inmarsat

The mobile satellite company™

Inmarsat plc
Annual report and
accounts 2006

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.

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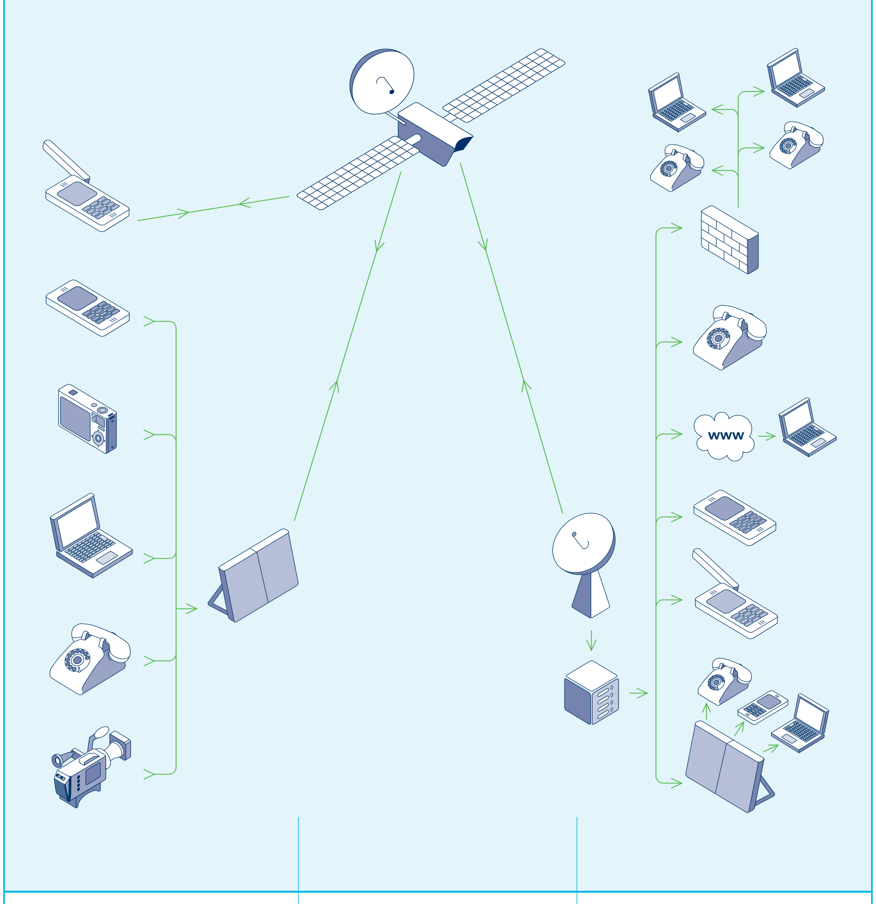
Cautionary statement regarding forward-looking statements

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 our expectations or any change in events, conditions or circumstances, except where we would be required to do so under applicable law.

Atlas V image courtesy of International Launch Services and Lockheed Martin Corporation.

Inmarsat network and technology
How it works



Stage one
Use any phone or internet connection in the world.

Stage two
Connect using an Inmarsat satellite terminal. The terminal sends and receives communications signals from an Inmarsat satellite connecting with your laptop, phone or camera.

Stage three
The satellite signal is received back into the terrestrial network and the communication link is completed to virtually any phone or internet connection in the world.

Company overview

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.

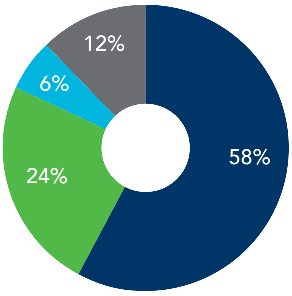
Our customers include major corporations from the maritime, media, oil and gas, construction and aeronautical industries, as well as governments and aid agencies.

Partners

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

MSS revenue by sector 2006

Maritime	58%
Land mobile	24%
Aeronautical	6%
Leasing	12%



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.

Thousands of vessels in the merchant, fishing, leisure and government sectors rely on our services for position reporting, weather and navigational chart updates and for enabling crew to call or email friends and family – a vital resource for maintaining morale when away at sea for potentially months on end.

Inmarsat's role in providing safety services remains important to us. Our satellite services form the core of the Global Maritime Distress and Safety System ('GMDSS'). Many lives have been saved thanks to Inmarsat and seafarers can be secure in the knowledge that help is at hand at the touch of a button.

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.

The first new service to be launched on the Inmarsat-4 satellites was our Broadband Global Area Network service ('BGAN'). BGAN is the fastest growing service in our history and has already been used commercially in over 175 countries by customers in a wide range of sectors including media, government, oil and gas and aid.

Our new handheld voice service completes our portfolio of mobile satellite services.

Aeronautical

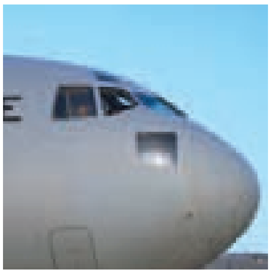
Inmarsat was the first civil operator to introduce satellite communications services for the aeronautical industry, with the launch of its Aero H service in the early 1990s. Today, with more than 8,000 aircraft in the air transport, business aviation and government sectors relying on global in-flight voice and data connectivity from Inmarsat, we are the most widely used satellite operator in the industry.

Inmarsat is currently the only satellite operator to provide global aeronautical safety services that comply with the safety requirements of the International Civil Aviation Organisation. This allows aircraft operators to fly safely and more efficiently outside traditional radio coverage.

Government

Inmarsat offers a variety of tailored and off-the-shelf solutions designed to meet the growing demand for worldwide communications in support of modern military and homeland security operations. Whether the mission lies on land, at sea or in the air, Inmarsat enables organisations to create the secure mobile networks required for effective network-centric operations.

Civil governments, the UN and aid agencies also count on Inmarsat's flexible, highly portable solutions to maintain essential communications for their mobile and remote teams who deliver a range of disaster-relief, peacekeeping and telemedicine activities.



In-orbit operations

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

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 and have been named after the primary ocean regions covered.

Our first satellite was launched in October 1990 with the most recent launch in November 2005. We have a third Inmarsat-4 satellite waiting to be launched. During 2006, we decommissioned our first satellite after 15 years' service.

Spectrum

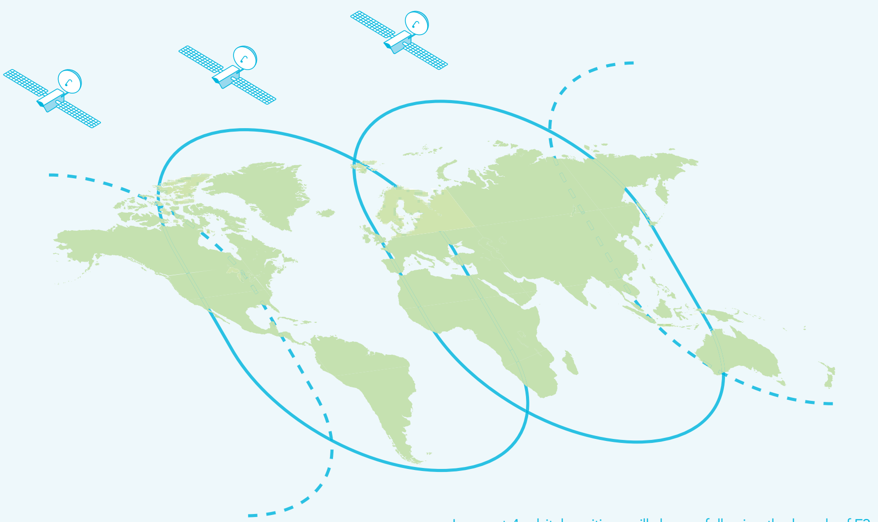
Inmarsat operates all its services in the L-band spectrum. This is a vital resource allowing mobile or portable end-user terminals to communicate with our satellites.

Three global satellite constellations

Inmarsat-4 constellation

Inmarsat-4 constellation
Number of satellites: 3

Satellite	F1	F2	F3
Current operational life	Beyond 2020	Beyond 2020	F3 satellite is built, tested and ready for launch. Final launch date to be confirmed.
Launch dates	Mar 2005	Nov 2005	
Current orbital position	IOR	AOR-W	



Inmarsat-4 orbital positions will change following the launch of F3

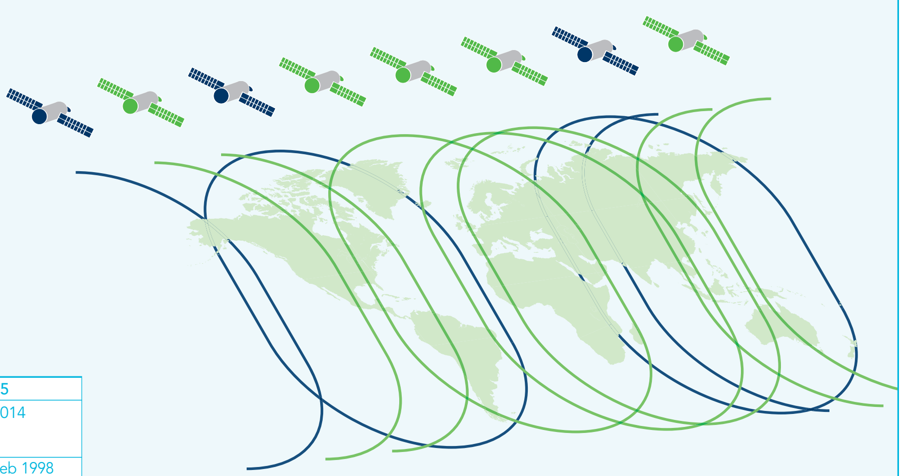
Inmarsat-2 and Inmarsat-3 constellations

Inmarsat-2 constellation
Number of satellites: 3

Satellite	F1	F2	F3	F4
Current operational life	2010	2010	Deorbited 2006	2016
Launch dates	Oct 1990	Mar 1991	Dec 1991	Apr 1992
Orbital position	PAC-W	PAC-E		IND-E

Inmarsat-3 constellation
Number of satellites: 5

Satellite	F1	F2	F3	F4	F5
Current operational life	2012	2013	2012	2010	2014
Launch dates	Apr 1996	Sep 1996	Dec 1996	Jun 1997	Feb 1998
Orbital position	IOR	AOR-E	POR	PAC-C	IND-W



– Continued strong maritime and aeronautical sector contributions

– Fast growing BGAN contribution

– Data represents over 70% of 'on-demand' revenues

– Entry into handheld voice market

Total revenue
US$500.1m
2005: US$491.1m

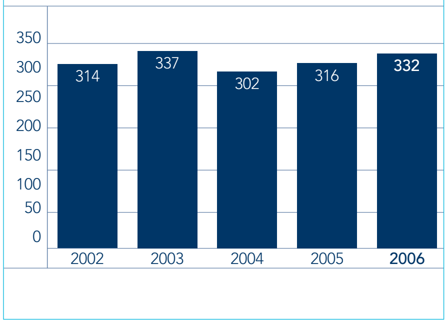
Operating Profit
US$174.9m
2005: US$209.5m

EBITDA
US$331.7m
2005: US$316.0m

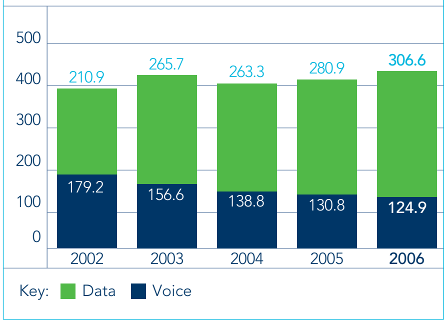
Final dividend per share
16 cents (US$)
2005: 10.95 cents (US$)

Basic earnings per share
28 cents (US$)
2005: 17 cents (US$)

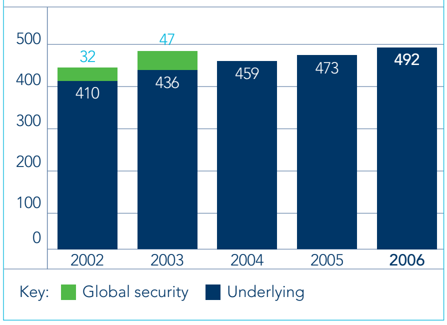
EBITDA (US$m)



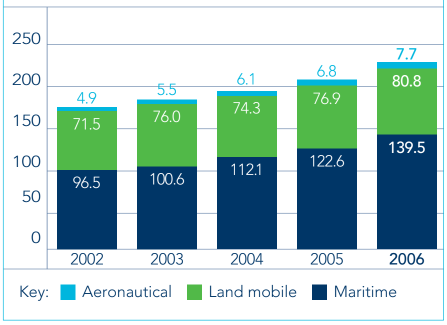
Revenue by Data and Voice (US$m)



MSS revenues (US$m)



Active terminals ('000)



Andrew Sukawaty
Chairman and Chief Executive Officer

In 2006, we delivered on the target we had set out in June 2005 when we listed on the London Stock Exchange ('the IPO') to increase revenues while maintaining strong growth in operating cash flows. Our revenue growth has continued to be driven by solid performances across our business sectors and by the fast growing contribution from our new broadband service, Broadband Global Area Network ('BGAN').

We reported total revenues of US$500.1m in 2006 compared to US$491.1m in 2005, with EBITDA (earnings before interest, tax, depreciation and amortisation) improving from US$316.0m to US$331.7m.

During 2006, revenues from mobile satellite communications services were US$491.8m, an increase of US$19.3m, or 4.1%, compared with 2005. Growth has been strong as a result of continued success in services such as Fleet and Swift 64 for our maritime and aeronautical customers respectively and as a result of the launch of BGAN in December 2005. Since September 2006, we have also seen a revenue contribution from handheld services. If we excluded two one-time revenue benefits in 2005, plus the higher level of volume discounts we had in 2006, we estimate that the Company's underlying revenue growth was around 5.5%, which is in the initial range of 5 to 6% growth that we set out at the time of the IPO.

I am pleased to report that these results have enabled us to increase our dividend payments, with the Inmarsat plc Board recommending a final dividend of 16 cents (US$) per share making a full year dividend of 26.66 cents (US$), an increase of 4.1% over 2005. Continuing our strong operating performance in future will help us deliver our commitment to target dividend growth in line with growth of our normalised free cash flow.

Our Board is now in its second year together. The depth of experience and varied background of our Directors has contributed to an informed evolution of our strategy and direction as a Company.

At the half year, I advised shareholders that Kathleen Flaherty had joined the Board and I believe that Kathleen's extensive experience and perspective will prove to be valuable to the development of our business. Biographies of all our Directors are given on page 19.

Strategy

The strategy that we outlined at the time of the IPO in June 2005 reflected multiple opportunities for the Company to grow its business and I am pleased to confirm that we have seen several

Inmarsat's Strategy Perspectives

Industry Position
- To be the leading mobile satellite services ('MSS') provider
- Technology leader in MSS
- Broad range of leading innovative services
- Premium services – good value

Customer/Market
- Highly reliable/trusted for data transmission on the move
- Bundled value voice
- Competitive reliable handheld service
- Premium services – good value

Applications/Market Driven
To serve mission critical needs with mobile applications where terrestrial networks are not effective or are non-existent

Operational
- Highest reliability standard
- Accelerate revenue growth in core business and new services
- Maintain fixed cost base through primarily wholesale approach and capex holiday
- A professionally rewarding, challenging and enjoyable place to work

Financial
- To deliver superior total shareholder returns by increasing revenue growth on a largely fixed cost base

key initiatives started during 2006 which will have an increasing impact during 2007. The focus of our strategy is to enable customers to use us on a daily basis in business critical and often life-saving tasks globally. Our services are relied upon in situations where other networks either do not exist or cannot serve the customer due to limitations of their service coverage or due to the fact that our system can be accessed and works the same way globally.

Underpinning our strategy is the healthy core business upon which we have built our reputation. For nearly 30 years, we have delivered a high quality, robust, reliable service for our partners and customers. The core business is now enhanced by our broadband offering, BGAN, using our recently launched Inmarsat-4 satellites. BGAN combines data access at broadband speeds with a simultaneous voice capability, which can be used across all our land-based market sectors. While we expect migration over time from our existing products to this new combined data/voice service, we already see positive signs of how BGAN is being used in new sectors and with new applications.

During 2005, we successfully launched two Inmarsat-4 satellites which together cover approximately 85% of the earth's landmass and 98% of the world's population. We built three satellites as part of the Inmarsat-4 programme and in January, we confirmed that we have exercised our option to launch the third, which is already built, has been fully tested and is currently in storage. We hope to launch this satellite in late 2007 or 2008. As a consequence of this launch, we are constructing a third Satellite Access Station in Hawaii. We believe that many of our key customers such as governments, airlines and many of the world's large shipping fleets, already understand the benefit of the increased coverage for our broadband and new handheld services that the launch of the third satellite will bring.

At the beginning of 2006, we highlighted our intention to enter the mobile satellite handheld market. Adding a handheld satellite phone capability to our portfolio provides us with the ability immediately to enter this market. In September 2006, Inmarsat and ACeS International Limited ('ACeS') announced the completion of collaboration arrangements to offer low-cost handheld and fixed voice services, initially in the Asian market with extended coverage subsequently using the Inmarsat-4 satellites. Adding a handheld product to our portfolio completes our broad customer offering, and also positions us to offer users a guarantee of service continuity beyond the end of the next decade using the Inmarsat-4 satellites.

We have on-going activities to seek out opportunities for developing a hybrid satellite terrestrial system in the US and Canada. We have continued our involvement in the Galileo programme which is developing the European Global Positioning System.

We are increasingly focused on spectrum and how we manage our existing spectrum in the L-band effectively and efficiently, through our negotiations at the international spectrum co-ordination meetings as well as reviewing how we can most efficiently provide our own services. This allows us to grow our business while staying within the agreed allocations of spectrum. The Inmarsat-4 satellites also allow us to offer services in a much more efficient manner and use our spectrum more effectively. Our policy is to review opportunities where we could also expand our offerings in other frequency bands and we will continue to do this where there is benefit for the Company and our customers.

Review of operations

2006 saw the start of the investment return from the US$1.5bn Inmarsat-4 programme underpinned by the solid performance of our MSS business. We have once again enjoyed increasing data traffic, validating our investment in our new satellite constellation and development of broadband services. Over 70% of our revenues comes from data usage from our 'on-demand' service and we believe there is a growing market for us to deliver these services to new and existing users. The number of active terminals has continued to increase, bolstered by those registered for the new BGAN service and the number of active handheld terminals. Once again, we are proud to report on the outstanding reliability of our network, with average availability across our heritage services of 99.99%. In 2006, we also successfully deorbited our first satellite after 15 years of service.

1


2


3


1 The new low-cost handheld service extends Inmarsat's broad customer offering.

2 Broadcasters have integrated BGAN into their standard mix of communications technology, and the service is now an established method for delivering both live and recorded video reports.

3 BGAN is the world's first mobile communications service to offer simultaneous voice and broadband data connectivity.

Making waves: the route to Broadband

During 2006, revenues from the maritime sector were US$284.7m, an increase of US$17.6m, or 6.6%, compared with 2005.

Data revenue growth in this sector has grown strongly through the year driven by increased use of our Fleet product range which offers higher data speeds, voice services and safety and distress call capabilities. We announced at the half year that the 10,000th Fleet terminal was activated on the *MV Morning Midas*, a car carrier that installed the high-speed service to support a range of corporate and crew communications. This growth has been assisted by the use of our terminals in the new build market. We have seen sustained revenue growth per terminal over the year, which reflects the strong take up of the Fleet service that we are now seeing within the maritime sector.

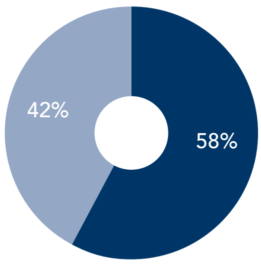
As well as growth in our three Fleet services, there has also been increased usage of our other principal maritime services – Inmarsat B and Mini M. Maritime voice revenue has benefited from stabilisation over the year and although we have seen increased voice traffic, the average price of maritime voice services was lower, due to the impact of volume discounts given to our distributors and the continuing shift in traffic mix to lower priced crew calling services from our more expensive analogue service. Our analogue service, Inmarsat A, ceases service at the end of 2007 so the impact of analogue migration will reduce as we move through 2007.

We are also excited by the prospect of our new handheld service which is already used by ships' crews through the collaboration arrangements we have with ACeS. With the expansion of the service footprint, we see opportunities to grow this business as we enter for the first time what is now an established global market.

During 2005 and 2006, Inmarsat was the official provider of satellite communications to the round-the-world Volvo Ocean Race, which saw each of the competing yachts equipped with the latest Inmarsat Fleet communications technology and Inmarsat C equipment. The technology allowed crews and families, sponsors and technical teams to remain in constant contact throughout the race, capturing the excitement of the voyage as it happened. Being used in these extreme conditions clearly demonstrates the robust and reliable nature of Inmarsat services.

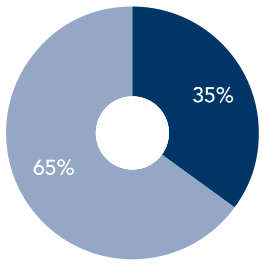
Our FleetBroadband offering, which is planned for service launch late in 2007, will answer the needs of a growing maritime user base for higher data speeds. This will enable them to operate at an even more efficient level at sea and thus manage their businesses more cost effectively. It will also allow for cost effective communication by crew to family and friends while at sea, using email, text and voice calls. The welfare of the crew is a growing requirement of our large maritime customers.

Maritime Overview
MSS revenue 2006



Maritime	58%
Other	42%

Maritime revenue 2006



Voice	35%
Data	65%

Medical response from *Esperanza del Mar*

As videoconferencing technology progresses in terms of affordability, ease of use and faster data rates, so the concept of telemedicine has similarly gathered pace. Once, those responsible for ill or injured parties in isolated locations would have had to make their own diagnoses, perhaps obtaining a second opinion by telephone, if one was available. Now it is possible to transfer clear images, video, vital signs and other essential information directly to hospitals in real time.

The maritime industry is one that can clearly benefit from this type of technology and, thanks to Inmarsat enabling a vital ship-to-shore communication link, it is being embraced around the globe helping to save lives at sea. One prime example is the *Esperanza del Mar (Hope of the Sea)*, an 85m hospital ship owned and operated by the Spanish ministry of works' Instituto Social de la Marina (ISM), the department responsible for providing medical services to seafarers, particularly those in the fishing fleet.

Handling an average of 30 patients a month, the Las Palmas-based ship is ready to answer distress calls from vessels navigating between west Africa and the Canary Islands. Onboard medical staff include a general doctor, a surgeon, an anaesthetist and a nurse.

The *Esperanza del Mar* also boasts no fewer than three Inmarsat Fleet 77 terminals, as well as an advanced Comitas TM-64 telemedicine system. The TM-64 is linked directly to two of the 128kbps Fleet 77 terminals, which together deliver data rates of up to 256kbps.

Jesus Vilares, president of Comitas' agent Vilsat Communications, says: 'This system provides double the speed of a standard 128kbps Fleet 77, which is especially useful in an emergency when demand for telemedicine bandwidth increases. Working with 128kbps, we'd typically allocate about 90kbps to video-conferencing, and the remaining 38kbps to other medical services. But with 256kbps, we use some 200kbps for videoconferencing, and this is producing near perfect visuals and sound.'

Vilares comments: 'The cost of running a 256kbps Fleet 77 set-up is minimal compared to arranging an emergency evacuation. We've managed to reduce the time taken to send some of the X-ray scans from the ship to the hospital. Depending on size, in some cases we've done this in just 30 seconds.'

There is an onus on ships' masters, whether in charge of fishing vessels or cruise liners, to stabilise the conditions of afflicted crew or passengers. Telemedicine goes some way to making this happen and coupled with Inmarsat's Fleet 77 service, this technology ensures the efficient operation of a vessel by limiting evacuations in emergencies but more importantly, helping to save lives.

1 The *Esperanza del Mar* answers distress calls from vessels navigating between the west coast of Africa and the Canary Islands.

Broadband for a mobile planet

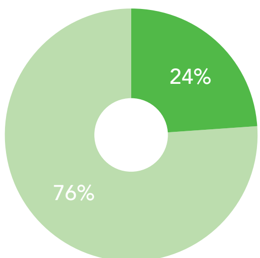
In 2006, revenues from the land mobile sector were US$116.1m, a decrease of US$5.7m, or 4.7%, compared with 2005. Although revenues from data services were slightly lower compared to last year, due to a reduction in traffic in the Middle East and competition from fixed satellite operators, we have been very encouraged by the consistent performance of our R-BGAN service and growing contribution from our new BGAN service. In the last quarter of 2006, with the contribution from these two services, our land data revenues showed an increase that more than offset the increases in volume discounts we would normally see in the fourth quarter of the year. 2006 was the first time we reported BGAN performance figures and it was promising for us to report how the service is growing. One characteristic of the BGAN service is that we receive subscription revenues per terminal, which provides a regular revenue flow. Already we are seeing different usage patterns developed. It depends upon situational use but we often see multiple users accessing their office LANS and making calls through one terminal whereas others may use the service as a back-up, ensuring that communication channels will be available if needed. BGAN has been deployed in more than 175 countries to date, with uses ranging from live CNN and BBC news reports in Asia Pacific to storm chasers in the southern US.

Since its launch, our BGAN service has been Inmarsat's fastest growing service over its first year of introduction and with 2007 as the first full year contribution from the two Inmarsat-4 satellites, we are very excited by the prospects for the year ahead. We have seen BGAN used more widely in our core markets and deeper penetration in new markets. Our services are delivered to end customers by a world-class network of innovative distribution partners. Eight new BGAN distribution partners were appointed during 2006, bringing the total to 16, and we believe that these new partners will help to drive demand from new customers in new market segments.

Our market share of voice revenues in the land mobile sector continued to reduce during 2006 due to increasing competition from other handheld satellite operators and, in some areas, from terrestrial operators expanding their coverage area. There was a small revenue contribution in the last quarter from the handheld service we now operate through the ACeS collaboration. As a result of these arrangements, we not only began servicing on a wholesale basis an active base of handheld terminals, but we now also have a talented and capable workforce in Batam, Indonesia. We expect revenues from our handheld business to grow strongly over the coming years, over an enlarged footprint in 2007, and even more widely at the end of 2008 when it will be extended further over the Inmarsat-4 satellites.

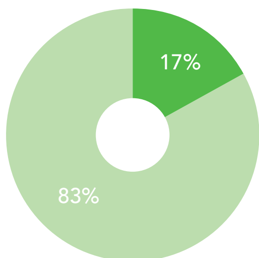
We believe that our entry to the handheld market extends and enhances our portfolio offering and positions us to offer users continuity of service on the Inmarsat-4 satellites well beyond the next decade on a global basis. This offers clear service benefits to customers compared to other handheld operators.

Land Mobile Overview
MSS revenue 2006



Land	24%
Other	76%

Land revenue 2006



Voice	17%
Data	83%

CNN in action

As every journalist knows, news becomes less newsworthy as time passes, so filing copy fast and getting your version into print before the competition does is crucial. This rule applies equally to television news, where broadcasters compete to be first on air with live footage from the latest war zone or disaster. But here the process is not as simple as for print reporters, who can always file copy as long as they have access to a telephone. The television news reporter requires heavy-duty technology, such as a microwave or satellite connection, to broadcast outside the studio and into our living rooms.

The arrival of our BGAN service has the potential to kick start a revolution in television coverage of breaking news. The service presents a compelling proposition to the professional broadcaster, because the terminals are small and as easily portable as a laptop computer. BGAN also has two core video options for broadcasters: live video, via streaming IP or ISDN, and store-and-forward video via streaming IP, ISDN or standard IP, giving great flexibility to the broadcaster, depending on how aggressive their deadlines may be.

CNN, one of the world's leading broadcasters, has been an early and enthusiastic adopter of live video over IP and of the BGAN service. 'We have successfully and consistently filed more live video over IP than any other news organisation and have established CNN as the leader in live reporting with BGAN technology,' said Tony Maddox, senior vice-president of news operations for CNN International.

CNN used BGAN to file hundreds of live video reports during the recent conflict in the Middle East. 'The use of BGAN gave CNN the added flexibility to move across and report from all over the region, giving the network a distinct reporting advantage,' said Maddox. 'While CNN carried live shots over BGAN from wherever their reporters were located, other networks were reduced to doing phoners, losing the key element of live images as the conflict was unfolding.' He continued, 'Due to the combination of our impressive newsgathering operation and our mastery of BGAN technology, no other network could match CNN's manpower.'

While basic news priorities never change, the race to be first with a story is becoming hotter than ever. Because of BGAN, the excuse 'we couldn't get a satellite link' no longer applies. Broadcast-quality live digital video, at a few minutes' notice, is now part of the picture for professional newsgatherers making newsgathering and live reporting more immediate than ever before.

1 BGAN's combination of compact size and advanced functionality presents a compelling proposition to professional broadcasters like CNN.


A 32

Healthy growth and in-flight to Broadband

During 2006, revenues from the aeronautical sector were US$30.7m, an increase of US$8.0m, or 35.2%, compared with 2005.

Throughout the whole of 2006 we saw a healthy growth in our classic aeronautical services and a continued increase in 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.

The installed base of Swift 64 terminals continued its strong growth during the year with each quarter eclipsing the preceding quarter in numbers of new installations.

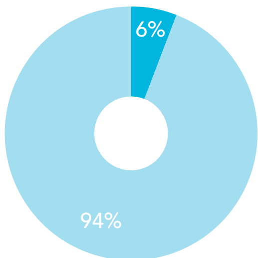
Inmarsat avionics from our hardware partners have become factory options for a range of airframe manufacturers in business aviation and air transport and have also become standard equipment on certain aircraft. During the year, there have also been announcements from our hardware partners of the first factory inclusion of Inmarsat avionics on commercial narrow body aircraft and we expect the first airlines to start to use the services this year.

Looking ahead, our focus is to ensure that our SwiftBroadband service will be commercially available in the second half of 2007 and we believe that we are on track to achieve this. The first early entry avionics took to the air at the end of 2006 and all the major avionics manufacturers are now developing SwiftBroadband avionics.

SwiftBroadband will initially be available over the two Inmarsat-4 satellites that are already operational and after the launch of the third Inmarsat-4 satellite, the service will achieve near global coverage.

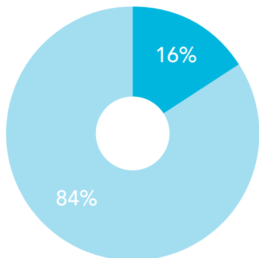
SwiftBroadband will provide cost efficient, always-on aircraft connectivity which will enable new applications and usage that has not been possible to date. An example of this is the trials of in-flight use of mobile phones and other communication devices such as PDAs and Blackberrys being conducted by our distribution partners. For existing Swift 64 users, SwiftBroadband will provide a natural migration path to IP based services and the benefits this will bring.

Aeronautical Overview
MSS revenue 2006



Aeronautical	6%
Other	94%

Aeronautical revenue 2006



Voice	16%
Data	84%

French Navy surveillance initiative

Like the rest of the world's most advanced armed forces, the French Navy is moving with all speed to equip itself for network-centric warfare. The Aéronavale, France's naval air service, began developing its requirements for *la guerre en réseau* in 2003 and earlier in 2006, selected an air-to-ground link based on Inmarsat Swift 64 high-speed data communications.

Two Falcon 50M units, Escadrille 57S and Flottille 24F, are based at Landivisiau and Lann-Bihoué in Brittany, and there are two Atlantique squadrons, 21F at Nîmes-Garons and 23F at Lann-Bihoué.

An earlier successful Swift 64 installation on the Atlantiques persuaded the Aéronavale planners that Swift 64 would suit their need for a long-range, high-speed datalink to transmit real-time imagery from airborne sensors.

During flight trials over the Mediterranean two bonded Swift 64 ISDN channels were used to send encrypted still pictures and video to the ground at 128kbps. The MPDS (packet data) capability was used for email to and from the command centre, and the terminal also supported voice communications. Once the installation was fully proven, it was used as part of a homeland security exercise conducted in Mediterranean airspace in conjunction with Germany and Spain.

Installation work on the Falcons was carried out by European aircraft completions provider Jet Aviation Basel with the first Falcon equipped, entering service in September.

In the Flottille 24F Falcons, Swift 64 will add extra communications power to a mission suite that includes the Thales Airborne Systems Oceanmaster maritime surveillance radar and a Thales Optronique Chlio forward-looking infra-red ('FLIR') imaging system in a mounting under the rear fuselage.

The Falcon 50M, dubbed 'Surmar' by the French Navy, also features bulged observation windows and a rear-cabin drop hatch for the eight 30-passenger liferafts that can be carried. The aircraft is crewed by a commander, pilot and three observer/system operators, who are responsible respectively for the Inmarsat terminal, the radar and FLIR, and the rescue equipment.

The Oceanmaster radar is capable of tracking and classifying surface ships and submarines – up to 200 of them simultaneously – and monitoring territorial waters and economic exclusion zones. The FLIR produces high-resolution infra-red imagery almost as good as visible-light video, which Swift 64 can make available, in real time, to senior decision makers on the ground. With Swift 64 now helping to shorten decision cycles, the sharp-eyed Falcons can be expected to make life even more uncomfortable for smugglers, polluters and trespassing fishermen.

1

1 **The Atlantique maritime surveillance aircraft uses the high-speed data links of Swift 64 to send real-time imagery to the French Navy's command centre.**
© Marine Nationale

1 First responder, emergency services and military agencies have integrated BGAN into their communications portfolio.

2 Inmarsat supports the work of Télécoms Sans Frontières around the world, bringing communications support to relief agencies and disaster victims.

Government

During the year, we started to see increasing interest in BGAN from a range of government sectors, including military and civilian agencies. For example, the first responder and emergency response agencies in a number of countries have purchased BGAN to support their emergency communication needs. We have also seen a number of military agencies test various applications over BGAN as part of their integration of this new capability into their communications portfolio. The introduction of vehicular BGAN terminals, also know as Comms on the Move ('COTM'), has also been welcomed in the government user community as they require mobile use of BGAN on vehicles in addition to the core portable product offerings.

Leasing

During 2006, revenues from leasing were US$60.3m, a decrease of US$0.6m, or 1.0%, compared with 2005. Leasing revenues remain an important contribution to the overall company revenues. With the higher capacity Inmarsat-4 satellites in place, we now see a larger capacity available for leasing growth.

Social Responsibility

We continue to be the only provider of satellite communications services for the Global Mobile Distress and Safety System ('GMDSS'). This service ensures that those at sea can rely upon our services in times of emergency. We have also continued our commitment to support the education of maritime specialists through a funding grant to the World Maritime University, while also contributing to the International Maritime Organisation's Search and Rescue fund. We are also very proud that Inmarsat terminals will be used as part of the Indian Ocean Tsunami Warning System that warns authorities in 27 countries of an impending tsunami so that they can put their coastal community evacuation plans into action.

We are also delighted to continue our association with Télécoms Sans Frontières ('TSF'), a charity that provides the first communication links from disaster zones for other agencies and victims. During 2006, they have been active in places such as Lebanon, the Philippines and Pakistan and have been some of the first users of our BGAN service. Inmarsat's support of TSF was recognised when it received the award for corporate social responsibility in Dubai acknowledging the activities undertaken to highlight the humanitarian efforts during the war in Lebanon. We were also very pleased to contribute to the reconstruction of a school following an earthquake in Indonesia, especially as we now have direct ties to the country through our own operation in Batam.

Outlook

2006 has been a very satisfactory year for Inmarsat, with solid performance in our core business. We are excited about the future opportunities to expand the BGAN service and the launch of our broadband services for aeronautical and maritime users later in 2007. We believe that our broadband offerings will continue to drive demand for our services well into the future.

The near term prospect of providing a handheld satellite service on one of our Inmarsat-4 satellites in mid-2007, followed by a global service expected during 2008, gives us the opportunity to develop a new incremental revenue stream in an established and growing market.

We would like to thank our employees for delivering the strong performance during 2006, recognising that this was achieved against a major restructuring programme within the business. Our distribution partners, service providers and manufacturing partners are an equally important part of our business and we value their expertise and innovation in delivering our services to a broad customer base. We are particularly excited about the quality of distribution providers who will support our BGAN service and we look forward to extending our reach to new customers and partners in the future.

The continued efficiency of our distribution channel and the routes to market for our services are a key strategic objective for the Company. We are therefore delighted to announce that on 19 March 2007, a subsidiary of Inmarsat plc, Inmarsat Finance III Limited ('Inmarsat III'), entered into a loan facility commitment with CIP UK Holdings Limited ('CIP UK') under which Inmarsat III will provide a loan of up to US$250.0m to CIP UK, to fund a recommended offer for the entirety of the issued share capital of Stratos Global Corporation ('Stratos') by CIP UK's subsidiary, CIP Canada Investment Inc. On the same date, CIP UK's parent company, Communications Investment Partners Limited, granted an option to Inmarsat III to acquire CIP UK, which indirectly will own Stratos, exercisable not earlier than 14 April 2009 and terminating on 31 December 2010. This transaction gives us more options available to shape the future of our distribution channels and provide diverse choice for our customers and distribution partners and service providers.

Inmarsat is well placed to continue to execute its strategy. As outlined on page 2 in the Strategy Perspectives, we are focused on meeting the requirements of our customers, staff and shareholders in a targeted way, fulfilling specific objectives for each. We have made solid progress during 2006 to achieve our goals and we look forward to continued growth in our business in 2007 and beyond.

3 Inmarsat's new handheld service will be rolled-out globally across the Inmarsat-4 satellite network.

Rick Medlock
Chief Financial Officer

I am delighted to have the opportunity to review our financial performance for 2006. Last year, I commented that we were laying the foundations both for future growth and to execute the strategy announced during our IPO process. In 2006, we have continued to strengthen those foundations with both the launch of our Broadband Global Area Network ('BGAN') service and the entry into the handheld satellite phone market, and we have been able to deliver an acceleration of revenue growth, particularly in the second half of the year.

Overview

We have again met our performance targets for both revenue and EBITDA growth and also delivered strong growth in our operating cash flows. Revenue growth has seen strong performance in the maritime and aeronautical sectors and our land mobile and leasing revenues have made good progress particularly in the second half of the year. It is also very encouraging to see the boost that BGAN has given our land segment.

BGAN is the cornerstone of our future growth and, since its launch in December 2005, we have seen consistent growth in revenue and subscriber numbers throughout 2006, recording US$9.5 million of revenue in the year and 7,119 subscribers at 31 December. We are encouraged that this revenue is largely earned from new customers and from the use of new applications by existing customers, and believe that this reflects exciting opportunities for future growth. We will expand the availability of our high-speed data services still further with the planned launch of SwiftBroadband and FleetBroadband during 2007, although we do not expect material revenue contributions from these services until 2008.

In September 2006, we announced our intention to launch the third Inmarsat-4 satellite. The launch of this satellite will be important to the success of a global handheld service, further enhances the BGAN service with global coverage and will provide us with incremental opportunities for new broadband maritime and aeronautical services. In January 2007, under the contract for launch services with Lockheed Martin Commercial Launch Services Inc., we exercised our option to launch the Inmarsat-4 F3 on an Atlas V launch vehicle. The exact launch date is yet to be finalised, and whilst we are hopeful that we may secure a launch slot in late 2007, it is more likely that this launch will take place in 2008.

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

As a result of these arrangements, Inmarsat 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. Inmarsat will pay ACeS a total of US$15.0m over four years, of which an initial payment of US$4.0m was made on completion and a second payment of US$1.5m was made in January 2007. The arrangements taken together constitute a business combination under IFRS 3, 'Business Combinations'. Revenues in the land voice and maritime voice segments, as disclosed below, each contain a small element of revenue earned since completion.

To enable expanded handheld voice services coverage using the existing Inmarsat-4 satellites, Inmarsat will undertake a process of network upgrades and an accelerated modernisation of the ACeS R190 handheld satellite phone and contracts for this have been signed with Lockheed Martin and Ericsson respectively. It is currently intended that an interim service will be available over most of the Inmarsat-4 F1 footprint from around the middle of 2007 and over the full Inmarsat-4 coverage area by the end of 2008.

In December 2006 the Group announced the disposal 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. This lease amount, and an additional premium, was settled in full by the Group subsequent to the disposal. Following the settlement, the Group has no further liability to, or interest in, Burses Limited.

During 2006 the Group implemented organisational changes to reflect the fact that the Inmarsat-4 programme was nearing completion. The principal action in the restructuring plan was a redundancy programme involving 42 employees.

The redundancies primarily related to those employees responsible for the completion of the Inmarsat-4 programme, with the departure of staff being phased across the year. Redundancy and other restructuring costs of US$6.8m have been recognised as an expense for the year ended 31 December 2006, and are expected to result in annualised savings of approximately US$8.7m.

We are pleased to report that the arbitration proceedings between Inmarsat and three distribution partners, concerning the implementation of new distribution partner appointment processes set out in the Group's distribution agreements, have now been concluded. As a consequence of the arbitration award, the appointment of one BGAN Inmarsat distribution partner has been regularised by means of the new appointment of a member of the same group of companies. The arbitration award is not expected to have any material financial or commercial impact on the Group.

Group results

The results reflect the consolidated results of operations and financial condition of Inmarsat plc (the Company or together with its subsidiaries, the Group) for the year ended 31 December 2006. 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 2006 were US$500.1m, an increase of US$9.0m, or 1.8%, compared with 2005. Revenues excluding subsidiaries disposed of in 2005 increased by 4.4%, from US$479.2m to US$500.1m.

	2006 US$m	2005 US$m
Revenue	**500.1**	**491.1**
Employee benefit costs	(85.9)	(97.0)
Restructuring costs including termination benefits	(6.8)	–
Total employee benefit costs	(92.7)	(97.0)
Network and satellite operations costs	(31.1)	(38.8)
Other operating costs	(56.6)	(63.4)
Work performed by the Group and capitalised	12.0	25.2
Losses on termination of subsidiary undertakings	–	(1.1)
EBITDA	**331.7**	**316.0**
Depreciation and amortisation	(156.8)	(106.5)
Operating profit	**174.9**	**209.5**
Interest receivable and similar income	8.3	49.8
Interest payable and similar charges	(93.4)	(163.8)
Net interest payable	(85.1)	(114.0)
Profit before income tax	**89.8**	**95.5**
Income tax credit/(expense)	37.9	(31.1)
Profit for the year	**127.7**	**64.4**

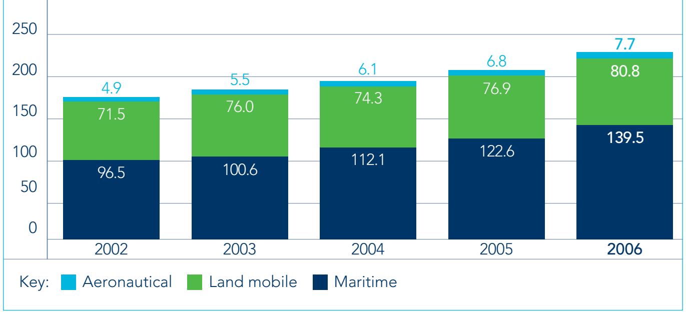
During 2006, revenues from mobile satellite communications services were US$491.8m, an increase of US$19.3m, or 4.1%, compared with 2005. Growth has been strong as a result of continued success in services such as Fleet and Swift 64; the launch of BGAN in December 2005; and we have additionally seen a revenue contribution from handheld services since September 2006. This growth has been partly offset by lower demand for our services in the Middle East and competition from other technologies. The maritime, land mobile, aeronautical and leasing sectors accounted for 57.9%, 23.6%, 6.2% and 12.3% of total revenues from mobile satellite communications services respectively during 2006. Revenues for 2006 reflect the increased volume discounts arising from the merger of Stratos and Xantic which was completed on 14 February 2006. Revenues for 2005 included the effect of the relief work arising out of the Asian tsunami of 26 December 2004. We do not consider that our revenues in 2006 have benefited from any 'one-off' or event-type revenues.

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

	2006 US$m	2005 US$m
Revenues		
Maritime sector:		
voice services	100.9	102.0
data services	183.8	165.1
Total maritime sector	**284.7**	**267.1**
Land mobile sector:		
voice services	19.2	23.6
data services	96.9	98.2
Total land mobile sector	**116.1**	**121.8**
Aeronautical sector	30.7	22.7
Leasing (incl. navigation)	60.3	60.9
Total mobile satellite communications services	**491.8**	**472.5**
Subsidiaries disposed of in 2005	–	11.9
Other income	8.3	6.7
Total revenue	**500.1**	**491.1**

Total active terminals grew to over 228,000 during 2006, a 10.5% increase over 2005. Active terminal numbers, which are defined as any subscriber (BGAN and R-BGAN) or terminal that has been used to access services at any time during the preceding twelve-month period, showed strong growth particularly in maritime, up 14% year over year, while our base of active Fleet terminals grew by 56%. In the aeronautical sector, continued growth in Swift 64 (high-speed data) and 'classic' aero (low-speed data) have increased active terminal numbers. Land mobile terminal growth increased 5% year over year and is a result of growth in BGAN.

Active terminals ('000)



continued

Maritime Sector

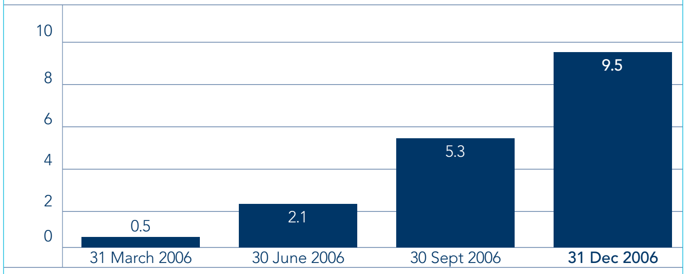
During 2006, revenues from the maritime sector were US$284.7m, an increase of US$17.6m, or 6.6%, compared with 2005. This principally reflects an increase in data revenue with a decrease in voice. Revenues from data services in the maritime sector during 2006 were US$183.8m, an increase of US$18.7m, or 11.3%, compared with 2005. The increase in revenues from data services reflects greater demand, as a result of the take-up and utilisation of our Fleet services in the new-build market, and increased data usage over our smaller terminals with lower-speed capabilities, such as Inmarsat B and Mini M. Revenues from voice services in the maritime sector during 2006 were US$100.9m, a decrease of only US$1.1m, or 1.1%, compared with 2005, 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 analogue service to our lower-priced digital services although the remaining levels of analogue users on our network are now at much lower levels. This stabilisation in voice has benefited from growth in both our newer Fleet service and various promotions for Mini M, which we have initiated to promote greater use of our services by ships' crews and to respond to increased competition.

Land Mobile Sector

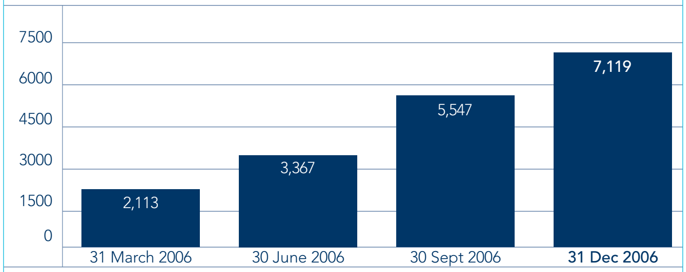
In 2006, revenues from the land mobile sector were US$116.1m, a decrease of US$5.7m, or 4.7%, compared with 2005. Revenues from data services in the land mobile sector during 2006 were US$96.9m, a decrease of US$1.3m, or 1.3%, compared with 2005. The decrease is a result of the decline in high-speed data traffic following a reduction in traffic in the Middle East and competition from VSAT. This has been offset in part by the launch of BGAN and increased demand for R-BGAN with both services contributing strongly in the second half. Revenues from voice services in the land mobile sector during 2006 were US$19.2m, a decrease of US$4.4m, or 18.6%, compared with 2005. This continues the trend seen over the last few years of declining traffic volumes resulting from competition, principally for our Mini M and large antenna Mini M services, from operators of handheld satellite telephones who offer lower-priced voice services. We believe that the launch of our own handheld voice product over the Inmarsat-4 coverage area will enhance our land voice offering and enable us to win customers in this growth area.

Revenues from BGAN services during 2006 are set out in the table below. These figures include voice, data and subscription revenues. As at 31 December 2006, there were 7,119 active BGAN subscribers.

BGAN quarterly cumulative revenues (US$m)



BGAN active subscriber numbers ('000)



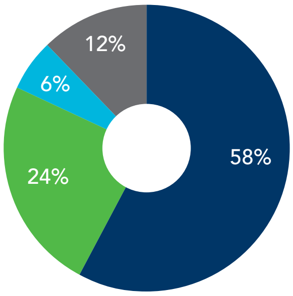
Aeronautical Sector

During 2006, revenues from the aeronautical sector were US$30.7m, an increase of US$8.0m, or 35.2%, compared with 2005. The increase continues to be attributed primarily 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

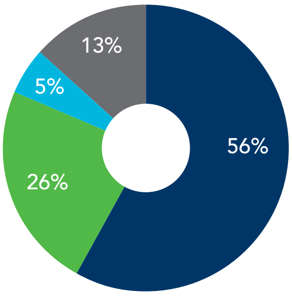
During 2006, revenues from leasing were US$60.3m, a decrease of US$0.6m, or 1.0%, compared with 2005. The decrease relates primarily to the first half of the year, with a strong improvement in the second half due to the signing of a significant Swift 64 lease. Leasing growth in the land mobile and aeronautical sectors has been offset by a decline in the maritime sector.

MSS revenue by sector 2006



Maritime	58%
Land mobile	24%
Aeronautical	6%
Leasing	12%

MSS revenue by sector 2005



Maritime	56%
Land mobile	26%
Aeronautical	5%
Leasing	13%

Subsidiaries disposed of in 2005

Subsidiary revenues in 2005 represent revenues from former subsidiaries, Invsat Limited and Rydex Corporation Limited. Both these operations were disposed of during 2005.

Other income

Other income for 2006 was US$8.3m, an increase of US$1.6m or 23.9%, compared with 2005. Other income consists primarily of income from the provision of conference facilities, renting surplus office space, fees for in-orbit support services and revenue from sales of terminals.

Net operating costs

Net operating costs during 2006 were US$168.4m, a decrease of US$5.6m or 3.2% compared to 2005, reflecting lower employee benefit costs, network and satellite operations and other operating costs, offset by the US$6.8m restructuring costs and a reduced amount of own work capitalised.

Employee benefit costs

Employee benefit costs (excluding restructuring costs) during 2006 were US$85.9m, a decrease of US$11.1m, or 11.4% compared with 2005. The previous year's costs included US$4.5m in relation to subsidiaries disposed of during that year. The average headcount (excluding staff employed in Indonesia as a result of the ACeS collaboration agreement) decreased to 389 in 2006 from 404 in 2005 (excluding subsidiaries disposed of), principally due to the restructuring plan. In 2006 the Group recognised US$5.2m of share option costs (2005: US$6.5m) relating principally to the all staff option scheme implemented in November 2004. The options under the all staff scheme vested over a period of approximately 18 months from July 2005 to December 2006.

Network and satellite operations costs

Network and satellite operations costs during 2006 were US$31.1m compared to US$38.8m during 2005, a reduction of US$7.7m or 19.8%. Included in this category in 2005 is US$11.7m for leasing satellite capacity for the R-BGAN service. This service was moved on to the Inmarsat-4 F1 satellite after launch in 2005 and therefore there were no equivalent costs in 2006. This reduction was offset in part by an increase in the costs of in-orbit insurance with two Inmarsat-4 satellites having been in service for the whole year, and by an increase in warranty and other maintenance costs on our Inmarsat-4 ground infrastructure that were not incurred to the same extent in 2005.

Other operating costs

During 2006, other operating costs were US$56.6m, a decrease of US$6.8m, or 10.7%, compared with 2005. This primarily reflects the absence of subsidiary operating costs which amounted to US$7.8m in 2005. Other operating costs incurred as a result of the ACeS collaboration agreement from September 2006 are not significant. Costs in 2006 have increased by US$4.7m as a result of amending the accounting treatment for rental payments on our head office building to record costs on a straight-line basis. Of this, US$2.1m, although recognised in 2006, relates to 2005 and is therefore non-recurring. In 2005 we incurred US$3.0m of non-recurring costs working on a venture in Korea with a potential new distribution partner. There were no equivalent costs in 2006.

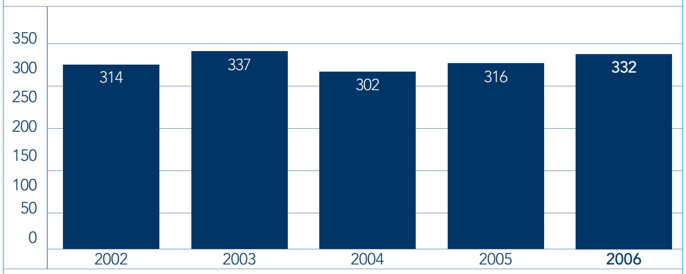
Work performed by the Group and capitalised

During 2006, own work capitalised was US$12.0m, a decrease of US$13.2m, or 52.4%. This reflects the completion and bringing into service of major elements of the Inmarsat-4 ground infrastructure, though substantial work is still being carried out on planned new service expansions.

Impact of disposal of subsidiaries
On 2 September 2005 the Group sold Invsat Limited, a 100% owned subsidiary, to Nessco Limited. On 17 October 2005 the Group disposed of the assets and business of Rydex Corporation Limited, a 100% owned subsidiary, to Seawave LLC. The gross cash proceeds of the two disposals were US$10.4m and resulted in a loss on disposal of US$1.1m.

EBITDA
As a result of the factors discussed previously, EBITDA for 2006 was US$331.7m, an increase of US$15.7m, or 5.0%, compared with 2005 EBITDA. EBITDA margin has increased to 66.3% for 2006 compared to 64.3% for 2005. This reflects an increase in revenue against a reduction in net operating costs. EBITDA excluding the one time non-recurring termination costs was US$338.5m, an increase of 7.1% over 2005.

EBITDA (US$m)



Depreciation and amortisation
During 2006, depreciation and amortisation was US$156.8m, an increase of US$50.3m, or 47.2%, compared with 2005. This increase is a result of the depreciation for a full year of the Inmarsat-4 F1 satellite and related ground infrastructure (2005: seven months) and of the Inmarsat-4 F2 satellite and related ground infrastructure (2005: nil). This is partially offset by the prospective extension, from 1 October 2005, of the useful lives of these two satellites from 13 years to 15 years to better reflect the design life of the spacecraft, the better than expected performance of the launch vehicles and the adoption of a near optimal mission strategy which are expected to extend the orbital lives of these satellites.

Operating profit
As a result of the factors discussed above, operating profit during 2006 was US$174.9m, a decrease of US$34.6m, or 16.5%, compared with 2005.

Net interest payable
Interest payable for 2006 was US$93.4m, a decrease of US$70.4m compared with 2005. Following the IPO, the Group restructured its debt facilities and, as a result, interest costs have been reduced substantially compared to the costs incurred in the first half of that year. See 'Liquidity and capital resources'.

Interest receivable for 2006 was US$8.3m, a decrease of US$41.5m compared with 2005. The decrease principally relates to a realised foreign exchange gain of US$39.3m in 2005 arising on the repayment of the Euro-denominated Subordinated Preference Certificates. There was no equivalent amount in 2006. See 'Liquidity and capital resources'.

Profit before tax
For 2006, profit before tax was US$89.8m, a decrease of US$5.7m compared with 2005, with lower operating profits partially offset by lower net interest costs following the favourable restructuring of our debt portfolio.

Income tax expense
In 2006 the Group recorded a tax credit of US$37.9m, compared to a tax charge of US$31.1m in 2005. In December 2006, an intra-group lease receivable asset was disposed of and subsequently terminated resulting in the net release of a deferred tax provision of US$58.1m, which offset our tax liability for 2006. Excluding the effect of this transaction in addition to 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%.

The underlying movement in effective tax rate from 32.6% in 2005 to the adjusted effective tax rate of 30.4% in 2006 is as a result of a reduction in the level of permanently disallowable expenditure.

Profit for the year
As a result of the factors discussed above, profit for the year 2006 was US$127.7m, an increase of US$63.3m, or 98.3%, compared with 2005.

Earnings per share
2006 basic and diluted earnings per share for profit attributable to the equity holders of the Company were 28 cents (US$) and 28 cents (US$) respectively, compared to 17 cents (US$) and 17 cents (US$) respectively for 2005.

2006 basic and diluted earnings per share adjusted to exclude the disposal of the Burses Limited lease receivable and associated deferred tax credit were 17 cents (US$) and 17 cents (US$) respectively, consistent with 2005.

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

The Group had net borrowings at 31 December 2006 of US$879.6m primarily comprising drawings on the Senior Credit Facility of US$250.0m, Senior Notes of US$256.8m (net of US$53.6m Senior Notes held by the Group, being 17% of the aggregate principal outstanding), Senior Discount Notes of US$367.6m and deferred satellite payments of US$48.9m, net of cash and cash equivalents and short-term deposits of US$42.8m.

Net cash generated from operating activities during 2006 was US$316.0m compared to US$317.3m during 2005. The decrease arises from a reduction in interest income of US$7.8m and movements in working capital partially offset by increased EBITDA.

Net cash used in investing activities during 2006 was US$118.4m compared with US$43.2m for 2005. During 2006 the Group had no outflows from the maturing of short-term deposits, compared to US$151.7m for 2005. In addition in 2005 the Group received net proceeds of US$9.4m for the sale of Invsat Limited and Rydex Corporation Limited. During 2006 the Group incurred continued capital expenditure for the construction of our Inmarsat-4 satellites and associated ground infrastructure of US$114.4m. Included in investing activities during 2006 was an initial payment of US$4.0m on completion of the ACeS collaboration arrangements.

Net cash used in financing activities during 2006 was US$189.8m compared to US$470.0m during 2005. During 2006, the Group purchased US$43.6m principal of its Senior Notes, paying a premium of US$1.2m (2005: US$10.0m, paying a premium of US$0.3m) and paid US$36.4m interest on Senior Notes and Facilities, a reduction of US$40.5m as a result of lower levels of debt following the IPO and related transactions which took place in June 2005. The Group paid dividends of US$98.2m in 2006 compared to US$24.7m in 2005.

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.

Dividends

The Board recommends a final dividend of 16 cents (US$) per ordinary share in respect of the year ended 31 December 2006 amounting to US$73.1m. This will be paid on 25 May 2007 to ordinary shareholders on the register of members at the close of business on 11 May 2007. Shareholders will be asked to approve the final dividend payment at the Annual General Meeting to be held on 8 May 2007. This dividend has not been recognised as a liability at 31 December 2006.

This, added to the interim dividend of 10.66 cents (US$) per ordinary share paid on 27 October 2006, takes the dividend for the full year to 26.66 cents (US$) per ordinary share, a 4.1% increase over 2005, and amounts to US$121.6m. The increase in dividend is in accordance with our strategy of increasing dividends based on the growth of free cash flow.

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 30 to the consolidated financial statements.

Balance sheet

Net assets at 31 December 2006 were US$716.5m compared with net assets of US$676.5m at 31 December 2005. The increase is predominantly a result of retained profit of US$29.4m for the period.

The Group's non-current assets totalled US$1,769.5m at 31 December 2006 compared with US$1,843.6m at 31 December 2005. The decrease in net assets is 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.

Non-current liabilities were US$1,089.3m at 31 December 2006 compared with US$1,138.2m at 31 December 2005. The decrease in non-current liabilities relates to the reclassification of amounts owed to Astrium from non-current to current liabilities and a US$58.1m deferred taxation release on the settlement of the Burses lease amount disposed of in December 2006.

Current liabilities at 31 December 2006 were US$167.8m compared with US$210.1m at 31 December 2005. The decrease in trade payables is due to the payment of certain Astrium milestones accrued in 2005 on the Inmarsat-4 satellites, the payment of launch insurance and a reduction in VAT creditors.

Seasonality

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

Critical accounting policies

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

Risk factors

Inmarsat 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 it 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 a launch slot becomes available. Although we expect to take out launch insurance, the launch is subject to risk of failure either on launch or once in orbit.

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 three distribution partners represent 85% of our 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. The merger of any two distribution partners will also increase the amount of volume discounts that are given to partners. The merger of Stratos and Xantic in February 2006 resulted in an additional US$6.0m of volume discounts in 2006. If the business combination of our second and third largest distributors, Telenor Satellite Services and France Telecom Mobile Satellite Services - which is currently in process - had taken place on 1 January 2007, we estimate that they would have been entitled to between US$6.0m and US$8.0m of discount in 2007.

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.

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.

Outlook

We are pleased with the performance of our core business and believe the growth drivers of our 2006 performance can fuel further growth in 2007. We are targeting growth across all our business sectors in 2007 and overall a higher level of revenue growth than we achieved in 2006.

Our maritime and aeronautical businesses are experiencing steady demand for new terminals and will benefit from a full year contribution from the terminals installed in 2006. We are pleased with the rate of growth in BGAN and see the potential for greater traction in this important service in 2007. We continue to see opportunities for BGAN in new markets and will maintain a policy of adding new distribution partners as appropriate to access these opportunities. During 2007 we also expect to launch our SwiftBroadband and FleetBroadband services, however, we do not expect material revenue contributions from these services until 2008.

We expect to see a modest increase in our operating costs reflecting a full year of costs relating to our handheld service and a full year of other satellite related costs, including in-orbit insurance of our Inmarsat-4 satellites. Costs will also rise due to foreign exchange rate movements as 60% of our operating costs (excluding depreciation) are denominated in Sterling. In 2006 we had hedged our costs at a rate of US$1.77/£1.00 whereas in 2007 we are hedged at US$1.81/£1.00. These cost increases will be partially offset by the full year effect of restructuring and headcount reductions made in 2006.

The level of cash capital expenditures we expect for 2007 will be largely driven by the date of the launch of our third Inmarsat-4 satellite. Assuming the launch does not occur in 2007, we expect cash capital expenditure to be in the region of US$120.0 million, including maintenance. In the event we can achieve a launch in 2007, we would expect total cash capital expenditure to be in the region of US$240.0 million. In addition as a result of the Group's investment to enable expanded handheld coverage using the existing Inmarsat-4 satellites, the Group will undertake a process of network infrastructure upgrades and an accelerated modernisation of the existing handheld satellite phone.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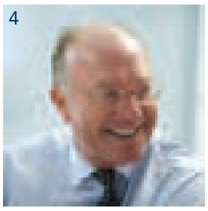
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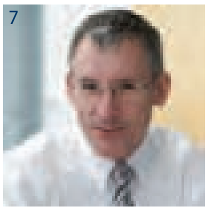
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1. Andrew Sukawaty, age 51
Chairman and Chief Executive Officer
Mr Sukawaty joined the Company as Chairman in December 2003 and was appointed Chief Executive Officer in March 2004. He is non-executive chairman of Xyratex Ltd (Nasdaq). He is a non-executive director of Telefónica O2 Europe plc (a wholly-owned subsidiary of Telefónica S.A.) and non-executive director of Powerwave Technologies Inc. (Nasdaq). 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. Mr Sukawaty holds a BBA from the University of Wisconsin and an MBA from the University of Minnesota.

2. Michael Butler, age 43
Executive Director, President and Chief Operating Officer
Mr Butler joined the Board in December 2003. He has served as Managing Director of Inmarsat 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, age 68
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, age 51
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), age 59
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 and 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, age 55
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 PhD 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, age 46
Executive Director and 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 and Chairman of their 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, age 61
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 Healthcare Group 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, age 44
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

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

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

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

Company Secretary
Alison Horrocks

Registered Office
99 City Road
London EC1Y 1AX
Tel: +44 (0)20 7728 1000
Fax: +44 (0)20 7728 1044
www.inmarsat.com

Registered Number
4886072 England and Wales

Auditors
Deloitte & Touche LLP
Hill House
1 Little New Street
London EC4A 3TR

Solicitors
Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ

Brokers
JPMorgan Cazenove Limited
20 Moorgate
London EC2R 6DA

Lehman Brothers International
25 Bank Street
London E14 5LE

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

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

For the year ended 31 December 2006

The Directors have pleasure in submitting their report and the audited financial statements for the year ended 31 December 2006.

Principal activities and business review

The Group provides a comprehensive portfolio of global mobile satellite communications services for use on land, at sea and in the air. These include voice and broadband data services, which support safety communications as well as standard office applications such as email, internet, secure VPN access and videoconferencing.

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

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 2 to 11 and the Financial Review on pages 12 to 18.

Results and dividends

The results for the period are shown in the Consolidated Income Statement on page 42.

The Directors propose the payment of a final dividend per ordinary share of 16 cents (US$) making a total for the year of 26.66 cents (US$) – dividend payments are made in Pounds Sterling based on the exchange rate prevailing in the London market four business days prior to payment. Subject to approval at the Annual General Meeting, the final dividend will be paid on 25 May 2007 to shareholders on the register of members at the close of business on 11 May 2007.

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

Research and development

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

Charitable and political donations

During the year, the Company paid US$110,000 (2005: US$200,000) to the telecommunications relief aid organisation, Télécoms Sans Frontières ('TSF').

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

The Company contributed US$10,000 to an appeal to rebuild a school in Indonesia affected by the earthquake in 2006.

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

The Company also provides 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.

Financial instruments

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

Post balance sheet events

In a letter dated 24 January 2007, under its contract for launch services with Lockheed Martin Commercial Launch Services Inc., Inmarsat exercised its option to launch the Inmarsat-4 F3 on an Atlas V launch vehicle. The exact launch date is yet to be finalised.

The arbitration proceedings between the Company and three of its distribution partners, concerning the correct implementation of new distribution partner appointment processes set out in the Company's distribution agreements, have now been concluded. As a consequence of the arbitration award, the appointment of one BGAN Inmarsat distribution partner has been regularised by means of the new appointment of a member of the same group of companies. The arbitration award is not expected to have any material financial or commercial impact on the Group.

Further details of material post balance sheet events are included in note 34 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 2006, except for Kathleen Flaherty who was appointed on 9 May 2006.

Biographical information on each of the Directors is contained on page 19 of the Annual Report. Their biographies illustrate the Directors' range of experience, which ensures an effective Board to lead and control the Group.

For the year ended 31 December 2006 continued

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 2006 or subsequently have had any interests in any shares of the Company's subsidiaries.

Reappointment of directors

The Company's Articles of Association require that one-third of the Directors retire by rotation at each Annual General Meeting of the Company. Therefore, the following Directors, neither of whom has been in office for more than three years, will retire and put themselves forward for reappointment at the Annual General Meeting 2007. They have each confirmed that they will stand for reappointment:

- Rick Medlock
- John Rennocks

The following Director, having been appointed by the Board since the last Annual General Meeting and, being eligible, offers herself for appointment by shareholders:

- Kathleen Flaherty

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 related matters, as and when required. 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 25 to the consolidated financial statements. An award of shares was made to employees in April 2006, capped at 10% of salary, and a second award of shares, capped at 5% of salary, will be made in April 2007. The Executive Directors and the Executive Management Board did not participate in the 2006 award and will not participate in the 2007 award. Details of the award made in April 2006 are provided on page 37.

The Group has a positive attitude towards the development of all its employees and does not discriminate between employees or potential employees on grounds of race, ethnic or national origin, sex, age, marital status or religious beliefs. The Inmarsat workforce is diverse in that it has more than 45 different nationalities.

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.

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 2006, the Company's trade creditors represented 30 days equivalent of aggregate amounts invoiced by suppliers during the year (2005: 30 days).

Share capital and substantial shareholdings

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 24 to the consolidated financial statements.

At 21 March 2007, the Company had received notifications of the following major shareholding interests in the Company's issued share capital:

Number of voting rights over the ordinary shares of €0.0005 each

	Direct		Indirect	
BlackRock, Inc.	–	–	42,576,471	9.31%
Lansdowne Partners Limited Partnership	41,660,368	9.11%	–	–
Legal & General Investment Management Limited	36,602,558	8.01%	5,753,570	1.26%
F&C Asset Management plc	–	–	28,100,055	6.14%
Prudential plc group of companies	24,598,828	5.38%	–	–
KDDI Corporation	21,739,149	4.76%	–	–

Significant contracts

The majority of the space segment revenue of the Group is derived from sales to Land Earth Station Operators ('LESOs') and distribution partners ('DPs'). LESOs operate in accordance with the terms and conditions of the Land Earth Station Operator Agreement. The existing five year agreement commenced in April 2004. DPs operate under a five year agreement with separate arrangements for the distribution of some services.

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.

Directors' and Officers' liability insurance

The Group maintains appropriate insurance to cover Directors' and Officers' liability. At the date upon which this report was approved and for the year to 31 December 2006, 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 has acted fraudulently or dishonestly.

Auditors

PricewaterhouseCoopers LLP resigned as Auditors of the Company on 7 July 2006 and confirmed that there were no matters connected with their ceasing to hold office which should be brought to the attention of members or creditors. As recommended to the Board by the Audit Committee, Deloitte & Touche LLP accepted appointment as Auditors of the Company on 28 July 2006.

A resolution to reappoint Deloitte & Touche LLP as Auditors of the Company and to authorise the Board to determine their remuneration will be proposed at the 2007 Annual General Meeting.

2007 Annual General Meeting

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

Directors' responsibilities

The following statement, which should be read in conjunction with the Auditors' statement of Auditors' responsibilities set out on page 40, is made with a view to distinguishing between the respective responsibilities of the Directors and the Auditors in relation to the financial statements.

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

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

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

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

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
21 March 2007

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 2006.

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. As the Company has previously stated, it is the Board's intention that the roles of Chairman and Chief Executive Officer will be separated in due course and it will consider this at the appropriate time; and
- In his capacity as Executive Chairman of the Company, Andrew Sukawaty currently acts as the Chairman of the Nominations Committee.

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 19 and 20. John Rennocks, the Deputy Chairman, is identified as the Senior Independent Director. Following the Company's listing on the London Stock Exchange in June 2005 (the 'IPO'), 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 be a separation of the roles. 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. The Board also believes that it continues to be appropriate, with the Chairman and Chief Executive Officer roles being combined, to maintain John Rennocks as Deputy Chairman, in addition to his role as Senior Independent Director. Concerns can be conveyed to Mr Rennocks independently of the Chairman and Chief Executive Officer, the Chief Financial Officer or the President and Chief Operating Officer, by other Directors or shareholders. Collectively, the Board believes that it possesses all of the necessary range of qualities and experience to lead the Company effectively.

The Board 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.

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 20, 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 19 and details of the fees retained can be found on page 34. To avoid potential conflicts of interest, Non-Executive Directors are expected to inform the Chairman before taking up any additional external appointments.

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

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

On joining the Board, new Directors are given a comprehensive, formal and tailored induction programme including the provision of background material on the Company and briefings with senior management. 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.

During 2006, 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 the Committee members completed separate evaluation questionnaires;
- 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 at a subsequent Board meeting.

The evalution 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 evalution, such as modifications to Board documentation and videoconference attendance for overseas Directors, 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 Nominations Committee confirmed to the Board that the contributions made by the Directors offering themselves for reappointment at the 2007 Annual General Meeting continued to benefit the Board and the Company should support their reappointment.

Board Committees

The main Board Committees are the Audit Committee, the Remuneration Committee and the Nominations Committee. The terms of reference explaining the role 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 20. 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. 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 2006, 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 and received updates on management responses to audit recommendations. The Audit Committee considered the appointment of new Auditors of the Company and made a recommendation to the Board in this regard. It also approved recommendations on the review of accounting policies and monitored progress on the Group's preparedness for complying with the requirements of Section 404 of the Sarbanes-Oxley Act 2002 for its US reporting subsidiaries which will be required for reporting periods commencing 1 January 2007.

The Company Secretary, as Chairman of the Disclosure Committee (the role of which is explained on page 28), 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 Group 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 of up to 20% in aggregate 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 6 to the consolidated financial statements.

Remuneration Committee

The composition of the Remuneration Committee is disclosed on page 20 and comprises solely independent, Non-Executive Directors. The Remuneration Committee, on behalf of the Board, meets as and when necessary to review and approve as appropriate the remuneration of the Executive Directors and senior management and major remuneration plans for the Group as a whole. The Remuneration Committee appraises the Chairman and Chief Executive Officer against his written objectives. Similarly, the Chairman and Chief Executive Officer appraises the other Executive Directors 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 sufficient to attract, retain and motivate Executive Directors required to run the Company successfully and based on the remuneration data provided to it and discussions with its advisers but does not pay more than is necessary for this service. The Remuneration Committee is empowered to recommend the grant of share options under the existing share option plans and to make awards under the 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 good returns for shareholders and to support the achievement of the Group's strategy.

All of the decisions of the Remuneration Committee on remuneration matters in 2006 were reported to and endorsed by the Board.

Nominations Committee

The composition of the Nominations Committee is disclosed on page 20 and comprises a majority of independent, Non-Executive Directors. The Nominations Committee meets as and when necessary but at least twice a year. The Nominations Committee has responsibility for nominating to the Board, candidates for appointment as Directors, bearing in mind the need for a broad representation of skills across the Board. This procedure was followed in 2006, in conjunction with an external search firm, leading to the appointment of Kathleen Flaherty as a Non-Executive Director.

The Nominations Committee will also make recommendations to the Board concerning the reappointment of any independent, Non-Executive Director by the Board at the conclusion of his or her specified term; the re-election of any Director by shareholders under the retirement provisions of the Company's Articles of Association; and changes to senior management.

As previously stated, it is the Board's intention that the roles of Chairman and Chief Executive Officer will be separated in due course and the Nominations Committee will make a recommendation to the Board at the appropriate time.

2006 Board and Committee meetings

During the year to 31 December 2006, the Board met eight times, excluding ad hoc meetings solely to deal with procedural matters. The following table shows the attendance of Directors at meetings of the Board and its main Committees:

	Board (maximum: 8)	**Audit Committee** (maximum: 4)	**Remuneration Committee** (maximum: 4)	**Nominations Committee** (maximum: 3)
Michael Butler	7	–	–	–
Sir Bryan Carsberg	8	4	4	1*
Stephen Davidson	8	4	4	2*
Admiral James Ellis Jr (Rtd)	7	–	4	3
Kathleen Flaherty (appointed 9 May 2006)	5	–	3	–
Rick Medlock	8	4*	1*	–
John Rennocks	8	4	2*	3
Andrew Sukawaty	8	2*	3*	3

* 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. 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' remuneration

Details of the Company's remuneration policy and Directors' remuneration are contained in the Directors' Remuneration Report on pages 30 to 39.

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 ensures that the views of shareholders are communicated to the Board as a whole. The Board ensures that the Company's strategic plans have been carefully reviewed in terms of their ability to deliver long-term shareholder value. A general interim statement and a fully audited Annual Report are sent to shareholders and 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 Annual Report and the interim results. The Chairman and Chief Executive Officer meets shareholders regularly with the Chief Financial Officer, and the Senior Independent Director, John Rennocks, is available to shareholders if they have concerns which cannot be resolved through the normal channels or such concerns have not been resolved. The Board is aware that institutional shareholders may be in more regular contact with the Company than other shareholders, but care is exercised to ensure that any price-sensitive information is released to all shareholders, institutional and private, at the same time in accordance with the Financial Services Authority requirements.

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

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

Internal Controls

The Board confirms that the procedures necessary to implement the '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 and it receives regular reports from management identifying, evaluating and managing the risks within the business. The system of internal controls is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board and the Audit Committee have carried out a review of the effectiveness of the Group's system of internal controls during the year ended 31 December 2006 and for the period up to the date of approval of the consolidated financial statements. 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.

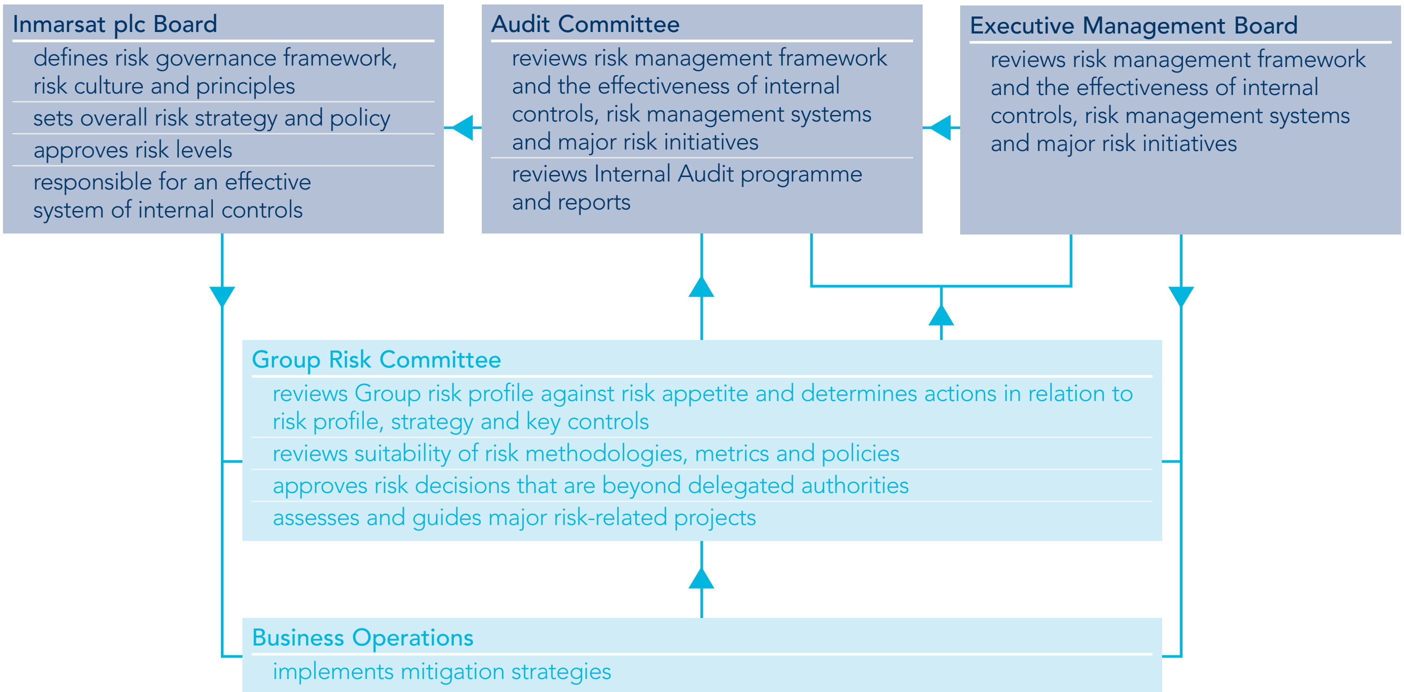
The key elements of the Group's system of internal controls, which have been in place throughout the year under review and up to the date of this report, include:

Risk management: the Group's management operates a risk management process to identify, evaluate and report significant risks within the business and to report to the Board on how those risks are being managed. Risks are highlighted through a number of different reviews and culminate in a risk register, monitored by the Group 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.

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

Financial reporting: monthly management accounts provide relevant, reliable, up-to-date financial and non-financial information to management and the Board. Annual plans, forecasts and performance targets allow management to monitor the key business and financial activities and the progress towards achieving the financial objectives. The annual budget is approved by the Board. The Group reports half-yearly to shareholders based on a standardised reporting process. Quarterly reports for 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 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 under the US Securities and Exchange Commission ('SEC'), including the requirement to comply with the Sarbanes-Oxley Act of 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 Section 404 of the Sarbanes-Oxley Act 2002 for the year ending 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.

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

Code of Conduct

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

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

Employment

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

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

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

Environment

By their nature, the Group's activities 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.

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

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

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

The mobile handheld voice services handset, the R-190, 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.

Community

Safety at sea remains a primary commitment for the Group. Using 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 five 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, we are actively involved in a number of land and maritime USO projects which will result in implementations in 2007. In collaboration with ACeS (the company with whom we signed a collaboration agreement in September 2006 to provide handheld voice services), Inmarsat will be supporting land-based USO requirements throughout SE Asia.

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

The Group encourages its UK based staff 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.

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 Annual General Meeting. 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 should retain the flexibility to adjust the remuneration policy in accordance with the changing needs of the business. All statements in this report in relation to remuneration policy for subsequent years should be read in conjunction with this paragraph. Any changes in policy for subsequent years will be detailed in future reports on remuneration.

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

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

Remuneration policy is designed to deliver rewards for improved financial performance and for increasing returns to shareholders by linking rewards to the achievement of 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 and share option plans have been operated during 2006, details of which are provided on pages 36 and 37.

Executive Directors are rewarded on the basis of individual responsibility, competence and contribution, and salary increases also take into account pay awards made elsewhere in the Group as well as external market benchmarking. The Remuneration Committee is careful to give due attention to ensure that Executive Directors are not 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).

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

The Remuneration Committee believes that there is an appropriate balance between fixed and variable remuneration which have various stretching financial targets. The table below demonstrates the balance for the Executive Directors' annual total reward opportunity for the year ended 31 December 2006, reflecting the link between pay and performance:

Circa 30%	Circa 70%	
FIXED	**VARIABLE**	
	Short/Medium-Term Incentive	Long-Term Incentive
Basic salary	2006 bonus paid in March 2007	Face value of Inmarsat 2005 Performance Share Plan award
Benefits (including pension)	Face value of Inmarsat 2005 Bonus Share Plan award	

It is the Remuneration Committee's policy to ensure that remuneration arrangements continue to be in line with best practice and the interests of shareholders. Due to the competitive remuneration of the telecommunication and satellite markets, overall compensation levels generally rank above the 50th percentile of survey data. Overall reward levels depend on the achievement of challenging corporate and individual performance targets, ensuring continued close alignment between executive reward and enhanced shareholder value.

Advisers

The Remuneration Committee is advised internally by the Chairman and Chief Executive Officer, the Chief Financial Officer, the Vice President responsible for human resources and the Company Secretary. The Remuneration Committee also has access to external advice as required.

During the 2006 financial year, external advice was sought principally from Clifford Chance LLP and Deloitte & Touche LLP ('Deloitte') on the ongoing operation of employee and executive share plans and on Executive Director remuneration from Deloitte. Deloitte are also the Company's Auditors but are not prohibited from providing both remuneration and audit services by the terms of reference of the Audit Committee and the Ethical Standards as issued by the Accounting Practices Board. Since their appointment in 2006 as the Company's Auditors, Deloitte does not now participate in any work required for the evaluation of share option awards for accounting purposes.

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 October 2006, the Board approved an increase of 3% to the basic Non-Executive Directors' fee and and an increase to the fee for the Chairman of the Remuneration Committee. Non-Executive Directors' fees currently comprise a basic fee of £41,200 per annum (2005: £40,000 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 (2005: £5,000 per annum) and £2,500 per annum for each Committee membership.

The Deputy Chairman and Senior Independent Director receives a basic fee of £77,250 per annum (2005: £75,000 per annum) which includes fees for any Committee membership plus a fee of £5,000 per annum for chairmanship of the Audit Committee.

Admiral James Ellis Jr (Rtd) also receives a fee in respect of his directorship of Inmarsat Inc which is disclosed on page 35. This fee was increased by 3% with effect from 1 October 2006 at the same time as the increase in fees for all Non-Executive Directors.

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

Non-Executive Directors do not have service contracts but instead, have letters of appointment. Details of their terms of appointment are given in the Statement on Corporate Governance on page 24. 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 Annual General Meeting (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 2006 financial year was US$6.8m (2005: US$7.8m).

Executive Directors

Service agreements

Messrs Sukawaty, Medlock and Butler, being the three Executive Directors, all have service agreements dated 17 June 2005. In November 2006, Mr Butler took on the further responsibility of President of Inmarsat plc in addition to his role as Chief Operating Officer.

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, 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.

During the year to 31 December 2006, the Remuneration Committee approved an increase in salary for Mr Sukawaty to £450,000 per annum. 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. The Committee also approved salary increases for Messrs Medlock and Butler to be effective from 1 July 2006 and later in the year, acknowledged Mr Butler's appointment as President of Inmarsat plc and agreed to increase his salary to £300,000 per annum with effect from 1 December 2006.

As at 31 December 2006, the annual salaries for Mr Sukawaty, Mr Butler and Mr Medlock were £386,250 (2005: £375,000), £300,000 (2005: £260,000) and £267,800 (2005: £260,000) respectively.

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 the only Directors accruing benefits in the Group's defined contribution pension plans. Pensionable salary is limited to basic salary, excluding all bonuses and other benefits, up to the HM Revenue & Customs earnings cap (2005: £105,600) and with effect from April 2006, a scheme specific cap was introduced which operates in the same way as the previous HM Revenue & Customs earnings 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 HM Revenue & Customs and US Internal Revenue Service earnings cap as appropriate) are:

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

Details of the pension arrangements are provided in note 28 to the consolidated financial statements. No Director is a member of the Company's defined benefit pension plan arrangements.

The Company has reviewed the pensions arrangements provided to UK based executives 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 bonus

The Executive Directors are paid a bonus upon achievement of challenging objectives linked to Group financial and operational performance. Group performance targets represent 80% weighting and personal performance targets represent 20% weighting. These weightings will also be used for the financial year to 31 December 2007. The objectives for each of the Executive Directors are set by the Remuneration Committee at the start of each financial year.

For Mr Sukawaty, the target level of bonus is 75% of basic salary (based on his current basic salary rather than the waived salary), which may be increased subject to actual individual and corporate performance to a maximum of 100% of basic salary. For Mr Medlock and Mr Butler, the target level of bonus is 50% of basic salary which may be increased subject to actual individual and corporate performance to a maximum of 75% of basic salary. During 2006, the Executive Directors participated in the Bonus Share Plan, which is described below.

The Remuneration Committee approves the bonus payment for all of the Executive Directors, dependent upon the achievement of objectives. For the financial year to 31 December 2006, the Remuneration Committee concluded that the key Group performance targets for the Executive Directors should focus on revenue growth, operating expenditure containment and EBITDA growth. These areas will also be the key focus for the financial year to 31 December 2007.

Bonuses are not pensionable. Details of the actual cash annual bonuses payable in respect of the year ended 31 December 2006 are provided on page 35.

Share incentives

No new share plans have been proposed since the following which were approved by the Board prior to the IPO:

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

An overview of these plans is provided below with details of any awards made under each plan to date. The current intention is that only the PSP and BSP will continue to be operated, with the other schemes being operated in the future if and when the Remuneration Committee considers this to be appropriate. 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 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 page 37. The Executive Directors are eligible to participate in the Sharesave Scheme and the SIP although they did not participate in the SIP award made to employees in 2006 and will not participate in the SIP award to be made to employees in 2007.

Inmarsat 2005 Bonus Share Plan (the 'BSP')

The BSP provides the means by which a part of an employee's annual bonus can be delivered in the form of shares, or their equivalent, and allows a bonus award of shares to be made in addition to a participant's cash bonus. During 2006, an award of shares was made to the Executive Directors and selected senior management relating to a monetary award determined in May 2005.

If a portion of a participant's cash bonus is deferred into shares under the BSP, a matching award up to the value of 50% of an individual's maximum bonus opportunity may also be made, which would vest after three years subject to the attainment of performance conditions determined by the Remuneration Committee. Matching awards were not made under the BSP award made in 2006.

For the bonus award, the Remuneration Committee sets the annual performance targets in respect of the financial year relating to the award. The maximum combined award a participant may receive under the annual cash bonus plan and the bonus award is currently 200% of salary, except in special circumstances, and no more than 100% of salary can be received in the form of cash. Bonus awards may normally be exercised according to a vesting schedule set by the Remuneration Committee. The Remuneration Committee can determine how dividends paid during the vesting period shall be awarded to participants. For the award made in March 2006, dividends accrue in the form of ordinary shares which are added to the original award of shares and vest over each of the three years when the award vests.

The first award under the BSP was made to the Executive Directors and certain members of management in May 2005 as a bonus award and was conditional upon the IPO occurring. The value of the bonus award is based on a percentage of the target bonus for each individual being achieved for the 2005 financial year. The allocation of shares was made based upon the mid-market closing price of the Company's ordinary shares following the announcement of the 2005 Preliminary Results on 9 March 2006. The annual performance targets relating to revenue, operating expenditure and EBITDA performance for the year ended 31 December 2005 were achieved in full and therefore the maximum bonus awards were made to participating employees. The bonus awards to the Executive Directors, based on a monetary value of 75% of their target bonus, are detailed on page 38.

On 20 March 2007, the first tranche of shares awarded under the BSP vested and included additional shares in respect of accrued dividends relating to the final dividend for 2005 and the interim dividend for 2006. The remaining shares will vest in March 2008 and March 2009 and dividends will accrue during this period and be added as additional shares upon vesting.

Inmarsat 2005 Performance Share Plan (the 'PSP')

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

The Remuneration Committee has the discretion to increase the size of a participant's award to reflect the value of reinvested dividends that are paid during the vesting period. This may be paid as either cash or shares. The intention of the Remuneration Committee is to pay this in shares at the end of the three year performance period.

The first awards were made to the Executive Directors and certain members of management as an allocation in May 2005, conditional upon the IPO occurring, and the number of shares allocated was based upon the conditional IPO listing price of £2.45 per share. The Remuneration Committee determined that the awards for the Executive Directors would be equivalent to 100% of basic salary. Details of the awards are provided on page 38.

The performance targets applicable to the first award which was made in May 2005, will be determined by reference to the Company's relative Total Shareholder Return (TSR) performance against companies within the FTSE 350 index, excluding investment trusts, and its EBITDA performance at the end of the 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 7% per annum. If the relative TSR performance is below the median level or the EBITDA growth achieved is less than 5% per annum, none of the shares will vest. 30% of the award will vest for median TSR performance and EBITDA growth of 5% per annum target. There is pro rata vesting of shares between median TSR performance and a minimum EBITDA growth of 5% per annum target and upper quartile TSR performance and EBITDA growth of 7% per annum. The parameters of the performance measure should not be construed as providing any view on the future performance of the Company.

Vesting Fractions		Annualised EBITDA Growth			
		Below 5%	At 5%	5% to 7%	At or above 7%
Relative TSR performance	Upper Quartile	No vesting	75%	Pro rata	100%
	Median to UQ	No vesting	Pro rata	Pro rata	Pro rata
	Median	No vesting	30%	Pro rata	75%
	Below median	No vesting	No vesting	No vesting	No vesting

The Remuneration Committee believes that the constituents of the FTSE 350 Index (excluding investment trusts) provide a meaningful and sufficiently stretching comparator group against which to measure Company performance, given the lack of direct comparators. Growth in EBITDA was selected to reflect the Company's primary driver of value.

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

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

Inmarsat 2005 Restricted Share Scheme (the 'RSS')

The RSS is intended for the participation of Executive Directors and certain members of management. The RSS provides for the award of shares to a participant, which will vest after three years subject to continued employment.

The RSS was not operated during the financial year to 31 December 2006. 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 2006. 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.

Fees retained for non-executive directorships in other companies

In accordance with their service agreements, some Executive Directors hold positions in other companies as non-executive directors. The fees in this regard relating to the 2006 financial year were as follows:

	Company in which non-executive directorship held	2006 Annual Fee
Executive Directors		
Rick Medlock	THUS plc	£30,000*
Andrew Sukawaty	Xyratex Limited	US$185,000
	Telefónica O2 Europe plc	£75,000*
	Powerwave Technologies Inc.	US$52,500

* These represent full year fees and in 2006, only a proportion of this amount was paid as the Director did not hold the position for a full year.

Directors' remuneration

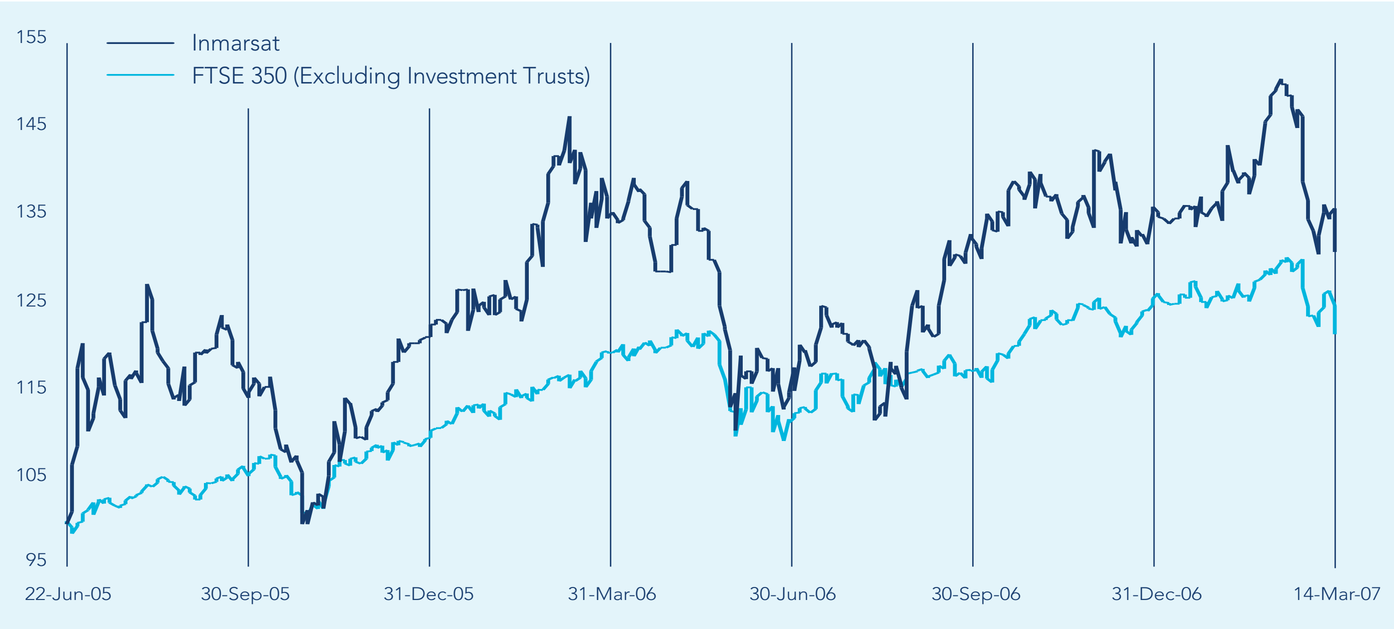
Audited information on the remuneration of each Director during the year is detailed below:

(US$000)	Salaries/Fees 2006	2005	Bonus 2006	2005	Benefits 2006	2005	Total 2006	2005	Pension 2006	2005
Executive Directors										
Michael Butler	**472**	456	**323**	354	**9**	9	**804**	819	**19**	19
Rick Medlock	**467**	436	**326**	256	**9**	19	**802**	711	**19**	19
Andrew Sukawaty	**674**	570	**684**	673	**32**	32	**1,390**	1,275	**80**	70
	1,613	1,462	**1,333**	1,283	**50**	60	**2,996**	2,805	**118**	108
Non-Executive Directors										
Sir Bryan Carsberg (appointed 22 June 2005)	**80**	42	**–**	–	**–**	–	**80**	42	**–**	–
Stephen Davidson (appointed 22 June 2005)	**86**	44	**–**	–	**–**	–	**86**	44	**–**	–
Admiral James Ellis Jr (Rtd) (appointed 22 June 2005)	**156**	84	**–**	–	**–**	–	**156**	84	**–**	–
Kathleen Flaherty (appointed 9 May 2006)	**49**	–	**–**	–	**–**	–	**49**	–	**–**	–
John Rennocks (appointed 4 January 2005)	**143**	114	**–**	–	**–**	–	**143**	114	**–**	–
	2,127	1,746	**1,333**	1,283	**50**	60	**3,510**	3,089	**118**	108

Note:
1) £:US$ exchange rate used was 1:1.77 for 2006 and for 2005.
2) The pension for Andrew Sukawaty includes an annual salary supplement in lieu of employer pension contribution.
3) During the year to 31 December 2006, the fee for Admiral James Ellis Jr (Rtd) included a full year's fee of US$75,764 (2005: US$42,054) as a Director of Inmarsat Inc, a wholly-owned subsidiary in the US.

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 if there is a large enough number of individual comparator companies which may also form an additional comparator group, but as in 2005, 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 to everyone employed at a given date and were also able to exercise share options 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 by the Company of its results for any period and at any other time when the grant of awards will not be prohibited by the Model Code or the Company's own share dealing code.

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

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 the Group. Options under the 2004 Plan vested as follows (i) 25% granted and held by optionholders vested and were exercisable from 18 July 2005, (ii) half of the remaining options granted and held by optionholders vested and were exercisable from 9 March 2006, being the date on which the Preliminary Results for the 2005 financial year were published and (iii) all remaining options granted under the 2004 Plan and held by optionholders vested and became exercisable from 1 December 2006. Whenever options are exercised under the 2004 Plan, the holder must pay a de minimis charge of €1. The options expire ten years from the date of grant.

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

No Executive Director or member of 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 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.

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 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 2006 are shown in note 25 to the consolidated financial statements.

Inmarsat 2005 Share Incentive Plan (the 'SIP')

An award under the SIP was made on 7 April 2006. The SIP is a HM Revenue & Customs approved plan open to all permanent employees 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 award was £3.7725.

Arrangements were put in place for eligible overseas employees to replicate the UK approved SIP as closely as possible. Additional arrangements were also put in place for employees to acquire shares over the capped amounts under the approved SIP. The same market value per ordinary share was used 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.

A second award under the SIP has been approved by the Remuneration Committee and the Board and will be made in April 2007 to staff employed at a given date. Similar arrangements to replicate the plan for overseas staff will be put in place as occurred in 2006.

continued

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 2006 is set out below. No other Director has received share options.

Inmarsat 2005 Sharesave Scheme

	Options held at 1 January 2006	Granted during the year	Exercised during the year	**Options held at 31 December 2006**	Exercise Price	Date from which exercisable	Expiry Date
Michael Butler	4,229	Nil	Nil	**4,229**	£2.24	1 September 2008	May 2015
Rick Medlock	4,229	Nil	Nil	**4,229**	£2.24	1 September 2008	May 2015
Andrew Sukawaty	4,229	Nil	Nil	**4,229**	£2.24	1 September 2008	May 2015

Share Incentive Schemes

		Share awards held at 1 January 2006	Awarded during the year	Vested during the year	**Share awards held at 31 December 2006**	Shares added on 20 March 2007 through dividend reinvestment	Shares vested on 20 March 2007	Share awards held at 21 March 2007	Award Price	Vesting Date
Michael Butler	(a)	106,123	Nil	Nil	**106,123**	–	–	106,123	£2.45	31 May 2008
	(b)	25,456	Nil	Nil	**25,456**	792	8,749	17,499	£3.83	20 March 2007
										9 March 2008
										9 March 2009
Rick Medlock	(a)	106,123	Nil	Nil	**106,123**	–	–	106,123	£2.45	31 May 2008
	(b)	25,456	Nil	Nil	**25,456**	792	8,749	17,499	£3.83	20 March 2007
										9 March 2008
										9 March 2009
Andrew Sukawaty	(a)	153,062	Nil	Nil	**153,062**	–	–	153,062	£2.45	31 May 2008
	(b)	55,075	Nil	Nil	**55,075**	1,713	18,929	37,859	£3.83	20 March 2007
										9 March 2008
										9 March 2009

(a) Inmarsat 2005 Performance Share Plan

(b) Inmarsat 2005 Bonus Share Plan
- The shares were allocated in March 2006 using a share price of £3.83 based upon a monetary value determined at the award date in May 2005.
- The shares vest in three equal instalments in March 2007, 2008 and 2009.
- 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.
- The first instalment vested on 20 March 2007.
- 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.

The market value of the ordinary shares during the year to 31 December 2006 ranged from 310.00p to 410.75p and the share price at 31 December 2006 was 382.00p.

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 21 March 2007 and their connected persons are shown below. The Register of Directors' Interests (which is open to shareholders' inspection) contains full details of Directors' shareholdings and options to subscribe for shares.

Interest in ordinary shares of €0.0005 each	As at 21 March 2007	**As at 31 December 2006**	As at 31 December 2005*
Executive Directors			
Michael Butler	1,100,000	**1,100,000**	2,186,057
Rick Medlock	1,361,163	**1,361,163**	2,438,163
Andrew Sukawaty	2,897,645	**2,886,505**	4,857,905
Non-Executive Directors			
Sir Bryan Carsberg	16,327	**16,327**	16,327
Stephen Davidson	16,327	**16,327**	16,327
James Ellis Jr	16,327	**16,327**	16,327
Kathleen Flaherty	–	**–**	–
John Rennocks	33,104	**33,104**	33,104

* Or at date of appointment, if later.

Note:

1) As at 21 March 2007, the Executive Directors are also deemed to have a beneficial interest in 619,734 ordinary shares held by the Inmarsat Employees' Share Ownership Trust simply by virtue of being within the class of beneficiaries of the Trust.
2) Changes to the interests of Andrew Sukawaty in the ordinary shares of the Company during the period from 1 January 2007 to 21 March 2007 relate to shares acquired through the Inmarsat 2005 Bonus Share Plan.
3) Upon the IPO, each of Sir Bryan Carsberg, Stephen Davidson and Admiral James Ellis Jr (Rtd) purchased ordinary shares in the Company at a discount to market value equalling US$70,793 each and John Rennocks purchased ordinary shares at a discount to market value equalling US$132,729.
4) 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
21 March 2007

We have audited the consolidated financial statements of Inmarsat plc for the year ended 31 December 2006 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 34. 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 2006.

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 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 as having been 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 Financial Review that is cross referred from the 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 2003 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 that is described as being audited. It also includes an assessment of the significant estimates and judgements 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 as being audited is 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 2006 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
21 March 2007

Consolidated Income Statement

(US$ in millions)	Note	2006	2005
Revenue		**500.1**	491.1
Employee benefit costs	7	**(85.9)**	(97.0)
Restructuring costs including termination benefits	7	**(6.8)**	–
Total employee benefit costs	7	**(92.7)**	(97.0)
Network and satellite operations costs		**(31.1)**	(38.8)
Other operating costs		**(56.6)**	(63.4)
Work performed by the Group and capitalised		**12.0**	25.2
Losses on termination of subsidiary undertakings	6	**–**	(1.1)
EBITDA		**331.7**	316.0
Depreciation and amortisation	6	**(156.8)**	(106.5)
Operating profit		**174.9**	209.5
Interest receivable and similar income	9	**8.3**	49.8
Interest payable and similar charges	9	**(93.4)**	(163.8)
Net interest payable	9	**(85.1)**	(114.0)
Profit before income tax		**89.8**	95.5
Income tax credit/(expense)	10	**37.9**	(31.1)
Profit for the year		**127.7**	64.4
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in US$ per share)			
– Basic	27	**0.28**	0.17
– Diluted	27	**0.28**	0.17
Earnings per share (expressed in US$ per share) adjusted to exclude disposal of lease receivable and associated deferred tax credit			
– Basic	27	**0.17**	n/a
– Diluted	27	**0.17**	n/a

Consolidated Statement of Recognised Income and Expense

(US$ in millions)	Note	2006	2005 (restated)
Profit for the year		**127.7**	64.4
Actuarial gains/(losses) from pension and post retirement healthcare benefits	26	**5.2**	(8.7)
Gains/(losses) on cash flow hedges	26	**8.2**	(15.6)
Movement in cumulative translation reserve	26	**(6.6)**	(0.8)
Tax (charged)/credited directly to equity	26	**(2.4)**	8.1
Total recognised income for the year		**132.1**	47.4

Consolidated Balance Sheet

(US$ in millions)	Note	As at 31 December 2006	As at 31 December 2005
Assets			
Non-current assets			
Property, plant and equipment	13	**1,247.5**	1,319.1
Intangible assets	14	**522.0**	524.5
		1,769.5	1,843.6
Current assets			
Cash and cash equivalents	15	**42.8**	35.3
Trade and other receivables	16	**152.0**	143.3
Inventories	17	**0.8**	0.3
Derivative financial instruments	30	**8.5**	2.3
		204.1	181.2
Total assets		**1,973.6**	2,024.8
Liabilities			
Current liabilities			
Borrowings	18	**11.8**	10.6
Trade and other payables	19	**146.0**	172.4
Provisions	20	**1.6**	0.4
Current income tax liabilities	21	**8.4**	23.1
Derivative financial instruments	30	**–**	3.6
		167.8	210.1
Non-current liabilities			
Borrowings	18	**910.6**	908.9
Other payables	19	**6.7**	33.8
Provisions	20	**37.6**	37.6
Deferred income tax liabilities	21	**134.4**	157.6
Derivative financial instruments	30	**–**	0.3
		1,089.3	1,138.2
Total liabilities		**1,257.1**	1,348.3
Net assets		**716.5**	676.5
Shareholders' equity			
Ordinary shares	24	**0.4**	0.4
Share premium	26	**675.4**	672.3
Other reserves	26	**11.3**	8.7
Retained earnings/(accumulated losses)	26	**29.4**	(4.9)
Total shareholders' equity		**716.5**	676.5

The consolidated financial statements of the Group on pages 42 to 76 were approved by the Board of Directors on 21 March 2007 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	2006	2005
Cash flow from operating activities			
Cash generated from operations	23	**313.9**	307.7
Interest received		**2.6**	10.4
Income taxes paid		**(0.5)**	(0.8)
Net cash inflow from operating activities		**316.0**	317.3
Cash flow from investing activities			
Purchase of property, plant and equipment		**(113.0)**	(201.9)
Consideration under ACeS collaboration arrangement	22	**(4.0)**	–
Additions to capitalised development costs		**(1.4)**	(2.4)
Short-term deposits		**–**	151.7
Disposal of subsidiaries (net of transaction costs)	6	**–**	9.4
Net cash used in investing activities		**(118.4)**	(43.2)
Cash flow from financing activities			
Dividends paid to shareholders	12	**(98.2)**	(24.7)
Purchase of Senior Notes		**(43.6)**	(10.0)
Interest paid on Senior Notes and Facilities		**(36.4)**	(76.9)
Net settlement of finance lease		**(11.6)**	–
Net proceeds from issue of ordinary shares		**–**	637.5
Net proceeds from Senior Credit Facility		**–**	244.4
Repayment of previous Senior Credit Facilities		**–**	(737.5)
Arrangement costs of Senior Notes and Senior Discount Notes		**–**	(0.8)
Repayment of Senior Notes		**–**	(167.1)
Repayment of Subordinated Preference Certificates		**–**	(334.8)
Interest paid on finance leases		**–**	(0.1)
Net cash used in financing activities		**(189.8)**	(470.0)
Foreign exchange adjustment		**(0.2)**	(0.6)
Net increase/(decrease) in cash and cash equivalents		**7.6**	(196.5)
Movement in cash and cash equivalents			
At beginning of year		**35.1**	231.6
Net increase/(decrease) in cash and cash equivalents		**7.6**	(196.5)
As reported on balance sheet (net of bank overdrafts)	15	**42.7**	35.1
At end of year, comprising			
Cash at bank and in hand	15	**1.5**	1.6
Short-term deposits with original maturity of less than three months	15	**41.3**	33.7
Bank overdrafts	15	**(0.1)**	(0.2)
		42.7	35.1

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, ECIY IAX, United Kingdom. The nature of the Group's operations and its principal activities are set out in note 5 and in the Chairman and Chief Executive's Business Review and Financial Review on pages 2 to 18.

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 2006 and 2005 (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 effective and the policies adopted in the 2006 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 judgement 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.

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:

IFRS 7 – Financial instruments: Disclosures; and the related amendment to IAS 1 on capital disclosures (effective for financial years beginning on or after 1 January 2007).
Amendment to IAS 1 – Presentation of Financial Statements – Capital Disclosures (effective for financial years beginning on or after 1 January 2007).
IFRS 8 – Operating segments (effective for financial years beginning on or after 1 January 2009).
IFRIC 7 – Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies (effective for financial years beginning on or after 1 March 2006).
IFRIC 8 – Scope of IFRS 2 (effective for financial years beginning on or after 1 May 2006).
IFRIC 9 – Reassessment of embedded derivatives (effective for financial years beginning on or after 1 June 2006).
IFRIC 10 – Interim financial reporting and impairments (effective for financial years beginning on or after 1 November 2006).
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).

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 disclosure on capital and financial instruments when the relevant standards come into effect for periods commencing on or after 1 January 2007.

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 Income Statement from the date of establishment or acquisition of control. The results of subsidiary undertakings disposed of during the period are included until the date of disposal.

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

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

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

Comparatives

The 2005 Consolidated Income Statement has been restated to reflect the change in definition of EBITDA. Losses on termination of subsidiary undertakings of US$1.1m has been removed from EBITDA in 2005.

The 2005 Consolidated Statement of Recognised Income and Expense has been restated to include the US$5.5m deferred tax credit on share options, previously disclosed in the Reconciliation of Movements in Shareholders' Equity, note 26.

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 2006 was US$1.96/£1.00 (2005: US$1.72/£1.00). The average rate and hedged rate between US dollars and Pounds Sterling for 2006 was US$1.84/£1.00 (2005: US$1.82/£1.00) and US$1.77/£1.00 (2005: US$1.77/£1.00) respectively.

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

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

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

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

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.

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.

Deferred income tax

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

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

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

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

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

Assets in course of construction
Assets in course of construction relate to the 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 carefully and reviews them annually to take account of any changes in circumstances. When setting useful economic lives, the principal factors the Group takes into account are the expected rate of technological developments, expected market requirements for the equipment and the intensity at which the assets are expected to be used. The lives assigned to significant tangible fixed assets are:

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

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

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

Intangible assets
Intangible assets comprise goodwill, patents, trademarks, software terminal development costs, spectrum rights 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 five and ten years.

(e) Spectrum rights
Spectrum rights are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over a remaining useful life of 8.3 years.

(f) Intellectual property
Intellectual property is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the estimated useful life of 2.3 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 cashflows that are largely independent of other cashflow streams. The assets and liabilities include those directly involved in generating the cashflows and an appropriate proportion of corporate assets. For the purposes of impairment review space segment assets are treated as one cash generating unit.

Goodwill was tested for impairment at 31 December 2006 and 31 December 2005; no evidence of impairment was found.

Leases
Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases by the lessee. Rentals payable under operating leases are charged to the Income Statement 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 yield 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 Subordinated Preference Certificates and Senior Discount Notes is accounted for as an interest expense.

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

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

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

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

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

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

Borrowing costs for the construction of assets are not capitalised.

Earnings before interest, tax, depreciation and amortisation ('EBITDA')
EBITDA is 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 and foreign currency exchange rates, credit risks, liquidity risks and interest rates. The Group has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Group by using forward exchange contracts to limit exposure to foreign currency risk.

The Board of Directors has delegated to a sub-committee, the Treasury Review Committee, the responsibility for setting the risk management policies applied by the Group. The policies are implemented by the central treasury department that receives regular reports from all the operating companies to enable prompt identification of financial risks so that appropriate actions may be taken. The treasury department has a policy and procedures manual that sets out specific guidelines for managing foreign exchange risk, interest rate risk and credit risk by using financial instruments. See note 30.

(a) Market risk

(i) Foreign exchange risk
The functional currency of Inmarsat plc is US dollars and the Group generates substantially all of its revenue in US dollars. The vast majority of capital expenditure is denominated in US dollars. Approximately 60% of the Group's operating costs are denominated in Sterling. This exposure therefore needs to be carefully managed to avoid variability in future cash flows and earnings caused by volatile foreign exchange rates. As a guide the Group's Sterling operating cost base has been relatively constant at approximately £5.0m per month.

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

As at 31 December 2006, it is estimated that a movement of the US dollar/Sterling exchange rate of 1% would have impacted the 2006 profit before tax by approximately US$1.3m.

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

(b) Interest rate risk

The Group has both interest bearing assets and interest bearing liabilities. The policy of the Group 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. Both the Senior Notes and the Senior Discount Notes are at fixed rates.

During 2006, until expiry in December 2006, an interest rate swap for US$150m eliminated the variability of US$150m of the US$250m floating term loan under the Senior Credit Facility. The Group received three-month US dollar LIBOR on US$150m in exchange for a quarterly fixed rate payment at 3.21% on US$150m. The amount of debt that is floating is partially offset by surplus cash. At the end of the year 75% of total net debt is fixed.

As at 31 December 2006, on the basis of past net cash balances, it is estimated that a 1% movement in interest rates would have impacted 2006 profit before tax by approximately US$0.6m.

(c) Credit risk

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

For 2006, three distribution partners comprised approximately 84.7% of Group revenues. These same three customers comprised 85.9% of the trade debtor balance as at 31 December 2006.

(d) Liquidity risk

The Group maintains long-term revolving credit committed facilities of US$300m that are designed to ensure the Group has sufficient available funds for operations. None of these facilities had been drawn as at 31 December 2006.

4. Critical accounting estimates and judgements in applying accounting policies

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

(a) Estimated impairment of goodwill

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

For the purpose of testing for impairment, goodwill is specifically allocated to 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. In 2005 the impairment test was based on the recoverable amounts of CGUs, determined based on fair value less costs to sell.

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

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

The Group has applied a rate of return on assets of 7.32% p.a. which represents the expected return on asset holdings going forward.

5. Segmental information

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

'Other' in 2006 principally comprises income from technical support to other operators, the provision of conference facilities and leasing surplus office space to external organisations.

In addition 'Other' in 2005 comprises the results of the subsidiaries, Invsat and Rydex, which were disposed of in the second half of 2005.

Primary reporting format – business segments

		2006			
(US$ in millions)	Note	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	9	**–**	**–**	**(85.1)**	**(85.1)**
Profit before income tax					**89.8**
Income tax credit	10				**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 (incl. acquisitions) [(a)]		**(82.8)**	**–**	**–**	**(82.8)**
Depreciation		**(138.4)**	**–**	**–**	**(138.4)**
Amortisation of intangible assets		**(18.4)**	**–**	**–**	**(18.4)**

		2005			
(US$ in millions)	Note	Mobile satellite communications services	Other	Unallocated	Total
Revenue		474.2	16.9	–	491.1
Segment result (operating profit)		209.7	(0.2)	–	209.5
Net interest charged to the Income Statement	9	–	–	(114.0)	(114.0)
Profit before income tax					95.5
Income tax expense	10				(31.1)
Profit for the year					64.4
Segment assets		1,989.0	–	35.8	2,024.8
Segment liabilities		(247.8)	(0.3)	(1,100.2)	(1,348.3)
Capital expenditure [(a)]		(305.0)	–	–	(305.0)
Depreciation		(94.6)	(0.7)	–	(95.3)
Amortisation of intangible assets		(11.2)	–	–	(11.2)

(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.

	2006			2005		
(US$ in millions)	**Revenue**	**Segment assets**	**Capital expenditure**	Revenue	Segment assets	Capital expenditure
Europe[a]	**251.0**	**1,207.5**	**82.8**	237.9	1,192.0	305.0
North America	**155.5**	**–**	**–**	154.1	–	–
Asia and Pacific	**86.2**	**–**	**–**	85.6	–	–
Rest of the world	**7.4**	**–**	**–**	13.5	–	–
Unallocated[b]	**–**	**766.1**	**–**	–	832.8	–
	500.1	**1,973.6**	**82.8**	491.1	2,024.8	305.0

(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.

6. Profit before income tax

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

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

(US$ in millions)	Note	**2006**	2005
Depreciation of property, plant and equipment:			
– Owned assets	13	**138.4**	95.3
Amortisation of intangible assets	14	**18.4**	11.2
Operating lease rentals:			
– Land and buildings		**13.0**	8.6
– Services equipment, fixtures and fittings		**–**	1.6
– Space segment		**16.3**	24.0

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

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

The analysis of the Auditors' remuneration is as follows:

(US$ in millions)	2006	2005
Fees payable to the Company's Auditor for the audit of the Company's annual accounts[a]	**0.2**	0.1
Fees payable to the Company's Auditor for other services to the Group:[a] [b]		
– The audit of the Company's subsidiaries, pursuant to legislation	**0.3**	0.4
Total audit fees	**0.5**	0.5
– Other services, pursuant to legislation[c]	**0.4**	2.7
– Tax services	**0.1**	0.1
– Services relating to corporate finance transactions	**–**	0.5
Total non-audit services	**0.5**	3.3

(a) Fees payable in the 2006 financial year were payable to Deloitte & Touche LLP, appointed as the Group's Auditors on 28 July 2006. Fees payable in the 2005 financial year were payable to the Group's previous auditors, PricewaterhouseCoopers LLP.
(b) In addition to the fees disclosed above, the Group's pension plan incurred audit fees from the Group's previous Auditors of US$21,656 for the 2006 financial year and US$14,656 for the 2005 financial year.
(c) Included within fees payable for other services, pursuant to legislation are fees of US$2.6m paid to the Group's previous Auditors in the 2005 financial year in connection with the IPO. These fees were offset against share premium.

7. Employee benefit costs (including the Executive Directors)

(US$ in millions)	Note	2006	2005
Wages and salaries		**63.9**	71.0
Social security costs		**6.8**	7.7
Share options charge (including employers' national insurance contribution)	25	**5.2**	6.5
Equity-settled share-based payments – Share Incentive Plan		**2.0**	4.0
Defined contribution pension plan costs		**2.9**	2.9
Defined benefit pension plan costs[a]	28	**4.3**	3.7
Post-retirement healthcare plan costs[a]	28	**0.8**	1.2
		85.9	97.0
Restructuring	20	**6.8**	–
Total employee benefit costs		**92.7**	97.0

(a) Defined benefit pension plan costs and post-retirement healthcare plan costs for 2006 reflect the service cost (see note 28). For 2005 the above charges include US$1.0m of financing costs which for 2006, together with foreign exchange losses, have been included within interest payable (note 9).

Employee numbers

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

	2006	2005
Operations	**124**	125
Sales and marketing	**81**	112
Development and engineering	**79**	103
Administration	**123**	139
	407	479

The figures for 2006 include 53 employees in Indonesia who work on our handheld business and reflect a lower headcount in the Group following completion of a redundancy programme. The figures for 2005 include 75 employees of the previous subsidiaries Invsat and Rydex for part of the year.

8. Executive Directors' remuneration

(US$ in thousands)	2006	2005
Aggregate emoluments	**2,996**	2,805
Company contributions to defined contribution pension schemes	**118**	108
	3,114	2,913

The Directors' Remuneration Report contains full disclosure of Directors' remuneration. Two Directors (2005: two) are accruing benefits under the Group's defined contribution pension plan. One Director is a member of the US 401k Plan (2005: one).

Key management

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

9. Net interest payable

(US$ in millions)	2006	2005
Interest on Senior Notes and Senior Credit Facilities	**38.1**	59.2
Accretion of principal on Senior Discount Notes	**35.8**	32.4
Net premium on early settlement of Burses finance lease	**6.2**	–
Pension and post-retirement liability finance costs	**5.8**	–
Unwinding of discount on deferred satellite liabilities	**3.7**	3.1
Amortisation of debt issue costs	**3.2**	8.2
Interest and facility fees payable on bank loans, overdrafts and finance leases	**0.4**	1.2
Other interest	**0.2**	–
Previous Senior Credit Facility deferred debt issue costs written off	**–**	19.9
Accretion of principal on Subordinated Preference Certificates	**–**	19.6
Deferred debt issue costs written off and redemption premium paid on repayment of 35% of the Senior Notes	**–**	18.8
Interest rate swap	**–**	1.4
Total interest payable and similar charges	**93.4**	163.8
Bank interest receivable and other interest	**5.5**	6.1
Interest rate swap	**2.8**	–
Realised gain on repayment of Subordinated Preference Certificates	**–**	39.3
Realised gain on amendment to interest rate swap	**–**	3.4
Senior Notes premium written-off	**–**	1.0
Total interest receivable and similar income	**8.3**	49.8
Net interest payable	**85.1**	114.0

10. Income tax

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

(US$ in millions)	2006	2005
Current tax expense:		
Current year	**(5.3)**	(1.6)
Adjustments in respect of prior periods	**13.9**	–
Total current tax credit/(expense)	**8.6**	(1.6)
Deferred tax expense:		
Origination and reversal of temporary differences	**(19.5)**	(29.5)
Disposal of lease receivable [(a)]	**58.1**	–
Reassessment of likelihood of recovery of deferred tax assets	**(9.3)**	–
Total deferred tax credit/(expense)	**29.3**	(29.5)
Total income tax credit/(expense)	**37.9**	(31.1)

(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.

Reconciliation of effective tax rate:

(US$ in millions)	2006	2005
Profit before tax	**89.8**	95.5
Income tax at 30%	**(26.9)**	(28.7)
Disposal of lease receivable	**60.6**	–
Tax loss on sale of shares	**–**	0.2
Differences in overseas tax rates	**0.2**	–
Adjustments in respect of prior periods	**13.9**	–
Reassessment of likelihood of recovery of deferred tax assets	**(9.3)**	–
Other non-deductible expenses	**(0.6)**	(2.6)
Total income tax credit/(expense)	**37.9**	(31.1)

continued

Tax (charged)/credited to equity:

(US$ in millions)	**2006**	2005
Current tax credit on share options	**5.1**	–
Deferred tax (charge)/credit on share options	**(3.8)**	5.5
Deferred tax charge relating to gains on cash flow hedges	**(2.0)**	–
Deferred tax (charge)/credit on actuarial gains and losses from pension and post-retirement healthcare benefits	**(1.7)**	2.6
Total tax (charged)/credited to equity	**(2.4)**	8.1

11. Net foreign exchange gains

(US$ in millions)	**2006**	2005
Pension and post-retirement liability[(a)]	**4.8**	–
Release of cumulative translation reserve	**(6.6)**	–
Realised gain on Subordinated Preference Certificates	**–**	(39.3)
Other operating costs	**(1.6)**	(3.6)
	(3.4)	(42.9)

(a) The foreign exchange gain in respect of the pension and post retirement liability for 2005, amounting to US$3.2m, was included in other operating costs.

12. Dividends

The 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 dividend and the 2005 final dividend respectively. Dividends paid in 2005 were US$24.7m (5.47 cents (US$) per ordinary share). A final dividend in respect of 2006 of 16 cents (US$) per ordinary share, amounting to a total dividend of US$73.1m, is to be proposed at the Annual General Meeting on 8 May 2007. In accordance with IAS 37, these financial statements do not reflect this final dividend payable.

(US$ in cents)	**2006**	2005
Interim dividend paid per ordinary share	**10.66**	5.47
Proposed final dividend per ordinary share	**16.00**	10.95
Total dividend per ordinary share	**26.66**	16.42

13. 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 2005		8.0	76.5	353.9	831.0	1,269.4
Additions		–	2.1	–	271.9	274.0
Transfers		–	–	563.0	(563.0)	–
Disposals		(5.3)	(10.5)	–	–	(15.8)
Cost at 31 December 2005		2.7	68.1	916.9	539.9	1,527.6
Additions		**–**	**6.0**	**48.8**	**6.4**	**61.2**
Acquisitions	22	**–**	**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**
Accumulated depreciation at 1 January 2005		(3.0)	(22.7)	(95.8)	–	(121.5)
Charge for the year		(0.1)	(21.8)	(73.4)	–	(95.3)
Disposals		0.4	7.9	–	–	8.3
Accumulated depreciation at 31 December 2005		(2.7)	(36.6)	(169.2)	–	(208.5)
Charge for the year		**–**	**(10.8)**	**(127.6)**	**–**	**(138.4)**
Accumulated depreciation at 31 December 2006		**(2.7)**	**(47.4)**	**(296.8)**	**–**	**(346.9)**
Net book amount at 31 December 2005		–	31.5	747.7	539.9	1,319.1
Net book amount at 31 December 2006		**–**	**27.7**	**1,038.7**	**181.1**	**1,247.5**

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 2006 and 2005, freehold land and buildings 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 2006 and 2005 would have been US$5.9m and US$3.7m respectively. The market valuation was determined by the Directors.

14. Intangible assets

(US$ in millions)	Note	Goodwill	Trademarks	Software	Patents	Terminal development costs	Spectrum rights	Intellectual property	Total
Cost at 1 January 2005		402.9	19.0	36.2	14.0	45.5	–	–	517.6
Additions		–	–	9.1	–	18.5	–	–	27.6
Cost at 31 December 2005		402.9	19.0	45.3	14.0	64.0	–	–	545.2
Additions		**–**	**–**	**5.8**	**–**	**3.4**	**–**	**–**	**9.2**
Acquisitions	22	**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**
Accumulated amortisation at 1 January 2005		–	(1.0)	(5.0)	(2.1)	(1.4)	–	–	(9.5)
Charge for the year		–	(0.9)	(6.7)	(2.0)	(1.6)	–	–	(11.2)
Accumulated amortisation at 31 December 2005		–	(1.9)	(11.7)	(4.1)	(3.0)	–	–	(20.7)
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)**
Net book amount at 31 December 2005		402.9	17.1	33.6	9.9	61.0	–	–	524.5
Net book amount at 31 December 2006		**406.2**	**16.1**	**31.0**	**7.9**	**57.6**	**2.6**	**0.6**	**522.0**

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 five to seven years. All other software is amortised on a straight-line basis, over three years.

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

Spectrum rights and intellectual property relate to the acquisition of ACeS as detailed at note 22 and are being amortised on a straight-line basis over the remaining useful lives of 8.3 and 2.3 years respectively.

15. Cash and cash equivalents

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

(US$ in millions)	As at 31 December 2006	As at 31 December 2005
Cash at bank and in hand	1.5	1.6
Short-term deposits with original maturity of less than three months	41.3	33.7
	42.8	35.3

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

(US$ in millions)	As at 31 December 2006	As at 31 December 2005
Cash and cash equivalents	42.8	35.3
Bank overdrafts (note 18)	(0.1)	(0.2)
	42.7	35.1

16. Trade and other receivables

(US$ in millions)	As at 31 December 2006	As at 31 December 2005
Trade receivables	127.9	123.1
Other receivables	13.8	10.7
Other prepayments and accrued income	10.3	9.5
	152.0	143.3

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

17. Inventories

(US$ in millions)	As at 31 December 2006	As at 31 December 2005
Finished goods	0.8	0.3
	0.8	0.3

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

18. Borrowings

(US$ in millions)	Effective interest rate %	As at 31 December 2006	As at 31 December 2005
Current:			
Bank overdrafts	7.3	0.1	0.2
Deferred satellite payments[a]	7.0[a]	11.7	10.4
Total current borrowings		11.8	10.6
Non-current:			
Deferred satellite payments[a]	7.0[a]	48.9	42.2
Senior Credit Facility[b]	6.06[b]	248.4	247.7
Senior Notes[c]	7.625[c]	247.9	289.8
Premium on Senior Notes[c]		1.1	1.3
Senior Discount Notes[d]	10.375[d]	359.4	323.5
– Accretion of discount on the principal		4.9	4.4
Total non-current borrowings		910.6	908.9
Total borrowings		922.4	919.5

(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 deferred satellite payments has been discounted to net present value at 7%.
(b) On 24 May 2005, Inmarsat Investments Limited signed a US$550m Senior Credit Facility led by Barclays Capital, ING Bank N.V. and the Royal Bank of Scotland plc. The facility is for general corporate purposes including the repayment of the previous Senior Credit Facility and was arranged in connection with the IPO in June 2005. The US$550m five-year Senior Credit Facility consists of a US$250m amortising term loan and a US$300m revolving credit facility. The term loan and drawings under the revolving credit facility are initially priced at 120 basis points above LIBOR and thereafter tied to a leverage grid.
The US$300m revolving credit facility is undrawn at 31 December 2006. The new Senior Credit Facility, in combination with existing surplus cash and the proceeds of the IPO, was used to repay the previous Senior Credit Facility of US$728.0m, the outstanding balance of the Euro-denominated Subordinated Preference Certificates (272.7m) and 35% repayment of the Senior Notes in note (c).
As at 31 December 2006, US$250m (2005: US$250m) was drawn down at 3 month USD LIBOR plus a margin of 0.7% (2005: 0.9%). Effective from 1 December 2006, Inmarsat 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 totaling US$50m) and 2008 (two equal instalments totaling US$50m) to reschedule them to the termination date in 2010. All other terms and conditions remained unchanged.
(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.
In July 2005, the Group redeemed 35% of its Senior Notes, reducing the notes outstanding from US$477.5m to US$310.4m.
During 2006 Inmarsat Investments Limited purchased US$43.6m (2005: US$10m) of the Senior Notes for US$45.6m (2005: US$10.5m). Inmarsat Investments Limited paid a premium of US$1.2m (2005: US$0.3m) and prepaid interest of US$0.8m (2005: US$0.2m) 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$45.6m (2005: US$10.5m) 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$450m 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.

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

	As at 31 December 2006			As at 31 December 2005		
(US$ in millions)	**Amount**	**Deferred finance cost**	**Net balance**	Amount	Deferred finance cost	Net balance
Senior Credit Facility	**250.0**	**(1.6)**	**248.4**	250.0	(2.3)	247.7
Senior Discount Notes, 10.375%	**367.6**	**(8.2)**	**359.4**	332.2	(8.7)	323.5
– Accretion of discount on the principal	**4.9**	**–**	**4.9**	4.4	–	4.4
Senior Notes	**256.8**	**(8.9)**	**247.9**	300.4	(10.6)	289.8
Premium on Senior Notes	**1.1**	**–**	**1.1**	1.3	–	1.3
Deferred satellite payments	**60.6**	**–**	**60.6**	52.6	–	52.6
Bank overdrafts	**0.1**	**–**	**0.1**	0.2	–	0.2
Total Borrowings	**941.1**	**(18.7)**	**922.4**	941.1	(21.6)	919.5

The maturity of non-current borrowings is as follows:

(US$ in millions)	**2006**	2005
Between one and two years	**7.4**	56.6
Between two and five years	**262.1**	212.2
After five years	**641.1**	640.1
	910.6	908.9

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

The Group has a US$300m revolving credit facility that has no restrictions and is undrawn at 31 December 2006.

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

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

Effective interest rate %	**2006**	2005
Bank overdrafts	**7.3**	5.0
Senior Discount Notes	**10.375**	10.375
Senior Notes	**7.625**	7.625
New Senior Credit Facility	**6.06**	4.62
Deferred satellite payments	**7.0**	7.0

19. Trade and other payables

(US$ in millions)	As at 31 December 2006	As at 31 December 2005
Current:		
Trade payables	**83.4**	101.5
ACeS deferred consideration (see note 22)	**2.9**	–
Other taxation and social security payables	**5.0**	1.7
Other creditors	**0.8**	15.4
Accruals and deferred income	**53.9**	53.8
	146.0	172.4

(US$ in millions)	As at 31 December 2006	As at 31 December 2005
Non-current:		
ACeS deferred consideration (see note 22)	**6.7**	–
Deferred trade payables	**–**	33.8
	6.7	33.8

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

20. Provisions

(US$ in millions)	Restructuring provision
Current:	
As at 1 January 2005	1.1
Charged in respect of current year	–
Utilised in current year	(0.7)
As at 31 December 2005	0.4
Charged in respect of current year	**6.8**
Utilised in current year	**(5.6)**
As at 31 December 2006	**1.6**

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 2006 was US$6.8m, of which US$5.6m was utilised during the year. The redundancy provision that remains unpaid in respect of this restructuring as at 31 December 2006 is US$1.2m. Management expects the balance of the restructuring provision to be utilised during 2007.

(US$ in millions)	Post retirement healthcare benefits	Pension	Other	Total
Non-Current:				
As at 1 January 2005	13.3	15.8	0.4	29.5
(Credited)/charged to Income Statement in respect of current year	(0.3)	2.0	–	1.7
Charged directly to Statement of Recognised Income and Expense in respect of current year	5.7	3.0	–	8.7
Utilised in current year	(0.2)	(2.1)	–	(2.3)
As at 31 December 2005	18.5	18.7	0.4	37.6
Charged to Income Statement in respect of current year	**4.4**	**6.5**	**–**	**10.9**
Credited directly to Statement of Recognised Income and Expense in respect of current year	**(0.7)**	**(4.5)**	**–**	**(5.2)**
Utilised in current year	**(0.2)**	**(5.5)**	**–**	**(5.7)**
As at 31 December 2006	**22.0**	**15.2**	**0.4**	**37.6**

During 2006 the Group made an additional cash contribution of US$3.5m (2005: US$nil) to reduce the pension deficit.

Other provisions in 2006 and 2005 relate to an onerous lease provision on premises located in Washington which is expected to be utilised by 2008.

21. Current and deferred income tax assets and liabilities

The current income tax liability of US$8.4m (2005: US$23.1m) represents the income tax payable in respect of current and prior periods less amounts paid.

Recognised deferred income tax assets and liabilities

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

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

	As at 31 December 2006			As at 31 December 2005		
(US$ in millions)	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, plant and equipment and intangible assets	**(18.1)**	**165.6**	**147.5**	–	177.2	177.2
Other	**(2.7)**	**3.2**	**0.5**	–	(1.2)	(1.2)
Pension asset	**(10.9)**	**–**	**(10.9)**	(11.2)	–	(11.2)
Share options	**(2.7)**	**–**	**(2.7)**	(7.2)	–	(7.2)
Net deferred income tax liabilities	**(34.4)**	**168.8**	**134.4**	(18.4)	176.0	157.6

Movement in temporary differences during the year:

(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**

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

22. Acquisitions

On 4 September 2006 Inmarsat 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 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's BGAN services.

As a result of these arrangements, Inmarsat 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 has acquired operating control of the assets, and of the process applied to them, and will utilise these to generate revenue. Inmarsat will pay ACeS a total of US$15.0m over four years, of which an initial payment of US$4.0m was made on completion and a second payment of US$1.5m was made on 30 January 2007. The arrangements taken together constitute a business combination under IFRS 3, 'Business Combinations', and the transaction will be accounted for as an acquisition using the purchase method of accounting.

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**
Satisfied 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$15m, 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 since the date of acquisition included in the Group's Income Statement is deemed to be immaterial for reporting purposes.

Management consider that, had the acquisition been effected at the beginning of the period, both revenue and profit or loss attributable to the acquiree would have been immaterial for reporting purposes.

23. Cash generated from operations

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

(US$ in millions)	2006	2005
Profit for the year	**127.7**	64.4
Adjustments for:		
Depreciation and amortisation	**156.8**	106.5
Income taxes	**(37.9)**	31.1
Interest payable	**93.4**	163.8
Interest receivable	**(8.3)**	(10.7)
Loss on termination of subsidiary undertakings	**–**	1.1
Exchange losses on Subordinated Preference Certificates	**–**	(39.3)
Non-cash employee benefit charges	**5.2**	6.5
Forward exchange contracts	**(2.9)**	1.4
Changes in net working capital:		
(Increase)/decrease in trade and other receivables	**(3.3)**	6.6
(Increase)/decrease in inventories	**(0.5)**	0.3
Decrease in trade and other payables	**(16.8)**	(19.5)
Increase/(decrease) in provisions	**0.5**	(4.5)
Cash generated from operations	**313.9**	307.7

24. Share capital

(US$ in millions)	As at 31 December 2006	As at 31 December 2005
Authorised:		
1,166,610,560 ordinary shares of €0.0005 each (2005: 1,166,610,560)	**0.7**	0.7
11,669,472 Euro deferred shares of €0.01 each (2005: 11,669,472)	**0.1**	0.1
50,000 Sterling deferred shares of £1.00 each (2005: 50,000)	**0.1**	0.1
	0.9	0.9
Allotted, issued and fully paid:		
457,169,856 ordinary shares of €0.0005 each (2005: 456,690,152)	**0.3**	0.3
11,669,472 Euro deferred shares of €0.01 each (2005: 11,669,472)	**0.1**	0.1
	0.4	0.4

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

25. Employee share options and awards

In November 2004, the Company adopted the Staff Value Participation Plan (2004 Plan). 219,020 A ordinary shares were granted under the 2004 Plan to eligible Directors or employees of the Group. As part of the IPO, the A ordinary shares were converted following a 1 for 20 share split into ordinary shares. Options under the 2004 Plan vested as follows: (i) 25% granted and held by optionholders vested and became exercisable in July 2005; (ii) 37.5% of the options granted under the 2004 Plan and held by optionholders vested and became exercisable in March 2006; and (iii) all remaining options granted under the 2004 Plan and held by optionholders vested and became exercisable from 1 December 2006. 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 ten years from the date of grant.

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

A third grant of options over 1,175,240 ordinary shares of €0.0005 each was approved in May 2005 under the 2004 Plan and granted to employees in June 2005. This was made on equivalent terms to the initial grant in November 2004.

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

A summary of share option activity for the 2004 Plan as at 31 December 2006 is as follows:

	Shares available for grant	Options outstanding	Weighted average exercise price per option
Balance at 1 January 2005	62,080	218,720	–
Granted (January 2005)	(7,140)	7,140	–
Forfeited	2,300	(2,300)	–
Balance pre share split	57,240	223,560	–
Share split (20:1) 22 June 2005	1,144,800	4,471,200	–
Shares issued on IPO	51	–	–
Granted	(1,175,240)	1,175,240	–
Forfeited	72,275	(72,275)	–
Exercised	–	(1,233,270)	£3.28
Balance at 31 December 2005	41,886	4,340,895	£3.28
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**
Exercisable at 31 December 2006	**–**	**748,295**	–
Exercise Price per tranche	**–**	**€1.00**	

The weighted average of the remaining contractual life for the 2004 plan at 31 December 2006 is 8.0 years.

In line with IFRS2, Share-Based Payment, the Company recognised US$5.2m and US$6.5m respectively in share compensation costs for the 2006 and 2005 financial years. Total share-based compensation costs are recognised over the vesting period of the options ranging from one to four years.

Prior to the Company being publicly quoted, the exercise price of the options under the A ordinary shares issued in the 2004 Plan of the Company 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 awards were granted on 31 May 2005 with the shares allocated after the announcement of the 2005 financial results in March 2006. There was an additional grant under this scheme in September 2005 with the same conditions as the original grant. These awards were made in the form of a conditional allocation of shares. The performance conditions attached to the annual bonus plan are non-market based performance conditions. Details of the operation of the BSP can be found in the Directors' Remuneration Report.

The awards 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. 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 shares only.

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

In addition to the BSP, the Company also operates a Performance Share Plan ('PSP') where awards were granted on 31 May 2005 in the form of a conditional allocation of shares. The number of shares subject to the award was determined by reference to the price at which the shares were offered for sale 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 was an additional grant in September 2005 with the same requirements except the reference price in determining the number of shares was £3.24 (market value of shares on the date of grant).

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

The performance condition is based on the Group's Total Shareholder Return ('TSR') relative to constituents of the FTSE 350 Index (excluding investment trusts) and a non-market based condition, based on EBITDA measured over a three year period. The vesting schedule for PSP awards is structured so that the shape of the 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	
Grant date	31 May 2005	29 September 2005
Grant price	£1.96	£3.24
Exercise price	nil	nil
Bad leaver rate	0%	0%
Vesting period	3 years	3 years
Expected correlation between any pair of shares in PSP comparator group	12%	10%
Volatility	36%	34%
Fair value per share option	£1.34	£2.20

Both the BSP and PSP share awards expire ten years after date of grant. The weighted average of the remaining contractual life for both the BSP and PSP share awards at 31 December 2006 is 8.4 years.

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.

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

Options under the UK and International Sharesave Schemes expire after a maximum of 3.5 years following the initial savings payment having been made. The weighted average of the remaining contractual life for the UK and International Sharesave Schemes at 31 December 2006 is 2.1 and 2.3 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.

An award under the UK Share Incentive Plan ('SIP') was made on 7 April 2006. 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 award was £3.773.

Arrangements were put in place for eligible overseas employees to replicate the SIP as closely as possible. Additional arrangements have also been put in place for employees to acquire shares over the capped amounts under the approved SIP. Under both these arrangements, in aggregate 57,872 ordinary shares of €0.0005 each were awarded to these employees from the Inmarsat Employees' Share Ownership Plan Trust on 7 April 2006. The same market value per ordinary share was used as for the SIP.

A second award under the SIP has been approved by the Remuneration Committee and the Board and will be made in April 2007 to staff employed both on 31 December 2006 and 31 March 2006.

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 2006 (excluding the SVPP 2004 which is noted above) is as follows:

Share Awards and Options outstanding	Share Incentive Plan (UK)	Share Incentive Plan (International and Unapproved)	Bonus Share Plan	Performance Share Plan	Sharesave Scheme (UK)	Sharesave Scheme (International)	Total
Balance at 31 December 2005	–	–	–	807,869	844,468	111,798	1,764,135
Granted/Allocated	**460,312**	**57,872**	**215,542**	**–**	**–**	**–**	**733,726**
Lapsed	**–**	**–**	**–**	**–**	**(77,534)**	**(11,988)**	**(89,522)**
Exercised	**–**	**–**	**–**	**–**	**(19,392)**	**(699)**	**(20,091)**
Transferred/Sold	**(53,085)**	**(9,199)**	**–**	**–**	**–**	**–**	**(62,284)**
Balance at 31 December 2006	**407,227**	**48,673**	**215,542**	**807,869**	**747,542**	**99,111**	**2,325,964**
Exercisable at 31 December 2006	**–**	**–**	**–**	**–**	–	–	–
Exercise Price per share	**n/a**	**n/a**	**nil**	**nil**	**£2.24**	**£2.24**	**n/a**

26. Reserves

Reconciliation of Movements in Shareholders' Equity

(US$ in millions)	Ordinary share capital	Share premium account	Other reserves	Accumulated losses/ (retained earnings)	Total
Balance at 1 January 2005	0.3	34.8	21.4	(44.0)	12.5
Issue of share capital	0.1	637.5	–	–	637.6
Profit for the year	–	–	–	64.4	64.4
Dividends payable	–	–	–	(24.7)	(24.7)
Share option charge	–	–	3.7	–	3.7
Movement in cumulative translation reserve	–	–	(0.8)	–	(0.8)
Fair value (losses) – cash flow hedges	–	–	(15.6)	–	(15.6)
Actuarial losses from pension and post-retirement healthcare benefits	–	–	–	(8.7)	(8.7)
Tax credited directly to equity	–	–	–	8.1	8.1
Balance at 31 December 2005	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 option charge	**–**	**–**	**3.0**	**–**	**3.0**
Movement in cumulative translation reserve	**–**	**–**	**(6.6)**	**–**	**(6.6)**
Fair value gains – cash flow hedges	**–**	**–**	**8.2**	**–**	**8.2**
Actuarial gains from pension and post-retirement healthcare benefit	**–**	**–**	**–**	**5.2**	**5.2**
Tax charged directly to equity	**–**	**–**	**(2.0)**	**(0.4)**	**(2.4)**
Balance at 31 December 2006	**0.4**	**675.4**	**11.3**	**29.4**	**716.5**

27. Earnings per share and adjusted earnings per share

Basic earnings per share

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

	2006	2005
Profit attributable to equity holders of the Company (US$ in millions)	**127.7**	64.4
Weighted average number of ordinary shares in issue (number)	**454,291,838**	379,788,335
Basic earnings per share (US$ per share)	**0.28**	0.17

Diluted earnings per share

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

	2006	2005
Profit attributable to equity holders of the Company (US$ in millions)	**127.7**	64.4
Weighted average number of ordinary shares in issue (number)	**454,291,838**	379,788,335
Adjustments for:		
– Share options (number)	**4,690,997**	5,338,093
Weighted average number of ordinary shares for diluted earnings per share (number)	**458,982,835**	385,126,428
Diluted earnings per share (US$ per share)	**0.28**	0.17

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

	2006	2005
Profit attributable to equity holders of the Company (US$ in millions)	**127.7**	64.4
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)	**75.8**	64.4
Weighted average number of ordinary shares in issue (number)	**454,291,838**	379,788,335
Basic earnings per share (US$ per share)	**0.17**	0.17

Adjusted diluted earnings per share

	2006	2005
Adjusted profit attributable to equity holders of the Company (US$ in millions)	**75.8**	64.4
Weighted average number of ordinary shares in issue (number)	**454,291,838**	379,788,335
Adjustments for:		
– Share options (number)	**4,690,997**	5,338,093
Weighted average number of ordinary shares for diluted earnings per share (number)	**458,982,835**	385,126,428
Diluted earnings per share (US$ per share)	**0.17**	0.17

28. Pension arrangements and post-retirement healthcare benefits

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

The Group operates pension schemes in each of its principal locations. The UK scheme has two plans: a defined benefit scheme, which is closed to new employees, and a defined contribution plan. The defined benefit scheme is funded and its assets are held in a separate fund administered by a corporate trustee. US$6.5m was charged in the Income Statement in the 2006 financial year in respect of the defined benefit scheme (2005: US$2.0m).

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 2006. The results of this updated valuation as at 31 December 2006, 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 ten years of service at the age of 58 and retire are eligible to participate in the post-retirement healthcare benefit plans. The plan is self-funded and there are no plan assets from which the costs are paid. The cost of providing retiree healthcare is actuarially determined and accrued over the service period of the active employee group. Membership of this plan is multi-national, although most staff are currently employed in the United Kingdom.

The obligation under these plans was determined by the application of the terms of medical plans, together with relevant actuarial assumptions and healthcare cost trend rates. The long-term rate of medical expense inflation used in the actuarial calculations is 4.0% per annum in excess of the rate of general price inflation of 3.10% (2005: 4.0% in excess of 2.85%). The discount rate used in determining the accumulated post-retirement benefit obligation was 5.10% at 31 December 2006 (2005: 4.75%).

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

	As at 31 December 2006	As at 31 December 2005
Discount rate	**5.10%**	4.75%
Expected return on plan assets	**7.32%**	7.31%
Future salary increases	**5.10%**	4.85%
Medical cost trend rate	**7.10%**	6.85%
Future pension increases	**3.10%**	2.85%

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:

	2006 Number of years	2005 Number of years
Male current age 65	**85.0**	84.8
Female current age 65	**88.2**	87.8

For 2006 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 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 defined benefit scheme and the expected rates of return were:

	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.

continued

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

Amounts recognised in the Balance Sheet are:

(US$ in millions)	**As at 31 December 2006**	As at 31 December 2005
Present value of funded defined benefit obligations (pension)	**(56.3)**	(46.6)
Present value of unfunded defined benefit obligations (post-retirement healthcare)	**(22.0)**	(18.5)
Fair value of defined benefit assets	**41.1**	27.9
Net defined benefit liability recognised in balance sheet	**(37.2)**	(37.2)

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

(US$ in millions)	Defined benefit pension plan	Post-retirement medical benefits
At 1 January 2005	37.6	13.3
Current service cost	3.4	0.5
Interest cost	1.9	0.7
Actuarial loss	6.9	5.7
Foreign exchange gains	(4.1)	(1.5)
Benefits paid	(0.1)	(0.2)
Contributions by pension participants	1.0	–
At 31 December 2005	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**

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

(US$ in millions)	**2006**	2005
At 1 January	**27.9**	21.8
Expected return on plan assets	**2.2**	1.6
Actuarial (loss)/gain	**(0.2)**	3.9
Contributions by employer	**5.5**	2.1
Contributions by pension participants	**1.0**	1.0
Benefits paid	**(0.1)**	(0.1)
Foreign exchange gain/(loss)	**4.8**	(2.4)
At 31 December	**41.1**	27.9

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

(US$ in millions)	2006 Defined benefit pension plan	2006 Post-retirement healthcare benefits	2005 Defined benefit pension plan	2005 Post-retirement healthcare benefits
Current service cost	**4.3**	**0.8**	3.4	0.5
Interest cost	**2.3**	**0.9**	1.9	0.7
Expected return on pension assets	**(2.2)**	**–**	(1.6)	–
Foreign exchange loss/(gain)	**2.1**	**2.7**	(1.7)	(1.5)
	6.5	**4.4**	2.0	(0.3)
Actual return on plan assets	**2.0**	**–**	5.6	–

Current service costs for 2006 are included within employee benefit costs (note 7). The net financing costs together with foreign exchange losses are included within interest payable (note 9). For 2005 the net financing costs were included within employee benefit costs and the foreign exchange gains were included within other operating costs.

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

(US$ in millions)	2006 Defined benefit pension plan	2006 Post-retirement healthcare benefits	2005 Defined benefit pension plan	2005 Post-retirement healthcare benefits
Net actuarial (gains)/losses	**(4.5)**	**(0.7)**	3.0	5.7

History of experience gains and losses:

	2006 Defined benefit pension plan	2006 Post-retirement healthcare benefits	2005 Defined benefit pension plan	2005 Post-retirement healthcare benefits	2004 Defined benefit pension plan	2004 Post-retirement healthcare benefits
Present value of defined benefit obligations (US$ in millions)	**(56.3)**	**(22.0)**	(46.6)	(18.5)	(37.6)	(13.3)
Fair value of plan assets (US$ in millions)	**41.1**	**–**	27.9	–	21.8	–
Deficit in plans (US$ in millions)	**(15.2)**	**(22.0)**	(18.7)	(18.5)	(15.8)	(13.3)
Experience gains and (losses) on plan liabilities (US$ in millions)	**3.4**	**0.3**	–	(0.7)	(0.8)	(0.1)
Percentage of plan liabilities	**6.0%**	**1.4%**	0.1%	(3.9%)	(2.1%)	(1.0%)
Experience (losses) and gains on plan assets (US$ in millions)	**(0.2)**	**–**	3.9	–	0.2	–
Percentage of plan assets	**(0.5%)**	**–**	14.0%	–	0.9%	–

The estimated contributions expected to be paid to the defined benefit pension plan during 2007 are US$5.4m (2006 actual: US$5.5m).

The healthcare cost trend rate assumption has a significant effect on the amounts recognised in the Income Statement in respect of the post-retirement medical benefits. Increasing the assumed healthcare cost trend rate by one percentage point would have increased the post-retirement medical benefit obligation as of 31 December 2006 by US$5.1m (2005: US$4.2m) and the aggregate of the service cost and interest cost by US$0.4m (2005: US$0.3m). Decreasing the assumed healthcare cost trend rate by one percentage point would have reduced the post-retirement medical benefit obligation as of 31 December 2006 by US$3.9m (2005: US$3.3m), and the aggregate of the service cost and interest cost by US$0.3m (2005: US$0.2m).

29. Operating lease commitments

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

(US$ in millions)	As at 31 December 2006	As at 31 December 2005
Within one year	**20.0**	20.6
Within two to five years	**59.8**	58.1
After five years	**152.3**	143.7
	232.1	222.4

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

At 31 December 2006 the Group in addition to the above operating lease commitments is contracted to pay warranty costs relating to the BGAN program of US$3.7m over the next two years (as at 31 December 2005: US$6.6m over three years).

The total of future sub-lease payments expected to be received under non-cancellable sub leases at 31 December 2006 relating to the above head office lease is US$3.3m over two years (as at 31 December 2005: US$4.5m over three years).

The Group has various agreements deriving revenue from designated leased capacity charges. These amounts are recorded as revenue on a straight-line basis over the respective lease terms.

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

(US$ in millions)	As at 31 December 2006	As at 31 December 2005
Within one year	**37.5**	42.2
Within two to five years	**3.5**	15.9
After five years	**–**	–
	41.0	58.1

30. Financial instruments

Treasury management and strategy

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

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

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

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

Having arranged the purchase of foreign currency in line with the anticipated requirement for that currency over each financial year, an average rate of exchange is calculated from the agreed currency deals. This average rate is applied as per requirements of IAS21. The policy is designed to minimise the impact of currency gains and losses in the Income Statement; gains and losses will arise to the extent that the level of actual payments in the period is different from those that were forecast.

Net fair values of derivative financial instruments

The Group's derivative financial instruments as at 31 December 2006 consist of forward foreign currency contracts. Derivative financial instruments as at 31 December 2005 also included an interest rate swap and forward accrual contracts. The interest rate swap and approximately 80% of forward foreign currency contracts are designated cash flow hedges.

The net fair values at the Balance Sheet date were:

(US$ in millions)	**As at 31 December 2006**	As at 31 December 2005
Contracts with positive fair values:		
Interest rate swap – designated cash flow hedge	**–**	2.3
Forward foreign currency contracts – designated cash flow hedges	**7.6**	–
Forward foreign currency contracts – undesignated	**0.9**	–
Contracts with negative fair values:		
Forward foreign currency contracts – designated cash flow hedges	**–**	(2.9)
Forward foreign currency contracts – undesignated	**–**	(1.0)
	8.5	(1.6)
Less non-current portion		
Forward foreign currency contracts – designated	**–**	0.3
Current portion	**8.5**	(1.3)

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 swap was based upon a valuation provided by the counter-party.

Forward foreign exchange

As at 31 December 2006 the face value of outstanding forward foreign exchange contracts was £60.1m (net fair value US$8.5m), all maturing in 2007. As at 31 December 2005 the notional amounts of outstanding forward foreign exchange contracts was £97.7m (net fair value negative US$3.9m) with the balance of £30.0m face value maturing in 2006 (net fair value US$0.7m). During 2006 the Group transacted spot and forward foreign exchange contracts. During 2005 the Group also transacted two 'forward accrual' contracts whereby the Group entered into a series of monthly forward contracts at fixed rates and subject to exchange rates not reaching specified levels.

Interest rate swap

The interest rate swap contract of US$150m expired in December 2006. The notional principal amount outstanding as at 31 December 2005 was US$150m.

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

Non derivative financial assets and financial liabilities

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

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

Fair value of non derivative financial assets and financial liabilities

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

(US$ in millions)	As at 31 December 2006 Carrying amount	As at 31 December 2006 Fair value amount	As at 31 December 2005 Carrying amount	As at 31 December 2005 Fair value amount
Senior Discount Notes[a]	**(367.6)**	**(411.8)**	(332.2)	(366.4)
Senior Notes[a]	**(310.4)**	**(318.9)**	(310.4)	(320.5)

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

(a) Senior Notes and Senior Discount Notes are reflected in the Balance Sheet as at 31 December 2006 net of unamortised arrangement costs of US$8.9m and US$8.2m, respectively (2005: US$10.6m and US$8.7m, respectively). The fair value of the Senior Notes and the Senior Discount Notes is based on the market price of the bonds as at 31 December 2006;
(b) the fair values of cash at bank, overdrafts and short-term deposits approximate their carrying values because of the short maturity of these instruments;
(c) the fair value of trade and other payables and receivables approximate their carrying values;
(d) 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;
(e) Senior Credit Facilities are reflected in the Balance Sheet as at 31 December 2006 net of unamortised arrangement costs of US$1.6m (2005: US$2.3m). The fair value approximates the carrying value.

31. Capital commitments

The Group had authorised and contracted but not provided for capital commitments as at 31 December 2006 and 31 December 2005 of US$139.0m and US$119.2m respectively. These amounts primarily represent commitments in respect of the Inmarsat-4 F3 satellite and BGAN services.

32. Related party transactions

As at 31 December 2005 funds advised by Apax Partners and funds advised by Permira were investors in the Company each owning 9.85% of the Company's shares.

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

Monitoring fees paid to each of Apax Europe V G.P. Co. Ltd and Permira during the 2006 and 2005 financial year were US$nil and US$0.12m respectively.

Some network and satellite control services, equipment and telephone services were procured from KDDI Corporation and Telenor Satellite Broadcasting AS, both of which were shareholders with a shareholding greater than 3% during the 2005 financial year. KDDI Corporation remains a shareholder with a shareholding greater than 3% during the 2006 financial year, whilst Telenor Satellite Broadcasting AS sold its shareholding interest in March 2006. The total amount of services procured from KDDI Corporation during the 2006 financial year was US$0.7m (2005: US$0.8m) and the total amount of services procured by Telenor Satellite Broadcasting AS during the financial period up to March 2006 was US$0.9m (2005 full year: US$1.6m).

Remuneration paid to key management personnel, being the 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 2006 and 2005 was US$1.3m and US$1.3m respectively.

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

33. Principal subsidiary undertakings

The following subsidiaries are included in the consolidated financial information:

	Principal activity	Country of incorporation and operation	**Interest in issued ordinary share capital at 31 December 2006**	Interest in issued ordinary share capital at 31December 2005
Inmarsat Finance II plc	Finance company	England and Wales	**100%**	100%
Inmarsat Holdings Limited	Holding company	England and Wales	**100%**	100%
Inmarsat Group Limited	Holding company	England and Wales	**100%**	100%
Inmarsat Finance plc	Finance company	England and Wales	**100%**	100%
Inmarsat Investments Limited	Holding company	England and Wales	**100%**	100%
Inmarsat Ventures Limited	Holding company	England and Wales	**100%**	100%
Inmarsat Global Limited	Satellite telecommunications	England and Wales	**100%**	100%
Inmarsat Employment Company Limited	Employment company	Jersey	**100%**	100%
Inmarsat Inc	Service provider	USA	**100%**	100%
Inmarsat Employee Share Plan Trustees Limited	Corporate trustee	England and Wales	**100%**	100%
Inmarsat Trustee Company Limited	Corporate trustee	England and Wales	**100%**	100%
Inmarsat Brasil Limitada	Legal representative of Inmarsat	Brazil	**99.9%**	99.9%
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%**	–
Inmarsat Navigation Ventures Limited	Dormant	England and Wales	**100%**	100%
Inmarsat B.V.	Service provider	The Netherlands	**100%**	–
iNavSat Limited	Dormant	England and Wales	**–**	100%
PT ISAT	Management and business consulting services	Indonesia	**100%**	–

Inmarsat B.V. was incorporated on 13 January 2006 to manage the Satellite Access Station in Burum, The Netherlands.

PT ISAT was incorporated following the announcement on 4 September 2006 of collaboration arrangements between Inmarsat plc and ACeS International Limited to offer low-cost handheld and fixed voice services, initially in the Asian market.

Galileo Ventures Limited (registered no. 6001119) was formerly Inmarsat Navigation Ventures Limited, incorporated on 16 November 2006. Inmarsat Navigation Ventures Limited (registered no. 4858686) was formerly Galileo Ventures Limited. The two companies exchanged names on 21 November 2006.

On 5 June 2006, iNavSat Limited changed its name to Inmarsat Leasing (Three) Limited. On 23 November 2006, Inmarsat Leasing (Three) Limited changed its name to Burses Limited. On 11 December 2006, Burses Limited was sold to ING Bank N.V., London Branch.

Inmarsat Finance III Limited was incorporated on 5 March 2007. See note 34 regarding its purpose.

34. Events after the balance sheet date

The Board intends to declare a final dividend of 16 cents (US$) per ordinary share to be paid on 25 May 2007 to ordinary shareholders on the register of members at the close of business on 11 May 2007. Shareholders will be asked to approve the final dividend payment at the Annual General Meeting to be held on 8 May 2007. 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 2006 financial year.

On 19 March 2007, Inmarsat Finance III Limited ('Inmarsat III'), a subsidiary of Inmarsat plc, entered into a loan facility commitment with CIP UK Holdings Limited ('CIP UK') whereby Inmarsat III will provide up to US$250.0m to CIP UK, to fund a recommended offer for the purchase of the entirety of the issued share capital of Stratos Global Corporation ('Stratos') by CIP UK's subsidiary, CIP Canada Investment Inc. ('CIP Canada'). On the same date, Communications Investment Partners Limited, CIP UK's parent company, granted an option for Inmarsat III to acquire CIP UK in return for the consideration of the payment of US$750,000 which is payable upon completion of the acquisition of Stratos. This option is not exercisable prior to 14 April 2009 and terminates on 31 December 2010. The option is exercisable for a further payment of between US$750,000 and US$1.0m.

The loan facility commitment includes additional facilities to support either a refinancing of Stratos's US$225.0m senior loan facility, or a tender offer for Stratos's US$151.0m of bonds, although it is not currently expected that these additional facilities will be drawn. The loan facility has a ten year term, is conditional upon the completion of CIP Canada's acquisition of Stratos, bears interest at 5.75% until 31 December 2010 (on a PIK basis to 14 April 2009) and 11.5% thereafter, and is secured by means of a right of sale pledge over CIP UK's shareholding in CIP Canada.

Subsequent to 31 December 2006 other than the events discussed above there have been no other material events, which would affect the information reflected in the consolidated financial statements of the Group.

There was no change in any Non-Executive Directors' interests between 31 December 2006 and 21 March 2007. See the unaudited information contained within the Directors' Remuneration Report.

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 2006 which comprise the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds and the related notes on pages 78 and 79. 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 2006 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 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 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 Financial Review that is cross referred from the 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 judgements 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 2006;
- 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
21 March 2007

Company Balance Sheet

(US$ in millions)	As at 31 December 2006	As at 31 December 2005
Fixed assets		
Investments[(a)]	**683.2**	680.2
Total fixed assets	**683.2**	680.2
Current assets		
Debtors[(b)]	**6.3**	0.8
Cash at bank	**0.1**	0.7
Total current assets	**6.4**	1.5
Creditors – amounts falling due within one year		
Other creditors[(c)]	**(0.5)**	(0.7)
Amounts due to subsidiaries	**(6.9)**	(5.0)
Total creditors: amounts falling due within one year	**(7.4)**	(5.7)
Net current liabilities	**(1.0)**	(4.2)
Total assets less current liabilities	**682.2**	676.0
Net assets	**682.2**	676.0
Capital and reserves		
Called up share capital	**0.4**	0.4
Share premium	**675.4**	672.3
Other reserves	**6.2**	3.2
Accumulated profit	**0.2**	0.1
Total equity shareholders' funds	**682.2**	676.0

(a) Investments consist of a US$676.4m investment in Inmarsat Holdings Limited (2005: US$676.4m) and US$6.8m of capital contributions to Group companies in respect of share-based payments (2005: US$3.8m).
(b) Debtors consists of amounts due from Group companies (2005: debtors consist of amounts due from the Employee Benefit Trust).
(c) Other creditors consist of amounts due to shareholders in respect of dividends paid and amounts due to the employee share ownership plan (2005: amounts due to shareholders in respect of dividends paid).

The financial statements of the Company on pages 78 and 79 were approved by the Board of Directors on 21 March 2007 and signed on its behalf by

Andrew Sukawaty
Chairman and Chief Executive Officer

Rick Medlock
Chief Financial Officer

Reconciliation of Movements in Shareholders' Funds

(US$ in millions)	Ordinary share capital	Share premium account	Other reserves	Accumulated profit	Total
Balance at 1 January 2005	0.3	34.8	(0.6)	–	34.5
Issue of share capital	0.1	637.5	–	–	637.6
Profit for the year	–	–	–	24.8	24.8
Dividends payable	–	–	–	(24.7)	(24.7)
Shares issued to employee benefit trust	–	–	0.2	–	0.2
Share option charge	–	–	3.6	–	3.6
Balance at 31 December 2005	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 option charge	–	–	**3.0**	–	**3.0**
Balance at 31 December 2006	**0.4**	**675.4**	**6.2**	**0.2**	**682.2**

Basis of accounting
The 2006 and 2005 financial statements are prepared on the basis of UK GAAP, as the Company itself has not converted to IFRS. The accounting policies, where relevant to the Company, are consistent with those of the consolidated Group as set out in note 2 to the consolidated financial accounts. The principal accounting policies under UK GAAP are as follows:

Profit and loss account
The Company has taken advantage of the exemption available under section 230 of Companies Act 1985 and has not presented a profit and loss account. The profit after dividends for the year ended 31 December 2006 was US$0.1m (2005: US$0.1m).

Auditors' remuneration
During the year, the Company paid its external auditors US$0.2m for statutory audit services (2005: US$0.1m). In addition, non-audit fees of US$nil (2005: US$2.6m) were paid to the Company's external auditors. The 2005 non-audit fees were paid to our previous external auditors (PricewaterhouseCoopers LLP) in connection with the IPO and have been offset against share premium.

Employee costs and Directors' remuneration
The Company has no employees, excluding the Executive Directors (2005: nil). Full details of Directors' remuneration and Directors' share options are given in the Directors' Remuneration Report.

Foreign currency translation
The functional and reporting currency of the Company is the 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 2006 was US$1.96 /£1.00 (2005: US$1.72/£1.00). The average rate and hedged rate between US dollars and Pounds Sterling for 2006 was US$1.84/£1.00 (2005: US$1.82/£1.00) and US$1.77/£1.00 (2005: 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 Company adopted FRS 20 'Share-based payment' during 2005. The accounting policy is identical to that applied in the consolidated financial statements as set out in note 2 and 25, with the exception that shares issued by the Company to employees of its subsidiaries for which no consideration is received are treated as an increase in the Company's investment in those subsidiaries.

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

Dividends
Details of dividends paid in the year and proposed after the year-end, are given in note 12 to the consolidated financial statements. There is no difference between the disclosures given in the consolidated financial statements and those required under UK GAAP.

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

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

Five Year Summary

(US$ in millions)	2006	2005	2004	2003	2002
Revenues	**500.1**	491.1	480.7	512.0	467.2
EBITDA	**331.7**	316.0	301.7	336.6	313.6
EBITDA %	**66.3%**	64.3%	62.8%	65.7%	67.1%
Profit before income tax	**89.8**	95.5	24.9	177.4	185.2
Profit for year	**127.7**	64.4	19.1	123.8	164.9
Net cash inflow from operating activities	**316.0**	317.3	279.6	332.2	318.1
Net cash used in investing activities	**(118.4)**	(43.2)	(150.5)	(1,740.7)	(383.9)
Net cash (used in)/provided by financing activities	**(189.8)**	(470.0)	(129.7)	1,718.2	39.9
Total assets	**1,973.6**	2,024.8	2,198.6	2,197.6	1,369.6
Total liabilities	**(1,257.1)**	(1,348.3)	(2,200.1)	(2,173.3)	(455.7)
Shareholders' equity	**716.5**	676.5	(1.5)	24.3	913.9

Notes:

1. Results for the years ended 31 December 2003 and 2002 are on the basis of UK GAAP.
2. Results for the years ended 31 December 2006, 2005 and 2004 are on the basis of IFRS.

The consolidated financial results for 2003 and 2002 are not directly comparable to 2006, 2005 and 2004 principally because the basis of accounting was changed effective 1 January 2004 from UK GAAP to IFRS.

Global Contact Details

Inmarsat plc
www.inmarsat.com
Tel: +44 (0)20 7728 1000
Fax: +44 (0)20 7728 1044

Investor Enquiries:
www.inmarsat.com/investor_relations/
Email: simon_ailes@inmarsat.com
Tel: +44 (0)20 7728 1518
Email: christopher_mclaughlin@inmarsat.com
Tel: +44 (0)20 7728 1015

Media Enquiries:
Email: christopher_mclaughlin@inmarsat.com
Tel: +44 (0)20 7728 1015
Email: john_warehand@inmarsat.com
Tel: +44 (0)20 7728 1579

Inmarsat Global Limited:
Middle East and Africa Office
Tel: +971 4 221 9200
Fax: +971 4 221 9500

Inmarsat Inc:
Miami
Tel: +1 305 913 7521
Fax: +1 305 913 6435

Inmarsat Inc:
Washington
Tel: +1 202 248 5150
Fax: +1 202 248 5177

Financial Calendar 2007

8 May	Annual General Meeting
9 May	Ex-dividend date for 2006 final dividend
11 May	Record date for 2006 final dividend
25 May	2006 final dividend payment date
August	2007 interim results

Product overview

Maritime

1	Fleet 77
Manufacturer	Furuno Electric Company, JRC, Nera Satcom AS, Thrane & Thrane
Size	850mm – 1,320mm diameter
Voice/Data	Yes/Up to 128kbps (send & receive)

2	Fleet 55
Manufacturer	EMS Satcom, JRC, Nera Satcom AS, Thrane & Thrane
Size	500mm – 600mm diameter
Voice/Data	Yes/Up to 64kbps (send & receive)

3	Fleet 33
Manufacturer	Nera Satcon AS, Thrane & Thrane
Size	350mm – 400mm diameter
Voice/Data	Yes/Up to 9.6kbps

4	Mini M
Manufacturer	KVH Industries Inc., Thrane & Thrane
Size	250mm – 350mm
Voice/Data	Yes/2.4kbps (data & fax)

5	Inmarsat C
Manufacturer	JRC, Marine Technology Inc. Nera Satcom AS, Philips Navigation A/S, Raytheon Marine GmbH, Thrane & Thrane, Toshiba, Trimble Navigation Ltd.
Size	150mm diameter
Voice/Data	No/0.6kbps

Aeronautical

6	Swift 64
Manufacturer	Chelton Satcom Inc., EMS Technologies, Honeywell, Rockwell Collins, Thales Thrane and Thrane
Size	750mm – 1,300mm length
Voice/Data	Yes/Up to 64kbps

Land mobile

7	BGAN
Manufacturer and Model	Hughes 9201
Size/Weight	345mm x 275mm/2.8kgs
Voice/Data	Yes/Up to 492kbps (send & receive)

8	BGAN
Manufacturer and Model	Thrane & Thrane Explorer 700
Size/Weight	399mm x 297mm/3.2kgs
Voice/Data	Yes/Up to 492kbps (send & receive)

9	BGAN
Manufacturer and Model	Thrane & Thrane Explorer 500
Size/Weight	217mm x 217mm/1.5kgs
Voice/Data	Yes/Up to 464/448kbps (receive/send)

10	BGAN
Manufacturer and Model	Thrane & Thrane Explorer 300
Size/Weight	217mm x 168mm/1.4kgs
Voice/Data	Yes/Up to 384/240kbps (receive/send)

11	BGAN
Manufacturer and Model	Nera 1000/1010
Size/Weight	200mm x 140mm/1kg
Voice/Data	Yes/Up to 384/240kbps (receive/send)

12	BGAN
Manufacturer and Model	Addvalue Wideye Sabre 1
Size/Weight	384mm x 180mm/1.2kgs
Voice/Data	Yes/Up to 384/240kbps (receive/send)

13	BGAN
Manufacturer and Model	Hughes R-BGAN
Size/Weight	300mm x 240mm/1.6kgs
Voice/Data	No/Up to 144kbps (send & receive)

14	GAN
Manufacturer and Model	Nera World Communicator, Thrane & Thrane Messenger
Size/Weight	753mm x 414mm/3.5kgs
Voice/Data	Yes/Up to 64kbps (send & receive)

15	Handheld
Size/Weight	130mm x 50mm/0.21kg
Voice/Data	Yes/2.4kbps

16	Mini M
Manufacturer and Model	Nera Worldphone, Thrane & Thrane 3060A Capsat
Size/Weight	260mm x 260mm/2.2kgs
Voice/Data	Yes/2.4kbps

Inmarsat plc
99 City Road
London
EC1Y 1AX
United Kingdom