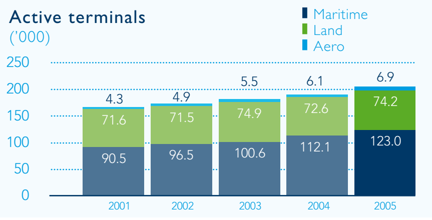
Revenue by Data and Voice
(US$m)



MSS revenues
(US$m)



Active terminals
('000)



Revenue
US$491.1m
2004: US$480.7m

Basic earnings per share
0.17 cents (US$)
2004: 0.06 cents (US$)

Profit before tax
US$95.5m
2004: US$24.9m

Operating profit
US$209.5m
2004: US$220.2m

Final dividend per share
10.95 cents (US$)

EBITDA
US$317.1m
2004: US$301.7m

Uniquely placed… for our customers

VOR Sponsorship – Inmarsat services Fleet F77 128kbps, F33 and Inmarsat C

Iberia looks to Swift64 as communications choice

November 2005 saw the start of the 2005/06 Volvo Ocean Race (VOR) and with it, each of the seven yachts were equipped with state-of-the-art communications systems – all enabled by Inmarsat technology. Inmarsat is the Official Sponsor of Mobile Satellite Communications for the VOR. Each yacht has been fitted with a Fleet F77 128kbps. Launched in February, this latest service-offering doubles the data speed available on existing Fleet F77 hardware through a simple software or hardware upgrade. Fleet F77 is used for high-quality voice calls and live video broadcasts as well as high-speed Internet access and data transmission. The yachts also have onboard a Fleet F33 used mainly for voice calls and data links, and a pair of Inmarsat C terminals for tracking and safety. All this brings the drama of the race as it unfolds to an audience of tens of millions around the world.

Once Iberia had decided that up-to-the minute data communications was the next major addition to the Iberia service, they looked to Inmarsat's Swift64 service for a solution, after evaluating other available systems. Swift64 was attractive to Iberia because they could re-use a lot of existing onboard equipment. In the summer of 2005, they began to roll out a full email and instant messaging service offering based on Swift64, becoming the first ever air transport operator to put this capacity onto long-haul services. Cost benefits and ease of installation have prompted Iberia to offer Swift64 across its entire commercial fleet and the airline is already evaluating Inmarsat's SwiftBroadband proposition.

Uniquely placed… for our customers

The reliability of our network means that our existing customers enjoy fast, dependable and efficient voice and data communications solutions to help carry out their day-to-day functions, optimising the productivity level of their organisations. If the local infrastructure for communications is incomplete or unreliable, the adverse effect on business can be unpredictable and costly, and that's why many companies spanning different sectors, geographies and markets, turn to Inmarsat to provide the vital backbone for their mobile communications requirements.

US Customs and Border Protection Agency – Inmarsat Swift64

The US Customs and Border Protection Agency was looking for a high-speed data solution to help it in the battle against terror and drugs – they found it in the shape of Swift64. Equipped with an array of sophisticated sensors, the P-3A aircraft uses Swift64's high-speed data capability to send digital images and near real-time video of ground targets, infrared images or aerial targets to controllers back at base. This helps their decision making and enables them to take appropriate action. Quality of the information and the capability of the data sensors have far exceeded expectations and they are considering extending Swift64 services to the rest of the fleet.

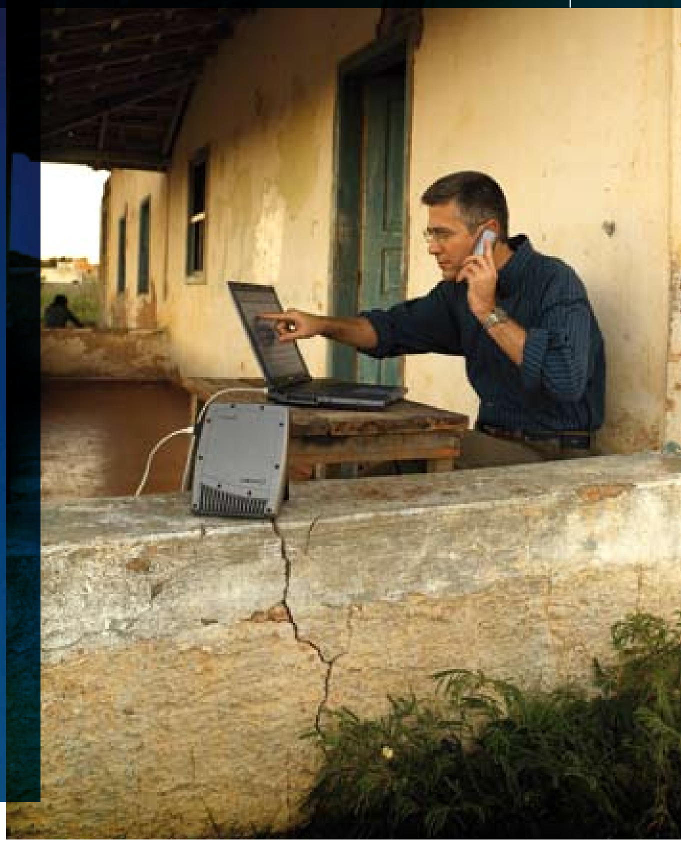
Media coverage is assured

Media companies all over the world have used Inmarsat services to gather news from disaster-hit areas, war zones, sports events and remote regions. Companies including CNN and the BBC utilise our services because of the reliability and speed of the Inmarsat network. Now, with the commercial availability of our new voice and broadband data service, BGAN, Inmarsat offers a vastly enhanced performance – in terms of network speed and availability – combined with the increased portability, quick set-up and ease of use of the BGAN service. All this enables journalists, broadcasters and photographers to improve the quality and timeliness of their work, while also giving them greater flexibility and freedom as to where they work.

Uniquely placed… for the future

New satellites in space

Broadband Global Area Network – BGAN



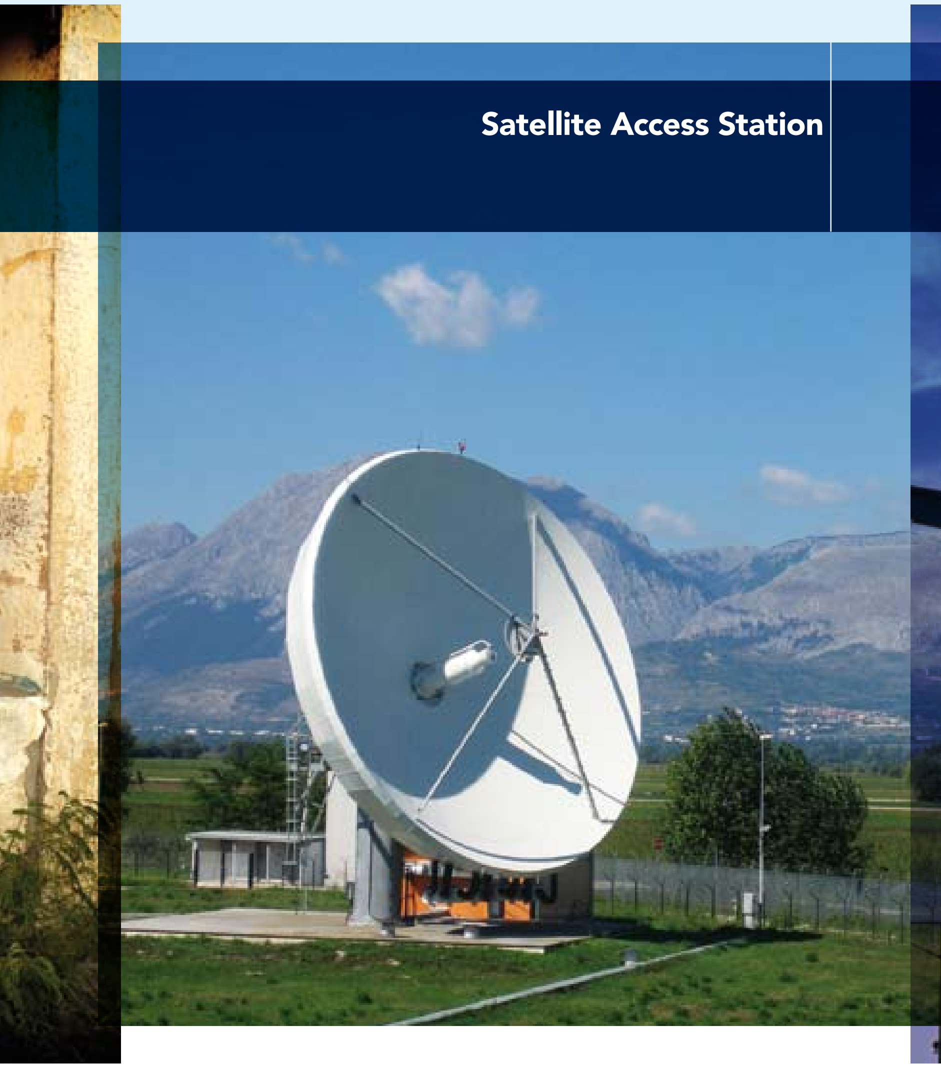
Inmarsat successfully launched two Inmarsat-4 satellites on 11 March and 8 November 2005. These are the most powerful commercial communications satellites ever to orbit the earth. This marked the completion of a five-year project and represents enhanced capacity and capability, providing broadband data and quality voice communications. Each is 60 times more powerful than an Inmarsat-3 satellite. The sophistication of the satellites allow the spotbeams to be configured from the ground to almost anywhere on the earth's landmass and much of the ocean areas to create capacity when needed.

Commercially launched in December 2005 via the first next generation Inmarsat-4 satellite, BGAN enables enterprise and government users to set up a broadband office in minutes, virtually wherever they are on the planet. Delivered via the world's most sophisticated satellites, this is the first mobile communications service providing both voice and broadband data simultaneously, through a single, low-cost and highly portable terminal.

Uniquely placed … for the future

Following the successful launch of the two Inmarsat-4 (I-4) next generation satellites in 2005 with their enhanced power and capacity, there is an exciting opportunity for the future development of Inmarsat's services. The foundations have now been laid offering broadband connectivity in the maritime and aeronautical markets. Land-based users already benefit from the powerful attributes of Inmarsat's latest service on the I-4s – Broadband Global Area Network (BGAN) – which establishes a new era in mobile satellite communications.

Satellite Access Station



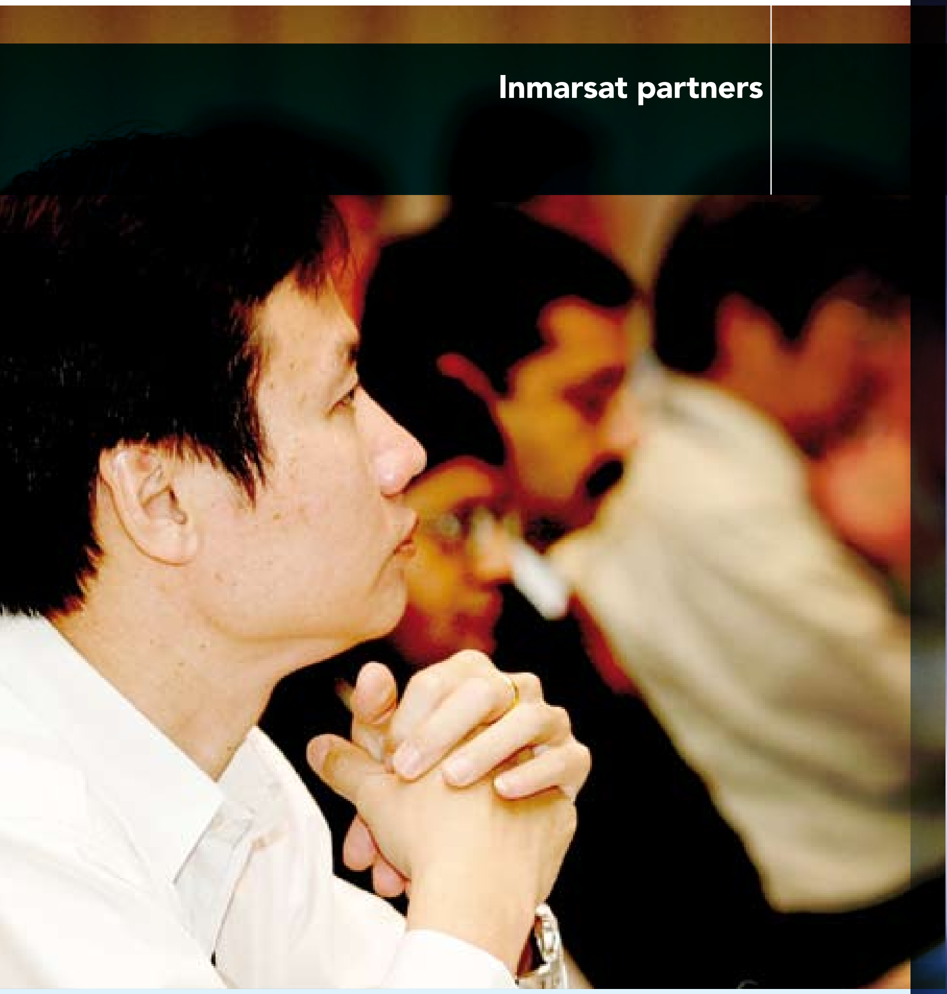
The BGAN Satellite Access Station (SAS) is an innovative solution which provides leading-edge, third-generation cellular services, globally via satellite. The core of the SAS is a compatible 3G cellular system which connects to the world's telephone and Internet systems. The Radio Access Network (RAN) of the SAS transmits users' voice and data, via the Inmarsat-4 satellites, to and from mobile and remote users across 85% of the world's landmass.

Service expansion

The successful launch of the powerful Inmarsat-4 satellites (I-4), has paved the way for the development of broadband services for the aeronautical and maritime sectors. SwiftBroadband equipment is already being developed by all the major avionics manufacturers in support of the service that will offer much higher communications speeds per channel. FleetBroadband for the maritime sector is also currently under development and both these new broadband services will offer simultaneous voice and data and enable applications such as SMS, email, Internet access, VPNs, transfer of data and images, videoconferencing and streaming video. The sophistication of the I-4s allow capacity to be dynamically allocated to respond to peaks in demand.

Uniquely placed…
for delivery and experience

Inmarsat partners



Inmarsat services are delivered via a world-class network of distribution and service providers. The primary tier of Inmarsat Partners are Land Earth Station Operators (LESOs), or distribution partners (DPs), who buy airtime directly from Inmarsat. They sell Inmarsat solutions directly through their own sales teams, or indirectly through other specialist service providers and equipment resellers. Many of these service providers and equipment resellers also integrate software solutions designed to exploit the unique data-focused capabilities of Inmarsat's mobile communications services. We work closely with various terminal manufacturers who, over many years, have developed smaller and faster terminals for the different market sectors.

GMDSS – Safety at sea

The introduction of the Global Maritime Distress and Safety System (GMDSS) on 1 February 1992 marked the most important change in maritime safety since the advent of the radio in 1899. Inmarsat is the cornerstone of GMDSS, which is designed to guarantee instant emergency communications for ships all over the world by providing the space segment necessary for instant and reliable distress and safety satellite communications for the maritime community. Inmarsat offers four services that meet the stringent requirements as a GMDSS provider set by the International Maritime Organisation. We are the only company to support GMDSS globally.

Uniquely placed… for delivery and experience

For 27 years, Inmarsat has consistently led the field in mobile satellite communications services by developing, building and operating sophisticated satellites and networks. This success is due in large part to the high calibre of Inmarsat's staff and the world-class network of Inmarsat distribution partners. Together we have specialist expertise in multiple fields, which makes a compelling proposition in the continued development of new communications technologies, pushing boundaries and redefining the standard for our industry.

Satellite Control Centre

Network Operations Centre

Around 32 minutes after the successful launch of Flight-1 of the I-4 satellite, Inmarsat's highly experienced Satellite Control Centre (SCC) team took over, placing the I-4 into geostationary orbit at 36,000 km above the earth. Both the I-4 satellites (the second was successfully launched on 8 November) underwent a complex series of post-launch tests and manoeuvres before they were fully deployed in geostationary orbit. During this process, called LEOP (launch and early orbit phase) they were constantly monitored and controlled from the SCC. The SCC measures the height of all Inmarsat's satellites above the earth to an accuracy better than 10 metres, and the team carry out in excess of 1,000 manoeuvres across the whole satellite fleet every year. We monitor every satellite closely – the I-4 has 16,000 checks every 20 seconds!

Like the SCC, Inmarsat's Network Operations Centre (NOC) is located at Inmarsat's head office in London. The NOC controls the dynamic allocation of spectrum and power to the various services Inmarsat provides, making optimal use of its spectrum resources. The NOC also oversees the operations of our distributors' Land Earth Stations and for Inmarsat's own satellite access stations in Italy and the Netherlands. Both the SCC and NOC are manned 24/7, 365 days a year and have a backup centre to manage emergency and disaster recovery operations.

Chairman and Chief Executive's Review
A transformational year

inmarsat

2005
Year in review

January
Inmarsat terminals used to provide vital communications in tsunami-devastated areas

March
First Inmarsat-4 satellite launches successfully on an Atlas V rocket from Cape Canaveral, Florida

June
Inmarsat completes public offering of shares and lists on the London Stock Exchange

This is Inmarsat's first Annual Report as a public limited company, following our successful listing on the London Stock Exchange in June 2005. We have a long and successful history as a global mobile satellite communications services provider. Our new public ownership structure positions us well to continue delivering highly reliable and innovative global mobile satellite services.

Andrew Sukawaty
CHAIRMAN AND
CHIEF EXECUTIVE OFFICER

Our customers use us in business critical, and often life-saving tasks globally, on a daily basis. They have come to rely on us in situations where other networks either cannot serve or cannot service them well. We take this reliance very seriously, and over the last five years, have committed to a US$1.5 billion investment programme, which allows us to introduce a new generation of mobile communications services.

This next generation is enabled by our new global constellation of satellites, which we call 'Inmarsat-4'. Our new satellites are now in place, covering approximately 85% of the landmass of the earth. We have already launched our first new service on these satellites. We call it Broadband Global Area Network or BGAN.

This is an important investment in our future. Combined with the recent public listing of our shares, it gives Inmarsat the stable platform it needs to provide its customers with high quality services into the next decade and beyond.

We enjoyed a strong finish to a transformational year. We are pleased with our solid financial performance and significant operational achievements in 2005. Our revenues for 2005 were US$491.1 million, an increase of US$10.4 million over 2004. Inmarsat's core business accounted for the majority of the overall revenue with a portion of the remaining revenues contributed by two subsidiary companies which were disposed of during the year. Earnings before interest, tax, depreciation and amortisation (EBITDA) year-on-year showed an improvement of 5% from US$301.7 million to US$317.1 million.

As part of the Company's stock exchange listing, we advised shareholders that we would be introducing a policy of paying dividends, and I am pleased to advise that your Board of Directors is recommending a final dividend payment of 10.95 cents (US$) per ordinary share, making a full year dividend for 2005 of 16.42 cents per ordinary share.

Our full-year results for 2005, and our dividend policy, reflect our confidence in the Company's future prospects and our commitment to deliver attractive overall returns for shareholders.

Operations

Once again, Inmarsat delivered on its commitments and produced high quality service and reliability in its core services. 2005 was a transitional year for the business, progressing the Inmarsat-4 programme.

Key operational highlights for 2005 included the successful launches of two newly-built and tested Inmarsat-4 satellites. These state-of-the-art satellites form the central piece of our Inmarsat-4 programme, which also includes the development and launch of our new BGAN service.

Our staff and vendor partners who dedicated years of effort to this programme, deserve our congratulations and thanks.

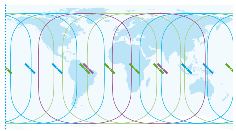
During the year, we continued to experience increasing data traffic and revenue growth. Data now represents 68% of our 'on-demand' revenues. Voice revenue decline has slowed

“It was a strong finish to a transformational year. We are pleased with our solid financial performance and significant operational achievements in 2005.”

July
Successful migration of R-BGAN customers to the Inmarsat-4 satellite

October
Inmarsat-sponsored aid agency, Télécoms Sans Frontières (TSF) helps surviving families of the SE Asia earthquakes to make contact with relatives using Inmarsat terminals

November
Second Inmarsat-4 satellite launches successfully on a Zenit-3SL rocket from the Sea Launch platform in the Pacific Ocean



December 2005
Launch of BGAN (Broadband Global Area Network) service, delivered via the Inmarsat-4 satellites

due in part to increasing demand for ‘social and crew calling’ voice services by our maritime users. We are committed to ensuring customer satisfaction for users of our established services, and in particular our new BGAN service. We believe that, through an excellent network of partners, we will be able to expand the number and type of customers using satellite communications as an extension to their regular office environment. We will also be there for users in times of crisis or natural disaster.

Board changes
During 2005, we transitioned from a private equity-backed company to a public company. I would like to thank our directors and shareholders in place prior to our stock exchange listing for their stewardship of the Company, their absolute belief in the Inmarsat-4 programme and their commitment to ensure that funding was in place to realise this achievement.

At the time of our listing, we reconfigured the Board to ensure we had a majority of independent directors and welcomed three new independent, non-executive directors – Sir Bryan Carsberg, Stephen Davidson and Admiral James Ellis Jnr (Rtd). We are delighted that they decided to join the Inmarsat Board and also that John Rennocks agreed to take on the enlarged role of Deputy Chairman and Senior Independent Director. Bjarne Aamodt stepped down from the Board as a non-executive director in November 2005 and we thank him for his service to the Board. Full details of the experience of our directors are given on page 21.

Social responsibility
Inmarsat continues to be the only provider of satellite communications services for the Global Mobile Distress and Safety System (GMDSS), ensuring that those at sea can rely upon our services in times of emergency – we are very proud of our maritime heritage and that our services do help save lives. Another example of our continued commitment to our maritime background is Inmarsat’s support for the education of maritime specialists through a funding grant to the World Maritime University.

Our support of the charity Télécoms Sans Frontières has been established for many years. During 2005 they were often among the first to arrive at many of the world’s disaster zones, setting up Inmarsat equipment to provide communications for other agencies and to provide a much needed and welcomed opportunity for victims to call their relatives. TFS worked extensively, using Inmarsat equipment, to help other aid agencies and survivors in the tsunami affected areas and again provided support following the South East Asia earthquakes

Our services were vital for many days following the devastation of Hurricane Katrina. There was significant use of them by the Department of Homeland Security, civilian emergency services and the media to assess the extent of the damage.

Strategy
Our focus will be on identifying opportunities to grow our revenues, increasing EBITDA and managing our costs to achieve efficiency gains where possible.

We currently have a diverse service offering for land, sea and air users. As we take the Company forward to the next phase, we are seeking to grow our business in the defence sector, in the newly emerging opportunity in hybrid satellite terrestrial systems in the US and Canada and in the hand held satellite voice market. These have all been identified as exciting growth opportunities for the business. Underpinning these opportunities, we will be maintaining our focus on ensuring that the core Inmarsat business, significantly our maritime business, continues to grow and that our new BGAN business builds steadily in 2006, providing a further platform for growth in the years ahead.

An exciting new opportunity emerged this year for Inmarsat, as we were successful in being part of the selected consortium to develop the European Global Positioning System, Galileo. We have been selected as the lead in the operating company in this EU-supported programme. This is a good fit for us as a European mobile satellite operator.

Looking forward
While we will seek to grow revenues in 2006 over 2005, we recognise that time will be needed for BGAN to gain momentum throughout the year.

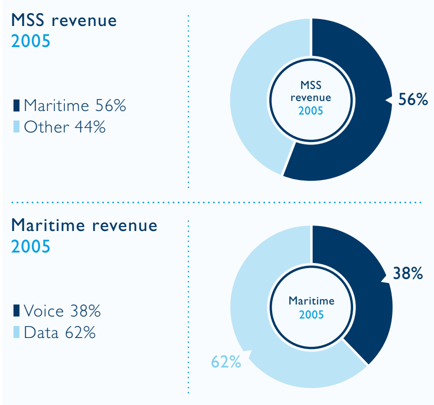
Inmarsat’s global business would not be what it is today without the excellent partnership network we have around the world. A close relationship exists with our distributors, manufacturers, service providers and application developers.

We achieved a number of significant milestones in 2005. None of them would have been possible without the skills and dedication of our employees, and I would like to thank them for their expertise, enthusiasm and commitment. I would also like to thank our shareholders for their support of the business, and now that we are a public company, we look forward to welcoming new shareholders and to developing a strong relationship with them.

We are uniquely placed in our markets and remain committed to delivering attractive returns, plus a sustainable growing dividend, to our shareholders, good value to our customers and a motivated place to work and develop for our staff.

Review of Operations

MARITIME SECTOR OVERVIEW



2005 was a significant year for Inmarsat. It was the realisation of a US$1.5 billion five-year project: the Inmarsat-4 programme. We saw the successful launch of two new satellites and of the BGAN service. Their arrival also meant the introduction of new ground-infrastructure and new business-support systems to support BGAN.

Throughout this period of intense activity, the core revenue stream of our business from existing services continued to perform robustly and to deliver growth over last year.

The supply of mobile satellite communication services is our core business, accounting for approximately 96% of our revenues. Our core business revenues are US$472.5 million (2004: US$458.9 million). During the 2005 financial year, we disposed of Invsat Limited and the business and assets of Rydex Corporation Ltd. We had determined these businesses were not core to our future strategy.

In 2005, we have seen growth in the level of data usage across the business with it now representing 68% of our 'on-demand' revenues. There has also been growth in both the number of commissioned and activated terminals.

We sell our mobile satellite communications services on a wholesale, on-demand basis via an established, global network of distribution partners. They provide our services to end-users, either directly or indirectly, through service providers. We operate in the maritime, land, aeronautical and leasing sectors and are the leading global provider of mobile satellite communications in each. Across all these business areas, we enjoy a strong contribution towards revenues from government users worldwide.

Our global network of distribution partners who operate with over 400 service providers in some 180 countries, on six continents, provide our services to end-users worldwide. Our distribution partners are affiliated with some of the largest communications companies in the world, including BT, France Telecom, KDDI, Singtel, Telenor and Telstra. We also include other significant independent distribution partners, such as Stratos Global. We have targeted additional distribution partners to sell and support our new BGAN services either directly to end-users or through service providers.

In the following summary, we have highlighted our activity across each of our business sectors and explained the technical aspects of our business.

Maritime sector

During the 2005 financial year, the maritime sector represented US$267.1 million of our total revenues (2004: US$251.4 million), an increase of 6%. We have seen data usage grow strongly over the last few years and 2005 was no exception with an increase of 13% year-on-year. Our voice revenues have been affected by the migration of users from our higher-priced analogue Inmarsat A service to our lower priced digital services and by competition.

With the exception of our Inmarsat A service, our maritime services are digital, and typically offer high-speed data transmission rates designed to meet increasing demand from shipping companies for higher data rates to support communications standards and a broader range of applications.

End-users of our services in the maritime sector include companies engaged in merchant shipping, passenger transport, fishing, energy and leisure, as well as government and maritime patrol organisations (such as navies and coastguards). Merchant shipping accounts for the bulk of our maritime revenues, as those ships spend the majority of their time at sea away from coastal areas and out of reach of terrestrial communication services.

Maritime end-users utilise our satellite communications services in many different ways. Ships' crews and passengers use our services to make phone calls, to send and receive email and data files, and to receive other information services such as electronic newspapers, weather reports, emergency bulletins and electronic charts.

Inmarsat services operate as an extension of the normal office environment. Remote infrastructure projects can be monitored with ease

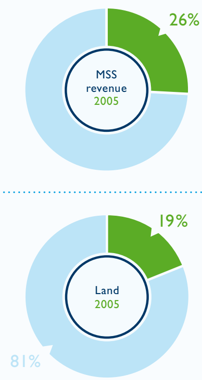
LAND SECTOR OVERVIEW

MSS revenue 2005

Land 26%
Other 74%

Land revenue 2005

Voice 19%
Data 81%



Shipping operators use our services to manage inventory onboard ships and to transmit data, such as course, speed and fuel stock. Many fishing vessels are required to carry terminals using our services to monitor catches and to ensure compliance with geographic fishing restrictions. In the future, new security regulations in certain jurisdictions are expected to require tracking of merchant vessels in territorial waters as part of a set of plans being proposed by the International Maritime Organisation (IMO) to have long-range identification and tracking for ships.

Many of maritime sector end-users use our services for voice calls. Merchant shipping operators increasingly use our services to provide prepaid phone cards and or payphones for crew to use at preferential rates during off-peak times during the day. We have seen over the year a significant increase in the volume of traffic from 'crew calling', especially around weekends, religious occasions and festivals, where users benefit from our competitively priced voice service.

Alongside two of its partners, Inmarsat is one of the sponsors of The Volvo Ocean Race (VOR) where each yacht is fitted with a combination of Fleet F77, F33 and Inmarsat C terminals to ensure they have reliable global communication coverage during the round-the-world race that will finish in June 2006. This instant-communications capability has increased the interest of the public around the world with the regular opportunity to show updates of the harsh conditions during the race.

Our latest maritime offering – the Fleet family of services has performed very strongly in 2005 and has seen growth over 2004, especially in the new-build market. The premium service – Fleet F77 – was enhanced early in 2005 with the introduction of a higher data speed capability of up to 128kbps, which aids operational efficiency. Our other two Fleet services – Fleet F55 and F33 – appeal to end-users operating smaller vessels and yachts. Our manufacturers have taken advantage of the opportunity to upgrade the speed of the Fleet F55 service to a higher data speed. Users of our digital maritime services in the Atlantic Ocean Region will benefit from enhanced coverage following the successful commercial operation of the second Inmarsat-4 satellite.

In addition to our commercial activities, we provide global maritime distress and safety system (GMDSS) services to the maritime sector. Ships in distress use our safety services to send an alert to a maritime rescue coordination centre who then uses our services to coordinate rescue efforts among ships in the area. We are currently recognised by the International Maritime Organisation (IMO) as the sole provider of the satellite communications services required for GMDSS. We are proud of our maritime heritage and that we are recognised as a reliable provider, able to deliver this essential, life-saving service. Our Inmarsat C SafetyNET service continues to play a key role providing maritime safety information and in helping tackle the ongoing threat of piracy and armed robbery against ships on the high seas.

Land sector

We believe that increasing workforce mobility and widespread demand for mobile communications devices capable of delivering higher data rates should contribute to increasing demand for our land-based data services by enterprise users operating outside the coverage of terrestrial networks.

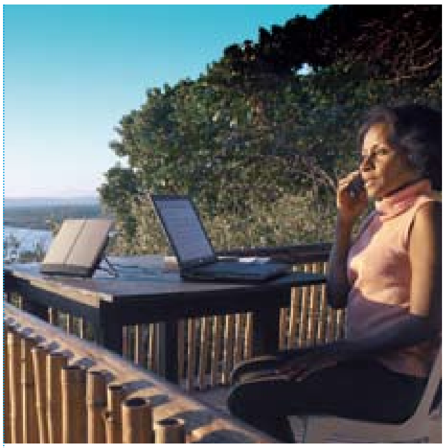
During the 2005 financial year, the land sector represented US$121.8 million (2004: US$133.7 million) of our total revenues. This reflects a decrease of 9% year-on-year principally as a result of the introduction of pricing on a regional basis for our Regional Broadband Global Area Network (R-BGAN) service, in addition to a decline in high-speed data traffic in the Middle East due to lower use by government users in these areas and competition from VSAT (very small aperture terminals) services. Voice revenues decreased year-on-year following lower traffic volumes resulting from competition from operators of hand-held satellite telephones who offer lower-priced voice services.

Military and government agencies constitute some of the largest end-users in the land sector and, similar to maritime end-users, demand reliable, high-quality services. In addition aid organisations, media, construction, energy and transport companies utilise our services. Global security concerns, such as the recent conflict and peacekeeping events in Afghanistan and Iraq and response to natural disasters, continue to drive periodic high levels of demand for our services. During the 2005 financial year, our services were used extensively by governments and aid agencies following the tragedy of the tsunami, the hurricane disasters in the United States and earthquakes in S.E. Asia. We have continued to sponsor the international telecommunications charity, Télécoms Sans Frontières, to assist them with funding and terminals, ensuring that they are equipped to respond to disasters.

Media companies and multinational corporations use our services for video conferencing, business telephony and to provide pay telephony services for those

Review of Operations

"BGAN takes Inmarsat to the next level as an ongoing pioneer of global satellite communications"



All our services are renowned for reliability, ease of use and security. An office can be set up in seconds

in communities inadequately served by terrestrial networks. End-users are also able to access data, email, Internet and corporate network connections. Media organisations transmit live broadcast-quality voice, videophone, store-and-forward video footage and still images using our services.

Governments and multinational corporations use our services to run applications enabling the remote operation of facilities such as lighthouses and oil pipelines.

Our Global Area Network (GAN) service and higher-speed versions of our Inmarsat A and B services offer data transmission rates up to 64kbps and up to 256kbps by combining channels using our Inmarsat B and GAN service, a rate higher than is available over most existing terrestrial wireless networks. Our GAN service offers a seamless extension for corporate networks for email, Internet access, remote office connectivity and document transfer. Our mobile packet data service, for which end-users pay by the volume of data received and transmitted, rather than by the amount of time that they are on a call, further enhances our GAN service by supporting IP standards. This facilitates more cost-effective services and a wider variety of applications. Our GAN ISDN service provides broadcast-quality images and sounds, favoured by the world's press and media.

The R-BGAN service, which was introduced in 2002, now has an extended coverage area following its migration from a third-party's satellite to the first Inmarsat-4 satellite orbiting in the Indian Ocean Region. We have seen R-BGAN traffic usage in another 40 countries following the availability of the larger geographic coverage. System migration had been designed to be as straightforward as possible and this was achieved through end-users downloading software to effect the change over to the Inmarsat satellite. This data-only service can offer speeds of up to 144kbps and we believe that due to the attractive pricing of the service, together with its increased geographical coverage, demand will continue for this service before end-users migrate to our new BGAN service.

The BGAN service is the Company's most significant integrated product launch, and has been facilitated by the five-year, US$1.5 billion Inmarsat-4 programme. BGAN services commenced commercial availability over the Inmarsat-4 F1 on schedule in December 2005, with the capability of offering broadband data speeds while allowing the end-user to simultaneously make a voice call. At launch, we had nine distribution partners actively marketing our new BGAN service. BGAN takes Inmarsat to the next level as an ongoing pioneer of global satellite communications – the service has the same characteristics our end-users have historically enjoyed, including reliability, ease of use and security. BGAN supports innovative IP data services as well as traditional circuit-switched data and voice, which can be used simultaneously via small, lightweight terminals that are easy to set up and simple to operate. In addition, BGAN is the first mobile communications service to offer guaranteed data rates on demand.

BGAN terminals will use the same Subscriber Identity Module (SIM) cards that are used by our R-BGAN service and terrestrial wireless terminals. This interoperability will enable distribution partners and service providers to deliver a single bill to users for both their mobile satellite and terrestrial communications services, subject to the establishment of appropriate roaming agreements. We expect to offer, from April 2006, our BGAN service on the second Inmarsat-4 satellite over the Americas; several of our distributors have already applied for licences to provide the service in that geographic area.

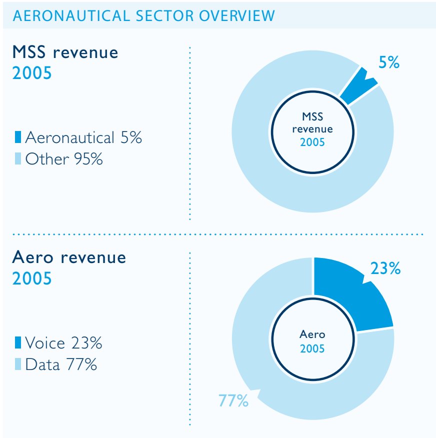
Aeronautical sector

During the 2005 financial year, the aeronautical sector represented US$22.7 million (2004: US$16.9 million) of Group revenues, a 34% increase year-on-year. In the aeronautical sector, our satellite communications services are used by commercial airlines and corporate jets, as well as government end-users. Our terminals are currently installed in the majority of all long-haul commercial aircraft.

Aircrew and air-traffic controllers use our services for data and voice transmission to communicate between the flight deck or avionics and ground-based control facilities. This includes the automatic reporting of an aircraft's position, and controller-pilot data link communication for clearance and information services. For example, users coordinate revisions of flight plans en route and transmit aircraft systems' data to the ground.

We are currently the only satellite communications provider that complies with the International Civil Aviation Organisation's standards for the provision of aeronautical safety services, such as air traffic management and aircraft operational control. In some Pacific regions, approximately 90% of the

Compliance with aero safety services are as important to our end-users as our commercial aero services



aircraft use our satellite system for safety service applications. In the North Atlantic region, which introduced data-link safety services more recently, already approximately 35% of flights use our satellite system for aeronautical safety services.

Air-to-ground telephony and data communications are also services often used, which enable mission-critical condition data to be sent from the plane to the ground. Aircraft passengers can use our services for air-to-ground telephony, fax services and data communications.

Our Swift64 service, which transmits high-quality voice and data at 64kbps (or up to 256kbps combining channels), is being heavily used by business and government aircraft, with growing demand from the air-transport market.

Consistent with our strategy to introduce higher-speed data services across all of our sectors, Inmarsat is preparing for the service introduction of SwiftBroadband, which will utilise our new I-4 satellites. The first avionics for the service are currently expected by the end of 2006 with the full commercial service currently scheduled to be available during 2007.

During the year, we have seen airlines such as Iberia introduce their new Business Class concept including Swift64 connectivity on their Airbus A340 fleet. There have also been announcements by some of our partners regarding their solutions to allow airline passengers to use their mobile/cellular phones in flight. Most notable was the announcement by AeroMobile of a GSM/cellular solution based on the Inmarsat aeronautical services which were tested on the Boeing 777-200LR record flight eastwards from Hong Kong to London; and OnAir announcing their first airline customers for their GSM solution, which will use SwiftBroadband.

Leasing

We lease capacity on our Inmarsat-2 and Inmarsat-3 satellites to distribution partners who provide the capacity on to end-users. We also expect to lease capacity on our Inmarsat-4 satellites and are reviewing ways of how this can be packaged. Typically, our capacity leases are short-term, with terms up to one year, although they can be longer. The U.S. Navy is currently the principal end-user of leased capacity on our satellites. We also lease specialised satellite navigation transponders on our Inmarsat-3 satellites primarily for the provision of navigation services to U.S. and European civil aviation organisations. During 2005, we have seen additional short-term contracts awarded as a result of Hurricane Katrina in the United States, and a new five-year interoperability contract with the Japanese Civil Aviation Authority. For the 2005 financial year, total leasing revenues represented 13% of our total revenues, being US$60.9 million (2004: US$56.9 million), a 7% increase over 2004.

Government

In 2005, there was increased focus on the government market.

Defence forces appear to have increasing reliance upon reliable, mobile Beyond-Line-of-Sight communications and we believe this could generate further opportunities for the provision of commercial mobile satellite services to augment military satellite networks. There may be future opportunities to increase the use of our services from First Responder and Emergency Preparedness communities where the 2005 relief efforts for the tsunami, the South Asian earthquake and hurricanes Katrina and Rita in the U.S. brought home the need for dependable, disaster-immune communications networks. Throughout 2005, Inmarsat ensured that its unique range of mobile communications solutions, especially those that would be enabled by BGAN from 2006, were demonstrated to defence and security global communications planners and policy makers. Some of the organisations they represent have been enrolled in both the field trials and the acceptance testing for BGAN.

Our partners

We have an established network of partners, comprising blue-chip distributors, service providers, manufacturers and application developers. We have worked with a significant number of our partners for many years and have developed a good understanding of their needs and those of the end-user. This has helped us when developing new services and enhancing existing ones.

As a wholesaler, we operate under a series of agreements with our distributors. We do not set the prices end-users pay for our services, nor do we contract directly with end-users of our services. As part of our relationship with our distributors, we have agreed wholesale prices and volume-based discounts for most of our existing services until at least 31 December 2008.

For our new digital services, R-BGAN and BGAN and for lease services under the

Review of Operations

"Over the last three years our average network availability has continued to exceed 99.99%."

Each Inmarsat-4 is 60 times more powerful than an Inmarsat-3 satellite and has highly sophisticated spot-beam configuration capability

Inmarsat-4 narrow spot beams, we may appoint new distribution partners. We will handle the landing of all traffic relating to these services from our own Satellite Access Stations (SAS).

The global communications industry is highly competitive. We face competition from a number of communications technologies, in various target sectors and expect that this will continue. We are focused on responding to competitors proactively by enhancing our services and continuing to deliver excellent customer service.

Our sales and marketing organisation is designed to reflect our strategy as a focused wholesaler, where we interact closely with our distribution partners and certain service providers to support them in marketing our existing and new mobile satellite communication services to end-users. We engage in limited targeted joint marketing activities with them to attract end-users to our services. At the same time, a key function of our sales and marketing organisation is to gather, review and analyse end-user market intelligence as an important input, as we define our business and product strategy.

Our network and technology

Ours is one of the largest satellite-based global mobile communications networks in the world. It comprises a fleet of eleven satellites in geostationary orbit, which includes our two new Inmarsat-4 satellites. During the first part of 2006, we expect to deorbit our first Inmarsat-2 satellite, which is in line with our operational plan.

Land Earth Stations (LES), owned by our distribution partners, transmit and receive the communications services to and from the satellites. These LESs procure or provide the connections required to link our satellite system with terrestrial communications networks. The LES facilities are used for all our services except R-BGAN and BGAN.

Additionally, there are two SASs in Burum (The Netherlands) and Fucino (Italy) which transmit and receive our R-BGAN and BGAN traffic to and from our satellite network. These are owned by us and provide complete site redundancy in case of the partial or total failure of one SAS.

Our Inmarsat-2 and Inmarsat-3 satellites

We have four Inmarsat-2 satellites and five Inmarsat-3 satellites which each cover up to one-third of the earth's surface, giving a global reach (except for the extreme polar regions).

Both our Inmarsat-2 and Inmarsat-3 satellites operate in orbits designed to minimise the number of manoeuvres required to maintain the satellites in their designated orbital locations. The satellites contain on-board fuel to support both regular position maintenance manoeuvres and possible relocations to new orbital locations. The careful management by our satellite operations team has meant we have optimised the life of these satellites past their originally intended design life.

Our Inmarsat-4 satellites

In May 2000, we entered into a contract with EADS Astrium for the development and construction of three next-generation Inmarsat-4 satellites. These satellites were designed to support high-bandwidth data services by incorporating higher-power transponders that can be focused into narrower beams than our earlier satellites. The satellites also use technology which enables us to adjust the size, shape and power of spot beams to meet changing user demand.

On 11 March 2005, we launched our first Inmarsat-4 satellite and on 8 November 2005 we launched our second Inmarsat-4 satellite. The orbital positions of these two satellites enable us to deliver high-bandwidth BGAN services to approximately 85% of the earth's landmass, covering approximately 98% of the earth's population. We have a fully tested spare satellite in storage, ready to deploy if needed. Ideally we would like to generate revenues from this asset and will develop opportunities to launch it in the future. This would give us coverage across the whole of the Pacific Ocean region and result in full global coverage by our Inmarsat-4 fleet. The first Inmarsat-4 satellite is in full commercial service over the Indian Ocean Region and the second Inmarsat-4 satellite is in place over the Americas. The second I-4 Satellite began commercial operations in January 2006.

Inmarsat's Satellite Access Station (SAS) in Fuccino, Italy handles both R-BGAN and BGAN traffic. There is a second station at Burum, The Netherlands

Our BGAN service allows the end-user to access corporate emails at the same time as making a phone call

Our ground infrastructure

Our satellites are controlled from our Satellite Control Centre (SCC) in London via tracking, telemetry and control ground stations situated in Canada, Italy, Norway, China and New Zealand. From our SCC, we manage each satellite's on-board systems, maintain each satellite within its designated orbital location and monitor the performance data transmitted from them, taking corrective actions as required. Our Network Operations Centre (NOC), also based in London, manages our traffic.

Our operation and control infrastructure is designed to ensure that redundant facilities are available should components in our operation and control system fail. Most of our satellites can be controlled from two ground stations, and we have a fully redundant backup control centre in the United Kingdom that mirrors the functionality of our primary SCC and NOC. Over the three years ended 31 December 2005, our average network availability has continued to exceed 99.99%.

We have implemented business-support systems, including billing and customer relationship management systems, for our BGAN services. Our BGAN Business Support Systems have been introduced progressively throughout 2005. For the first time, these provide a centralised system to enable us to perform business management functions for BGAN and R-BGAN services, with particular emphasis on timely customer administration, customer management and call rating/billing. By having in place our own SASs through which the traffic is routed, together with our new Business Support System, the BGAN service gives us the opportunity to receive a greater share of the end-user price of our BGAN services to reflect our additional responsibilities in the value chain.

Insurance of our satellites

We have obtained launch plus one year of in-orbit insurance for our Inmarsat-4 satellites. Each satellite is insured for US$225.0 million.

We intend to maintain commercially prudent levels of in-orbit insurance for our Inmarsat-4 satellites on expiry of the existing launch-plus-one-year-in-orbit insurance coverage. The cost of obtaining insurance varies as a result of either satellite failures or general conditions in the insurance industry. Due to the availability of redundancy through in-orbit space satellites, we do not insure our Inmarsat-2 and Inmarsat-3 satellites.

Galileo

Inmarsat has been in discussions to be a member of the consortium to form the Galileo Operating Company (GOC). Galileo is the European Union project to develop a new, advanced global satellite navigation system. Galileo will be implemented through a Public Private Partnership.

Inmarsat will have the overall management leadership of one of the prime contractors to the GOC – the Galileo Operations Company (OpCo). OpCo will be responsible for procuring, operating and maintaining the Galileo System Network.

Financial Review

I am delighted to present a review of the financial performance of Inmarsat for 2005. We have characterised this year as one in which we are laying the foundations both for future growth and to execute the strategy announced during our Initial Public Offering (IPO) process.

Rick Medlock
CHIEF FINANCIAL OFFICER

Overview

It has been an exceptional year of operational achievement. We have successfully launched two new advanced satellites enabling us to introduce our new Broadband Global Area Network (BGAN) service. We are also pleased to report that we met our performance targets, growing our core business, focusing on shareholder returns, commencing our dividend programme and substantially reducing borrowings.

BGAN is the cornerstone of our future growth, and although initially provided to land-based customers, it will be expanded to aeronautical and maritime customers. As with all new product launches, it will take time to build momentum, and it is important to recognise that, while this is a revolutionary new technology, it is an evolution path for existing customers. Therefore we expect that the early adopters for the service will be existing GAN and Regional BGAN (R-BGAN) customers who migrate.

The Company's listing as a public company on the London Stock Exchange in June 2005 raised approximately US$670 million of gross primary proceeds with the issue of 150 million shares at a price of £2.45 per share. The net proceeds raised in the IPO were used to repay in full €272.7 million Subordinated Preference Certificates (SPCs) in June 2005. The remaining proceeds, in conjunction with surplus cash on the balance sheet in June 2005 and a US$250 million term loan under the new Senior Credit Facility, were used to repay borrowings under the previous Senior Credit Facility of US$728.0 million. In addition, in July 2005 we redeemed 35% of the 7 5/8% Senior Notes 2012 (Senior Notes) including accrued interest and redemption premium totaling US$184.9 million. All these transactions have substantially reduced the Group's indebtedness and debt service obligations between 2004 and 2005.

In early 2005, we undertook a strategic review and concluded that the activities of two of our subsidiaries were not core to our mobile satellite services strategy and therefore we decided to dispose of our interest in both of these operations. On 2 September 2005, the Group sold Invsat Limited, a 100% owned subsidiary, to Nessco Limited. The Group received US$7.8 million in gross cash proceeds and reported a loss on disposal of US$3.0 million. On 17 October 2005, the Group disposed of the assets and business of Rydex Corporation Limited, a 100% owned subsidiary, to Seawave LLC. The Group received US$2.6 million in gross cash proceeds and reported a gain on sale of US$1.9 million.

In order to continue to meet the challenges ahead we announced our intention in January 2006 to restructure the organisation to reflect the fact that the Inmarsat-4 programme is nearing completion. The principal action in the restructuring plan will involve a redundancy programme. The redundancies will primarily relate to those employees responsible for the completion of the Inmarsat-4 programme. The departure of staff will be phased across the year as work is completed and the corporate organisation is realigned towards the new business challenges. The redundancy costs have not been recognised as a liability in 2005.

Group results

The results reflect the consolidated results of operations and financial condition of Inmarsat plc (the Company or together with its subsidiaries, the Group) for the year ended 31 December 2005. The measurement of revenues and costs is in accordance with International Financial Reporting Standards (IFRS) as adopted in the EU, and IFRIC interpretations issued and effective at the time of this report.

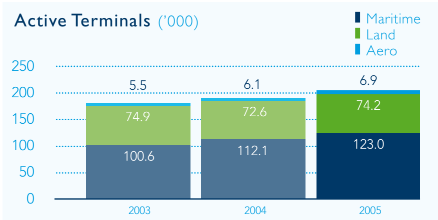
The Group's revenues, operating profit and EBITDA under IFRS for 2005 were US$491.1 million, US$209.5 million and US$317.1 million, respectively.

Revenues

Revenues for 2005 were US$491.1 million, an increase of US$10.4 million, or 2%, compared with 2004. Revenues, excluding subsidiaries disposed of, increased by 3% from US$465.8 million to US$479.2 million.

During 2005, revenues from mobile satellite communication services were US$472.5 million, an increase of US$13.6 million, or 3%, compared with 2004. Growth has continued in our newer services such as Fleet and Swift64. This growth has been partly offset by the continued decline in our analogue service as customers continue to migrate to our newer and lower priced digital services. This is in line with management's expectations. 2005 has also been a year of growth for our leasing business with additional short-term contracts and a new five-year interoperability contract with the Japanese Civil Aviation Authority. The maritime, land, aeronautical and leasing sectors accounted for 56%, 26%, 5% and 13% of total revenues from mobile satellite communication services respectively during 2005.

Active terminal numbers, which are defined as any terminal carrying traffic in the previous 12 months, showed encouraging increases, particularly in maritime, up 9%, and aeronautical, up 13%. Maritime was driven by regulatory requirements for Inmarsat C and continued growth in our Fleet service, offset by the migration from the analogue service, Inmarsat A. In the aeronautical sector, continued growth in Swift64 (high-speed data) and 'classic' aero (low-speed data) have increased active terminal numbers. Land growth was more modest, up just 2% year-on-year and is a result of increased tracking usage for Inmarsat C and growth in R-BGAN due to pricing initiatives.



	2005 US$m	2004 US$m
Revenue	**491.1**	**480.7**
Employee benefit costs	(97.0)	(87.2)
Network and satellite operations costs	(38.8)	(50.0)
Other operating costs	(63.4)	(67.6)
Work performed by the Group and capitalised	25.2	25.8
EBITDA	**317.1**	**301.7**
Gain on disposal of property	–	42.6
Loss on termination of subsidiary undertakings	(1.1)	–
Depreciation and amortisation	(106.5)	(124.1)
Operating profit	**209.5**	**220.2**
Interest receivable	49.8	4.0
Interest payable and similar charges	(163.8)	(199.3)
Net interest payable	(114.0)	(195.3)
Profit before income tax	**95.5**	**24.9**
Income tax expense	(31.1)	(5.8)
Profit for the year	**64.4**	**19.1**
Dividend paid	(24.7)	–
Retained profit for the year	**39.7**	**19.1**

The table below sets out the components of our total revenue for each of the years under review.

Revenues	2005 US$m	2004 US$m
Maritime sector:		
Voice services	102.0	105.0
Data services	165.1	146.4
Total maritime sector	**267.1**	**251.4**
Land sector:		
Voice services	23.6	27.9
Data services	98.2	105.8
Total land sector	**121.8**	**133.7**
Aeronautical sector	22.7	16.9
Leasing (incl. navigation)	60.9	56.9
Total mobile satellite communications services	**472.5**	**458.9**
Subsidiary revenues	11.9	14.9
Other income	6.7	6.9
Total revenue	**491.1**	**480.7**

Maritime sector

Martime revenues, which had been in decline up until 2004, have again showed good growth, driven by expanding data traffic and a deceleration in the rate of decline in voice revenues. In 2005, revenues from the maritime sector were US$267.1 million, an increase of US$15.7 million, or 6%, compared with 2004. Revenues from data services in the maritime sector during 2005 were US$165.1 million, an increase of US$18.7 million, or 13%, compared with 2004. The increase in revenues from data services reflects greater demand, as a result of the take-up and utilisation of our Fleet services in the new-build market, and increased interest in our smaller terminals with lower-speed data capabilities such as Inmarsat B and mini-M. Revenues from voice services in the maritime sector during 2005 were US$102.0 million, a decrease of US$3.0 million, or 3%, compared with 2004. Historically, maritime voice revenues have been affected by the migration of users from our higher-priced analogue service to our lower-priced digital services and, in some cases, competition. This decline has been more than offset by growth in Fleet, mini-M and Inmarsat B services, where we have initiated various promotions to respond to increased competition.

Land sector

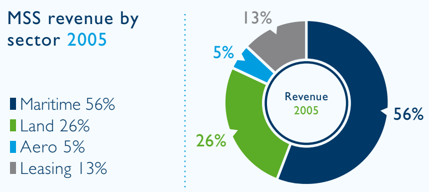
In 2005, revenues from the land sector were US$121.8 million, a decrease of US$11.9 million, or 9%, compared with 2004. Revenues from land data services in 2005 were US$98.2 million, a decrease of US$7.6 million, or 7%, compared with 2004. The decrease is a result of three factors: the introduction of pricing on a regional basis (which we refer to as zonal pricing) for our R-BGAN service, a decline in high-speed data traffic following a reduction in traffic in the Middle East, and competition from VSAT. Land voice revenues during 2005 were US$23.6 million, a decrease of US$4.3 million, or 15%, compared with 2004. This

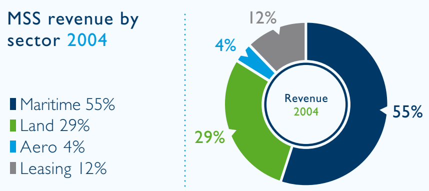
Financial Review

continues the trend seen over the last few years of declining traffic volumes resulting from competition, principally for our mini-M and Large Antennae mini-M services, from operators of hand-held satellite telephones who offer lower-priced voice services.

Aeronautical sector
During 2005, revenues from the aeronautical sector were US$22.7 million, an increase of US$5.8 million, or 34%, compared with 2004. The increase continues to be attributed primarily to our popular Swift64 high-speed data service, which targets the government, aircraft and business jet markets as well as being used by commercial airlines. In addition low-speed data in the classic aeronautical service benefited from industry growth.

Leasing
During 2005, revenues from leasing were US$60.9 million, an increase of US$4.0 million, or 7%, compared with 2004. The increase principally resulted from a new five-year interoperability agreement with the Japanese Civil Aviation Authority in May 2005 and primarily represents a licence fee. There was also a short-term positive impact on leasing as a result of hurricanes Katrina and Rita relief efforts and response to the Pakistan earthquake.





Subsidiary revenues
Subsidiary revenues represent revenues from Invsat Limited and Rydex Corporation Limited. During 2005, subsidiary revenues were US$11.9 million, a decrease of US$3.0 million, or 20%, compared with 2004. This is due to the disposal of the subsidiaries during the year.

Other income
Other income of US$6.7 million for 2005 consists of income from the provision of conference facilities and leasing certain floors at our head office to external organisations, fees for satellite tracking services and in-orbit support services supplied to third parties and revenue from sales of R-BGAN end-user terminals. These revenues are largely in line with the previous year.

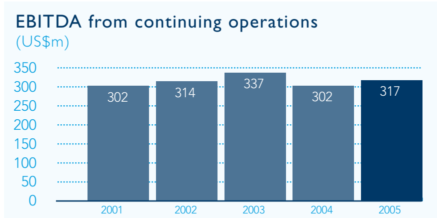
Employee benefit costs
Employee benefit costs during 2005 were US$97.0 million, an increase of US$9.8 million, or 11%, compared with 2004. Included in staff costs for 2004 were severance costs of US$9.3 million. Despite the reduction in average headcount from 2004, staff costs which are mainly paid in Pounds Sterling, remained broadly in line with the previous year due to the adverse movement in our hedged rate of exchange which has increased from US$1.49/£1.00 in 2004 to US$1.77/£1.00 in 2005. In addition, in 2005, the Group has recognised US$6.5 million of stock option costs (2004: US$0.1 million) relating principally to the all staff option scheme implemented in November 2004. The options primarily vest over a period of approximately 18 months from July 2005 to December 2006. The remainder of the increase relates to a new share scheme for employees announced in December 2005, which resulted in an additional US$4.0 million charge.

Network and satellite operations costs
Network and satellite operations costs during 2005 were US$38.8 million compared with US$50.0 million during 2004. Included in this category are costs for leasing satellite capacity from Thuraya for the R-BGAN service. In 2005 we incurred only four months of costs as this contract was cancelled at the end of July 2005, with costs for the months of May, June and July offset against amounts received from third parties in recognition of the delay in delivery of the first of our Inmarsat-4 satellites. The decrease in Thuraya lease costs of US$17.3 million was offset in part by the commencement of warranties and additional costs for site service contracts on our Inmarsat-4 ground infrastructure that were not incurred in 2004.

Other operating costs
During 2005, other operating costs were US$63.4 million, a decrease of US$4.2 million, or 6%, compared with 2004. In 2005, rental costs were US$8.0 million (2004: US$0.8 million) following the sale and leaseback of our London head office in November 2004. In addition, we incurred US$3.0 million of costs working on a marketing opportunity in Korea with a potential new distribution partner. Offsetting these increases was a reduction in sponsorship costs associated with the FIA World Rally Championship (US$3.8 million). In addition the Group recognised a foreign exchange gain in 2005 of US$3.6 million compared with a loss of US$8.1 million in 2004.

Work performed by the Group and capitalised
Own work capitalised of US$25.2 million during 2005 is largely in line with 2004 and relates principally to the continued activity surrounding our Inmarsat-4 satellites and the BGAN service.

EBITDA
As a result of the factors discussed above, EBITDA for 2005 was US$317.1 million, an increase of US$15.4 million, or 5%, compared with 2004. EBITDA margin has increased to 65% for 2005 compared with 63% for 2004.



Gain on disposal of property
On 30 November 2004, we entered into a sale and 25-year leaseback for our head office building. The gross proceeds from the sale were US$125.1 million, which resulted in a gain on disposal of US$42.6 million in 2004.

Depreciation and amortisation
During 2005, depreciation and amortisation was US$106.5 million, a decrease of US$17.6 million, or 14%, compared with 2004. This decrease is a result of the change in useful economic lives of our Inmarsat-3 satellites from 10 years to 13 years, which came into effect from 1 October 2004, offset in part by the commencement of depreciation of certain of our Inmarsat-4 satellites and ground infrastructure.

We commenced depreciation on the first Inmarsat-4 satellite when it entered commercial service in June 2005. The depreciation charge for 2005 for the first Inmarsat-4 satellite and other associated assets was approximately US$19.9 million. Effective 1 October 2005, we prospectively changed the useful economic lives of our Inmarsat-4 satellites from 13 years to 15 years to better reflect the design life of the spacecraft, the better-than-expected performance of the launch vehicles and the adoption of an optimal mission strategy which are expected to extend the orbital life of these satellites.

Operating profit
As a result of the factors discussed above, operating profit during 2005 was US$209.5 million, a decrease of US$10.7 million, or 5%, compared with 2004. The increase in EBITDA and reduction in depreciation and amortisation were not sufficient to offset the gain on disposal of property of US$42.6 million recognised in 2004. Excluding the one-off gain from the property disposal in 2004, operating profit has increased by 18% from 2004 to 2005.

Net interest payable
Interest payable and similar charges for 2005 were US$163.8 million, a decrease of US$35.5 million compared with 2004. Following the IPO, the Group restructured its debt facilities and therefore, interest costs have been reduced substantially from those incurred in 2004. From the IPO proceeds, we repaid all the outstanding SPCs, which decreased interest costs by US$58.2 million, reduced the amount of our Senior Credit Facilities and repaid 35% of our Senior Notes, which resulted in a further decrease in interest costs of US$20.8 million. These decreases were partially offset by certain one-off interest charges including: the write-off of US$19.9 million of deferred financing costs following the refinancing of the previous Senior Credit Facility; the expensing of facility fees on the new Senior Credit Facility of US$2.9 million; the write-off of deferred financing costs of US$6.1 million; and the payment of a redemption premium of US$12.7 million on the repayment of 35% of the Senior Notes. In addition, in 2005, we accrued US$32.4 million of accreted interest on the Senior Discount Notes which were issued in November 2004. In 2004 we incurred a foreign exchange loss of US$28.0 million on the revaluation of the Euro-denominated SPCs, which has been recorded as an interest expense in 2004.

Interest receivable and similar income in 2005 was US$49.8 million, an increase of US$45.8 million compared with 2004. The increase principally relates to a realised foreign exchange gain on the repayment of Euro SPCs of US$39.3 million, which has been recorded as interest received, and a US$3.4 million realised gain on an interest-rate swap contract on the previous Senior Credit Facility.

Profit before tax
Profit before tax for 2005 was US$95.5 million, an increase of US$70.6 million compared with 2004 due to a combination of lower net interest payable and depreciation and amortisation charges and higher EBITDA offset by the absence of any gains from property disposals.

Income tax expense
The tax charge for 2005 was US$31.1 million, compared with US$5.8 million for 2004. The increase in the tax charge is largely driven by an increase in profit. The effective tax rate has increased from 24% in 2004 to 33% in 2005 due to the fact that in 2004 no tax liability arose upon the sale of our head office building due to the availability of capital losses.

Liquidity and capital resources
Historically, our principal uses of cash have been for capital expenditure, to fund the development, marketing and distribution of new services and to fund our working capital requirements. Those requirements were met by cash flows from our operating activities as well as from borrowings under bank facilities and issuance of debt. Following the IPO and the related transactions, the Group's indebtedness and debt service obligations have decreased significantly.

The Group had net borrowings at 31 December 2005 of US$884.2 million primarily comprising drawings on the New Senior Credit Facility of US$250.0 million, Senior Notes of US$300.4 million (net of US$10.0 million bonds purchased in December 2005), Senior Discount Notes of US$332.2 million, net of cash and cash equivalents and short-term deposits of US$35.3 million.

On 24 May 2005, we signed a new US$550 million Senior Credit Facility led by Barclays Capital, ING Bank N.V. and The Royal Bank of Scotland plc. The facility is for general corporate purposes, including refinancing existing debt, and was arranged in connection with the IPO.

The US$550 million five-year Senior Credit Facility consists of a US$250 million amortising term loan and a US$300 million revolving credit facility. The term loan and drawings under the revolving credit facility are initially priced at 120bp above LIBOR and thereafter tied to a leverage grid. The US$300 million revolving credit facility is undrawn at 31 December 2005.

The new Senior Credit Facility, in combination with existing surplus cash and the proceeds of the IPO, was used to repay the previous Senior Credit Facility of US$728.0 million and the outstanding balance of the Euro-denominated SPCs (€272.7 million).

On 22 July 2005, we used US$185.9 million to redeem 35% of the Senior Notes including interest and redemption premium. In December 2005, we purchased US$10.0 million of the Senior Notes including a premium on purchase of US$0.3 million.

Net cash from operating activities during 2005 was US$317.3 million compared with US$279.6 million during 2004. The increase relates to an additional US$7.8 million of interest income and movements in working capital. The Group held approximately US$380.0 million on deposit during the period prior to the IPO, resulting in cash income of US$4.0 million in addition to a realised cash gain of US$3.4 million on an interest-rate swap contract which fixed interest on a portion of the drawn Previous Senior Credit Facility.

Net cash used in investing activities during 2005 was US$43.2 million compared with US$150.5 million for 2004. During 2005, the Group had an inflow from maturing short-term deposits of US$151.7 million compared to an outflow of US$100.6 million for 2004. In addition, the Group received in aggregate net proceeds of US$9.4 million from the sale of Invsat Limited and Rydex Corporation Limited. We continued to make substantial investments in capital expenditure for the construction of our Inmarsat-4 satellites and associated ground infrastructure of US$204.3 million. In 2004, the Group incurred US$34.9 million of costs relating to the private equity transaction completed in 2003, in addition to US$140.1 million in capital expenditure for the Inmarsat-4 satellites and associated ground infrastructure, offset in part by the receipt of US$125.1 million of net proceeds from the sale of our head office building.

Net cash used in financing activities during 2005 was US$470.0 million compared with US$129.7 million during 2004. On 22 June 2005, the Company raised US$637.5 million in net proceeds on its IPO. A combination of the IPO proceeds, surplus cash and the new Senior Credit Facility were utilised to repay borrowings. A principal repayment of the Previous Senior Credit Facility of US$9.5 million was also made during 2005. In July 2005, we spent US$167.1 million to redeem 35% of the Senior Notes, and in December 2005 purchased US$10.0 million of these Notes. During 2004, we issued US$477.2 million of Senior Notes, issued US$301.0 million of Senior Discount Notes, repaid bridge borrowings of US$365.0 million, repaid US$52.5 million of our Previous Senior Credit Facility and repaid US$385.8 million of the SPCs.

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.

Financial Review

Dividends
The Board recomends a final dividend of 10.95 cents (US$) per ordinary share to shareholders, amounting to US$50.0 million. This will be paid on 26 May 2006 to ordinary shareholders on the register of members at the close of business on 5 May 2006. Shareholders will be asked to approve the final dividend at the Annual General Meeting on 26 April 2006. This dividend has not been recognised as a liability for 2005.

This, added to the interim dividend of 5.47 cents (US$) per share paid on 28 October 2005, takes the dividend for the full year to 16.42 cents (US$) per share.

Treasury policy
The Group's treasury activities are managed by its corporate finance department under the direction of a Treasury Review Committee whose chairman is the Chief Financial Officer, and are consistent with Board-approved treasury policies and guidelines. The overriding objective of treasury activities is to manage financial risk. Details of financial instruments and policies are in note 30 to the consolidated financial statements.

Balance sheet
Net assets at 31 December 2005 were US$676.5 million compared with net liabilities of US$1.5 million at 31 December 2004. The increase was due to the retained profit of US$39.7 million for the period and share premium on the issue of capital of US$672.3 million.

The Group's non-current assets totalled US$1,843.6 million at 31 December 2005 of which US$1,319.1 million were property, plant and equipment, principally the Inmarsat-4 satellites and BGAN infrastructure. At 31 December 2004, non-current assets were US$1,656.0 million and property, plant and equipment were US$1,147.9 million.

The Group's current assets were US$181.2 million at 31 December 2005 compared with US$542.6 million at 31 December 2004. The reduction in current assets relates to the significant restructuring of debt undertaken in conjunction with the IPO, utilising available cash and IPO proceeds, reducing cash from US$384.7 million at 31 December 2004 to US$35.3 million at 31 December 2005.

Non-current liabilities were US$1,138.2 million at 31 December 2005 compared with US$2,025.3 million at 31 December 2004. The decrease in non-current liabilities relates to the repayment of the SPCs in full, and the repayment of the previous Senior Credit Facility of US$737.5 million, that was replaced with a new Senior Credit Facility in the amount of US$250.0 million.

Seasonality
Our revenues for the first and last months of each year are impacted by changes in demand from end-users during the holiday season. In particular, revenues from data services tend to decline during the holiday season, reflecting reduced business activity. Historically, the impact of this seasonal decline in data services on our results of operations has been limited, as the decline has been substantially offset by increased voice traffic. However, as data revenues increase as a percentage of our total revenues, we expect the seasonal decline in the volumes may have a more pronounced effect on our first and fourth quarter results. The impact of volume discounts increases over the course of each financial year with lower discount levels in early quarters and higher discounts in later quarters. The effect of these volume discounts will be most pronounced in the fourth quarter.

Due to the launch of the new BGAN service in December 2005, we expect that revenues from BGAN will show a steady quarter-on-quarter increase throughout 2006. Therefore to the extent that BGAN is successful in generating new customer revenues, rather than simply seeing migration of traffic from existing GAN and R-BGAN services, this may, either partially or completely, offset the impact of the progressive volume discounts noted above.

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

Quarterly results for Inmarsat Holdings Limited for the three months ended 31 March 2005 as included in the prospectus dated 1 June 2005
In our prospectus dated 1 June 2005 on pages 170 to 182 we included the unaudited consolidated financial statements of Inmarsat Holdings Limited (a 100% owned subsidiary of Inmarsat plc) for the three months ended 31 March 2005 as furnished to the SEC on Form 6-K on 9 May 2005. These quarterly figures remain unchanged from those published in the prospectus and are included as part of the annual results of Inmarsat plc for the year ended 31 December 2005 as included in the audited financial statements of Inmarsat plc on pages 40 to 80 of this annual report. Inmarsat plc has not produced separate consolidated financial statements covering this period and has no current intention to report on a quarterly basis going forward. The annual statutory accounts of Inmarsat Holdings Limited that are filed with Companies House in the UK include a note reconciling the quarterly results for Inmarsat Holdings Limited under UK GAAP to Inmarsat plc under IFRS as reported in our annual report as agreed in our prospectus on page 170. Any material variation from the information presented in the prospectus and to the consolidated financial statements of Inmarsat plc has been explained in this reconciliation.

Outlook
2006 represents the first year of revenues from our new BGAN service. Inmarsat's historic experience of launching new products indicates that it takes time to make decisions to move to the new technologies – the products undertake rigorous testing and field trials and then capital expenditure approval processes take time. In addition, we believe that in 2005 some customers may have postponed decisions to upgrade technology until they can see a proven BGAN service. We expect to see revenue growth in 2006 broadly consistent with the trends seen in 2005. This reflects both the competitiveness of the market and the start of the migration to BGAN. We do not expect BGAN to have a material impact on our revenues until 2007.

EBITDA is expected to grow as we continue to maintain and grow our core revenue streams and continue to curtail certain operating costs, although we expect to incur some exceptional one-time severance costs as part of our restructuring programme. The introduction of BGAN is expected to result in some additional costs such as in-orbit insurance, interconnect costs and new system service contracts. In addition, we have historically been capitalising certain of our operating expenses and staff costs in relation to the Inmarsat-4 programme and when these activities come to an end, we will cease to capitalise these costs.

Capital expenditure is expected to decrease substantially from 2005 as the Inmarsat-4 programme nears completion. The third Inmarsat-4 satellite is being stored as a ground spare. At this stage, we have made no decision about its launch. As there becomes a sound commercial and financial reason to launch it, we will need to secure a launch slot, whose availability may be difficult to predict. If we do decide to launch the satellite, there will be further capital expenditure on launch vehicle, insurance and a third satellite access station.

Board of Directors
as at 17 March 2006

Andrew Sukawaty, age 50
Chairman and Chief Executive Officer
Mr Sukawaty joined the Company as Chairman in December 2003 and was appointed Chief Executive Officer in March 2004. He is non-executive chairman of Xyratex Ltd. (Nasdaq). He is a non-executive director of O2 plc and non-executive director of Powerwave Technologies Inc. (Nasdaq). He is the former chairman of Telenet Communications NV, a Belgian cable TV operator and is currently non-executive deputy chairman of Cable Partners Europe. Between 1996 and 2000, he served as chief executive officer and president of Sprint PCS. Prior to serving at Sprint PCS, Mr. Sukawaty was chief executive officer of NTL Limited and chief operating officer of the UK cellular operator One 2 One (T Mobile, UK). Previously, he held various management positions with US West and AT&T. Mr Sukawaty holds a BBA from the University of Wisconsin and an MBA from the University of Minnesota.

Michael Butler, age 42
Executive Director and Chief Operating Officer
Mr Butler joined the Board in December 2003. He has served as Managing Director of Inmarsat Global Limited since May 2000 and became Chief Operating Officer in June 2004. Prior to joining Inmarsat, he was the managing director of MCI WorldCom International in the United Kingdom. Between May 1994 and November 1998, he held various general management positions, initially at MFS Communications Limited and subsequently MCI WorldCom International following WorldCom's acquisition of MFS at the end of 1996. Between 1988 and 1994, he was employed by British Telecommunications plc in senior sales roles within the international and domestic divisions. Between January 1983 and November 1988, he held a number of business development and marketing positions within the various business units of 3M (UK) PLC. He holds an HNC in Business and Finance and a diploma from the Chartered Institute of Marketing.

Sir Bryan Carsberg, age 67
Independent, non-executive Director
Sir Bryan joined the Board in June 2005. He is currently chairman of the Council of Loughborough University. He is an independent, non-executive director of RM plc and SVB Holdings PLC. He was the first Director General of Telecommunications (head of Oftel, the telecommunications regulator that preceded Ofcom) from 1984 to 1992, Director General of Fair Trading from 1992 to 1995 and Secretary General of the International Accounting Standards Committee (predecessor of the International Accounting Standards Board) from 1995 to 2001. He was an independent, non-executive director of Cable and Wireless Communications plc from 1997 to 2000 and non-executive chairman of MLL Telecom Ltd from 1999 to 2002. Sir Bryan is a Fellow of the Institute of Chartered Accountants of England and Wales and an Honorary Fellow of the Institute of Actuaries; he was knighted in January 1989. He holds an MSc (Econ) from the University of London (London School of Economics).

Stephen Davidson, age 50
Independent, non-executive Director
Mr Davidson joined the Board in June 2005. Mr Davidson is chairman of SPG Media plc and Enteraction TV Ltd and a non-executive director of Williams Lea Group Ltd. He has held various positions in investment banking, most recently at West LB Panmure where he was global head of media and telecoms investment banking and then vice chairman of investment banking. From 1992 to 1998 he was finance director then chief executive officer of Telewest Communications plc. He was chairman of the Cable Communications Association from 1996 to 1998. He holds an MA (first class) in mathematics and statistics from the University of Aberdeen.

Admiral James Ellis Jr (Rtd), age 58
Independent, non-executive Director
Admiral Ellis joined the Board in June 2005. He is president and chief executive officer of the Institute of Nuclear Power Operations (INPO), with headquarters in Atlanta, Georgia. INPO, with the support of the commercial nuclear industry, is an independent, non-profit company whose mission is to support the highest levels of safety and reliability – to promote excellence – in the operation of nuclear electric generating plants. Admiral Ellis retired from the U. S. Navy in 2004 as Commander, U.S. Strategic Command. He was responsible for the global command and control of U.S. strategic forces to meet decisive national security objectives. Admiral Ellis is a graduate of the U.S. Naval Academy and was designated a Naval Aviator in 1971 and held a variety of sea and shore assignments in the U.S. and abroad. He holds Master of Science degrees in Aerospace Engineering and in Aeronautical Systems. He is a native of South Carolina and also serves as a director of the Lockheed Martin Corporation, Level 3 Communications and Burlington Capital Group.

Rick Medlock, age 45
Executive Director and Chief Financial Officer
Mr Medlock joined the Board in September 2004. Prior to joining Inmarsat, he served as chief financial officer and company secretary of NDS Group plc (Nasdaq and Euronext) for eight years from 1996. Mr Medlock previously served as chief financial officer of several private equity-backed technology companies in the UK and the U.S. He is a Fellow of the Institute of Chartered Accountants of England and Wales. Mr Medlock holds an MA in Economics from Cambridge University.

John Rennocks, age 60
Independent, non-executive Director and Deputy Chairman
Mr Rennocks joined the Board in January 2005. He is an independent, non-executive chairman of Diploma plc and Nestor Healthcare Group plc, and a non-executive director of several other companies. He has broad experience in biotechnology, support services and manufacturing. Mr Rennocks previously served as a director of Inmarsat Ventures plc, and as executive director – finance for British Steel plc/Corus Group plc, Powergen plc and Smith & Nephew plc. Mr. Rennocks is a Fellow of the Institute of Chartered Accountants of England and Wales.

Alison Horrocks, age 43
Company Secretary
Ms Horrocks has been Secretary to the Board since its inception and also serves the boards of Inmarsat's other main operating companies. She was previously group company secretary of International Public Relations plc, a worldwide public relations company. She is a Fellow of the Institute of Chartered Secretaries and Administrators.

Board Committees and Advisors

Remuneration Committee
Stephen Davidson (Chairman)
Sir Bryan Carsberg
Admiral James Ellis Jr (Rtd)

Nominations Committee
Andrew Sukawaty (Chairman)
Admiral James Ellis Jr (Rtd)
John Rennocks

Audit Committee
John Rennocks (Chairman)
Sir Bryan Carsberg
Stephen Davidson

Company Secretary
Alison Horrocks

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10 Upper Bank Street
London E14 5JJ

Brokers
JPMorgan Cazenove Limited
20 Moorgate
London EC2R 6DA

Lehman Brothers International
25 Bank Street
London E14 5LE

Registrars
Lloyds TSB Registrars
The Causeway
Worthing
West Sussex BN99 6DA

Management Team

Alan Auckenthaler
Vice President
Inmarsat plc

Michael Butler
Chief Operating Officer
Inmarsat plc

Richard Denny
Vice President, Satellite and Network Operations
Inmarsat Global Limited

Paul Griffith
Vice President
Inmarsat Global Limited

Alison Horrocks
Company Secretary
Inmarsat plc

Gene Jilg
Chief Technical Officer
Inmarsat plc
Vice President, Portfolio Evolution
Inmarsat Global Limited

Debbie Jones
Vice President, Business and Customer Operations
Inmarsat Global Limited

Rick Medlock
Chief Financial Officer
Inmarsat plc

Perry Melton
Vice President, Sales and Marketing
Inmarsat Global Limited

Leo Mondale
Vice President, Business Development and Strategy
Inmarsat plc

Rupert Pearce
Group General Counsel
Inmarsat plc

Andrew Sukawaty
Chairman and Chief Executive Officer
Inmarsat plc

Directors' Report
for the year ended 31 December 2005

The Directors have pleasure in submitting their report and the audited financial statements for the year ended 31 December 2005.

The Company changed its name from Inmarsat Group Holdings Limited and re-registered as a public limited company, changing its name to Inmarsat plc, on 27 May 2005.

The Company was admitted to the Official List and to trading on the London Stock Exchange on 22 June 2005 (the IPO).

Principal activities, future developments and business review

The Group provides a broad portfolio of global mobile and transportable broadband communication services and solutions via satellite across its main maritime, aeronautical and land sectors. The principal services include safety and control communications, instant communications (voice, fax and low-speed data, and instant information services) and high-speed data solutions (from remote LAN access to video conferencing).

The Group has various branch and regional offices throughout the world.

A review of the Group's activities and report on the business, strategy and likely future developments are included in the Chairman and Chief Executive's review on pages 8 to 9 and the Financial Review on pages 16 to 20.

Results and dividends

The results for the period are shown in the Consolidated Income Statement on page 40.

The Directors propose the payment of a final dividend per ordinary share of 10.95 cents (US$) making a total for the year of 16.42 cents (US$)– dividend payments are made in Pounds Sterling based on the exchange rate prevailing in the London market four business days prior to payment. Subject to approval at the Annual General Meeting, the final dividend will be paid on 26 May 2006 to shareholders on the register of members at the close of business on 5 May 2006.

No dividend is payable in respect of the deferred shares of €0.01 each.

Research and development

The Group continues to invest in new services and technology through its research and development programmes. These include pure research into new products as well as developing those services which have been demonstrated to have a profitable business case.

Charitable and political donations

During the year, the Company paid US$200,000 (2004: US$100,000) to the telecommunications relief aid organisation, Télécoms Sans Frontières (TSF) – US$100,000 of the amount was made as an additional contribution to fund their activities working in the tsunami-affected region.

The Company has pledged to pay the following amounts to TSF: US$110,000 in 2006, US$130,000 in 2007 and US$150,000 in 2008.

The Company will also make a payment to the World Maritime University of US$100,000 in 2006 as part of its support for the education of maritime specialists.

The Company also provides front-line satellite telecommunication services and equipment in conjunction with support offered by its distribution partners, manufacturers and service providers in support of disaster relief management in affected areas of the world – for example, after the hurricanes in the U.S. in late 2005.

No political donations of any kind were made during the year.

Land and buildings

There is no material difference between market value and net book amount of land and buildings for the Company or its subsidiary undertakings.

Financial instruments

Details of the financial risk management objectives and policies of the Group, including hedging policies and exposure of the entity to price risk, credit risk, liquidity risk and cash flow risk are given in notes 3 and 30 to the financial statements.

Post balance sheet events

In January 2006, the Group announced its intention to restructure the organisation to reflect the fact that the Inmarsat-4 programme is virtually complete. The principal action in the restructuring plan will involve a redundancy programme. Further details are given in note 34 to the financial statements.

Directors and their interests

A list of the Directors who served during the year is shown below:

- Bjarne Aamodt
- Michael Butler, Chief Operating Officer
- Sir Bryan Carsberg
- Stephen Davidson
- Admiral James Ellis Jr (Rtd)
- Rick Medlock, Chief Financial Officer
- David Preiss
- John Rennocks, Deputy Chairman
- Andrew Sukawaty, Chairman and Chief Executive Officer
- Richard Wilson
- Graham Wrigley

All Directors were in office on 1 January 2005, except for John Rennocks who was appointed on 4 January 2005 and Sir Bryan Carsberg, Stephen Davidson and Admiral James Ellis Jr (Rtd) who were appointed upon completion of the Company's London Stock Exchange listing on 22 June 2005. David Preiss, Richard Wilson and Graham Wrigley resigned as Directors with effect from 31 May 2005. Bjarne Aamodt resigned as a Director with effect from 11 November 2005.

Biographical information on each of the Directors is contained on page 21 of the Annual Report. Their biographies illustrate the Directors' range of experience, which ensures an effective Board to lead and control the Group.

Directors' Report
for the year ended 31 December 2005

The interests of the Directors in the share capital of the Company are disclosed in the Directors' Remuneration Report. None of the Directors at any time during the year ended 31 December 2005 or subsequently have had any interests in any shares of the Company's subsidiaries.

Reappointment of directors

The Company's Articles of Association require that one-third of the Directors retire by rotation at each Annual General Meeting of the Company. Therefore, the following Directors, none of whom have been in office for more than three years, will retire and put themselves forward for reappointment at the Annual General Meeting 2006. They have each confirmed that they will stand for reappointment.

- Andrew Sukawaty
- Michael Butler

The following Directors, having been appointed since the last Annual General Meeting and, being eligible, offer themselves for appointment.

- Sir Bryan Carsberg
- Stephen Davidson
- Admiral James Ellis Jr (Rtd)

Employees

The Group has ensured that employees are fully informed and involved in the business through the use of various communications methods including regular briefing sessions and discussions with groups of employees, circulation of newsletters, Company announcements, information releases and dissemination of information through normal management channels. In its main operating subsidiary, the Company has a staff-forum to extend two-way communications between employees and management and to allow the views of employees to be taken into account in making decisions which are likely to affect their interests. Employees are actively encouraged to attend internal training courses to learn about the Company's products and services.

The Company encourages, through its share and share option schemes, employee involvement in the Company's performance. Details of the outstanding options granted to employees are shown in note 25 to the financial statements. An award of shares is to be made to employees in April 2006, capped at 10% of salary. Details of this award are provided on page 37.

The Group has a positive attitude towards the development of all its employees and does not discriminate between employees or potential employees on grounds of race, ethnic or national origin, sex, age, marital status or religious beliefs.

Equal opportunities

The Group gives full consideration to applications from disabled persons and to the continuing employment of staff that become disabled, including considering them for other positions.

Health and safety

The Group is committed to maintaining high standards of health and safety for its employees, customers, visitors, contractors and anyone affected by its business activities. Michael Butler is the executive Director identified for health and safety matters.

Policy and practice on payment of creditors

The Group's policy and practice on payment of creditors is:

- to pay all suppliers within the time limit agreed with each at the start of business with that supplier;
- to ensure that suppliers are aware of the terms of payment; and
- to pay in accordance with the contractual and other legal obligations whenever it is satisfied that the supplier has provided goods and services in accordance with the agreed terms and conditions.

At 31 December 2005, the Company's trade creditors represented 30 days' equivalent of aggregate amounts invoiced by suppliers during the year.

Share capital and substantial shareholdings

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

At 17 March 2006, the Company had received notifications that the following were interested in 3% or more of the Company's issued ordinary share capital:

Substantial shareholdings	Number of ordinary shares of €0.0005 each	%
Lansdowne Partners Limited Partnership	38,548,871	8.44%
Deutsche Bank AG	23,945,226	5.24%
The Goldman Sachs Group Inc	22,597,046	4.95%
KDDI Corporation	21,739,149	4.76%
Prudential plc	15,305,141	3.35%
Legal & General Investment Management Limited	15,044,324	3.29%
The Prudential Assurance Company Limited	15,065,757	3.29%

Note: The information above is as extracted from relevant notifications under Section 198 to 202 of the Companies Act 1985.

Significant contracts
The majority of the space segment revenue of the Group is derived from sales to Land Earth Station Operators (LESOs) and distribution partners (DPs). LESOs operate in accordance with the terms and conditions of the Land Earth Station Operator Agreement. A new five-year agreement was approved at the end of 2003 and became effective in April 2004. DPs operate under a five-year agreement with separate arrangements for the distribution of some services.

There were no contracts with the Company or any of its subsidiaries in which a Director had a material interest.

Directors' and officers' liability insurance
The Group maintains appropriate insurance to cover directors' and officers' liability. At the date upon which this report was approved and for the period from the IPO, the Company has provided an indemnity in respect of all of the Company's Directors. Neither the insurance nor the indemnity provides cover where the Director has acted fraudulently or dishonestly.

Auditors
A resolution to reappoint PricewaterhouseCoopers LLP as auditors of the Company and to authorise the Board to determine their remuneration will be proposed at the Annual General Meeting.

Annual General Meeting
Your attention is drawn to the Notice of Meeting enclosed with this Annual Report, which sets out the resolutions to be proposed at the forthcoming Annual General Meeting.

Directors' responsibilities
The following statement, which should be read in conjunction with the auditors' statement of auditors' responsibilities set out on page 39, is made with a view to distinguishing between the respective responsibilities of the Directors and the auditors in relation to the financial statements.

Company law requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In addition, the Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and which enable the Directors to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for maintaining sufficient internal controls to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the inmarsat.com website. Uncertainty regarding legal requirements is compounded as information published on the Internet is accessible in many countries with different legal requirements relating to the preparation and dissemination of financial statements.

The Directors have confirmed that there is no relevant information that has not been disclosed to the Company's auditors. The Directors have taken all steps that ought to have been taken to make themselves aware of any relevant information and to establish that the Company's auditors are aware of that information.

By order of the Board

Alison Horrocks FCIS
Company Secretary
17 March 2006

Statement on Corporate Governance

The Company is committed to the highest standards of corporate governance. The Board has reviewed and is reporting on the Company's compliance with the requirements of the Combined Code (the Code) (published by the Financial Reporting Council in July 2003) for the first time for the reporting period since the IPO.

Since the IPO, the Company has been in compliance with the provisions set out in Section 1 of the Code save as provided below:

- Andrew Sukawaty acts in the dual role of Chairman and Chief Executive Officer. Mr Sukawaty was appointed Chairman in December 2003 and was asked by the Board to take on the additional responsibilities of Chief Executive Officer in March 2004. The Board believes that Mr Sukawaty's wide experience of the telecommunications industry in an executive capacity means that he is extremely well qualified to lead the Company in the joint role of Chairman and Chief Executive Officer. It is the Board's intention that the roles of Chairman and Chief Executive Officer will be separated within approximately two years from the date of the IPO.
- In his capacity as executive Chairman of the Company, Andrew Sukawaty currently acts as the Chairman of the Nominations Committee.
- As the current Board has only been in place since the IPO, there has been no annual performance evaluation for the Board, committees of the Board and their individual members.

The Board

Upon the IPO, the composition of the Board and its various committees was reviewed and evaluated so as to reflect the Board's and the committees' balance of skills, expected time commitment, knowledge and experience. The Board currently has seven Directors, comprising three executive Directors and four independent, non-executive Directors, which is considered an effective size and balance for the Company. A list of the individual Directors, their biographies and details of their committee membership are provided on pages 21 and 22. John Rennocks, the Deputy Chairman, is identified as the Senior Independent Director. Following the IPO, Andrew Sukawaty remained Chairman and Chief Executive Officer, both executive roles. There was a commitment that while this did not meet the requirements of the Code, there would be a separation of the roles within approximately two years of the IPO. The Board believed that Mr Sukawaty's continued involvement in both roles would provide a balanced and stable platform as the Company moved into the next phase of its development and is in the best interests of the Company and its shareholders. The Board also determined that it was appropriate, with the Chairman and Chief Executive Officer roles being combined, to appoint John Rennocks as Deputy Chairman, in addition to his role as Senior Independent Director. Concerns can be conveyed to Mr Rennocks independently of the Chairman and Chief Executive Officer, the Chief Financial Officer or the Chief Operating Officer, by other Directors or shareholders. Collectively, the Board believes that it possesses all of the necessary range of qualities and experience to lead the Company effectively.

The Board believes that it is appropriate to consider Admiral James Ellis Jr (Rtd) as an independent, non-executive Director, notwithstanding that he received remuneration as an advisor to the Board from November 2004 to June 2005 and that he is an independent, non-executive director of the Lockheed Martin Corporation (Lockheed Martin), which is a shareholder of, and major supplier to, the Company. The Directors have taken into account that: i) he was an advisor to the Board for a short period of time; ii) the Company's contracts with Lockheed Martin were entered into prior to his becoming one of the Company's Directors, although one of these contracts was amended and restated while he was an advisor to the Board; iii) he received from the Company only approximately US$67,000 in aggregate in fees and expenses for his advisory work; iv) he has a non-executive role at Lockheed Martin; and v) he has agreed to excuse himself from any discussions regarding Lockheed Martin. The Directors have also considered that Admiral James Ellis Jr (Rtd) has at all times during the period he has been an advisor to the Board displayed independent character and judgement and that there was no reason why he would not continue to do so (noting that he is a member of the Board because of the skills he brings from his years in the U.S. Navy and the contacts commensurate therewith and not as a result of his role at Lockheed Martin).

The Board meets regularly throughout the year. The Board is satisfied that the Chairman and each of the non-executive Directors commit sufficient time to the fulfilment of their duties as Directors of the Company. The Board delegates management of the business to the management team listed on page 22, who generally meet on a weekly basis.

The Board believes, in principle, in the benefit of executive Directors accepting non-executive directorships of other companies in order to widen their skills and knowledge for the benefit of the Company. Executive Directors may not take on more than one non-executive directorship of a FTSE 100 company or any chairmanship of such a company. Mr Sukawaty is currently the only executive Director with any external directorships and he is permitted to retain any director's fees from these appointments. Details of his directorships can be found in his biography on page 21. To avoid potential conflicts of interest, non-executive Directors are expected to inform the Chairman before taking up any additional external appointments.

The Chairman and Chief Executive Officer is responsible for the running of the Board and for implementing Group strategy. The Board has a formal schedule of matters reserved to it for decision but can also delegate specific responsibilities to the Board committees detailed below or to committees convened for special purposes. Among the key matters on which the Board alone may make decisions are the Group's business strategy, its annual budget, dividends, financial reporting and major corporate activities. The Board holds a strategy meeting once a year at which it considers the future direction of the Group.

Non-executive Directors have been appointed initially for three years and all non-executive Directors may not, unless exceptionally agreed by the Board, remain in office for a period longer than six years or two terms in office, whichever is the shorter. The diverse experience and backgrounds of the non-executive Directors ensures that they can debate with, and constructively challenge, management both in relation to the development of strategy and in relation to operational and financial performance. The non-executive Directors will meet annually, without the Chairman and Chief Executive Officer in attendance, to assess Board balance and independence and to monitor whether any one individual has unfettered powers over decisions. The Senior Independent Director will chair these meetings.

On joining the Board, new Directors are given a comprehensive, formal and tailored induction programme including the provision of background material on the Company and briefings with senior management. The Company Secretary supplies all Directors with information on relevant legal and best practice developments.

All Directors are required by the Company's Articles of Association to be elected by shareholders at the first general meeting after their appointment. Appointments to the Board are made on merit and against objective criteria. At least one-third of the Directors must retire and, as appropriate, seek re-election by the shareholders at each Annual General Meeting.

Directors receive Board and committee papers in advance of the relevant meetings. The Company Secretary is responsible to the Board for ensuring that Board procedures are followed, advising the Board, through the Chairman and Chief Executive Officer, on all corporate governance matters and minuting any unresolved concerns expressed by any Director. Were a Director to resign over an unresolved issue, the Chairman and Chief Executive Officer would bring the issue to the attention of the Board.

The Directors have access to the advice and services of the Company Secretary and all Directors are able to take independent advice in the furtherance of their duties if necessary.

As the current Board has only been in place since the IPO, it was not considered appropriate to undertake an evaluation of the Board's performance in 2005. However, a process of formal annual evaluation of the performance of the Board, its committees and their members is planned for 2006 and on an ongoing basis thereafter. The non-executive Directors, led by John Rennocks, the Senior Independent Director, will be responsible for the evaluation of the Chairman and Chief Executive Officer's performance, taking into account the views of individual Directors.

Board committees

Audit Committee

All members of the Audit Committee are independent, non-executive Directors and have significant, recent and relevant financial experience. The Board is confident that the collective experience of the Audit Committee members enables them, as a group, to act as an effective Audit Committee. Their details are disclosed on page 22. By invitation, the meetings of the Audit Committee may be attended by the Chairman and Chief Executive Officer, Chief Financial Officer and the internal and external auditors. Between the IPO and the financial year end, the Audit Committee met twice but, on an on-going basis, will meet at least four times each year as detailed in its terms of reference. The Chairman of the Audit Committee meets regularly with the internal and external auditors.

The Audit Committee has particular responsibility for monitoring the adequacy and effectiveness of the operation of internal controls and risk management and ensuring that the Group's financial statements present a true and fair view of the Group's financial position. Its duties include keeping under review the scope and results of the audit and its cost-effectiveness, consideration of management's response to any major external or internal audit recommendation and the independence and objectivity of the internal and external auditors.

During the year to 31 December 2005, the Audit Committee reviewed and endorsed, prior to submission to the Board, half-year and full-year financial statements and results announcements and the quarterly financial reports for two U.S. reporting subsidiaries. It considered internal audit reports and risk-management updates, agreed external and internal audit plans and received updates on management responses to audit recommendations. The Audit Committee also approved recommendations on the review of accounting policies and monitored progress on two significant projects affecting the Group, namely implementation of International Financial Reporting Standards and preparedness for complying with the requirements of Section 404 of the Sarbanes-Oxley Act 2002 for its U.S. reporting subsidiaries.

The Company Secretary, as Chairman of the Disclosure Committee, reported on matters that affected the quality and timely disclosure of financial and other material information to the Board, to the public markets and to shareholders. This enabled the Audit Committee to review and clarify the completeness of financial reporting disclosures prior to their release by the Board.

The Board considers that, through the Audit Committee, it has an objective and professional relationship with the auditors. A formal policy is in place in relation to the provision of non-audit services by the auditors to ensure that there is adequate protection of their independence and objectivity. The policy identifies three categories of accounting services: audit-related services, which the Company's auditors provide (such as interim and full year reporting); prohibited services, which the Company's auditors may never provide (such as corporate finance consulting or advisory services); and potential services, which the Company's auditors may in certain circumstances provide, subject to tender and fee constraints (such as tax advisory services). During the year, specific approval had been given by the Audit Committee for the Company's auditors to act in a non-audit capacity in relation to the IPO and other connected activities. However, auditor objectivity and independence was safeguarded through a variety of mechanisms. Fees charged by the Company's auditors in respect of non-audit services require the prior approval of the Audit Committee, except where the fee does not exceed more than 5% of the total revenues paid to the auditors in that financial year. A breakdown of the fees paid to the Company's auditors during the year is set out in note 6 to the financial statements.

The Audit Committee's terms of reference explaining the Audit Committee's role and the authority delegated to it by the Board are publicly available.

Statement on Corporate Governance

Remuneration Committee

The composition of the Remuneration Committee is disclosed on page 22 and comprises solely independent, non-executive Directors. The Remuneration Committee, on behalf of the Board, meets as and when necessary to review and approve as appropriate the remuneration of the executive Directors and senior management and major remuneration plans for the Group as a whole. The Remuneration Committee appraises the Chairman and Chief Executive Officer against his written objectives. Similarly, the Chairman and Chief Executive Officer appraises the other executive Directors. The Remuneration Committee approves the setting of objectives for all of the executive Directors and authorises their annual bonus payments for achievement of objectives. The Remuneration Committee provides remuneration packages sufficient to attract, retain and motivate executive Directors required to run the Company successfully but does not pay more than is necessary for this service. The Remuneration Committee is empowered to recommend the grant of share options under the existing share option plans and to make awards under the long-term incentive plans. The Remuneration Committee considers there to be an appropriate balance between fixed and variable remuneration and between short- and long-term variable components of remuneration. All of the decisions of the Remuneration Committee on remuneration matters in 2005 were reported to and endorsed by the Board.

The Remuneration Committee's terms of reference explaining the Remuneration Committee's role and the authority delegated to it by the Board are publicly available.

Nominations Committee

The composition of the Nominations Committee is disclosed on page 22 and comprises a majority of independent, non-executive Directors. The Nominations Committee did not meet during 2005 but, on an ongoing basis, will meet as and when necessary but at least twice a year. The Nominations Committee has responsibility for nominating to the Board, candidates for appointment as Directors, bearing in mind the need for a broad representation of skills across the Board. The Nominations Committee will also make recommendations to the Board concerning the reappointment of any independent, non-executive Director by the Board at the conclusion of his or her specified term; the reappointment of any Director by shareholders under the retirement provisions of the Company's Articles of Association; and changes to senior management.

The Nominations Committee's terms of reference explaining the Nominations Committee's role and the authority delegated to it by the Board are publicly available.

For the non-executive Directors who joined the Board on IPO, an external search firm was used for the appointments of Sir Bryan Carsberg and Stephen Davidson. Admiral James Ellis Jr (Rtd) was known to the Company through previous consultancy work he had undertaken.

2005 Board and committee meetings (since IPO)

Between the date of the IPO and 31 December 2005, the Board met five times, excluding ad hoc meetings solely to deal with procedural matters. The following table shows the attendance of Directors at meetings of the Board and its main committees:

	Board (maximum: 5)	Audit Committee (maximum: 2)	Remuneration Committee (maximum:3)
Bjarne Aamodt (resigned on 11 November 2005)	3	1	–
Michael Butler	5	–	–
Sir Bryan Carsberg	5	2	3
Stephen Davidson	5	2	3
Admiral James Ellis Jr (Rtd)	5	–	3
Rick Medlock	5	2*	–
John Rennocks	5	2	–
Andrew Sukawaty	5	2*	3*

* Attendance by invitation only.
The Company Secretary attended all Board and committee meetings.

Directors' remuneration

Details of the Company's remuneration policy and Directors' remuneration are contained in the Directors' Remuneration Report on pages 31 to 38.

Relations with shareholders

The Company recognises the importance of communicating with its shareholders to ensure that its strategy and performance is understood and that it remains accountable to shareholders. The Board as a whole is responsible for ensuring that a satisfactory dialogue with shareholders takes place, while the Chairman and Chief Executive Officer ensures that the views of shareholders are communicated to the Board as a whole. The Board ensures that the Company's strategic plans have been carefully reviewed in terms of their ability to deliver long-term shareholder value. An interim statement and a fully audited Annual Report are sent to shareholders and posted on the Company's website. Presentations made to institutional investors are also available on the Company's website.

In connection with and following its listing, the Company has given investor roadshows in the UK and overseas and presentations were made after publication of the interim results. The Chairman and Chief Executive Officer meets shareholders regularly with the Chief Financial Officer and the Senior Independent Director, John Rennocks, is available to shareholders if they have concerns which cannot be resolved through the normal channels or such concerns have not been resolved. The Board is aware that institutional shareholders may be in more regular contact with the Company than other shareholders, but care is exercised to ensure that any price-sensitive information is released to all shareholders, institutional and private, at the same time in accordance with the Financial Services Authority requirements.

Shareholders are welcome at the Company's Annual General Meeting (AGM) where they will have an opportunity to meet the Board. The chairmen of the Audit Committee and the Remuneration Committee, together with as many Directors as possible, will attend the AGM and be available to answer shareholders' questions. Voting may be by form of proxy, by poll, by show of hands or a combination of all three. The voting results will be notified to the UK Listing Authority through a Regulatory Information Service immediately after the meeting and will be published on the Company's website.

Following the financial year-end, the Company has appointed Lehman Brothers International as its joint corporate broker and they will work closely with the Company's existing broker, JPMorgan Cazenove Limited

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

Internal controls

The Board confirms that the procedures necessary to implement the guidance set out in the 'Internal Control: Guidance for Directors on the Combined Code' produced by the Turnbull working party have been established. The Board acknowledges its responsibility for establishing and maintaining the Group's system of internal controls and it receives regular reports from management identifying, evaluating and managing the risks within the business. The system of internal controls is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board and the Audit Committee have carried out a review of the effectiveness of the Group's system of internal controls during the year ended 31 December 2005 and for the period up to the date of approval of the financial statements. Any necessary action has been (or is being) taken to remedy any significant failings or weaknesses identified from the review.

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

Risk management: the Group's management operates a risk management process to identify, evaluate and report significant risks within the business and to report to the Board on how those risks are being managed. Risks are highlighted through a number of different reviews and culminate in a risk register, monitored by the internal risk management team, which identifies the risk area, the probability of the risk occurring, the impact if it does occur and the actions being taken to manage the risk to the desired level. The risk register is provided monthly to the management team and quarterly to the Board and to the Audit Committee.

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

Financial reporting: monthly management accounts provide relevant, reliable, up-to-date financial and non-financial information to management and the Board. Annual plans, forecasts and performance targets allow management to monitor the key business and financial activities and the progress towards achieving the financial objectives. The annual budget is approved by the Board. The Group reports half-yearly to shareholders based on a standardised reporting process. Quarterly reports for U.S. reporting purposes are issued for two of the Company's subsidiaries.

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

The Board recognises its obligations as a result of two of the Group's wholly-owned subsidiaries being foreign registrants under the U.S. Securities and Exchange Commission, including the requirement to comply with the Sarbanes-Oxley Act of 2002. A Disclosure Committee was established in April 2005 to evaluate the effectiveness of the Group's disclosure controls and procedures.

Going concern

After due consideration, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Corporate Social Responsibility

The Board recognises the growing awareness of social, environmental and ethical matters and it endeavours to take into account the interests of the Group's stakeholders, including its investors, employees, suppliers and business partners, when operating the business. Through the embedded risk management process within the Group, significant social, environmental and ethical matters are brought to the attention of the Board.

Code of conduct

The Group maintains and requires the highest ethical standards in carrying out its business activities and has specific guidelines for dealing with gifts, hospitality, corruption, fraud, the use of inside information and whistleblowing.

The Company has complied with the requirements of the Sarbanes-Oxley Act 2002 to adopt a Code of Ethics which states that the Group expects its Directors, officers and employees to conduct business in accordance with the highest standards of personal and professional integrity. The Code of Ethics is published on the Company's website.

Employment

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

The Company operates a staff forum made up of the executive management team and elected employee representatives. It meets frequently during the year to brief staff on business performance and to discuss the corporate environment. It also meets when the input of the staff is required on business issues, which includes statutory consultation under prevailing legislation when appropriate.

The Chief Operating Officer has been identified as the Board Director having responsibility for health and safety issues. 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 its visitors and sub-contractors. Regular health and safety audits are undertaken at the Group's main operating sites.

Environment

By their nature, the Group's regular operations are judged to have a low environmental impact and are not expected to give rise to any significant, inherent environmental risks over the next 12 months.

As a wholesaler of airtime, the Company does not manufacture satellite user terminals; however, the terminals are developed by manufacturers who provide health and safety guidance as to how terminals should be utilised.

The Company operates two Satellite Access Stations where there are satellite dishes which generate radiation. Access to these sites is restricted and there are regular health-and-safety checks to ensure that they are in protected areas away from access by the general public. Personnel who work at these sites are provided with relevant training as to the health and safety issues at these sites.

The Group has adopted the highest industry standards in terms of space debris mitigation and including end-of-life graveyard manoeuvre plans for the disposal of satellites when they reach the end of their commercial life. The first disposal of one of our satellites is planned during 2006. Controls are in place to ensure that antennas do not radiate any power at low elevation angles.

Community

Safety at sea remains a primary commitment for the Group. The Group's Global Maritime Distress and Safety System (GMDSS) service gives maritime users complete confidence that if they send a distress call, it will be received by a rescue authority.

The Group continues its commitment to the support of Télécoms Sans Frontières (TSF), the telecommunications relief aid organisation. It has supported the charity for more than five years through direct funding and the provision of free satellite terminals. TSF is able to reach disaster areas quickly and helps other charities with their communication needs while also providing the opportunity for those affected to call relatives.

In addition, the Company's Universal Service Obligations seek to support the use of Inmarsat services in rural and remote regions of the world, where terrestrial voice services are poor or non-existent. These services take the form generally of payphones in rural villages, for example in India and Australia.

The Company continues to fund the Inmarsat Chair of Maritime Education and Training at the World Maritime University to support the education of maritime specialists. We encourage internships with universities to provide students with the opportunity to experience first-hand the engineering and technical aspects of our satellite operations. During the year, Inmarsat formalised its ongoing support for the International Space University by funding two half scholarships in its Masters Programme for deserving students.

The Group encourages its UK based staff to support individual charities of their choice through the Inland Revenue-approved Give As You Earn scheme. The payroll-based scheme enables employees to gain tax relief on their charitable donations.

Directors' Remuneration Report

In preparing this report, the Board has followed the requirements of the revised Combined Code (the Code) published by the Financial Reporting Council (FRC) in July 2003. This report complies with the Companies Act 1985, as amended by the Directors' Remuneration Report Regulations 2002 and the Listing Rules of the Financial Services Authority. Shareholders will be invited to vote to approve the Directors' Remuneration Report at the forthcoming Annual General Meeting.

Composition of the Remuneration Committee

The Board has an established Remuneration Committee. The Remuneration Committee comprises Stephen Davidson (Chairman), Sir Bryan Carsberg and Admiral James Ellis Jr (Rtd), all of whom are considered to be independent, non-executive Directors of the Company.

Remuneration policy

The Company's policy on remuneration for the current year and, so far as is practicable, for subsequent years is set out below. However, the Remuneration Committee believes that it should retain the flexibility to adjust the remuneration policy in accordance with the changing needs of the business. All statements in this report in relation to remuneration policy for subsequent years should be read in conjunction with this paragraph. Any changes in policy for subsequent years will be detailed in future reports on remuneration.

The Group must ensure that its remuneration arrangements attract and retain people of the right calibre in order to ensure corporate success and to enhance shareholder value. Its overall approach is to attract, develop, motivate and retain talented people at all levels, by paying competitive salaries and benefits to all its staff and encouraging its staff to hold shares in the Company.

Pay levels are set to take account of contribution, wage levels elsewhere in the Company and with reference to relevant market information. The Company seeks to reward its employees fairly and give them the opportunity to increase their earnings by linking pay to achieving business and individual performance targets.

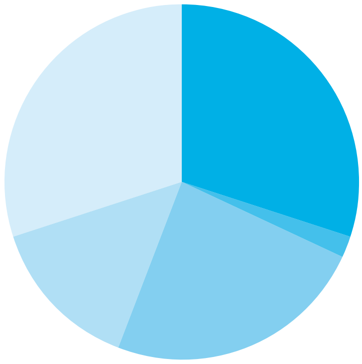
The Board believes that share ownership is an effective way of strengthening employees' involvement in the development of the business and bringing together their interests and those of shareholders. Employees have the opportunity to participate in a range of share and share option plans, details of which are provided on pages 36 and 37.

Executive Directors are rewarded on the basis of individual responsibility, competence and contribution, and salary increases also take into account pay awards made elsewhere in the Group as well as external market benchmarking. There are three executive Directors on the Board; Andrew Sukawaty (Chairman and Chief Executive Officer), Rick Medlock (Chief Financial Officer) and Michael Butler (Chief Operating Officer).

Performance-related elements form a substantial part of the total remuneration package, and are designed to align Directors' interests with those of shareholders. In line with best practice and to bring Directors' and shareholders' interests further into line, executive Directors and the management team are encouraged to maintain a holding of ordinary shares in the Company with a value of at least one times salary.

The Remuneration Committee believes that there is an appropriate balance between fixed and variable remuneration, which have various stretching financial targets. The chart below demonstrates the balance for the executive Directors' annual total reward opportunity for the year ended 31 December 2005:

Executive Directors' annual total reward opportunity 2005



Fixed remuneration:
- Basic salary
- Benefits (including pensions)

Performance compensation is calculated as:
- 2005 bonus paid in February 2006
- Face value of Inmarsat 2005 Bonus Share Plan awards
- Face value of Inmarsat 2005 Performance Share Plan awards

It is the Remuneration Committee's policy to ensure that remuneration arrangements continue to be in line with best practice and the interests of shareholders. Due to the competitive remuneration of the telecommunication and satellite markets, overall compensation levels generally rank in the upper quartile of survey data. Overall reward levels depend on the achievement of challenging corporate and individual performance targets, ensuring continued close alignment between executive reward and enhanced shareholder value.

Advisors

The Remuneration Committee is advised internally by the Chairman and Chief Executive Officer, the Chief Financial Officer, the Vice President responsible for human resources and the Company Secretary. The Remuneration Committee has also appointed Deloitte & Touche LLP (Deloitte) as its advisor and has access to additional, external advice as required. During 2005, external advice was sought principally from Clifford Chance LLP and Deloitte on the ongoing operation of employee and executive share plans and from Deloitte, on executive Director remuneration. The Company participated in various remuneration benchmarking surveys which use data from companies in different sectors, including telecommunications and satellite communications, provided by Insite Hi Tech Survey, Computer Economics Survey, Remuneration Economics Survey

Directors' Remuneration Report

and Watson Wyatt Telecoms Survey. Deloitte also provides advice to the Company in relation to tax issues. The Remuneration Committee considers that the provision of these additional services by Deloitte does not undermine the objectivity of Deloitte's advice.

Non-executive Directors' fees

Fees for non-executive Directors are determined by the Board annually, taking advice as appropriate and reflecting the time commitment and responsibilities of the role. Non-executive Directors' fees currently comprise a basic fee of £40,000 per annum plus additional fees of £5,000 per annum for each committee chairmanship and £2,500 per annum for each committee membership.

The Deputy Chairman and Senior Independent Director receives a basic fee of £75,000 per annum which includes fees for any committee membership plus a fee of £5,000 per annum for chairmanship of the Audit Committee.

Admiral James Ellis Jr (Rtd) also receives a fee in respect of his directorship of Inmarsat Inc which is disclosed on page 35.

Non-executive Directors do not participate in any annual bonus, nor in the pension scheme, healthcare arrangements nor in any of the Company's long-term incentive plans. The Company repays the reasonable expenses they incur in carrying out their duties as Directors.

Non-executive Directors do not have service contracts but instead, have letters of appointment. Details of their terms of appointment are given in the statement on corporate governance on page 26.

Aggregate remuneration paid to the management team

The aggregate remuneration of the management team (including executive Directors) for services in all capacities during the 2005 financial year was US$7.8 million.

Executive directors

Service agreements

Mr Sukawaty has a service agreement dated 17 June 2005; Mr Medlock has a service agreement dated 17 June 2005; and Mr Butler has a service agreement dated 17 June 2005.

The employment of each of the executive Directors is for an indefinite period and continues until either party terminates it. Either party may terminate the employment by giving to the other not less than 12 months' written notice.

Mr Sukawaty's appointment may be terminated with immediate effect on payment of money in lieu of notice. This payment will be a sum equal to 12 months' basic salary and the value of all contractual benefits including bonus (if payable). If termination is without notice or payment in lieu of notice (other than for the reasons listed below), Mr Sukawaty will be entitled to claim for loss of 12 months' basic salary, salary supplement, pension contributions, benefits and bonus (if any) by way of damages. No payment in lieu of notice need be given in the event of gross misconduct (that is serious negligence or breach of certain contractual terms).

In the event of early termination of Mr Butler's and Mr Medlock's contracts, the Company has no right to make payments in lieu of notice and Mr Butler and Mr Medlock would be entitled to claim for loss of 12 months' basic salary, pension contributions, benefits and bonus (if any) by way of damages. No notice need be given, and no compensation would be payable, in the event of gross misconduct (that is serious negligence or breach of certain contractual terms) by Mr Butler or Mr Medlock.

As and when new service agreements are entered into with executive Directors in the future, the Company will include an obligation on the Directors to mitigate any loss.

Main elements of executive Directors' remuneration

Fixed remuneration

Basic salary and benefits

Basic salary is set by the Remuneration Committee by taking into account the responsibilities, individual performance and experience of the executive Directors, as well as the market practice for executives in a similar position. Basic salary is reviewed (but not necessarily increased) annually by the Remuneration Committee and adjustments will occur if necessary in relation to market practice and after a formal appraisal of performance.

As at 31 December 2005, the annual salaries for Mr Sukawaty, Mr Medlock and Mr Butler were £375,000, £260,000 and £260,000, respectively.

Benefits include directors' and officers' liability insurance, private medical insurance, permanent disability insurance, life assurance, and for two of the executive Directors, cash payments in lieu of a company car. The benefits are non-pensionable.

Pensions

The executive Directors are the only Directors accruing benefits in the Group's defined contribution pension plans. Pensionable salary is limited to basic salary, excluding all bonuses and other benefits, up to the Inland Revenue earnings cap (currently £105,600). Following the removal of the requirement to have an Inland Revenue earnings cap in April 2006, a scheme specific cap will be in place which will operate in the same way as the previous Inland Revenue earnings cap. Mr Medlock and Mr Butler are members of the pension plan for employees who will draw a UK pension; Mr Sukawaty is a member of the U.S. 401k plan. Mr Sukawaty is also entitled to an annual salary supplement in lieu of the employer pension contribution. The salary supplement is equal to 12.5% of the difference between Mr Sukawaty's basic salary and the U.S. Internal Revenue Service capped basic salary. The current employer contributions (subject to the Inland Revenue and U.S. Internal Revenue Service earnings cap as appropriate) are:

Mr Sukawaty	12.5% salary
Mr Medlock	10% salary
Mr Butler	10% salary

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

Variable remuneration

Annual bonus

The executive Directors are paid a bonus upon achievement of challenging objectives linked to Group financial and operational performance. Group performance targets represent 80% weighting and personal performance targets represent 20% weighting. These weightings will also be used for the financial year to 31 December 2006. The objectives for each of the executive Directors are set by the Remuneration Committee at the start of each financial year.

For Mr Sukawaty, the target level of bonus is 75% of basic salary, which may be increased subject to actual individual and corporate performance to a maximum of 100% of basic salary. For Mr Medlock and Mr Butler, the target level of bonus is 50% of basic salary which may be increased subject to actual individual and corporate performance to a maximum of 75% of basic salary. The executive Directors may also participate in the Bonus Share Plan which is detailed below.

The Remuneration Committee approves the bonus payment for all of the executive Directors, dependent upon the achievement of objectives. For the financial year to 31 December 2005, the Remuneration Committee concluded that the key Group performance targets for the executive Directors should focus on revenue growth, operating expenditure containment, management of capital expenditure and EBITDA growth. Revenue, operating expenditure and EBITDA growth are the key areas of focus for the financial year to 31 December 2006.

Bonuses are not pensionable. Details of the actual cash annual bonuses payable in respect of the year ended 31 December 2005 are provided on page 35.

Share incentives

In preparation for becoming a listed company, the following new share incentive plans were approved by the Board:

- Inmarsat 2005 Bonus Share Plan (the BSP)
- Inmarsat 2005 Performance Share Plan (the PSP)
- Inmarsat 2005 Restricted Share Scheme (the RSS)
- Inmarsat 2005 Executive Share Option Scheme (the Executive Scheme)

An overview of these plans is provided below with details of any awards made under each plan to date. The current intention is that only the PSP and BSP will be operated, with the other schemes being operated in the future if and when the Remuneration Committee considers this to be appropriate.

The Board also adopted the Inmarsat 2005 Sharesave Scheme (the Sharesave Scheme), the Inmarsat 2005 International Sharesave Scheme and the Inmarsat 2005 Share Incentive Plan (the SIP) prior to the IPO. Details of these schemes are provided on pages 36 and 37. The executive Directors are eligible to participate in the Sharesave Scheme and the Share Incentive Plan.

Inmarsat 2005 Bonus Share Plan (the BSP)

The BSP provides the means by which a part of an employee's annual bonus can be delivered in the form of shares, or their equivalent. It is anticipated that only executive Directors or selected senior management will initially participate in the BSP.

A bonus award of shares may be made under the BSP in addition to a participant's cash bonus. If a portion of a participant's cash bonus is deferred into shares under the BSP, a matching award up to the value of 50% of an individual's maximum bonus opportunity may also be made, which would vest after three years subject to the attainment of performance conditions determined by the Remuneration Committee. Matching awards were not made under the BSP in 2005.

For the bonus award, the Remuneration Committee sets the annual performance targets in respect of the financial year relating to the award. The maximum combined award a participant may receive under the annual cash bonus plan and the bonus award is currently 200% of salary, except in special circumstances, and no more than 100% of salary can be received in the form of cash. Bonus awards may normally be exercised according to a vesting schedule set by the Remuneration Committee. The Remuneration Committee can determine how dividends paid during the vesting period shall be awarded to participants.

The first award under the BSP was made to the executive Directors and certain members of management in May 2005, as a bonus award, and was conditional upon the IPO occurring. The value of the bonus award is based on a percentage of the target bonus for each individual being achieved for the 2005 financial year. The allocation of shares has been made based upon the mid-market closing price of the Company's ordinary shares following the announcement of the 2005 Preliminary Results on 9 March 2006. The annual performance targets relating to revenue, operating expenditure, management of capital expenditure and EBITDA performance for the year ended 31 December 2005 were achieved in full and therefore the maximum bonus awards were made to participating employees. The bonus awards to the executive Directors, based on a monetary value of 75% of their target bonus, are detailed on page 37.

Inmarsat 2005 Performance Share Plan (the PSP)

The PSP provides for the award of shares, which vest based on corporate performance measured over a three-year period. The PSP is intended for the participation of executive Directors and certain members of senior management. The maximum number of shares subject to an award to an individual in any financial year will generally be equal to 100% of annual basic salary as at the award date (other than in exceptional circumstances, such as on recruitment where larger awards of up to 200% of annual basic salary may be made).

The Remuneration Committee has the discretion to increase the size of a participant's award to reflect the value of reinvested dividends that are paid during the vesting period. This may be paid as either cash or shares.

Directors' Remuneration Report

The first awards were made to the executive Directors and certain members of management as an allocation in May 2005, conditional upon the IPO occurring, and the number of shares allocated was based upon the conditional IPO listing price of £2.45 per share. The Remuneration Committee determined that the awards for the executive Directors would be equivalent to 100% of basic salary. Details of the awards are provided on page 37.

The performance conditions applicable to the first award will be determined by reference to the Company's relative Total Shareholder Return (TSR) performance against companies within the FTSE 350 index, excluding investment trusts, and the Company's EBITDA performance.

For the performance conditions to be met in full and 100% of the award to vest at the end of the three-year period, the Company's relative performance against the TSR must be in the upper quartile and there must also be EBITDA growth at or above 7% per annum. If the relative TSR performance is below the median level or the EBITDA growth is less than 5% per annum, none of the shares will vest. 30% of the award will vest for median TSR performance and EBITDA growth of 5% per annum target. There is pro-rata vesting of shares between median TSR performance and a minimum EBITDA growth of 5% per annum target and upper quartile TSR performance and EBITDA growth of 7% per annum. The parameters of the performance measure should not be construed as providing any view on the future performance of the Company.

	Annualised EBITDA growth			
Vesting Fractions	Below 5%	At 5%	5% to 7%	At or above 7%
Relative TSR performance				
Upper quartile	No vesting	75%	Pro-rata	100%
Median to upper quartile	No vesting	Pro-rata	Pro-rata	Pro-rata
Median	No vesting	30%	Pro-rata	75%
Below median	No vesting	No vesting	No vesting	No vesting

The Remuneration Committee believes that the constituents of the FTSE 350 index will provide a meaningful and sufficiently stretching comparator group against which to measure Company performance, given the lack of direct comparators. Growth in EBITDA was selected to reflect the Company's underlying financial performance, given the significant capital investment made by the Company.

There are no provisions for the re-testing of performance under the PSP.

It is intended that future awards under the PSP will be made. The vesting schedule, performance conditions and comparator group for future awards will be determined at the time but will be stretching.

Inmarsat 2005 Restricted Share Scheme (the RSS)
The RSS is intended for the participation of executive Directors and certain members of management. The RSS provides for the award of shares to a participant, which will vest after three years subject to continued employment.

The RSS was not operated during the financial year to 31 December 2005. It is not currently anticipated that the RSS will be operated in the near term but the Board wishes to retain the flexibility to operate the RSS in the future if circumstances make it appropriate to do so.

Inmarsat 2005 Executive Share Option Scheme (the Executive Scheme)
Under the Executive Scheme, participants may be granted market value options. The Executive Scheme has three parts:

- HM Revenue and Customs approved part which will have performance conditions which must be satisfied before the options become exercisable;
- an unapproved part which will also have performance conditions; and
- a part to be used to grant options on an all-employee basis, without performance conditions attached.

The Executive Scheme was not operated during the financial year to 31 December 2005. It is not currently anticipated that the Executive Scheme will be operated in the near term but the Board wishes to retain the flexibility to operate the Executive Scheme in the future if circumstances make it appropriate to do so.

Directors' remuneration

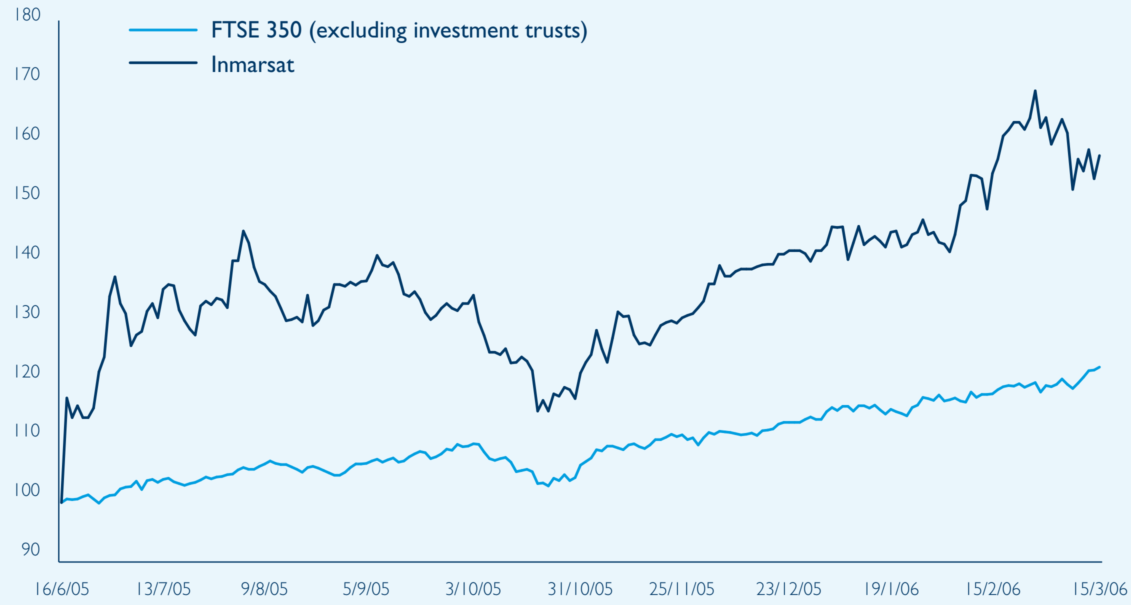
Audited information on the remuneration of each Director during the year is detailed below:

(US$000)	Salaries/Fees 2005	Salaries/Fees 2004	Bonus 2005	Bonus 2004	Compensation for loss of office 2004	Benefits 2005	Benefits 2004	Total 2005	Total 2004	Pension 2005	Pension 2004
Executive Directors											
Michael Butler	456	380	354	298	–	9	9	819	687	19	15
Ramin Khadem (resigned 30 July 2004)	–	247	–	–	1,344	–	30	–	1,621	–	61
Rick Medlock (appointed 27 September 2004)	436	91	256	213	–	19	7	711	311	19	4
Michael Storey (resigned 5 March 2004)	–	89	–	–	1,371	–	9	–	1,469	–	12
Andrew Sukawaty	570	356	673	387	–	32	21	1,275	764	70	33
Non-executive Directors											
Bjarne Aamodt (resigned 11 November 2005)	–	–	–	–	–	–	–	–	–	–	–
Sir Bryan Carsberg (appointed 22 June 2005)	42	–	–	–	–	–	–	42	–	–	–
Stephen Davidson (appointed 22 June 2005)	44	–	–	–	–	–	–	44	–	–	–
Admiral James Ellis Jr (Rtd) (appointed 22 June 2005)	84	–	–	–	–	–	–	84	–	–	–
David Preiss (resigned 31 May 2005)	–	–	–	–	–	–	–	–	–	–	–
John Rennocks (appointed 4 January 2005)	114	–	–	–	–	–	–	114	–	–	–
Richard Wilson (resigned 31 May 2005)	–	–	–	–	–	–	–	–	–	–	–
Graham Wrigley (resigned 31 May 2005)	–	–	–	–	–	–	–	–	–	–	–
	1,746	1,163	1,283	898	2,715	60	76	3,089	4,852	108	125

Notes:
1. £:US$ exchange rate used was 1:1.77 for 2005 and 1:1.49 for 2004.
2. The pension for Andrew Sukawaty includes an annual salary supplement in lieu of employer pension contribution.
3. Richard Wilson, Bjarne Aamodt, David Preiss and Graham Wrigley were not paid any Directors' fees for the years ended 31 December 2004 or 31 December 2005.
4. From November 2004 until his appointment as a Director of the Company, Admiral James Ellis Jr (Rtd) received remuneration and expenses as an advisor to the Board totalling approximately US$67,000.
5. From his date of appointment to 31 December 2005, the fee for Admiral James Ellis Jr (Rtd) included US$42,054 as a director of Inmarsat Inc, a wholly-owned subsidiary in the U.S.
6. Upon the IPO, each of Sir Bryan Carsberg, Stephen Davidson and Admiral James Ellis Jr (Rtd) purchased ordinary shares in the Company at a discount-to-market value equalling US$70,793 each and John Rennocks purchased ordinary shares at a discount-to-market value equalling US$132,729.

Directors' Remuneration Report

Performance graph
The performance graph below illustrates the total shareholder return delivered by the Group since the IPO, in comparison with the FTSE 350 Index (excluding investment trusts). The Directors currently believe that this index is the most suitable benchmark for comparison purposes as an appropriate industry specific index does not exist. The Directors will consider in the future if there is a large enough number of individual comparator companies which may also form an additional comparator group.



Employee share option plans
Employees have the opportunity to participate in a range of share and share option plans as detailed below.

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

In any ten-year period, the number of shares which may be issued or placed under option under any executive share plan established by the Company, may not exceed 5% of the issued ordinary share capital of the Company from time to time. In any ten-year period, the number of shares which may be issued or placed under option, under any all employee share plan established by the Company, may not exceed 10% of the issued ordinary share capital of the Company from time to time.

Options and awards granted before the IPO (whether or not conditional upon the IPO) are not counted towards the above limits.

Inmarsat 2004 Staff Value Participation Plan (the 2004 Plan)
In November 2004, the Company adopted the 2004 Plan. 280,800 A ordinary shares were available to be granted under the 2004 Plan to any Director or employee of the Group. As part of the IPO, the A ordinary shares were converted following a 1 for 20 share split into ordinary shares. Options under the 2004 Plan vested or will vest as follows: (i) 25% granted and held by option holders vested and were exercisable from 18 July 2005; (ii) half of the remaining options granted and held by option holders vested and were exercisable from 9 March 2006, being the date on which the Preliminary Results for the 2005 financial year were published; and (iii) all remaining options granted under the 2004 Plan and held by option holders will vest and become exercisable from 1 December 2006. Whenever options are exercised under the 2004 Plan, the holder must pay a de minimis charge of €1. The options expire ten years from the date of grant.

Following the exercise of options granted under the 2004 Plan, shares are transferred to the option holders from the Inmarsat Employees' Share Ownership Plan Trust (resident in Guernsey). No new shares are issued to satisfy the exercise of these options.

No executive Director or member of management participated in the 2004 Plan.

Inmarsat 2005 Sharesave Scheme (the Sharesave Scheme)
The first grant under the Sharesave Scheme was made in July 2005. The Sharesave Scheme is a HM Revenue and Customs approved scheme open to all UK permanent employees, including executive Directors. The maximum that can be saved each month is £250 and savings plus interest may be used to acquire shares by exercising the related option. The options have been granted at a 20% discount to market value. Participants save under a three year savings contract. All of the executive Directors and certain members of management participated in the first invitation under the Sharesave Scheme.

Inmarsat 2005 International Sharesave Scheme
The first grant under the International Sharesave Scheme was made in October 2005. The International Sharesave Scheme is open to eligible employees based overseas who do not pay UK PAYE. The International Sharesave Scheme was established to replicate the UK approved Sharesave Scheme as closely as possible.

Details of the outstanding options granted to employees as at 31 December 2005 are shown in note 25 to the financial statements.

Inmarsat 2005 Share Incentive Plan (the SIP)
An award under the SIP will be made in April 2006. The SIP is a HM Revenue and Customs approved plan open to all UK permanent employees and operates in conjunction with a UK tax-resident trust which holds shares on behalf of participating employees. Under the SIP, the Company can award 'Free Shares' (up to a maximum value of £3,000) to employees. Employees can also acquire 'Partnership Shares' from their salary up to a maximum of £1,500 per annum and the Company will match this with up to two free 'Matching Shares' per Partnership Share (equivalent to a maximum value of £3,000 per annum).

Arrangements have been put in place for eligible overseas employees to replicate the UK approved SIP as closely as possible. Additional arrangements have also been put in place for employees to acquire shares over the capped amounts permitted under the approved SIP.

The maximum value of shares to be acquired will not exceed 10% of any employee's gross salary. No executive Director or member of management has applied to participate in the SIP or equivalent overseas arrangements.

Directors' share options and share awards

Audited information in respect of share options and share awards held by the executive Directors of the Company during the year to 31 December 2005 is set out below. No other Director has received share options.

Inmarsat 2005 Sharesave Scheme

Director	Options held at 1 January 2005	Granted during the year	Exercised during the year	Options held at 31 December 2005	Exercise price	Date from which exercisable	Expiry date
Michael Butler	Nil	4,229	Nil	4,229	£2.24	1 September 2008	March 2009
Rick Medlock	Nil	4,229	Nil	4,229	£2.24	1 September 2008	March 2009
Andrew Sukawaty	Nil	4,229	Nil	4,229	£2.24	1 September 2008	March 2009

Share Incentive Schemes

Director	Share awards held at 1 January 2005	Awarded during the year	Vested during the year	Share awards held at 31 December 2005	Award price	Vesting date
Michael Butler(a)(b)	Nil	106,123	Nil	106,123	£2.45	31 May 2008
	Nil	25,456	Nil	25,456	£3.83	9 March 2007
						9 March 2008
						9 March 2009
Rick Medlock(a)(b)	Nil	106,123	Nil	106,123	£2.45	31 May 2008
	Nil	25,456	Nil	25,456	£3.83	9 March 2007
						9 March 2008
						9 March 2009
Andrew Sukawaty(a)(b)	Nil	153,062	Nil	153,062	£2.45	31 May 2008
	Nil	55,075	Nil	55,075	£3.38	9 March 2007
						9 March 2008
						9 March 2009

(a) Inmarsat 2005 Performance Share Plan
(b) Inmarsat 2005 Bonus Share Plan
* The shares were allocated in March 2006 using a share price of £3.83 based upon a monetary value determined during the 2005 financial year.
* The shares will vest in three equal instalments in March 2007, 2008 and 2009.

Directors' Remuneration Report

The market value of the ordinary shares for the period from the IPO to 31 December 2005 ranged from 245p to 357p and the share price at 31 December 2005 was 345.5p.

Directors' interests

The interests of the Directors of the Company in office at the end of the year and their interests in the share capital of the Company as at 17 March 2006 and their connected persons are shown below. The Register of Directors' Interests (which is open to shareholders' inspection) contains full details of Directors' shareholdings and options to subscribe for shares.

	Interest in ordinary shares of €0.0005 each			Interest in A ordinary shares of €0.01 each
	As at 17 March 2006	As at 31 December 2005	As at 22 June 2005	As at 31 December 2004*
Executive Directors				
Michael Butler	1,400,000	2,186,057	2,430,000	121,500
Rick Medlock	2,161,163	2,438,163	2,430,000	121,500
Andrew Sukawaty	3,886,505	4,857,905	5,400,000	270,000
Non-executive Directors				
Sir Bryan Carsberg	16,327	16,327	16,327	–
Stephen Davidson	16,327	16,327	16,327	–
Admiral James Ellis Jr (Rtd)	16,327	16,327	16,327	–
John Rennocks	33,104	33,104	33,104	230

* Or at date of appointment, if later.

Notes:

1. As part of the IPO, the various classes of ordinary shares of €0.01 each were converted, following a 1 for 20 share split, into one new class of ordinary shares of €0.0005 each.
2. The executive Directors are not able to sell 50% of their shareholding in place following the IPO until 1 December 2006 under the terms of an agreement entered into at the time of the IPO.
3. The non-executive Directors have all agreed not to sell any of their shares for a period of one year since their acquisition at the time of the IPO, unless there would be a need to sell a portion to cover a tax liability in connection with the acquisition of the shares.
4. As at 17 March 2006, the executive Directors are also deemed to have a beneficial interest in 3,274,692 ordinary shares held by the Inmarsat Employees' Share Ownership Plan Trust simply by virtue of being within the class of beneficiaries of the Trust.
5. No right to subscribe for shares in the Company or any body corporate in the same Group was granted to, or exercised by, any Director or a member of a Director's immediate family during the financial year.

Approved by the Board

Stephen Davidson
Chairman, Remuneration Committee
17 March 2006

Independent Auditors' Report to the Members of Inmarsat plc

We have audited the consolidated financial statements of Inmarsat plc for the year ended 31 December 2005 which comprise the Consolidated Income Statement, the Consolidated statement of recognised income and expense, the Consolidated balance sheet, the Consolidated cash flow statement and the related notes. These consolidated financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of Inmarsat plc for the year ended 31 December 2005 and on the information in the Directors' Remuneration Report that is described as having been audited.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Annual Report and the consolidated financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the consolidated financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the consolidated financial statements give a true and fair view and whether the consolidated financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you if, in our opinion, the Directors' Report is not consistent with the Group financial statements, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited consolidated financial statements. The other information comprises only the Directors' Report, the Chairman and Chief Executive's Review, the Review of Operations, the Financial Review, the Statement on Corporate Governance and the Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the consolidated financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the consolidated financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the consolidated financial statements, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the consolidated financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the consolidated financial statements.

Opinion

In our opinion:
- the consolidated financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2005 and of its profit and cash flows for the year then ended; and
- the consolidated financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
17 March 2006

Consolidated Income Statement

(US$ in millions)	Note	2005	2004 (restated)
Revenue		**491.1**	480.7
Employee benefit costs	7	**(97.0)**	(87.2)
Network and satellite operations costs		**(38.8)**	(50.0)
Other operating costs	8	**(63.4)**	(67.6)
Work performed by the Group and capitalised		**25.2**	25.8
EBITDA		**317.1**	301.7
Losses on termination of subsidiary undertakings	6	**(1.1)**	–
Gain on disposal of property	6	**–**	42.6
Depreciation and amortisation	6	**(106.5)**	(124.1)
Operating profit		**209.5**	220.2
Interest receivable and similar income	10	**49.8**	4.0
Interest payable and similar charges	10	**(163.8)**	(199.3)
Net interest payable	10	**(114.0)**	(195.3)
Profit before income tax		**95.5**	24.9
Income tax expense	11	**(31.1)**	(5.8)
Profit for the year		**64.4**	19.1
Dividends	13	**(24.7)**	–
Retained profit for the year		**39.7**	19.1
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in US$ per share)			
— Basic	27	**0.17**	0.06
— Diluted	27	**0.17**	0.06

Consolidated Statement of Recognised Income and Expense

(US$ in millions)	Note	2005	2004 (restated)
Profit for the year		**64.4**	19.1
Actuarial losses from pension and post retirement healthcare benefits	26	**(8.7)**	(5.7)
Deferred tax on actuarial losses from pension and post-retirement heathcare benefits	26	**2.6**	1.7
Movement in cash flow hedge reserve	26	**(15.6)**	–
Movement in cumulative translation reserve	26	**(0.8)**	8.0
Total recognised income for the year		**41.9**	23.1

Consolidated Balance Sheet

(US$ in millions)	Note	As at 31 December 2005	As at 31 December 2004 (as restated)
Assets			
Non-current assets			
Property, plant and equipment	14	**1,319.1**	1,147.9
Intangible assets	15	**524.5**	508.1
		1,843.6	1,656.0
Current assets			
Cash and cash equivalents	16	**35.3**	233.0
Short-term deposits		**–**	151.7
Trade and other receivables	17	**143.3**	156.7
Inventories	18	**0.3**	1.2
Derivative financial instruments	30	**2.3**	–
		181.2	542.6
Total assets		**2,024.8**	2,198.6
Liabilities			
Current liabilities			
Trade and other payables	19	**172.4**	113.2
Borrowings	20	**10.6**	37.2
Provisions	21	**0.4**	1.1
Current income tax liabilities	22	**23.1**	23.3
Derivative financial instruments	30	**3.6**	–
		210.1	174.8
Non-current liabilities			
Other payables	19	**33.8**	35.2
Borrowings	20	**908.9**	1,824.5
Provisions	21	**37.6**	29.5
Deferred income tax liabilities	22	**157.6**	136.1
Derivative financial instruments	30	**0.3**	–
		1,138.2	2,025.3
Total liabilities		**1,348.3**	2,200.1
Net assets/(liabilities)		**676.5**	(1.5)
Shareholders' equity			
Ordinary shares	24	**0.4**	0.3
Share premium	26	**672.3**	34.8
Other reserves	26	**8.7**	7.4
Accumulated losses	26	**(4.9)**	(44.0)
Total shareholders' equity		**676.5**	(1.5)

The consolidated financial statements of the Group on pages 40 to 80 were approved by the Board of Directors on 17 March 2006 and were signed on its behalf by:

Andrew Sukawaty
Chairman and Chief Executive Officer

Rick Medlock
Chief Financial Officer

Consolidated Cash Flow Statement

(US$ in millions)	Note	2005	2004
Cash flow from operating activities			
Cash generated from operations	23	**307.7**	275.9
Interest received		**10.4**	2.6
Income taxes (paid)/received		**(0.8)**	1.1
Net cash inflow from operating activities		**317.3**	279.6
Cash flow from investing activities			
Short-term deposits		**151.7**	(100.6)
Purchase of property, plant and equipment		**(201.9)**	(136.8)
Additions to capitalised development costs		**(2.4)**	(3.3)
Proceeds from disposal of property	6	**–**	125.1
Disposal of subsidiaries (net of transaction costs)	6	**9.4**	–
Transaction costs on acquisitions made in 2003		**–**	(34.9)
Net cash used in investing activities		**(43.2)**	(150.5)
Cash flow from financing activities			
Net proceeds from issue of ordinary shares		**637.5**	0.9
Net proceeds from new Senior Credit Facility		**244.4**	–
Repayments of previous Senior Credit Facilities		**(737.5)**	(427.5)
Arrangement costs of Senior Notes and Senior Discount Notes		**(0.8)**	(30.2)
(Repayment)/net proceeds from issuance of Senior Notes and Senior Discount Notes		**(177.1)**	781.1
Repayment of Subordinated Preference Certificates		**(334.8)**	(385.8)
Interest paid on finance leases		**(0.1)**	(0.2)
Interest paid on Senior Notes and Facilities		**(76.9)**	(67.9)
Dividends paid to shareholders	13	**(24.7)**	–
Principal payments under finance leases		**–**	(0.1)
Net cash used in financing activities		**(470.0)**	(129.7)
Foreign exchange adjustment		**(0.6)**	0.3
Net decrease in cash and cash equivalents		**(196.5)**	(0.3)
Movement in cash and cash equivalents			
At beginning of year		**231.6**	231.9
Net decrease in cash and cash equivalents		**(196.5)**	(0.3)
As reported on balance sheet (net of bank overdrafts)	16	**35.1**	231.6
At end of year, comprising			
Cash at bank and in hand	16	**1.6**	13.7
Short-term deposits with original maturity of less than 3 months	16	**33.7**	107.0
Restricted cash	16	**–**	112.3
Bank overdrafts	16	**(0.2)**	(1.4)
		35.1	231.6

Notes to the Consolidated Financial Statements

1.General information

The Company was reregistered as a public limited company and changed its name from Inmarsat Group Holdings Limited to Inmarsat plc on 27 May 2005. The Company is incorporated and domiciled in England and Wales. The address of its registered office is 99 City Road, London, EC1Y 1AX, United Kingdom.

The Company successfully listed as a public company on the London Stock Exchange on 22 June 2005 raising approximately US$670 million of gross primary proceeds on Admission with the issue of 150 million shares at a nominal value of €0.0005 and a price of £2.45 per share. The Company incurred approximately US$33 million of underwriting and other associated costs. The ticker symbol for Inmarsat on the London Stock Exchange is ISAT (LSE: ISAT).

2. Principal accounting policies

Basis of preparation

The principal accounting policies adopted in the preparation of the consolidated financial statements for the years ended 31 December 2005 and 2004 (the consolidated financial statements) are set out below.

The text below describes how, in preparing the financial statements, the Directors have applied International Financial Reporting Standards as adopted in the EU (IFRS) under the first-time adoption provisions set out in IFRS 1 and the assumptions they have made about the standards and interpretations effective and the policies adopted in the 2005 financial statements.

These financial statements have been prepared in accordance with IFRS and IFRIC interpretations and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention except for revaluation of certain financial assets and financial liabilities as described later in these accounting policies.

Basis of accounting

The preparation of the consolidated financial statements in conformity with IFRS requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the Balance Sheet dates and the reported amounts of revenue and expenses during the reported period.

Although these estimates are based on management's best estimate of the amount, event or actions, these results ultimately may differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

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

IFRS 1, 'First-time adoption of International Financial Reporting Standards' sets out the procedures that the Group must follow when it adopts IFRS for the first time as the basis for preparing its consolidated financial statements. The Group is required to establish accounting policies in line with the version of IFRS valid as at 31 December 2005 and, in general, apply these policies retrospectively to prepare the IFRS opening balance sheet assuming a transition date of 1 January 2004.

In the first year of adoption under IFRS, there are a number of exemptions from the retrospective application. The exemptions adopted by the Group include:

a. Business combinations that occurred before the opening IFRS balance sheet date (IFRS 3, 'Business Combinations')

The Group has not applied IFRS 3 retrospectively to business combinations that took place before the date of transition. As a result in the opening balance sheet for IFRS, the carrying amount of goodwill under UK GAAP, arising from past business combinations of US$402.9 million is deemed to be the cost of the asset on transition. The carrying amount of goodwill at 1 January 2004 under UK GAAP consisted of the original value of goodwill of US$403.5 million arising on the acquisition of Inmarsat Ventures Limited at 17 December 2003 less amoritsation of US$0.6 million for the financial year 2003.

b. Employee benefits–actuarial gains and losses (IAS 19, 'Employee benefits')

All cumulative actuarial gains and losses in relation to employee benefit schemes have been recognised by the Group at the date of transition. Actuarial gains and losses are recognised in the consolidated statement of recognised income and expense in accordance with the amendment to IAS 19 issued on 16 December 2004.

Notes to the Consolidated Financial Statements

c. Cumulative translation differences
The Group has applied the exemption which allows the cumulative translation difference to be set to zero at the date of transition for all foreign subsidiary undertakings.

As at 31 December 2004, the Group had not adopted the following standards or interpretations which under the provisions of IFRS1 do not need to be applied until financial years commencing on or after 1 January 2005. The Group adopted these standards as at 1 January 2005.

a. Financial instruments (IAS 39, 'Financial Instruments: Recognition and measurement' and IAS 32, 'Financial Instruments: Disclosure and Presentation')
The impact on the Group of IAS 39 and IAS 32 is to recognise the Group's interest rate swap and forward exchange contracts on the balance sheet at fair value.

b. Non-current assets held for sale (IFRS 5, 'Non-current assets held for sale and discontinued operations')
Under IFRS 5 the Group would have had to reclassify the Group's head office from land and buildings to non-current assets held for sale effective from July 2004 and the date the Company committed to sell the building and cease depreciating the asset from then until the effective date of the sale in November 2004. This would have resulted in a US$1.2 million decrease to depreciation and an equivalent decrease to the gain on disposal of property included in the consolidated Income Statement for the 2004 financial year.

c. International Financial Reporting Interpretations Committee Standards (IFRICs 2-9)
The Group has considered the potential impact of IFRIC's 2-9, and has decided not to adopt these standards.

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

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

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

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

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

Fees and similar incremental costs incurred directly in making an acquisition are included in the cost of the acquisition and capitalised. Internal costs, and other expenses that cannot be directly attributed to the acquisition, are charged to the Income Statement.

Comparatives
The Group previously disclosed foreign exchange gains and losses within 'employee benefit costs', 'network and satellite operations costs' and 'other operating costs'. Management believes that their inclusion as part of 'other operating costs', is a fairer representation of the Group's activities and, as a result, US$5.7 million of foreign exchange losses were reclassified to 'other operating costs' in the 2004 financial year.

The Group has reclassified the 2004 current and deferred income tax balances to reflect the treatment of pension and post-retirement benefits under IAS 19 'Employee Benefits'. The effect of this reclassification is to increase the current income tax liability as at 31 December 2004 by US$3.3 million, with a corresponding decrease in the deferred tax liability (consisting of a US$2.2 million adjustment to opening balances and US$1.1 million reclassification within the 2004 financial year tax charge between deferred and current tax). The impact on net assets is US$nil.

Restatements

The Group has restated the 2004 income tax expense to account for a US$4.2 million asset recorded incorrectly on interest deductions in the prior year. The effect of this restatement is to increase the total income tax expense by US$4.2 million, with a corresponding increase to the current tax liability of US$4.2 million for the 2004 financial year. The impact reduces net assets in the 2004 financial year from US$2.7 million to a net liability balance of US$1.5 million.

Foreign currency translation

a) Functional and presentation currency

The functional currency of the Company and most of the Group's subsidiaries and the presentation currency of the Group is the US dollar, as the majority of operational transactions are denominated in US dollars.

The exchange rate between US dollars and Pounds Sterling as at 31 December 2005 was US$1.72/£1.00 (2004: US$1.92/£1.00).

b) Transactions and balances

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

c) Group companies

The Group's interests in the underlying net assets of non US dollar subsidiary undertakings are translated into US dollars as follows:

i) assets and liabilities are translated at the year-end rate;
ii) transactions in the Income Statement are translated at average exchange rates; and
iii) all resulting differences on exchange are recognised in shareholders' equity.

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 either short-term deposits or cash and cash equivalents. They are stated at amortised cost using the effective-interest method, subject to reduction for allowances for estimated irrecoverable amounts. For interest-bearing assets, their carrying value includes accrued interest receivable. Cash and cash equivalents include cash in hand and bank time deposits, together with other short-term highly liquid investments. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts, which are included as current borrowings in liabilities on the balance sheet. Non-derivative financial liabilities are all classified as other liabilities and stated at amortised cost using the effective interest method. For borrowings, their carrying value includes accrued interest payable, as well as unamortised issue costs.

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 document the relationship between the hedged item and the hedging instrument and demonstrate that the hedge will be highly effective on an ongoing basis. This effectiveness testing is reperformed at each period end to ensure that the hedge remains highly effective.

Notes to the Consolidated Financial Statements

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

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

Revenue recognition

Mobile satellite communications services revenue results from utilisation charges that are recognised as revenue over the period in which the services are provided. Deferred income attributable to mobile satellite communications services revenues represents the unearned balances remaining from amounts received from customers pursuant to prepaid lease contracts. These amounts are recorded as revenue on a straight-line basis over the respective lease terms, which are typically for periods of one month to twelve months.

The Group's revenues are stated net of volume discounts which increase over the course of the financial year as specific volume thresholds are met by distribution partners resulting in lower prices.

Revenues in respect of long-term service contracts of the Group's subsidiary Invsat Limited are calculated in a manner appropriate to the stage of completion of the contracts.

Revenue also includes income from services contracts, rental income, conference facilities and income from the sale of Regional BGAN (R-BGAN) terminals. The costs of acquiring these terminals are included in 'other operating costs' when the sale is recognised.

Employee benefits

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

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

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

All actuarial gains and losses as at 1 January 2004, the date of transition to IFRS, are recognised in the opening IFRS balance sheet. All actuarial gains and losses that arise subsequent to 1 January 2004 in calculating the present value of the defined benefit obligation and the fair value of plan assets are immediately recognised in the statement of recognised income and expense.

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

Deferred income tax

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

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

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

Research and development

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

Property, plant and equipment

Space segment assets

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

Assets in course of construction

Assets in course of construction relate to the next generation Inmarsat-4 satellites and BGAN services. These assets will be transferred to space segment assets and depreciated over the life of the satellites once they become operational and placed into service. No depreciation has been charged on these assets.

Other fixed assets

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

Depreciation

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

Space segment	5–15 years
Fixtures and fittings, and other building-related equipment	10 years
Buildings	50 years
Other fixed assets	3–5 years

As a result of management's regular reassessment of useful economic lives, the useful lives of the Group's Inmarsat-3 satellites and space segment assets were prospectively changed from 1 October 2004. The changes were made to better reflect the economic life of Inmarsat-3 satellites resulting from improvements in satellite technology as supported by engineering analysis. As a result depreciation periods were extended for the Inmarsat-3 satellites from 10 years to 13 years.

Notes to the Consolidated Financial Statements

The financial impact of the change in the useful economic lives of the Inmarsat-3 satellites is a decrease in depreciation expense in 2005 and 2006 of approximately US$44.5 million and US$33.3 million, respectively. The carrying amounts of assets in the Balance Sheet is higher as a result of these revised estimates. After 2006 there will be an increase to depreciation expense in 2007, 2008, 2009, 2010 and 2011 of approximately US$7.5 million, US$34.4 million, US$31.7 million, US$13.2 million and US$2.1 million, respectively. The carrying values of these assets will be written down proportionately in the Balance Sheet as a result.

Effective 1 October 2005, the Group prospectively changed the useful economic lives of the Inmarsat-4 satellites from 13 years to 15 years to better reflect the design life of the spacecraft, the better-than-expected performance of the launch vehicles and the adoption of an optimal mission strategy which are expected to extend the orbital lives of these satellites. The satellite and space segment assets depreciable lives primarily range from 10 to 15 years, with the exception of R-BGAN assets for which they are 5 years. The first of the Inmarsat-4 satellites has now been placed into service and the Group is currently depreciating this asset over 15 years.

The financial impact of the change in the useful economic lives of the Inmarsat-4 satellite currently being depreciated is a decrease in depreciation expense in 2005 of approximately US$0.8 million and in 2006 through 2017 of approximately US$3.3 million each year respectively. The carrying amounts of assets in the Balance Sheet will be proportionately higher as a result of these revised estimates. After 2018 there will be an increase to depreciation expense in 2018, 2019, 2020 of approximately US$11.2 million, US$21.7 million, and US$9.1 million, respectively. The carrying values of these assets will be written down proportionately in the Balance Sheet as a result.

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.

Gains and losses on termination of subsidiary undertakings

Gains and losses on termination of subsidiary undertakings 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 and terminal development costs. The amortisation period and the amortisation method for intangible assets with a finite useful life are reviewed each financial year.

(a) Goodwill

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

(b) Patents and trademarks

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

(c) Software development costs

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

(d) Terminal development costs

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

Impairment of non-financial assets

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

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

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

Goodwill was tested for impairment at 1 January 2004, 31 December 2004 and 31 December 2005; no evidence of impairment was found.

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 in equal amounts over the term of the lease.

Interest and finance costs
Interest is recognised in the Income Statement using the effective yield method on a time proportion basis.

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

The accretion of the discount on the principal on the Subordinated Preference Certificates and Senior Discount Notes is accounted for as an interest expense.

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

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

Short-term deposits
Includes deposits held on call with banks, and other short-term highly liquid investments with original maturity between three and 12 months, with highly rated counter parties.

Restricted cash
Restricted cash is primarily held in a charged account for capital expenditure in association with the Inmarsat-4 programme. Following the refinancing of the Senior Credit Facilities during 2005, no cash is restricted.

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

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

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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.

Borrowing costs for the construction of assets are not capitalised.

Earnings before interest, tax, depreciation and amortisation (EBITDA)
EBITDA is defined as profit before income tax, plus net interest payable, depreciation, amortisation, impairments of assets and (when applicable) gains/(losses) from disposal of fixed assets and termination of subsidiary undertakings.

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 and 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 an interest rate swap and forward exchange contracts to limit exposure to foreign currency risk and interest rate risks.

The Board of Directors has delegated to a sub-committee, the Treasury Review Committee, the responsibility for setting the risk management policies applied by the Group. The policies are implemented by the central treasury department that receives regular reports from all 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 by using financial instruments. See note 30.

(a) Market risk

(i) Foreign exchange risk
The functional currency of Inmarsat plc is US dollars and the Group generates most of its revenue in US dollars. The vast majority of capital expenditure is denominated in US dollars. Approximately 60% of the Group's operating costs are denominated in Sterling. This exposure therefore needs to be carefully managed to avoid variability in future cash flows and earnings caused by volatile foreign exchange rates. As a guide the Group's Sterling operating cost base, excluding rental payments, has been relatively constant at approximately £5 million per month.

The foreign currency hedging policy of the Group is to economically hedge a minimum of 50% of anticipated Sterling denominated 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 2005, it is estimated that a movement of the US dollar/Sterling exchange rate of 1% would have impacted the 2005 profit before tax by approximately US$1.1 million.

(ii) Price risk
The Group is not exposed to significant equity securities price risk or commodity price risk.

(b) Interest rate risk
The Group has both interest bearing assets and interest bearing liabilities. The policy of the Group, because of the high level of debt, is to ensure certainty of the interest charge by fixing interest rates on a high proportion of debt. Both the Senior Notes and the Senior Discount Notes are at fixed rates.

The risk management objective is to eliminate the variability in the interest payments for US$150 million of the outstanding borrowings under the Senior Credit Facility, the sole source of which is due to changes in the three-month US dollar LIBOR rate. Changes in the cash flows of the interest rate swap are expected to exactly offset the changes in the cash flows of the borrowings. As a result 88% of total debt is fixed. The amount of debt that is floating is partially offset by surplus cash.

As at 31 December 2005, on the basis of past net cash balances, it is estimated that a 1% movement in interest rates would have impacted 2005 profit before tax by approximately US$0.6 million.

(c) Credit risk
Financial instruments that potentially subject the Group to a concentration of credit risk consist of cash and cash equivalents, short-term deposits and trade receivables. All cash and cash equivalents and short-term deposits are deposited with high credit quality financial institutions.

The Directors consider credit risk is small on trade receivables as these balances are primarily with telecoms companies who are also distribution partners. For 2005, four distribution partners comprised approximately 82.3% of Group revenues. These same four customers comprised 84.1% of the trade debtor balance as at 31 December 2005.

(d) Liquidity risk
The Group maintains long-term revolving credit committed facilities of US$300 million that are designed to ensure the Group has sufficient available funds for operations. None of these facilities had been drawn as at 31 December 2005.

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 15.

For the purpose of testing for impairment, goodwill is specifically allocated to CGUs and tested by comparing the carrying amount of the CGU with its recoverable amount. The recoverable amounts of CGUs have been determined based on fair value less costs to sell.

Two CGUs have been identified–these are 'Mobile Satellite Services' and 'Other'. It has been determined that goodwill that arose on the acquisition of Inmarsat Ventures Limited represented goodwill of the Mobile Satellite Services CGU only. Therefore, goodwill has been tested for impairment on the Mobile Satellite Services CGU only.

In June 2005, the Company listed as a public company on the London Stock Exchange raising approximately US$670 million of gross primary proceeds on Admission with the issue of 150 million shares at a nominal value of €0.0005 and a price of £2.45 per share. In light of the significance of the Mobile Satellites Services CGU to the Group as a whole, and that the IPO occurred during 2005 the Directors considered that the IPO provided an appropriate measure of the fair value of the Mobile Satellite Services CGU, and have therefore used the Company's market capitalisation at that time as the basis for the goodwill impairment test. Using this measure, no impairment to the carrying value of goodwill was recognised and since the IPO, the Company has successfully launched its second Inmarsat-4 satellite and has seen a significant increase in the market value of its shares on the London Stock Exchange.

In the opinion of the Directors, there have been no changes in the business strategy that would result in the carrying value of goodwill exceeding its recoverable amount.

(b) Pension assumptions
The Group has applied a rate of return on assets of 7.31% p.a. which represents the expected return on asset holdings going forward.

Notes to the Consolidated Financial Statements

5. Segmental information

The Group operates in one business segment being the supply of mobile satellite communications services.

'Other' comprises the results of our subsidiaries, Invsat and Rydex, which have now been disposed of.

Primary reporting format – business segments

(US$ in millions)	Note	2005 Mobile satellite communications services	Other	Unallocated	Total
Revenue		**474.2**	**16.9**	**–**	**491.1**
Segment result (operating profit)		**209.7**	**(0.2)**	**–**	**209.5**
Net interest charged to the Income Statement	10	**–**	**–**	**(114.0)**	**(114.0)**
Profit before income tax					**95.5**
Income tax expense	11				**(31.1)**
Profit for the year					**64.4**
Segment assets		**1,989.0**	**–**	**35.8**	**2,024.8**
Segment liabilities		**(247.8)**	**(0.3)**	**(1,100.2)**	**(1,348.3)**
Capital expenditure		**(305.0)**	**–**	**–**	**(305.0)**
Depreciation		**(94.6)**	**(0.7)**	**–**	**(95.3)**
Amortisation of intangible assets		**(11.2)**	**–**	**–**	**(11.2)**

(US$ in millions)	Note	2004 Mobile satellite communications services	Other	Unallocated (restated)	Elimination	Total
Revenue		461.0	19.7	–	–	480.7
Segment result (operating profit)		219.3	0.9	–	–	220.2
Net interest charged to the Income Statement	10	–	–	(195.3)	–	(195.3)
Profit before income tax						24.9
Income tax expense	11					(5.8)
Profit for the year						19.1
Segment assets		2,120.0	17.4	69.7	(8.5)	2,198.6
Segment liabilities		(238.5)	(8.4)	(1,953.7)	0.5	(2,200.1)
Capital expenditure		(139.6)	(0.7)	–	–	(140.3)
Depreciation		(114.1)	(1.0)	–	–	(115.1)
Amortisation of intangible assets		(9.0)	–	–	–	(9.0)

Secondary reporting format – geographical segments
The Group mainly operates in the geographic areas as included in the table below. The home country of the Group is the United Kingdom with its head office and central operations located in London.

Revenues are allocated to countries based on the location of the distribution partner who receives the invoice for the traffic.

Assets and capital expenditure are allocated based on the physical location of the assets. As the Inmarsat-4 satellites are launched into to orbit they will be recategorised as unallocated.

(US$ in millions)	2005 Revenue	2005 Segment assets	2005 Capital expenditure	2004 Revenue	2004 Segment assets	2004 Capital expenditure
Europe	**237.9**	**1,192.0**	**305.0**	233.7	1,937.4	140.3
North America	**154.1**	**–**	**–**	151.0	–	–
Asia and Pacific	**85.6**	**–**	**–**	76.3	–	–
Rest of the world	**13.5**	**–**	**–**	19.7	–	–
Unallocated[(a)]	**–**	**832.8**	**–**	–	261.2	–
	491.1	**2,024.8**	**305.0**	480.7	2,198.6	140.3

(a) Unallocated items relate to satellites, which are in orbit.

6. Profit before income tax

Costs are presented by the nature of the expense to the Group. Network and satellite operations costs comprise costs to third parties for network service contracts, operating lease rentals and services. A further breakdown of employee benefit costs and other operating costs is given in notes 7 and 8, respectively, below.

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

(US$ in millions)	Note	2005	2004
Depreciation of property, plant and equipment:			
– Owned assets	14	**95.3**	115.1
Amortisation of intangible assets	15	**11.2**	9.0
Operating lease rentals:			
– Land and buildings		**8.6**	3.1
– Services equipment, fixtures and fittings		**1.6**	1.9
– Space segment		**24.0**	40.4
Auditors' remuneration and expenses–audit services[(a)]		**0.7**	0.6
Auditors' remuneration and expenses–non-audit services[(b)]		**0.5**	0.1

(a) In addition to the audit fees disclosed above, the Group's pension plan incurred audit fees from the Group's auditors of US$14,656 for the 2005 financial year and US$18,230 for the 2004 financial year.
(b) In addition to the non-audit fees disclosed above, fees of US$2.6 million were paid to PricewaterhouseCoopers LLP (who are the Group's auditors) in connection with the IPO which have been set against share premium.

On 30 November 2004, the Company entered into a sale and 25-year leaseback contract for the head office building at 99 City Road, London. The gross proceeds from the sale of the building were US$125.1 million, which resulted in a gain on disposal of this asset of US$42.6 million in the 2004 financial year. The annual rental of the building in future periods will be approximately US$8.0 million (£4.5 million). In the 2005 and 2004 financial years, rental costs were US$8.0 million and US$0.8 million, respectively.

On 2 September 2005, the Group sold Invsat Limited, a 100% owned subsidiary, to Nessco Limited. Invsat Limited provided integrated communications networks and systems using VSATs (transportable terminals that access broadband services provided over satellite systems operating in the C-band and Ku-band radio frequencies), principally to end-users in the oil and gas sector. The Group received US$7.8 million in gross cash proceeds and reported a loss on disposal of US$3.0 million.

On 17 October 2005, the Group disposed of the assets and business of Rydex Corporation Limited, a 100% owned subsidiary, to Seawave LLC. Rydex Corporation Limited developed email and data communications software tailored for use in the maritime sector. The Group received US$2.6 million in gross cash proceeds and reported a gain on disposal of tangible assets of US$1.9 million.

Notes to the Consolidated Financial Statements

7. Employee benefit costs

(US$ in millions)	Note	2005	2004 (restated)
Wages and salaries		**71.0**	73.3
Social security costs		**7.7**	6.6
Share options granted to executive Directors and employees	25	**6.5**	0.1
Equity-settled share-based payments – Share Incentive Plan		**4.0**	–
Defined contribution pension plan costs		**2.9**	2.6
Defined benefit pension plan costs[a]	28	**3.7**	3.5
Post-retirement healthcare plan costs[a]	28	**1.2**	1.1
		97.0	87.2

(a) Defined benefit pension plan costs and post-retirement healthcare plan costs are stated gross of foreign exchange gains of US$1.7 million and US$1.5 million respectively in the 2005 financial year and foreign exchange losses of US$1.0 million and US$0.7 million respectively in the 2004 financial year. These gains and losses are included in other operating costs.

Employee numbers

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

	2005	2004
Operations	**125**	138
Sales and marketing	**112**	114
Development and engineering	**103**	117
Administration	**139**	145
	479	514

8. Other operating costs

Other operating costs consist primarily of travel costs, advertising, professional fees, occupancy costs, systems integration costs and other costs that are incurred within the Group.

9. Directors' remuneration

(US$ in thousands)	2005	2004
Aggregate emoluments	**2,805**	4,852
Company contributions to defined contribution pension schemes	**108**	125
	2,913	4,977

The Directors' Remuneration Report contains full disclosure of Directors' remuneration.

Two Directors (2004: four) are accruing benefits under the Group's defined contribution pension plan. One Director is a member of the US 401k Plan (2004: one).

Key management

The executive Directors of the Company are the key management of the business.

10. Net interest payable

(US$ in millions)	**2005**	2004
Interest and facility fees payable on bank loans, overdrafts and finance leases	**1.2**	0.4
Interest on Senior Notes and Senior Credit Facilities	**59.2**	80.0
Accretion of discount on the principal of the Subordinated Preference Certificates	**19.6**	77.8
Accretion of discount on the Senior Discount Notes	**32.4**	3.2
Amortisation of debt issue costs	**8.2**	7.3
Previous Senior Credit Facility deferred debt issue costs written off	**19.9**	–
Deferred debt issue costs written off and redemption premium paid on repayment of 35% Senior Notes due 2012	**18.8**	–
Net unrealised currency revaluation loss on Subordinated Preference Certificates	**–**	28.0
Interest rate swap	**1.4**	–
Unwinding of discount on deferred satellite liabilities	**3.1**	2.6
Total interest payable and similar charges	**163.8**	199.3
Bank interest receivable and other interest	**6.1**	4.0
Senior Notes premium written-off	**1.0**	–
Realised gain on amendment to interest rate swap	**3.4**	–
Realised gain on repayment of Subordinated Preference Certificates	**39.3**	–
Total interest receivable and similar income	**49.8**	4.0
Net interest payable	**114.0**	195.3

11. Income tax

Income tax expense recognised in the Income Statement:

(US$ in millions)	**2005**	2004 (restated)
Current tax expense:		
Current year	**1.6**	7.4
Deferred tax expense:		
Origination and reversal of temporary differences	**29.5**	(1.3)
Reassessment of likelihood of recovery of deferred tax assets	**–**	(0.3)
Total deferred tax expense	**29.5**	(1.6)
Total income tax expense	**31.1**	5.8

Reconciliation of effective tax rate:

(US$ in millions)	**2005**	2004 (restated)
Profit before tax	**95.5**	24.9
Income tax at 30%	**28.7**	7.5
Tax loss on sale of shares	**(0.2)**	(4.7)
Non-taxable accounting gain on sale of building	**–**	(8.1)
Reassessment of likelihood of recovery of deferred tax assets	**–**	(0.3)
Other temporary differences and non-deductible expenses	**2.6**	4.2
Foreign exchange differences	**–**	7.2
Total income tax expense	**31.1**	5.8

Foreign exchange differences arise on sterling denominated deferred tax liabilities of subsidiaries.

Notes to the Consolidated Financial Statements

12. Net foreign exchange losses/(gains)

(US$ in millions)	2005	2004 (restated)
Unrealised exchange losses on Subordinated Preference Certificates	**–**	43.3
Realised gain on Subordinated Preference Certificates	**(39.3)**	(15.3)
Other operating costs	**(3.6)**	8.1
	(42.9)	36.1

13. Dividends

The dividends paid in 2005 and 2004 were US$24.7 million (5.47 cents (US$) per ordinary share) and US$nil per year respectively. A final dividend in respect of 2005 of 10.95 cents (US$) per ordinary share, amounting to a total dividend of US$50.0 million, is to be proposed at the Annual General Meeting on 26 April 2006. In accordance with IAS 37, these financial statements do not reflect this final dividend payable.

(US$ in cents)	2005	2004
Interim dividend paid per ordinary share	**5.47**	–
Proposed final dividend per ordinary share	**10.95**	–
Total dividend per ordinary share	**16.42**	–

14. Property, plant and equipment

(US$ in millions)	Freehold land and buildings	Services equipment, fixtures and fittings	Space segment	Construction in progress	Total
Cost at 1 January 2004	89.5	72.1	337.0	724.2	1,222.8
Exchange differences	0.4	0.4	–	–	0.8
Additions	–	4.0	16.9	106.8	127.7
Disposals	(81.9)	–	–	–	(81.9)
Cost at 31 December 2004	8.0	76.5	353.9	831.0	1,269.4
Additions	**–**	**2.1**	**–**	**271.9**	**274.0**
Transfers	**–**	**–**	**563.0**	**(563.0)**	**–**
Disposals	**(5.3)**	**(10.5)**	**–**	**–**	**(15.8)**
Cost at 31 December 2005	**2.7**	**68.1**	**916.9**	**539.9**	**1,527.6**
Accumulated depreciation at 1 January 2004	(0.1)	(1.3)	(4.6)	–	(6.0)
Exchange differences	–	(0.4)	–	–	(0.4)
Charge for the year	(2.9)	(21.0)	(91.2)	–	(115.1)
Accumulated depreciation at 31 December 2004	(3.0)	(22.7)	(95.8)	–	(121.5)
Charge for the year	**(0.1)**	**(21.8)**	**(73.4)**	**–**	**(95.3)**
Disposals	**0.4**	**7.9**	**–**	**–**	**8.3**
Accumulated depreciation at 31 December 2005	**(2.7)**	**(36.6)**	**(169.2)**	**–**	**208.5**
Net book amount at 31 December 2004	5.0	53.8	258.1	831.0	1,147.9
Net book amount at 31 December 2005	**–**	**31.5**	**747.7**	**539.9**	**1,319.1**

Included in the net book value of Services equipment, fixtures and fittings at 31 December 2005 and 2004 are rental assets of US$nil million and US$2.2 million and assets acquired under finance leases of US$nil million and US$0.1 million, respectively.

As a result of management's regular re-assessment of useful economic lives, the useful lives of the satellites and space segment assets were prospectively changed from 1 October 2004. The changes were made to better reflect the Inmarsat-3 satellites' economic life resulting from the improvements in satellite technology. The satellite and space segment assets lives now range from 10 to 15 years with the exception of R-BGAN assets which are five years. The first of the Inmarsat-4 satellites was placed in service during the 2005 financial year and is currently being depreciated over 15 years.

15. Intangible assets

(US$ in millions)	Goodwill	Trademarks	Software	Patents	Terminal development costs	Total
Cost at 1 January 2004	402.9	19.0	18.4	14.0	33.0	487.3
Additions	–	–	17.8	–	12.5	30.3
Cost at 31 December 2004	402.9	19.0	36.2	14.0	45.5	517.6
Additions	**–**	**–**	**9.1**	**–**	**18.5**	**27.6**
Cost at 31 December 2005	**402.9**	**19.0**	**45.3**	**14.0**	**64.0**	**545.2**
Accumulated amortisation at 1 January 2004	–	–	(0.1)	(0.1)	(0.3)	(0.5)
Charge for the year	–	(1.0)	(4.9)	(2.0)	(1.1)	(9.0)
Accumulated amortisation at 31 December 2004	–	(1.0)	(5.0)	(2.1)	(1.4)	(9.5)
Charge for the year	**–**	**(0.9)**	**(6.7)**	**(2.0)**	**(1.6)**	**(11.2)**
Accumulated amortisation at 31 December 2005	**–**	**(1.9)**	**(11.7)**	**(4.1)**	**(3.0)**	**(20.7)**
Net book amount at 31 December 2004	402.9	18.0	31.2	11.9	44.1	508.1
Net book amount at 31 December 2005	**402.9**	**17.1**	**33.6**	**9.9**	**61.0**	**524.5**

Patents and trademarks are being amortised on a straight-line basis over their estimated useful lives which are 7 and 20 years respectively.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

The software capitalised mainly relates to the Group's recently developed BGAN billing system and will be amortised on a straight-line basis once the software is in operation with an expected useful life of 5 to 7 years. All other software is amortised on a straight-line basis, over 3 years.

User terminal development costs directly relating to the development of the user terminals for the R-BGAN and BGAN services are capitalised as intangible fixed assets. R-BGAN costs are being amortised over the estimated sales life of the services which is five years. BGAN costs have started to be amortised in 2005 and will be amortised over the estimated sales life of the services, which is expected to be 5 to 10 years.

16. Cash and cash equivalents

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

(US$ in millions)	**As at 31 December 2005**	As at 31 December 2004
Cash at bank and in hand	**1.6**	13.7
Short-term deposits with original maturity of less than three months	**33.7**	107.0
Restricted cash	**–**	112.3
	35.3	233.0

Notes to the Consolidated Financial Statements

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

(US$ in millions)	As at 31 December 2005	As at 31 December 2004
Cash and cash equivalents	**35.3**	233.0
Bank overdrafts (note 20)	**(0.2)**	(1.4)
	35.1	231.6

Restricted cash includes:

(US$ in millions)	As at 31 December 2005	As at 31 December 2004
Amounts included within cash and cash equivalents	**–**	112.3
Amounts included within short-term deposits with a maturity greater than three months	**–**	51.1
	–	163.4

Under the terms of the previous Senior Credit Facility (repaid on 22 June 2005), certain funds were only available to be used in connection with capital expenditure under the Inmarsat-4 (I4) satellite programme ('restricted cash'). In 2004, restricted cash has been included with cash and cash equivalents (where it is held on maturity of less than three months) as it was available to the Group to enable it to meet its obligations under the I4 programme. Under the new Senior Credit Facility there is no restricted cash.

The Group has a US$300 million revolving credit facility that has no restrictions and is undrawn at 31 December 2005.

17. Trade and other receivables

(US$ in millions)	As at 31 December 2005	As at 31 December 2004
Trade receivables	**123.1**	135.3
Other receivables	**10.7**	10.1
Other prepayments and accrued income	**9.5**	11.3
	143.3	156.7

18. Inventories

(US$ in millions)	As at 31 December 2005	As at 31 December 2004
Finished goods	**0.3**	0.6
Raw materials and consumables	**–**	0.6
	0.3	1.2

The carrying value of stock is not materially different from replacement cost.

19. Trade and other payables

(US$ in millions)	As at 31 December 2005	As at 31 December 2004
Current:		
Trade payables	**101.5**	42.3
Other taxation and social security payables	**1.7**	1.6
Other creditors	**15.4**	0.9
Accruals and deferred income	**53.8**	68.4
	172.4	113.2

(US$ in millions)	As at 31 December 2005	As at 31 December 2004
Non-current:		
Deferred trade payables	**33.8**	35.2
	33.8	35.2

All of the above non-current other payables are due by 31 December 2007.

20. Borrowings

(US$ in millions)	Effective interest rate %	As at 31 December 2005	As at 31 December 2004
Current:			
Bank overdrafts	5.0	**0.2**	1.4
Obligations under finance leases		**–**	0.1
Deferred satellite payments[l]	7.0[l]	**10.4**	8.0
Current portion of long-term borrowings			
– Previous Senior Credit Facility	5.50[i]	**–**	27.7
Total current borrowings		**10.6**	37.2
Non-current:			
Deferred satellite payments [l]	7.0[l]	**42.2**	32.3
Previous Senior Credit Facilities[a][b][c][d][e][f]	5.50[i]	**–**	688.2
New Senior Credit Facility[k]	4.62[k]	**247.7**	–
Senior Notes[g]	7.625[g]	**289.8**	458.6
Premium on Senior Notes[g]		**1.3**	2.4
Senior Discount Notes[j]	10.375[j]	**323.5**	291.3
–Accretion of discount on the principal		**4.4**	3.2
Subordinated Preference Certificates[h]	13.5[h]	**–**	348.5
Total non-current borrowings		**908.9**	1,824.5
Total borrowings		**919.5**	1,861.7

Notes to the Consolidated Financial Statements

(a) Inmarsat Investments Limited, a 100% owned subsidiary of Inmarsat plc, entered into a credit agreement, dated 10 October 2003. The Senior Credit Agreement provided for senior term loans in a maximum aggregate principal amount of US$975 million. Facilities comprised one US$400 million facility ('Term Loan A'), two separate US$200 million facilities ('Term Loan B' and 'Term Loan C'), respectively, one US$100 million Senior Capital Expenditure Facility and a multi-currency Working Capital Facility of US$75 million. The Capital Expenditure and multi-currency Working Capital Facility were undrawn at 31 December 2004. The Senior Facility required a mandatory-repayment of 50% of the net proceeds of the sale and leaseback of 99 City Road. Accordingly US$62.5 million was repaid in November 2004. The amounts drawn at 31 December 2004 were as follows: US$368.7 million Term Loan A and US$184.4 million under both Term Loan B and C. On 24 May 2005 Inmarsat Investments Limited signed a new US$550 million credit agreement. The new Senior Credit Facility in combination with IPO proceeds was used to repay the previous Senior Credit Facility. See (k) below.

(b) Prior to the cancellation of the previous Senior Credit Facilities, Term Loan A was to mature on 17 December 2009, the sixth anniversary of the date of the closing of the acquisition of Inmarsat Ventures Limited, being 17 December 2003, and was repayable in incremental instalments from 2.5% payable 18 months after the date of the closing of the acquisition, to 17.5% on the sixth anniversary after the closing of the acquisition. Term Loan A bore interest at LIBOR plus 2.5%, payable semi-annually. The margin on Term Loan A was subject to a margin ratchet depending on the Group achieving certain ratios of total borrowings to EBITDA, to a minimum margin of 2.125% per annum. See (a) above.

(c) Prior to the cancellation of the previous Senior Credit Facilities, Term Loan B was to be repaid in two equal instalments. The first instalment on a date 180 days prior to the second instalment and the second instalment on the seventh anniversary of the date of the closing of the acquisition, being 17 December 2003. Term Loan B bore interest at LIBOR plus 3% and was payable semi-annually. See (a) above.

(d) Prior to the cancellation of the previous Senior Credit Facilities, Term Loan C was to be repaid in two equal instalments. The first instalment on a date 180 days prior to the second instalment and the second instalment on the eighth anniversary of the date of the closing of the acquisition, being 17 December 2003. Term Loan C bore interest at LIBOR plus 3.5%, which was payable semi-annually. See (a) above.

(e) The Capital Expenditure Facility was undrawn at 31 December 2004 and was cancelled on 24 May 2005.

(f) The Working Capital Facility was undrawn at 31 December 2004 and was cancelled on 22 June 2005 when Facilities A, B and C were repaid in full with proceeds from the new facility. See (k) below.

(g) The Bridge Loan facility was entered into to cover excess funding requirements between the date of the acquisition and the issue of the Senior Notes being finalised. The Bridge Loan facility bore interest at 9.16% payable monthly.
In February 2004 proceeds of the US$375 million 7.625% Senior Notes were used to redeem the Bridge Loan facility. The Senior Notes were issued by Inmarsat Finance plc, a 100% owned subsidiary of Inmarsat Group Limited. The Senior Notes mature on 30 June 2012. Interest is payable semi-annually in February and August.
In May 2004 a further issue of Senior Notes for US$102.5 million was completed bringing the total amount to US$477.5 million. The proceeds of US$100 million were used to redeem a portion of the Subordinated Preference Certificates.
In July 2005, the Group redeemed 35% of its Senior Notes, reducing the notes outstanding from US$477.5 million to US$310.4 million.
In December 2005 Inmarsat Investments Limited purchased $10 million of the Senior Notes for $10.5 million. Inmarsat Investments Limited paid a premium of US$0.3 million and prepaid interest of US$0.2 million which will later be received back. Taking into account the Group's short-term cash surplus, the total payment of US$10.5 million results in an overall economic benefit to the Group when the premium paid is compared to future net interest charges discounted back to today's values.

(h) Inmarsat Holdings Limited issued Euro denominated Subordinated Preference Certificates with an aggregate nominal amount at the date of issue of US$27,632 million (at a price of US$618.8 million Euro equivalent) in December 2003. The principal accreted at a rate which equates to 13.5% and compounded annually on the anniversary of the issue. In May 2004 a repayment of US$100 million was made from the net proceeds of the tack-on issue described in note (g) above. In December 2004 a further repayment of US$291 million was made from the net proceeds of the Senior Discount Notes issued described in note (j) below. In June 2005 the Subordinated Preference Certificates were repaid in full using proceeds from the IPO. The principal amount outstanding was US$nil and US$273.6 million at 31 December 2005 and 2004 respectively.
Prior to repayment the Subordinated Preference Certificates were revalued at 31 December 2004 to US$348.5 million creating a non-cash exchange loss of US$43.3 million. In addition, a foreign exchange gain of US$15.3 million was recognised in 2004 from partial redemption of the Subordinated Preference Certificates. A foreign exchange gain of US$39.3 million was recognised from the full redemption of outstanding Subordinated Preference Certificates on 22 June 2005. Both the interest and the exchange gain or loss in the periods were expensed through interest.
Inmarsat Holdings Limited loaned to Inmarsat Group Limited (which, in turn loaned to Inmarsat Investments Limited) the aggregate proceeds of the Subordinated Preference Certificates via a subordinated parent company loan (2005: US$649.1 million, 2004: US$273.6 million). The loans have no fixed maturity and may be repaid at any time at each borrower's option. Interest on the subordinated parent company loan accrued at a rate of 5.35% per annum in 2005 and 13.5% per annum in 2004.

(i) Represents an average rate for the Term Loans A, B and C. Giving effect to existing hedging arrangements required under the Senior Credit Agreement, the average interest rates applicable to Term Loans A, B and C at 31 December 2004 are 5.13%, 5.63% and 6.13% respectively.

(j) In November 2004 Inmarsat Finance II plc, a 100% owned subsidiary of Inmarsat Holdings Limited, issued a US$450 million face value 10.375% Senior Discount Note at a price of 66.894% and thus proceeds of US$301.0 million. The Notes accrete semi-annually in May and November until November 2008; thereafter interest is cash paid semi-annually. The Notes Mature on 15 November 2012. The net proceeds of US$291 million were used to redeem Subordinated Preference Certificates in 2004 discussed in (h) above.

(k) On 24 May 2005, Inmarsat Investments Limited signed a new US$550 million Senior Credit Facility led by Barclays Capital, ING Bank N.V. and the Royal Bank of Scotland plc. The facility is for general corporate purposes including the repayment of the previous Senior Credit Facility in note (a) above and was arranged in connection with the IPO in June 2005. The US$550 million five-year Senior Credit Facility consists of a US$250 million amortising term loan and a US$300 million revolving credit facility. The term loan and drawings under the revolving credit facility are initially priced at 120bp above LIBOR and thereafter tied to a leverage grid. The US$300 million revolving credit facility is undrawn at 31 December 2005. The new Senior Credit Facility, in combination with existing surplus cash and the proceeds of the IPO, was used to repay the previous Senior Credit Facility of US$728.0 million, the outstanding balance of the Euro-denominated Subordinated Preference Certificates (€272.7 million) and 35% repayment of the Senior Notes in note (g).
As at 31 December 2005 US$250 million was drawn down at 3 month USD LIBOR plus a margin of 0.9%. However, this is offset via the interest rate swap of US$150m principal where 3 month USD LIBOR is received but a fixed rate of 3.21% is paid. The year-end borrowing rate of 4.62% represents a blended rate from the floating draw-down rate and the related interest rate swap.

(l) 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 deferred satellite payments has been discounted to net present value at 7%.

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

(US$ in millions)	As at 31 December 2005 Amount	Deferred finance cost	Net balance	As at 31 December 2004 Amount	Deferred finance cost	Net balance
Previous Senior Credit Facilities[(a)(b)]	**–**	**–**	**–**	737.6	(21.7)	715.9
New Senior Credit Facility	**250.0**	**(2.3)**	**247.7**	–	–	–
Senior Discount Notes, 10.375%	**332.2**	**(8.7)**	**323.5**	301.0	(9.7)	291.3
– Accretion of discount on the principal	**4.4**	**–**	**4.4**	3.2	–	3.2
Senior Notes	**300.4**	**(10.6)**	**289.8**	477.5	(18.9)	458.6
Premium on Senior Notes	**1.3**	**–**	**1.3**	2.4	–	2.4
Subordinated Preference Certificates[(h)]	**–**	**–**	**–**	348.5	–	348.5
Deferred satellite payments	**52.6**	**–**	**52.6**	40.3	–	40.3
Obligations under finance leases	**–**	**–**	**–**	0.1	–	0.1
Bank overdrafts	**0.2**	**–**	**0.2**	1.4	–	1.4
Total Borrowings	**941.1**	**(21.6)**	**919.5**	1,912.0	(50.3)	1,861.7

The maturity of non-current borrowings is as follows:

(US$ in millions)	2005	2004
Between one and two years	**56.6**	54.6
Between two and five years	**212.2**	288.0
After five years	**640.1**	1,481.9
	908.9	1,824.5

The borrowings of the Group are mostly at fixed rates. Both Notes which mature in 2012 are at fixed rates. The US$250 million floating draw-down under the Senior Credit Facility is partially fixed by a US$150m interest rate swap which expires in December 2006.

The effective interest rates at the balance sheet dates were as follows:

Effective interest rate %	2005	2004
Bank overdrafts	**5.0**	5.0
Senior Discount Notes	**10.375**	10.375
Senior Notes	**7.625**	7.625
Previous Senior Credit Facility	**–**	5.5
New Senior Credit Facility	**4.62**	–
Subordinated Preference Certificates	**–**	13.5
Deferred satellite payments	**7.0**	7.0

Notes to the Consolidated Financial Statements

21. Provisions

(US$ in millions)	Restructuring provision
Current:	
As at 1 January 2004	–
Charged in respect of current year	9.3
Utilised in current year	(8.2)
As at 31 December 2004	1.1
Charged in respect of current year	**–**
Utilised in current year	**(0.7)**
As at 31 December 2005	**0.4**

In April 2004, a review was conducted of the business operations which led to a reduction in headcount of 64 across several of the Group's business activities. The amount charged for the 2005 and 2004 financial year was US$nil and US$9.3 million. The amount of the redundancy benefits paid and charged against the liability at 31 December 2005 and 2004 was US$0.7 million and US$8.2 million, respectively. The redundancy provision that remains unpaid in respect of this restructuring at 31 December 2005 and 2004 is US$0.4 million and US$1.1 million respectively.

(US$ in millions)	Post retirement healthcare benefits	Pension	Other	Total
Non-Current:				
As at 1 January 2004	10.1	9.7	0.8	20.6
Charged to Income Statement in respect of current year	1.8	4.5	–	6.3
Charged directly to statement of recognised income and expense in respect of current year	1.6	4.1	–	5.7
Utilised in current year	(0.2)	(2.5)	(0.4)	(3.1)
As at 31 December 2004	13.3	15.8	0.4	29.5
Charged to Income Statement in respect of current year	**(0.3)**	**2.0**	**–**	**1.7**
Charged directly to statement of recognised income and expense in respect of current year	**5.7**	**3.0**	**–**	**8.7**
Utilised in current year	**(0.2)**	**(2.1)**	**–**	**(2.3)**
As at 31 December 2005	**18.5**	**18.7**	**0.4**	**37.6**

Other provisions in 2005 and 2004 relate to an onerous lease provision on premises located in Washington which is expected to be utilised by 2008.

22. Current and deferred income tax assets and liabilities

The current income tax liability of US$23.1 million (2004 restated: US$23.3 million) represents the income tax payable in respect of current and prior periods that exceed 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 2005 Assets	Liabilities	Net	As at 31 December 2004 Assets	Liabilities (restated)	Net
Tangible fixed assets	**–**	**177.2**	**177.2**	(87.0)	243.6	156.6
Other	**–**	**(1.2)**	**(1.2)**	(1.3)	–	(1.3)
Operating loss and credit carry forwards	**–**	**–**	**–**	(10.4)	–	(10.4)
Pension asset	**(11.2)**	**–**	**(11.2)**	(8.8)	–	(8.8)
Share options	**(7.2)**	**–**	**(7.2)**	–	–	–
Net deferred income tax liabilities	**(18.4)**	**176.0**	**157.6**	(107.5)	243.6	136.1

Movement in temporary differences during the year:

(US$ in millions)	As at 1 January 2005 (restated)	Recognised in income	Recognised in equity	As at 31 December 2005
Tangible fixed assets	**156.6**	**20.3**	**–**	**176.9**
Other	**(1.3)**	**0.4**	**–**	**(0.9)**
Operating loss and credit carry forwards	**(10.4)**	**10.4**	**–**	**–**
Pension asset	**(8.8)**	**0.2**	**(2.6)**	**(11.2)**
Share option	**–**	**(1.8)**	**(5.4)**	**(7.2)**
Total	**136.1**	**29.5**	**(8.0)**	**157.6**

(US$ in millions)	As at 1 January 2004	Recognised in income (restated)	Recognised in equity	As at 31 December 2004
Tangible fixed assets	146.3	10.3	–	156.6
Other	(0.9)	(0.4)	–	(1.3)
Operating loss and credit carry forwards	–	(10.4)	–	(10.4)
Pension asset	(6.0)	(1.1)	(1.7)	(8.8)
Total	139.4	(1.6)	(1.7)	136.1

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23. Cash generated from operations

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

(US$ in millions)	2005	2004 (restated)
Profit for the year	**64.4**	19.1
Adjustments for:		
Depreciation and amortisation	**106.5**	124.1
Income taxes	**31.1**	5.8
Interest payable	**163.8**	166.3
Interest receivable	**(10.7)**	(4.0)
Gain on disposal of property	**–**	(42.6)
Loss on termination of subsidiary undertakings	**1.1**	–
Exchange losses on Subordinated Preference Certificates	**(39.3)**	33.2
Non-cash employee benefit charges	**6.5**	1.9
Forward exchange contracts	**1.4**	–
Changes in net working capital:		
Decrease/(increase) in trade and other receivables	**6.6**	(20.9)
Decrease/(increase) in inventories	**0.3**	(0.6)
(Decrease) in trade and other payables	**(19.5)**	(9.3)
(Decrease)/increase in provisions	**(4.5)**	2.9
Cash generated from operations	**307.7**	275.9

24. Share capital

(US$ in millions)	As at 31 December 2005	As at 31 December 2004
Authorised:		
1,539,000 A ordinary shares of €0.01 each	**–**	–
30,000,000 B ordinary shares of €0.01 each	**–**	0.4
1,166,610,560 ordinary shares of €0.0005 each	**0.7**	–
11,669,472 Euro deferred shares of €0.01 each	**0.1**	–
50,000 Sterling deferred shares of £1.00 each	**0.1**	–
	0.9	0.4
Allotted, issued and fully paid:		
1,539,000 A ordinary shares of €0.01 each	**–**	–
25,461,000 B ordinary shares of €0.01 each	**–**	0.3
456,690,152 ordinary shares of €0.0005 each	**0.3**	–
11,669,472 Euro deferred shares of €0.01 each	**0.1**	–
	0.4	0.3

On 13 May 2004, the Company issued 270,000 A ordinary shares of €0.01, for cash consideration of US$0.6 million.

On 27 May 2005, the Company authorised 50,000 Sterling deferred shares of £1.00 each.

The Company listed as a public company on the London Stock Exchange on 22 June 2005 raising approximately US$670 million of gross primary proceeds with the issue of 150 million shares at a nominal value of €0.0005 and a price of £2.45 per share. The Company incurred US$33 million of underwriting and other associated costs.

The issued A ordinary shares of €0.01 and each authorised but unissued A ordinary share of €0.01 were sub-divided into 20 ordinary shares of €0.0005 each with effect from the IPO on 22 June 2005.

Based on the Offer Price of £2.45 per share and 150 million new shares being issued by the Company under the Global Offer, 11,669,472 ordinary 'B' shares of €0.01 each were re-designated into the same number of deferred shares of €0.01 each immediately prior to Admission. Conditional upon Admission occurring, the 'A' ordinary shares of €0.01 each and the B ordinary shares of €0.01 each were redesignated as ordinary shares of €0.0005 each ranking pari passu with the new ordinary shares issued on Admission.

25. Employee share options

In November 2004, the Company adopted the Staff Value Participation Plan (2004 Plan). 219,020 A ordinary shares were granted under the 2004 Plan to any Director or employee of the Group. Options under the 2004 Plan vest as follows: (i) 25% granted and held by optionholders have vested and became exercisable in July 2005; (ii) 37.5% of the options granted under the 2004 Plan and held by optionholders have vested and became exercisable in March 2006; and (iii) all remaining options granted under the 2004 Plan and held by optionholders will vest and become exercisable on 1 December 2006. Whenever options are exercised under the 2004 Plan the holder must pay a charge of €1 for each tranche of options exercised. The options expire 10 years from the date of grant.

A second grant of options over 7,140 A ordinary shares was made under the 2004 Plan to employees in January 2005. This was made on equivalent terms to the initial grant in November 2004.

A third grant of options over 1,175,240 ordinary shares of €0.005 each was approved in May 2005 under the 2004 Plan and granted to employees in June 2005. This was made on equivalent terms to the initial grant in November 2004.

A summary of share option activity for the 2004 plan as at 31 December 2005 is as follows:

	Shares available for grant	Options oustanding	Weighted average exercise price per Option
Balance at 1 January 2004	–	–	–
Shares reserved	280,800	–	–
Granted	(219,020)	219,020	–
Forfeited	300	(300)	–
Balance at 31 December 2004	62,080	218,720	–
Granted (January 2005)	**(7,140)**	**7,140**	**–**
Forfeited	**2,300**	**(2,300)**	**–**
Balance pre share split	**57,240**	**223,560**	**–**
Share split (20:1) 22 June 2005	**1,144,800**	**4,471,200**	**–**
Shares issued on IPO	**51**	**–**	**–**
Shares reserved	**–**	**–**	**–**
Granted	**(1,175,240)**	**1,175,240**	**–**
Forfeited	**72,275**	**(72,275)**	**–**
Exercised	**–**	**(1,233,270)**	**£3.28**
Balance at 31 December 2005	**41,886**	**4,340,895**	**£3.28**
Exercise Price per tranche	**–**	**€1.00**	**–**

The weighted average of the remaining contractual life for the 2004 plan is 9.0 years.

In line with IFRS2, Share-Based Payment, the Company recognised US$6.5 million and US$0.1 million respectively in share compensation costs for the 2005 and 2004 financial years. Total share-based compensation costs will be recognised over the vesting period of the options ranging from one to four years.

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

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

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The Company also operates a Bonus Share Plan (BSP) and awards were granted on 31 May 2005 but were only awarded after the announcement of the 2005 financial results in March 2006. There was an additional grant under this scheme in September 2005 with the same conditions as the original grant. These awards were made in the form of a conditional allocation of shares. The performance conditions attached to the annual bonus plan are non-market based performance conditions. Details of the operation of the BSP can be found in the Directors' Remuneration Report.

The awards will vest in three equal tranches following the announcement of the final results for each of the financial years 2006, 2007 and 2008, subject to continued employment. The rules of the BSP provide that the Remuneration Committee has the discretion to satisfy the awards using cash instead of shares. It is the intention, however, of the Company to satisfy the awards using shares only.

As the BSP provides free share awards with no market based performance condition 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 or shares is made, the total value of shares to be awarded will not change. A total number of 215,542 shares have been awarded at a share price of £3.83 in respect of the two grants made under the BSP.

In addition to the BSP the Company also operates a Performance Share Plan (PSP) where awards were granted on 31 May 2005 in the form of a conditional allocation of shares. The number of shares subject to the award was determined by reference to the price at which the shares were offered for sale on Admission of £2.45 per share. Participants are entitled to receive the value of any dividends that are paid during the vesting period in the form of cash or additional shares. There was an additional grant in September 2005 with the same requirements except the reference price in determining the number of shares was £3.24 (market value of shares on the date of grant).

The PSP shares will not normally be transferred to participants until the third anniversary of the award date. The transfer of shares is dependent upon the performance condition being satisfied over the three consecutive financial years starting in the financial year the award date falls which is 2005. The rules of the PSP provide that the Remuneration Committee has the discretion to satisfy the awards using cash instead of shares. It is the intention, however, of the Company to satisfy the awards using shares only.

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

	Performance Share Plan	
Grant date	31 May 2005	29 September 2005
Grant price	£1.96	£3.24
Exercise price	nil	nil
Bad leaver rate	0%	0%
Vesting period	3 years	3 years
Expected correlation between any pair of shares in PSP comparator group	12%	10%
Volatility	36%	34%
Fair value per share	£1.34	£2.20

Both the BSP and PSP share awards expire 10 years after date of grant. The weighted average of the remaining contractual life for BSP and PSP share awards is 9.7 years and 9.4 years, respectively.

The Company also operates a UK Sharesave Scheme for which the first invitation was made in June 2005. The Sharesave Scheme is an Inland Revenue approved scheme open to all UK PAYE-paying permanent employees. The maximum that can be saved each month by an employee is £250. Savings over the period plus interest may be used to acquire shares at the end of the savings contract. The options have been granted at a 20% discount to market value of the shares on the invitation date (23 June 2005). The Scheme operates with a three year savings contract. Options are exercisable for a period of up to six months following the end of the three year savings contract. No dividends are accumulated on options during the vesting period.

The Company also operates an International Sharesave Scheme which mirrors the operation of the UK Sharesave Scheme as closely as possible. However, instead of receiving a share option, participants receive the spread between the share price at the end of the vesting period and the exercise price, delivered (at the Company's discretion) in cash or shares. It is the Company's intention to satisfy the awards using shares only.

Options under the UK and International Sharesave Schemes expire after a maximum of 3.5 years following the initial savings payment having been made. The weighted average of the remaining contractual life for both the UK and International Sharesave Schemes is 3.1 years.

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

	Sharesave Scheme (UK)	Sharesave Scheme (Int)
Grant date	21 July 2005	19 October 2005
Market price date of Grant	£3.14	£2.80
Exercise price	£2.24	£2.24
Bad leaver rate	5%pa	5%pa
Vesting period	3 years	3 years
Volatility	35%	34%
Dividend yield assumption	3.6%	2.8%
Risk free interest rate	4.25%	4.25%
Fair value per option	£1.10	£0.90

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

A summary of share awards and option activity as at 31 December 2005 is as follows:

Share Awards and Options outstanding	Performance Share Plan	Sharesave Scheme (UK)	Sharesave Scheme (Int)
Balance at 31 December 2004	–	–	–
Granted	807,869	844,468	111,798
Balance at 31 December 2005	807,869	844,468	111,798
Exercise Price per share	–	£2.24	£2.24

26. Reserves

Reconciliation of Movements in Shareholders' Equity

(US$ in millions)	Ordinary share capital	Share premium account	Other reserves	Accumulated losses	Total
Balance at 1 January 2004	0.3	34.2	–	(59.1)	(24.6)
Issue of share capital	–	0.6	–	–	0.6
Profit for the year (as restated)	–	–	–	19.1	19.1
Shares issued to the employee benefit trust	–	–	(0.7)	–	(0.7)
Issue of share options	–	–	0.1	–	0.1
Movement in cumulative translation reserve	–	–	8.0	–	8.0
Actuarial losses from pension and post-retirement healthcare benefit (net of tax)	–	–	–	(4.0)	(4.0)
Balance at 31 December 2004 (as restated)	0.3	34.8	7.4	(44.0)	(1.5)
Adoption of IAS 39 (note 30):					
Fair value gains – cash flow hedges	–	–	14.0	–	14.0
Balance at 1 January 2005 (as restated)	**0.3**	**34.8**	**21.4**	**(44.0)**	**12.5**
Issue of share capital	**0.1**	**637.5**	**–**	**–**	**637.6**
Profit for the year	**–**	**–**	**–**	**39.7**	**39.7**
Share options exercised	**–**	**–**	**0.2**	**–**	**0.2**
Issue of share options	**–**	**–**	**3.5**	**–**	**3.5**
Deferred tax credit on share options	**–**	**–**	**–**	**5.5**	**5.5**
Movement in cumulative translation reserve	**–**	**–**	**(0.8)**	**–**	**(0.8)**
Fair value (losses) – cash flow hedges	**–**	**–**	**(15.6)**	**–**	**(15.6)**
Actuarial losses from pension and post-retirement healthcare benefit (net of tax)	**–**	**–**	**–**	**(6.1)**	**(6.1)**
Balance at 31 December 2005	**0.4**	**672.3**	**8.7**	**(4.9)**	**676.5**

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27. Earnings per share

Basic

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

	2005	2004 (restated)
Profit attributable to equity holders of the Company (US$ in millions)	**64.4**	19.1
Weighted average number of ordinary shares in issue (number)	**379,788,335**	299,745,976
Basic earnings per share (US$ per share)	**0.17**	0.06

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Share options are the only category of dilutive potential ordinary shares. For share options a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options and value of related future employee services. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2005	2004 (restated)
Profit attributable to equity holders of the Company (US$ in millions)	**64.4**	19.1
Weighted average number of ordinary shares in issue (number)	**379,788,335**	299,745,976
Adjustments for:		
– Share options (number)	**5,338,093**	41,974
Weighted average number of ordinary shares for diluted earnings per share (number)	**385,126,428**	299,787,950
Diluted earnings per share (US$ per share)	**0.17**	0.06

28. Pension arrangements and post-retirement healthcare benefits

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

The Group operates pension schemes in each of its principal locations. The UK scheme has two plans: a defined benefit scheme, which is closed to new employees, and a defined contribution plan. The defined benefit scheme is funded and its assets are held in a separate fund administered by a corporate trustee. US$2.0 million and US$4.5 million was charged in the Income Statement in the 2005 and 2004 financial year in respect of the defined benefit scheme.

The defined benefit plan was valued using the projected unit credit method with the formal valuation undertaken by professionally qualified and independent actuaries as at 31 December 2002. The actuarial valuation of the assets of the scheme at that date, net of liabilities, was US$9.3 million. 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 2005. The results of this updated valuation as at 31 December 2005, for the purposes of the additional disclosures required by IAS 19, are set out below.

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

The obligation under these plans was determined by the application of the terms of medical plans, together with relevant actuarial assumptions and healthcare cost trend rates. The long-term rate of medical expense inflation used in the actuarial calculations is 4.0% and 3.0% per annum in excess of the rate of general price inflation of 2.85% and 2.75%. The discount rate used in determining the accumulated post-retirement benefit obligation was 4.75% and 5.3% at 31 December 2005 and 2004.

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

	As at 31 December 2005	As at 31 December 2004
Discount rate	**4.75%**	5.30%
Expected return on plan assets	**7.31%**	7.47%
Future salary increases	**4.85%**	4.75%
Medical cost trend rate	**6.85%**	5.75%
Future pension increases	**2.85%**	2.75%

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

	As at 31 December 2005		
	Long-term rate of return expected %	**Value US$ in (millions)**	**Percentage of total plan assets %**
Equities	**7.60**	**25.3**	**90.85**
Cash	**3.85**	**0.1**	**0.3**
Bonds	**4.45**	**2.5**	**8.85**
Fair value of scheme assets		**27.9**	

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	As at 31 December 2004 Long-term rate of return expected %	Value (US$ in millions)	Percentage of total plan assets %
Equities	7.75	19.7	90.34
Gilts	4.60	0.9	4.07
Bonds	5.30	1.1	4.95
Cash	3.75	0.1	0.64
Fair value of scheme assets		**21.8**	

Amounts recognised in the Balance Sheet are:

(US$ in millions)	**As at 31 December 2005**	As at 31 December 2004
Present value of funded defined benefit obligations (pension)	**(46.6)**	(37.6)
Present value of unfunded defined benefit obligations (post-retirement healthcare)	**(18.5)**	(13.3)
Fair value of defined benefit assets	**27.9**	21.8
Net defined benefit liability recognised in balance sheet	**(37.2)**	(29.1)

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

(US$ in millions)	Defined benefit pension plan	Post-retirement medical benefits
At 1 January 2004	25.4	10.1
Current service cost	3.4	0.5
Interest cost	1.4	0.6
Actuarial loss	4.1	1.6
Foreign exchange loss	2.3	0.6
Benefits paid	(0.1)	(0.1)
Contributions by pension participants (expensed as salaries)	1.1	–
At 31 December 2004	37.6	13.3
Current service cost	**3.4**	**0.5**
Interest cost	**1.9**	**0.7**
Actuarial loss	**6.9**	**5.7**
Foreign exchange gain	**(4.1)**	**(1.5)**
Benefits paid	**(0.1)**	**(0.2)**
Contributions by pension participants (expensed as salaries)	**1.0**	**–**
At 31 December 2005	**46.6**	**18.5**

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

(US$ in millions)	**2005**	2004
At 1 January	**21.8**	15.7
Expected return on plan assets	**1.6**	1.3
Actuarial gain	**3.9**	0.2
Contributions by employer	**2.1**	2.3
Contributions by pension participants (expensed as salaries)	**1.0**	1.1
Benefits paid	**(0.1)**	(0.1)
Foreign exchange (gain)/loss	**(2.4)**	1.3
At 31 December	**27.9**	21.8

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

(US$ in millions)	2005 Defined benefit pension plan	2005 Post-retirement healthcare benefits	2004 Defined benefit pension plan	2004 Post-retirement healthcare benefits
Current service cost	**3.4**	**0.5**	3.4	0.5
Interest cost	**1.9**	**0.7**	1.4	0.6
Expected return on pension assets	**(1.6)**	**–**	(1.3)	–
Foreign exchange (gain)/loss	**(1.7)**	**(1.5)**	1.0	0.7
	2.0	**(0.3)**	4.5	1.8
Actual return on plan assets	**5.6**	**–**	1.5	–

The charge for the year has been included in employee benefit costs.

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

(US$ in millions)	2005 Defined benefit pension plan	2005 Post-retirement healthcare benefits	2004 Defined benefit pension plan	2004 Post-retirement healthcare benefits
Net actuarial losses	**3.0**	**5.7**	4.1	1.6

History of experience gains and losses:

	2005 Defined benefit pension plan	2005 Post-retirement healthcare benefits	2004 Defined benefit pension plan	2004 Post-retirement healthcare benefits
Present value of defined benefit obligations (US$ in millions)	**(46.6)**	**(18.5)**	(37.6)	(13.3)
Fair value of plan assets (US$ in millions)	**27.9**	**–**	21.8	–
Deficit in plans (US$ in millions)	**(18.7)**	**(18.5)**	(15.8)	(13.3)
Experience gains and (losses) on plan liabilities (US$ in millions)	**–**	**(0.7)**	(0.8)	(0.1)
Percentage of plan liabilities	**0.1%**	**(3.9%)**	(2.1)%	(1.0)%
Experience gains and (losses) on plan assets (US$ in millions)	**3.9**	**–**	0.2	–
Percentage of plan assets	**14.0%**	**–**	0.9%	–

The estimated contributions expected to be paid to the defined benefit pension plan during 2006 is US$2.1 million.

The healthcare cost trend rate assumption 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 2005 and 2004 by US$4.2 million and US$2.8 million and the aggregate of the service cost and interest cost by US$0.3 million and US$0.3 million, respectively. Decreasing the assumed healthcare cost trend rate by one percentage point would have reduced the post-retirement medical benefit obligation as of 31 December 2005 and 2004 US$3.3 million and US$2.2 million, and the aggregate of the service cost and interest cost by US$0.2 million and US$0.2 million, respectively.

29. Operating lease commitments

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

(US$ in millions)	As at 31 December 2005	As at 31 December 2004
Within one year	**20.6**	58.6
Within two to five years	**58.1**	74.5
After five years	**143.7**	161.4
	222.4	294.5

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

At 31 December 2005 the Group in addition to the above operating lease commitments is contracted to pay warranty costs relating to the BGAN program of US$6.6 million over the next three years (as at 31 December 2004: US$13.6 million over four years).

The total of future sub lease payments expected to be received under non-cancellable sub leases at 31 December 2005 relating to the above head office lease is US$4.5 million over three years (as at 31 December 2004: US$2.2. million 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.

The future aggregate minimum lease payments under non-cancellable operating leases expected to be received are as follows:

(US$ in millions)	As at 31 December 2005	As at 31 December 2004
Within one year	**42.2**	24.5
Within two to five years	**15.9**	22.7
After five years	**–**	7.6
	58.1	54.8

30. Financial instruments

Treasury management and strategy

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

Key features of treasury management include:
- ensuring that the Group is in a position to fund its obligations in appropriate currencies as they fall due;
- maintaining adequate undrawn borrowing facilities;
- economically hedging both contracted and anticipated foreign currency cash flows on a minimum twelve-month rolling basis with the option of covering exposures up to a maximum of three years forward; and
- maximising return on short-term investments.

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

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

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

Adoption of IAS 32 and IAS 39

The Group adopted IAS 32 'Financial Instruments: presentation and disclosure' and IAS 39 'Financial Instruments: recognition and measurement' from 1 January 2005. In the preparation of its financial statements in accordance with IFRS for the 2004 financial year, the Group continued to apply the accounting rules of UK GAAP, taking advantage of the exemption available within IFRS 1 'First time adoption of IFRS'.

The Group is required to recognise transitional adjustments in accounting for its financial instruments in accordance with the measurement requirements of IAS 39 at 1 January 2005.

The Group qualifies to hedge account for a number of its hedging arrangements. IFRS 1 requires the Group to recognise various transitional adjustments to account for those hedging relationships at 1 January 2005. The accounting for those hedging relationships at transition depends on the nature of the hedged item and the hedged risk. Detailed below is a reconciliation between the IFRS restated Balance Sheet as at 31 December 2004, applying UK GAAP accounting, and the Balance Sheet after the adoption of both IAS 32 and IAS 39.

The Group's interest rate swap and forward exchange contracts were previously not accounted for as cash flow hedges of forecasted transactions under UK GAAP and as such were not previously measured at fair value. On transition, the derivatives' fair values have been recognised on the Balance Sheet and directly in reserves. Any deferred gains or losses will be recognised in future earnings at the time at which the hedged forecasted transaction is recognised.

All derivative instruments will continue to be recognised on the Balance Sheet at fair value with future gains and losses being recognised immediately in earnings, except when the hedging requirements of IAS 39 are met.

(US$ in millions)	1 January 2005	IAS 39 Transition adjustments	1 January 2005 (restated)
Assets			
Non-current assets			
Property, plant and equipment	1,147.9	–	1,147.9
Intangible assets	508.1	–	508.1
Derivative financial instruments	–	6.4	6.4
	1,656.0	6.4	1,662.4
Current assets			
Cash and cash equivalents	233.0	–	233.0
Short-term deposits	151.7	–	151.7
Trade and other receivables	156.7	–	156.7
Inventories	1.2	–	1.2
Derivative financial instruments	–	7.6	7.6
	542.6	7.6	550.2
Total assets	2,198.6	14.0	2,212.6
Liabilities			
Current liabilities			
Trade and other payables	113.2	–	113.2
Borrowings	37.2	–	37.2
Provisions	1.1	–	1.1
Current income tax liabilities	23.3	–	23.3
	174.8	–	174.8
Non-current liabilities			
Other payables	35.2	–	35.2
Borrowings	1,824.5	–	1,824.5
Provisions	29.5	–	29.5
Deferred income tax liabilities	136.1	–	136.1
	2,025.3	–	2,025.3
Total liabilities	2,200.1	–	2,200.1
Net (liabilities)/assets	(1.5)	14.0	12.5
Shareholders' equity			
Ordinary shares	0.3	–	0.3
Share premium	34.8	–	34.8
Other reserves	7.4	14.0	21.4
Accumulated losses	(44.0)	–	(44.0)
Total shareholders' equity	(1.5)	14.0	12.5

Numerical financial instruments disclosures are set out below. Additional disclosures are set out in the accounting policies relating to risk management and also in note 26.

Notes to the Consolidated Financial Statements

Net fair values of derivative financial instruments

The Group's derivative financial instruments consist of an interest rate swap, forward foreign currency contracts and forward accrual contracts. The interest rate swap and approximately 80% of forward foreign currency contracts are designated cash flow hedges.

The net fair values at the Balance Sheet date were:

(US$ in millions)	As at 31 December 2005	As at 31 December 2004
Contracts with positive fair values:		
Interest rate swap – designated cash flow hedge	**2.3**	1.6
Forward foreign currency contracts – designated cash flow hedges	**–**	10.7
Forward foreign currency contracts – undesignated	**–**	1.7
Contracts with negative fair values:		
Forward foreign currency contracts – designated cash flow hedges	**(2.9)**	–
Forward foreign currency contracts – undesignated	**(1.0)**	–
	(1.6)	14.0
Less non-current portion		
Interest rate swap – designated cash flow hedge	–	(1.6)
Forward foreign currency contracts – designated	**0.3**	(3.1)
Forward foreign currency contracts and designated cash flow hedges	–	(1.7)
Current portion	**(1.3)**	7.6

The fair value of the interest rate swap is based upon a valuation provided by the counter-party.

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.

Forward foreign exchange

As at 31 December 2005 the face value of outstanding forward foreign exchange contracts was £97.7 million (net fair value (US$3.9 million)) with the balance of £30.0 million face value maturing in 2007 (US$0.7 million net fair value). During 2005 the Group transacted spot and forward foreign exchange contracts as well as two 'forward accrual' contracts whereby the Group agreed to buy a strip of 12 monthly forward contracts at a fixed rate and at an agreed knock out rate. If the spot exchange rate trades at or above the knock out rate at any time from the trade date and final determination date then each contract expiring on or after such date will automatically terminate.

Interest rate swap

The notional principal amount of the outstanding interest rate swap contract as at 31 December 2005 was US$150 million (2004: US$536 million).

Under the interest rate swap the Group receives quarterly floating interest (three month USD LIBOR) to offset floating interest payable on the three month facility rollovers and pays quarterly interest at a fixed rate of 3.21% p.a. The gain deferred in equity will reverse in the Income Statement when the swap expires in December 2006.

Non derivative financial assets and financial liabilities

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

Non derivative financial liabilities consist of bank overdrafts, deferred satellite payments, Senior Credit Facilities, Senior Discount Notes, Senior Notes, accrued and accreted interest on borrowings, trade creditors and other creditors.

Fair value of non derivative financial assets and financial liabilities

With the exception of Senior Discount Notes and Senior Notes, the fair values of all non derivative financial instruments approximate to the carrying value in the Balance Sheet.

(US$ in millions)	As at 31 December 2005 Carrying amount	As at 31 December 2005 Fair value amount	As at 31 December 2004 Carrying amount	As at 31 December 2004 Fair value amount
Senior Discount Notes[(d)]	**(332.2)**	**(366.4)**	(301.0)	(312.1)
Senior Notes[(d)]	**(310.4)**	**(320.5)**	(477.5)	(489.4)

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

(a) the fair values of cash at bank, overdrafts and short-term deposits approximate their carrying values because of the short maturity of these instruments;
(b) the fair value of trade and other payables and receivables approximate their carrying values;
(c) the carrying amount of deferred satellite payments represents the present value of future payments discounted at a variable risk-free rate at the period end. This carrying amount approximately equals fair value;
(d) Senior Notes and Senior Discount Notes are reflected in the Balance Sheet as at 31 December 2005 net of unamortised arrangement costs of US$10.6 million and US$8.7 million, respectively (2004: US$18.9 million and US$9.7 million, respectively). The fair value of the Senior Notes and the Senior Discount Notes is based on the market price of the bonds as at 31 December 2005;
(e) Senior Credit Facilities are reflected in the Balance Sheet as at 31 December 2005 net of unamortised arrangement costs of US$2.3 million (2004: US$21.7 million). The fair value approximates the carrying value;
(f) the fair value of the Subordinated Preference Certificates (repaid in 2005) was based on the accreted principal and currency revaluation of the book value of the certificates at the year end as this was the best approximation of fair value given that these certificates were not traded.

31. Capital commitments

The Group had authorised and contracted but not provided for capital commitments as at 31 December 2005 and 31 December 2004 of US$119.2 million and US$246.6 million respectively. These amounts primarily represent commitments in respect of the construction of the Inmarsat-4 satellites.

32. Related party transactions

As at 31 December 2004 funds advised by Apax Partners and funds advised by Permira were investors in the Company each owning 25.9% of the Company's shares. The remaining 48.2% of the shares were widely held. As at 31 December 2005 the new percentages owned by funds advised by Apax Partners and funds advised by Permira are 9.85% each.

In June 2005, at the time of the IPO, funds advised by Apax Partners and funds advised by Permira were repaid in full each of their 27.45% holdings in the Subordinated Preference Certificates.

The Group is party to an agreement with Lockheed Martin Commercial Launch Services Inc., an affiliate of COMSAT Investment Inc. (which was also a shareholder holding shareholdings greater than 3% at 31 December 2005 and 31 December 2004), under which the first of the three Inmarsat-4 satellites was launched.

Some network and satellite control services, equipment and telephone services were procured from KDDI Corporation and Telenor Satellite Broadcasting AS who are also shareholders with shareholdings greater than 3%, the total of which amounts to US$2.4 million and US$1.7 million in the 2005 financial year and 2004 financial year, respectively.

Monitoring fees paid to each of Apax Europe V G.P. Co. Ltd and Permira during the 2005 and 2004 financial year were US$0.12 million and US$0.25 million respectively.

Remuneration paid to key management personnel, being the executive Directors of the Company, during the year is disclosed in the Directors' Remuneration Report. The amount owing to the Directors as at 31 December 2005 and 2004 was US$1.3 million and US$1.0 million respectively.

All related party transactions were made on an arm's length basis.

Notes to the Consolidated Financial Statements

33. Principal subsidiary undertakings

The following subsidiaries are included in the consolidated financial information:

	Principal activity	Country of incorporation and operation	**Interest in issued ordinary share capital at 31 December 2005**	Interest in issued ordinary share capital at 31 December 2004
Inmarsat Finance II plc	Finance company	England and Wales	**100%**	100%
Inmarsat Holdings Limited	Holding company	England and Wales	**100%**	100%
Inmarsat Group Limited	Holding company	England and Wales	**100%**	100%
Inmarsat Finance plc	Finance company	England and Wales	**100%**	100%
Inmarsat Investments Limited	Holding company	England and Wales	**100%**	100%
Inmarsat Ventures Limited	Holding company	England and Wales	**100%**	100%
Inmarsat Global Limited	Satellite telecommunications	England and Wales	**100%**	100%
Inmarsat Employment Company Limited	Employment company	Jersey	**100%**	100%
Inmarsat Inc	Service provider	USA	**100%**	100%
Inmarsat Employee Share Plan Trustees Limited	Corporate trustee	England and Wales	**100%**	100%
Inmarsat Trustee Company Limited	Corporate trustee	England and Wales	**100%**	100%
Inmarsat Brasil Limitada	Legal representative of Inmarsat	Brazil	**99.9%**	99.9%
Invsat Limited	VSAT telecommunications	England and Wales	**–**	100%
Rydex Corporation Limited	Maritime communications software	England and Wales	**100%**	100%
Rydex Communications Limited	Maritime communications software	Canada	**100%**	100%
Inmarsat Leasing Limited	Satellite leasing	England and Wales	**100%**	100%
Inmarsat (IP) Company Limited	Intellectual property holding company	England and Wales	**100%**	100%
Inmarsat Leasing (Two) Limited	Satellite leasing	England and Wales	**100%**	100%
Inmarsat Services Limited	Employment company	England and Wales	**100%**	100%
Inmarsat Launch Company Limited	Satellite launch Company	Isle of Man	**100%**	100%
Inmarsat Employees' Share Ownership Plan Trust	Employee share trust	England and Wales	**100%**	100%
Galileo Venture Limited	Dormant	England and Wales	**100%**	100%
iNavSat Limited	Dormant	England and Wales	**100%**	100%

On 5 September 2005, Invsat Limited was sold to Nessco Limited, which is a communications services supplier for the oil and gas industry based in Aberdeen.

On 17 October 2005, the Group disposed of the assets and business of Rydex Corporation Limited to Seawave LLC. Rydex Corporation Limited and Rydex Communications Limited have changed their names to 3946306 Limited and 596199 B.C. Limited respectively.

Inmarsat Limited changed its name to Inmarsat Global Limited on 27 May 2005.

34. Events after the balance sheet date

Management announced its intention in January 2006 to restructure the organisation to reflect the fact that the Inmarsat-4 programme was nearing completion. The principal action in the restructuring plan will involve a redundancy programme. The redundancies primarily will relate to those employees who were involved in the Inmarsat-4 programme. The departure of staff will be phased across the year as work is completed and the corporate structure is re-aligned. Management have estimated the total cost of the redundancy programme to be between approximately US$6.0 million and US$8.0 million in 2006. The redundancy costs have not been recognised as a liability for the 2005 financial year.

The Board intends to declare a final dividend of 10.95 cents (US$) per ordinary share to be paid on 26 May 2006 to ordinary shareholders on the register of members at the close of business on 5 May 2006. Shareholders will be asked to approve the final dividend payment at the Annual General Meeting to be held on 26 April 2006. Dividend payments will be made in Pounds Sterling based on the exchange rate prevailing in the London market four business days prior to payment. This dividend has not been recognised as a liability for the 2005 financial year.

Subsequent to 31 December 2005 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.

There was no change in any non-executive Directors' interests between 31 December 2005 and 17 March 2006. The executive Directors shareholding in the Company has changed. See Directors' Remeration Report.

35. Reconciliation of shareholders' equity and profit under UK GAAP to IFRS for the 2004 financial year and as at 31 December 2004

There have been a number of reclassifications to the UK profit and loss statement and balance sheet to conform to IFRS presentation and format.

Reconciliation of profit under UK GAAP to IFRS for the year ended 31 December 2004

(US$ in millions)	UK GAAP	Effect of transition to IFRS	IFRS
Revenue	480.7	–	480.7
Employee benefit costs	(85.6)	(1.6)[(a),(b)]	(87.2)
Network and satellite operations costs	(50.0)	–	(50.0)
Other operating costs	(67.3)	(0.3)[(a)]	(67.6)
Work performed by the Group and capitalised	25.8	–	25.8
EBITDA	303.6	(1.9)	301.7
Gain on disposal of property, plant and equipment	42.6	–	42.6
Depreciation and amortisation	(144.5)	20.4[(c)]	(124.1)
Operating profit	201.7	18.5	220.2
Interest receivable	4.0	–	4.0
Interest payable and similar charges	(199.3)	–	(199.3)
Net interest payable	(195.3)	–	(195.3)
Profit before income tax	6.4	18.5	24.9
Income tax credit/(expense)	5.0	(10.8)[(a),(c),(i)]	(5.8)
Profit for the year	11.4	7.7	19.1

Notes to the Consolidated Financial Statements

Reconciliation of net assets and shareholders' equity under UK GAAP to IFRS as at 31 December 2004

(US$ in millions)	UK GAAP	Effect of transition	IFRS
Assets			
Non-current assets			
Property, plant and equipment	1,179.1	(31.2)[(d)]	1,147.9
Intangible assets	456.5	51.6[(c),(d)]	508.1
	1,635.6	20.4	1,656.0
Current assets			
Cash and cash equivalents	233.0	–	233.0
Short term deposits	151.7	–	151.7
Trade and other receivables	154.1	2.6[(b)]	156.7
Inventories	1.2	–	1.2
	540.0	2.6	542.6
Total assets	2,175.6	23.0	2,198.6
Liabilities			
Current liabilities			
Trade and other payables	110.9	2.3[(b)]	113.2
Borrowings	37.0	0.2[(b)]	37.2
Provisions	1.1	–	1.1
Current income tax liabilities	16.6	6.7[(a)(i)]	23.3
	165.6	9.2	174.8
Non-current liabilities			
Other payables	35.2	–	35.2
Borrowings	1,824.5	–	1,824.5
Provisions	19.0	10.5[(a)]	29.5
Deferred income tax liabilities	94.8	41.3[(e),(i)]	136.1
	1,973.5	51.8	2,025.3
Total liabilities	2,139.1	61.0	2,200.1
Net assets/(liabilities)	36.5	(38.0)	(1.5)
Shareholders' equity			
Ordinary shares	0.3	–	0.3
Share premium	34.8	–	34.8
Other reserves	1.7	5.7	7.4
Accumulated losses	(0.3)	(43.7)[(i)]	(44.0)
Total shareholders' equity	36.5	(38.0)	(1.5)

Reconciliation of shareholders' equity under UK GAAP to IFRS on transition at 1 January 2004

(US$ in millions)	UK GAAP	Effect of transition	IFRS
Shareholders' equity			
Ordinary shares	0.3	–	0.3
Share premium	34.2	–	34.2
Other reserves	1.4	(1.4)[(g)]	–
Accumulated losses	(11.6)	(47.5)[(a),(d),(e),(g)]	(59.1)
Total shareholders' equity	24.3	(48.9)	(24.6)

(a) Post employment benefits

The Group has elected to adopt the amendment to IAS 19, 'Employee benefits' issued by the IASB on 16 December 2004, which allows all actuarial gains and losses in relation to the Group's pension scheme and post-retirement medical plan to be charged or credited directly to equity. The cumulative actuarial loss of US$5.7 million for the 2004 financial year in relation to the above pension scheme and post-retirement medical plan was charged to the Group's equity in line with the amendment to IAS 19.

The Group's IFRS Balance Sheet reflects the liabilities of the Group's defined benefit pension scheme and post-retirement medical plan totalling US$15.8 million and US$13.3 million respectively. The Group recognised a transitional adjustment from UK GAAP to IFRS of US$2.0 million to opening reserves at 1 January 2004 of the net liabilities of the Group's post-retirement medical plan.

The Group also recognised a charge to the Income Statement of US$1.9 million and a corresponding US$0.6 million tax credit for the 2004 financial year from the adoption of IAS 19.

The Group's pension and post-retirement medical plan liabilities are recognised gross of tax on the Balance Sheet.

(b) Foreign currency translation

In applying IAS 21, 'The effects of changes in foreign exchange rates' the Group is required to translate all outstanding foreign denominated monetary assets and liabilities on the Balance Sheet at the closing rate. Under UK GAAP, all hedged assets and liabilities were recorded at the 2005 hedged rate as at 31 December 2004.

Accordingly, the Group grossed up all hedged foreign currency denominated monetary assets and liabilities outstanding as at 31 December 2004 from their 2005 hedged rate to the closing year-end exchange rate. The corresponding hedge asset or liability has been recognised on the Balance Sheet as at 31 December 2004, resulting in no impact on the Income Statement.

(c) Intangible assets

In adopting IAS 38, 'Intangible assets' the Group does not amortise goodwill, instead it is subject to an annual impairment review. Under UK GAAP goodwill is amortised over 20 years. As the Group has elected not to apply IFRS 3 retrospectively to business combinations prior to transition date under IFRS, the UK GAAP goodwill balance at 31 December 2003 has been included in the opening IFRS consolidated Balance Sheet and is not subject to amortisation but to an annual impairment review.

The credit arising from the adoption of IAS 38 on the Group's consolidated Income Statement in respect of goodwill amortisation is US$20.4 million for the 2004 financial year.

(d) Computer software

Under UK GAAP, all capitalised computer software is included within tangible fixed assets on the Balance Sheet. Under IFRS, only computer software that is integral to a related item of hardware should be included as property, plant and equipment. All other computer software should be recorded as an intangible asset.

Accordingly, an adjustment has been made in the Balance Sheet as at the date of transition and as at 31 December 2004 of US$18.3 million and US$31.2 million, respectively, between property, plant and equipment and intangible assets.

(e) Deferred income tax

The scope of IAS 12, 'Income taxes' is wider than the corresponding UK GAAP standards, and requires deferred tax to be provided on all temporary differences rather than just timing differences under UK GAAP.

As a result, the Group's IFRS opening Balance Sheet at 1 January 2004 includes additional deferred tax liabilities of US$46.9 million in respect of differences between the carrying value and tax written down value of the Group's assets. In addition a GAAP difference arises on the calculation of deferred tax on foreign subsidiaries, resulting in a US$7.2 million income tax expense for the year 2004.

(f) Fair value adjustment on acquisition of subsidiary

Adjustments to provisional fair values in 2004 have been adjusted in the UK GAAP Balance Sheet as at 1 January 2004.

(g) Cumulative translation reserve

The Group has applied the exemption, which allows the cumulative translation difference to be set to zero at the date of transition, for all foreign subsidiary undertakings.

Notes to the Consolidated Financial Statements

(h) Explanation of material adjustments to the Cash Flow Statement for 2004

Income taxes of US$1.1 million received during the year are classified as a part of operating cash flows under IFRS, but were included in a separate category of tax cash flows under UK GAAP.

Deposits maturing after more than three months of US$100.6 million have been included in investing activities under IFRS and under UK GAAP are included in a separate line for 'management of liquid resources'.

Arrangement costs of US$30.2 million together with the bridge rebate of US$5.5 million have been classified as financing activities under IFRS. Under UK GAAP these items are included separately under 'returns on investments and servicing of finance.'

Interest paid of US$64.8 million together with the bridge interest paid of US$3.1 million have been classified as financing activities under IFRS. Under UK GAAP these items are included separately under 'returns on investments and servicing of finance.'

Cash and cash equivalents includes short term deposits maturing within three months of US$107.0 million under IFRS, under UK GAAP the same has been included in the management of liquid resources category.

There are no other material differences between the Cash Flow Statement presented under IFRS and the Cash Flow Statement presented under UK GAAP.

(i) Restatement and reclassification

The Group has reclassified the 2004 current and deferred tax balances to reflect the treatment of pension and post retirement benefits under IAS 19 'Employee Benefits'. The effect of this reclassification is to increase the current income tax liability as at 31 December 2004 by US$3.3 million, with a corresponding decrease in the deferred tax liability (consisting of a US$2.2 million adjustment to opening balances and US$1.1 million reclassification within the 2004 financial year tax charge between deferred and current tax). The impact on net assets is nil.

The Group has restated the 2004 IFRS income tax expense to account for a US$4.2 million asset recorded incorrectly on interest deductions in the prior year. The effect of this restatement is to increase the income tax expense by US$4.2 million, with a corresponding increase to the current tax liability of US$4.2 million for the 2004 financial year. The impact reduces net assets in the 2004 financial year from US$2.7 million to a net liability balance of US$1.5 million.

Inmarsat plc – Company Financial Statements

Independent auditors' report to the members of Inmarsat plc

We have audited the parent company financial statements of Inmarsat plc for the year ended 31 December 2005 which comprise the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds and the related notes. These parent company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

We have reported separately on the consolidated financial statements of Inmarsat plc for the year ended 31 December 2005.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the parent company financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the Chairman and Chief Executive's Review, the Review of Operations, the Financial Review, the Statement on Corporate Governance and the Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005; and
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
17 March 2006

Company Balance Sheet

(US$ in millions)	**As at 31 December 2005**	As at 31 December 2004
Fixed assets		
Investments[(a)]	**680.2**	34.6
Total fixed assets	**680.2**	34.6
Current assets		
Debtors[(b)]	**0.8**	0.8
Cash at bank	**0.7**	–
Total current assets	**1.5**	0.8
Creditors – amounts falling due within one year		
Other creditors[(c)]	**(0.7)**	–
Amounts due to subsidiaries	**(5.0)**	(0.9)
Total creditors: amounts falling due within one year	**(5.7)**	(0.9)
Net current liabilities	**(4.2)**	(0.1)
Total assets less current liabilities	**676.0**	34.5
Net assets	**676.0**	34.5
Capital and reserves		
Called up share capital	**0.4**	0.3
Share premium	**672.3**	34.8
Other reserves	**3.2**	(0.6)
Accumulated profit	**0.1**	–
Total equity shareholders' funds	**676.0**	34.5

a Investments consists of holdings in Inmarsat Holdings Limited.
b Debtors consists of amounts due from the Employee Benefit Trust (2004: debtors consist of amounts due from the Employee Benefit Trust, Inmarsat Holdings Limited and Inmarsat Investments Limited).
c Other creditors consist of amounts due to shareholders in respect of dividends paid.

The financial statements of the Company on pages 82 and 83 were approved by the Board of Directors on 17 March 2006 and signed on its behalf by

Andrew Sukawaty
Chairman and Chief Executive Officer

Rick Medlock
Chief Financial Officer

Reconciliation of Movements in Shareholders' Funds

(US$ in millions)	Ordinary share capital	Share premium account	Other reserves	Accumulated profit	Total
Balance at 1 January 2004	0.3	34.2	–	–	34.5
Issue of share capital	–	0.6	–	–	0.6
Share issued to employee benefit trust	–	–	(0.7)	–	(0.7)
Issue of share options	–	–	0.1	–	0.1
Balance at 31 December 2004	0.3	34.8	(0.6)	–	34.5
Issue of share captial	0.1	637.5	–	–	637.6
Profit for the year	–	–	–	0.1	0.1
Share options exercised	–	–	0.2	–	0.2
Issue of share options	–	–	3.6	–	3.6
Balance at 31 December 2005	**0.4**	**672.3**	**3.2**	**0.1**	**676.0**

Notes to the Financial Statements

Basis of accounting
The 2005 and 2004 financial statements are prepared on the basis of UK GAAP, as the Company itself has not converted to IFRS. The accounting policies, where relevant to the Company, are consistent with those of the consolidated Group as set out in note 2 to the consolidated financial accounts. The principal accounting policies under UK GAAP are as follows:

Profit and loss account
The Company has taken advantage of the exemption available under section 230 of Companies Act 1985 and has not presented a profit and loss account. The profit for the year ended 31 December 2005 was US$0.1 million (2004: US$ nil).

Auditors' remuneration
During the year, the Company paid its external auditors US$0.1 million for statutory audit services (2004: US$0.1 million). In addition, fees of US$2.6 million were paid to PricewaterhouseCoopers LLP (who are the Company's auditors) in connection with the IPO, which have been offset against share premium.

Employee costs and Directors' remuneration
The Company has no employees, excluding the executive Directors (2004: nil). Full details of Directors' remuneration and Directors share options are given in the Directors' Remuneration Report.

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

The exchange rate between US dollars and Pounds Sterling as at 31 December 2005 was US$1.72/£1.00 (2004: US$1.92/£1.00).

Liquid resources
The Company defines liquid resources as short-term deposits and current asset investments capable of being converted into cash without curtailing or disrupting the business.

Investments
Investments in subsidiary undertakings are stated in the balance sheet at cost less amounts written-off.

Employee share options
The Company adopted FRS 20 'Share-based payment' during 2004. The accounting policy is identical to that applied in the consolidated financial statements as set out in note 2 and 25, with the exception that shares issued by the Company to employees of its subsidiaries for which no consideration is received are treated as an increase in the Company's investment in those subsidiaries.

Financial instruments
The Company adopted FRS 25 'Financial Instruments: Disclosure and Presentation' and FRS 26 'Financial Instruments: Measurement' effective 1 January 2005. The adoptions of these standards have no material effect to the Company financial statements.

Dividends
Details of dividends paid in the year and proposed after the year-end, are given in note 13 to the consolidated financial statements. There is no difference between the disclosures given in the consolidated financial statements and those required under UK GAAP.

Subsequent events
Details of subsequent events are given in note 34 to the consolidated financial statements. There is no difference between the disclosures given in the consolidated financial statements and those required under UK GAAP.

Share capital
Details of the company's authorised and issued share capital and of movements in the year are given in note 24 to the consolidated financial statements. There is no difference between the disclosures given in the consolidated financial statements and those required under UK GAAP.

Five Year Summary

(US$ in millions)	2001	2002	2003	2004	**2005**
Revenues	445.3	467.2	512.0	480.7	**491.1**
EBITDA	301.7	313.6	336.6	301.7	**317.1**
EBITDA %	67.8%	67.1%	65.7%	62.8%	**64.6%**
Profit before income tax	60.7	185.2	177.4	24.9	**95.5**
Profit for year	62.9	164.9	123.8	19.1	**64.4**
Net cash inflow from operating activities	262.0	318.1	332.2	279.6	**317.3**
Net cash used in investing activities	(264.3)	(383.9)	(1,740.7)	(150.5)	**(43.2)**
Net cash (used in)/provided by financing activities	(143.0)	39.9	1,718.2	(129.7)	**(470.0)**
Total assets	1,133.8	1,369.6	2,197.6	2,198.6	**2,024.8**
Total liabilities	(370.1)	(455.7)	(2,173.3)	(2,200.1)	**(1,348.3)**
Shareholders equity	763.7	913.9	24.3	(1.5)	**676.5**

Notes:

1. Results for the years ended 31 December 2001, 2002 and 2003 are on the basis of UK GAAP.
2. Results for the years ended 31 December 2004 and 2005 are on the basis of IFRS.

The consolidated financial results for 2001, 2002 and 2003 are not directly comparable to 2004 and 2005 principally because the basis of accounting was changed effective 1 January 2004 from UK GAAP to IFRS.

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Financial Calendar 2006

26 April	Annual General Meeting
3 May	Ex-dividend date for 2005 final dividend
5 May	Record date for 2005 final dividend
26 May	2005 final dividend payment date
August	2006 interim results

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The second Inmarsat-4 satellite launches successfully on a Zenit-3SL rocket from the Sea Launch Platform in the Pacific Ocean

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