Inmarsat plc
Annual report and accounts 2007

The mobile satellite company™

Contents

2007 Financial highlights

Total revenue

US$576.5m

2006: US$500.1m

2007	**576.5**
2006	500.1
2005	491.1

Final dividend per share

17.33 cents (US$)

2006: 16.00 cents (US$)

2007	**17.33**
2006	16.00
2005	10.95

Operating profit

US$211.4m

2006: US$174.9m

2007	**211.4**
2006	174.9
2005	209.5

Basic earnings per share

21 cents (US$)

2006: 28 cents (US$) Adjusted: 17 cents (US$)

2007	**21.00**
2006 adjusted	17.00
2005	17.00

EBITDA

US$388.1m

2006: US$331.7m

2007	**388.1**
2006	331.7
2005	316.0

Profit before income tax

US$124.8m

2006: US$89.8m

2007	**124.8**
2006	89.8
2005	95.5

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

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

2007 Operational highlights

- Six new service launches in 2007
- Broadband services now extended to customers at sea and in the air
- Strong BGAN growth boosts land mobile sector revenues
- Full portfolio of Satellite Phone Services launched
- Option in place to acquire our leading distributor in April 2009
- Spectrum co-operation agreement signed covering the Americas

Inmarsat has stood at the forefront of the mobile satellite services ('MSS') industry for nearly 30 years. We have unique, unrivalled experience in designing and operating satellite communications networks. We are internationally recognised as pioneers in our field and continue to introduce new technologies that redefine the standards for our industry. The Inmarsat name is synonymous with reliable, secure, global mobile satellite communications. We offer a complete portfolio of mobile voice and data services to almost anywhere on the planet, whether on land, at sea or in the air.

A business with momentum

- **1979** – Founded as an IGO
- **1980** – First maritime service
- **1990** – Launch of Inmarsat-2 satellites
- **1991** – First aero service
- **1993** – First land mobile service
- **1996** – Launch of Inmarsat-3 satellites
- **1999** – Company privatisation – First high-speed data service introduced
- **2002** – Fleet and Swift services launched

The markets in which we operate

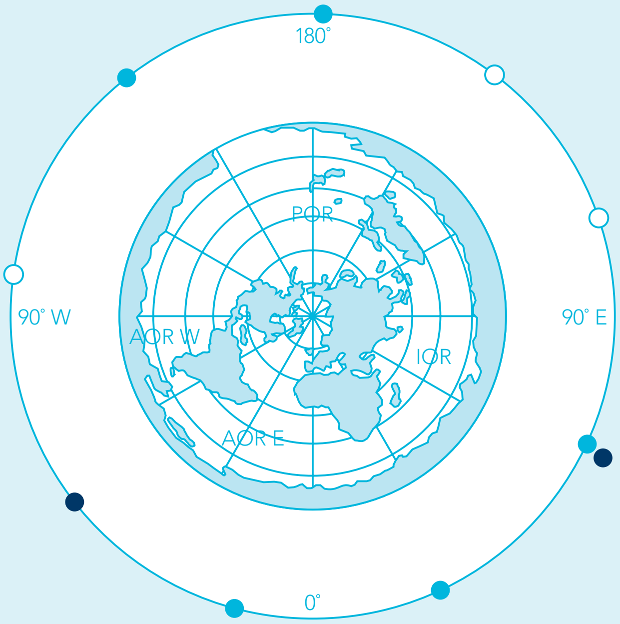
Maritime
Inmarsat offers an unparalleled range of voice, fax and data services to suit all types and tonnages of vessel from small yachts to the largest ocean-going ships, enabling seafarers to communicate as effectively on board as they can when they are on shore. We are the only operator that provides Global Maritime Distress and Safety System-compliant communications for safety services on a global basis.

Land Mobile
Our users include businesses operating in remote areas or those who are travelling to these environments and need access to the same communications offered by their office. Our portfolio of services for the land mobile sector has been enhanced by our Broadband Global Area Network service ('BGAN') and handheld voice services. BGAN offers simultaneous broadband data speeds and voice connectivity.

Aeronautical
The world's leading airlines, corporations and governments depend on Inmarsat satellite services for in-flight connectivity. Inmarsat plays a key role in ensuring safe and efficient aircraft operation over oceanic airspace. SwiftBroadband, which offers enhanced capabilities, was launched in October 2007.

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, civil governments 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 operations.

Inmarsat satellite locations



Inmarsat's constellation of satellites, positioned in geostationary orbit 36,000 km above the earth's surface is controlled from Inmarsat's head office in London, UK.

Our satellites are deployed around the world in nine orbital locations spaced apart in order to minimise harmful interference and maximise spectrum re-use. These orbital locations provide global coverage with some overlaps in areas of higher traffic density.

Inmarsat-2 constellation
Inmarsat-3 constellation
Inmarsat-4 constellation

The third Inmarsat-4 satellite is planned for launch as early as practicable in 2008. The orbital positions are expected to change following this launch.

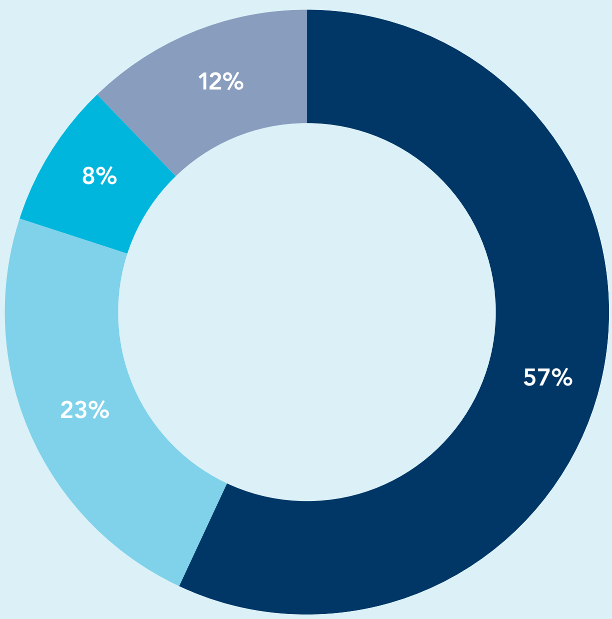
2005
– Land mobile broadband service ('BGAN')
– Initial public offering on London Stock Exchange
– Launch of two Inmarsat-4 satellites

2006
– Entry into the handheld satellite phone market

2007
– 16 July: IsatPhone and LandPhone launched
– 10 September: IsatM2M: new service
– 22 October: new aero service: SwiftBroadband launched
– 9 November: FleetPhone introduced
– 19 November: FleetBroadband launched for maritime users

2008
– Third Inmarsat-4 to be launched

MSS revenue by sector 2007



This chart reflects MSS sector revenues for 2007.

During the year, maritime revenues increased by 9%; land mobile sector revenues increased by 8%; aeronautical revenues increased by 44%; and leasing revenues increased by 10%.

Maritime **57%**
Land mobile **23%**
Aeronautical **8%**
Leasing **12%**

2007 will go down as one of the most productive and exciting years in the twenty-nine year history of Inmarsat. Not only did we launch six new services on the back of our next generation Inmarsat-4 satellite investment programme, but through this extension of broadband services to our maritime and aeronautical customers, we laid the foundation for a future of further growth in the delivery of higher speed data and voice services to our global customers.

Andrew Sukawaty
Chairman and Chief Executive Officer

For more information about our strategy and how it drives the business go to:
inmarsat.com/investor_relations

Our customers use our services for mission critical activities globally, at times in the most extreme environments on our planet. Whether it's life saving services at sea, humanitarian efforts in war zones on land or vital communication services while airborne, they depend on Inmarsat services to be there when they need them. This is an obligation which we take extremely seriously at Inmarsat. It not only drives our service quality levels and reliability, it also drives our push into broadband services, allowing our customers to access the same services in the same way, wherever they go globally.

Our US$1.5bn investment in our next generation Inmarsat-4 satellites now gives our customers confidence that these services will be there for them at least until the year 2023. This is important on ships, aircraft and on vehicular based platforms, to not only protect the investments our customers make in terminals and installation, but also to assure them that the procedures and training they invest in today, will apply for many years to come.

In addition, we have taken great care with the Inmarsat-4 fleet to ensure it can support virtually all of the services on our older Inmarsat-3 fleet. This backward compatibility helps our customers fully utilise and extend the investments they have made, as they can choose to migrate to new services on their own schedule in the future. This is best illustrated by the fact that the average life of one of Inmarsat's terminals on a ship is approximately ten years and on aircraft our customers intend for it to be even longer. We have preserved this unique position for our global franchise through the forward-looking investments we have made over the last seven years. 2007 marked the beginning of the next part of our investment cycle, launching new and better services to keep up with the growing needs of our customers in an ever-changing world. By providing them with wireless data and voice connectivity in environments not served by terrestrial wireless networks, we are part of a trend that is shaping our world. The move towards wireless broadband and voice connectivity is in its early stages, but Inmarsat intends to be there for its customers with the services they are demanding globally, by extending their wireless access to the most extreme environments. This is what they have come to expect and rely on from Inmarsat.

For our customers, shareholders and staff, we can report that Inmarsat exits 2007 in solid financial shape poised to deliver more in the years ahead. Beyond the six service launches in 2007, we did more to set the foundation for the future. We funded an independent company, to allow them to purchase our largest distributor, Stratos Global Corporation ('Stratos'), thus giving us an option to purchase Stratos in 2009 when the restrictions on our direct ownership of distribution expires. This move will put us on an equal footing with all of our global competitors in the industry. At the same time it should help us further develop a global support organisation for our distribution partners and service providers. We also optimised further our capital structure in 2007 by successfully issuing a convertible bond. In addition, we reached agreement with a satellite company to co-operate in a multi-year programme to reconfigure our radio spectrum in a way that allows us both to pursue an exciting emerging opportunity in the US and Canada, for a hybrid satellite terrestrial wireless system, while preserving spectrum alongside it for our global mobile services. If successful in the years ahead, this has the potential to change dramatically how we deliver services globally.

We successfully undertook all of these activities while still ensuring that our core business delivered excellent results.

The consolidated results for Inmarsat plc include the financial results of CIP UK Holdings Limited and its subsidiaries, including Stratos ('CIP') for the period 11 December 2007 to 31 December 2007. In my report, the focus will be on the financial results relating to the Inmarsat Core business, which excludes the CIP results. I will explain about the CIP transaction in a little more detail further on in my report.

Revenues for the Inmarsat Core business for 2007 were US$557.2m, an increase of US$57.1m, or 11.4% compared with 2006. We maintained careful cost control throughout the year with increases of around 3% over 2006, at US$173.7m. With our strong revenue growth and well controlled costs, our EBITDA (earnings before interest, tax, depreciation and amortisation) increased by 16% to US$383.5m, being US$51.8m ahead of 2006. Our EBITDA margin was 69% for 2007 compared to 66% in 2006. This increase in revenues shows that we are exceeding our targets set at the time of the IPO in 2005.

With the improvement of our results throughout the year, we increased our interim dividend paid in October 2007, to 11.55 cents (US$) an increase of 8.3% over 2006. Your Board is recommending a final dividend of 17.33 cents (US$), also being an 8.3% increase over 2006. These increases are in line with our policy of building sustainable cash returns to our shareholders.

Strategy

Earlier in this report, I referred to the CIP transaction and that we are required to consolidate the financial results from CIP into our own results for accounting reasons more fully covered in the Chief Financial Officer's Report. In March 2007, we announced that we were providing a loan through a wholly owned Inmarsat subsidiary called Inmarsat Finance III Limited ('Inmarsat III') to CIP UK Holdings Limited ('CIP UK') to fund the acquisition by its wholly owned subsidiary company CIP Canada Investment Inc ('CIP Canada') to acquire Stratos, our largest distribution partner. This transaction closed on 11 December 2007 and the Stratos shares are now owned by CIP Canada. Inmarsat III has the right to exercise a Call Option to acquire CIP UK, which indirectly owns Stratos, after 14 April 2009 when certain of our existing distribution agreements expire. While we cannot exercise the Call Option to purchase Stratos until April 2009, we fully expect to do so. This will allow us to evolve our distribution structure, which was created when we were an intergovernmental organisation, into a more efficient and competitive one, putting us finally on equal footing with others in our industry.

Our relationship with our distribution partners is vital to the ongoing success of our businesses and we believe a partnership approach is key to achieving this. Whilst we have the option indirectly to acquire our largest distributor in the future, we remain committed to working closely with all our partners. Our existing distribution agreements expire in April 2009 and we have already provided our distributors with new agreements which are updated to provide new commercial arrangements for the provision of our services in the future. We will be working closely with our partners to put these new agreements in place for April 2009.

Our ambition is to have a global reach for our broadband data services, operating over our most recently launched satellite constellation – the Inmarsat-4s. The current Inmarsat-4 fleet covers 85% of the world's landmass and 98% of the world's population. The launch of the third in this series of satellites is planned for as early as practicable in 2008. To support the in-orbit operation of this third Inmarsat-4 satellite, we are well advanced with the construction of a ground station in Hawaii, USA, which once completed, will transmit and receive our BGAN and other traffic to and from our satellite network. We have continued elsewhere in the world to invest in our satellite network. We recently established a facility in Subic Bay, in the Philippines in co-operation with the Philippine Long Distance Telephone Company to service our satellite phone services.

The building and launching of satellites is a lengthy process, consuming significant capital resources. While we are now starting the initial planning for our next generation of satellites – the Inmarsat-5s, we have also secured the opportunity to become the commercial partner of the Alphasat project for the development of a new satellite operating in L-band spectrum. This new satellite will be complementary to our existing Inmarsat-4 constellation. However, given the option we have for two more satellites, this programme is potentially the first step in the implementation of our next generation Inmarsat-5 programme, for launch towards the end of the next decade. Alphasat is a European Space Agency project and is an opportunity for Inmarsat to participate in a major European initiative. We look forward to working with our partners on this satellite programme.

Spectrum is a valuable resource for our business and with the launch of the Alphasat satellite, we will have access to additional L-band spectrum over Europe, Africa and the Middle East. In addition, as part of our spectrum planning over the Americas, at the end of 2007, we also concluded discussions with Mobile Satellite Ventures and its affiliates ('MSV') regarding the efficient reuse and reorganisation of L-band spectrum in the Americas. In December, we entered into a co-operation agreement for spectrum reuse between us and MSV. This agreement is important as it will allow increased spectrum efficiency and protect mobile satellite communications services ('MSS') in the Americas and Ancillary Terrestrial Component ('ATC') operations from interference as well as enable potential ATC operations in the future in North America.

Inmarsat's Strategic Perspectives

The satellite industry banded together in force to influence the decision taken at the 2007 World Radiocommunication Conference of the International Telecommunication Union to ensure the uninterrupted use of the C-band spectrum for the future. This was very important as we use C-band spectrum for telemetry, tracking and control of our satellites and feeder links. By ensuring its protection, we can continue to offer essential communications to mobile users. As spectrum planning is integral to our business operations, monitoring regulatory views about its use is one of our key activities.

Review of operations

In this section, I will only be reporting on the Inmarsat Core business. I have not commented on the financial results of CIP.

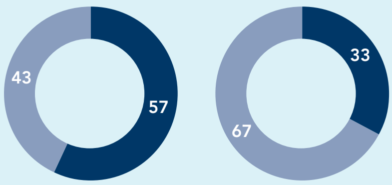
Our Inmarsat Core business has continued the trend of recent years with an increasing volume of data traffic, now representing more than 75% of revenue from our 'on-demand' services. This has been fuelled by increased usage of our BGAN service which provides the user with simultaneous voice and broadband data capabilities. We now believe that this service has wide acceptance in our established user markets, such as media, and that its use will continue to grow into new markets as well as expanding further into our traditional market sectors. The increase in our active terminal numbers during 2007 reflected good growth in Fleet and Swift 64 terminals (serving the maritime and aeronautical sectors respectively), with increasing numbers of active BGAN terminals. Once again, as last year our satellite availability is better than 99.99% which continues to reflect the stability of our operations, providing peace of mind to those using our network for critical operational activities.

We continue to see competition across all our market segments from other MSS operators, VSAT providers and telecoms operators extending their infrastructure capabilities. We firmly believe that through our current portfolio, offering broadband data and high quality voice services, and now with broadband services available on land, on sea and in the air, we are well placed to be the best choice for customers requiring these services. Our position is to offer highly reliable mobile broadband and voice services which are designed to work in the most extreme weather environments, generally while on the move, for an attractive value compared with the "all in" cost of other services. When compared with VSAT, we are more economical; when compared with the other MSS operators, we are global, offer higher data speeds and have a fully-funded new constellation in the sky, which our customers can count on beyond the end of the next decade. These are combined claims no other can make. We believe this is particularly relevant as some operators have ageing satellite constellations compared to our Inmarsat-4 satellite constellation where we expect service to be available at least until 2023.

As I mentioned at the start of my report, 2007 saw six different product launches, across each of our principal business sectors. In Inmarsat's history, we have never launched so many services in one year.

Maritime sector

MSS revenue 2007 | **Maritime revenue 2007**



Maritime **57%**
Other **43%**

Voice **33%**
Data **67%**

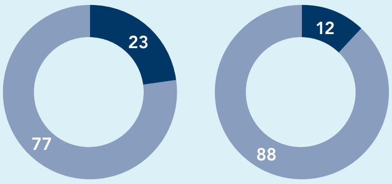
Revenues during 2007 from the maritime sector were US$310.3m, an increase of US$25.6m or 9% compared to 2006. Data revenues increased by 13% during 2007 driven by increased usage of our Fleet services. In previous years, we have not been able to respond competitively to cheaply priced voice calls from competitors, but our Fleet voice service and our new FleetPhone are starting to have a positive impact on stabilising the reduction in revenue from voice calls and we hope that these services will increase the level of voice revenue in the future. We launched FleetPhone in November 2007 as the third in the family of our satellite phone services. FleetPhone is targeted at ships' crews offering low-cost calls to family and friends easily without interfering with the ship's operations on the bridge. With the introduction in 2007 of a new pre-pay facility for users of our Satellite Phone Services, we believe that this will provide them with a simpler, more flexible payment system.

As well as the introduction of FleetPhone, we also announced the launch in November 2007 of FleetBroadband which operates using the same network capability as our BGAN service for land users. FleetBroadband provides users with simultaneous voice and high-speed data capabilities and the service has been well received by the market. We expect this new service to serve the maritime industry at least until 2023. Several customers are currently undertaking trials of the new service and we are receiving positive feedback which makes us optimistic about the take-up of this service later in 2008 and beyond. Our focus has been to introduce digital services to our maritime users to provide them with more cost efficient and effective communications channels and in managing a transition from analogue to digital services, we switched off our first maritime service, Inmarsat A, at the end of December 2007. Inmarsat A, our only analogue service, had served the maritime community for 26 years but technological advances meant that we could offer improved services by moving to digital solutions. The Fleet family and now FleetBroadband fulfil the modern mariner's communications needs.

Following the very successful coverage generated by the round-the-world Volvo Ocean Race in 2005/2006, we are delighted once again to be acting as the official provider of satellite communications for the 2008/2009 Race. Our services will play a key role in relaying the excitement and action from the world's premier yacht competition to a global audience of more than 1.8bn. Our technology is a key enabler for all aspects of the Race including position reporting, sending live video footage or photos, providing safety communications in the event of an accident and for boosting crew morale by enabling them to make personal calls and send emails. Use in this Race clearly demonstrates the reliability of Inmarsat's services often in the most harsh of environments at sea.

Land mobile sector

MSS revenue 2007	Land revenue 2007



Land 23%
Other 77%

Voice 12%
Data 88%

In 2007, revenues from the land mobile sector were US$125.8m, an increase of 8.4% compared to 2006. As with our maritime sector, revenues from the use of data increased by 14.6% to US$111.0m reflecting continued strong growth in our BGAN services. As we have reported in previous years, we have noticed a decline in high-speed data traffic in the Middle East but we are seeing good signs of growth in the use of BGAN across a significant number of countries, some where previously we had little or no traffic. We have recorded BGAN traffic now in over 190 countries. Our BGAN revenues during 2007 were US$36.6m, an increase of 285% compared with 2006, which was our first full year of BGAN service. The number of active BGAN subscribers during the year more than doubled to 15,817.

With the strong take-up of our BGAN service, we have announced to our partners that we will be switching off the R-BGAN service (the pre-cursor service to BGAN). We are starting to see users migrating to BGAN from R-BGAN and providing good feedback about BGAN's capabilities. We had expected that there would be some migration from our GAN service as well and this appears to be starting, with, for example news and TV companies using BGAN alongside GAN to provide additional capabilities. We were delighted when CNN, one of the world's leading broadcasters, was recently awarded two awards for its newsgathering system which uses BGAN. It is a marvellous recommendation of the reliability of the BGAN service that within two years of its launch it has received these impressive endorsements.

As well as its broadband speeds, our BGAN service also incorporates an excellent voice capability and we believe that this facility, together with the introduction of our handheld satellite phone, the IsatPhone, will compete very effectively in terms of form and price against the products of other MSS operators. We therefore expect our market share of voice business to increase as these services become more embedded with users, especially as the satellite constellations for some existing MSS operators may be coming to the end of their lives. We expect the IsatPhone to become more widely used once the globalised version of the phone is available (expected in 2009).

We launched a new low data rate service, called IsatM2M, in September 2007 which is a next-generation satellite telematics service based on our already well-known Inmarsat D+ service. This service offers quick reporting and increased end-to-end functionality for companies who need global asset tracking and to monitor such assets securely.

Aeronautical sector

MSS revenue 2007	Aeronautical revenue 2007

Aeronautical 8%
Other 92%

Voice 9%
Data 91%

As in 2006, our aeronautical sector continued its impressive performance in 2007 with revenues increasing by 44% to US$44.3m. The increase is primarily due to increased demand for our Swift 64 high-speed data service.

Users of the Swift 64 service include government aircraft and the business jet market and also certain commercial airlines. Revenues from our classic aeronautical services, such as Inmarsat H/H+, which are compliant with ICAO's standards for the provision of cockpit safety services, also continued to grow.

In October 2007, we announced the eagerly awaited launch of our SwiftBroadband service to provide high-speed data connectivity in the air. Our network has been upgraded to accommodate this new service which will allow aircraft to operate seamlessly across satellite spot beams. SwiftBroadband is our first fully IP-based service for the air transport market and uses the now established BGAN technology. The service is already available through several of our distribution partners and their extensive reseller networks with five leading manufacturers developing the avionics and antennae for the service.

We understand that the majority of new long-haul aircraft currently being built by Boeing and Airbus, such as the Boeing 777 and Airbus A380, will be fitted with antennae capable of accessing SwiftBroadband which is a strong endorsement of the value of this new service to users. A simple upgrade path to the higher-speed service is also available to existing aero users.

We are very excited about the continuing trials of in-flight use of mobile phones and other communications devices such as PDAs and BlackBerrys. The trials are being conducted by our distribution partners and more airlines have signed agreements to explore in-flight mobile connectivity. The regulatory issues associated with the use of mobile communications in-flight are closely monitored by authorities around the world. In the UK, Ofcom has indicated its willingness to implement the mutual recognition framework including the granting of licences to UK aircraft operators on request, and now with the Open Skies agreement in place, US and European airlines will be able freely to compete for transatlantic routes. We believe airlines will use in-flight connectivity offerings as a differentiator of their services and we hope this will stimulate additional usage of our

Swift 64 and SwiftBroadband services. We are confident that SwiftBroadband will become as successful as our Swift 64 service over the coming years.

Government sector

Government usage of our services runs through all our sectors – maritime, land mobile, aeronautical and leasing – and covers all government sectors including military and civilian agencies.

We have been working closely with many first responder and emergency response agencies as they determine how they can use our systems, particularly our BGAN service, for communication and information sharing among their communities. Border patrols are also using BGAN to monitor major border crossings in their fight against drug and other trafficking activities.

During the year, a new rugged BGAN terminal with integrated encryption was designed and has started to be used for both secure and non-secure military operations. The features allow the terminal to fit into a standard military rucksack but can also be used on a vehicle mounting for communications-on-the move ('COTM'). COTM via BGAN gives the flexibility to turn any vehicle into a mobile command post, quickly and discreetly.

Leasing

Revenues in 2007 from our leasing sector increased 9.8% to US$66.2m. The improvement in these revenues is principally from new navigation contracts signed during the year and also from a significant Swift 64 lease which was signed in 2006, for which 2007 was the first full year of revenue. We are able to provide capacity leases for short-term requirements but have the flexibility to offer extended terms if there is a compelling business opportunity.

Social Responsibility

Inmarsat remains the only approved provider of satellite communications services for the Global Mobile Distress and Safety System ('GMDSS'). This service is trusted throughout the world by mariners and by the rescue co-ordination centres which are integral to ensuring a response to the safety alert. We are reminded on a regular basis how this service ensures that those at sea can rely on Inmarsat in times of an emergency.

We are also very proud of our agreement with Unesco's Intergovernmental Oceanographic Commission ('IOC') for us to upgrade and improve its Indian Ocean alerting system. The system will use BGAN to warn of future tsunamis. Its use will allow automatic data collection every minute allowing the IOC to monitor sea level changes and respond to any alerts. We are pleased to be providing free airtime for the start-up of this programme.

Our charitable support of Télécoms Sans Frontières ('TSF') continued during 2007 and we have confirmed our support through 2008. TSF provides first communication links from disaster zones for other aid and government agencies and victims. 2007 was a very busy year with TSF sending response teams to deal with crises in many different countries including Bangladesh, Mexico, Peru and Nicaragua. TSF also supports ongoing work in various countries working with Unicef, the United Nations Department of Safety and Security and the United Nations Development Programme. We are heartened that our services can be put to such effective use to help those in times of need.

Outlook

Your Board is very pleased with the Company's performance – we again showed growth across all sectors in 2007. Our BGAN service is now becoming accepted across an extended customer base, in new and existing markets and is being recognised as a world-class communications tool.

We believe that the successful, new service launches during 2007, added to our existing portfolio of services, will bring added market penetration and continued leadership by us in the MSS sector for many years.

Alongside managing a successful and ambitious business, we know we must continually look at how we can improve our service and manage our business to keep innovation and development at the forefront of our thinking. The launch of our third Inmarsat-4 satellite and operation of our new ground network are key elements of our forward planning. Their reality will provide global operations on the Inmarsat-4 satellites for our BGAN and satellite phone services. The opportunity to be the commercial partner for the Alphasat project similarly will give us more capacity and position us for new service offerings in the future.

With the support of our customers, our employees, our distribution partners, service partners and manufacturers, we can achieve more. We would like to thank them all for the passion and enthusiasm which they all bring to the Inmarsat partnership and the trust they put in us. We would like to thank particularly our staff for delivering on our commitments to investors in 2007.

Your Board believes we are well positioned to deliver another year of growth in 2008, and to build on the investments we have now made to the benefit of our customers, partners and shareholders.

I am delighted to have the opportunity to review our financial performance for 2007, a year in which we have demonstrated significant financial and operating success, building on the solid foundations laid over the past few years.

Rick Medlock
Chief Financial Officer

For more information about our financial performance go to:
inmarsat.com/investor_relations

Before I discuss our performance I want to explain that, in addition to our existing Inmarsat business ('Inmarsat Core'[1]) which we have historically reported, we have now also consolidated the financial results of CIP UK Holdings Limited ('CIP UK') and its subsidiaries including Stratos Global Corporation ('Stratos').

On 11 December 2007, a wholly owned subsidiary of CIP UK acquired the entire issued share capital of Stratos, our largest distribution partner, for a consideration of $294.0m Canadian dollars (US$263.3m). We provided a loan for the consideration and associated fees to fund this acquisition and in return we were granted a Call Option to acquire CIP UK and, indirectly, Stratos. The Loan Facility has a 10 year term and bears interest at 5.75% per annum until 31 December 2010 (on a Pay In Kind basis to 14 April 2009) and 11.5% per annum thereafter, and is secured by Communication Investment Partners Limited's ('CIP Limited') 100% shareholding in CIP UK. The Call Option is only exercisable after 14 April 2009, when certain of Inmarsat's distribution agreements expire, and terminates on 31 December 2010. The Call Option is exercisable for a payment of between US$750,000 and US$1.0m. Following the acquisition of Stratos by CIP Canada Investments Inc ('CIP Canada'), and until such time as a decision is made to exercise the Call Option, we have no control over the financial and operating policies of Stratos and it is expected to continue its current operations and business as usual.

Although Inmarsat does not hold an equity interest in, nor have any control over the financial and operating policies or any entitlement to receive dividends from CIP UK, under IFRS (more specifically Standing Interpretations Committee ('SIC') 12 Consolidation – Special Purpose Entities ('SPE')) the Group is required to consolidate the financial results of CIP UK. This is because it meets the SIC12/IAS 27 definition of a SPE given that the Group is deemed to bear the residual risks and economic benefits of CIP UK by virtue of the combination of the Loan Facility and the Call Option.

We have accounted for the combination of Inmarsat and CIP using the purchase method of accounting in accordance with IFRS 3 'Business Combinations'. Results of operations for CIP have been included in the consolidated income statement for the Group for the period 11 December 2007 to 31 December 2007 (21 days of activity). Details of this transaction are in note 24 to the consolidated financial statements.

Overview

2007 has been another excellent year for Inmarsat. We have exceeded our growth targets for both revenue and EBITDA and also delivered strong growth in our operating cash flows. In line with our strategy of increasing dividends based on the growth of normalised free cash flow, we are pleased to report that we have raised our dividend by 8.3% year over year. We expect to continue to deliver revenue growth in our Inmarsat Core[1] business, and expect further growth in 2008 as our new high-speed data services and Satellite Phone Services ('SPS') launched during 2007 accelerate and further cement our strong market position. We also took advantage of market conditions to successfully issue US$287.7m of convertible bonds to fund the acquisition of Stratos by CIP Canada.

As discussed last year, BGAN remains the cornerstone of our future growth with revenues of US$36.6m from BGAN services during 2007, an increase of 285%, compared with 2006. 2007 has been a successful year for BGAN users, with active BGAN subscribers increasing to 15,817, an increase of 122% year on year. BGAN growth has been driven largely by new customers, the use of new applications by existing customers and, during the latter part of the year, the start of the expected migration of our GAN and R-BGAN users to our BGAN service. Although we expect the migration to BGAN to have a larger impact in the future we do not expect migration to adversely impact overall land data revenues.

During 2007, we have continued to expand the availability of our high-speed data services further with the launch of SwiftBroadband in the aeronautical sector and FleetBroadband in the maritime sector, although we do not expect material revenue contributions from these services until later in 2008. In addition during 2007, our service portfolio was extended to include SPS with the introduction of a new handheld IsatPhone service, a fixed LandPhone service and the maritime FleetPhone. Initially these services will be available across much of the Middle East, Africa and Asia and will be rolled-out globally following an extensive network and terminal modernisation and development programme currently expected to be completed in 2009.

In August 2007, we signed a contract with International Launch Services ('ILS') for the launch of our third Inmarsat-4 satellite on a Proton launch vehicle. We expect the launch to occur as early as practicable in 2008. Our option to launch the third Inmarsat-4 satellite using an Atlas launch vehicle was cancelled in February 2008. The launch of the third Inmarsat-4 satellite will provide global coverage for our BGAN, Global Satellite Phone Services ('GSPS'), SwiftBroadband and FleetBroadband services.

In November 2007, we announced that agreements had been signed with the European Space Agency ('ESA') for Inmarsat to become the commercial operator for the Alphasat project for the development and launch of a new satellite. Alphasat is an ESA initiative for the development of Alphabus, a new satellite platform capable of carrying a large communications payload. Through the Alphasat project, we will build and launch an advanced L-band satellite which will supplement the existing Inmarsat-4 satellite constellation and offer the opportunity for new and advanced services with access to a new allocation of L-band spectrum. Astrium Satellites, a subsidiary of the European Aeronautic Defence and Space Agency ('EADS') has been contracted to build the satellite. We expect our investment for the satellite in orbit (excluding insurance) to be in the region of €260.0m with the launch expected to occur in late 2012 or 2013.

In order to fund the Loan Facility to CIP UK for the purchase of Stratos, we entered into a new US$411.5m borrowing facility with three banks in March 2007. In November 2007, Inmarsat plc then issued US$287.7m in principal amount of convertible bonds (discussed below) and therefore cancelled US$260.0m of the borrowing facility. The remaining US$151.5m facility was available to fund an additional loan as necessary to support CIP Canada's tender offer for Stratos' outstanding bonds that was required following completion of CIP Canada's acquisition of Stratos. The tender period closed on 14 January 2008 and only US$1,000 of bonds were tendered. As a result, there were no drawings under the US$151.5m facility and the facility was cancelled on 21 January 2008.

[1] Inmarsat plc and its subsidiaries excluding CIP.

On 16 November 2007, Inmarsat plc issued US$287.7m in principal amount of 1.75 % convertible bonds due 2017 (the 'Bonds'). The Bonds are convertible into ordinary shares of the Company and have a 1.75% per annum coupon payable semi-annually and a yield to maturity of 4.5%. The Bonds have an initial conversion premium of 32.5% over the reference share price of £4.6193 representing approximately 5% of the Company's current issued share capital. The Bonds have been accounted for as a compound financial instrument and as such bifurcated into a liability component of US$224.3m (classified as non current borrowings in our balance sheet) and an equity component of US$56.9m (classified as equity reserves in our balance sheet). We used the net proceeds of the Bonds to indirectly provide a loan to fund the acquisition of Stratos by CIP Canada. The balance of the net proceeds are available for general corporate purposes.

Total Group Results

The financial statements 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 2007. Included in these consolidated results for 2007 are 21 days of trading activity of CIP for the period 11 December 2007 to 31 December 2007. Please see note 24 for further information on this transaction. Where we refer to 'Inmarsat Core[1]' we include only the results of Inmarsat plc and its subsidiaries excluding CIP. The measurement of revenue and costs is in accordance with International Financial Reporting Standards ('IFRS') as adopted in the EU, and IFRIC interpretations issued and effective at the date of this report.

Revenues for 2007 were US$576.5m, an increase of US$76.4m, or 15.3%, compared with 2006. Revenues excluding CIP increased by 11.4% from US$500.1m to US$557.2m.

The table below shows the combined results for Inmarsat Core[1] for the year ended 31 December 2007 and CIP for the 21 days of trading activity following the transaction. The table also identifies all associated intragroup eliminations and adjustments for the reported consolidated Group position.

In order to provide investors with more meaningful comparative financial information for Inmarsat plc, we have chosen to discuss our trading results and position split between Inmarsat Core[1] and CIP. It should be noted that CIP operates independently from Inmarsat Core[1] and Inmarsat Core[1] management have no control over the financial and operating activities and results of CIP. CIP's analysis has substantially been obtained from results by the main trading entity of the CIP Group, being Stratos, as incorporated in the Stratos Global Corporation Consolidated Financial Statements for 2007.

Inmarsat Core[1] Results

Total revenues for 2007 were US$557.2m, an increase of US$57.1m, or 11.4%, compared with 2006.

During 2007, revenues from Inmarsat Core[1] mobile satellite communications services were US$546.6m, an increase of US$54.8m, or 11.1%, compared with 2006. Growth has been strong across our three market sectors, as a result of a successful year for our BGAN service and continued success in services such as Fleet and Swift 64. This growth has been partially offset by competition from other technologies. During 2007 the maritime, land mobile, aeronautical and leasing sectors accounted for 57%, 23%, 8% and 12% of total revenues from mobile satellite communications services respectively. Revenues in 2007 are impacted by the increase in volume discounts which are driven by our overall revenue growth and by consolidation among distribution partners.

(US$ in millions)	Inmarsat Core[1] 2007	CIP 2007	Intragroup eliminations and adjustments 2007	Consolidated plc **2007**	2006
Revenue	557.2	31.6	(12.3)	**576.5**	500.1
Employee benefit costs	(94.3)	(4.7)	–	**(99.0)**	(92.7)
Network and satellite operations costs	(33.8)	(20.8)	12.2	**(42.4)**	(31.1)
Other operating costs	(64.1)	(1.5)	0.1	**(65.5)**	(56.6)
Work performed by the Group and capitalised	18.5	–	–	**18.5**	12.0
EBITDA	383.5	4.6	–	**388.1**	331.7
Depreciation and amortisation	(174.2)	(2.5)	–	**(176.7)**	(156.8)
Operating profit	209.3	2.1	–	**211.4**	174.9
Interest receivable and similar income	7.6	–	(0.9)	**6.7**	8.3
Interest payable and similar charges	(91.4)	(2.3)	0.4	**(93.3)**	(93.4)
Net interest payable	(83.8)	(2.3)	(0.5)	**(86.6)**	(85.1)
Profit/(loss) before income tax	125.5	(0.2)	(0.5)	**124.8**	89.8
Income tax (expense)/credit	(28.3)	(0.1)	0.2	**(28.2)**	37.9
Profit/(loss) for the year	97.2	(0.3)	(0.3)	**96.6**	127.7

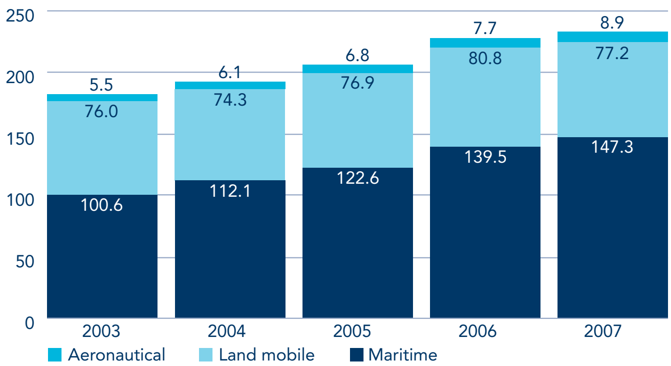
[1] Inmarsat plc and its subsidiaries excluding CIP.

The table below sets out the components of Inmarsat Core[1] total revenue for each of the years under review:

(US$ in millions)	2007	2006	Increase/ (decrease)
Revenues			
Maritime sector:			
voice services	**102.6**	100.9	1.7%
data services	**207.7**	183.8	13.0%
Total maritime sector	**310.3**	284.7	9.0%
Land mobile sector:			
voice services	**14.8**	19.2	(22.9%)
data services	**111.0**	96.9	14.6%
Total land mobile sector	**125.8**	116.1	8.4%
Aeronautical sector	**44.3**	30.7	44.3%
Leasing (incl. navigation)	**66.2**	60.3	9.8%
Total mobile satellite communications services	**546.6**	491.8	11.1%
Other income	**10.6**	8.3	27.7%
Total revenue	**557.2**	500.1	11.4%

Total active terminals for Inmarsat Core[1] grew to over 233,000 during 2007, a 2.4% increase over 2006. Active terminal numbers showed strong growth particularly in maritime, up 5.6% year over year, with our base of active Fleet terminals growing by 39.8%. In the aeronautical sector, continued growth in Swift 64 (high-speed data) and 'Classic' Aero (low-speed data) have increased active terminal numbers by 15.6% year over year. Land mobile terminal growth decreased 4.5% year over year with fewer Mini M terminals being used as a result of increased competition offset in part by strong growth in BGAN, which added 8,698 terminals in the year.

Active terminals ('000)



Maritime Sector

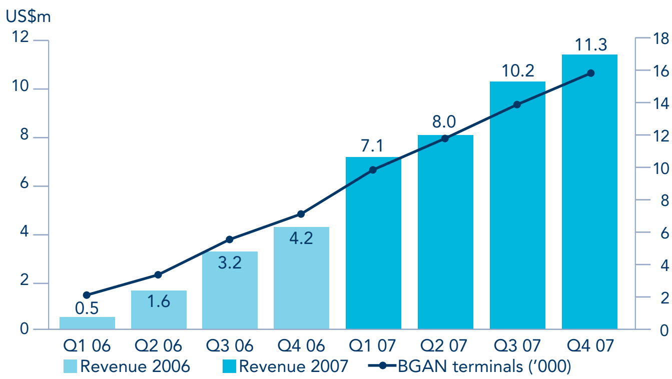
During 2007, revenues from the maritime sector were US$310.3m, an increase of US$25.6m, or 9.0%, compared with 2006. This reflects an increase in both data and voice revenue. Revenues from data services in the maritime sector during 2007 were US$207.7m, an increase of US$23.9m, or 13.0%, compared with 2006. The increase in revenues from data services primarily reflects greater demand, as a result of the take-up and utilisation of our Fleet services in the new-build market. Revenues from voice services in the maritime sector grew for the first time since 1998 increasing by 1.7% to US$102.6m during 2007. An increase of US$1.7m compared with 2006, reflecting increasing signs of stabilisation in this sector.

Historically our voice revenues for maritime services have been affected in some cases by competition and by the migration of users from our higher-priced Inmarsat A analogue service to our lower-priced digital services. Voice revenues have benefited from this stabilisation in pricing, from continued growth in our Fleet services and from a full year of revenues from our ACeS collaboration, which began in September 2006 and was sustained by the introduction of our SPS service in July 2007. We switched off our Inmarsat A service on 31 December 2007, following a five-year notice period to end-users. For the full year of 2007 the Inmarsat A service generated US$3.9m in revenue, however by December was not generating any material level of revenue, with the vast majority of users having migrated to newer Inmarsat services such as Fleet.

Land Mobile Sector

In 2007, revenues from the land mobile sector were US$125.8m, an increase of US$9.7m, or 8.4%, compared with 2006. Revenues from data services in the land mobile sector during 2007 were US$111.0m, an increase of US$14.1m, or 14.6%, compared with 2006. The increase is a result of continued strong growth in BGAN offset in part by the decline in high-speed data traffic following a reduction in traffic in the Middle East, competition from VSAT and the migration of GAN and R-BGAN users to our BGAN service. Although we expect the migration to BGAN to have a larger impact in the future we do not expect migration to adversely impact overall land data revenues.

BGAN quarterly progression
Revenue and terminal numbers



Revenues from voice services in the land mobile sector during 2007 were US$14.8m, a decrease of US$4.4m, or 22.9%, compared with 2006. This decline had been expected and continues the trend seen over the last few years of declining voice traffic volumes resulting from competition, principally for our Mini M and large antenna Mini M services, and from other MSS operators. In order to address this voice decline, in 2006 we took the decision to enter the handheld satellite market, initially through a collaboration with ACeS International Limited ('ACeS'). We believe that SPS and its global successor will enhance our land voice offering and enable us to continue to win customers in the handheld voice market and gain market share, particularly as competitive platforms come to the end of their lives.

In 2007, we saw a good contribution from BGAN voice and our own handheld voice product, IsatPhone, which launched over the initial Inmarsat-4 coverage area of Africa, the Middle East and Asia in July. We plan to launch global SPS coverage in 2009 and we believe that this will enable us to return to growth in land mobile voice services.

[1] Inmarsat plc and its subsidiaries excluding CIP.

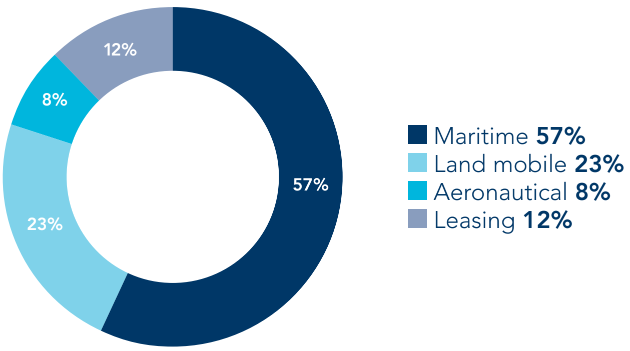
Revenues, including voice, data and subscription, from BGAN services during 2007 were US$36.6m, an increase of US$27.1m, or 285%, compared with 2006. As at 31 December 2007, there were 15,817 (2006: 7,119) active BGAN subscribers, an increase of 122% compared with 31 December 2006. BGAN growth has been driven by new customers, the use of new applications by existing customers, and during the latter part of 2007, the migration of GAN and R-BGAN users to our BGAN service.

Aeronautical Sector
During 2007, revenues from the aeronautical sector were US$44.3m, an increase of US$13.6m, or 44.3%, compared with 2006. The increase is primarily due to increased demand for our Swift 64 high-speed data service, which targets the government aircraft and business jet markets as well as being used by commercial airlines.

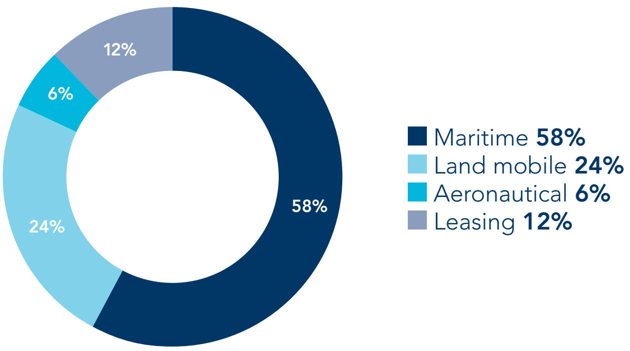
Leasing
During 2007, revenues from leasing were US$66.2m, an increase of US$5.9m, or 9.8%, compared with 2006. The increase relates primarily to new navigation contracts and a full year of revenues for our Swift 64 lease. We experienced lower Inmarsat Core[1] leasing revenue during the fourth quarter as a result of lower demand by a key customer.

Other income
Other income for 2007 was US$10.6m, an increase of US$2.3m or 27.7%, compared with 2006. The increase in other income relates to additional in-orbit support services provided to other satellite operators. Other income also includes the provision of conference facilities, renting surplus office space and revenue from sales of SPS end-user terminals.

Inmarsat Core[1] MSS revenue by sector 2007



Inmarsat Core[1] MSS revenue by sector 2006



Net operating costs
Net operating costs in 2007 were US$173.7m, an increase of US$5.3m or 3.1% compared to 2006. The increase reflects higher employee benefit costs, network and satellite operations costs and other operating costs for our core business offset by higher capitalised costs.

(US$ in millions)	Inmarsat Core[1] 2007	Consolidated plc 2006
Employee benefit costs	**94.3**	85.9
Restructuring costs including termination benefits	–	6.8
Total employee benefit costs	**94.3**	92.7
Network and satellite operations costs	**33.8**	31.1
Other operating costs	**64.1**	56.6
Work performed by the Group and capitalised	**(18.5)**	(12.0)
Net operating costs	**173.7**	168.4

Employee benefit costs
Employee benefit costs in 2007 were US$94.3m, an increase of US$8.4m, or 9.8% compared with 2006 (excluding one-time restructuring costs of US$6.8m in 2006). The increase is a result of additional headcount in both London and Batam (our operation in Indonesia), higher staff bonuses, additional non-recurring costs incurred as a result of changes made to our existing healthcare and home leave employee benefit schemes, the impact of annual salary increases and an adverse movement in the Group's hedged rate of exchange for Pounds Sterling, which has increased from US$1.77/£1.00 in 2006 to US$1.81/£1.00 in 2007 (the majority of staff costs are in Sterling and we report the Group's results in US dollars). Total full-time equivalent headcount at 31 December 2007 was 462 compared to 436 as at 31 December 2006.

Network and satellite operations costs
Network and satellite operations costs during 2007 were US$33.8m, an increase of US$2.7m or 8.7%. The increase is primarily due to the inclusion of a full year of in-orbit insurance costs for the Inmarsat-4 F2 satellite in 2007 which commenced on expiry of the launch insurance policy in November 2006. The remainder of the increase relates to new maintenance contracts for ground network infrastructure that commenced in 2007.

Other operating costs
In 2007, other operating costs were US$64.1m, an increase of US$7.5m, or 13.3%, compared with 2006. The increase primarily relates to the direct cost of sales of SPS terminals sold during the period and foreign exchange losses of US$2.9m (2006: gain of US$1.6m). Additionally, website development costs and an amount of irrecoverable VAT were incurred. Offsetting the increases in part, were lower office rental costs in 2007 due to an amendment made to the accounting treatment on rental payments for our head office in 2006 and lower professional fees in 2007 following the settlement of an outstanding arbitration proceeding in 2006.

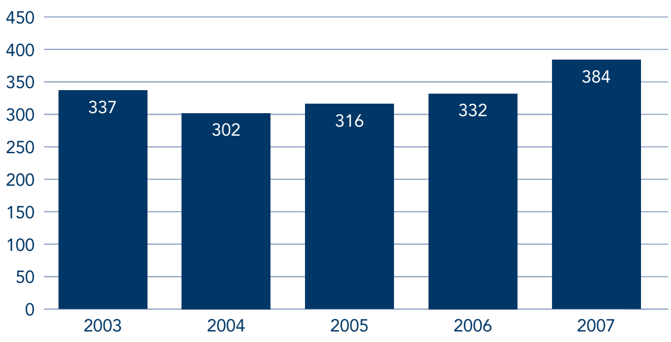
Work performed by the Group and capitalised
During 2007, own work capitalised was US$18.5m, an increase of US$6.5m, or 54.2%. Own work capitalised reflects the shift of work from our BGAN and Inmarsat-4 programme, now that it is largely operational, to work on the rollout of our SPS service and our new services that were introduced in late 2007 such as FleetBroadband and SwiftBroadband.

[1] Inmarsat plc and its subsidiaries excluding CIP.

EBITDA

As a result of the factors discussed previously, EBITDA for 2007 was US$383.5m, an increase of US$51.8m, or 15.6%, compared with 2006. EBITDA margin increased to 68.8% for 2007 compared to 66.3% for 2006. This reflects an increase in revenue offset in part by a smaller increase in net operating costs and this margin expansion illustrates the operational gearing in the Inmarsat business model.

EBITDA (US$m)



Depreciation and amortisation

During 2007, depreciation and amortisation was US$174.2m, an increase of US$17.4m, or 11.1%, compared with 2006. The increase relates to both accelerated depreciation costs following the cancellation of the Atlas launch vehicle option we had in place for the launch of our third Inmarsat-4 satellite as well as higher depreciation charges following the commencement of depreciation on certain elements of the Inmarsat-4 ground network that became commercially operational during 2006.

Operating profit

As a result of the factors discussed above, operating profit during 2007 was US$209.3m, an increase of US$34.4m, or 19.7%, compared with 2006.

Interest

Interest payable for 2007 was US$91.4m, a decrease of US$2.0m, or 2.1% compared with 2006 reflecting a decrease in finance costs associated with our pension and post-retirement liabilities, offset in part by the increase in accretion of principal on our Senior Discount Notes year on year.

Interest receivable for 2007 was US$7.6m, a decrease of US$0.7m, or 8.4% compared with 2006. The decrease relates to the absence of any comparable realised gain in 2007 (2006: US$2.8m) on an interest rate swap which expired at the end of 2006 and lower cash balances in 2007 offset by additional interest income accrued on the loan to CIP in 2007.

Profit before tax

For 2007, profit before tax was US$125.5m, an increase of US$35.7m, or 39.8% compared with 2006, as a result of higher operating profits and interest costs largely unchanged year over year.

Income tax expense

In 2007, the Group recorded a tax charge of US$28.3m, compared to a tax credit of US$37.9m in 2006.

In December 2006, the Group disposed of its wholly-owned subsidiary Burses Limited (formerly Inmarsat Leasing (Three) Limited). At the date of disposal, the sole asset of Burses Limited was an intra-group lease receivable, which was subsequently settled. This resulted in the release of a deferred tax provision of US$58.1m, offsetting our tax liability for 2006. Excluding the effect of this transaction and a further credit arising from the review of certain historical tax provisioning positions, the tax charge for 2006 would have been US$27.3m, resulting in an effective tax rate of 30.4%.

In 2007, the adjustment for the reduction in the corporation tax rate from 30% to 28% resulted in a deferred tax credit of US$11.6m. Excluding this adjustment, the tax charge for 2007 would have been US$39.9m, resulting in an effective tax rate of 31.8%.

The increase in the effective tax rate in 2007 is as a result of an increase in the level of permanently disallowable expenditure.

Profit for the year

As a result of the factors discussed above, profit for the year 2007 was US$97.2m, a decrease of US$30.5m, or 23.9%, compared with 2006.

CIP Results

With effect from 11 December 2007, CIP UK and its subsidiaries ('CIP') have been consolidated into our Group results. CIP operates and is managed independently from Inmarsat Core[1]. CIP's only trading subsidiary is Stratos to which all trading information that follows primarily relates. For further information on Stratos please refer to its 2007 Consolidated Financial Statements which can be located at www.stratosglobal.com.

Total revenues for CIP for the period 11 December 2007 to 31 December 2007 ('the period') were US$31.6m. Of this amount, MSS revenues were US$23.4m, Broadband revenues were US$5.8m and revenues from the sales and rental of equipment and repairs was US$2.4m. Inmarsat services account for a large proportion of Stratos' MSS revenues. Intragroup revenues reported by Inmarsat Core[1] from Stratos that are eliminated on consolidation were US$12.3m for the period.

Total operating costs for CIP for the period were US$27.0m. Stratos' largest operating cost category is network and satellite operations costs which largely reflects costs of goods and services, variable expenses such as the cost of airtime and space segment they purchase from satellite operators such as Inmarsat, cost of equipment, materials and services they re-sell, and variable labour costs related to the repair and service workforce. Intragroup costs that are eliminated on Group consolidation were US$12.2m for the period for network and satellite operations costs and US$0.1m for other operating costs.

Depreciation and amortisation of US$2.5m for the period relates to capital assets with a net book value of US$126.0m at 31 December 2007. As the acquisition of Stratos by CIP Canada occurred only 21 days prior to our financial year end, book values of the assets and liabilities acquired were used as fair values. We expect to carry out a fair value allocation

[1] Inmarsat plc and its subsidiaries excluding CIP.

of these assets and liabilities during 2008. Should the final fair values differ significantly from book values we expect to record an adjustment to depreciation and amortisation costs in 2008.

Interest expense of US$2.3m primarily reflects interest costs associated with Stratos' outstanding Senior Credit Facilities of US$222.8m, Senior Unsecured Notes of US$150.0m and interest on the Loan Facility that is payable to Inmarsat III in respect of the Transaction. The Loan Facility and associated interest is eliminated on Group consolidation.

A loss after tax of US$0.3m was incurred in the period.

Total Group Results

Earnings per share

2007 basic and diluted earnings per share for profit attributable to the equity holders of the Company were 21 cents (US$) and 21 cents (US$) respectively, compared to 28 cents (US$) and 28 cents (US$) respectively for 2006. The decrease is due to a large deferred tax credit in the prior year. 2006 basic and diluted earnings per share adjusted to exclude the deferred tax credit were 17 cents (US$) and 17 cents (US$) respectively.

Liquidity and capital resources

Inmarsat Core[1] had net borrowings at 31 December 2007 of US$1,184.4m primarily comprising drawings on the Senior Credit Facility of US$250.0m, Revolving Credit Facility of US$70.0m, Convertible Bonds of US$231.4m (including accretion of principal), Senior Notes of US$218.8m (net of US$91.6m Senior Notes held by the Group, being 30% of the aggregate principal amount outstanding), Senior Discount Notes of US$412.0m (including accretion of principal) and deferred satellite payments of US$52.4m, net of cash and cash equivalents of US$51.1m.

CIP had net borrowings at 31 December 2007 of US$309.4m, primarily comprising drawings on Senior Credit Facilities of US$222.8m and Senior Unsecured Notes of US$150.0m, net of cash and cash equivalents of US$63.9m.

The total net borrowings figures are as follows:

(US$ in millions)	**As at 31 December 2007**	As at 31 December 2006
Inmarsat Core[1]		
Total borrowings	**1,235.5**	941.1
Cash and cash equivalents	**(51.1)**	(42.8)
	1,184.4	898.3
CIP		
Total borrowings	**373.3**	–
Cash and cash equivalents	**(63.9)**	–
	309.4	–
Group Net Borrowings (excluding deferred finance costs)	**1,493.8**	898.3

The table below shows the combined cash flow for Inmarsat Core[1] for the year ended 31 December 2007 and CIP for the 21 days of trading activity following its acquisition. The table also identifies all associated intragroup eliminations and adjustments for the reported consolidated Group cash flow position.

Net cash from operating activities during 2007 was US$390.7m compared to US$330.0m during 2006. The increase arises from increased EBITDA, movements in working capital and inclusion of CIP.

Net cash used in investing activities, excluding capital expenditure, during 2007 was US$241.2m compared with US$18.0m for 2006. The increase in cash outflows reflects the acquisition of Stratos by CIP Canada for a consideration of $294.0m Canadian Dollars (hedged value of US$263.3m) net of US$56.0m of CIP cash acquired. The adjustment of US$29.7m represents hedging gains which have been applied against the purchase price of Stratos by CIP Canada on consolidation.

Capital expenditure during 2007 was US$213.6m compared with US$114.4m for 2006. The increase reflects capital expenditure for the continued construction of our Inmarsat-4 ground infrastructure, prepaid launch costs associated with our Inmarsat-4 F3 satellite, costs incurred on the construction of our third satellite access station in Hawaii, USA, the payment of outstanding contractual milestones relating to the construction of our Inmarsat-4 satellites, investment in other new BGAN services such as FleetBroadband and SwiftBroadband and our new SPS network. CIP's cash outflow in respect of capital expenditure for property, plant and equipment was US$3.7m for the period.

Net cash from financing activities, excluding the payment of dividends, during 2007 was US$262.6m compared to cash used of US$91.6m during 2006. During 2007, the Group issued US$287.7m of 1.75% convertible bonds due 2017 in November 2007 resulting in net proceeds of US$281.9m and drew down US$70.0m on its revolving credit facility. Offsetting these inflows in part were the Group's purchase of US$38.0m principal of its Senior Notes (2006: US$43.6m) and payment of US$39.8m interest on the Senior Notes and Facilities (2006: US$36.4m). As discussed above, the adjustment of US$29.7m represents hedging gains applied against the purchase price of Stratos by CIP Canada on consolidation.

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.

Combined cash flow

(US$ in millions)	Inmarsat Core[1] 2007	CIP 2007	Intragroup eliminations and adjustments 2007	Consolidated plc **2007**	Consolidated plc 2006
Net cash from operating activities	379.1	11.6	–	**390.7**	330.0
Net cash used in investing activities excluding capital expenditure	(28.0)	(242.9)	29.7	**(241.2)**	(18.0)
Capital expenditure	(209.9)	(3.7)	–	**(213.6)**	(114.4)
Dividends paid to shareholders	(125.9)	–	–	**(125.9)**	(98.2)
Net cash from/(used in) financing activities excluding dividends	(6.6)	298.9	(29.7)	**262.6**	(91.6)
Foreign exchange adjustment	(0.3)	–	–	**(0.3)**	(0.2)
Net increase in cash and cash equivalents	8.4	63.9	–	**72.3**	7.6

[1] Inmarsat plc and its subsidiaries excluding CIP.

Dividends

The Inmarsat plc Board of Directors recommends a final dividend of 17.33 cents (US dollars) per ordinary share in respect of the year ended 31 December 2007 to be paid on 23 May 2008 to ordinary shareholders on the register of members at the close of business on 9 May 2008. Shareholders will be asked to approve the final dividend payment at the Annual General Meeting to be held on 6 May 2008. 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 2007.

This, added to the interim dividend of 11.55 cents (US$) per ordinary share paid on 26 October 2007, takes the dividend for the full year to 28.88 cents (US$) per ordinary share, an 8.3% increase over 2006, and amounts to US$132.1m. The increase in dividend is in accordance with our strategy of increasing dividends based on the growth of free cash flow, adjusted to normalise capital expenditure.

Foreign exchange and treasury policy

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

Inmarsat Core[1] has no legal ownership or managerial control over CIP prior to the exercise of its option. CIP operates and is managed independently from Inmarsat Core[1]. CIP's and Stratos' treasury policies are not dissimilar from Inmarsat Core's[1] treasury policies. For details of Stratos' foreign exchange and treasury policy you should refer to its 2007 Consolidated Financial Statements.

Balance Sheet

The table below shows the combined balance sheets of Inmarsat Core[1] and CIP at 31 December 2007. The table also identifies all associated intragroup eliminations and adjustments for the reported consolidated Group balance sheet.

The Group's non-current assets totalled US$2,398.5m at 31 December 2007 compared with US$1,769.5m at 31 December 2006. The increase is due primarily to intangible assets of US$475.9m reflecting goodwill of US$407.3m recorded as a result of the consolidation of CIP with the remainder relating to other CIP intangible assets. In addition, there is an increase in property, plant and equipment assets of US$144.6m mainly arising as a result of the consolidation of CIP (US$123.8m) offset in part by a decrease in such assets for Inmarsat Core[1] due to the first full year of depreciation on two of our Inmarsat-4 satellites and a major part of our BGAN infrastructure with the Inmarsat-4 programme now substantially complete and operational. The adjustment of US$328.0m represents the elimination of the intragroup loan between Inmarsat III and CIP UK, an adjustment for non-controlling interests and an adjustment for the US$29.7m in hedging gains applied against the purchase price of Stratos by CIP Canada on consolidation.

Current assets for the Group were US$366.1m at 31 December 2007 compared with US$204.1m at 31 December 2006. Cash and cash equivalents increased from US$42.8m at 31 December 2006 to US$115.0m at 31 December 2007, of which US$63.9m in 2007 relates to CIP. Trade and other receivables increased from US$152.0m at 31 December 2006 to US$234.8m at 31 December 2007. The increase reflects CIP trade receivables of US$143.1m offset in part by the elimination of intragroup amounts between Inmarsat Core[1] and CIP. The adjustment of US$71.2m represents the elimination of intragroup receivables.

Non-current liabilities for the Group were US$1,710.1m at 31 December 2007 compared with US$1,089.3m at 31 December 2006. The increase primarily relates to additional non-current borrowings representing the liability component of the convertible bonds issued in November by Inmarsat plc of US$224.3m and the consolidation of CIP non-current borrowings of US$361.7m. The adjustment of US$299.2m represents the elimination of the intragroup loan between Inmarsat III and CIP UK.

Combined balance sheet

(US$ in millions)	Inmarsat Core[1] 2007	CIP 2007	Intragroup eliminations and adjustments 2007	Consolidated plc **2007**	Consolidated plc 2006
Non-current assets	2,097.9	628.6	(328.0)	**2,398.5**	1,769.5
Current assets	219.3	218.0	(71.2)	**366.1**	204.1
Total assets	2,317.2	846.6	(399.2)	**2,764.6**	1,973.6
Current liabilities	(262.3)	(159.2)	100.7	**(320.8)**	(167.8)
Non-current liabilities	(1,321.8)	(687.5)	299.2	**(1,710.1)**	(1,089.3)
Total liabilities	(1,584.1)	(846.7)	399.9	**(2,030.9)**	(1,257.1)
Net assets	733.1	(0.1)	0.7	**733.7**	716.5

[1] Inmarsat plc and its subsidiaries excluding CIP.

Current liabilities for the Group at 31 December 2007 were US$320.8m compared with US$167.8m at 31 December 2006. The US$81.9m increase in current borrowings relates to the drawdown on the revolving senior credit facility of US$70.0m and the consolidation of CIP borrowings of US$11.6m. Trade and other payables have increased by US$48.1m from 2006 and largely relate to the consolidation of CIP payables of US$67.2m offset by lower payables for Inmarsat Core[1] as a result of lower capital expenditure accruals in 2007. The adjustment of US$100.7m represents the elimination of intragroup payables and unamortised hedged gains in Inmarsat III which have been applied against the purchase price of Stratos by CIP Canada on consolidation.

With the deemed acquisition of CIP being so close to the Group's reporting year end there have been no fair value adjustments made to the book values of CIP's assets and liabilities as of 11 December 2007. For opening balance sheet purposes we recognised US$842.1m in assets and US$559.5m in liabilities. We will carry out a fair value allocation of these assets and liabilities during 2008. The increase in liabilities for CIP between the acquisition date and 31 December 2007 primarily relates to the loan between Inmarsat III and CIP.

Seasonality and volume discounts
Revenues are impacted by volume discounts which increase over the course of the year with lower discount levels in early quarters and higher discounts in later quarters as our distribution partners meet specific volume thresholds. Volume discounts for 2007 were US$51.3m compared to US$42.1m during 2006, a 21.9% increase year on year. The effect of these volume discounts are most prominent in the third and fourth quarters. Additionally, the total amount of volume discounts is affected by the growth in underlying revenue and the consolidation of distribution partners. During the remaining term of our distribution agreements, which expire on 14 April 2009, we expect our distribution partners to achieve higher levels of volume discounts as a result of growth in our revenues. The merger of Stratos Global Limited and Xantic B.V. in February 2006 has resulted in increased levels of discounts during 2007 compared to 2006. Additionally, we expect Vizada Satellite Communications to earn higher volume discounts in 2008 compared to 2007 as a result of their consolidation with the former Telenor Satellite Services which was completed in September 2007.

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

CIP and its subsidiaries
The financial performance of CIP UK Limited, CIP Canada and Stratos ('CIP') is outside the control of the management of Inmarsat Core[1]. CIP operates independently and is managed independently from Inmarsat Core[1]. Inmarsat Core[1] management have no ability to influence or manage the results of CIP Group or to mitigate any adverse impacts on its business.

Risk factors
Inmarsat Core[1] faces a number of risk factors, not all of which are wholly within our control. Although many of the risk factors influencing our performance are macroeconomic and likely to affect the performance of businesses generally, others are particular to our operations in mobile satellite services.

Our critical risk factors are discussed below, but this summary is not intended to be an exhaustive analysis of all risks affecting the business. Some risks may be unknown to us and other risks, currently regarded as immaterial, could turn out to be material. All of them have the potential to impact our business, revenue, profits, assets, liquidity and capital resources adversely.

They should also be considered in connection with the statement on internal control and risk management in the Statement on Corporate Governance, the forward-looking statements in this document and the cautionary statement regarding forward-looking statements.

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

We also intend to launch the third Inmarsat-4 satellite as soon as practicable in 2008. Although we have taken out launch insurance, the launch is subject to risk of failure either on launch or once in orbit. Launch insurance covers the launch and subsequent commissioning, testing, and in-orbit operations for a period of one year from the launch date.

Distribution
We rely on third party distribution partners and service providers to sell our services to end-users and they determine the prices end-users pay. There is a risk that our distribution partners or service providers could fail to distribute our services effectively, or fail to offer services at prices which are competitive.

Furthermore sales to two distribution partners represent 82% of Inmarsat Core[1] revenues and the loss of any of these could materially impact our routes to market, reduce customer choice or represent a significant bad debt risk. However, as already described, we have the option to acquire our largest distribution partner in 2009.

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

[1] Inmarsat plc and its subsidiaries excluding CIP.

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

Competition
Although Inmarsat is a market leader in Mobile Satellite Services, there is increasing competition both from existing mobile satellite operators as well as fixed satellite service operators who are seeking to enter our markets, particularly maritime and aeronautical.

Outlook for Inmarsat Core[1]
We believe our business will continue to deliver good growth in 2008 and beyond. The rate at which we are adding customers and terminals for key growth services has retained a steady momentum throughout 2007 and supports our continued growth. Trading conditions in our maritime, land mobile and aeronautical sectors remain positive, although we expect our leasing business to be flat in 2008.

We expect our cost base to be impacted by the devaluation of the US dollar that occurred in 2007 and which has fed through to a deterioration in the average rate at which we have hedged our 2008 Sterling operating costs from US$1.81 in 2007 to US$2.01.

We expect our cash capital expenditure in 2008 will be in a range of US$210.0m to US$230.0m (excluding deferred satellite payments and capitalised operating costs). Our 2008 capital expenditure forecast reflects incremental launch costs for an accelerated launch of our third Inmarsat-4 satellite, the start of manufacturing costs for the Alphasat project, and spend related to the addition of further redundancy at our new Satellite Access Station in Hawaii. Furthermore, we have committed to certain additional costs in relation to the network and the modernisation of equipment for our Satellite Phone Services.

The outlook provided here for Inmarsat Core[1] should not be taken to incorporate or reflect the prospects for CIP in any way.

[1] Inmarsat plc and its subsidiaries excluding CIP.

Board of Directors
(as at 20 March 2008)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1. Andrew Sukawaty
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) and a non-executive director of Zesko Holding B.V. Between 1996 and 2000, he served as chief executive officer and president of Sprint PCS. He was chief executive officer of NTL Limited from 1993 to 1996. Previously, he held various management positions with US West and AT&T. He has served on various listed company boards as a non-executive director. Mr Sukawaty holds a BBA from the University of Wisconsin and an MBA from the University of Minnesota.

2. Michael Butler
President and Chief Operating Officer
Mr Butler joined the Board in December 2003. He has served as Managing Director of Inmarsat Global Ltd since May 2000 and became Chief Operating Officer in June 2004 and President in November 2006. 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 a variety of business to business, sales and marketing roles. Between January 1983 and November 1988, he held a number of managerial 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.

3. Sir Bryan Carsberg
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 Novae Group 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).

4. Stephen Davidson
Independent, Non-Executive Director
Mr Davidson joined the Board in June 2005. Mr Davidson is Chairman of SPG Media plc, Enteraction TV Ltd and Digital Marketing Group plc, and is also a non-executive director of several other companies. 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, 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.

5. Admiral James Ellis Jr (Rtd)
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. Admiral Ellis retired from the US Navy in 2004 as Commander, United States Strategic Command. He was responsible for the global command and control of US strategic forces to meet decisive national security objectives. Admiral Ellis is a graduate of the US Naval Academy, was designated a Naval Aviator in 1971 and held a variety of sea and shore assignments in the United States 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 and Level 3 Communications.

6. Kathleen Flaherty
Independent, Non-Executive Director
Ms Flaherty joined the Board in May 2006. She retired as the Chief Marketing Officer at AT&T on 31 December 2005, a position she had held since June 2004. She currently serves as a non-executive director of GenTek, Inc. (Nasdaq). Ms Flaherty served on the board of Marconi Corporation plc from May 2003 until it was sold to L. M. Ericsson in 2005, and on the board of telent plc until October 2006. She also served on the boards of CMS Energy Corporation (NYSE) and Consumers Energy Company (NYSE) from 1995 to 2004. Ms Flaherty was previously President and Chief Operating Officer of Winstar International from 1999 to 2001. From 1997 to 1998, Ms Flaherty was the Senior Vice President, Global Product Architecture for MCI Communications, Inc. Prior to that she was Marketing Director for National Business Communications at BT. Ms Flaherty graduated from Northwestern University, Evanston, Illinois with a Ph.D. in Industrial Engineering and Management Sciences. She is a member of the McCormick Advisory Board, Northwestern University, and sits on its executive committee.

7. Rick Medlock
Chief Financial Officer
Mr Medlock joined the Board in September 2004. Prior to joining Inmarsat, he had served as chief financial officer and company secretary of NDS Group plc (Nasdaq and Euronext) since 1996. Mr Medlock previously served as chief financial officer of several private equity backed technology companies in the United Kingdom and the United States. Mr Medlock is also a non-executive director of THUS plc (LSE) and Chairman of its Audit Committee. He is a Fellow of the Institute of Chartered Accountants of England and Wales. Mr Medlock holds an MA in Economics from Cambridge University.

8. John Rennocks
Senior 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, Nestor plc and Intelligent Energy 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.

9. Alison Horrocks
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 Advisers

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

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

Nominations Committee
Andrew Sukawaty (Chairman)
Stephen Davidson (with effect from 3 March 2008)
Admiral James Ellis Jr (Rtd)
John Rennocks

Company Secretary
Alison Horrocks

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Lehman Brothers International
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London E14 5LE

Registrars
Equiniti Limited
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Executive Management Board

Michael Butler
President and Chief Operating Officer

Richard Denny
Vice President – Satellite and Network Operations

Alison Horrocks
Company Secretary

Gene Jilg
Chief Technical Officer
Vice President – Product Evolution

Debbie Jones
Vice President – Business and Customer Operations

Rick Medlock
Chief Financial Officer

Perry Melton
Vice President – Sales and Marketing

Leo Mondale
Vice President – Business Development and Strategy

Rupert Pearce
Group General Counsel

Andrew Sukawaty
Chairman and Chief Executive Officer

The Directors have pleasure in submitting their report and the audited financial statements for the year ended 31 December 2007.

As explained in the Financial Review on page 11, in addition to the Inmarsat Core[1] operations, from 11 December 2007 the financial results of CIP UK Holdings Limited and its subsidiaries ('CIP') have also been incorporated into the Inmarsat consolidated financial statements. References to 'Group' on pages 22 to 41 include Inmarsat Core[1] operations and CIP (unless otherwise noted).

Principal activities and business review

The Group provides a broad portfolio of global mobile and transportable broadband communication services via satellite and solutions across its main areas of maritime, aeronautical and land. 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 several branch and regional offices throughout the world. Subsidiary undertakings principally affecting the profit and net assets of the Group are listed in note 36 to the consolidated financial statements.

The Directors are also required to present an extended business review, reporting on the development and performance of the Group and the Company during the year and their positions at the end of the year. That requirement is met by the Business Review on pages 4 to 9 and the Financial Review on pages 10 to 19. The cautionary statement set out on the inside back cover forms part of this Annual Report and is incorporated by reference into the Business Review.

Results and dividends

The results for the year are shown in the Consolidated Income Statement on page 44.

The Directors propose the payment of a final dividend per ordinary share of 17.33 cents (US$) making a total for the year of 28.88 cents (US$) – 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 2008 Annual General Meeting ('AGM'), the final dividend will be paid on 23 May 2008 to shareholders on the register of members at the close of business on 9 May 2008.

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$130,000 (2006: US$110,000) to the telecommunications relief aid organisation, Télécoms Sans Frontières ('TSF'). The Company has pledged to pay US$150,000 to TSF in 2008 and US$150,000 (plus US$50,000 of airtime) in 2009.

The Company has pledged to make a payment to the World Maritime University of US$100,000 in 2008 as part of its support for the education of maritime specialists (payment made in 2006 in respect of the 2007 financial year was US$100,000).

The Company also provides satellite telecommunication services and equipment in conjunction with support offered by its distribution partners and manufacturers to service providers in support of disaster relief management in affected areas of the world.

No political donations were made during the year. It remains the policy of the Company not to make political donations or incur political expenditure. However, the Directors recognise that occasions arise where it may be in the best interests of shareholders for the Company to be able, if appropriate, to participate in public debate and opinion-forming on matters which affect its business. To avoid inadvertent infringement of the Companies Act 2006, the Directors are seeking shareholders' authority at the 2008 AGM for Inmarsat Core[1] to be permitted to make political donations and to incur political expenditure.

Financial instruments

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

Post balance sheet events

Details of material post balance sheet events are included in note 37 to the consolidated financial statements.

Directors and their interests

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

- Michael Butler, President and Chief Operating Officer
- Sir Bryan Carsberg
- Stephen Davidson
- Admiral James Ellis Jr (Rtd)
- Kathleen Flaherty
- Rick Medlock, Chief Financial Officer
- John Rennocks, Deputy Chairman and Senior Independent Director
- Andrew Sukawaty, Chairman and Chief Executive Officer

All Directors were in office on 1 January 2007.

Biographical information on each of the Directors is contained on page 20 of the Annual Report. Their biographies illustrate the Directors' range of experience, which ensures an effective Board to lead and control the Group (excluding CIP).

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 2007 or subsequently have had any interests in any shares of the Company's subsidiaries.

[1] Inmarsat plc and its subsidiaries excluding CIP.

Re-appointment 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 has been in office for more than three years, will retire and put themselves forward for re-appointment at the 2008 AGM. They have each confirmed that they will stand for re-appointment:

- Sir Bryan Carsberg
- Stephen Davidson
- Andrew Sukawaty

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. 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. The Staff Forum is an elected body constituted in accordance with prevailing legislation to provide the formal means of consultation on contractual matters, as and when required. The Company also undertakes regular employee satisfaction surveys. Employees are actively encouraged to attend internal training courses to learn about the Company's business, its 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 27 to the consolidated financial statements. An award of shares under the Inmarsat 2005 Share Incentive Plan was made to employees in April 2007, capped at 5% of salary. The Executive Directors and the Executive Management Board did not participate in this award. Details of the award made in April 2007 are provided on page 40.

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. The Inmarsat workforce is diverse in that it has more than 45 different nationalities amongst the staff.

Equal opportunities

The Group gives full consideration to applications from disabled persons and to the continuing employment of staff that become disabled, including making reasonable adjustments where appropriate or considering them for alternative positions.

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 within the Inmarsat Core[1] operations.

As the Directors have no control over the business of CIP, they do not have access to information regarding CIP's employees, share plans and cannot comment on CIP's equal opportunities policy or health and safety procedures.

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 2007, the Group's trade creditors represented 30 days equivalent of aggregate amounts invoiced by suppliers during the year (2006: 30 days).

Interests in voting rights

At 20 March 2008, the Company had been notified, pursuant to the Financial Services Authority's Disclosure & Transparency Rules, of the following notifiable voting rights in the Company's issued ordinary share capital:

	Number of voting rights over the ordinary shares of €0.0005 each			
	Direct		Indirect	
Harbinger Capital Partners Master Fund I, Ltd and Harbinger Capital Partners Special Situations Fund, L.P.	–	–	129,068,751	28.2%
Lehman Brothers International (Europe)	52,986,812	11.58%	–	–
Lansdowne Partners Limited Partnership	–	–	50,958,170	11.14%
BlackRock, Inc.	–	–	42,576,471	9.31%
Legal & General Group Plc	35,631,512	7.78%	–	–
The Goldman Sachs Group, Inc.	26,179	0.01%	23,343,632	5.10%
KDDI Corporation	21,739,149	4.76%	–	–
F&C Asset Management plc	–	–	19,164,056	4.19%
Allianz SE	–	–	13,812,748	3.02%

Note: Percentages are based on the issued ordinary share capital in issue as at the date of the respective notifications.

Share capital and control

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

The Company's ordinary shares of €0.0005 each are listed on the London Stock Exchange (LSE: ISAT). Details of the issued share capital of the Company are given in note 26 to the consolidated financial statements. At the 2008 AGM, shareholders are being asked to approve the cancellation of the Deferred Shares of €0.01 each and deferred shares of £1 each which are not required by the Company. There are no shares in issue for either class of share.

[1] Inmarsat plc and its subsidiaries excluding CIP.

The holders of ordinary shares are entitled to receive the Company's report and accounts; to attend and speak at general meetings of the Company; to appoint proxies and to exercise voting rights. There are no restrictions on transfer or limitations on the holding of any shares and no requirements for prior approval of any transfers. None of the shares carry any special rights with regard to control of the Company. There are no known arrangements under which financial rights are held by a person other than the holder of the shares and no known agreements on restrictions on share transfers or on voting rights.

Shares acquired through Company share schemes and plans rank pari passu with the shares in issue and have no special rights.

1,409,365 of the ordinary shares held by the Inmarsat Employee Share Ownership Trust carry voting rights. The beneficiaries of 95% of these shares do not instruct the Trust on how to vote in respect of these shares.

The Inmarsat Core[1] operations have in place several significant agreements, which include, inter alia, its banking and debt arrangements, distribution agreements with suppliers and contracts for the in-orbit insurance of its satellites. Subject to the identity of a third party bidder, in the event of a change of control following a takeover bid, Inmarsat Core[1] does not believe that these agreements would suffer a material adverse effect or be subject to termination upon a change of control. However, Inmarsat Core[1] has customary clauses in all its long term debt funding specifying that in the event of a change of control following a takeover bid, the lenders have the option to have the debt repaid under the specific terms of each type of debt.

The Company does not have agreements with any Director or employee of the Inmarsat Core[1] operations that would provide compensation for loss of office or employment resulting from a takeover except that provisions of the Company's share option schemes and share plans may cause options and awards granted under such schemes to vest on a takeover.

As the Directors have no control over the business of CIP, they do not have access to provide information regarding the impact on agreements to which CIP are a party in the event of a change of control.

The powers of the Directors are determined by UK legislation and the Memorandum and Articles of Association in force from time to time. The rules about the appointment and replacement of Directors are contained in the Company's Articles of Association. Changes to the Articles of Association must be approved by shareholders in accordance with legislation in force from time to time. At the 2008 AGM, shareholders are being asked to approve changes to the Company's Articles of Association to implement the parts of the Companies Act 2006 (the '2006 Act') which have come into effect at the date of the AGM and will come into effect on 1 October 2008. Implementation of the 2006 Act is occurring in phases. It is anticipated that further amendments to the Articles of Association will be proposed at a later AGM to incorporate the remaining provisions of the 2006 Act that are yet to be brought into force.

The Directors have been authorised by shareholders to issue and allot ordinary shares up to agreed limits and to have the ability to make market purchases of ordinary shares. At the AGM, shareholders are being requested to renew these 2008 authorities.

Significant contracts

The majority of the space segment revenue of Inmarsat Core[1] 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. The existing five-year agreement became effective in April 2004. DPs operate under agreements with separate arrangements for the distribution of some services. These agreements expire at the same time as the LESO Agreement.

The Directors are aware that the LESO Agreement and other distribution agreements, to which CIP is a party (through Stratos Global Corporation ('Stratos')), are significant contracts for CIP. However, as the Directors have no control over the business of CIP, they are not able to comment on any additional significant contracts of CIP.

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

The Company, through its wholly owned subsidiary, Inmarsat Finance III Limited, has the future option (not earlier than 15 April 2009) to acquire CIP Canada Investment Inc which owns the shares of Stratos.

Directors' and Officers' liability insurance

Inmarsat plc maintains appropriate insurance to cover Directors' and Officers' liability for itself and its subsidiaries (excluding CIP). At the date upon which this report was approved and for the year to 31 December 2007, the Company provided an indemnity in respect of all of the Company's Directors. Neither the insurance nor the indemnity provides cover where the Director is proved to have acted fraudulently or dishonestly.

Registrars

On 1 October 2007, Advent International completed its acquisition, from Lloyds TSB Bank plc, of Lloyds TSB Registrars and changed its name to Equiniti Limited. Equiniti Limited continues to act as the Company's Registrars and provides shareholder services.

Auditors

A resolution to re-appoint Deloitte & Touche LLP as Auditors of the Company and to authorise the Board to determine their remuneration will be proposed at the 2008 AGM.

2008 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 AGM.

[1] Inmarsat plc and its subsidiaries excluding CIP.

Directors' responsibilities

The following statement, which should be read in conjunction with the Auditors' statement of Auditors' responsibilities set out on page 42, 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 year. The Directors are required by the IAS Regulation to prepare the Group financial statements under IFRSs as adopted by the European Union. The Group financial statements are also required by law to be properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. In preparing the 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 to 2006. They are also responsible for maintaining sufficient internal controls to safeguard the assets of the Company and the Group (excluding CIP where they have no control) 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.

Each of the Directors has confirmed that:

i) so far as the Director is aware, there is no relevant audit information of which the Company's Auditors are unaware; and

ii) the Director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

By order of the Board

Alison Horrocks FCIS
Company Secretary
20 March 2008

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 and reissued in June 2006) for the year ended 31 December 2007.

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. In September 2007, the Board announced that it had asked and Mr Sukawaty had agreed to remain in the joint role for a further period which is expected to be not less than two years. It is anticipated that he would then transition to the sole role of Chairman; and
- in his capacity as Executive Chairman of the Company, Andrew Sukawaty acts as Chairman of the Nominations Committee. The Senior Independent Director, who is a member of the Nominations Committee, acts as Chairman of the meetings for discussion relating to succession planning for the Chief Executive Officer role.

The Board

The composition of the Board and its various Committees is regularly 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 eight Directors, comprising three Executive Directors and five 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 20 and 21.

Following the Company's listing on the London Stock Exchange in June 2005, Andrew Sukawaty remained Chairman and Chief Executive Officer, both executive roles. There was a commitment that whilst this did not meet the requirements of the Code, there would, in time, be a separation of the roles as noted above. The Board continues to believe that Mr Sukawaty's involvement in both roles provides a balanced and stable platform for the Company as it matures as a public company and is in the best interests of the Company and its shareholders. To reflect this and in response to a request from the Board, in September 2007, Mr Sukawaty agreed that he would remain in the joint role for a further period of not less than two years.

The Board also believes that it continues to be appropriate, with the Chairman and Chief Executive Officer roles being combined, to maintain John Rennocks in his role as Deputy Chairman, in addition to his role as Senior Independent Director. In this role, concerns can be conveyed to Mr Rennocks, independently of the Executive Directors, by other Directors. Mr Rennocks is also available to meet shareholders and during the year, attended investor meetings where he met analysts and shareholders.

The Board still believes that it is appropriate to consider Admiral James Ellis Jr (Rtd) as an independent, Non-Executive Director, notwithstanding that he is an independent, non-executive director of the Lockheed Martin Corporation which is a major supplier to the Company.

Collectively, the Board believes that it possesses all of the necessary range of qualities and experience to lead the Company effectively. 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 Executive Management Board listed on page 21, who meet on a regular 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. All such appointments require the prior approval of the Board. Executive Directors may not take on more than one non-executive directorship of a FTSE 100 company or any chairmanship of such a company. Mr Sukawaty and Mr Medlock have external directorships and they are permitted to retain any director's fees from these appointments. Details of these directorships can be found in their biographies on page 20 and details of the fees retained can be found on page 38. 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 strategy for the Inmarsat Core[1] operations. The Board has a formal schedule of matters reserved to it for decision but can also delegate specific responsibilities to its Board Committees or to committees convened for special purposes. Regular items for Board meetings include up-dates on business development opportunities, monthly financial and operational reviews and as appropriate, reports from each of the principal Board Committees. Among the key matters on which the Board alone may make decisions are the business strategy of Inmarsat Core[1], 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 business.

Non-Executive Directors have been appointed initially for three years and all Non-Executive Directors may not, unless agreed by the Board, remain in office for a period longer than six years, or two terms in office, whichever is the shorter. 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 meet annually, without the Chairman and Chief Executive Officer in attendance, to assess Board balance and independence and to monitor the powers of individual Executive Directors. The Senior Independent Director chairs these meetings.

[1] Inmarsat plc and its subsidiaries excluding CIP.

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. When considered necessary, further formal training is provided post appointment. 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.

Board Committees

The main Board Committees are the Audit Committee, the Remuneration Committee and the Nominations Committee. The terms of reference explaining the roles of these Committees and the authority delegated to them by the Board are published on the Group's website at www.inmarsat.com. The Secretary to these Board Committees is the Company Secretary.

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 21. 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, Deloitte & Touche LLP. 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 2007, 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 US reporting subsidiaries. It considered internal audit reports and risk management updates, agreed external and internal audit plans, received updates on management responses to audit recommendations and approved the review of accounting policies.

Pursuant to the requirements of s404 of the Sarbanes-Oxley Act 2002 for its US reporting subsidiaries (for reporting periods commencing 1 January 2007), an annual assessment must be undertaken by management of the effectiveness of internal controls over financial reporting. This has required a significant project to document and test internal controls over financial reporting. The Audit Committee has overseen the progress of this project through regular status reports submitted by management. The first annual assessment and related report from management will be included in the Forms 20-F, which will be filed with the US Securities and Exchange Commission ('SEC') in April 2008. The external Auditors ('Auditors') are not required to conduct their assessment under s404 for the financial year ended 31 December 2007.

The Company Secretary, as Chairman of the Disclosure Committee (the role of which is detailed on page 30), 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. In addition to their statutory duties, the Company's Auditors may also be employed where, as a result of their position as Auditors, they either must, or are best placed to, perform the work in question. A formal policy is in place in relation to the provision of non-audit services by the Auditors to ensure that there is adequate protection of their independence and objectivity. The Auditors regularly confirm their independence to the Committee. 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 procurement procedures and fee constraints (such as tax advisory services and due diligence).

During the year, specific approval had been given by the Audit Committee for the Company's Auditors to perform non-audit services. Auditor objectivity and independence is 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. The Audit Committee has agreed that the Company could commit to fees in relation to tax advisory and tax compliance work from the Auditors, in aggregate, of up to 20% of the total audit fee each year, with up to £50,000 for any one project, without the need to seek approval for individual projects. A breakdown of the fees paid to the Company's Auditors during the year is set out in note 7 to the consolidated financial statements.

Remuneration Committee

The composition of the Remuneration Committee is disclosed on page 21 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 Inmarsat Core[1] operations. 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 and makes recommendations to the Remuneration Committee relating to bonus achievement. 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 necessary and sufficient to attract, retain and motivate Executive Directors to run the Company successfully. The packages take into account available remuneration data and views from advisers. The Remuneration Committee is empowered to recommend the grant of share options under the existing share option plans and to make awards under the short and 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. The Company's remuneration policy is intended to reward successful delivery against increasing returns for shareholders and to support the achievement of the strategy of Inmarsat Core[1].

During the year, the Remuneration Committee put in place a one-off performance-related share incentive award to Andrew Sukawaty, the Chairman and Chief Executive Officer. Further details of this award are set out in the Directors' Remuneration Report.

All of the decisions of the Remuneration Committee on remuneration matters in 2007 were reported to and endorsed by the Board.

Nominations Committee

The composition of the Nominations Committee is disclosed on page 21 and comprises a majority of independent, Non-Executive Directors. The Nominations Committee meets as and when necessary. 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 re-appointment of any independent, Non-Executive Director by the Board at the conclusion of his or her specified term; the re-election of any Director by shareholders under the retirement provisions of the Company's Articles of Association; and changes to senior management. The Nominations Committee gives full consideration to succession planning in the course of its work, taking into account the challenges and opportunities facing the Company and what skills and expertise are needed on the Board and from senior management in the future.

During 2007, the Nominations Committee made recommendations to the Board that Mr Sukawaty should remain in the joint role of Chairman and Chief Executive Officer for a further period of time. The Chairman and Chief Executive Officer did not and will not chair the Nominations Committee when it is dealing with agenda items relating to the role of Chief Executive Officer.

2007 Board and Committee meetings

During the year to 31 December 2007, the Board met ten times, including a meeting to approve progressing a specific project. This excludes ad hoc meetings held 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: 10)	Audit Committee (maximum: 4)	Remuneration Committee (maximum: 5)	Nominations Committee (maximum: 3)
Michael Butler	10	–	–	–
Sir Bryan Carsberg	10	4	5	2*
Stephen Davidson	10	4	5	3*
Admiral James Ellis Jr (Rtd)	8	–	4	3
Kathleen Flaherty	10	–	5	2*
Rick Medlock	10	4*	2*	–
John Rennocks	10	4	3*	3
Andrew Sukawaty	10	3*	3*	2

* Attendance by invitation only.

Note: The Company Secretary attended all Board and Committee meetings.

Non-attendance at meetings was due to prior business or personal commitments or in the case of the Nominations Committee, where the Chairman was recused due to the subject matter of the meeting. In an instance where a Director is unable to attend Board or Committee meetings, any comments which he or she may have arising out of the papers to be considered at the meeting are relayed in advance to the relevant Chairman or the Company Secretary.

Directors attend several other meetings during the year and contribute in various ways outside the formal meeting schedule.

[1] Inmarsat plc and its subsidiaries excluding CIP.

Performance evaluation

The effectiveness of the Board is an essential element of the Company's effective and efficient performance. During 2007, the Board and each of the Audit, Nominations and Remuneration Committees undertook performance evaluations. The main elements in the evaluation process were:

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

The evaluation process concluded that the Board and its main Committees had functioned efficiently and effectively during the year and that the individual Directors had also met the standards expected of them, with each making a significant contribution to the Company. The issues identified during the evaluation, such as modifications to Board documentation and meeting presentations and content thereof, have been discussed and changes to Board practice implemented.

A performance evaluation of the Board will continue to be conducted annually and the process for such evaluation will be reviewed by the Board. The Board considers at this time that there remains value in continuing to conduct the performance evaluation process internally, refining the approach and questionnaires each year.

The Nominations Committee confirmed to the Board that the contributions made by the Directors offering themselves for re-appointment at the 2008 AGM continued to benefit the Board and the Company should support their re-appointment.

Directors' remuneration

Details of the Company's remuneration policy and Directors' remuneration are contained in the Directors' Remuneration Report on pages 33 to 41.

Relations with shareholders

The Company recognises the importance of communicating with its shareholders to ensure that its strategy and performance is understood and that it remains accountable to shareholders. The Board as a whole is responsible for ensuring that a satisfactory dialogue with shareholders takes place, whilst the Chairman and Chief Executive Officer and Chief Financial Officer ensure that the views of shareholders are communicated to the Board as a whole. The Board ensures that the Company's strategic plans have been carefully reviewed in terms of their ability to deliver long-term shareholder value. An audited 2007 Annual Report will be sent to shareholders and all results are posted on the Company's website, as are presentations made to institutional investors.

The Company has given regular investor road shows in the UK and overseas and presentations were also made after publication of the Preliminary Results in March 2008.

Investor and analyst conference calls took place after the half year results were published in August 2007. There is an ongoing programme of dialogue and meetings between the Executive Directors and institutional investors, fund managers and analysts. At these meetings, a wide range of relevant issues including strategy, performance, management and governance are discussed within the constraints of information which has already been made public. The Board is aware that institutional shareholders may be in more regular contact with the Company than other shareholders, but care is exercised to ensure that any price-sensitive information is released to all shareholders, institutional and private, at the same time in accordance with the Financial Services Authority requirements.

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

The Board consults with shareholders in connection with specific issues where it considers it appropriate. For example, the Chairman of the Remuneration Committee and the Senior Independent Director met with institutional shareholders in 2007 regarding the Chief Executive Officer Share Award, details of which are set out in the Directors' Remuneration Report.

Shareholders are welcome at the Company's AGM where they will have an opportunity to meet the Board. The notice of the AGM is sent to all shareholders at least 20 working days before the meeting. The Chairmen of the Audit Committee and the Remuneration Committee, together with as many Directors as possible, will attend the 2008 AGM and be available to answer shareholders' questions. Voting may be by form of proxy, by poll, by a show of hands or a combination of all three. 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.

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

Internal Controls

The Board confirms that the procedures necessary to implement the 'Internal Control: Revised Guidance for Directors on the Combined Code' published by the Financial Reporting Council in October 2005 have been established. The Board acknowledges its responsibility for establishing and maintaining the Group's system of internal controls (excluding CIP where it has no control) 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 system of internal controls for the Inmarsat Core[1] operations during the year ended 31 December 2007 and for the period up to the date of approval of the consolidated financial statements contained in the Annual Report. Any necessary action resulting from discussions by the Board and Audit Committee 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 (excluding CIP), which have been in place throughout the year under review and up to the date of this report, include:

Risk management: 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 Risk Committee, 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 Executive Management Board and quarterly to the Board and to the Audit Committee. See diagram below.

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 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 based on a standardised reporting process. In addition, in line with the Transparency Directive, during 2008 the Company will also publish interim management statements. Quarterly reports for US reporting purposes are issued for two of the Company's subsidiaries.

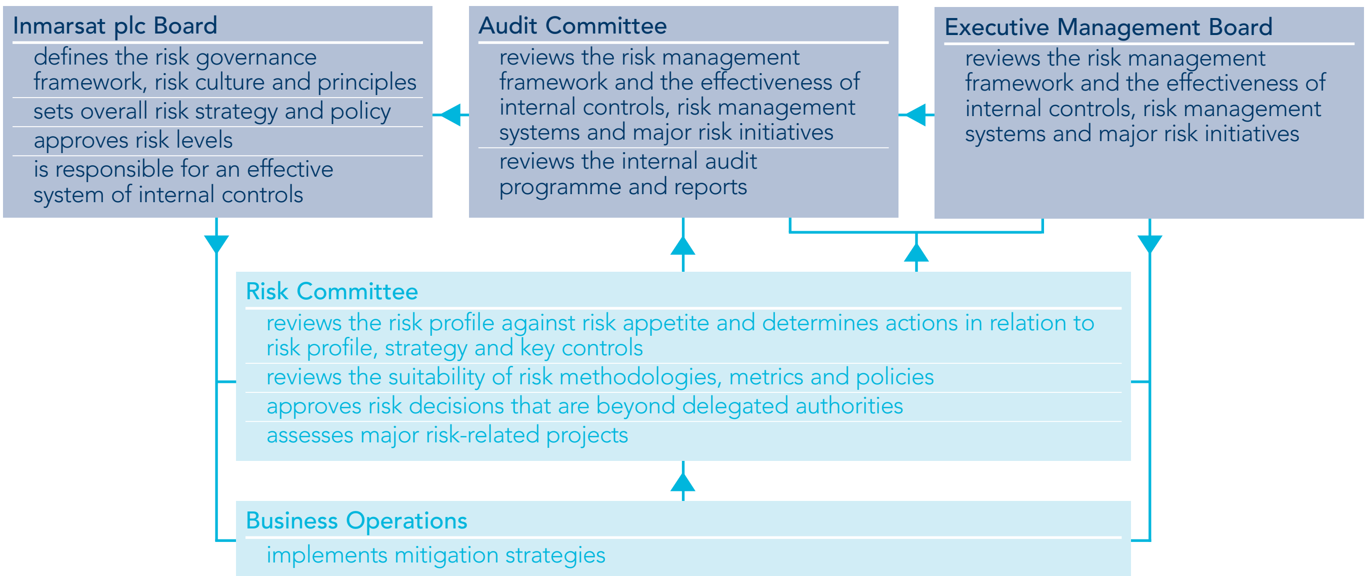
Monitoring of controls: the Audit Committee receives regular reports from the internal and external Auditors and assures itself that the internal control environment of the Group (excluding CIP) is operating effectively. There are formal policies and procedures in place to ensure the integrity and accuracy 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 and the results would be reported to the Audit Committee.

The Board recognises its obligations as a result of two of the Group's wholly-owned subsidiaries being foreign registrants of the SEC, including the requirement to comply with the Sarbanes-Oxley Act 2002. The Company has established a Disclosure Committee with responsibility for reviewing and approving controls and procedures over the public disclosure of financial and related information and other procedures necessary to enable the Chairman and Chief Executive Officer and the Chief Financial Officer to provide their certifications in relation to Forms 20-F filed with the SEC. The Company has also established processes to assess the adequacy of internal controls over financial reporting procedures as required under s404 of the Sarbanes-Oxley Act 2002 for the financial year ended 31 December 2007.

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.

Risk management process



[1] Inmarsat plc and its subsidiaries excluding CIP.

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 Inmarsat Core[1] operations, any significant social, environmental and ethical matters are brought to the attention of the Board.

As the Directors of the Group have no control over the business of CIP, they do not have access to provide information relating to corporate social responsibility within CIP.

Code of Conduct

Inmarsat Core[1] 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

Inmarsat Core[1] 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 Board 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 staff is required on business issues, which includes statutory consultation under prevailing legislation when appropriate.

The President and Chief Operating Officer has been identified as the Board Director having responsibility for health and safety issues in the Inmarsat Core[1] operations. The Group recognises its legal responsibilities to ensure the well-being, safety and welfare of its employees and to maintain a safe and healthy working environment for them and for its visitors and sub-contractors. Regular health and safety audits are undertaken at the main operating sites of the Inmarsat Core[1] operations.

The well-being of staff is important to the Company, reflected in the range of activities the Company arranges for staff from social activities to improving health awareness. Inmarsat Core[1] runs annual health promotion days providing employees with the opportunity to speak to visiting health companies and practitioners.

Environment

By their nature, the activities of Inmarsat Core[1] are judged to have a low environmental impact and are not expected to give rise to any significant, inherent environmental risks over the next twelve months.

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. Controls are in place to ensure that antennae do not radiate any power at low elevation angles.

The Group currently operates a number of ground earth 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.

Inmarsat Core[1] has adopted the highest industry standards in terms of space debris mitigation, including end-of-life graveyard manoeuvre plans for the disposal of satellites when they reach the end of their commercial life. The first disposal of one of the satellites was completed during 2006 and there are no near-term plans for decommissioning any of the remaining satellites.

The mobile handheld voice services handset, called the ISATPhone, uses a GSM based design which follows strict health and safety regulations imposed by EU standards and complies fully with the ETSI (European Telecommunication Standard Institute) regarding the radiation limit.

Inmarsat continues to monitor its energy use and impact on the environment. Inmarsat Core[1] regularly reviews legislation to ensure that it meets its corporate and social responsibilities through institutions such as the Carbon Trust, British Institute of Facility Management and the Chartered Institute of Building Services Engineers. Designated staff regularly look at solutions to reduce consumption and feedback is given to all staff on progress together with the monthly publication of recycling figures. Electricity is the primary energy source for Inmarsat's headquarters building and has been the focus of attention. In 2007, 7,414,080 kWh of electricity was consumed which equated to a 12% reduction from the previous year's consumption and is a saving of 428,555 kg of CO_2. Energy consumption is now lower than in 2002.

In June 2007, Inmarsat introduced a Waste Recycling Scheme. All under desk bins were removed and replaced with waste stations for dry recyclables, non-recyclables and confidential waste. This initiative has been embraced by staff and has proved popular and very successful. After six months, 431,110 kg of waste had been recycled which equates to a saving of 216 m^3 of landfill. The plan is to recycle 85% of all waste and in conjunction with suppliers, schemes are currently being introduced to meet this objective.

Energy and the environment continues to be a major focus in 2008 and has full Board backing with the aim of continuing to reduce the carbon footprint of the business.

[1] Inmarsat plc and its subsidiaries excluding CIP.

Community

Safety at sea remains a primary commitment for Inmarsat Core[1]. The 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 six years through direct funding and the provision of free satellite terminals. TSF is able to reach disaster areas quickly and helps other aid charities with their communications needs whilst also providing the opportunity for those affected to call relatives.

In addition, the Company's Universal Service Obligations ('USO') 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. In China, the Company is actively involved in a number of land and maritime USO projects which have resulted in implementations during the second half of 2007. In collaboration with ACeS (the company with whom we signed a collaboration agreement in September 2006 to provide handheld voice services), Inmarsat has the opportunity to support land-based USO requirements throughout SE Asia.

During the year, the Company funded the Inmarsat Chair of Maritime Education and Training at the World Maritime University to support the education of maritime specialists. Inmarsat encourages internships with universities to provide students with the opportunity to experience first hand the engineering and technical aspects of satellite operations. During the year, Inmarsat supported the International Space University by funding two half scholarships for students in its Masters Program.

As part of its commitment to the local community, during the year Inmarsat hosted a large group from East Side Young Leaders Academy ('EYLA'). EYLA works with groups of boys from the African and Caribbean communities to offer support and mentoring in education and to develop opportunities for its young members. Twenty-five members enjoyed a background briefing on the Inmarsat satellite system, tested the BGAN voice and data service and then made calls home – using a satellite phone. These young guests enjoyed their day and found meeting members of Inmarsat's highly qualified, globally resourced team an inspiration for their future aims.

UK-based staff are encouraged to support individual charities of their choice through the HM Revenue & Customs approved Give As You Earn scheme. The payroll-based scheme enables employees to gain tax relief on their charitable donations.

[1] Inmarsat plc and its subsidiaries excluding CIP.

In preparing this report, the Board has followed the requirements of the Combined Code ('the Code') published by the Financial Reporting Council in July 2003 and reissued in June 2006. 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 AGM. Information provided in the Directors' Remuneration Report is unaudited, unless otherwise specified.

Composition of the Remuneration Committee

The Board has an established Remuneration Committee. The Remuneration Committee comprises Stephen Davidson (Chairman), Sir Bryan Carsberg, Admiral James Ellis Jr (Rtd) and Kathleen Flaherty, all of whom are considered to be independent and are all 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 is important to keep the remuneration policy under review and to retain the flexibility to make adjustments in order to ensure that it remains appropriate for the changing needs of the business. 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, likely to deliver 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 to give them the opportunity to increase their earnings by linking the payment of annual bonuses to achieving business and individual performance targets.

The Company participates in appropriate market surveys and obtains comparator information on pay and benefit levels for all employees. This external information is taken into account, as well as comparison with peer groups across the Company's business, in making pay awards or benefit changes. This same information is also used when considering the pay and benefits of the Executive Directors.

Performance-related elements form a substantial part of the total remuneration package for the Executive Directors, and are designed to align their interests with those of shareholders. Whilst the Executive Directors are rewarded on the basis of individual responsibility, competence and contribution, their salary increases also take into account pay awards made elsewhere in Inmarsat Core[1] as well as market benchmarking. The Remuneration Committee is careful to give due attention to the principle that Executive Directors should not be paid more than is necessary to achieve the Company's objectives. There are three Executive Directors on the Board; Andrew Sukawaty (Chairman and Chief Executive Officer), Rick Medlock (Chief Financial Officer) and Michael Butler (President and Chief Operating Officer).

Remuneration policy is designed to deliver rewards for improved financial performance and for increasing returns to shareholders by linking rewards to the achievement of financial and strategic goals by the Company.

The Board believes that share ownership is an effective way of encouraging employees' involvement in the development of the business and bringing together their interests and those of shareholders. A range of share plans have been operated during 2007, details of which are provided on pages 39 and 40.

In line with best practice and to bring Directors' and shareholders' interests further into line, Executive Directors and the Executive Management Board are encouraged to maintain a holding of ordinary shares in the Company with a guideline value of five and one times salary respectively. The guideline holding for Executive Directors has been increased from the previous level of two times salary.

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

Circa 30%	Circa 70%		
FIXED	**VARIABLE**		
	Short-Term Incentive	Medium-Term Incentive	Long-Term Incentive
Basic salary Benefits (including pension)	Annual cash bonus	Bonus Share Plan awards	Performance Share Plan awards

The Remuneration Committee aims to ensure that remuneration arrangements continue to be in line with best practice and are in the interests of shareholders. Due to the competitive remuneration levels in the telecommunications and satellite markets, overall compensation levels across the workforce generally rank above the 50th percentile of broader survey data. Overall reward levels depend on the achievement of challenging corporate and individual performance targets, ensuring continued close alignment between reward and enhanced shareholder value.

Advisers

The Remuneration Committee is advised internally by Andrew Sukawaty (Chairman and Chief Executive Officer), Rick Medlock (Chief Financial Officer), Debbie Jones (Vice President responsible for human resources) and Alison Horrocks (Company Secretary). The Remuneration Committee also has access to external advice as required.

During 2007, external advice was received principally from Clifford Chance LLP and Deloitte & Touche LLP ('Deloitte') on the ongoing operation of employee and executive share plans. Deloitte also provided advice to the Remuneration Committee regarding the new share award put in place for the Chairman and Chief Executive Officer in September 2007. Deloitte are the Company's Auditors but have provided remuneration services in compliance with the terms of reference of the Audit Committee and the Ethical Standards of the Auditing Practices Board. During the year, external advice was also sought from KPMG LLP and Hewitt Associates regarding the valuation of share awards for accounting purposes.

[1] Inmarsat plc and its subsidiaries excluding CIP.

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/Telecoms Survey, Computer Economics Survey, Remuneration Economics Survey and Watson Wyatt Hi-Tech/Telecoms Survey.

Non-Executive Directors' fees

Fees for Non-Executive Directors are determined annually by the Board as a whole, taking advice as appropriate and reflecting the time commitment and responsibilities of the role. With effect from 1 July 2007, the Board approved an increase of 3% to the basic Non-Executive Directors' fee. Non-Executive Directors' fees currently comprise a basic fee of £42,436 per annum plus additional fees of £5,000 per annum for Committee chairmanship of the Audit and Nominations Committees, £7,500 per annum for chairmanship of the Remuneration Committee and £2,500 per annum for each Committee membership. The Chairman and Chief Executive Officer who is Chairman of the Nominations Committee does not receive a fee for this position.

The Deputy Chairman and Senior Independent Director receives a basic fee of £79,568 per annum which includes fees for any committee membership plus a fee of £5,000 per annum for chairmanship of the Audit Committee. The fees are not pensionable.

Admiral James Ellis Jr (Rtd) also receives a fee in respect of his directorship of Inmarsat Inc which is disclosed on page 38.

Non-Executive Directors do not participate in any annual bonus nor in the pension scheme, healthcare arrangements nor in any of the Company's 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. The letters of appointment of the Non-Executive Directors are available for inspection at the Company's registered office during normal business hours and at the AGM (for 15 minutes prior to the meeting and during the meeting).

Aggregate remuneration paid to the Executive Management Board

The aggregate remuneration of the Executive Management Board (including Executive Directors) for services in all capacities during the 2007 financial year was US$8.5m (2006: US$6.8m).

Executive Directors

Service agreements

Messrs Sukawaty, Medlock and Butler, being the three Executive Directors, all have service agreements 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 twelve 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 twelve 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 gross misconduct), Mr Sukawaty will be entitled to claim for loss of twelve months' basic salary, salary supplement, pension contributions, benefits and bonus (if any) by way of damages. Such damages would take account of 'mitigation' by Mr Sukawaty, save in certain circumstances. No payment in lieu of notice need be given in the event of gross misconduct.

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 twelve 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 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 Directors to mitigate any payments made for any loss of office.

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 and the remuneration awards being made across the Company's workforce, 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 2007, the annual salaries for Mr Sukawaty, Mr Butler and Mr Medlock were £440,000 (2006: £386,250), £311,000 (2006: £300,000) and £267,800 (2006: £267,800) respectively. During the year to 31 December 2006, the Remuneration Committee had approved an increase in salary for Mr Sukawaty to £450,000 per annum. At that time, Mr Sukawaty requested that the majority of this increase be waived and agreed to a salary of £386,250 per annum with effect from 1 July 2006. From 1 July 2007, following the annual salary review by the Remuneration Committee, Mr Sukawaty's salary was increased to £440,000 which remained below the benchmark data and the level recommended by the Remuneration Committee in 2006. The Remuneration Committee wanted to ensure that Mr Sukawaty's salary was brought back more towards the market level for his role and experience. The increase from 1 July 2007 was a move towards achieving this.

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

Pensions

The Executive Directors are eligible to participate in the Company's defined contribution pension plan arrangements. Pensionable salary is limited to basic salary, excluding all bonuses and other benefits, up to a maximum scheme specific cap. Mr Medlock and Mr Butler are members of the defined contribution pension plan for employees who will draw a UK pension; Mr Sukawaty is a member of the US 401k plan. 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 US Internal Revenue Service capped basic salary. The current employer contributions (subject to the internal and US Internal Revenue Service earnings caps, 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 30 to the consolidated financial statements. No Director is a member of the Company's defined benefit pension plan arrangements.

The Company's pension arrangements provided to UK-based executives were reviewed following the UK legislation relating to pensions introduced with effect from April 2006. If any increased tax liability for Executive Directors were to occur in the future because of such pension legislation changes, the Company would not reimburse such amount to Executive Directors nor to other members of staff affected.

Variable remuneration

Annual cash bonus

The Executive Directors are paid a cash bonus upon achievement of challenging objectives linked to Group financial and operational performance (excluding CIP). The financial performance targets represent 80% weighting and personal performance targets (linked to operational performance) represent 20% weighting. These weightings will also be used for the financial year to 31 December 2008. 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 cash 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 cash 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 Remuneration Committee approves the cash bonus payment for each of the Executive Directors, dependent upon the achievement of objectives. For the financial year to 31 December 2007, the Remuneration Committee concluded that the key performance targets for the Executive Directors should focus on revenue growth, operating expenditure containment and EBITDA growth (each for Inmarsat Core[1]). These areas, together with a capital expenditure target, will be the key focus for the financial year to 31 December 2008 but will exclude financial results for CIP. The three corporate financial targets for 2007, which account for 80% of the annual cash bonus entitlement for each Executive Director, were all exceeded. The total level of bonus which can be paid to the Executive Directors, except payments in exceptional circumstances, is currently 200% of basic salary, no more than 100% of which can be paid as a cash bonus.

Bonuses are not pensionable. Details of the actual cash annual bonuses payable in respect of the year ended 31 December 2007 are provided on page 38.

Share incentives

No new share plans have been proposed since the following which were approved by the Board prior to the Initial Public Offering ('IPO') in June 2005:

- 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 share 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 (for example, recruitment and retention). The Remuneration Committee will review and approve, as appropriate, any future recommendation from management regarding the operation of and participation in the PSP and BSP. The Remuneration Committee determined during 2007 that in future, the level of share awards to be made for the subsequent year under the BSP and PSP would be determined by the Company's financial performance for the current year. For example, exceeding internal targets would give a higher award to individuals than just meeting them.

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 39 and 40. The Executive Directors are eligible to participate in the Sharesave Scheme and the SIP on the same terms as other employees, although they did not participate in the SIP awards made to employees in 2006 and 2007.

Inmarsat 2005 Bonus Share Plan (the 'BSP')

The BSP provides the means by which a part of a participant's annual bonus can be delivered in the form of shares, or their equivalent, and allows a bonus award of shares to be made in addition to a participant's cash bonus. During 2006, awards of shares were also made to the Executive Directors and certain senior management relating to a monetary award determined in May 2005 and September 2005. There were also share awards under the BSP in March, May and September 2007. No part of the annual cash bonus payments have been delivered in the form of shares.

[1] Inmarsat plc and its subsidiaries excluding CIP.

Currently, the levels of bonus share award that can be made are equivalent to 100% of the maximum annual cash bonus which may be paid and in exceptional circumstances, equivalent to 200% of the maximum annual cash bonus. At the 2008 AGM, shareholders are being asked to approve an increase to the limits up to 200% of the maximum annual cash bonus and equivalent to 300% of the maximum annual cash bonus in exceptional circumstances. For the Chairman and Chief Executive Officer, the maximum annual cash bonus opportunity is 100% of basic salary and for the other Executive Directors, the maximum annual cash bonus opportunity is 75% of basic salary. If approved by shareholders, the Remuneration Committee will use these new limits carefully and does not intend automatically to make share awards at the higher level.

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 have not been made under the BSP to date.

For the bonus share award, the Remuneration Committee sets the annual performance targets in respect of the financial year relating to the award. To date, these have been the same financial targets as those used for the annual cash bonus. Bonus share 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. For the awards made to date, dividends accrue in the form of ordinary shares which are added to the original award of shares and vest in line with the relevant award.

The first award under the BSP was made to the Executive Directors and certain members of management in May 2005 as a bonus share award and was conditional upon the IPO occurring. The value of the bonus share award was based on a percentage of the target bonus for each individual being achieved for the 2005 financial year. The number of shares was calculated 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 and EBITDA performance for the year ended 31 December 2005 were achieved in full and therefore the maximum bonus share awards were made to participants. The bonus share awards to the Executive Directors are detailed on page 40.

On 20 March 2007 and 7 March 2008, the first two tranches of shares awarded under the BSP in 2005 vested and included additional shares in respect of accrued dividends. The third and final tranche of shares awarded in 2005 will vest in March 2009 and dividends will accrue and be added as additional shares upon vesting.

New share awards under the BSP were made in March, May and September 2007 to Executive Directors and certain senior management. The allocation of shares in respect of all three awards was made based upon the mid-market closing price of the Company's ordinary shares on 7 March 2008 following the announcement of the 2007 Preliminary Results. The annual performance targets relating to revenue, operating expenditure and EBITDA performance for the year ended 31 December 2007 (excluding CIP) were achieved in full and therefore the maximum share awards were made to participants. The total number of shares allocated under the BSP in March 2008 was 938,198. The shares will vest in three tranches in March 2009, 2010 and 2011.

A new share award under the BSP was made in March 2008 to Executive Directors and certain senior management. The number of shares to be allocated will depend upon the Company's financial performance in 2008 (excluding CIP).

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.

Currently, 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 or retention where larger awards of up to 200% of annual basic salary may be made). At the 2008 AGM, shareholders are being asked to approve an increase in awards of up to 200% of annual basic salary (and 300% of annual basic salary in exceptional circumstances). It is not the intention of the Remuneration Committee automatically to make share awards up to the increased levels.

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 shares or the cash equivalent. The intention of the Remuneration Committee is to pay this in shares at the end of the three-year performance period.

The first awards under the PSP 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. The first award will vest in May 2008 and 100% of the award will vest based on the achievement of the performance criteria, being the Company's performance against an index and EBITDA growth for Inmarsat Core[1]. Over the period, the EBITDA performance for Inmarsat Core[1] was 8.3% exceeding the upper hurdle which was 7% per annum. The Company's Total Shareholder Return (TSR), compared with an Index of FTSE 350 companies (excluding investment trusts), was at the 81st percentile, again exceeding the upper hurdle of the 75th percentile. The matrix calculation determined that both performance conditions were in the upper quartile of each performance requirement and therefore 100% of the shares vested.

[1] Inmarsat plc and its subsidiaries excluding CIP.

A second award was made to the Executive Directors in March 2007 and the shares allocated were based upon the mid-market closing price on 28 March 2007 of £3.95 per share. The Remuneration Committee determined that the awards would be equivalent to 50% of basic salary.

The performance targets applicable to the 2007 awards will be determined by reference to the Company's relative TSR performance against companies within the FTSE 350 Index (excluding investment trusts) and its EBITDA performance at the end of the relevant three-year performance period.

For the performance targets 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 have EBITDA growth at or above 10% per annum. If the relative TSR performance is below the median level or the EBITDA growth achieved is less than 6% per annum, none of the shares will vest. 30% of the award will vest for median TSR performance and EBITDA growth of 6% per annum target. There is pro rata vesting of shares between median TSR performance and a minimum EBITDA growth of 6% per annum target and upper quartile TSR performance and EBITDA growth of 10% per annum. The parameters of the performance measure should not be construed as providing any view on the future performance of the Company.

Vesting Fractions		Annualised EBITDA Growth			
		Below 6%	At 6%	6% to 10%	At or above 10%
Relative TSR performance	Upper Quartile		75%	Pro rata	100%
	Median to UQ	No vesting	Pro rata	Pro rata	Pro rata
	Median		30%	Pro rata	75%
	Below median	No vesting	No vesting		

The Remuneration Committee believes that the constituents of the FTSE 350 Index (excluding investment trusts) continue to represent the most appropriate comparator group against which to measure the Company's performance. Growth in EBITDA was selected to reflect the Company's primary driver of value.

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

An award was made on 19 March 2008 to the Chairman and Chief Executive Officer and the Chief Financial Officer of 100,284 and 91,555 shares respectively, based on the mid-closing share price on 18 March 2008 of £4.38 per share. Subject to the performance conditions being met, the award will vest in March 2011. The performance conditions are the same as those noted above with EBITDA growth to be 10% or above over the relevant three-year performance period to achieve potential maximum vesting. If the Company exercises its option to acquire CIP, which cannot be exercised before April 2009, the Remuneration Committee may adjust the EBITDA range to one which is comparably demanding for the combined group.

It is intended that future awards under the PSP will also be made. The vesting schedule, performance conditions and comparator group will be kept under review for future awards.

Details of the PSP awards are provided on page 41.

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 2007. 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 & 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 2007. 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.

Chief Executive Officer Share Award

Following discussions with key shareholders, the Remuneration Committee made a special grant of performance-related shares to Andrew Sukawaty, the Chairman and Chief Executive Officer, on 28 September 2007.

The next few years represent a vital stage in the Company's development and expansion. Mr Sukawaty's leadership has been recognised by investors as pivotal in delivering on initiatives to date, and is central to driving financial performance and capitalising on new opportunities. A one-off share incentive award was considered by the Remuneration Committee to be the most appropriate method of retaining Mr Sukawaty's services as Chairman and Chief Executive Officer and rewarding him for successful leadership over the next three years.

A conditional award of 1 million shares was made on 28 September 2007 (the mid-closing share price on 27 September 2007 was £4.49 per share). No shares will be earned unless, three years after grant, the share price reaches a minimum price of £5.50. For performance above this level, shares will be earned pro rata up to a share price of £7.25 at which the full award will be earned. The share price performance condition will be assessed on the basis of the average closing price of Inmarsat shares over the last 20 trading days of the performance period. A further award over 700,000 shares could be earned if, at the time that performance is assessed, the share price has reached £9.25. If the share price is below £7.25, none of the additional shares would be earned and between £7.25 and £9.25, shares would be earned pro rata up to a share price of £9.25.

The incentive award enables the Company to secure Mr Sukawaty in an executive capacity for a further period. He will remain in the combined role of Chairman and Chief Executive Officer for a period of not less than two years and it is expected that he will subsequently transition to the Chairman role. The award incentivises performance over a period of three years and if he leaves the Company other than as a 'good leaver' at any time before the third anniversary, the award will lapse. Additional provisions manage the transition to the Chairman role within the award period. A move to the sole role of Chairman within two years would result in a pro rated award for the proportion of the three-year period served in the executive role.

Additional shares will accrue representing the value of dividends paid during the performance period on the number of shares that ultimately vest. Good leaver provisions would result in a scaled award pro rata for time and performance. In the event of a change of control of Inmarsat, the award would be reduced taking account of time and performance against the original share price targets.

The Chairman of the Remuneration Committee and the Senior Independent, Non-Executive Director (who is also the Deputy Chairman) consulted carefully with major shareholders in considering the structure of this award, and the Remuneration Committee is satisfied that the arrangement provides for competitive levels of reward for Mr Sukawaty but only in circumstances where substantial additional value is created for all shareholders.

The Inmarsat Employees' Share Ownership Plan Trust (resident in Guernsey) purchased 1 million shares on 26 November 2007 to hold against the satisfaction of the award. This has been funded through a loan from Inmarsat plc to the Trust.

Mr Sukawaty will continue to participate in the other executive share plans (the BSP and PSP) and the level of the special one-off award was determined after deciding that his ongoing participation in those other share plans would continue.

Fees retained for non-executive directorships in other companies

As permitted under their service agreements, two of the Executive Directors hold positions in other companies as non-executive directors. The fees in this regard relating to the 2007 financial year were as follows:

	Company in which non-executive directorship held	2007 Annual Fee
Executive Directors		
Rick Medlock	THUS plc (LSE)	£36,000
Andrew Sukawaty	Xyratex Limited (Nasdaq)	US$186,000
	Telefónica O2 Europe plc	£75,000
	Powerwave Technologies Inc. (Nasdaq)	US$46,000

Directors' remuneration

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

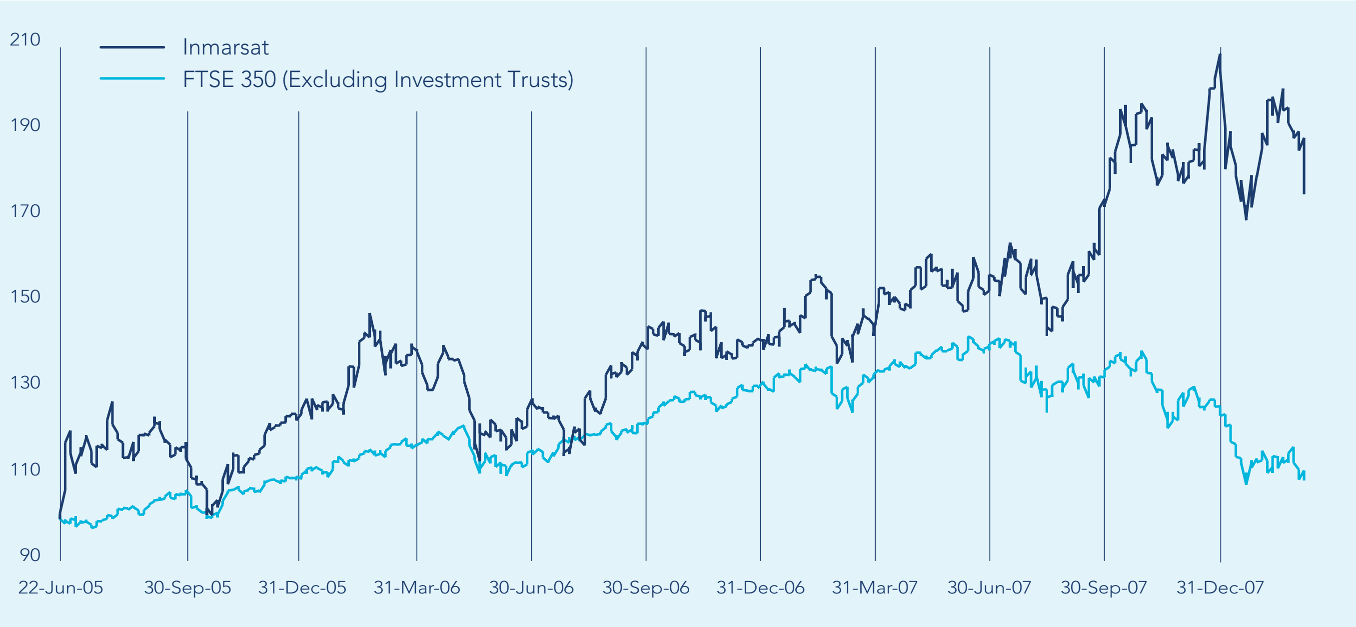
	Salaries/Fees		Bonus		Benefits		Total		Pension	
(US$000)	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
Executive Directors										
Michael Butler	**553**	472	**423**	323	**12**	9	**988**	804	**20**	19
Rick Medlock	**485**	467	**360**	326	**11**	9	**856**	802	**20**	19
Andrew Sukawaty[2]	**748**	674	**796**	684	**36**	32	**1,580**	1,390	**95**	80
	1,786	1,613	**1,579**	1,333	**59**	50	**3,424**	2,996	**135**	118
Non-Executive Directors										
Sir Bryan Carsberg	**85**	80	**–**	–	**–**	–	**85**	80	**–**	–
Stephen Davidson	**94**	86	**–**	–	**–**	–	**94**	86	**–**	–
Admiral James Ellis Jr (Rtd)[3]	**157**	156	**–**	–	**–**	–	**157**	156	**–**	–
Kathleen Flaherty (appointed 9 May 2006)	**80**	49	**–**	–	**–**	–	**80**	49	**–**	–
John Rennocks	**151**	143	**–**	–	**–**	–	**151**	143	**–**	–
	2,353	2,127	**1,579**	1,333	**59**	50	**3,991**	3,510	**135**	118

Note:
1) £:US$ exchange rate used was 1:1.81 (2006: 1:1.77).
2) The pension for Andrew Sukawaty includes an annual salary supplement in lieu of employer pension contribution.
3) During the year to 31 December 2007, the fee for Admiral James Ellis Jr (Rtd) included a full year's fee of US$79,780 (2006: US$75,764) as a Director of Inmarsat Inc, a wholly-owned subsidiary in the US.

[1] Inmarsat plc and its subsidiaries excluding CIP.

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 Remuneration Committee currently believes that this Index is the most suitable benchmark for comparison purposes as an appropriate industry specific index does not exist. The Remuneration Committee will consider in the future whether sufficient comparable companies exist to form an additional comparator group, but as in 2006, do not believe that a suitable group exists at this time.



Employee share option plans

During the year, employees participated in an award of shares (detailed below) and were also able to exercise share options which had been granted under an unapproved share option plan.

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

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

Options and awards granted before the IPO are not counted towards the above limits. As at 31 December 2007, the dilution for share awards was within 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 eligible Directors or employees of Inmarsat Core[1]. All options under the 2004 Plan have now vested and are exercisable. Whenever options are exercised under the 2004 Plan, the holder must pay a de minimis charge of €1. 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 optionholders from the Inmarsat Employees' Share Ownership Plan Trust. No new shares are issued to satisfy the exercise of these options.

No Executive Director or member of the Executive Management Board participated in the 2004 Plan.

Inmarsat 2005 Sharesave Scheme (the 'Sharesave Scheme')

The first grant under the Sharesave Scheme was made in July 2005 with an option grant price of £2.24 per ordinary share (a 20% discount to market value). The Sharesave Scheme is a HM Revenue & Customs approved scheme open to all permanent employees of Inmarsat Core[1] paying UK PAYE, 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. Participants save under a three-year savings contract. All of the Executive Directors and certain members of the Executive Management Board participated in the first invitation under the Sharesave Scheme.

[1] Inmarsat plc and its subsidiaries excluding CIP.

Inmarsat 2005 International Sharesave Scheme

The first grant under the International Sharesave Scheme was made in October 2005 and used the same grant price as the UK Sharesave Scheme. The International Sharesave Scheme is open to eligible employees of Inmarsat Core[1] 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. Employees receive the gain on the growth in share price when they exercise their options and retain the savings they have made.

Details of the outstanding options granted to employees as at 31 December 2007are shown in note 27 to the consolidated financial statements.

Inmarsat 2005 Share Incentive Plan (the 'SIP')

Awards under the SIP were made on 7 April 2006 and 10 April 2007. The SIP is a HM Revenue & Customs approved plan open to all permanent employees of Inmarsat Core[1] paying UK PAYE 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). The market value per ordinary share at the date of the 2007 award was £4.14.

Arrangements were put in place for eligible overseas employees of Inmarsat Core[1] to replicate the awards under the UK approved SIP as closely as possible. The market value per ordinary share used for the award was the same as for the UK SIP.

No Executive Director or member of the Executive Management Board 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 2007 is set out below. No other Director has received share options.

Inmarsat 2005 Sharesave Scheme

	Options held at 1 January 2007	Granted during the year	Exercised during the year	**Options held at 31 December 2007**	Exercise Price	Date from which exercisable	Expiry Date
Michael Butler	4,229	–	–	**4,229**	£2.24	1 September 2008	March 2009
Rick Medlock	4,229	–	–	**4,229**	£2.24	1 September 2008	March 2009
Andrew Sukawaty	4,229	–	–	**4,229**	£2.24	1 September 2008	March 2009

Inmarsat 2005 Bonus Share Plan

	Share awards held at 1 January 2007	Awarded during the year[6]	Vested during the year[2]	**Share awards held at 31 December 2007[3]**	Shares vested on 7 March 2008[4]	Share awards held at 20 March 2008	Share price at date of award	Vesting Date
Award made in March 2005[1]								
Michael Butler	25,456	–	8,749	**17,499**	9,039	9,038	£3.83	March 2009
Rick Medlock	25,456	–	8,749	**17,499**	9,039	9,038	£3.83	March 2009
Andrew Sukawaty	55,075	–	18,929	**37,859**	19,555	19,555	£3.83	March 2009
Award made in March 2007[5]								
Michael Butler	–	65,537	–	**65,537**	–	65,537	£4.58	March 2009-2011
Rick Medlock	–	58,503	–	**58,503**	–	58,503	£4.58	March 2009-2011
Andrew Sukawaty	–	66,248	–	**66,248**	–	66,248	£4.58	March 2009-2011

Note:
1) The shares vest in three equal instalments in March 2007, 2008 and 2009.
2) The number of shares subject to the award increases by the number of shares that the Executive Director could have purchased with the value of dividends they would have received on their award, based on the share price on the ex-dividend date.
3) On 20 March 2007, Messrs Butler and Medlock sold the number of shares which had vested at a market price of £3.85 per share, representing a monetary value of £33,683. On the same date, Mr Sukawaty sold sufficient of his vested shares at a price of £3.85 to cover the tax and national insurance contributions due on the value of the shares and retained 11,140 shares. The market value of his vested shares was £72,876.
4) On 10 March 2008, Messrs Butler and Medlock sold the number of shares which had vested at a market price of £4.57 per share, representing a monetary value of £41,297. On the same date, Mr Sukawaty sold sufficient of his vested shares at a price of £4.57 to cover the tax and national insurance contributions due on the value of the shares and retained 11,509 shares. The market value of his vested shares was £89,353.
5) The shares vest in three equal instalments in March 2009, 2010 and 2011.
6) The monetary value of the award made in March 2007 was converted in full to ordinary shares at a value of £4.58 per share.
- On 19 March 2008, Messrs Sukawaty and Medlock received a monetary award which, subject to achievement of the performance conditions, will be converted to an award of shares in March 2009. These shares will vest in March 2010, 2011 and 2012.

[1] Inmarsat plc and its subsidiaries excluding CIP.

Inmarsat 2005 Performance Share Plan

	Share awards held at 1 January 2007	Awarded during the year	Vested during the year	**Share awards held at 31 December 2007**	Share price at date of award	Vesting Date
Michael Butler	106,123	–	–	**106,123***	£2.45	31 May 2008
	–	37,974	–	**37,974**	£3.95	29 March 2010
Rick Medlock	106,123	–	–	**106,123***	£2.45	31 May 2008
	–	33,898	–	**33,898**	£3.95	29 March 2010
Andrew Sukawaty	153,062	–	–	**153,062***	£2.45	31 May 2008
	–	48,892	–	**48,892**	£3.95	29 March 2010

* Note: 100% of the shares will vest in May 2008.
- An award was made on 19 March 2008 to Andrew Sukawaty and Rick Medlock of 100,284 and 91,555 shares respectively, based on the mid-closing share price on 18 March 2008 of £4.38.

Chief Executive Officer Share Award [1]

	Share awards held at 1 January 2007	Awarded during the year	Vested during the year	**Share awards held at 31 December 2007**	Share awards held at 20 March 2008	Share price at date of award	Vesting Date
Andrew Sukawaty	–	1,000,000	–	**1,000,000**	1,000,000	£4.49	28 Sept 2010

1) The award may be increased to 1.7 million shares subject to the achievement of certain performance conditions.

The market value of the ordinary shares during the year to 31 December 2007 ranged from 366.5p to 543.0p and the share price at 31 December 2007 was 543.0p.

The Remuneration Committee has generally granted share awards on the basis that on vesting, new shares will be issued to satisfy the awards. This has been the situation for share awards under the BSP, PSP, SIP and SAYE plans. Under the 2004 Plan and the International Sharesave Scheme and equivalent SIP scheme, these shares are already held by an employee Trust which acquired shares in the Company in 2003, funded by a loan from Inmarsat plc. The Trust also now holds shares to satisfy part of the Chief Executive Officer Share Award, funded by a loan from Inmarsat plc, and will determine at a future date, whether to buy more shares to satisfy the award up to the full vesting amount; newly issued shares will not be issued to satisfy the Chief Executive Officer Share Award.

Directors' interests

Audited information in respect of the interests of the Directors of the Company in office at the end of the period and their interests in the share capital of the Company as at 20 March 2008 and their connected persons are shown below.

Interest in ordinary shares of €0.0005 each	**As at 20 March 2008**	As at 31 December 2007	As at 31 December 2006
Executive Directors			
Michael Butler	**500,000**	500,000	1,100,000
Rick Medlock	**511,163**	511,163	1,361,163
Andrew Sukawaty[1]	**1,009,154**	997,645	2,886,505
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)[2]	**21,727**	16,327	16,327
Kathleen Flaherty	**1,500**	1,500	–
John Rennocks[2]	**43,104**	33,104	33,104

Note:
1) Changes to the interests of Andrew Sukawaty in the ordinary shares of the Company during the period from 1 January 2008 to 20 March 2008 relate to shares acquired through the Inmarsat 2005 Bonus Share Plan.
2) Changes to the interests of John Rennocks and Admiral James Ellis Jr (Rtd) in the ordinary shares of the Company during the period from 1 January 2008 to 20 March 2008 relate to ordinary shares acquired by them.
- No right to subscribe for ordinary 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
20 March 2008

We have audited the consolidated financial statements of Inmarsat plc for the year ended 31 December 2007 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 1 to 37. These consolidated 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 Company financial statements of Inmarsat plc for the year ended 31 December 2007.

This report is made solely to the Company’s members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company’s members those matters we are required to state to them in an auditors’ report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors’ responsibilities for preparing the Annual Report, the Directors’ Remuneration 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 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).

We report to you our opinion as to whether the consolidated financial statements give a true and fair view, whether the consolidated financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation and whether the part of the Directors’ Remuneration Report described to be audited has been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors’ Report is consistent with the consolidated financial statements. The information given in the Directors’ Report includes that specific information presented in the Business Review and in the Financial Review that is cross referred from the Principal Activities and Business Review section of the Directors’ Report.

In addition we report to you if, in our opinion, 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 Statement on Corporate Governance reflects the Company’s compliance with the nine provisions of the 2006 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 the 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 Business Review, 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 further information outside the Annual Report.

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 and the information in 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 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 and the part of the Directors' Remuneration Report that is described 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 consolidated financial statements and the part of the Directors' Remuneration Report to be audited.

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 2007 and of its profit for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the part of the Directors' Remuneration Report described as having been audited has been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the consolidated financial statements.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
20 March 2008

Consolidated Income Statement

(US$ in millions)	Note	2007	2006
Revenue		**576.5**	500.1
Employee benefit costs	8	**(99.0)**	(92.7)
Network and satellite operations costs		**(42.4)**	(31.1)
Other operating costs		**(65.5)**	(56.6)
Work performed by the Group and capitalised		**18.5**	12.0
EBITDA		**388.1**	331.7
Depreciation and amortisation	7	**(176.7)**	(156.8)
Operating profit		**211.4**	174.9
Interest receivable and similar income	10	**6.7**	8.3
Interest payable and similar charges	10	**(93.3)**	(93.4)
Net interest payable	10	**(86.6)**	(85.1)
Profit before income tax		**124.8**	89.8
Income tax (expense)/credit	11	**(28.2)**	37.9
Profit for the year		**96.6**	127.7
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in US$ per share)			
– Basic	29	**0.21**	0.28
– Diluted	29	**0.21**	0.28

Consolidated Statement of Recognised Income and Expense

(US$ in millions)	Note	2007	2006
Profit for the year		**96.6**	127.7
Actuarial gains from pension and post retirement healthcare benefits	28	**7.3**	5.2
Net gains on cash flow hedges	28	**11.8**	8.2
Transfer to carrying amount of non-financial hedged item on cash flow hedges	28	**(29.7)**	–
Cancellation of deferred shares	28	**0.1**	–
Movement in cumulative translation reserve	28	**–**	(6.6)
Tax credited/(charged) directly to equity	28	**3.1**	(2.4)
Total recognised income for the year		**89.2**	132.1

Consolidated Balance Sheet

(US$ in millions)	Note	2007	2006
Assets			
Non-current assets			
Property, plant and equipment	14	**1,392.1**	1,247.5
Intangible assets	15	**997.9**	522.0
Investments	16	**7.5**	–
Other receivables	18	**1.0**	–
		2,398.5	1,769.5
Current assets			
Cash and cash equivalents	17	**115.0**	42.8
Trade and other receivables	18	**234.8**	152.0
Inventories	19	**15.8**	0.8
Derivative financial instruments	32	**0.5**	8.5
		366.1	204.1
Total assets		**2,764.6**	1,973.6
Liabilities			
Current liabilities			
Borrowings	20	**93.7**	11.8
Trade and other payables	21	**194.1**	146.0
Provisions	22	**0.1**	1.6
Current income tax liabilities	23	**28.6**	8.4
Derivative financial instruments	32	**4.3**	–
		320.8	167.8
Non-current liabilities			
Borrowings	20	**1,483.5**	910.6
Other payables	21	**7.6**	6.7
Provisions	22	**40.4**	37.6
Deferred income tax liabilities	23	**170.9**	134.4
Derivative financial instruments	32	**7.7**	–
		1,710.1	1,089.3
Total liabilities		**2,030.9**	1,257.1
Net assets		**733.7**	716.5
Shareholders' equity			
Ordinary shares	26	**0.3**	0.4
Share premium	28	**677.1**	675.4
Equity reserve	28	**56.9**	–
Other reserves	28	**(7.4)**	11.3
Retained earnings	28	**5.4**	29.4
Equity attributable to shareholders of the parent		**732.3**	716.5
Non-controlling interest	28	**1.4**	–
Total shareholders' equity		**733.7**	716.5

The consolidated financial statements of the Group on pages 44 to 85 were approved by the Board of Directors on 20 March 2008 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	2007	2006
Cash flow from operating activities			
Cash generated from operations	25	**384.3**	327.9
Interest received		**6.3**	2.6
Income taxes paid/(credited)		**0.1**	(0.5)
Net cash inflow from operating activities		**390.7**	330.0
Cash flow from investing activities			
Purchase of property, plant and equipment		**(205.3)**	(113.0)
Consideration under ACeS collaboration arrangement	24	**(3.0)**	(4.0)
Additions to capitalised development costs		**(8.3)**	(1.4)
Work performed by the Group and capitalised		**(17.5)**	(14.0)
CIP transaction fees	24	**(12.7)**	–
Purchase of Stratos, net of cash acquired	24	**(207.3)**	–
Purchase of CIP Option	24	**(0.7)**	–
Net cash used in investing activities		**(454.8)**	(132.4)
Cash flow from financing activities			
Dividends paid to shareholders	13	**(125.9)**	(98.2)
Purchase of Senior Notes	20	**(38.0)**	(43.6)
Interest paid on Senior Notes and Facilities		**(39.8)**	(36.4)
Net settlement of finance lease		**–**	(11.6)
Net proceeds of Senior Credit Revolving Facility	20	**70.0**	–
Net proceeds from issue of Convertible Bonds	20	**281.9**	–
Payment on purchase of own shares by employee benefit trust		**(10.1)**	–
Finance lease disposal fees		**(1.4)**	–
Net cash generated/(used) in financing activities		**136.7**	(189.8)
Foreign exchange adjustment		**(0.3)**	(0.2)
Net increase in cash and cash equivalents		**72.3**	7.6
Movement in cash and cash equivalents			
At beginning of year		**42.7**	35.1
Net increase in cash and cash equivalents		**72.3**	7.6
As reported on balance sheet (net of bank overdrafts)	17	**115.0**	42.7
At end of year, comprising			
Cash at bank and in hand	17	**65.5**	1.5
Short-term deposits with original maturity of less than 3 months	17	**49.5**	41.3
Bank overdrafts	17	**–**	(0.1)
		115.0	42.7

1. General information

Inmarsat plc is a company incorporated and domiciled in England and Wales. The address of its registered office is 99 City Road, London, EC1Y 1AX, United Kingdom. The nature of the Group's operations and its principal activities are set out in note 6 and in the Chairman and Chief Executive's Business Review and Financial Review on pages 4 to 19.

The Company listed as a public company on the London Stock Exchange on 22 June 2005. Its ticker symbol on the London Stock Exchange is ISAT (LSE: ISAT).

2. Principal accounting policies

Basis of preparation

The principal accounting policies adopted in the preparation of the consolidated financial statements for the years ended 31 December 2007 and 2006 ('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') and the assumptions and estimates they have made in applying the standards and interpretations and the policies adopted in the 2007 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, the actual results ultimately may differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

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

In the current year, the Group has adopted IFRS 7, 'Financial Instruments: Disclosures' which is effective for annual reporting periods beginning on or after 1 January 2007, and the related amendment to IAS 1, 'Presentation of Financial Statements'. The impact of the adoption of IFRS 7 and the changes to IAS 1 is additional presentational disclosures in these financial statements regarding the Group's financial instruments and management of capital (see note 32).

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

1AS 1 (as amended) – Presentation of Financial Statements – Capital Disclosures (effective for financial years beginning on or after 1 January 2009).
IAS 23 (as revised) – Borrowing Costs (effective for financial years beginning on or after 1 January 2009).
IFRS 2 (as amended) – Share-based Payment (effective for financial years beginning on or after 1 January 2009).
IFRS 8 – Operating Segments (effective for financial years beginning on or after 1 January 2009).
IAS 27 (as amended) – Consolidated and Separate Financial Statements (effective for financial years beginning on or after 1 July 2009).
IFRS 3 (as revised) - Business Combinations (effective for financial years beginning on or after 1 July 2009).
IFRIC 11 – IFRS 2 – Group and Treasury Share Transactions (effective for financial years beginning on or after 1 March 2007).
IFRIC 12 – Service Concession Arrangements (effective for financial years beginning on or after 1 January 2008).
IFRIC 13 – Customer Loyalty Programmes (effective for years beginning on or after 1 July 2008).
IFRIC 14 – IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for financial years beginning on or after 1 January 2008).

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group except for additional segment disclosure when IFRS 8 comes into effect for periods commencing on or after 1 January 2008.

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

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

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

On the acquisition of a company or business, fair values reflecting conditions at the date of acquisition are attributed to the identifiable separable assets, liabilities and contingent liabilities acquired. In respect of the CIP transaction described below and in note 24, the book value of the identifiable separable assets, liabilities and contingent liabilities acquired are deemed to represent their provisional fair value and will be adjusted once a final fair value exercise has been conducted, if necessary. Management intends to complete a final fair value exercise in 2008.

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.

Consolidation of CIP
The consolidated results of the Group for 31 December 2007 include the financial results of CIP UK Holdings Limited ('CIP UK') and its subsidiaries including Stratos Global Corporation ('Stratos') for the period 11 December 2007 to 31 December 2007.

On 11 December 2007, CIP Canada Investment Inc ('CIP Canada'), a wholly-owned subsidiary of CIP UK, acquired the entire issued share capital of Stratos, our largest distribution partner, for a consideration of $294.0m Canadian dollars (hedged value of US$263.3m).

On the same date, Inmarsat Finance III Limited ('Inmarsat III'), a wholly owned subsidiary of Inmarsat plc, provided a loan for the full consideration paid and associated fees to CIP UK to fund the acquisition ('Transaction') by its wholly-owned subsidiary CIP Canada (the 'Loan Facility').

On the same date, CIP Limited granted Inmarsat III an option to acquire the entire issued share capital of CIP UK (the 'Call Option'). The Call Option is only exercisable after 14 April 2009, when certain of Inmarsat's distribution agreements expire, and terminates on 31 December 2010. The Call Option is exercisable for a payment of between US$750,000 and US$1.0m. Following the acquisition of Stratos by CIP Canada, and until such time as a decision is made to exercise the Call Option, we have no control over the financial and operating policies of Stratos and it is expected to continue its current operations and business as usual.

Although Inmarsat does not hold an equity interest in, nor have any control over the financial and operating policies or any entitlement to receive dividends from CIP UK, under IFRS (more specifically Standing Interpretations Committee ('SIC') 12 Consolidation – Special Purpose Entities ('SPE')) the Group is required to consolidate the financial results of CIP UK, as it meets the SIC12/IAS 27 definition of a SPE given that the Group is deemed to bear the risks and economic benefits of CIP UK by virtue of the combination of the Loan Facility and the Call Option.

We have accounted for the combination of Inmarsat Core[1] and CIP using the purchase method of accounting in accordance with IFRS 3 'Business Combinations'. Results of operations for CIP have been included in the consolidated income statement for the Group for the period 11 December 2007 to 31 December 2007 (21 days of activity).

Non-controlling interests in the net assets of CIP are identified separately from the equity attributable to shareholders of Inmarsat plc. Non-controlling interests primarily consist of the amount of those interests at the date of acquisition, which represents the maximum amount of US$1.0m payable by Inmarsat III on exercise of the Call Option. This amount will not vary with the trading results of CIP.

Comparatives
The Group previously classified 'Work performed by the Group and capitalised' within 'Cash flow from operating activities'. Management believes that the inclusion as part of 'Cash flow from investing activities' is a fairer representation of the Group's activities and as a result, US$14.0m of cash flow in the 2006 financial year has been reclassified from 'Cash flow from operating activities' to 'Cash flow from investing activities' to conform with our 2007 presentation.

[1] Inmarsat plc and its subsidiaries excluding CIP.

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 2007 was US$1.99/£1.00 (2006: US$1.96/£1.00). The average rate between US dollar and Pounds Sterling for 2007 was US$2.00/£1.00 (2006:US$1.84/£1.00). The hedged rate between US dollar and Pounds Sterling for 2007 for Inmarsat Core[1] was US$1.81/£1.00 (2006: US$1.77/£1.00).

b) Transactions and balances

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

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

Financial instruments and hedging activities

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

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

In order to qualify for hedge accounting, the Group is required to document in advance the relationship between the item being hedged and the hedging instrument. The Group is also required to 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.

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 or subscription fees represents the unearned balances remaining from amounts received from customers pursuant to prepaid contracts. Mobile satellite communications services lease revenues are recorded on a straight-line basis over the term of the contract concerned, which is typically between one and twelve months, unless another systematic basis is deemed more appropriate.

[1] Inmarsat plc and its subsidiaries excluding CIP.

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

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

Appropriate allowances for estimated irrecoverable amounts are recognised against revenue when there is objective evidence that trade receivables are impaired. Larger accounts are specifically reviewed to assess a customer's ability to make payments.

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 that arise in calculating the present value of the defined benefit obligation and the fair value of plan assets are immediately recognised in the statement of 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 when the related employee service is rendered.

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

Current tax

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

Deferred income tax

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

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

Research and development
Research expenditure is expensed when incurred. Development expenditure is expensed when incurred unless it meets criteria for capitalisation. Development costs are only capitalised once 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 Inmarsat-4 F3 satellite 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 and residual values carefully and reviews them annually to take account of any changes in circumstances. When setting useful economic lives, the principal factors the Group takes into account are the expected rate of technological developments, expected market requirements for the equipment and the intensity at which the assets are expected to be used. The lives assigned to significant tangible fixed assets are:

Space segment	5–15 years
Fixtures and fittings, and services related equipment	5–20 years
Buildings	20–50 years
Other fixed assets	3–5 years

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

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

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

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

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

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

(b) Patents and trademarks
Patents and trademarks are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over their estimated useful lives which are 7 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 the straight-line method over their estimated useful lives which is between 5 and 10 years.

(e) Spectrum rights
Spectrum rights are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method. Spectrum rights acquired as a result of the ACeS collaboration in September 2006 are amortised over a remaining useful life of 7.3 years. Spectrum rights acquired as a result of the CIP transaction are amortised over their useful lives of 3 to 10 years.

(f) Customer relationships and contracts
Customer contracts acquired in connection with the acquisition of CIP are being amortised on a straight-line basis over the expected period of benefit of 3 years.

Customer relationships acquired in connection with the acquisition of CIP are being amortised at varying percentages of cost based on the expected benefit to be derived in each year determined using the discounted cash flows expected from the customer relationships for the period from 2006 to 2018.

(g) Intellectual property
Intellectual property is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over a remaining useful life of 1.3 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 cash flows that are largely independent of other cash flow streams. The assets and liabilities include those directly involved in generating the cash flows and an appropriate proportion of corporate assets. For the purposes of impairment review space segment assets are treated as one cash generating unit.

Goodwill was tested for impairment at 31 December 2007 and 31 December 2006; 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 on a straight-line basis over the term of the lease.

Interest and finance costs
Interest is recognised in the Income Statement using the effective interest rate method.

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

The accretion of the discount on the principal on the Senior Discount Notes and Convertible Bonds 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.

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

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

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

Borrowing costs for the construction of assets are not capitalised.

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

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

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

Earnings before interest, tax, depreciation and amortisation ('EBITDA')
EBITDA is a non GAAP performance measure used by analysts and investors, and is defined as profit before income tax, net interest payable, depreciation and amortisation.

3. Financial risk management
Financial risk factors
The Group's operations and significant debt financing expose it to a variety of financial risks that include the effects of changes in debt market prices, foreign currency exchange rates, credit risks, liquidity risks and interest rates. Inmarsat Core[1] has in place a risk management programme that seeks to limit the adverse effects on the financial performance of Inmarsat Core[1] by using forward exchange contracts to limit exposure to foreign currency risk and interest rate swaps to reduce the impact of fluctuating interest rates on its floating rate long-term debt.

The Board of Directors has delegated to a sub-committee, the Treasury Review Committee, the responsibility for setting the risk management policies applied by Inmarsat Core[1]. The policies are implemented by the treasury department which receives regular reports from the operating companies to enable prompt identification of financial risks so that appropriate actions may be taken. The treasury department has a policy and procedures manual that sets out specific guidelines for managing foreign exchange risk, interest rate risk and credit risk. See note 32. The management of Inmarsat Core[1] does not hold or issue derivative financial instruments for speculative or trading purposes.

[1] Inmarsat plc and its subsidiaries excluding CIP.

The financial risks faced by CIP are substantially the same as those faced by Inmarsat Core[1] and are managed separately by the management of CIP which operates independently from Inmarsat Core[1]. Derivative financial instruments entered into by CIP to mitigate earnings volatility are subject to standard credit terms and conditions, financial controls, and risk monitoring procedures. The management of CIP does not hold or issue derivative financial instruments for speculative or trading purposes.

(a) Market risk

(i) Foreign exchange risk

The functional currency of Inmarsat plc is US dollars. The Group generates substantially all of its revenue in US dollars. The vast majority of capital expenditure is denominated in US dollars. Approximately 60% of Inmarsat Core's[1] 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 Inmarsat Core's[1] Sterling operating cost base has been relatively constant at approximately £5.0m per month.

The foreign currency hedging policy of Inmarsat Core[1] 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.

Excluding the impact of CIP, as at 31 December 2007 it is estimated that a movement of the hedged US dollar/Sterling exchange rate of 1% would have impacted the 2007 profit before tax by approximately US$1.2m (2006: US$1.3m). Excluding the impact of CIP, as at 31 December 2007 it is estimated that a movement of the US dollar/Sterling exchange rate of 1% would have impacted the 2007 profit before tax by approximately US$0.1m (2006: US$0.2m), primarily as a result of the translation of Sterling denominated trade payables. This analysis includes only outstanding foreign currency denominated monetary items and adjusts the translation of these items at the period end for a 1% change in foreign currency rates. A 1% movement in foreign currency rates would have impacted equity by US$1.3m (2006:US$1.2m) primarily as a result of the changes in fair value of derivative instruments designated as cash flow hedges. A 1% sensitivity rate is used internally when reporting foreign currency risk to key management. This is not necessarily representative of management's assessment of expected change in foreign exchange rates, however does provide management with a reasonable basis upon which to compare various scenarios when assessing transactions.

CIP has long-term borrowings that are denominated primarily in US dollars, as disclosed in note 20, which is therefore not subject to risks associated with fluctuating foreign currency rates of exchange. CIP's reporting and functional currency is US dollars.

CIP operates internationally and is exposed to market risks related to foreign currency exchange rate fluctuations.

(ii) Price risk

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

(b) Interest rate risk

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

The policy of Inmarsat Core[1] is to ensure certainty of the interest charge by fixing interest rates on 60 – 100% of forecast net debt for the next two years on a rolling basis. The Senior Notes, the Senior Discount Notes and the Convertible Bonds are at fixed rates.

The management of CIP, which operates independently of Inmarsat Core[1], maintain their own polices regarding the hedging of interest rates.

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

As at 31 December 2007, if interest rates on borrowings changed by 1%, with all other variables held constant, the Group's profit after tax for the year would have been impacted by US$1.4m (2006: US$0.6m). This is primarily due to the Group's exposure to interest rates on its variable borrowings. The sensitivity analysis has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at each balance sheet date was outstanding for the whole year. A 1% sensitivity rate is used internally when reporting interest rate risk to key management. This is not necessarily representative of management's assessment of the expected change in interest rates, however does provide management with a reasonable basis upon which to compare various scenarios when assessing transactions.

(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, trade receivables and derivative financial instruments. The credit risk on liquid funds (cash and cash equivalents and short-term deposits) and derivative financial instruments is limited because the counterparties are highly rated financial institutions.

[1] Inmarsat plc and its subsidiaries excluding CIP.

The maximum exposure to credit risk is:

(US$ in millions)	Note	2007	2006
Cash and cash equivalents	17	**115.0**	42.8
Trade receivables	18	**163.8**	127.9
Derivative financial instruments	32	**0.5**	8.5
Total credit risk		**279.3**	179.2

For Inmarsat Core[1], the average credit period on sales of services is 80 days (2006: 81 days). No interest is charged on trade receivables until the receivables become overdue for payment. Thereafter, interest is charged at a weighted average of 16% per annum (2006: 17% per annum) on the outstanding balance. Inmarsat Core[1] provides for receivables on a specific trade receivable basis. As at 31 December 2007 Inmarsat Core[1] had not provided for any specific trade receivables (2006: US$nil).

For 2007, two (2006: three) distribution partners comprised approximately 82.1% (2006: 84.7%) of Inmarsat Core[1]'s revenues. These same two customers comprised 84.8% (2006: 85.9%) of Inmarsat Core[1]'s trade receivables balance as at 31 December 2007.

CIP's credit risk is managed separately by their management which operates independently from Inmarsat Core[1]. CIP is exposed to credit risk in the event of non-performance by counterparties to its derivative financial instruments. Non-performance is not anticipated since these counterparties are highly rated financial institutions. CIP is also exposed to credit risk with respect to accounts receivable from customers. CIP provides services to many customers across different geographic areas. No customer accounted for more than 10% or more of accounts receivable as at 31 December 2007. CIP has credit evaluation, approval and monitoring processes intended to mitigate potential credit risks, and maintains provisions for potential credit losses that are assessed on an ongoing basis. The allowance for uncollectability of trade receivables and revenue adjustments as at 31 December 2007 for CIP was US$14.6m.

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

(US$ in millions)	Note	2007	2006
Current		**140.0**	127.4
Between 1 and 30 days overdue		**16.4**	0.1
Between 31 and 120 days overdue		**7.4**	0.2
Over 120 days overdue		**–**	0.2
Total trade receivables	18	**163.8**	127.9

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and short-term deposits and the availability of funding through an adequate amount of committed credit facilities.

Inmarsat Core[1] manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Inmarsat Core[1] maintains a long-term Revolving Credit Facility of US$300.0m that is designed to ensure Inmarsat Core[1] has sufficient available funds for operations. Drawings on this facility were US$70.0m as at 31 December 2007 (2006: US$nil).

CIP which is managed and operates independently from Inmarsat Core[1] manages liquidity risk with a US$25.0m Revolving Operating Facility which was undrawn as at 31 December 2007. The facility is designed to ensure that CIP has sufficient available funds for operations.

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 value in use. The value in use calculation utilises an estimate of the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. The key assumptions used in calculating the value in use are as follows:

- discount rate – the pre-tax rate used to discount the operating profit projections in respect of Inmarsat Core[1] and CIP was 8.5% and 11.5% respectively;
- operating profit projections are derived from recently approved forecasts and have assumed a terminal growth rate for Inmarsat Core[1] and CIP of 3.0% and 2.8% respectively.

[1] Inmarsat plc and its subsidiaries excluding CIP.

Two CGUs have been identified, being 'Mobile Satellite Services' ('MSS') and 'Other'. It has been determined that goodwill that arose on the acquisition of Inmarsat Ventures Limited represented goodwill of the MSS CGU only. Goodwill that arose on the acquisition of CIP has not been allocated and will only be allocated following the finalisation of the fair value of the assets and liabilities during 2008 (see note 24). Therefore, goodwill has been tested for impairment on the MSS CGU only.

Using the value in use as a measure, no impairment to the carrying value of goodwill was recognised. In the opinion of the Directors, there have been no changes in the business strategy that would result in the carrying value of goodwill exceeding its recoverable amount.

(b) Pension assumptions

Inmarsat Core[1] has applied a rate of return on assets of 7.32% p.a. which represents the expected return on asset holdings in the future.

5. Selected financial information for Inmarsat Core[1] and CIP

The table below shows the combined results for Inmarsat Core[1] for the year ended 31 December 2007 and CIP for the 21 days of trading activity following its deemed acquisition and the intragroup eliminations and adjustments that were required for the reported consolidated income statement position. CIP reflects the consolidated results of CIP UK, CIP Canada and Stratos Global for the period 11 December 2007 to 31 December 2007.

(US$ in millions)	Inmarsat Core1 2007	CIP 2007	Intragroup eliminations and adjustments 2007	Consolidated plc **2007**	Consolidated plc 2006
Revenue	557.2	31.6	(12.3)[(a)]	**576.5**	500.1
Employee benefit costs	(94.3)	(4.7)	–	**(99.0)**	(92.7)
Network and satellite operations costs	(33.8)	(20.8)	12.2 [(b)]	**(42.4)**	(31.1)
Other operating costs	(64.1)	(1.5)	0.1 [(b)]	**(65.5)**	(56.6)
Work performed by the Group and capitalised	18.5	–	–	**18.5**	12.0
EBITDA	383.5	4.6	–	**388.1**	331.7
Depreciation and amortisation	(174.2)	(2.5)	–	**(176.7)**	(156.8)
Operating profit	209.3	2.1	–	**211.4**	174.9
Interest receivable and similar income	7.6	–	(0.9)[(c)]	**6.7**	8.3
Interest payable and similar charges	(91.4)	(2.3)	0.4 [(d)]	**(93.3)**	(93.4)
Net interest payable	(83.8)	(2.3)	(0.5)	**(86.6)**	(85.1)
Profit/(loss) before income tax	125.5	(0.2)	(0.5)	**124.8**	89.8
Income tax (expense)/credit	(28.3)	(0.1)	0.2	**(28.2)**	37.9
Profit/(loss) for the year	97.2	(0.3)	(0.3)	**96.6**	127.7

(a) Elimination of intragroup revenue earned by Inmarsat Core[1] from CIP during the period.
(b) Elimination of intragroup cost of airtime purchased by CIP from Inmarsat Core[1] during the period.
(c) Elimination of intragroup loan interest receivable by Inmarsat Core[1] from CIP during the period.
(d) Elimination of intragroup loan interest payable by CIP to Inmarsat Core[1] and amortisation of deferred hedge gains, applied against the purchase price of Stratos during the period, which are eliminated on consolidation.

The table below shows the combined balance sheets of Inmarsat Core[1] and CIP at 31 December 2007. The table also identifies all associated intragroup eliminations and adjustments for the reported consolidated Group balance sheet.

(US$ in millions)	Inmarsat Core[1] 2007	CIP 2007	Intragroup eliminations and adjustments 2007	Consolidated plc **2007**	Consolidated plc 2006
Non-current assets	2,097.9	628.6	(328.0)[(a)]	**2,398.5**	1,769.5
Current assets	219.3	218.0	(71.2)[(b)]	**366.1**	204.1
Total assets	2,317.2	846.6	(399.2)	**2,764.6**	1,973.6
Current liabilities	(262.3)	(159.2)	100.7 [(c)]	**(320.8)**	(167.8)
Non-current liabilities	(1,321.8)	(687.5)	299.2 [(d)]	**(1,710.1)**	(1,089.3)
Total liabilities	(1,584.1)	(846.7)	399.9	**(2,030.9)**	(1,257.1)
Net assets	733.1	(0.1)	0.7	**733.7**	716.5

(a) Elimination of the intragroup loan between Inmarsat III and CIP UK, an adjustment for non-controlling interests and an adjustment for the US$29.7m in hedging gains applied against the purchase price of Stratos by CIP Canada on consolidation.
(b) Elimination of intragroup receivables.
(c) Elimination of the intragroup loan between Inmarsat III and CIP UK.
(d) Elimination of intragroup payables and unamortised hedged gains in Inmarsat III which have been applied as a basis adjustment against the purchase price of Stratos by CIP Canada on consolidation.

[1] Inmarsat plc and its subsidiaries excluding CIP.

The table below splits cash flows between Inmarsat Core[1] for the year ended 31 December 2007 and CIP for the 21 days of trading activity following its deemed acquisition and the intragroup eliminations and adjustment for the reported consolidated statement of cash flows.

(US$ in millions)	Inmarsat Core[1] 2007	CIP 2007	Intragroup eliminations and adjustments 2007	Consolidated plc **2007**	Consolidated plc 2006
Cash flow from operating activities					
Cash generated from operations	372.7	11.6	–	**384.3**	327.9
Interest received	6.3	–	–	**6.3**	2.6
Income taxes paid	0.1	–	–	**0.1**	(0.5)
Net cash inflow from operating activities	379.1	11.6	–	**390.7**	330.0
Cash flow from investing activities					
Purchase of property, plant and equipment	(201.6)	(3.7)	–	**(205.3)**	(113.0)
Consideration under ACeS collaboration arrangement	(3.0)	–	–	**(3.0)**	(4.0)
Additions to capitalised development costs	(8.3)	–	–	**(8.3)**	(1.4)
Work performed by the Group and capitalised	(17.5)	–	–	**(17.5)**	(14.0)
CIP transaction fees	(6.8)	(5.9)	–	**(12.7)**	–
Purchase of Stratos, net of cash acquired	–	(237.0)	29.7 [(a)]	**(207.3)**	–
Purchase of CIP option	(0.7)	–	–	**(0.7)**	–
Net cash used in investing activities	(237.9)	(246.6)	29.7	**(454.8)**	(132.4)
Cash flow from financing activities					
Dividends paid to shareholders	(125.9)	–	–	**(125.9)**	(98.2)
Purchase of Senior Notes	(38.0)	–	–	**(38.0)**	(43.6)
Interest paid on Senior Notes and Facilities	(39.8)	–	–	**(39.8)**	(36.4)
Net settlement of finance lease	–	–	–	**–**	(11.6)
Drawdown of Senior Credit Revolving Facility	70.0	–	–	**70.0**	–
Loan to CIP	(298.9)	298.9	–	**–**	–
Hedging activities in relation to CIP	29.7	–	(29.7)[(a)]	**–**	–
Net proceeds from issue of Convertible Bonds	281.9	–	–	**281.9**	–
Payment on purchase of own shares by employee benefit trust	(10.1)	–	–	**(10.1)**	–
Finance lease disposal fees	(1.4)	–	–	**(1.4)**	–
Net cash (used in)/from financing activities	(132.5)	298.9	(29.7)	**136.7**	(189.8)
Foreign exchange adjustment	(0.3)	–	–	**(0.3)**	(0.2)
Net increase in cash and cash equivalents	8.4	63.9	–	**72.3**	7.6

(a) The adjustment of US$29.7m represents hedging gains which have been applied as a basis adjustment against the purchase price of Stratos by CIP Canada on consolidation (see note 24).

[1] Inmarsat plc and its subsidiaries excluding CIP.

6. Segmental information

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

'Other' principally comprises income from technical support to other operators, the provision of conference facilities, leasing surplus office space to external organisations and following the deemed acquisition of CIP, Broadband income.

Primary reporting format – business segments

(US$ in millions)	Note	2007 Mobile satellite communications services	Other	Unallocated	Total
Revenue		**562.1**	**14.4**	**–**	**576.5**
Segment result (operating profit)		**210.3**	**1.1**	**–**	**211.4**
Net interest charged to the Income Statement	10	**–**	**–**	**(86.6)**	**(86.6)**
Profit before income tax					**124.8**
Income tax expense	11				**(28.2)**
Profit for the year					**96.6**
Segment assets		**2,156.1**	**86.2**	**115.0**	**2,357.3**
Goodwill on CIP transaction [(a)]		**–**	**–**	**407.3**	**407.3**
Segment liabilities		**(263.5)**	**(17.6)**	**(1,749.8)**	**(2,030.9)**
Capital expenditure [(b)]		**(194.1)**	**–**	**(0.2)**	**(194.3)**
Depreciation		**(154.6)**	**(0.3)**	**(1.0)**	**(155.9)**
Amortisation of intangible assets		**(20.8)**	**–**	**–**	**(20.8)**

(a) The goodwill arising on the CIP transaction will be allocated to specific segments once we have completed a fair value review of the assets and liabilities, which will take place during 2008.
(b) Capital expenditure stated using accruals basis.

(US$ in millions)	Note	2006 Mobile satellite communications services	Other	Unallocated	Total
Revenue		493.0	7.1	–	500.1
Segment result (operating profit)		175.1	(0.2)	–	174.9
Net interest charged to the Income Statement	10	–	–	(85.1)	(85.1)
Profit before income tax					89.8
Income tax credit	11				37.9
Profit for the year					127.7
Segment assets		1,930.8	–	42.8	1,973.6
Segment liabilities		(191.9)	–	(1,065.2)	(1,257.1)
Capital expenditure [(a)]		(82.8)	–	–	(82.8)
Depreciation		(138.4)	–	–	(138.4)
Amortisation of intangible assets		(18.4)	–	–	(18.4)

(a) Capital expenditure stated using accruals basis.

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 services.

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

	2007			2006		
(US$ in millions)	Revenue	Segment assets	Capital expenditure	Revenue	Segment assets	Capital expenditure
Europe [(a)]	**207.5**	**1,677.6**	**192.6**	251.0	1,207.5	82.8
North America	**287.9**	**317.3**	**1.4**	155.5	–	–
Asia and Pacific	**69.3**	**16.2**	**0.1**	86.2	–	–
Rest of the world	**11.8**	**51.9**	**0.2**	7.4	–	–
Unallocated [(b)]	**–**	**701.6**	**–**	–	766.1	–
	576.5	**2,764.6**	**194.3**	500.1	1,973.6	82.8

(a) Segment assets include the Inmarsat-4 F3 satellite, which is currently held in storage.
(b) Unallocated items relate to satellites which are in orbit.

7. Profit before income tax

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

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

(US$ in millions)	Note	2007	2006
Depreciation of property, plant and equipment:			
– Owned assets [(a)]	14	**155.9**	138.4
Amortisation of intangible assets	15	**20.8**	18.4
Operating lease rentals:			
– Land and buildings		**11.7**	13.0
– Space segment		**15.4**	16.3

(a) Included within depreciation on owned assets is a one-off charge of US$9.4m relating to accelerated depreciation of an amount that was previously capitalised as part of the launch of the third Inmarsat-4 satellite.

The analysis of the Auditors' remuneration is as follows:

(US$ in millions)	2007	2006
Fees payable to the Company's Auditor for the audit of the Company's annual accounts	**0.2**	0.2
Fees payable to the Company's Auditor for other services to the Group:		
– The audit of the Company's subsidiaries, pursuant to legislation	**0.3**	0.3
Total audit fees	**0.5**	0.5
– Other services, pursuant to legislation	**0.1**	0.4
– Tax services	**0.5**	0.1
– Services relating to corporate finance transactions	**1.4**	–
Total non-audit services	**2.0**	0.5

(a) In addition total audit fees payable to other auditors in respect of the preparation of the consolidated Group financial statements was US$8,155 (2006: US$nil). Audit fees for the consolidated financial statements of Stratos are paid by that entity.
(b) In addition to the fees disclosed above, Inmarsat Core's[1] pension plan incurred audit fees from other auditors of US$25,454 for the 2007 financial year and US$21,656 for the 2006 financial year.

8. Employee benefit costs (including the Executive Directors)

(US$ in millions)	Note	2007	2006
Wages and salaries		**78.7**	63.9
Social security costs		**8.8**	6.8
Share options charge (including employers' national insurance contribution)	27	**5.2**	5.2
Equity-settled share-based payments – Share Incentive Plan		**–**	2.0
Defined contribution pension plan costs		**3.1**	2.9
Defined benefit pension plan costs [(a)]	30	**2.4**	4.3
Post-retirement healthcare plan costs [(a)]	30	**0.8**	0.8
Restructuring costs including termination benefits	22	**–**	6.8
Total employee benefit costs		**99.0**	92.7

(a) Defined benefit pension plan costs and post-retirement healthcare plan costs for 2007 and 2006 reflect the service cost (see note 30).

[1] Inmarsat plc and its subsidiaries excluding CIP.

Employee numbers

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

	2007			2006
	Inmarsat Core[1]	CIP	Group	
Operations	**164**	**20**	**184**	124
Sales and marketing	**78**	**9**	**87**	81
Development and engineering	**86**	**4**	**90**	79
Administration	**123**	**12**	**135**	123
	451	**45**	**496**	407

The figures for 2007 include 58 employees in Indonesia (2006: 18) who work on our handheld business. Employee numbers for CIP reflect the weighted average number of employees considered as part of the Group for the year. The average monthly number of people employed by CIP's operating company Stratos during the year is 777.

9. Executive and Non-Executive Directors' remuneration

(US$ in thousands)	2007	2006
Aggregate emoluments	**3,991**	3,510
Company contributions to defined contribution pension schemes	**135**	118
	4,126	3,628

The Directors' Remuneration Report contains full disclosure of Directors' remuneration. Two Directors (2006: two) are accruing benefits under the Group's defined contribution pension plan. One Director is a member of the US 401k Plan (2006: one).

Key management

The Executive and Non-Executive Directors of the Company are the key management of the business.

10. Net interest payable

(US$ in millions)	2007	2006
Interest on Senior Notes and Senior Credit Facilities	**40.1**	38.1
Accretion of principal on Senior Discount Notes	**39.5**	35.8
Interest on Convertible Bonds	**2.6**	–
Interest on CIP borrowings (note 20)	**2.0**	–
Net premium on early settlement of Burses finance lease	**–**	6.2
Pension and post-retirement liability finance costs	**1.3**	5.8
Unwinding of discount on deferred satellite liabilities	**3.3**	3.7
Amortisation of debt issue costs	**3.7**	3.2
Other interest	**0.8**	0.6
Total interest payable and similar charges	**93.3**	93.4
Bank interest receivable and other interest	**6.4**	5.5
Interest rate swaps	**0.3**	2.8
Total interest receivable and similar income	**6.7**	8.3
Net interest payable	**86.6**	85.1

11. Income tax

Income tax (expense)/credit recognised in the Income Statement:

(US$ in millions)	2007	2006
Current tax expense:		
Current year	**(13.1)**	(5.3)
Adjustments in respect of prior periods	**–**	13.9
Total current tax (expense)/credit	**(13.1)**	8.6
Deferred tax expense:		
Origination and reversal of temporary differences	**(24.3)**	(19.5)
Adjustments in respect of the reduction in the Corporation Tax rate from 30% to 28%	**9.2**	–
Disposal of lease receivable [(a)]	**–**	58.1
Reassessment of likelihood of recovery of deferred tax assets	**–**	(9.3)
Total deferred tax (expense)/credit	**(15.1)**	29.3
Total income tax (expense)/credit	**(28.2)**	37.9

(a) Stated net of the US$2.5m reversal of a deferred tax asset previously arising on the elimination of intercompany lease payables and receivables.

[1] Inmarsat plc and its subsidiaries excluding CIP.

Reconciliation of effective tax rate:

(US$ in millions)	2007	2006
Profit before tax	124.8	89.8
Income tax at 30%	(37.4)	(26.9)
Disposal of lease receivable	–	60.6
Differences in overseas tax rates	0.1	0.2
Adjustments in respect of prior periods	–	13.9
Effect of the reduction in the Corporation Tax rate from 30% to 28% on:		
– opening deferred tax balance	9.2	–
– current year movement in deferred tax	2.4	–
Reassessment of likelihood of recovery of deferred tax assets	–	(9.3)
Other non-deductible expenses	(2.5)	(0.6)
Total income tax (expense)/credit	**(28.2)**	37.9

Tax credited/(charged) to equity:

(US$ in millions)	2007	2006
Current tax credit on share options	0.6	5.1
Deferred tax charge on share options	(0.4)	(3.8)
Deferred tax credit/(charge) relating to gains on cash flow hedges	5.1	(2.0)
Deferred tax charge on actuarial gains and losses from pension and post-retirement healthcare benefits	(2.2)	(1.7)
Total tax credited/(charged) to equity	**3.1**	(2.4)

12. Net foreign exchange losses/(gains)

(US$ in millions)	2007	2006
Pension and post-retirement liability	0.6	4.8
Release of cumulative translation reserve	–	(6.6)
Other operating costs	2.7	(1.6)
Total foreign exchange losses/(gains)	**3.3**	(3.4)

13. Dividends

The dividends paid in 2007 were US$52.8m (11.55 cents (US$) per ordinary share) and US$73.1m (16.00 cents (US$) per ordinary share) for the 2007 interim dividend and the 2006 final dividend respectively. Dividends paid in 2006 were US$48.5m (10.66 cents (US$) per ordinary share) and US$49.8m (10.95 cents (US$) per ordinary share) for the 2006 interim and 2005 final dividend respectively. A final dividend in respect of 2007 of 17.33 cents (US$) per ordinary share, amounting to a total dividend of US$79.3m, is to be proposed at the Annual General Meeting on 6 May 2008. In accordance with IAS 37, these financial statements do not reflect this final dividend payable.

(US$ in cents)	2007	2006
Interim dividend paid per ordinary share	11.55	10.66
Proposed final dividend per ordinary share	17.33	16.00
Total dividend per ordinary share	**28.88**	26.66

14. Property, plant and equipment

(US$ in millions)	Note	Freehold land and buildings	Services, equipment, fixtures and fittings	Space segment	Assets in the course of construction	Total
Cost at 1 January 2006		2.7	68.1	916.9	539.9	1,527.6
Additions		–	6.0	48.8	6.4	61.2
Acquisitions	24	–	1.0	4.6	–	5.6
Transfers		–	–	365.2	(365.2)	–
Cost at 31 December 2006		2.7	75.1	1,335.5	181.1	1,594.4
Additions		**0.2**	**6.9**	**106.6**	**63.0**	**176.7**
Acquisitions	24	**8.2**	**73.1**	**42.5**	**–**	**123.8**
Transfers		**–**	**3.1**	**10.8**	**(13.9)**	**–**
Cost at 31 December 2007		**11.1**	**158.2**	**1,495.4**	**230.2**	**1,894.9**
Accumulated depreciation at 1 January 2006		(2.7)	(36.6)	(169.2)	–	(208.5)
Charge for the year		–	(10.8)	(127.6)	–	(138.4)
Accumulated depreciation at 31 December 2006		(2.7)	(47.4)	(296.8)	–	(346.9)
Charge for the year		**(0.1)**	**(19.1)**	**(136.7)**	**–**	**(155.9)**
Accumulated depreciation at 31 December 2007		**(2.8)**	**(66.5)**	**(433.5)**	**–**	**(502.8)**
Net book amount at 31 December 2006		–	27.7	1,038.7	181.1	1,247.5
Net book amount at 31 December 2007		**8.3**	**91.7**	**1,061.9**	**230.2**	**1,392.1**

The satellite and space segment asset lives range from 10 to 15 years with the exception of R-BGAN assets which are five years. The first and second of the Inmarsat-4 satellites were placed in service during the 2005 and 2006 financial years respectively and are being depreciated over 15 years.

At 31 December 2007 and 2006, freehold land and buildings for Inmarsat Core[1] were carried at cost less accumulated depreciation. Had the freehold land and buildings been revalued on a market basis, their carrying amount at 31 December 2007 and 2006 would have been US$5.9m. The Directors determined the market valuation.

15. Intangible assets

(US$ in millions)	Note	Goodwill	Trademarks	Software	Patents	Terminal development costs	Customer relationships and contracts	Spectrum rights	Intellectual property	Total
Cost at 1 January 2006		402.9	19.0	45.3	14.0	64.0	–	–	–	545.2
Additions		–	–	5.8	–	3.4	–	–	–	9.2
Acquisitions	24	3.3	–	–	–	–	–	2.7	0.7	6.7
Cost at 31 December 2006		406.2	19.0	51.1	14.0	67.4	–	2.7	0.7	561.1
Additions		**–**	**–**	**9.3**	**–**	**8.3**	**–**	**–**	**–**	**17.6**
Acquisitions	24	**407.3**	**–**	**0.2**	**–**	**–**	**70.7**	**0.9**	**–**	**479.1**
Cost at 31 December 2007		**813.5**	**19.0**	**60.6**	**14.0**	**75.7**	**70.7**	**3.6**	**0.7**	**1,057.8**
Accumulated amortisation at 1 January 2006		–	(1.9)	(11.7)	(4.1)	(3.0)	–	–	–	(20.7)
Charge for the year		–	(1.0)	(8.4)	(2.0)	(6.8)	–	(0.1)	(0.1)	(18.4)
Accumulated amortisation at 31 December 2006		–	(2.9)	(20.1)	(6.1)	(9.8)	–	(0.1)	(0.1)	(39.1)
Charge for the year		**–**	**(1.0)**	**(9.6)**	**(2.0)**	**(6.9)**	**(0.6)**	**(0.4)**	**(0.3)**	**(20.8)**
Accumulated amortisation at 31 December 2007		**–**	**(3.9)**	**(29.7)**	**(8.1)**	**(16.7)**	**(0.6)**	**(0.5)**	**(0.4)**	**(59.9)**
Net book amount at 31 December 2006		406.2	16.1	31.0	7.9	57.6	–	2.6	0.6	522.0
Net book amount at 31 December 2007		**813.5**	**15.1**	**30.9**	**5.9**	**59.0**	**70.1**	**3.1**	**0.3**	**997.9**

[1] Inmarsat plc and its subsidiaries excluding CIP.

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

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

The software capitalised mainly relates to the Group's BGAN billing system and is being amortised on a straight-line basis over its estimated 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 5 years. BGAN costs are being amortised over the estimated sales life of the services which is 5 to 10 years.

Customer relationships acquired in connection with CIP are being amortised at varying percentages of cost based on the expected benefit to be derived in each year determined using the discounted cash flows expected from the customer relationships for the period from 2006 to 2018. Customer contracts acquired in connection with CIP are being amortised on a straight-line basis over the expected period of benefit of 3 years.

Spectrum rights relate to the acquisition of ACeS and the CIP transaction as detailed at note 24. Spectrum rights are being amortised on a straight-line basis over the remaining useful lives of 7.3 years in relation to ACeS and 3 to 10 years in relation to CIP.

Intellectual property relates to the acquisition of ACeS and is being amortised over the remaining useful life of 1.3 years.

16. Investments

(US$ in millions)	**As at 31 December 2007**	As at 31 December 2006
CIP Option (note 24)	**0.7**	–
Interest in associates	**6.8**	–
	7.5	–

Interests in associates represent those held by CIP UK's subsidiary Stratos and have been consolidated as a result of the CIP transaction (see note 24). Stratos owns a 49% ownership interest in Navarino Telecom SA and NTS Maritime Limited (together, 'Navarino'). Stratos had an option to acquire the remaining ownership interest in Navarino, which expired on 13 January 2008. Given the option was not exercised the interest in Navarino has been treated as an associate using the equity method of accounting. The aggregated assets, liabilities, revenue and profit of associates are deemed to be immaterial for reporting purposes.

17. Cash and cash equivalents

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

(US$ in millions)	**As at 31 December 2007**	As at 31 December 2006
Cash at bank and in hand	**65.5**	1.5
Short-term deposits with original maturity of less than three months	**49.5**	41.3
	115.0	42.8

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

(US$ in millions)	**As at 31 December 2007**	As at 31 December 2006
Cash and cash equivalents	**115.0**	42.8
Bank overdrafts (note 20)	**–**	(0.1)
	115.0	42.7

18. Trade and other receivables

(US$ in millions)	**As at 31 December 2007**	As at 31 December 2006
Current:		
Trade receivables	**163.8**	127.9
Other receivables	**13.6**	13.8
Other prepayments and accrued income	**57.4**	10.3
	234.8	152.0

(US$ in millions)	As at 31 December 2007	As at 31 December 2006
Non-current:		
Other prepayments and accrued income	**1.0**	–
	1.0	–

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

19. Inventories

(US$ in millions)	As at 31 December 2007	As at 31 December 2006
Finished goods	**15.8**	0.8
	15.8	0.8

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

20. Borrowings

(US$ in millions)	Effective interest rate %	As at 31 December 2007	As at 31 December 2006
Current:			
Bank overdrafts	5.9	**–**	0.1
Deferred satellite payments [(a)]	7.0	**12.1**	11.7
Senior Credit Facility [(b)]	5.69	**70.0**	–
CIP Senior Credit Facilities [(f)]	7.58	**11.5**	–
CIP Mortgage obligation [(g)]	7.03	**0.1**	–
Total current borrowings		**93.7**	11.8
Non-current:			
Deferred satellite payments [(a)]	7.0	**40.3**	48.9
Senior Credit Facility [(b)]	5.69	**248.9**	248.4
Senior Notes [(c)]	7.625	**211.6**	247.9
Premium on Senior Notes [(c)]		**0.9**	1.1
Senior Discount Notes [(d)]	10.375	**399.4**	359.4
– Accretion of discount on the principal		**5.3**	4.9
Convertible Bonds [(e)]	9.88	**224.3**	–
– Accretion of interest on the principal		**2.0**	–
CIP Senior Credit Facilities [(f)]	7.58	**207.0**	–
CIP Mortgage obligation [(g)]	7.03	**0.4**	–
CIP Senior Unsecured Notes [(h)]	9.875	**143.4**	–
Total non-current borrowings		**1,483.5**	910.6
Total borrowings		**1,577.2**	922.4

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

(b) US$550.0m Senior Credit Facility led by Barclays Capital, ING Bank N.V. and the Royal Bank of Scotland plc with Inmarsat Investments Limited. The facility is for general corporate purposes and was arranged in connection with the IPO in June 2005. The US$550.0m five-year Senior Credit Facility consists of a US$250.0m amortising term loan and a US$300.0m revolving credit facility. The term loan and drawings under the revolving credit facility were initially priced at 120 basis points above LIBOR and thereafter tied to a leverage grid.
Drawings on the US$300.0m revolving credit facility at 31 December 2007 were US$70.0m (2006: US$nil).
As at 31 December 2007, US$250.0m (2006: US$250.0m) was drawn down at 3 month USD LIBOR plus a margin of 0.7% (2006: 0.7%). Effective from 1 December 2006, Inmarsat Core[1] received the consent of 100% of the lenders under the Senior Credit Facility to amend the term loan repayments due in 2007 (two equal instalments totalling US$50.0m) and 2008 (two equal instalments totalling US$50.0m) to reschedule them to the termination date in 2010. All other terms and conditions remained unchanged.
At 31 December 2007, Inmarsat Core[1] had in place an interest rate swap agreement to exchange LIBOR floating interest rates on US$150.0m of its Senior Credit Facility. LIBOR floating rates of 4.94% are exchanged for fixed rates of 4.86% on a notional amount of US$150.0m (Note 32).

(c) The 7.625% 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.
During 2007 Inmarsat Investments Limited purchased US$38.0m (2006: US$43.6m) of the Senior Notes for US$40.7m (2006: US$45.6m). Inmarsat Investments Limited paid a premium of US$1.3m (2006: US$1.2m) and prepaid interest of US$1.4m (2006: US$0.8m) which was later received back from the trustee (Bank of New York). Taking into account the Group's short-term cash surplus, the total payment of US$40.7m (2006: US$45.6m) results in an overall economic benefit to the Group when the premium paid is compared to future net interest charges discounted back to values at that date.

(d) In November 2004, Inmarsat Finance II plc, a 100% owned subsidiary of Inmarsat Holdings Limited, issued a US$450.0m face value 10.375% Senior Discount Note at a price of 66.894% and thus received proceeds of US$301.0m. 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.

(e) On 16 November 2007, US$287.7m in principal amount of 1.75% convertible bonds due 2017 (the 'Bonds') were issued. The Bonds are convertible into ordinary shares of the Company and have a 1.75% per annum coupon payable semi-annually and a yield to maturity of 4.50%. The Bonds have an initial conversion premium of 32.5% over the reference share price of £4.6193 representing approximately 5% of the Company's current issued share capital. The initial conversion price is US$12.694 and the total number of common shares to be issued if all Bonds are converted is 22.7 million shares. The Company will have an option to call the Bonds

[1] Inmarsat plc and its subsidiaries excluding CIP.

after 7 years at their accreted principal amount under certain circumstances. In addition, the holder of each Bond will have the right to require the Issuer to redeem such Bond at its accreted principal amount at years 5 and 7.

The net proceeds received from the issue of the convertible bonds have been split into a liability component of US$224.3m and an equity component of US$56.9m. The equity component represents the fair value of the option to convert the liability into equity of the Group, as follows:

(US$ in millions)	
Fair value of convertible bonds issued	**287.7**
Cost of issue	**(6.5)**
Net proceeds	**281.2**
Equity component (1)	**(56.9)**
Liability component at date of issue (2)	**224.3**
Interest charged	**2.6**
Coupon interest accrued	**(0.6)**
Liability component at 31 December 2007	**226.3**

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

The interest charged for the year is calculated by applying an effective interest rate of 9.88% to the liability component from 16 November 2007 when the bonds were issued to 31 December 2007. The bonds accrete semi-annually in May and November each year until maturity.

(f) On 13 February 2006, CIP's subsidiary, Stratos, entered into a credit agreement. The Senior Credit Facilities consist of a five year US$25.0m Revolving Operating Facility and a six year Term B Facility of US$225.0m. The Term B Facility is repayable in annual principal payments of US$2.3m with the balance due at maturity in February 2012 and bears interest at LIBOR plus an applicable margin, which is currently 275 basis points per annum based on Stratos' leverage ratio. An improvement in this ratio to 3.5:1 would result in a reduction of the margin rate to 250 basis points as defined by the credit agreement. The applicable LIBOR rate at 31 December 2007 was 4.83%. In addition to scheduled repayments, if leverage ratios exceed certain thresholds, specified proceeds from new debt and equity issuances as well as a stated percentage of excess cash flows, as defined in the credit agreement, are to be applied to the indebtedness outstanding under the facilities. At 31 December 2007, CIP's subsidiary, Stratos had in place interest rate swap agreements to exchange LIBOR floating interest rates on US$200.0m of its Term B Facility. LIBOR floating rates of 4.83% are exchanged for fixed rates of 3.95%, 4.28%, and 5.15% on notional amounts of US$75.0m, US$50.0m, and US$75.0m, respectively (Note 32). The Revolving Operating Facility has a term of five years and matures in February 2011. The Revolving Operating Facility is available to Stratos in Canadian or US dollars and bears interest at varying base rates plus 100 – 225 basis points per annum, based on Stratos' leverage ratio as set out in the credit agreement. As at 31 December 2007, no amounts were drawn on the Revolving Operating Facility. If any amounts had been drawn on the Revolving Operating Facility, as at 31 December 2007, the applicable interest rate would have been LIBOR plus 185 basis points. The US$25.0m Revolving Operating Facility at 31 December 2007 is subject to an annual commitment fee of 40 basis points. This rate is subject to change based on Stratos' leverage ratio as set out in the credit agreement.

(g) The CIP Mortgage Obligation bears interest at a rate of 7.03% per annum, is repayable in blended monthly instalments of $15.0 thousand Canadian dollars, matures in April 2011, is amortised over a 10 year period, and is collateralised by land and a building owned by Stratos. The Mortgage Obligation is denominated in Canadian dollars. The Canadian dollar equivalent was $0.6m at 31 December 2007.

(h) The CIP Senior Unsecured Notes were issued by Stratos in February 2006. The notes are due at maturity on 15 February 2013 and bear interest at a rate of 9.875% per annum, payable semi-annually in arrears on 15 February and 15 August each year. On 11 December 2007, CIP Canada acquired all of the issued and outstanding common shares of Stratos. Under the terms of the indenture governing the Notes, Stratos was required to make a mandatory offer to note holders to repurchase all notes at a purchase price in cash equal to not less than 101% of the aggregate principal amount plus accrued and unpaid interest to the date of repurchase. The mandatory tender period closed on 14 January 2008 and at that time only US$1,000 of notes had been tendered. Prior to the expiration date, US$1,000 aggregate principal amount of the Notes was validly tendered. CIP Canada purchased all of these tendered Notes and they will be held in trust by an independent trustee for the benefit of CIP Canada.

As collateral for the CIP Revolving Operating Facility and the CIP Term B Facility discussed in (f) above, Stratos has provided a first priority perfected security interest over all of the assets of Stratos and its subsidiaries, with the exception of Plenexis Gesellschaft Fur Satelliten – Kommunikation mBH and its subsidiaries, Stratos Communications (Australia) Pty Limited and Stratos Global (Japan) KK. Concurrent with the acquisition of Xantic B.V. ('Xantic'), Stratos supplemented the collateral securing the credit facilities with a first priority perfected security interest on its equity interest in Xantic. As additional security, all of the subsidiaries of Stratos other than Plenexis and its subsidiaries, Xantic and its subsidiaries, Stratos Communications (Australia) Pty Limited and Stratos Global (Japan) KK, have guaranteed obligations under the senior credit facilities.

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

	As at 31 December 2007			As at 31 December 2006		
(US$ in millions)	**Amount**	**Deferred finance cost**	**Net balance**	Amount	Deferred finance cost	Net balance
Senior Credit Facility	**320.0**	**(1.1)**	**318.9**	250.0	(1.6)	248.4
Senior Discount Notes	**406.7**	**(7.3)**	**399.4**	367.6	(8.2)	359.4
– Accretion of discount on the principal	**5.3**	**–**	**5.3**	4.9	–	4.9
Senior Notes	**218.8**	**(7.2)**	**211.6**	256.8	(8.9)	247.9
Premium on Senior Notes	**0.9**	**–**	**0.9**	1.1	–	1.1
Deferred satellite payments	**52.4**	**–**	**52.4**	60.6	–	60.6
Convertible Bonds	**229.4**	**(5.1)**	**224.3**	–	–	–
– Accretion of interest on the principal	**2.0**	**–**	**2.0**	–	–	–
Bank overdrafts	**–**	**–**	**–**	0.1	–	0.1
CIP Senior Credit Facilities	**222.8**	**(4.3)**	**218.5**	–	–	–
CIP Mortgage obligation	**0.5**	**–**	**0.5**	–	–	–
CIP Senior Unsecured Notes	**150.0**	**(6.6)**	**143.4**	–	–	–
Total Borrowings	**1,608.8**	**(31.6)**	**1,577.2**	941.1	(18.7)	922.4

The maturity of non-current borrowings is as follows:

(US$ in millions)	2007	2006
Between one and two years	**6.7**	7.4
Between two and five years	**1,315.5**	262.1
After five years	**161.3**	641.1
	1,483.5	910.6

The borrowings of the Group are mostly at fixed rates. The Senior Discount Notes, Senior Notes, Convertible Bonds and CIP's Senior Unsecured Notes are all at fixed rates.

Inmarsat Core[1] has a US$300.0m Revolving Credit Facility that has no restrictions and as at 31 December 2007 was drawn down by US$70.0m.

CIP's subsidiary Stratos has in place a US$25.0m Revolving Operating Facility which was undrawn as at 31 December 2007.

The Directors consider the carrying value of borrowings, other than the Senior Notes, Senior Discount Notes, Convertible Bonds and the CIP Senior Unsecured Notes to approximate to their fair value.

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

Effective interest rate %	2007	2006
Bank overdrafts	**5.9**	7.3
Senior Discount Notes	**10.375**	10.375
Senior Notes	**7.625**	7.625
Senior Credit Facility	**5.69**	6.06
Deferred satellite payments	**7.0**	7.0
Convertible Bonds	**9.88**	–
CIP Senior Credit Facilities	**7.58**	–
CIP Mortgage obligation	**7.03**	–
CIP Senior Unsecured Notes	**9.875**	–

21. Trade and other payables

(US$ in millions)	As at 31 December 2007	As at 31 December 2006
Current:		
Trade payables	**99.4**	83.4
ACeS deferred consideration (see note 24)	**2.4**	2.9
Other taxation and social security payables	**4.0**	5.0
Other creditors	**20.1**	0.8
Accruals and deferred income	**68.2**	53.9
	194.1	146.0

(US$ in millions)	As at 31 December 2007	As at 31 December 2006
Non-current:		
ACeS deferred consideration (see note 24)	**4.8**	6.7
Other payables	**2.8**	–
	7.6	6.7

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

[1] Inmarsat plc and its subsidiaries excluding CIP.

22. Provisions

(US$ in millions)	Restructuring provision
Current:	
As at 1 January 2006	0.4
Charged in respect of current year	6.8
Utilised in current year	(5.6)
As at 31 December 2006	1.6
Utilised in current year	**(1.5)**
As at 31 December 2007	**0.1**

In January 2006, the Group announced its intention to restructure the organisation to reflect the fact that the Inmarsat-4 programme was nearing completion. The principal action in the restructuring plan involved a redundancy programme. The amount charged for the year ended 31 December 2007 was US$nil (2006: US$6.8m). The redundancy provision that remains unpaid in respect of this restructuring as at 31 December 2007 is US$0.1m.

(US$ in millions)	Post-retirement healthcare benefits	Pension	Asset retirement obligations	Other	Total
Non-current:					
As at 1 January 2006	18.5	18.7	–	0.4	37.6
Charged to Income Statement in respect of current year	4.4	6.5	–	–	10.9
Charged directly to Statement of Recognised Income and Expense in respect of current year	(0.7)	(4.5)	–	–	(5.2)
Contributions paid	–	(5.5)	–	–	(5.5)
Utilised in current year	(0.2)	–	–	–	(0.2)
As at 31 December 2006	22.0	15.2	–	0.4	37.6
Acquired on acquisition of CIP	**–**	**6.9**	**3.5**	**0.4**	**10.8**
Charged to Income Statement in respect of current year	**2.4**	**2.1**	**–**	**0.4**	**4.9**
Credited directly to Statement of Recognised Income and Expense in respect of current year	**(1.9)**	**(5.4)**	**–**	**–**	**(7.3)**
Contributions paid	**–**	**(5.3)**	**–**	**–**	**(5.3)**
Utilised in current year	**(0.2)**	**–**	**–**	**(0.1)**	**(0.3)**
As at 31 December 2007	**22.3**	**13.5**	**3.5**	**1.1**	**40.4**

During 2007, the Group made an additional cash contribution of US$3.4m (2006: US$3.5m) to reduce the pension deficit.

Asset retirement obligations have been recognised in respect of the expected costs of removal of equipment from leased premises by CIP and its subsidiaries.

Other provisions in 2007 and 2006 relate to an onerous lease provision on premises located in Washington which is expected to be utilised by 2008, a legally required provision for eventual severance payments to employees in Italy and Dubai and a provision acquired on acquisition of CIP.

23. Current and deferred income tax assets and liabilities

The current income tax liability of US$28.6m (2006: US$8.4m) represents the income tax payable in respect of current and prior periods less amounts paid.

Recognised deferred income tax assets and liabilities

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

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

(US$ in millions)	As at 31 December 2007 Assets	Liabilities	Net	As at 31 December 2006 Assets	Liabilities	Net
Property, plant and equipment and intangible assets	**(8.9)**	**213.8**	**204.9**	(18.1)	165.6	147.5
Other	**(11.6)**	**0.9**	**(10.7)**	(2.7)	3.2	0.5
Pension asset	**(8.0)**	**–**	**(8.0)**	(10.9)	–	(10.9)
Share options	**(3.3)**	**–**	**(3.3)**	(2.7)	–	(2.7)
Loss carry forwards	**(47.6)**	**–**	**(47.6)**	–	–	–
Valuation allowances	**–**	**35.6**	**35.6**	–	–	–
Net deferred income tax liabilities	**(79.4)**	**250.3**	**170.9**	(34.4)	168.8	134.4

Movement in temporary differences during the year:

(US$ in millions)	As at 1 January 2007	Adjustment to income opening balance due to change in rate	Acquired on acquisition of CIP	Recognised in income	Adjustment to equity opening balance due to change in rate	Recognised in equity	As at 31 December 2007
Property, plant and equipment and intangible assets	**147.5**	**(9.8)**	**41.0**	**26.2**	**–**	**–**	**204.9**
Other	**0.5**	**0.1**	**(5.1)**	**(1.1)**	**(0.1)**	**(5.0)**	**(10.7)**
Pension asset	**(10.9)**	**0.4**	**–**	**0.3**	**0.2**	**2.0**	**(8.0)**
Share options	**(2.7)**	**0.1**	**–**	**(1.1)**	**0.1**	**0.3**	**(3.3)**
Loss carry forwards	**–**	**–**	**(47.6)**	**–**	**–**	**–**	**(47.6)**
Valuation allowances	**–**	**–**	**35.6**	**–**	**–**	**–**	**35.6**
Total	**134.4**	**(9.2)**	**23.9**	**24.3**	**0.2**	**(2.7)**	**170.9**

(US$ in millions)	As at 1 January 2006	Fair value asset arising from ACeS collaboration	Recognised in income	Recognised in equity	As at 31 December 2006
Property, plant and equipment and intangible assets	176.9	(1.4)	(28.0)	–	147.5
Other	(0.9)	–	(0.6)	2.0	0.5
Pension asset	(11.2)	–	(1.4)	1.7	(10.9)
Share options	(7.2)	–	0.7	3.8	(2.7)
Total	157.6	(1.4)	(29.3)	7.5	134.4

24. Acquisitions

CIP UK Holdings Limited

On 11 December 2007, CIP Canada Investment Inc ('CIP Canada'), a wholly-owned subsidiary of Communications Investment Partners Limited ('CIP Limited'), acquired the entire issued share capital of Stratos, our largest distribution partner, for a consideration of $294.0m Canadian dollars (US$263.3m).

On the same date, Inmarsat Finance III Limited ('Inmarsat III'), a wholly owned subsidiary of Inmarsat plc, provided a loan for the full consideration paid and associated fees to CIP UK Holdings Limited ('CIP UK') to fund the acquisition ('Transaction') by its wholly-owned subsidiary CIP Canada (the 'Loan Facility'). The Loan Facility has a 10 year term and bears interest at 5.75% per annum until 31 December 2010 (on a Pay In Kind basis to 14 April 2009) and 11.5% per annum thereafter, and is secured by means of a right of sale pledge over CIP Limited's 100% shareholding in CIP UK.

On the same date, CIP Limited granted Inmarsat III an option to acquire the entire issued share capital of CIP UK (the 'Call Option'). The Call Option is only exercisable after 14 April 2009, when certain of Inmarsat's distribution agreements expire, and terminates on 31 December 2010. The Call Option is exercisable for a payment of between US$750,000 and US$1.0m. Following the acquisition of Stratos by CIP Canada, and until such time as a decision is made to exercise the Call Option, we have no control over the financial and operating policies of Stratos and it is expected to continue its current operations and business as usual.

Although Inmarsat does not hold an equity interest in, nor have any control over the financial and operating policies or any entitlement to receive dividends of CIP UK, under IFRS (more specifically Standing Interpretations Committee ('SIC') 12 Consolidation – Special Purpose Entities ('SPE')) the Group is required to consolidate the financial results of CIP UK, as it meets the SIC12/IAS 27 definition of a SPE given that the Group is deemed to bear the residual risks and economic benefits of CIP UK by virtue of the combination of the Loan Facility and the Call Option.

The Group has accounted for the combination of Inmarsat Core[1] and CIP using the purchase method of accounting in accordance with IFRS 3 'Business Combinations'. Results of operations for CIP have been included in the consolidated income statement for the Group for the period 11 December 2007 to 31 December 2007 ('the period').

There have been no fair value adjustments made to the book values of assets and liabilities at the date of acquisition for CIP given the timing of this acquisition being so close to the Group's reporting year end. A fair value allocation of these assets and liabilities will be completed during 2008.

[1] Inmarsat plc and its subsidiaries excluding CIP.

The consideration paid was allocated to the provisional fair value of the assets and liabilities of CIP as follows:

(US$ in millions)	Book value and provisional fair value
Net assets acquired:	
Intangible assets [(a)]	71.8
Property, plant and equipment	123.8
Investments	6.8
Derivative financial instruments	0.3
Other receivables	1.0
Total Non-current assets	**203.7**
Cash and cash equivalents	56.0
Trade and other receivables	163.7
Inventories	11.2
Derivative financial instruments	0.2
Total Current assets	**231.1**
Borrowings	(2.4)
Trade and other payables	(149.4)
Current income tax liabilities	(8.2)
Derivative financial instruments	(1.0)
Total Current liabilities	**(161.0)**
Borrowings	(359.9)
Other payables	(4.0)
Provisions	(10.7)
Deferred income tax liabilities	(23.9)
Total Non-current liabilities	**(398.5)**
Identifiable net assets	**(124.7)**
Goodwill [(b)]	407.3
	282.6

Represented by:	
Consideration [(c)]	293.0
Less: hedge accounting gains [(c)]	(29.7)
Directly attributable costs	17.9
Non-controlling interests [(d)]	1.4
	282.6

(a) Intangible assets comprise spectrum rights, customer relationships and contracts and software.
(b) Goodwill comprises the difference between the purchase consideration and the provisional fair value of the net assets acquired.
(c) The consideration represents the loan funding provided by Inmarsat III converted from Canadian dollars to US dollars at the date of transfer. The loan is denominated in US dollars, as per the loan agreement. The Group used forward foreign exchange contracts to hedge against currency risk as at the date of the agreement and has elected to present the gains made on the foreign exchange contracts as a basis adjustment to reduce the carrying value of goodwill.
(d) Non-controlling interests represent the amount payable by Inmarsat III to exercise the option to acquire 100% of the share capital of CIP UK and a minority interest in a subsidiary of CIP.

CIP contributed US$31.6m in revenue, and incurred a loss after tax of US$0.3m for the period (see note 5).

Had the transaction with CIP UK been completed on the first day of the financial year, Group revenues for the period would have been US$906.9m and Group profit after tax would have been US$98.6m.

ACeS International Limited

On 4 September 2006, Inmarsat Core[1] and ACeS International Limited ('ACeS') announced the signing and completion of collaboration arrangements to offer low-cost handheld and fixed voice services, initially in the Asian market with extended coverage expected subsequently using the Inmarsat-4 satellites. Under the collaboration arrangements, Inmarsat Core[1] will assume responsibility for ACeS satellite and network operations, wholesale service provision and product and service development. ACeS will focus on distribution of MSS products in the Asian land and maritime markets and has become a distributor of Inmarsat Core's[1] BGAN services.

As a result of these arrangements, Inmarsat Core[1] took over the daily active base of approximately 10,000 terminals operated by ACeS, and 53 employees located at ACeS' operational centre in Batam, Indonesia. Although ownership of the associated assets did not change, Inmarsat Core[1] has acquired operating control of the assets, and of the process applied to them, and will utilise these to generate revenue. Inmarsat Core[1] is paying ACeS a total of US$15.0m over four years, of which an initial payment of US$4.0m was made on completion and payments of US$3.0m were made during 2007. The arrangements taken together constitute a business combination under IFRS 3, 'Business Combinations', and the transaction was accounted for as an acquisition using the purchase method of accounting.

[1] Inmarsat plc and its subsidiaries excluding CIP.

Based on the fair values determined by an independent valuer, the consideration paid was allocated to the acquired assets as follows:

(US$ in millions)	Book value	Fair value adjustments	Fair value
Net assets acquired:			
Space segment assets [(a)]	5.4	(0.8)	4.6
Terrestrial assets [(b)]	3.2	(2.2)	1.0
Tangible assets	**8.6**	**(3.0)**	**5.6**
Spectrum rights [(c)]	–	2.7	2.7
Intellectual property [(d)]	–	0.7	0.7
Intangible assets	**–**	**3.4**	**3.4**
Deferred tax [(e)]	–	1.4	1.4
Total identifiable assets	**8.6**	**1.8**	**10.4**
Goodwill [(f)]			3.3
Total consideration			**13.7**
Represented by:			
Discounted value of cash consideration [(g)]			13.4
Directly attributable costs			0.3
			13.7

(a) Space segment assets will be depreciated over the remaining useful life of 8.3 years.
(b) Terrestrial assets represent the value placed on non-satellite tangible assets and will be depreciated over the remaining useful life of 2.3 years.
(c) Spectrum rights represent the value placed on utilised spectrum rights at the date of the transaction and will be amortised over a remaining useful life of 8.3 years.
(d) Intellectual property represents the value placed on the royalty free use of existing technology and will be amortised over the remaining useful life of 2.3 years.
(e) Represents deferred tax asset arising as a result of the fair value adjustments.
(f) Goodwill comprises the difference between the purchase consideration and the fair value of the net assets acquired.
(g) The consideration of US$15.0m, payable over four years, has been discounted using a discount rate of 7%, being the estimated average cost of debt to fund such a transaction.

The amount of the acquiree's profit or loss included in the Group's Income Statement for 2007 and 2006 are deemed to be immaterial for reporting purposes.

25. Cash generated from operations

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

(US$ in millions)	2007	2006
Profit for the year	**96.6**	127.7
Adjustments for:		
Depreciation and amortisation	**176.7**	156.8
Income taxes	**28.2**	(37.9)
Interest payable	**93.3**	93.4
Interest receivable	**(6.7)**	(8.3)
Non-cash employee benefit costs	**5.2**	5.2
Forward exchange contracts	**1.4**	(2.9)
Changes in net working capital:		
Decrease/(increase) in trade and other receivables	**5.2**	(3.3)
(Increase) in inventories	**(3.8)**	(0.5)
Decrease in trade and other payables	**(8.3)**	(2.8)
(Decrease)/increase in provisions	**(3.5)**	0.5
Cash generated from operations	**384.3**	327.9

26. Share capital

(US$ in millions)	As at 31 December 2007	As at 31 December 2006
Authorised:		
1,166,610,560 ordinary shares of €0.0005 each (2006: 1,166,610,560)	**0.7**	0.7
11,669,472 Euro deferred shares of €0.01 each (2006: 11,669,472)	**0.1**	0.1
50,000 Sterling deferred shares of £1.00 each (2006: 50,000)	**0.1**	0.1
	0.9	0.9
Allotted, issued and fully paid:		
457,486,883 ordinary shares of €0.0005 each (2006: 457,169,856)	**0.3**	0.3
Euro deferred shares of €0.01 each (2006: 11,669,472)	**–**	0.1
	0.3	0.4

During the year ended 31 December 2007, a total of 317,027 (2006: 479,704) ordinary shares of €0.0005 each were allotted and issued by the Company under employee share schemes.

During the year ended 31 December 2007, a total of 11,669,472 Euro deferred shares of €0.01 each were cancelled.

27. Employee share options and awards

In November 2004, the Company adopted the Staff Value Participation Plan (the '2004 Plan'). 219,020 A ordinary shares were granted under the 2004 Plan to eligible Directors or employees of the Group. A second grant of options over 7,140 A ordinary shares was made under the 2004 Plan to employees in January 2005. As part of the IPO, the A ordinary shares were converted following a 1 for 20 share split into ordinary shares. A third grant of options over 1,175,240 ordinary shares of €0.0005 each was approved in May 2005 under the 2004 Plan and granted to employees in June 2005. Both subsequent grants were made on equivalent terms to the initial grant in November 2004.

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

A summary of share activity within the Trust as at 31 December 2007 is as follows:

	Shares available for grant	Options outstanding	Weighted average exercise price per option
Balance at 1 January 2006	41,886	4,340,895	£3.28
Granted re Share Incentive Plan (7 April 2006)	(57,872)	–	–
Forfeited	75,052	(75,052)	–
Exercised	–	(3,517,548)	£3.71
Exercise re International Sharesave Scheme	(699)	–	
Balance at 31 December 2006	58,367	748,295	£3.60
Granted re Share Incentive Plan (10 April 2007)	**(15,926)**	**–**	
Forfeited	**930**	**(930)**	
Exercised	**–**	**(435,673)**	**£4.10**
Exercise re International Sharesave Scheme	**(2,467)**	**–**	
Market purchase of shares (26 November 2007)	**1,000,000**	**–**	
Balance at 31 December 2007	**1,040,904**	**311,692**	**£3.64**
Exercisable at 31 December 2007	**–**	**311,692**	
Exercise Price per tranche	**–**	**€1.00**	

The weighted average of the remaining contractual life for the 2004 Plan at 31 December 2007 is 7.0 years.

In line with IFRS 2, Share-Based Payment, the Company recognised US$5.2m and US$5.2m respectively in total share compensation costs across all its share plans for the 2007 and 2006 financial years. Total share-based compensation costs are recognised over the vesting period of the options and share awards ranging from one to four years.

Prior to the Company being publicly quoted, the exercise price of the options over the A ordinary shares of the Company issued under the 2004 Plan was de minimis in nature and post the IPO remains de minimis in nature, accordingly 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 the 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.

The Company also operates a Bonus Share Plan ('BSP') and the first share awards were granted on 31 May 2005 with the shares allocated after the announcement of the 2005 financial results in March 2006. There were additional share awards under the BSP in September 2005, March 2007, May 2007 and September 2007 with the same conditions as the original grant. Awards are made in the form of a conditional allocation of shares. The performance conditions attached to the bonus share plan are non-market based performance conditions. Details of the operation of the BSP can be found in the Directors' Remuneration Report.

The 2005 awards 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 2007 awards vest in three equal tranches following the announcement of the final results for each of the financial years 2008, 2009 and 2010, subject to continued employment. Dividends will accrue during this period and be added as additional shares upon vesting. The rules of the BSP provide that the Remuneration Committee has the discretion to satisfy the awards using cash instead of shares. It is the intention, however, of the Company to satisfy the awards using newly-issued shares.

As the BSP provides free share awards with no market based performance 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 of shares is made, the total value of shares to be awarded will not change.

In addition to the BSP, the Company also operates a Performance Share Plan ('PSP') under which the first share award was made on 31 May 2005 in the form of a conditional allocation of shares. The number of shares subject to the share award was determined by reference to the price at which the shares were offered for sale upon the listing of the Company on the London Stock Exchange in June 2005 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 were additional grants in September 2005 and March 2007 with the reference price in determining the number of shares of £3.24 and £3.95 respectively (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. The rules of the PSP provide that the Remuneration Committee has the discretion to satisfy the awards using cash instead of shares. It is the intention, however, of the Company to satisfy the awards using newly-issued shares at the end of the relevant three year period unless a participant leaves and is entitled under the Rules to receive a proportionate award and the performance condition has been met. Details of the operation of the PSP can be found in the Directors' Remuneration Report.

The performance condition for the PSP 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 vesting schedule is determined by both TSR and EBITDA performance. The market based performance condition has been incorporated into the valuation. The fair value of the allocation and the assumptions used in the calculation are as follows:

	Performance Share Plan			CEO Award
Grant date	31 May 2005	29 September 2005	29 March 2007	28 September 2007
Grant price	£2.45	£3.24	£3.95	£4.49
Exercise price	nil	nil	nil	nil
Bad leaver rate	0%	0%	0%	0%
Vesting period	3 years	3 years	3 years	3 years
Expected correlation between any pair of shares in PSP comparator group	12%	10%	n/a	n/a
Volatility	36%	34%	27%	28%
Fair value per share option	£1.34	£2.20	£2.15	£2.65

Both the BSP and PSP share awards expire 10 years after date of grant. The weighted average of the remaining contractual life for both the BSP and PSP share awards at 31 December 2007 is 9.0 and 7.7 years respectively.

Following the announcement on 28 September 2007 that Andrew Sukawaty has agreed to remain in the joint role of Chairman and Chief Executive Officer for a further period, expected to be not less than two years, the Remuneration Committee made him an exceptional award of one million incentive shares conditional upon the delivery of significant share price growth. The mid-closing share price on 27 September 2007 was £4.49 per share. No shares will be earned unless, three years after grant, the share price reaches a minimum price of £5.50. For performance above this level, shares will be earned pro rata up to a share price of £7.25 at which the full award will be earned. A further award over 700,000 shares could be earned if, at the time that performance is assessed, the share price has reached £9.25. If the share price is below £7.25, none of the additional shares would be earned and if between £7.25 and £9.25, shares would be earned pro rata up to a share price of £9.25.

The share price performance condition will be assessed on the basis of the average closing price of Inmarsat shares over the last 20 trading days of the performance period. Additional shares will accrue representing the value of dividends paid during the performance period on the number of shares that ultimately vest.

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

The Trust purchased one million shares on 26 November 2007 to hold against the satisfaction of the award. This has been funded through a loan from Inmarsat plc to the Trust.

The Company also operates a UK Sharesave Scheme for which the first invitation was made in June 2005. The Sharesave Scheme is an HM Revenue & Customs approved scheme open to all UK PAYE-paying permanent employees. The maximum that can be saved each month by an employee is £250. Savings over the period plus interest may be used to acquire shares at the end of the savings contract. The options have been granted with an option price of £2.24 per ordinary share (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 and under certain circumstances if an employee leaves the Group. No dividends are accumulated on options during the vesting period. Newly issued shares will be used to satisfy the options.

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 – some of which are held by the Trust and some of which will be newly-issued.

Options under the UK and International Sharesave Schemes expire after a maximum of 3.5 years following the initial savings payments having been made. The weighted average of the remaining contractual life for the UK and International Sharesave Schemes at 31 December 2007 is 1.1 and 1.3 years respectively.

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 (International)
Grant date	21 July 2005	19 October 2005
Market price at 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 historical volatility is based on the constituents of the FTSE 350 Telecoms Service Index, which was measured over three years to each of the grant dates. The volatility assumption used for each of the awards is based on median volatility for the constituents of the sector.

Awards under the UK Share Incentive Plan ('SIP') were made on 7 April 2006 and 10 April 2007. The SIP is an HM Revenue & 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). The market value per ordinary share at the date of the awards were £3.773 (2006) and £4.14 (2007).

Arrangements were put in place for eligible overseas employees to replicate both awards under the SIP as closely as possible. Additional arrangements were put in place for employees to acquire shares over the capped amounts in relation to the SIP award in 2006. On 7 April 2006, in aggregate 57,872 ordinary shares of €0.0005 each were awarded to eligible employees from the Trust in respect of the award to overseas employees and the additional award to certain employees. On 10 April 2007, 15,926 ordinary shares of €0.0005 each were awarded to eligible overseas employees to replicate the SIP award. The same market values per ordinary share were used as for the SIP for each award.

No Executive Director or member of the Executive Management Board applied to participate in the SIP or equivalent overseas arrangements.

A summary of share awards and option activity as at 31 December 2007 (excluding the 2004 Plan which is noted above) is as follows:

Share Awards and Options outstanding	SIP (UK)	SIP (Intl and Unapproved)	BSP	CEO Share Award*	PSP	Sharesave Scheme (UK)	Sharesave Scheme (International)	Total
Balance at 31 December 2006	407,227	48,673	215,542	–	807,869	747,542	99,111	2,325,964
Granted/Allocated	**216,114**	**15,926**	**945,035**	**1,000,000**	**120,764**	**–**	**–**	**2,297,839**
Lapsed	**–**	**–**	**–**	**–**	**(22,043)**	**(47,772)**	**(11,002)**	**(80,817)**
Exercised	**–**	**–**	**–**	**–**	**–**	**(5,342)**	**(5,914)**	**(11,256)**
Transferred/Sold	**(50,623)**	**(986)**	**(80,879)**	**–**	**(14,692)**	**–**	**–**	**(147,180)**
Balance at 31 December 2007	**572,718**	**63,613**	**1,079,698**	**1,000,000**	**891,898**	**694,428**	**82,195**	**4,384,550**
Exercisable at 31 December 2007	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Exercise Price per share	**n/a**	**n/a**	**nil**	**nil**	**nil**	**£2.24**	**£2.24**	**n/a**

* As described above, a further award over 700,000 shares could be earned if, after three years from grant, the share price has reached £9.25 per share.

28. Reserves

Reconciliation of Movements in Shareholders' Equity

(US$ in millions)	Ordinary share capital	Share premium account	Equity reserve	Other reserves	(Retained earnings)/ accumulated losses	Non-controlling interest	Total
Balance at 1 January 2006	0.4	672.3	–	8.7	(4.9)	–	676.5
Issue of share capital	–	3.1	–	–	–	–	3.1
Profit for the year	–	–	–	–	127.7	–	127.7
Dividends payable	–	–	–	–	(98.2)	–	(98.2)
Share options charge	–	–	–	3.0	–	–	3.0
Movement in cumulative translation reserve	–	–	–	(6.6)	–	–	(6.6)
Net fair value gains – cash flow hedges	–	–	–	8.2	–	–	8.2
Actuarial gains from pension and post-retirement healthcare benefits	–	–	–	–	5.2	–	5.2
Tax credited directly to equity	–	–	–	(2.0)	(0.4)	–	(2.4)
Balance at 31 December 2006	0.4	675.4	–	11.3	29.4	–	716.5
Attributable to acquisition of CIP	**–**	**–**	**–**	**–**	**–**	**1.4**	**1.4**
Net fair value gains – cash flow hedges	**–**	**–**	**–**	**11.8**	**–**	**–**	**11.8**
Transfer to carrying amount of non-financial hedged item on cash flow hedges [(a)]	**–**	**–**	**–**	**(29.7)**	**–**	**–**	**(29.7)**
Issue of share capital	**–**	**1.7**	**–**	**–**	**–**	**–**	**1.7**
Recognition of equity component of convertible bonds	**–**	**–**	**56.9**	**–**	**–**	**–**	**56.9**
Cancellation of deferred shares	**(0.1)**	**–**	**–**	**0.1**	**–**	**–**	**—**
Purchase of shares by employee benefit trust	**–**	**–**	**–**	**(10.1)**	**–**	**–**	**(10.1)**
Profit for the year	**–**	**–**	**–**	**–**	**96.6**	**–**	**96.6**
Dividends payable	**–**	**–**	**–**	**–**	**(125.9)**	**–**	**(125.9)**
Share options charge	**–**	**–**	**–**	**4.1**	**–**	**–**	**4.1**
Actuarial gains from pension and post-retirement healthcare benefits	**–**	**–**	**–**	**–**	**7.3**	**–**	**7.3**
Tax credited directly to equity	**–**	**–**	**–**	**5.1**	**(2.0)**	**–**	**3.1**
Balance at 31 December 2007	**0.3**	**677.1**	**56.9**	**(7.4)**	**5.4**	**1.4**	**733.7**

(a) Included in other reserves are cash flow hedge reserves which represent hedging gains and losses on the effective portions of cash flow hedges, net of tax. During the year, Inmarsat Core[1] entered into a series of foreign exchange forwards and options in order to hedge the purchase of Stratos by CIP Canada (described in note 24). Inmarsat Core[1] recognised a US$29.7m gain together with resulting deferred tax of US$8.3m in other reserves, representing the movement in the cash flow hedge reserve in relation to the aforementioned designated hedges. Following the completion of the transaction within the year, the gain and associated deferred tax was transferred to the carrying amount of non-financial hedged item on cash flow hedges, being the acquisition of Stratos by CIP (refer to note 24).

[1] Inmarsat plc and its subsidiaries excluding CIP.

29. Earnings per share and adjusted earnings per share

Basic earnings per share

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

	2007	2006
Profit attributable to equity holders of the Company (US$ in millions)	**96.6**	127.7
Weighted average number of ordinary shares in issue (number)	**456,825,077**	454,291,838
Basic earnings per share (US$ per share)	**0.21**	0.28

Diluted earnings per share

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

	2007	2006
Profit attributable to equity holders of the Company (US$ in millions)	**96.6**	127.7
Adjustments for:		
– Interest on Convertible Bonds, net of tax (US$ in millions)	**1.8**	–
Profit attributable to equity holders of the Company for diluted earnings per share number (US$ in millions)	**98.4**	127.7
Weighted average number of ordinary shares in issue (number)	**456,825,077**	454,291,838
Adjustments for:		
– Share options (number)	**3,469,338**	4,690,997
– Convertible Bonds (number)	**2,794,223**	–
Weighted average number of ordinary shares for diluted earnings per share (number)	**463,088,638**	458,982,835
Diluted earnings per share (US$ per share)	**0.21**	0.28

Adjusted earnings per share

Earnings per share adjusted to exclude the disposal of the lease receivable and associated deferred tax credit.

Adjusted basic earnings per share

	2007	2006
Profit attributable to equity holders of the Company (US$ in millions)	**96.6**	127.7
Disposal of lease receivable and associated deferred tax credit (US$ in millions)	**–**	51.9
Adjusted profit attributable to equity holders of the Company (US$ in millions)	**96.6**	75.8
Weighted average number of ordinary shares in issue (number)	**456,825,077**	454,291,838
Basic earnings per share (US$ per share)	**0.21**	0.17

Adjusted diluted earnings per share

	2007	2006
Profit attributable to equity holders of the Company for diluted earnings per share number (US$ in millions)	**96.6**	127.7
Disposal of lease receivable and associated deferred tax credit (US$ in millions)	**–**	(51.9)
Adjusted profit attributable to equity holders of the Company for diluted earnings per share number (US$ in millions)	**96.6**	75.8
Weighted average number of ordinary shares in issue (number)	**456,825,077**	454,291,838
Adjustments for:		
– Share options (number)	**3,469,338**	4,690,997
– Convertible Bonds (number)	**2,794,223**	-
Weighted average number of ordinary shares for diluted earnings per share (number)	**463,088,638**	458,982,835
Diluted earnings per share (US$ per share)	**0.21**	0.17

30. Pension arrangements and post-retirement healthcare benefits

Inmarsat Core[1] provides both pension fund arrangements and post-retirement medical benefits for its employees.

Inmarsat Core[1] 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$2.1m was charged in the Income Statement in the 2007 financial year in respect of the defined benefit scheme (2006: US$6.5m).

The defined benefit plan was valued using the projected unit credit method with the formal valuation undertaken by professionally qualified and independent actuaries, Watson Wyatt LLP, as at 31 December 2005. The actuarial valuation of the assets of the scheme at that date, net of liabilities, was US$8.9m. 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 2007. The results of this updated valuation as at 31 December 2007, for the purposes of the additional disclosures required by IAS 19, are set out below.

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

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% per annum in excess of the rate of general price inflation of 3.45% (2006: 4.0% in excess of 3.1%). The discount rate used in determining the accumulated post-retirement benefit obligation was 5.8% at 31 December 2007 (2006: 5.1%).

CIP provides pension fund arrangements for its employees and operates schemes in each of its principal locations.

The majority of CIP's employees are covered by defined contribution pension plans. CIP also operates defined benefit pension plans, including an unfunded early retirement plan for the employees of its subsidiary Xantic B.V. US$nil was charged in the Income Statement in the period in respect of this 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 TKP Pension B.V. (Netherlands) as at 31 December 2007. The calculations and assumptions have been reviewed by Watson Wyatt LLP to ensure a consistent approach to the valuation of Inmarsat Core's[1] defined benefit plan.

The principal actuarial assumptions used to calculate Inmarsat Core[1] pension and post-retirement healthcare benefits liabilities under IAS 19 are:

	As at 31 December 2007	As at 31 December 2006
Discount rate	**5.80%**	5.10%
Expected return on plan assets	**7.40%**	7.32%
Future salary increases	**5.45%**	5.10%
Medical cost trend rate	**7.45%**	7.10%
Future pension increases	**3.45%**	3.10%

[1] Inmarsat plc and its subsidiaries excluding CIP.

The principal actuarial assumptions used to calculate CIP's pension benefit liabilities under IAS 19 as at 31 December 2007 are:

	As at 31 December 2007
Discount rate	**4.40-4.70%**
Future salary increases	**2.50-2.80%**
Future pension increases	**2.50-2.80%**

The mortality assumption has been updated to reflect experience and expected changes in future improvements in life expectancy. The average life expectancy assumptions are as follows:

	2007 Number of years	2006 Number of years
Male current age 65	**85.0**	85.0
Female current age 65	**88.2**	88.2

For 2007, mortality has been assumed to follow the standard tables PA92C2006 rated down by one year and with a 0.25% reduction to the discount rate in payment to allow for future mortality improvements (which is equivalent to a future improvement in life expectancy of approximately one year in every ten years).

The assets held in respect of the Inmarsat Core[1] defined benefit scheme and the expected rates of return were:

	As at 31 December 2007		
	Long-term rate of return expected %	Value (US$ in millions)	Percentage of total plan assets %
Equities	**7.75**	**43.5**	**84.30**
Cash	**4.35**	**–**	**–**
Bonds	**5.15**	**5.8**	**11.24**
Other	**6.45**	**2.3**	**4.46**
Fair value of scheme assets		**51.6**	

	As at 31 December 2006		
	Long-term rate of return expected %	Value (US$ in millions)	Percentage of total plan assets %
Equities	7.60	37.0	89.99
Cash [(a)]	4.10	–	–
Bonds	4.80	4.1	9.98
Fair value of scheme assets		41.1	

(a) 0.03% of the total plan assets are held in cash with a value of US$14,000.

Amounts recognised in the Balance Sheet are:

(US$ in millions)	As at 31 December 2007	As at 31 December 2006
Present value of Inmarsat Core[1] funded defined benefit obligations (pension)	**(58.2)**	(56.3)
Present value of Inmarsat Core[1] unfunded defined benefit obligations (post-retirement healthcare)	**(22.3)**	(22.0)
Present value of CIP unfunded defined benefit obligations (pension)	**(6.9)**	–
Fair value of Inmarsat Core[1] defined benefit assets	**51.6**	41.1
Net defined benefit liability recognised in the balance sheet	**(35.8)**	(37.2)

[1] Inmarsat plc and its subsidiaries excluding CIP.

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

(US$ in millions)	Inmarsat Core[1] Defined benefit pension plan	CIP Defined benefit pension plan	Post-retirement medical benefits
At 1 January 2006	46.6	–	18.5
Current service cost	4.3	–	0.8
Interest cost	2.3	–	0.9
Actuarial gain	(4.7)	–	(0.7)
Foreign exchange loss	6.9	–	2.7
Benefits paid	(0.1)	–	(0.2)
Contributions by pension participants	1.0	–	–
At 31 December 2006	56.3	–	22.0
Acquired on acquisition of CIP	**–**	**6.9**	**–**
Current service cost	**2.4**	**–**	**0.8**
Interest cost	**2.6**	**–**	**1.0**
Actuarial gain	**(5.1)**	**–**	**(1.9)**
Foreign exchange loss	**1.6**	**–**	**0.6**
Benefits paid	**(0.5)**	**–**	**(0.2)**
Contributions by pension participants	**0.9**	**–**	**–**
At 31 December 2007	**58.2**	**6.9**	**22.3**

Analysis of the movement in the fair value of Inmarsat Core's[1] assets of the defined benefit section of the UK Scheme is as follows:

(US$ in millions)	2007	2006
At 1 January	**41.1**	27.9
Expected return on plan assets	**2.9**	2.2
Actuarial gain/(loss)	**0.3**	(0.2)
Contributions by employer	**5.3**	5.5
Contributions by pension participants	**0.9**	1.0
Benefits paid	**(0.5)**	(0.1)
Foreign exchange gain	**1.6**	4.8
At 31 December	**51.6**	41.1

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

	2007			2006		
(US$ in millions)	Inmarsat Core[1] Defined benefit pension plan	CIP Defined benefit pension plan	Post-retirement healthcare benefits	Inmarsat Core[1] Defined benefit pension plan	CIP Defined benefit pension plan	Post-retirement healthcare benefits
Current service cost	**2.4**	**–**	**0.8**	4.3	–	0.8
Interest cost	**2.6**	**–**	**1.0**	2.3	–	0.9
Expected return on pension assets	**(2.9)**	**–**	**–**	(2.2)	–	–
Foreign exchange loss	**–**	**–**	**0.6**	2.1	–	2.7
	2.1	**–**	**2.4**	6.5	–	4.4
Actual return on plan assets	**3.2**	**–**	**–**	2.0	–	–

Current services costs for 2007 are included within employee benefit costs (note 8). The net financing costs together with foreign exchange losses are included within interest payable (note 10).

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

	2007			2006		
(US$ in millions)	Inmarsat Core[1] Defined benefit pension plan	CIP Defined benefit pension plan	Post-retirement healthcare benefits	Inmarsat Core[1] Defined benefit pension plan	CIP Defined benefit pension plan	Post-retirement healthcare benefits
Net actuarial gains	**(5.4)**	**–**	**(1.9)**	(4.5)	–	(0.7)

[1] Inmarsat plc and its subsidiaries excluding CIP.

History of experience gains and losses:

	2007			2006	
	Inmarsat Core[1] Defined benefit pension plan	**CIP Defined benefit pension plan**	**Post-retirement healthcare benefits**	Inmarsat Core[1] Defined benefit pension plan	Post-retirement healthcare benefits
Present value of defined benefit obligations (US$ in millions)	**(58.2)**	**(6.9)**	**(22.3)**	(56.3)	(22.0)
Fair value of plan assets (US$ in millions)	**51.6**	**–**	**–**	41.1	–
Deficit in plans (US$ in millions)	**(6.6)**	**(6.9)**	**(22.3)**	(15.2)	(22.0)
Experience gains on plan liabilities (US$ in millions)	**–**	**–**	**0.3**	3.4	0.3
Percentage of plan liabilities	**0.0%**	**0.0%**	**1.3%**	6.0%	1.4%
Experience losses on plan assets (US$ in millions)	**(0.3)**	**–**	**–**	(0.2)	–
Percentage of plan assets	**(0.6%)**	**–**	**–**	(0.5%)	–

	2005		2004	
	Inmarsat Core[1] Defined benefit pension plan	Post-retirement healthcare benefits	Inmarsat Core[1] Defined benefit pension plan	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 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 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 into the Inmarsat Core[1] defined benefit pension plan during 2008 are US$5.7m (2007: actual US$5.3m).

The estimated contributions expected to be paid into the CIP defined benefit pension plan during 2008 are US$1.2m.

The healthcare cost trend rate assumption for Inmarsat Core's[1] post-retirement healthcare benefits has a significant effect on the amounts recognised in the Income Statement in respect of the post-retirement medical benefits. Increasing the assumed healthcare cost trend rate by one percentage point would have increased the post-retirement medical benefit obligation as of 31 December 2007 by US$5.1m (2006: US$5.1m) and the aggregate of the service cost and interest cost by US$0.4m (2006: US$0.4m). Decreasing the assumed healthcare cost trend rate by one percentage point would have reduced the post-retirement medical benefit obligation as of 31 December 2007 by US$4.0m (2006: US$3.9m), and the aggregate of the service cost and interest cost by US$0.3m (2006: US$0.3m).

31. Operating lease commitments

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

(US$ in millions)	**As at 31 December 2007**	As at 31 December 2006
Within one year	**33.2**	20.0
Within two to five years	**66.4**	59.8
After five years	**155.4**	152.3
	255.0	232.1

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 and maintenance contracts, which have varying terms.

At 31 December 2007, the Group in addition to the above operating lease commitments is contracted to pay warranty costs relating to the BGAN programme of US$1.5m over the next year (as at 31 December 2006: US$3.7m over two years).

The total of future sub-lease payments expected to be received under non-cancellable sub leases at 31 December 2007 relating to the above head office lease is US$3.5m over two years (as at 31 December 2006: US$3.3m over two 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.

Operating lease commitments at 31 December 2007 include US$24.5m (2006: nil) of commitments made by CIP.

[1] Inmarsat plc and its subsidiaries excluding CIP.

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

(US$ in millions)	As at 31 December 2007 [(a)]	As at 31 December 2006
Within one year	**10.6**	37.5
Within two to five years	**–**	3.5
After five years	**–**	–
	10.6	41.0

(a) Excludes intragroup amounts with CIP.

32. Financial instruments

Treasury management and strategy

Inmarsat Core's[1] 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 Inmarsat Core[1] 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;
- interest rate hedging; and
- maximising return on short-term investments.

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

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

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

The management of Inmarsat Core[1] has no control over the financial and operating policies of CIP. The treasury activities of CIP are managed independently of Inmarsat Core[1] by the management of CIP.

Capital risk management

Inmarsat Core's[1] objective when managing its capital is to safeguard Inmarsat Core's[1] ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Inmarsat Core[1] continually evaluates sources of capital and may repurchase, refinance, exchange or retire current or future borrowings and/or debt securities from time to time in private or open-market transactions, or by any other means permitted by the terms and conditions of borrowing facilities and debt securities. Additionally Inmarsat Core[1] may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital structure of Inmarsat Core[1] consists of debt, which includes the borrowings disclosed in note 20, cash and cash equivalents (note 17) and equity attributable to equity holders of the parent (notes 26 and 28), comprising ordinary share capital, share premium, other reserves, equity reserve and retained earnings.

Inmarsat Core's[1] overall strategy remains unchanged from 2006.

The management of Inmarsat Core[1] has no control over the financial and operating policies CIP. Capital risk of CIP is managed independently of Inmarsat Core[1] by the management of CIP.

[1] Inmarsat plc and its subsidiaries excluding CIP.

Financial instruments by category

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

(US$ in millions)	As at 31 December 2007 Loans and receivables	As at 31 December 2007 Derivatives used for hedging	As at 31 December 2007 Total	As at 31 December 2006 Loans and receivables	As at 31 December 2006 Derivatives used for hedging	As at 31 December 2006 Total
Assets as per balance sheet						
Trade and other receivables	**234.8**	**–**	**234.8**	152.0	–	152.0
Cash and cash equivalents	**115.0**	**–**	**115.0**	42.8	–	42.8
Derivative financial instruments	**–**	**0.5**	**0.5**	–	8.5	8.5
	349.8	**0.5**	**350.3**	194.8	8.5	203.3

(US$ in millions)	As at 31 December 2007 Derivatives used for hedging	As at 31 December 2007 Other financial liabilities	As at 31 December 2007 Total	As at 31 December 2006 Derivatives used for hedging	As at 31 December 2006 Other financial liabilities	As at 31 December 2006 Total
Liabilities as per balance sheet						
Borrowings	**–**	**1,577.2**	**1,577.2**	–	922.4	922.4
Trade and other payables	**–**	**201.7**	**201.7**	–	152.7	152.7
Derivative financial instruments	**12.0**	**–**	**12.0**	–	–	–
	12.0	**1,778.9**	**1,790.9**	–	1,075.1	1,075.1

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

(US$ in millions)	As at 31 December 2007 Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Borrowings	**93.7**	**6.7**	**1,315.5**	**161.3**	**1,577.2**
Derivative financial instruments	**4.3**	**–**	**1.6**	**6.1**	**12.0**
Trade and other payables	**194.1**	**5.1**	**2.5**	**–**	**201.7**
	292.1	**11.8**	**1,319.6**	**167.4**	**1,790.9**

(US$ in millions)	As at 31 December 2006 Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Borrowings	11.8	7.4	262.1	641.1	922.4
Derivative financial instruments	–	–	–	–	–
Trade and other payables	146.0	2.3	4.4	–	152.7
	157.8	9.7	266.5	641.1	1,075.1

Net fair values of derivative financial instruments

The Group's derivative financial instruments as at 31 December 2007 consist of forward foreign currency contracts and interest rate swaps. The interest rate swaps 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 2007	As at 31 December 2006
Contracts with positive fair values:		
Forward foreign currency contracts – designated cash flow hedges	**0.5**	7.6
Forward foreign currency contracts – undesignated	**–**	0.9
Contracts with negative fair values:		
Forward foreign currency contracts – designated cash flow hedges	**(2.0)**	–
Forward foreign currency contracts – undesignated	**(0.4)**	–
Interest rate swap – designated cash flow hedge	**(9.6)**	
Total net fair value	**(11.5)**	8.5
Less non-current portion		
Forward foreign currency contracts – designated cash flow hedges	**–**	
Forward foreign currency contracts – undesignated	**–**	–
Interest rate swap – designated cash flow hedge	**(7.7)**	–
Current portion	**(3.8)**	8.5

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

The fair value of foreign exchange contracts are based upon the difference between the contract amount at the current forward rate at each period end and the contract amount at the contract rate, discounted at a variable risk free rate at the period end.

The fair value of the interest rate swaps were based upon a valuation provided by the counterparty. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Forward foreign exchange

As at 31 December 2007 the face value of outstanding forward foreign exchange contracts was £65.0m (net fair value US$1.9m) and €8.9m (net fair value US$nil) assumed by Inmarsat Core[1], all maturing in 2008. As at 31 December 2006 the notional amounts of outstanding forward foreign exchange contracts was £60.1m (net fair value US$8.5m) all maturing in 2007. During 2007, the Group transacted spot and forward foreign exchange contracts.

During the year, Inmarsat Core[1] entered into a series of foreign exchange forwards and options in order to hedge the purchase of Stratos by CIP Canada. Inmarsat Core[1] hedged the purchase consideration of $294.0m Canadian dollars and recognised a US$29.7m gain in relation to the aforementioned designated hedges. The gain has been applied as a basis adjustment against the acquisition of Stratos by CIP (see note 24).

Interest rate swap

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding for the Group as at 31 December 2007:

	Average contracted fixed interest rate		Notional principal amount		Fair value	
Outstanding floating for fixed contracts	**2007 %**	2006 %	**2007 (US$ in millions)**	2006 (US$ in millions)	**2007 (US$ in millions)**	2006 (US$ in millions)
Less than 1 year	**4.71%**	–	**300.0**	–	**(1.9)**	–
1 to 2 years	**4.28%**	–	**50.0**	–	**–**	–
2 to 5 years	**4.50%**	–	**100.0**	–	**(1.6)**	–
5 years +	**4.94%**	–	**200.0**	–	**(6.1)**	–
			650.0	–	**(9.6)**	–

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

Non derivative financial assets and financial liabilities

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

Non derivative financial liabilities consist of bank overdrafts, deferred satellite payments, Senior Credit Facilities, Senior Discount Notes, Senior Notes, Convertible Bonds, CIP Senior Credit Facilities, CIP Mortgage Obligation, CIP Capital Lease Obligation, CIP Senior Unsecured 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 the Senior Notes, Senior Discount Notes, Convertible Bonds and CIP Senior Unsecured Notes, the fair values of all non derivative financial instruments approximate to the carrying value in the Balance Sheet.

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

- The fair values of cash at bank, overdrafts and short-term deposits approximate their carrying values because of the short-term maturity of these instruments (note 17).
- The fair value of trade and other receivables and payables approximate their carrying values (notes 18 and 21 respectively).
- 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 (note 20).
- Senior Credit Facilities are reflected in the Balance Sheet as at 31 December 2007 net of unamortised arrangement costs of US$1.1m (2006: US$1.6m). The fair value approximates the carrying value (note 20).
- Senior Notes and Senior Discount Notes are reflected in the Balance Sheet as at 31 December 2007 net of unamortised arrangement costs of US$7.2m and US$7.3m, respectively (2006: US$8.9m and US$8.2m, respectively) (note 20). 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 2007 and are reflected in the table below.

[1] Inmarsat plc and its subsidiaries excluding CIP.

- The liability component of the Convertible Bonds is reflected in the Balance Sheet as at 31 December 2007 on an amortised cost basis, net of unamortised arrangement costs of US$5.1m (note 20). The fair value of the Convertible Bonds is based on the market price of the bonds as at 31 December 2007 and is reflected in the table below.
- The CIP Senior Credit Facilities, Revolving Operating Facility and the Mortgage Obligation are reflected in the Balance Sheet as at 31 December 2007 at amortised cost, net of unamortised arrangement costs of US$4.3m, US$nil and US$nil respectively (note 20). Their fair values approximate their carrying values.
- The CIP Senior Unsecured Notes are reflected in the Balance Sheet as at 31 December 2007 net of unamortised transaction costs of US$6.6m (note 20). The fair value of the CIP Senior Unsecured Notes is based on the market price of the notes as at 31 December 2007 and is reflected in the table below.

	As at 31 December 2007		As at 31 December 2006	
(US$ in millions)	**Carrying amount**	**Fair value amount**	Carrying amount	Fair value amount
Senior Discount Notes	**(406.7)**	**(443.3)**	(367.6)	(411.8)
Senior Notes	**(310.4)**	**(319.7)**	(310.4)	(318.9)
Convertible Bonds	**(229.4)**	**(300.5)**	–	–
CIP Senior Unsecured Notes	**(150.0)**	**(158.3)**	–	–

33. Capital commitments
The Group had authorised and contracted but not provided for capital commitments as at 31 December 2007 of US$482.6m (2006: US$139.0m). These amounts primarily represent commitments in respect of the Alphasat project, the launch of the Inmarsat-4 F3 satellite, Hawaii SAS site, our SPS handset development and BGAN services.

34. Contingent liability
During the period, an assessment has been made against us for VAT payable in relation to the sale of our head office which took place in 2004. The total amount of the assessment, including penalties is estimated to be in the region of US$20.0m–US$24.0m. We have sought external advice and are appealing the assessment as well as considering other strategies to mitigate the position. We do not believe that a material loss is probable, and therefore no provision has been made in these financial statements. We cannot currently estimate the amount of time that will be required to settle this matter.

35. Related party transactions
Some network and satellite control services, equipment and telephone services were procured from KDDI Corporation which is a shareholder with a shareholding greater than 3% during the 2007 financial year. The total amount of services procured from KDDI Corporation during the 2007 financial year was US$0.7m (2006: US$0.7m).

Remuneration paid to key management personnel, being the Executive and Non-Executive Directors of the Company, during the year is disclosed in the audited information contained within the Directors' Remuneration Report. The amount owing to the Directors as at 31 December 2007 and 2006 was US$1.6m and US$1.3m respectively.

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

36. 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 2007	Interest in issued ordinary share capital at 31 December 2006
Inmarsat Finance III Limited	Finance company	England and Wales	**100%**	–
Inmarsat Holdings Limited	Holding company	England and Wales	**100%**	100%
Inmarsat Finance II plc	Finance 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%
3946306 Limited (formerly Rydex Corporation Limited)	Dormant	England and Wales	**100%**	100%
596199 B.C. Limited (formerly Rydex Communications Limited)	Dormant	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 Ventures Limited	Dormant	England and Wales	**100%**	100%
Inmarsat Navigation Ventures Limited	Dormant	England and Wales	**100%**	100%
Inmarsat B.V.	Service provider	The Netherlands	**100%**	100%
PT ISAT	Management and business consulting services	Indonesia	**100%**	100%
Inmarsat US Holdings Inc.	Holding company	USA	**100%**	–
Inmarsat Hawaii Inc.	Service provider	USA	**100%**	–
CIP UK Limited	Holding company	England and Wales	**0%**	–
CIP Canada Investments Inc.	Holding company	Canada	**0%**	–
Stratos Global Corporation	Service provider	Canada	**0%**	–
Stratos Wireless Inc.	Operating company	Canada	**0%**	–
Stratos Mobile Networks Inc.	Operating company	USA	**0%**	–
Stratos Mobile Networks (USA) Inc.	Dormant	USA	**0%**	–
Stratos Government Services Inc.	Operating company	USA	**0%**	–
Stratos Communications Inc.	Operating company	USA	**0%**	–
Stratos Offshore Services Company	Operating company	USA	**0%**	–
Stratos Global Limited	Operating company	England and Wales	**0%**	–
Stratos Aeronautical Limited	Operating company	England and Wales	**0%**	–
Stratos Services Limited	Operating company	England and Wales	**0%**	–
Stratos New Zealand Limited	Operating company	New Zealand	**0%**	–
Stratos Communications (Australia) Pty Limited	Operating company	Austria	**0%**	–
Plenexis Gesellschaft Fur Satelliten – Kommunikation mBH	Operating company	Germany	**0%**	–
Moskowskij Teleport	Operating company	Russia	**0%**	–
Xantic B.V.	Operating company	The Netherlands	**0%**	–
Xantic Sales B.V.	Operating company	The Netherlands	**0%**	–

Inmarsat Finance III Limited was incorporated on 5 March 2007 to provide a financial loan to CIP Canada Investment Inc. for its acquisition of Stratos Global Corporation.

Inmarsat US Holdings Inc. was incorporated on 19 July 2007 to be a holding company for the Group subsidiaries in the US.

Inmarsat Hawaii Inc. was incorporated on 20 July 2007 to hold the assets for the Satellite Access Station in Hawaii.

CIP UK Limited and its subsidiaries became Group entities on 11 December 2007 following the deemed acquisition of CIP by Inmarsat Core[1] on that date (see note 24). Inmarsat Core[1] does not hold an equity interest in CIP UK Limited or any of its subsidiaries.

37. Events after the balance sheet date

The Board intends to declare a final dividend of 17.33 cents (US$) per ordinary share to be paid on 23 May 2008 to ordinary shareholders on the register of members at the close of business on 9 May 2008. Shareholders will be asked to approve the final dividend payment at the Annual General Meeting to be held on 6 May 2008. 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 2007 financial year.

In relation to the share interests of the Non-Executive Directors during the period between 31 December 2007 and 20 March 2008, John Rennocks acquired 10,000 ordinary shares of €0.0005 each on 7 March 2008 and Admiral James Ellis Jr (Rtd) acquired 5,400 ordinary shares of €0.0005 each on 11 March 2008. See the unaudited information within the Directors' Remuneration Report.

Subsequent to 31 December 2007 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.

[1] Inmarsat plc and its subsidiaries excluding CIP.

Independent Auditors' Report to the Members of Inmarsat plc

We have audited the Company financial statements of Inmarsat plc for the year ended 31 December 2007 which comprise the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds and the related notes on pages 87 and 88. These Company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the Group financial statements of Inmarsat plc for the year ended 31 December 2007 and on the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the 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 Company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Company financial statements give a true and fair view and whether the Company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the Directors' Report is consistent with the Company financial statements. The information given in the Directors' Report includes that specific information presented in the Business Review and in the Financial Review that is cross referred from the Principal Activities and Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, 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 the other information contained in the Annual Report and consider whether it is consistent with the audited Company financial statements. The other information comprises only the Directors' Report, the Chairman and Chief Executive's Business Review, 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 Company financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

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 Company financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the 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 Company 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 Company financial statements.

Opinion

In our opinion:

- the 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 2007;
- the Company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the Company financial statements.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
London
20 March 2008

Company Balance Sheet

(US$ in millions)	As at 31 December 2007	As at 31 December 2006
Fixed assets		
Investments [a]	**698.4**	683.2
Total fixed assets	**698.4**	683.2
Current assets		
Debtors – amounts falling due within one year [b]	**1.6**	6.3
Debtors – amounts falling due after one year [c]	**270.0**	–
Cash at bank	**14.0**	0.1
Total current assets	**285.6**	6.4
Creditors – amounts falling due within one year		
Other creditors [d]	**(2.7)**	(0.5)
Amounts due to subsidiaries	**(10.3)**	(6.9)
Total creditors: amounts falling due within one year	**(13.0)**	(7.4)
Net current assets/(liabilities)	**272.6**	(1.0)
Total assets less current liabilities	**971.0**	682.2
Borrowings [e]	**(226.3)**	–
Net assets	**744.7**	682.2
Capital and reserves		
Called up share capital	**0.3**	0.4
Share premium	**677.1**	675.4
Convertible bond reserve	**56.9**	–
Other reserves	**0.2**	6.2
Accumulated profit	**10.2**	0.2
Total shareholders' funds	**744.7**	682.2

(a) Investments consist of a US$676.4m investment in Inmarsat Holdings Limited (2006: US$676.4m), US$10.9m of capital contributions to Group companies in respect of share-based payments (2006: US$6.8m) and US$11.1m (2006: US$nil) notional capital contribution to Inmarsat Finance III Limited in respect of a bank guarantee issued by the Company for and on behalf of its subsidiary, Inmarsat Finance III Limited.
(b) Debtors – amounts falling due within one year consists of amounts due from Group companies.
(c) Debtors – amounts falling due after one year consists of amounts due from Group companies.
(d) Other creditors consist of amounts due to shareholders in respect of dividends paid and amounts due to the employee share ownership plan.
(e) Borrowings comprise the Convertible Bonds discussed in note 20 to the consolidated financial statements.

The financial statements of the Company on pages 87 and 88 were approved by the Board of Directors on 20 March 2008 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	Convertible bond reserve	Other reserves	Accumulated profit	Total
Balance at 1 January 2006	0.4	672.3	–	3.2	0.1	676.0
Issue of share capital	–	3.1	–	–	–	3.1
Profit for the year	–	–	–	–	98.3	98.3
Dividends payable	–	–	–	–	(98.2)	(98.2)
Share options charge	–	–	–	3.0	–	3.0
Balance at 31 December 2006	0.4	675.4	–	6.2	0.2	682.2
Issue of share capital	**–**	**1.7**	**–**	**–**	**–**	**1.7**
Profit for the year	**–**	**–**	**–**	**–**	**135.9**	**135.9**
Dividends payable	**–**	**–**	**–**	**–**	**(125.9)**	**(125.9)**
Share options charge	**–**	**–**	**–**	**4.0**	**–**	**4.0**
Cancellation of deferred shares	**(0.1)**	**–**	**–**	**0.1**	**–**	**–**
Purchase of shares by Employment Benefit Trust	**–**	**–**	**–**	**(10.1)**	**–**	**(10.1)**
Recognition of equity component of Convertible Bonds	**–**	**–**	**56.9**	**–**	**–**	**56.9**
Balance at 31 December 2007	**0.3**	**677.1**	**56.9**	**0.2**	**10.2**	**744.7**

Basis of accounting
The 2007 and 2006 financial statements have been 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 after dividends for the year ended 31 December 2007 was US$10.0m (2006: US$0.1m).

Auditors' remuneration
During the year, the Company paid its external Auditors US$0.2m for statutory audit services (2006: US$0.2m). In addition, non-audit fees of US$0.1m (2006: US$nil) were paid to the Company's external Auditors in relation to the issue of convertible bonds (see note 20).

Employee costs and Directors' remuneration
The Company has no employees, excluding the Executive Directors (2006: US$nil). Full details of Directors' remuneration and Directors' share options and share awards are given in the Directors' Remuneration Report.

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

The exchange rate between US dollars and Pounds Sterling as at 31 December 2007 was US$1.99/£1.00 (2006: US$1.96/£1.00). The average rate and hedged rate between US dollars and Pounds Sterling for 2007 was US$2.00/£1.00 (2006:US$1.84/£1.00) and US$1.81/£1.00 (2006: US$1.77/£1.00) respectively.

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 accounting policy for employee share options is identical to that applied in the consolidated financial statements as set out in note 2 and 27, 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 applies FRS 25 'Financial Instruments: Disclosure and Presentation' and FRS 26 'Financial Instruments: Measurement'. These standards have no material effect to the Company financial statements.

On 19 March 2007 the Company guaranteed a loan facility entered into by a subsidiary, Inmarsat Finance III Limited, in connection with the acquisition of Stratos by CIP Canada (refer to note 24 of the consolidated financial statements for details of the transaction). The guarantee enabled Inmarsat Finance III Limited to achieve a preferable rate of interest. In terms of FRS 26 'Financial Instruments Measurement', the Company is required to recognise the fair value of the financial guarantee as a notional capital contribution and as such increase in the Company's investment in the subsidiary. The corresponding credit has been recorded as a liability and will be released through the profit and loss over the life of the underlying facility. The Company initially recognised US$11.1m in respect of the guarantee and had released US$10.5m through the profit and loss by 31 December 2007.

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.

Convertible Bonds
Details of the convertible bonds are given in note 20 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 37 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 26 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)	2007	2006	2005	2004	2003
Revenues	**576.5**	500.1	491.1	480.7	512.0
EBITDA	**388.1**	331.7	316.0	301.7	336.6
EBITDA %	**67.3%**	66.3%	64.3%	62.8%	65.7%
Profit before income tax	**124.8**	89.8	95.5	24.9	177.4
Profit for year	**96.6**	127.7	64.4	19.1	123.8
Net cash inflow from operating activities	**390.7**	330.0	341.7	305.6	351.9
Net cash used in investing activities	**(454.8)**	(132.4)	(67.6)	(176.5)	(1,760.4)
Net cash provided by/(used in) financing activities	**136.7**	(189.8)	(470.0)	(129.7)	1,718.2
Total assets	**2,764.6**	1,973.6	2,024.8	2,198.6	2,197.6
Total liabilities	**(2,030.9)**	(1,257.1)	(1,348.3)	(2,200.1)	(2,173.3)
Shareholders' equity	**733.7**	716.5	676.5	(1.5)	24.3

Notes:
1. Results for the year ended 31 December 2003 are on the basis of UK GAAP.
2. Results for the years ended 31 December 2007, 2006, 2005 and 2004 are on the basis of IFRS.
3. Results for the year ended 31 December 2007 includes CIP for the period.
4. The consolidated financial results for 2003 are not directly comparable to 2007, 2006, 2005 and 2004 principally because the basis of accounting was changed effective 1 January 2004 from UK GAAP to IFRS.

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Financial Calendar 2008

6 May	Annual General Meeting
7 May	Ex-dividend date for 2007 final dividend
9 May	Record date for 2007 final dividend
23 May	2007 final dividend payment date
August	2008 interim results
October	2008 interim dividend

For further information about Inmarsat:

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Cautionary statement regarding forward-looking statements
Certain statements in this annual report constitute 'forward-looking statements' within the meaning of the US Private Securities Litigation Reform Act of 1995. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results, to be materially different from those projected in the forward-looking statements. These factors include: general economic and business conditions; changes in technology; timing or delay in signing, commencement, implementation and performance of programmes, or the delivery of products or services under them; structural change in the satellite industry; relationships with customers; competition; and ability to attract personnel. You are cautioned not to rely on these forward-looking statements, which speak only as of the date of this annual report.

Inmarsat undertakes no obligation to update or revise any forward-looking statement to reflect any change in its expectations or any change in events, conditions or circumstances, except where it would be required to do so under applicable law.

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