inmarsat
The mobile satellite company™






Inmarsat plc
Annual report and accounts 2008

2008 Financial Highlights

Total revenue

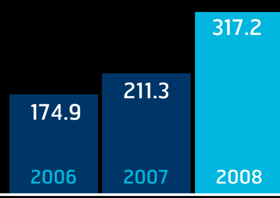
US$996.7M

2007: US$576.5M

Operating profit

US$317.2M

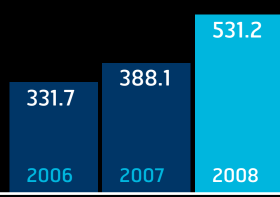
2007: US$211.3M



EBITDA

US$531.2M

2007: US$388.1M



Final dividend per share

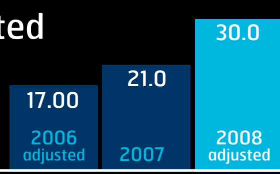
18.20 cents (US$)

2007: 17.33 cents (US$)

Basic earnings per share

30.0 cents (US$) adjusted

2007: 21.0 cents (US$)



Profit before income tax

US$193.8M

2007: US$124.7M

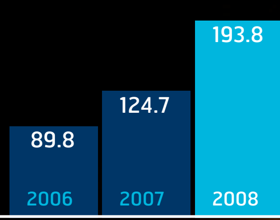


Image courtesy
of International
Launch Services

2008 Overview

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.

We have been able to sustain strong revenue and profit growth because our experience, commitment and network infrastructure enable us and our partners to benefit from market opportunities in both buoyant and turbulent economic conditions.

We aim to increase shareholder value by remaining the leading mobile satellite communications provider, developing our portfolio of services, both geographically and functionally.

Operational Highlights

Launch of third Inmarsat-4 satellite

Successful satellite repositioning programme completed

Global broadband coverage

Continued strong BGAN growth

Strong endorsement for maritime FleetBroadband service

Intention to acquire leading distributor in April 2009

Inmarsat has stood at the forefront of the mobile satellite services ('MSS') industry for 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 remains synonymous with reliable, secure, global mobile satellite communications.

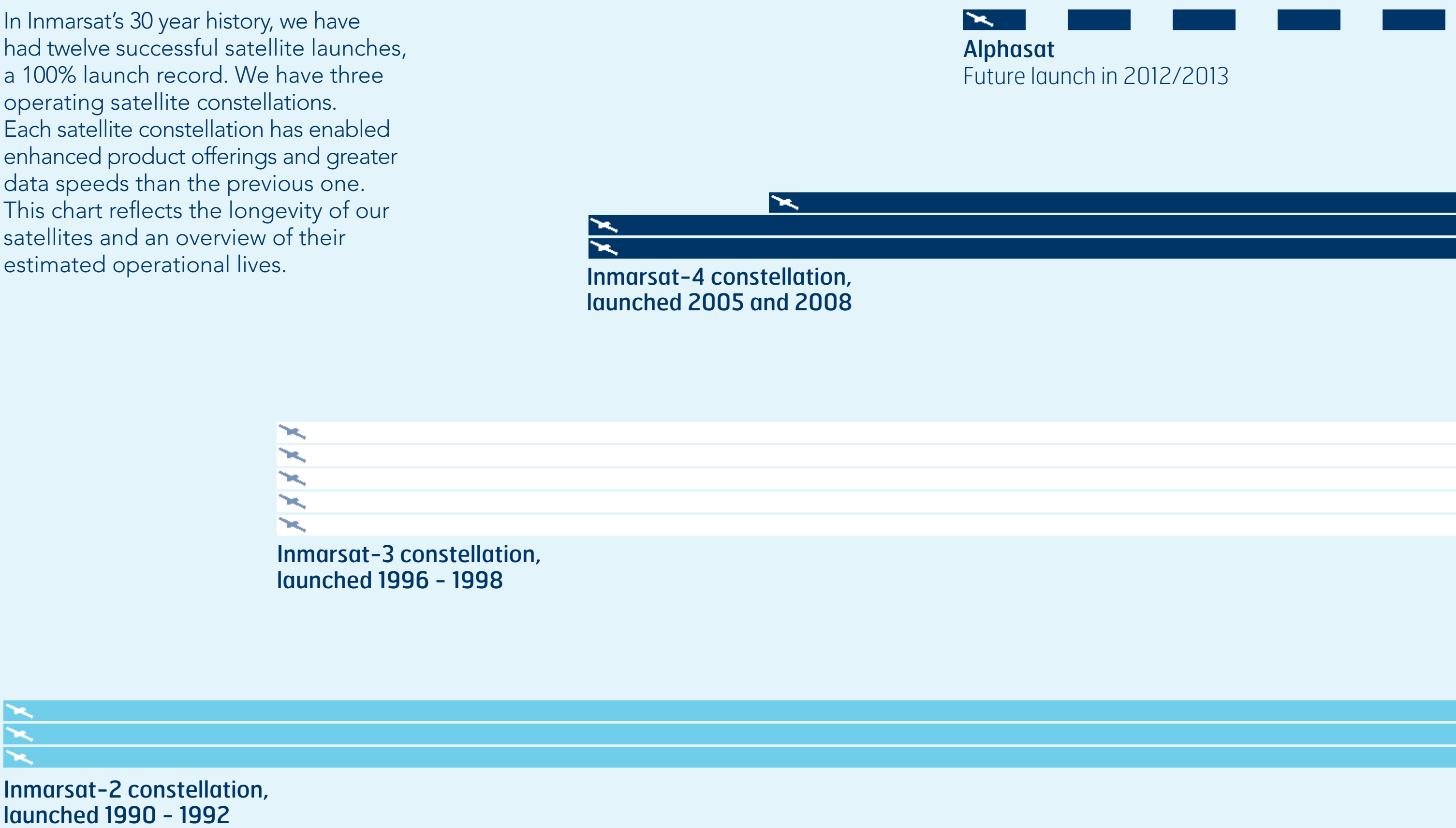
Three global satellite constellations

Inmarsat-2 Inmarsat-3 Inmarsat-4

- Inmarsat's 11 geostationary satellites in 9 orbital positions
- each orbital position spaced to minimise harmful interference
- 36,000km from the earth's surface
- global coverage provided by each satellite constellation

Long-term investment: 30 years

In Inmarsat's 30 year history, we have had twelve successful satellite launches, a 100% launch record. We have three operating satellite constellations. Each satellite constellation has enabled enhanced product offerings and greater data speeds than the previous one. This chart reflects the longevity of our satellites and an overview of their estimated operational lives.



The markets in which we operate

Maritime

37% growth
in active FleetBroadband terminals

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. We enable seafarers to communicate as effectively on board as they can when they are on shore.

Aeronautical

45%
revenue growth

The world's leading airlines, corporations and governments depend on Inmarsat satellite services for in-flight connectivity. Inmarsat plays a key role in ensuring safe and efficient aircraft operation over oceanic airspace.

Land Mobile

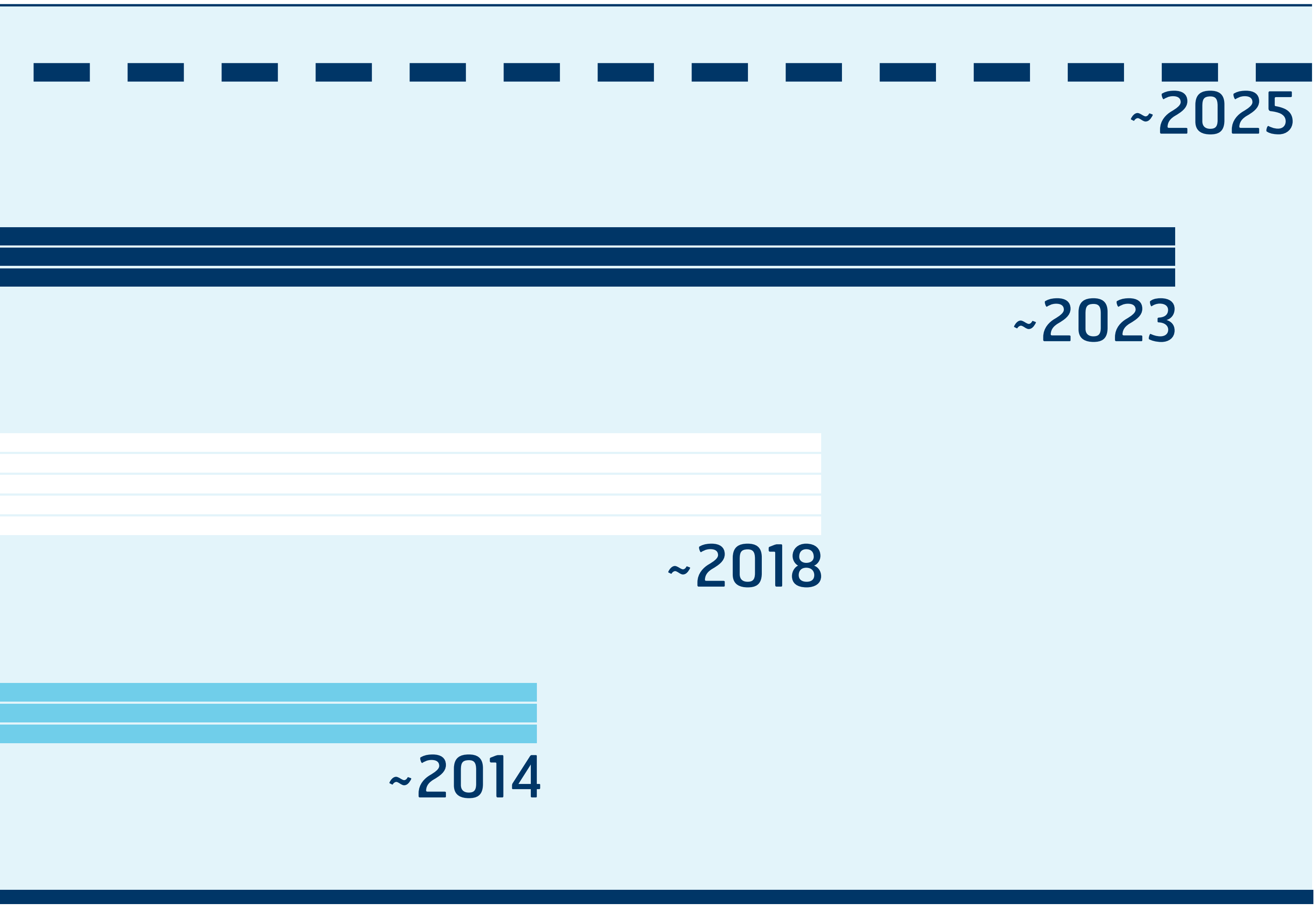
75% growth
in active BGAN terminals

Our users include businesses operating in remote areas or those who are travelling to these environments and need access to the same communications offered in their local office.

Government

40%
of MSS revenues

Inmarsat offers a variety of tailored and off-the-shelf solutions designed to meet the growing demand for worldwide communications in support of modern military, civil governments and homeland security operations.



In an environment of significant economic turmoil, we are pleased to report that Inmarsat has produced record results and that in our thirtieth year, we look forward with continued optimism to developing our business further.

Andrew Sukawaty
Chairman and Chief Executive Officer

Awards

Winner
Most Innovative Use of New Technology
Network Middle East Innovation Awards 2008
Dubai, May 2008

Winner
Best Satellite Carrier
Telecom Asia Awards 2008
Thailand, May 2008

Winner
Award for Innovation
Lloyds List Awards 2008
London, April 2008

Silver Award
Inflight Connectivity – given for Inmarsat aero advertising
Air Transport World Ad Awards 2008

Bronze Winner
Industry Award for Effective Communication – given for 'Introducing Inmarsat' video
International Visual Communications Association (IVCA) Awards 2008
London, April 2008

Special Commendation
Most Effective Business-to-Business Title – given for 'Via Inmarsat'
Association of Publishing Agencies (APA) Effectiveness Awards 2008
London, November 2008

Several individuals were also recognised with industry awards during 2008.

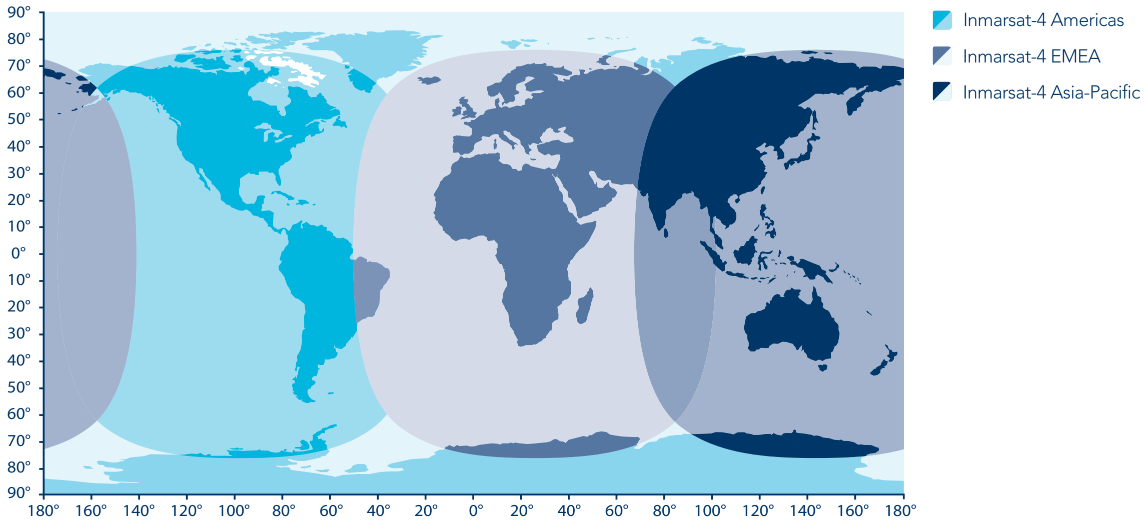
Thirty years ago, in July 1979, Inmarsat was created as an intergovernmental organisation and started its satellite operations in 1982 with three leased satellites. Since that time, we have launched 12 satellites and built a successful global business. Our data speeds have increased from 9.6kbps to almost half a megabyte per second and all our services are now digital. Our share ownership has changed from an intergovernmental organisation, through private equity ownership to an established widely held, international, publicly traded company.

We have made significant progress in how we operate as a business, yet our reputation for reliability of service and innovation of solutions supported by excellent operational expertise remain as consistent now as 30 years ago. We continue to provide mission critical applications to customers operating in extreme environments. Our global services work the same wherever you go and this consistency of service function is vital to many of our customers' operations. We give them the confidence to drive their own businesses knowing that they can rely on our services to assist them.

The life-span of our satellite constellations allows our customers to invest in a service which they can count on to be reliable for many years to come. In the 'at a glance' section on pages 2 and 3, the longevity of our three satellite constellations is visually displayed, with the Inmarsat-4 fleet expected to be operating well into the 2020s. Additionally, we have a satellite in construction which will further extend our services, and our next generation system is in the planning phase. This satellite life expectancy, along with the years of compatibility we offer on our new satellites for existing terminals, provides our customers with the knowledge that they can use our services for many years into the future. This enables them to invest in our services with confidence, knowing that they will get a return on their investment in terminals and service.

We have spent time reviewing how the global economic downturn could affect our business. It is the responsibility of your Board and management team to closely monitor the sectors in which we operate and to be able to respond to changes in trends. Key areas we review include weekly revenue trends, indices for the maritime market such as dry cargo and freight rates, new ship orders and maritime refits. In the aeronautical market, we consider demand for business jet orders and performance of the air transport and commercial airlines. We also have regular general updates covering all areas of the business. We are fortunate that many of the customers we serve, because of their own business needs, rely on our communications

Inmarsat-4 global broadband coverage



solutions and services even as economic conditions fluctuate. Our business benefits from the diversity of the sectors and customers we serve; on land, sea and air.

As I reported in the 2007 Annual Report, we are required to consolidate the results of CIP UK Holdings Limited ('CIP') which includes Stratos Global Corporation ('Stratos') into our Inmarsat plc results. Stratos is our largest distributor and from 15 April 2009, we are able to exercise a call option through Inmarsat Finance III Limited to acquire CIP which holds the shares of Stratos through its own subsidiary company, CIP Canada Investment Inc. The funding for this acquisition was put in place in December 2007. We do not yet own Stratos and cannot do so until 15 April 2009. We expect to exercise our option to acquire them at the earliest opportunity.

My report will therefore focus on the results for the Inmarsat operating business, excluding CIP and Stratos, which is referred to as 'Inmarsat Core'. I will provide some additional information regarding Stratos later in my report.

Your Board is recommending, as a result of these strong results, that the final dividend be increased to 18.20 cents (US$) per share, a 5% increase from 2007 and will be paid on 29 May 2009, following shareholder approval at the 2009 AGM. With the interim dividend which was paid in October 2008 of 12.13 cents (US$) per share, the full year dividend for 2008 is 30.33 cents (US$) per share, compared to 28.88 cents (US$) per share in 2007.

Revenues for Inmarsat Core were US$634.7m, up 13.9% from 2007. Our EBITDA rose from US$383.5m to US$431.6m representing the benefits of strong revenue growth and continued careful cost control. Our operating profit increased by 26% from US$209.3m to US$264.6m. This revenue growth has continued to ensure that we are delivering against and comfortably exceeding the revenue growth target of 5-6% per annum set at the time of our public company listing in 2005. We increased this target to 6-8% annual growth through 2010, and we have continued to exceed this target.

A key area of discussion in these turbulent times for all companies has been liquidity and overall debt levels. While our Board has responsibly focused on this, overall we are comfortable with having one of the lowest debt levels in our industry, strong and growing revenues and cash flows, and a major capex investment programme that is behind us. Our debt tends to be long-term in nature and our deleveraging through cash flow growth has provided a solid basis for support by the financial institutions. We have no major new funding requirements planned for 2009.

On the investment front, in August 2008, we successfully launched the third Inmarsat-4 satellite. This was the culmination of a US$1.5bn investment programme in our latest generation of satellites and networks which had started its embryonic development in 1998. Including this satellite, we have 11 operational satellites from three different satellite constellations. Our Inmarsat-4 constellation is supported by our three Satellite Access Stations ('SAS') in the Netherlands, Italy and more recently Hawaii. Significant work was completed to bring the Hawaii SAS into operation in time for the launch of the third Inmarsat-4 satellite. The Hawaii SAS provides essential network backhaul and satellite control support for our broadband family of services in the Americas and Asia on two of our Inmarsat-4 satellites.

Our ambition with three Inmarsat-4 satellites in orbit was first to complete the global service for our new broadband services and second to provide greatly enhanced coverage on land. Of course, with this move we continue to ensure high quality oceanic cover for our maritime users. With the third Inmarsat-4 satellite operational, we were then able to start preparations to achieve the enhanced coverage and have now repositioned our satellites to offer global broadband service on the Inmarsat-4 constellation. Our reconfigured Inmarsat-4 satellite fleet positions us better than at any previous time to meet the expanding needs of customers and capture more growth while continuing to develop our market leading products.

During 2008, we were approached by Harbinger Capital Partners ('Harbinger'), in partnership with SkyTerra, with an intention to make an offer for the Company following the satisfactory outcome of a regulatory review. The Board said at the time, and it remains equally relevant now, that it is highly confident in Inmarsat's standalone prospects as a business. This is demonstrated by the strong results we delivered in 2008. As a business, we maintained our momentum and focus on revenue growth in 2008 and are comfortable with our standalone plans to continue delivering value to shareholders. At the same time, we have agreed to maintain a constructive relationship with Harbinger and SkyTerra throughout the regulatory process in order to keep all options open for value creation for our shareholders. However, we have received as of this date, no offer from Harbinger or SkyTerra and they are under no obligation to make one.

We are proud of our support for the satellite industry and its wider community through the services we provide and how these are deployed by us and through our partners to further social causes around the world. During the year, the International Telecommunication Union championed the use of satellite communications for emergency operations to connect remote communities around the world. They also emphasised the key role played by satellite communications in response to natural disasters. Our services deliver these requirements and we work closely with partners and customers who need support in times of natural or manmade disaster.

Perry Melton, who has been with Inmarsat for over 16 years, most recently as Vice President of Sales and Marketing, was promoted to the role of Chief Operating Officer ('COO') as of 1 January 2009. Perry has served in a variety of roles for Inmarsat over the years and is a natural to step into this key role for us. He moved into this position in contemplation of the previously announced departure of Michael Butler, our President and (previous) COO. Michael will stay on until April as our President. We thank Michael for his many years of service with Inmarsat and the tremendous contributions he has made.

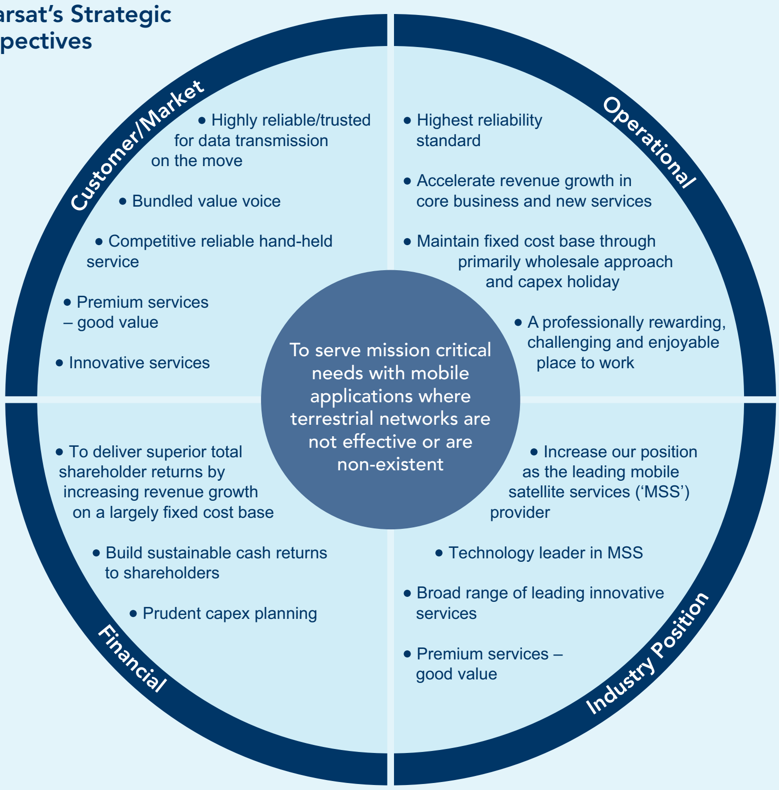
To coincide with this change and the upcoming plan to acquire Stratos, we realigned a variety of senior management roles. These changes of structure and roles were achieved completely with internal talent. We think this demonstrates the depth of management at Inmarsat but also our commitment to developing our staff and offering them more responsibility as they develop.

Strategy

As indicated earlier, we expect to exercise the call option to acquire CIP and Stratos in April. We have received all regulatory clearances to do so. The transaction was funded in 2007 with no additional financing now required for completion. We entered into this transaction primarily to put ourselves on a level playing field with all of our competitors in the satellite industry, who are allowed to control some element of their end customer distribution. However, we remain committed to a business model which primarily sells through our established and growing network of Distribution Partners and Service Providers. A successful collaborative partnership with all our partners is key for our collective success and we are committed to this.

We will have new distribution agreements which will come into place from 15 April 2009. While the previous incentive arrangements for distributors will change from 1 May 2009, we believe our channel will be motivated to achieve revenue growth and will be incentivised through appropriate arrangements in the new distribution agreements.

Inmarsat's Strategic Perspectives



Even though our existing satellite constellations will carry us well beyond 2020, we continue to plan ahead for future satellite developments. We are the commercial partner for the European Space Agency's Alphasat project, which is a major European initiative. The construction of the Alphasat satellite, for which we are responsible, is proceeding well and we anticipate a launch date of 2012/2013. The Alphasat satellite will add capacity, service capability and network redundancy to further enhance our business position. Internal planning is also underway to review the scope and operation of our next constellation – Inmarsat-5. Satellite planning and construction is a multi-year programme and it is appropriate for us to start internal planning early to stay a step ahead of our competitors.

Part of the planning for our next-generation of satellites also requires us to consider our spectrum needs. We operate in the frequency band called L-band which provides the most reliable service for mobile satellite terminals. While we expect to gain access to additional L-band spectrum with the launch of the Alphasat satellite, maintaining our access to existing spectrum is a key element of our business success. The agreement we signed at the end of 2007 with SkyTerra and its affiliates regarding the efficient re-use and reorganisation of L-band spectrum in the Americas has already been beneficial to our operations. The Inmarsat-4 satellites provide us with much greater opportunities for increasing spectrum efficiency because of the use of narrow spot beams which allow our SASs to focus power on specific geographic areas. Two examples of this capability are from events in China – responding to their earthquake disaster and then the celebrations of the Olympics hosted in Beijing. This spectrum efficiency provides a better service to our partners and customers, providing them with improved business operations. During 2007, the satellite community was successful in influencing the decision that there would continue to be uninterrupted use of C-band spectrum for the future, which is important for our own operations. In 2008, one of our executives, Kengi Chen, received the Satellite Executive of the Year Award from Via Satellite, a leading industry magazine, which recognised his key role in achieving the C-band outcome as a success for the satellite community as a whole.

In reviewing spectrum opportunities, part of the agreement we have with SkyTerra relates to the role each of us would play in the future if there was a compelling business case to develop Ancillary Terrestrial Component ('ATC') operations in North America. We are well placed to progress this opportunity in the future. In a similar vein, in order to maximise future opportunities available to us, we have submitted an application under the European S-band Application Process for an award of S-band spectrum. We have selected Thales Alenia Space and International Launch Services to support our application. We are also pursuing discussions to establish commercial partnerships which will be necessary to ensure that the returns from the investment in this project will generate an acceptable return on capital, without undue risk or uncertainties.

Review of operations

"Inmarsat's new FleetBroadband service has performed flawlessly.

Their global coverage and leading technology make this Volvo Ocean Race the most connected in its 35 year history."

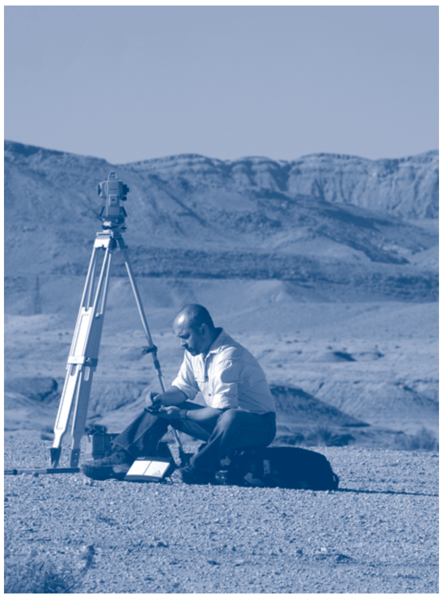
Knut Frosted
CEO, Volvo Ocean Race

We are coming off a terrific year in 2008, despite the world economic downturn which hit in the second half. My review of operations will focus on the results of Inmarsat Core, not the Inmarsat plc results, which include CIP.

We continue to see strong data growth in our services, now representing more than 75% of revenue from our 'on-demand' services. Global broadband services are now a reality for customers on land, at sea and in the air. Following its launch in 2005, our broadband land service – called Broadband Global Area Network ('BGAN') is now well established. We have seen excellent terminal growth across our users in Swift 64 (for aeronautical users), Fleet (for maritime users) as well as BGAN (for land mobile users). A key performance indicator used for monitoring our business reliability is the availability of our satellites. I am pleased to confirm this again exceeds 99.99%. We are extremely proud of this performance. As the only provider of the Global Maritime Distress and Safety System ('GMDSS') to the maritime community, we continue to ensure mariners can rely on our service in times of need. The quality of our service was again publicly recognised when we were announced the Best Satellite Carrier at the Telecom Asia Awards in 2008.

We are addressing competition in the maritime market through the introduction of innovative pricing packages. We are also introducing a new maritime service, called FleetBroadband 150, which will be available in mid-2009. I will provide more detail of this new service in the maritime section. While we continue to face competition, particularly from VSAT and hand-held operators, we believe that the steps we have taken will lessen the impact. Specific actions taken in respect of the hand-held market include the expansion of our satellite hand-held mobile service to a large area covering Europe, Africa and the Middle East and our continued plans to globalise this service, plus emphasising to users the excellent quality of our BGAN voice service. We continue to believe that our efficient and reliable service provides great confidence to customers, especially when other satellite operators may face financial difficulty in these uncertain times. A number of competitor satellite fleets are old and the substantial capital investment required for replacement constellations will need to be funded in order for our competitors to continue. Customers making major investments in terminals and operating systems need assurance that the service will be there for years to come. Inmarsat is best positioned to provide this.

We have been innovative in the way that we price certain services, with the introduction of geographic pricing in particular areas of the world and other customer targeted pricing programmes. These are particularly attractive to large users wishing to have greater flexibility on how they use our services. Our new distribution agreements will be in place from 15 April. We will benefit from an increased margin for the Company, reflecting the fact that the new broadband services use our own ground network and infrastructure.



Maritime

MSS revenue 2008

- Maritime 54%
- Other 46%

Maritime revenue 2008

- Data 68%
- Voice 32%

While challenged by global economic conditions, the maritime sector continues to grow due to the strength of the new data and voice services we have launched over the last two years. Revenues during 2008 from the maritime sector were US$332.5m, an increase of US$22.2m or 7.2% compared to 2007. Of this, data revenues were almost 70%, growing 9.7% compared to 2007. We have seen a return to growth of voice revenues through increased usage of our Fleet voice service and also the FleetPhone. This has been achieved through pricing stability and continued success with low cost voice services aimed at ships' crews and smaller vessels. This increasing trend in the use of data services is greatly reflective of the general trend we have seen of ship operators seeing the potential for the use of data for operational efficiency gains.

In November 2007, we launched FleetBroadband, and we are delighted with its performance to date. It represents our fastest growing service and we now have over 1,500 active terminals. FleetBroadband has gained rapid market acceptance and this is in part due to the successful maritime fleet evaluation trials which took place during 2008 with ten important customers. These included global merchant ships, government vessels and luxury yachts. The evaluations were conducted in operational circumstances with the ships' crews using current and new business enhancing applications. We received excellent feedback from users, which support the strong take-up of the service. As a result, we were delighted our FleetBroadband service was recognised as the winner of the prestigious Lloyds List Award for Innovation 2008.

Significant support for the FleetBroadband service has come in the strong endorsement by A.P. Möller-Maersk with their order to retrofit 150 of their vessels, with the possibility of increasing this number to 300 vessels. We believe this is the largest communications retrofit in the history of maritime satellite communications.

The greater bandwidth and functionality of FleetBroadband allows ship operators to invest in new operating procedures to reduce their on-board costs. Even during these difficult economic times where there are reports of reduced new ship build or vessels anchored in harbour because freight costs have been reduced, the cost of satellite communications is largely fixed and a very small element of overall vessel running costs. We believe communications will be used regardless of the freight rates being paid. This leads us to believe that as ship operators understand how Inmarsat services can provide efficiency and save costs in supporting the different applications required on board, they will still continue to use our services, despite the current economic climate.

As part of our long-term development plan for evolving the FleetBroadband service and also in response to our partners and customers, we have agreed a service date of mid-2009 for a new maritime service, called FleetBroadband 150. This will provide voice, IP data and SMS services to smaller vessels, such as leisure craft and fishing vessels. The new service brings the benefits of our optimised and proven IP network onto a low cost platform while maintaining our high service standards. This directly addresses the growing communications needs of the smaller vessel customer for email and internet access. We are working with two manufacturers to bring this new service to market in 2009.

During 2008, and into 2009, we are the official provider of satellite communications for the Round-the-World Volvo Ocean Race. This sponsorship illustrates the reliability of Inmarsat services in the most challenging conditions imaginable for the world to see. Competitors face the harshest of environments and reliable communications equipment is an absolute requirement. Each of the competitors is equipped with a FleetBroadband 500 terminal, plus a Fleet 33 and an Inmarsat C. Crews can send high definition video back to the Race Headquarters, download weather maps, contact friends and family and importantly know that they have access to the GMDSS system if disaster strikes. FleetBroadband performance has been described by the Race organisers as "flawless".

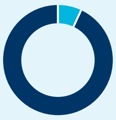
Land mobile

MSS revenue 2008

Land 23%
Other 77%

Land revenue 2008

Data 92%
Voice 8%



Competition is most intense in our land mobile sector, but our innovation in high-speed data, which is highly portable, has led the industry and has driven significant growth for us. In 2008, revenues from the land mobile sector were US$141.8m, an increase of 12.7% compared to 2007. Through increased usage of our BGAN service, data revenues increased to US$130.5m, representing 92% of total land mobile revenues.

BGAN subscribers have increased by 75% from 2007 with over 11,800 new terminals activated. The average revenue per unit ('ARPU') for our BGAN service is around US$250, the same level as 2007.

Successful licence applications by the Company during the year in Brazil and Canada resulted in new geographical markets opening for our distributors. These are key strategic areas which we believe our partners can penetrate and develop opportunities for revenue growth for our BGAN services. This was demonstrated quickly after the award of the licence application with the decision to use our BGAN service for the Brazilian elections.

At the end of December 2008, we completed the planned closure of our R-BGAN service which was a regional data only service for Europe, the Middle East, Africa and parts of Asia. In anticipation of the end of this service, our partners led a successful programme of migration to our global BGAN service. BGAN is more efficient in terms of spectrum usage on our satellites providing opportunities for further service growth. We therefore encourage migration from our older services to BGAN as it enhances our ability to utilise our spectrum.

During the year, we were delighted when the Mobile Satellite Users Association in the US presented its prestigious innovation award to two of our employees for their work in developing our BGAN service, which has transformed mobile broadband communications. We regularly look at how we can improve our service offering to enhance the customer's experience. An example of this is a new higher streaming speed for BGAN users – particularly targeting media and governmental customers, which will be available during 2009. The new minimum guaranteed streaming rate of 384kbps will offer near broadcast quality video and will further establish BGAN as a compelling global proposition that major broadcasters choose for live reporting.

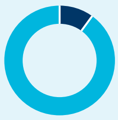
We have several services which provide voice capabilities – Mini M, IsatPhone and BGAN. We have seen growth in the use of the BGAN voice service and we are seeing use of our hand-held satellite phone in Europe, Africa and the Middle East, although our traditional Mini M service, due to terminal size, has continued to be affected by competition from other operators. We expect to counter this competition through greater awareness and increasing usage of BGAN voice and our existing hand-held offering.

We will also be launching a global satellite hand-held phone service. This is an important new market for the Company and we want to make sure that we have a mobile hand-set which fits the purpose and form factor for customers. Following a review of the programme and engagement of a new hand-set developer, we are targeting the second quarter of 2010 for the availability of the new hand-set which will enable global service. When we introduce the global service, we are positioned to take an immediate share in this established market that we have not participated in to date. With our established brand, reputation for quality and reliability, competitive prices and network of global distribution partners, we will play a significant role in this US$350m market.

Aeronautical

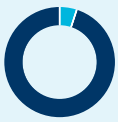
MSS revenue 2008

Aero 10%
Other 90%



Aeronautical revenue 2008

Data 95%
Voice 5%



Demand for communications from aircraft is growing dramatically. 2008 saw a continued trend of increased revenue contribution from the aeronautical sector of US$64.4m compared to US$44.3m in 2007. This represents 10.4% of Inmarsat Core MSS revenues. We were delighted to be announced as a category winner of a Network Middle East Innovation Award. This was in recognition of our ongoing development of aeronautical services, including the network infrastructure for pioneering 'GSM in the Sky' solutions and the launch of SwiftBroadband.

During 2008, we announced that there were more than 3,500 channels on aircraft worldwide using our Swift 64 service. This was an increase of more than 1,000 channels in less than a year and supports the view that Swift 64 continues to be the standard for in-flight connectivity. We saw airlines deploying Swift 64 for in-flight GSM passenger connectivity and electronic flight bag applications. As well as strong use of Swift 64, the population of aircraft using our Classic Aero services continued to grow.

Applications using our SwiftBroadband service, which offers IP-based services using the BGAN technology, have started to be rolled out by airlines. At the end of 2008, we had type-approved 12 SwiftBroadband antenna and avionic combinations from several different manufacturers. Certification of avionics on aircraft by aviation authorities is required before equipment is certified as being air-worthy and can be installed on planes, which adds time before the equipment can be used by airlines. During the year, the European regulatory environment changed to support the use of mobile phones and laptop computers on planes. During 2008, the European Aviation Safety Agency granted certification to Airbus to fit out its aircraft to allow passengers to make voice calls and send and receive text messages via our SwiftBroadband service. There are on-going fleet roll-outs of SwiftBroadband expected during 2009. The avionics manufacturers are working with the aircraft manufacturers to ensure that the lead time from availability of systems to certification is minimised as far as possible.

Our partners, Aeromobile and OnAir, are continuing to see strong interest from airlines in the in-flight use of mobile phones and other communications devices such as PDAs including Blackberrys. Aeromobile recently announced that Emirates, at the end of December 2008, had its 100,000th passenger connected to its in-flight GSM service. OnAir has recently rolled out commercial use on Wataniya Airlines, based in Kuwait, and RyanAir. OnAir also has ongoing trials with TAP and BMI, and Aeromobile is conducting trials with Malaysian Airlines. We are excited about how SwiftBroadband will be adopted within the aeronautical industry and look forward to significant potential growth in this market in the years ahead.

Government sector

During the year, we have continued to work closely with governments across the world, to support their civilian and military applications. As government usage of our services occurs in all our revenue sectors, including leasing, we do not break out these revenues separately.

In a crisis situation, time is of the essence. An early, co-ordinated response is the key to minimising the impact of any disaster. By relying on our satellite network, emergency first responders can access the information they need to act effectively, even if all terrestrial communications are down or unavailable. During 2008, we were used by first responders and government officials in readiness for the hurricanes which struck the US during the year. We also worked closely with our Chinese partner, MCN, to aid their support of the Chinese government following the earthquake in the province of Sichuan.

Our BGAN service meets the most demanding military operational requirements for mobile voice and broadband data 'on the move'. Military operations require seamless, reliable and secure communications between end-users and their commanders and allies. Inmarsat is a trusted provider working closely with our distributors to meet the rigorous requirements of a myriad of international military government users, on land, at sea and in the air. In addition to providing important welfare communications for troops away from home, our Inmarsat-4 satellites deliver an IP architecture that supports Command and Control Information Systems and critical situation awareness applications. A key feature of any military communication is information assurance. Our BGAN service is compatible with legacy circuit-switched encryption devices, as well as the packet-switched devices that meet emerging IP encryption standards.

Our lease services provide government users with assured access or dedicated channels across geographies. These services can be dedicated to a single user or shared amongst a closed user group. This provides additional assurance that capacity and access will be available during contingencies and crises.

Leasing

Revenues from leasing in 2008 were US$79.7m, an increase of US$13.5m or 20.4% from 2007. We were successful with new leases being signed during the year across all three sectors of land mobile, maritime and aeronautical. We have seen some customers move to our lease services which provides a greater level of revenue certainty for Inmarsat and predictable costs for them.

Outlook

As we reflect on 2008, we experienced another outstanding year for the Company, with record revenues. The successful launch of the third Inmarsat-4 satellite and the globalisation of our broadband service across our land mobile, maritime and aeronautical sectors bring increased opportunities for new market and geographical developments. Also parts of the strategically important Pacific region, including Japan and parts of Australia, will experience our family of mobile broadband services for the first time.

We will look at opportunities to develop existing revenue streams or enter new business areas if they are revenue enhancing and complementary to our existing business. However, we are also mindful of the uncertain economic outlook. We will carefully monitor traffic trends throughout the year and intend to preserve our strong balance sheet and cash flow.

As we expect to exercise the call option to acquire Stratos in April 2009, it will be imperative for us to ensure that the businesses operate efficiently together. We want to grow the revenues from our existing distributors, alongside the contribution from Stratos.

The support of our employees, distribution partners, service providers and manufacturers enabled us to make great achievements in 2008. We are very appreciative of their contribution to Inmarsat's success. We look forward to their on-going support and participation in the business.

Turning to 2009, we will continue to target to grow revenues but we will maintain a prudent outlook regarding cash management and commitments. We will continue to develop our portfolio of services both geographically and functionally, and by doing so, maintain our leadership in mobile satellite services and enhance value for our shareholders.

Chief Financial Officer's Review

I am delighted to have the opportunity to review our financial performance for 2008, a year in which we have delivered strong revenue and cash flow growth across all of our market sectors, continuing to build on the solid foundations laid over the past few years.

Rick Medlock
Chief Financial Officer

We have seen very little impact of the global economic weakness in the usage and take-up of our services and with the successful launch of our third Inmarsat-4 satellite, which provides global coverage for our broadband platform, we are ideally positioned to meet the expanding needs of our customers.

In addition to our existing Inmarsat business ('Inmarsat Core[1]') which we have historically reported, we have also consolidated the financial results of CIP UK Holdings Limited ('CIP UK') and its subsidiaries including Stratos Global Corporation (together 'CIP') for the full year ended 31 December 2008. Details of this transaction can be found in note 24 to the consolidated financial statements.

Overview

2008 has been another excellent year for Inmarsat. We have exceeded our growth targets for both revenue and EBITDA and continue to deliver strong growth in our operating cash flows. In line with our strategy of increasing dividends based on the growth of normalised free cash flow, we are pleased to report that we have raised our dividend by 5.0% year over year.

We have reported solid revenue growth in all sectors, but in particular we have seen a strong performance in the aeronautical sector and in our leasing business. Growth has been driven by our newer services such as BGAN, Fleet and Swift 64. We expect to continue to deliver revenue growth in our Inmarsat Core[1] business in 2009 as our new high-speed data services further accelerate and we are able to leverage the global coverage of our broadband services.

As discussed in previous years, BGAN remains the cornerstone of our future growth with revenues of US$74.4m from BGAN services during 2008, an increase of US$37.8m, or 103%, compared with 2007. These figures include voice, data and subscription revenues. BGAN subscribers continued to grow, with 27,635 active BGAN subscribers at the end of 2008, an increase of 74.7% year on year. BGAN growth has been driven largely by new customers, the use of new applications by existing customers and the steady migration of customers from our GAN and R-BGAN services to our BGAN service. Although we continue to expect the migration to BGAN to have an impact in the future, we do not expect migration to adversely impact overall land data revenues.

In August 2008, we announced the successful launch of the third Inmarsat-4 satellite, concluding a decade of development on the Inmarsat-4 programme. The third Inmarsat-4 satellite began commercial service on 7 January 2009 with the transfer of all BGAN, FleetBroadband and SwiftBroadband traffic from another Inmarsat-4 satellite. In order to achieve enhanced coverage and provide global broadband services, we decided to reposition our existing Inmarsat satellite constellation. With the third Inmarsat-4 satellite operational, we were able to implement these plans. The repositioning of our satellites has now been completed, giving us full global coverage for our broadband services – BGAN, FleetBroadband and SwiftBroadband – at the same time as optimising data connectivity across our worldwide network.

In September 2008, we announced that A.P. Möller-Maersk, one of the world's largest shipping companies, had signed a contract with one of our service providers, Marlink, for a large-scale retrofit of our FleetBroadband service across its Maersk Supply Service and Maersk Tankers Fleet. The two-year retrofit programme is believed to be the largest in the history of maritime satellite communications, with over 150 vessels being converted to FleetBroadband in the first phase. The vessels will be equipped with Thrane & Thrane Sailor 500 terminals. By the end of 2008, over 100 vessels had been installed and were operational with our FleetBroadband 500 service and generating substantial traffic.

Also in September 2008, we announced the expansion of the FleetBroadband product range to offer an entry-level, globally deployable, combined voice and data service to target and expand the addressable market of small vessels. The new service, FleetBroadband 150, will deliver voice, IP data up to 150kbps and SMS, and is planned to be available by mid-2009.

On 31 December 2008, in line with our previously announced plan, we terminated our R-BGAN service which had been in operation since November 2002 and which was intended as a precursor to our BGAN service. During 2008 the R-BGAN service generated US$8.6m in revenue (2007: US$14.0m), however by December 2008 the monthly rate of revenue was no longer material. We believe that by the end of 2008 the vast majority of R-BGAN users had already migrated or made preparations to migrate to our BGAN services in anticipation of the planned termination of the R-BGAN service. At 31 December 2008, we

[1] Inmarsat plc and its subsidiaries excluding CIP

recorded 4,708 (2007: 7,608) active R-BGAN terminals and removed these from our active terminal count with effect from 1 January 2009.

In January 2009, Inmarsat and EMS Technologies Canada Limited mutually agreed to terminate a development contract for our Global Satellite Phone Service ('GSPS'). Inmarsat remains fully committed to launching a global hand-held satellite phone service and has appointed Sasken Communications Technologies Limited to lead the programme, as well as making a number of decisions to increase the development effort and ensure that a compelling service offering is available at the earliest opportunity. As a result of this re-organisation of the development effort, Inmarsat believes the introduction of the GSPS will be in the second quarter of 2010. It is not expected that this change will lead to any material increase in the overall cost of the programme.

On 16 January 2009, the US Federal Communications Commission ('FCC') issued its order approving the transfer of control over Stratos Global Corporation's ('Stratos') FCC licenses from an irrevocable trust, in which CIP Canada Investment, Inc. ('CIP Canada') deposited Stratos' shares, to Inmarsat. Under the terms of the transaction, which closed on 11 December 2007, Inmarsat Finance III Limited ('Inmarsat III'), a wholly-owned subsidiary of Inmarsat plc, has a Call Option over 100% of the shares of CIP UK exercisable from 15 April 2009 and expiring in December 2010. All government and regulatory approvals required for the exercise of the Call Option have now been obtained and it is expected that the Call Option will be exercised on or shortly after 15 April 2009. Refer to note 2 of the consolidated financial statements for further information on the transaction and definition of the term 'Call Option'.

Total Group Results

The financial statements reflect the consolidated results of operations and financial condition of Inmarsat plc (the Company or together with its subsidiaries, the 'Group') for the year ended 31 December 2008. Included in these consolidated results for 2008 is the full year of trading activity of CIP. Please see note 24 for further information on this transaction which closed on 11 December 2007. Where we refer to 'Inmarsat Core[1]' we include only the results of Inmarsat plc and its subsidiaries excluding CIP. The measurement of revenue and costs is in accordance with International Financial Reporting Standards ('IFRS') as adopted in the EU and as issued by the International Accounting Standards Board ('IASB').

Revenues for 2008 were US$996.7m compared to US$576.5m for 2007. Revenues for 2007 include only 21 days of trading activity following the deemed acquisition of CIP on 11 December 2007. Revenues excluding CIP, increased by 13.9% from US$557.2m to US$634.7m.

The table below shows the combined results for Inmarsat Core[1] and CIP for the year ended 31 December 2008. The table also identifies all associated intragroup eliminations and adjustments for the reported consolidated Group position.

	Inmarsat Core[1]	CIP	Intragroup eliminations and adjustments	Consolidated plc	
(US$ in millions)	2008	2008	2008	**2008**	2007 (as restated)
Revenue	634.7	638.0	(276.0)	**996.7**	576.5
Employee benefit costs	(107.8)	(83.0)	–	**(190.8)**	(99.0)
Network and satellite operations costs	(39.7)	(429.1)	276.3	**(192.5)**	(42.4)
Other operating costs	(79.6)	(27.6)	1.0	**(106.2)**	(65.5)
Work performed by the Group and capitalised	24.0	–	–	**24.0**	18.5
EBITDA	431.6	98.3	1.3	**531.2**	388.1
Depreciation and amortisation	(167.0)	(47.7)	–	**(214.7)**	(176.8)
Share of results of associates	–	0.7	–	**0.7**	–
Operating profit	264.6	51.3	1.3	**317.2**	211.3
Interest receivable and similar income	29.0	1.0	(15.2)	**14.8**	6.7
Interest payable and similar charges	(107.2)	(39.4)	8.4	**(138.2)**	(93.3)
Net interest payable	(78.2)	(38.4)	(6.8)	**(123.4)**	(86.6)
Profit before income tax	186.4	12.9	(5.5)	**193.8**	124.7
Income tax credit/(expense)	165.2	(3.6)	–	**161.6**	(28.4)
Profit for the year	351.6	9.3	(5.5)	**355.4**	96.3

The table below, in order to show a fair comparison of performance from 2007 to 2008, sets out the pro-forma revenue and EBITDA for Inmarsat plc, on the assumption that the deemed acquisition of CIP took place on 1 January 2007.

	Inmarsat Core[1]	CIP	Intragroup eliminations and adjustments	Consolidated plc	Consolidated plc	
(US$ in millions)	2007	Pro-forma 2007	Pro-forma 2007	Pro-forma 2008	**2008**	Increase/ (decrease)
Revenue	557.2	593.2	(244.7)	905.7	**996.7**	10.0%
Total operating costs	(173.7)	(505.0)	244.7	(434.0)	**(465.5)**	7.3%
EBITDA	383.5	88.2	–	471.7	**531.2**	12.6%

[1] Inmarsat plc and its subsidiaries excluding CIP

In order to provide investors with more meaningful comparative financial information for Inmarsat plc, we have chosen to discuss our trading results and position split between Inmarsat Core[1] and CIP. It should be noted that CIP operates independently from Inmarsat Core[1] and neither the Inmarsat plc Board nor the Inmarsat Core[1] management control the financial and operating activities and results of CIP. CIP's analysis has substantially been obtained from trading results of the main trading entity of the CIP Group, being Stratos, as published in the Stratos Global Corporation Audited Financial Statements and Management Discussion and Analysis for 2008, which were issued on 24 February 2009 and can be accessed via www.stratosglobal.com. In addition the results of CIP reflect the final fair value allocation of the assets and liabilities of Stratos, which were acquired by CIP Canada on 11 December 2007.

Inmarsat Core[1] Results

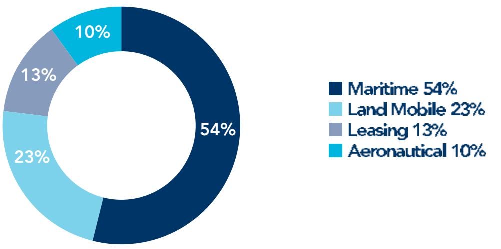
Total revenues for 2008 were US$634.7m, an increase of US$77.5m, or 13.9%, compared with 2007.

During 2008, revenues from Inmarsat Core[1] mobile satellite communications services ('MSS') were US$618.4m, an increase of US$71.8m, or 13.1%, compared with 2007. Growth has been strong across all of our market sectors, particularly our aeronautical sector and our leasing business. Growth has been strongest in the newer services such as BGAN, Fleet and Swift 64. This growth has been partially offset by competition from other technologies. Revenues in 2008 were impacted by the increase in volume discounts which are driven by our overall revenue growth and by consolidation among distribution partners.

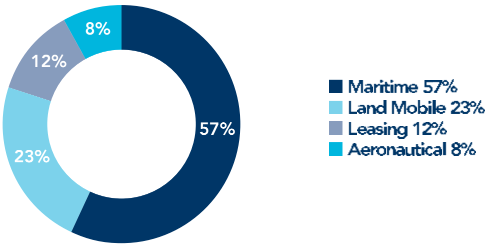
The table below sets out the components of Inmarsat Core[1] total revenue for each of the years under review:

(US$ in millions)	2008	2007	Increase/ (decrease)
Revenues			
Maritime sector:			
voice services	**104.7**	102.6	2.0%
data services	**227.8**	207.7	9.7%
Total maritime sector	**332.5**	310.3	7.2%
Land mobile sector:			
voice services	**11.3**	14.8	(23.6%)
data services	**130.5**	111.0	17.6%
Total land mobile sector	**141.8**	125.8	12.7%
Aeronautical sector	**64.4**	44.3	45.4%
Leasing (incl. navigation)	**79.7**	66.2	20.4%
Total mobile satellite communications services	**618.4**	546.6	13.1%
Other income	**16.3**	10.6	53.8%
Total revenue	**634.7**	557.2	13.9%

Inmarsat Core[1] revenue by sector 2008

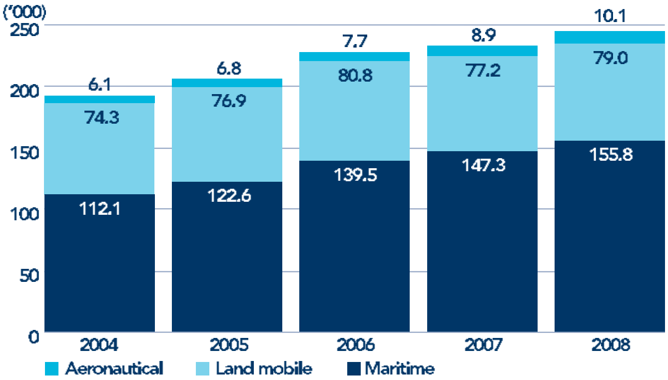


Inmarsat Core[1] revenue by sector 2007



Total active terminals as at 31 December 2008 were 244,900, an increase of 11,500, or 4.9%, compared with 31 December 2007. There was growth in each of the maritime, land mobile and aeronautical sectors. Active maritime terminals were up 5.8% year over year, which included 36.7% growth in our base of active Fleet and FleetBroadband terminals. This was partially offset by the discontinuation of the Inmarsat-A service as at 31 December 2007 (there were 3,347 active Inmarsat-A terminals at 31 December 2007). In the aeronautical sector, we have seen continued growth in Swift 64 (high-speed data) and 'Classic' aero (low-speed data) services with increased active terminal numbers. In the land mobile sector, the increase in active terminals relates to increased numbers of BGAN subscribers, partially offset by reductions in older services, including R-BGAN, GAN and Mini M. As discussed earlier, there were 4,708 active R-BGAN terminals at 31 December 2008 (2007: 7,608) which were removed from our active terminal count with effect from 1 January 2009. Total active terminals, excluding the discontinued services of Inmarsat-A and R-BGAN, were 240,200 at 31 December 2008, an increase of 17,700, or 8.0%, compared with 31 December 2007.

Active terminals



[1] Inmarsat plc and its subsidiaries excluding CIP

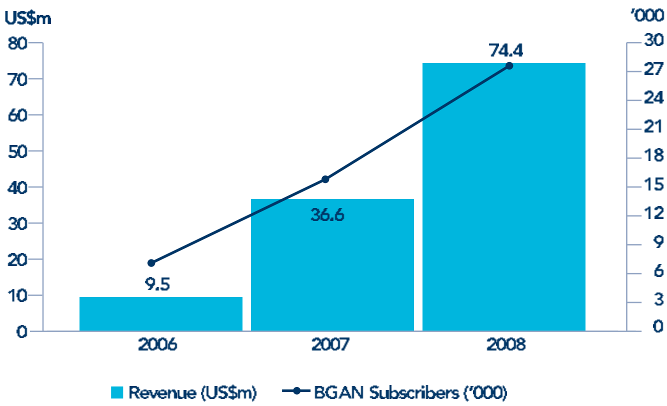
Maritime Sector

During 2008, revenues from the maritime sector were US$332.5m, an increase of US$22.2m, or 7.2%, compared with 2007. This reflects an increase in both data and voice revenue. Revenues from data services in the maritime sector during 2008 were US$227.8m, an increase of US$20.1m, or 9.7%, compared with 2007. The increase in revenues from data services primarily reflects greater demand, as a result of the take-up and utilisation of our Fleet services, which was partially offset by the decline in our mature Inmarsat-B service. Inmarsat-B terminals declined due to old ships being decommissioned and new ships being fitted with Fleet terminals, which has been driven by continued growth in the global shipping new-build market. Additionally, we experienced increased volume of the low-speed data services, typically used for email. FleetBroadband, introduced in November 2007, continues to gain early customer acceptance and by the end of 2008 had passed 1,500 active terminals. These terminals are predominantly being deployed on refits of existing ships. Revenues from voice services in the maritime sector during 2008 were US$104.7m, an increase of US$2.1m, or 2.0%, compared with 2007. We have recorded growth for two consecutive years, reflecting stabilisation and signs of renewed growth in this sector. The year has shown growth in demand for voice services particularly among users of our Fleet services including crew calling, offset by a reduction in voice usage on older services such as Inmarsat-B and the discontinuation of Inmarsat-A.

Land Mobile Sector

In 2008, revenues from the land mobile sector were US$141.8m, an increase of US$16.0m, or 12.7%, compared with 2007. Revenues from data services in the land mobile sector during 2008 were US$130.5m, an increase of US$19.5m, or 17.6%, compared with 2007. The increase is a result of continued strong growth and usage of BGAN, offset in part by the decline in GAN high-speed data traffic following reduced traffic levels in the Middle East, competition from VSAT and the expected migration of users to our BGAN service. Revenues from our R-BGAN service of US$8.6m, which was discontinued on 31 December 2008, were lower compared with the previous year of US$14.0m, largely due to the expected migration to our BGAN service.

BGAN progression
Revenue and terminal numbers



Revenues from BGAN services for 2008 were US$74.4m, an increase of US$37.8m, or 103%, compared with 2007. These figures include voice, data and subscription revenues. As at 31 December 2008, active BGAN subscribers were 27,635 compared with 15,817 as at 31 December 2007, an increase of 75% year on year. BGAN growth has been driven largely by new customers, the use of new applications by existing customers and the steady migration of customers from our GAN and R-BGAN services to our BGAN service. Although we expect the migration to BGAN to have an impact in the future, we do not expect migration adversely to impact overall land data revenues.

Revenues from voice services in the land mobile sector during 2008 were US$11.3m, a decrease of US$3.5m, or 23.6%, compared with 2007. This result continues the trend seen over the last few years of declining voice traffic volumes resulting from competition, principally for our Mini M and large antenna Mini M services, from other MSS operators. This decline was partially offset by the growth in voice traffic from BGAN customers and a small contribution from our IsatPhone service.

Aeronautical Sector

During 2008, revenues from the aeronautical sector were US$64.4m, an increase of US$20.1m, or 45.4%, compared with 2007. The increase is primarily due to increased demand for our Swift 64 high-speed data service where active terminals increased by 35% year on year. Our Swift 64 service targets the government aircraft and business jet markets as well as being used by commercial airlines. In addition, revenues for low-speed data services benefited from increased industry demand.

Leasing

During 2008, revenues from leasing were US$79.7m, an increase of US$13.5m, or 20.4%, compared with 2007. The increase primarily relates to new maritime, land mobile and aeronautical lease contracts, partially offset by lower revenue from navigation contracts.

Other income

Other income for 2008 was US$16.3m, an increase of US$5.7m or 54%, compared with 2007. The increase in other income primarily relates to additional revenue from sales of satellite phone services ('SPS') end-user terminals. As well as the sale of SPS end-user terminals, other income consists primarily of provision of in-orbit support services, income from the provision of conference facilities and renting surplus office space.

Seasonality – Impact of volume discounts

In 2008, revenues were impacted by volume discounts which increase over the course of the year, with lower discount levels in early quarters and higher discounts in later quarters, as our distribution partners meet specific volume thresholds. The effect of these volume discounts is most prominent in the third and fourth quarters. During 2008, volume discounts were US$63.8m, an increase of US$12.5m, or 24.4%, compared with 2007, despite overall MSS revenues growing by 13.1%. The total amount of volume discounts was affected by the growth in underlying revenue and by the consolidation of distribution partners. Vizada Satellite Communications and Telenor Satellite Services completed a merger in September 2007, which resulted in additional volume discounts in 2008 compared to 2007. From May 2009, following the new distribution agreements that will come into place on 15 April 2009, the seasonal impact of volume discounts is expected to be removed.

Net operating costs

Net operating costs in 2008 were US$203.1m, an increase of US$29.4m or 16.9%, compared with 2007. The table below sets out the components of the Group's net operating costs for each of the years under review:

(US$ in millions)	Inmarsat Core[1] 2008	2007
Employee benefit costs	**107.8**	94.3
Network and satellite operations costs	**39.7**	33.8
Other operating costs	**79.6**	64.1
Work performed by the Group and capitalised	**(24.0)**	(18.5)
Net operating costs	**203.1**	173.7

Impact of hedged foreign exchange rate

The functional currency of the Group is US dollars. Approximately 60% of Inmarsat Core's[1] operating costs are denominated in Pounds Sterling. Net operating costs in 2008 have been affected by the adverse movement in Inmarsat Core's[1] hedged rate of exchange from US$1.81/£1.00 in 2007 to US$2.01/£1.00 in 2008. The movement in the hedged rate of exchange in 2008 has resulted in an increase in comparative costs of US$10.4m. The Group has hedged its 2009 anticipated Pounds Sterling costs at an average exchange rate of US$1.92/£1.00.

Employee benefit costs

Employee benefit costs during 2008 were US$107.8m, an increase of US$13.5m, or 14.3%, compared with 2007. The increase can primarily be attributed to an adverse movement in Inmarsat Core's[1] hedged rate of exchange, higher salary costs, higher staff bonuses, increased stock compensation costs due to new share awards (commenced in March, May and September 2007 and March 2008) and additional headcount. Total full-time equivalent headcount at 31 December 2008 was 475 compared to 462 as at 31 December 2007.

Network and satellite operations costs

Network and satellite operations costs during 2008 were US$39.7m, an increase of US$5.9m or 17.5%, compared with 2007. This expected increase is predominantly due to a service contract relating to our new Satellite Access Station ('SAS') in Hawaii, which supports our broadband services, and additional support and maintenance contracts in respect of network infrastructure.

Other operating costs

During 2008, other operating costs were US$79.6m, an increase of US$15.5m, or 24.2%, compared with 2007. The increase relates principally to the movement in Inmarsat Core's[1] hedged rate of exchange and increased professional fees, including those relating to the finance lease and operating leaseback transaction. Furthermore we have incurred higher direct cost of sales due to increased SPS terminal sales and some increased costs in relation to our investment in sales and marketing activities to support a broader channel to market. Partially offsetting the increase was a foreign exchange gain of US$1.4m recognised in 2008 (2007: loss of US$2.9m).

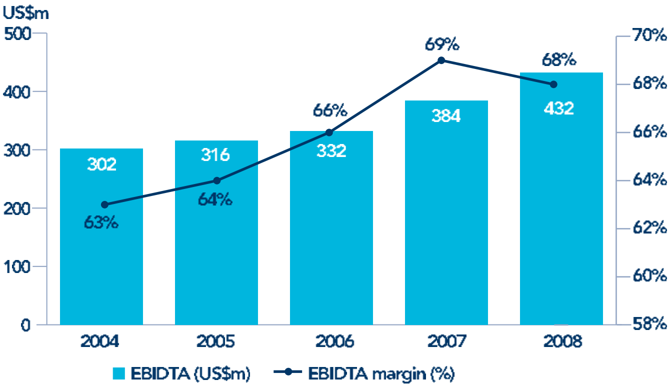
Work performed by the Group and capitalised

During 2008, own work capitalised was US$24.0m, an increase of US$5.5m, or 29.7%, compared with 2007. The increase can partly be attributed to the movement in the Group's hedged rate of exchange on primarily Pounds Sterling denominated salary costs. Costs in relation to the launch and in-orbit testing of the third Inmarsat-4 satellite and the third SAS in Hawaii have been capitalised in 2008. Additionally, own work capitalised reflects the shift of work from our BGAN and Inmarsat-4 programmes to the development of the GSPS network and terminals and the Alphasat satellite project.

EBITDA

As a result of the factors discussed above, EBITDA for 2008 was US$431.6m, an increase of US$48.1m, or 12.5%, compared with 2007. EBITDA margin has slightly decreased to 68.0% for 2008 compared with 68.8% for 2007, primarily as a result of the adverse movement in Inmarsat Core's[1] hedged rate of exchange.

EBITDA



Depreciation and amortisation

During 2008, depreciation and amortisation was US$167.0m, a decrease of US$7.2m, or 4.1%, compared with 2007. The decrease relates predominantly to accelerated depreciation of US$9.4m in relation to the cancellation of a launch vehicle contract for the launch of our third Inmarsat-4 satellite, which was accounted for in 2007.

Operating profit

As a result of the factors discussed above, operating profit during 2008 was US$264.6m, an increase of US$55.3m, or 26.4%, compared with 2007.

Interest

Net interest payable for 2008 was US$78.2m, a decrease of US$5.6m compared with 2007.

Interest payable for 2008 was US$107.2m, an increase of US$15.8m, or 17.3% compared with 2007. The increase is primarily attributable to a full year of interest recognised on our Convertible Bonds (issued in November 2007), additional interest on our Senior Discount Notes, following the semi-annual accretion of principal, interest incurred on interest rate swaps in place during the year and additional interest due to increased borrowings under our Senior Credit Facility (US$390.0m at 31 December 2008 compared to US$320.0m at 31 December 2007). Partially offsetting this increase was lower interest payable due to the increase in the principal amount of our Senior Notes owned by the Group (US$146.7m at 31 December 2008 compared to US$91.6m at 31 December 2007), as well as lower interest payable on the floating portion of our Senior Credit Facility as a result of a reduction in US LIBOR interest rates.

[1] Inmarsat plc and its subsidiaries excluding CIP

Interest receivable for 2008 was US$29.0m, an increase of US$21.4m, or 282% compared with 2007. The increase is predominantly due to interest income of US$16.1m accrued on our loan to CIP (granted in December 2007) and a foreign exchange gain in respect of our pension and post-retirement scheme liabilities. Partially offsetting the increase was a decrease in bank interest earned due to lower cash balances and lower interest rates.

Profit before tax

For 2008, profit before tax was US$186.4m, an increase of US$60.9m, or 48.5% compared with 2007. The increase is due to increased revenue, reduced depreciation and amortisation and lower net interest payable, partially offset by increased operating costs.

Income tax expense

Inmarsat Core[1] recorded a tax credit of US$165.2m for 2008, compared with a tax charge of US$28.3m in 2007.

The decrease in the tax charge is predominantly due to a deferred tax credit of US$211.8m and a current tax credit of US$6.8m that have been recorded in the current year. The tax credits relate to a finance lease and operating leaseback transaction that was entered into in 2007. We have recorded the tax benefit in the current year as we now consider it likely that we will receive the benefit.

Excluding the impact of the above transaction, the tax charge for 2008 would have been US$50.4m and the underlying effective tax rate in 2008 would have been 27.0% compared to 31.8% in 2007 (excluding a deferred tax credit to record the effect of the enacted reduction in the future corporation tax rate from 30% to 28%). The decrease in the underlying effective tax rate is due to the reduction in the Corporation Tax rate for the year from 30% to 28% and a reduction in the level of permanently disallowable expenditure.

Profit for the year

As a result of the factors discussed above, profit for 2008 was US$351.6m, an increase of US$254.4m, or 262%, compared with 2007.

CIP Results

The 2008 Group results include the full year trading results of CIP. CIP operates and is managed independently from Inmarsat Core[1]. CIP's only trading subsidiary is Stratos for which all trading information that follows primarily relates. For further information on Stratos, please refer to its 2008 Audited Financial Statements and Management Discussion and Analysis which were issued on 24 February 2009 and can be accessed at www.stratosglobal.com. In addition, the results of CIP include the impact of the final fair value allocation of the assets and liabilities of Stratos, which were acquired by CIP Canada on 11 December 2007.

Total revenues for CIP for the year ended 31 December 2008 were US$638.0m. This comprises MSS revenues of US$494.2m, broadband revenues of US$93.6m and revenues from the sales and rental of equipment and repairs of US$50.2m. Inmarsat services account for approximately 79% of Stratos' MSS revenues. Intragroup revenues reported by Inmarsat Core[1] from Stratos that are eliminated on consolidation were US$269.6m for 2008. In addition, US$6.4m intragroup revenues reported by Stratos from Inmarsat Core[1] for 2008 have been eliminated.

Total operating costs (excluding depreciation and amortisation) for CIP for 2008 were US$539.7m. Stratos' largest operating costs category is network and satellite operations costs which largely reflects costs of goods and services, variable expenses such as the cost of airtime and space segment they purchase from satellite operators including Inmarsat, cost of equipment, materials and services they re-sell, and variable labour costs related to the repair and service workforce. Intragroup costs that are eliminated on Group consolidation were US$276.3m for the year for network and satellite operations costs and US$1.0m for other operating costs.

Depreciation and amortisation of US$47.7m for 2008 relates to capital assets with a net book value of US$653.1m at 31 December 2008. The net book value at 31 December 2008 reflects the finalisation of the fair value allocation of the assets and liabilities of Stratos which were acquired by CIP Canada on 11 December 2007.

Net interest payable of US$38.4m for 2008 primarily reflects interest costs associated with Stratos' outstanding Senior Credit Facility of US$13.5m, Senior Unsecured Notes of US$14.8m and interest on the intragroup loan that is payable to Inmarsat III of US$16.1m. Partially offsetting these interest charges is the unwinding of a hedge gain in CIP UK of US$9.7m. The intragroup loan and associated interest is eliminated on Group consolidation.

Profit attributable to equity holders after tax for 2008 was US$9.2m. Profit attributable to non-controlling interests for 2008 was US$0.1m.

Total Group Results

Earnings per share

For 2008, basic and diluted earnings per share for profit attributable to the equity holders of the Company were 78 cents (US$) and 77 cents (US$), respectively, compared with 21 cents (US$) and 21 cents (US$), respectively for 2007. The increase is primarily due to a large tax credit in the current year and the inclusion of a full year's results of CIP compared to 21 days in 2007. 2008 basic and diluted earnings per share adjusted to exclude the tax credit were 30 cents (US$) and 32 cents (US$), respectively.

Liquidity and capital resources

Among satellite companies, Inmarsat has historically maintained one of the lowest levels of debt leverage. This prudent approach means that we are today well positioned to access capital markets when needed to meet our financing needs. Inmarsat has no debt maturities in the next 12 months and the majority of our debt does not fall due until 2012 and beyond. Inmarsat has significant headroom in all of our debt covenants and we will be comfortably able to operate within these covenants in the coming year. In addition our business remains highly cash generative, meaning we can reduce debt and continue to fund dividends to shareholders.

Inmarsat Core[1] had net borrowings at 31 December 2008 of US$1,244.7m primarily comprising drawings on the Senior Credit Facility of US$390.0m, a Convertible Bond of US$248.5m (including accretion of principal), Senior Notes of US$163.7m (net of US$146.7m Senior Notes held by the Group, being 47.3% of the aggregate principal amount outstanding), Senior Discount Notes of US$450.0m (the accreted principal), deferred satellite payments of US$41.4m and a bank overdraft of US$1.8m, net of cash and cash equivalents of US$51.4m.

[1] Inmarsat plc and its subsidiaries excluding CIP

CIP had net borrowings at 31 December 2008 of US$199.1m, primarily comprising drawings on Stratos' Senior Credit Facility of US$211.5m and Stratos' Senior Unsecured Notes of US$92.3m (net of US$57.7m of Stratos' Senior Unsecured Notes held by the Group, being 38.5% of the aggregate principal amount outstanding), net of cash and cash equivalents of US$105.0m.

The total net borrowings figures are as follows:

(US$ in millions)	**As at 31 December 2008**	As at 31 December 2007
Inmarsat Core[1]		
Total borrowings	**1,296.1**	1,235.5
Cash and cash equivalents	**(51.4)**	(51.1)
	1,244.7	1,184.4
CIP		
Total borrowings[(a)]	**304.1**	373.3
Cash and cash equivalents	**(105.0)**	(63.9)
	199.1	309.4
Group Net Borrowings (gross of deferred finance costs)	**1,443.8**	1,493.8

(a) Excluding the intragroup loan payable by CIP UK to Inmarsat III of US$305.7m (2007: US$299.2m) and net of US$57.7m (2007: US$nil) in principal amount of Stratos' Senior Unsecured Notes purchased by Inmarsat.

The table below shows the combined cash flow for Inmarsat Core[1] and CIP for 2008. Included in our cash flow for 2008 is the full year trading activity for CIP; 2007 only reflects 21 days of trading activity, following the deemed acquisition of CIP on 11 December 2007. The table also identifies all associated intragroup eliminations and adjustments for the reported consolidated Group cash flow position.

Combined cash flow

	Inmarsat Core[1]	CIP	Intragroup eliminations and adjustments	Consolidated plc	
(US$ in millions)	2008	2008	2008	**2008**	2007
Net cash from operating activities	424.7	102.6	(0.5)	**526.8**	390.7
Net cash used in investing activities excluding capital expenditure	(86.9)	0.8	54.5	**(31.6)**	(241.2)
Capital expenditure	(187.7)	(24.4)	0.5	**(211.6)**	(213.6)
Dividends paid to shareholders	(130.2)	–	–	**(130.2)**	(125.9)
Net cash (used in)/from financing activities excluding dividends	(21.8)	(37.9)	(54.5)	**(114.2)**	262.6
Foreign exchange adjustment	0.4	–	–	**0.4**	(0.3)
Net (decrease)/increase in cash and cash equivalents	(1.5)	41.1	–	**39.6**	72.3

Net cash from operating activities during 2008 was US$526.8m compared to US$390.7m during 2007. The increase arises from increased EBITDA and the inclusion of CIP, offset partially by movements in working capital.

Net cash used in investing activities, excluding capital expenditure, during 2008 was US$31.6m compared with US$241.2m for 2007. The decrease is due predominantly to the inclusion in 2007 of the purchase consideration for Stratos by CIP Canada, net of cash acquired, offset in part by the inclusion of US$54.5m in 2008 relating to an amount of Stratos' Senior Unsecured Notes purchased by Inmarsat during the year. Net cash used in investing activities in 2008 comprises US$23.4m of capitalised costs (2007: US$17.5m), US$6.5m fees in relation to the CIP transaction (2007: US$12.7m) and US$2.5m consideration paid under the ACeS collaboration arrangement (2007: US$3.0m). The adjustment of US$54.5m reflects the reclassification of Stratos' Senior Unsecured Notes purchased from investing activities to financing activities. On consolidation we account for the principal amount of Stratos' Senior Unsecured Notes net of the principal amount held by the Group and therefore reclassify the cash flow from investing to financing activities.

Capital expenditure during 2008 was US$211.6m compared with US$213.6m for 2007. Inmarsat Core's[1] capital expenditure for the year ended 31 December 2008 of US$187.7m reflects milestone payments and launch costs for the third Inmarsat-4 satellite, milestone payments for our third SAS which is based in Hawaii, expenditure on the Alphasat satellite project and expenditure on our GSPS network and terminal development. In addition, capital expenditure for 2008 includes US$12.2m in relation to deferred satellite payments (2007: US$11.5m). CIP's cash outflow in respect of capital expenditure for property, plant and equipment was US$24.4m for 2008 (2007: US$3.7m).

Net cash used in financing activities during 2008, excluding the payment of dividends, was US$114.2m compared to cash generated of US$262.6m during 2007. The change from cash generated in 2007 to cash utilised in 2008 is predominantly due to an issue of a US$287.7m 1.75% Convertible Bond in 2007 (net proceeds of US$281.9m). In addition, Inmarsat Core[1] purchased US$55.1m principal of its Senior Notes during 2008 (2007: US$38.0m) and paid US$38.4m interest on the Senior Notes and Facilities (2007: US$39.8m). Offsetting these outflows was Inmarsat Core's[1] drawdown of US$70.0m on its revolving credit facility (2007: US$70.0m). Additionally, the Group's cash flow from financing activities includes CIP's cash outflow of US$37.9m for 2008. The adjustment of US$54.5m relates to a reclassification from investing to financing activities, as discussed above.

The Group continually evaluates sources of capital and may repurchase, refinance, exchange or retire current or future borrowings and/or debt securities from time to time in private or open-market transactions, or by any other means permitted by the terms and conditions of borrowing facilities and debt securities. Additionally Inmarsat Core[1] may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

[1] Inmarsat plc and its subsidiaries excluding CIP

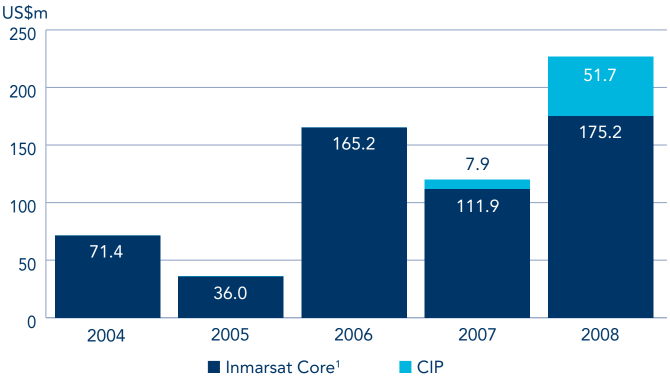
Free cash flow ('FCF')

We define FCF as net cash generated from operating activities less capital expenditure, capitalised operating costs, net interest and cash tax payments made during the year. The Group generated positive FCF of US$226.9m for the year ended 31 December 2008, an increase of US$107.1m, or 89% compared to 2007. In addition to the inclusion of a full year's cash flow relating to CIP's activities in 2008 (compared to 21 days in 2007), the increase is predominantly attributable to increased EBITDA and lower capital expenditure in relation to Inmarsat Core[1] during 2008. The table below shows the combined and individual FCF for Inmarsat Core[1] and CIP for 2008.

Free cash flow

(US$ in millions)	Inmarsat Core[1] 2008	CIP 2008	Intragroup eliminations and adjustments 2008	Consolidated plc 2008	Consolidated plc 2007
Net cash from operating activities	424.6	103.9	(0.5)	**528.0**	384.3
Capital expenditure	(187.7)	(24.4)	0.5	**(211.6)**	(213.6)
Capitalised operating costs	(23.4)	–	–	**(23.4)**	(17.5)
Net cash interest paid	(37.0)	(25.5)	–	**(62.5)**	(33.5)
Cash tax paid	(1.3)	(2.3)	–	**(3.6)**	0.1
Free cash flow	175.2	51.7	–	**226.9**	119.8

Free cash flow



Dividends

The Inmarsat plc Board of Directors recommends a final dividend of 18.20 cents (US$) per ordinary share in respect of the year ended 31 December 2008 to be paid on 29 May 2009 to ordinary shareholders on the register of members at the close of business on 15 May 2009. Shareholders will be asked to approve the final dividend payment at the Annual General Meeting to be held on 5 May 2009. 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 2008.

This, added to the interim dividend of 12.13 cents (US$) per ordinary share paid on 24 October 2008, takes the dividend for the full year to 30.33 cents (US$) per ordinary share, a 5.0% increase over 2007, and amounts to US$139.2m. The increase in dividend is in accordance with our strategy of increasing dividends based on the growth of FCF, adjusted to normalise capital expenditure.

Foreign exchange and treasury policy

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

Inmarsat Core[1] has no legal ownership or managerial control over CIP prior to the exercise of its option. CIP operates and is managed independently from Inmarsat Core[1]. CIP's and Stratos' treasury policies are not dissimilar from Inmarsat Core's[1] treasury policies. For details of Stratos' foreign exchange and treasury policy you should refer to its 2008 Audited Financial Statements and Management Discussion and Analysis.

Balance Sheet

The table below shows the combined balance sheets of Inmarsat Core[1] and CIP at 31 December 2008. The table also identifies all associated intragroup eliminations and adjustments for the reported consolidated Group balance sheet.

Combined balance sheet

(US$ in millions)	Inmarsat Core[1] 2008	CIP 2008	Intragroup eliminations and adjustments 2008	Consolidated plc 2008	Consolidated plc 2007
Non-current assets	2,233.8	661.7	(417.3)	**2,478.2**	2,460.4
Current assets	243.2	270.3	(84.9)	**428.6**	366.1
Total assets	2,477.0	932.0	(502.2)	**2,906.8**	2,826.5
Current liabilities	(393.5)	(172.3)	105.3	**(460.5)**	(322.4)
Non-current liabilities	(1,156.7)	(747.8)	391.9	**(1,512.6)**	(1,770.7)
Total liabilities	(1,550.2)	(920.1)	497.2	**(1,973.1)**	(2,093.1)
Net assets	926.8	11.9	(5.0)	**933.7**	733.4

The 31 December 2007 consolidated results have been restated to reflect the allocation of the purchase consideration following the final fair value review of the assets and liabilities of Stratos which were acquired by CIP Canada on 11 December 2007. At 31 December 2007, the Group accounted on a provisional basis for the excess of the purchase price over the asset value that arose on the acquisition. Owing to the proximity of the acquisition to the year end, the required allocation of excess purchase price to identify tangible and intangible assets was not completed and provisional goodwill recognised was US$407.3m. As a result of the final fair value review, goodwill decreased by US$136.0m from that reported at 31 December 2007. The decrease primarily reflects the recognition of identifiable intangible assets of US$197.7m, uplift to tangible assets of US$1.0m and a corresponding deferred tax liability of US$59.6m. Refer to note 24 for details of the fair value allocation.

[1] Inmarsat plc and its subsidiaries excluding CIP

The Group's non-current assets totalled US$2,478.2m at 31 December 2008 compared with US$2,460.4m at 31 December 2007. The increase of US$17.8m is due primarily to additions of capital assets, offset in part by depreciation and amortisation during 2008. The adjustment of US$417.3m represents the elimination of the intragroup loan between Inmarsat III and CIP UK, an adjustment for transaction costs in Inmarsat Core[1] which are capitalised to goodwill on consolidation, an adjustment for non-controlling interests and an adjustment for the US$29.7m in hedging gains applied against the purchase price of Stratos by CIP Canada on consolidation.

Current assets for the Group were US$428.6m at 31 December 2008 compared with US$366.1m at 31 December 2007. Trade and other receivables increased from US$234.8m at 31 December 2007 to US$251.3m at 31 December 2008 principally due to an increase in the trade receivables of Inmarsat Core[1] as sales increased. Cash and cash equivalents increased from US$115.0m at 31 December 2007 to US$156.4m at 31 December 2008. The adjustment of US$84.9m primarily represents the elimination of intragroup receivables.

Current liabilities for the Group at 31 December 2008 were US$460.5m compared with US$322.4m at 31 December 2007. The US$110.7m increase in current borrowings relates primarily to the drawdown of a further US$70.0m under Inmarsat Core's[1] Senior Credit Facility and the transfer of US$50.0m of the Senior Credit Facility from non-current to current liabilities during 2008. Partially offsetting this increase was the repayment of US$11.4m of the current portion of Stratos' Senior Credit Facility during 2008. Trade and other payables have increased by US$0.3m from the year ended 31 December 2007 and largely relate to higher payables for CIP, offset in part by lower payables for Inmarsat Core[1] as a result of lower capital expenditure accruals at 31 December 2008. The adjustment of US$105.3m represents the elimination of intragroup payables and unamortised hedged gains in Inmarsat III which have been applied against the purchase price of Stratos by CIP Canada on consolidation.

Non-current liabilities for the Group were US$1,512.6m at 31 December 2008 compared with US$1,770.7m at 31 December 2007. Non-current borrowings decreased by US$113.3m, primarily relating to the purchase by the Group of US$55.1m principal amount of Inmarsat Core's[1] Senior Notes, the purchase of US$57.7m principal amount of the Stratos' Senior Unsecured Notes (on consolidation we account for the Senior Notes and Stratos' Senior Unsecured Notes net of amounts held by ourselves) and the transfer of US$50.0m of the Senior Credit Facility from non-current to current borrowings. Partially offsetting this decrease was an increase in the principal amount of the Senior Discount Notes of US$38.0m and the Convertible Bond of US$17.1m, due to the semi-annual accretion of principal. The adjustment of US$391.9m represents the elimination of the intragroup loan between Inmarsat III and CIP UK and the elimination of US$57.7m principal amount of Stratos' Senior Unsecured Notes held by the Group.

Critical accounting policies

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

CIP and its subsidiaries

The financial performance of CIP is outside the control of the management of Inmarsat Core[1]. CIP operates independently and is managed independently from Inmarsat Core[1]. Inmarsat Core[1] management has no ability to influence or manage the results of CIP or to mitigate any adverse impacts on its business.

Risk factors

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

Our critical risk factors are discussed below, but this summary is not intended to be an exhaustive analysis of all risks affecting the business. Some risks may be unknown to us and other risks, currently regarded as immaterial, could turn out to be material. All of them have the potential to impact our business, revenue, profits, assets, liquidity and capital resources adversely. They should also be considered in connection with the statement on internal control and risk management in the Statement on Corporate Governance, the forward-looking statements in this document and the cautionary statement regarding forward-looking statements.

Satellites

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

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.

Sales to two distribution partners represent 81% of Inmarsat Core[1] revenues and the loss of either of these could materially impact our routes to market, reduce customer choice or represent a significant bad debt risk. However, as already described, we have the option to acquire our largest distribution partner in April 2009.

The existing distribution agreement comes to an end on 14 April 2009 and will be replaced with a new distribution agreement with terms that are significantly different from the existing terms. There is a risk that not all distribution partners accept the terms of the new distribution agreement which may cause disruption as customers look to move to other distributors in order to guarantee service continuity.

[1] Inmarsat plc and its subsidiaries excluding CIP

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.

Competition
Although Inmarsat is a market leader in mobile satellite services, there is increasing competition both from existing mobile satellite operators as well as fixed satellite service operators who are seeking to enter our markets.

Economic conditions
The current weakness in the global economic environment may lead to a fall in demand for our services, particularly in the maritime and aeronautical sectors. However, many of the customers we serve are government and industrial corporations who, because of their own business needs, rely on our communications solutions and services even as economic conditions fluctuate. In addition, our business benefits from diversity of sectors, services offered and customer types on land, sea and air.

Outlook for Inmarsat Core[1]
The positive trends in all our business sectors have been maintained in the early trading results for 2009. In particular, we have not yet seen a material impact on the overall performance of our maritime sector as a result of global economic slowdown. In addition, as we have a significant proportion of our revenue from government customers and commercial customers tend to have a high degree of day-to-day reliance on our services, we believe our business is well positioned against economic downturn. As a result, we are cautiously optimistic that our business will continue to show solid revenue growth in 2009.

Allowing for the movement of around US$45.0m of capital expenditure deferred from 2008 to 2009, we expect our cash capital expenditure in 2009 will be in a range of US$150.0m to US$160.0m (excluding deferred satellite payments) and will primarily fund our investments in Alphasat and GSPS.

In April 2009 we expect to exercise a Call Option to complete the acquisition of Stratos and we are optimistic about the prospects for the enlarged group. There is no financing or material funding requirement in connection with exercising the Call Option or completing the acquisition.

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

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

[1] Inmarsat plc and its subsidiaries excluding CIP

Corporate social responsibility

The Company recognises the growing awareness of social, environmental and ethical matters and it endeavours to take into account the interests of the Group's stakeholders, including its investors, employees, suppliers and business partners, when operating the business. Through the embedded risk management process within the Inmarsat Core[1] operations, any significant social, environmental and ethical matters are brought to the attention of the Board. As the Directors of the Group have no control over the business of CIP, they do not have access to provide information relating to corporate social responsibility within CIP.

Code of Conduct

Inmarsat Core[1] maintains and requires the highest ethical standards in carrying out its business activities and has specific guidelines for dealing with gifts, hospitality, corruption, fraud, the use of inside information and whistleblowing.

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

Employment

Inmarsat Core[1] has established policies which address key corporate objectives in the management of employee relations, communications and employee involvement, training and personal development and equal opportunities.

On 1 January 2009, Inmarsat Core[1] made important organisational changes, promoting internal personnel to ensure that the right skills continue in key areas of focus over the next few years. This was due in part, to the departure of an Executive Director, the upcoming potential Stratos transaction, and other senior management moves due to expected future retirements.

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

During the year, the first Sharesave Schemes for UK and International employees matured and new three year schemes were put in place attracting contributions from over 80% of employees across the business. The Group was very pleased with this take-up which included a significant percentage of employees from the office in Batam, Indonesia.

The President has been identified as the member of senior management having responsibility for health and safety issues within the Inmarsat Core[1] operations. Following the departure of Mr Butler from the business, Mr Melton, the Chief Operating Officer, will assume this responsibility. The Group recognises its legal responsibilities to ensure the well-being, safety and welfare of its employees and to maintain a safe and healthy working environment for them and for its visitors and sub-contractors. Regular health and safety audits are undertaken at the main operating sites of the Inmarsat Core[1] operations and a health and safety annual review document is made available to staff to show what improvements have been made to their working environment.

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

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

Environment

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

The Company does not manufacture satellite user terminals. The terminals are developed by manufacturers who provide health and safety guidance as to how terminals should be utilised. Controls are in place to ensure that antennae do not radiate any power at low elevation angles.

The Group currently operates a number of 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.

Inmarsat Core[1] has adopted the highest industry standards in terms of space debris mitigation, including end-of-life graveyard manoeuvre plans for the disposal of satellites when they reach the end of their commercial life. Inmarsat Core[1] operates its satellites in geosynchronous orbits. These position the satellites at approximately 36,000km (22,500 miles) above the earth. This orbit has significantly less debris than the low earth orbit of approximately 700km above the earth, the scene of a recent publicised collision of another satellite operator. This lower orbit has dramatically more debris; Inmarsat has no satellites in this orbit. The first disposal of one of the Inmarsat-2 satellites was completed during 2006. We were in full compliance with the relevant ITU standards for its disposal. There are no near-term plans for decommissioning any of the remaining satellites.

Of its 468 global workforce, Inmarsat Core[1] has over 370 staff within its headquarters in London with the remainder located in regional offices around the world. Due to the size and nature of these activities, the Company has a degree of environmental impact on the local and global environment. However, it should be noted that the satellite industry and Inmarsat are extremely low on the scale of carbon generators.

[1] Inmarsat plc and its subsidiaries excluding CIP

Some of the environmental impacts facing the business include the use of natural resources, the consumption of energy and water, the production of a variety of waste, in addition to staff and visitors travelling for business purposes around the globe. Inmarsat's objective is to ensure that the Group does not have any detrimental effect on the environment through our business operations. Inmarsat's mission is to adopt and adhere to the following principles:

- to provide first class energy and environmental management practices;
- to comply with all relevant global environmental legislation and regulatory controls;
- to identify significant environmental and social impacts and establish objectives and targets for improvement;
- to recycle a minimum of 90% of generated waste and constantly to review the opportunity to use recycled products;
- actively to encourage the conservation of energy, water and natural resources through the increased efficiency and introduction of new and modern technology; and
- to encourage all employees to be proactive in their daily activities by:
- separating their waste into dry and wet waste receptacles;
- ensuring that printer cartridges are recycled;
- switching off lights, computers, phone chargers and any other electrical items when not in use; and
- reducing business travel and using more site-based technology such as video and audio conferencing.

Electricity continued to be the focus of attention during 2008: 7,489,010 kWh of electricity (2007: 7,414,080 kWh) was consumed which produced 3,220,274 kg of CO^2. The base load has now been stabilised after the introduction of robust energy strategies. During 2009, the building's five main inefficient passenger lift motors and control gear are scheduled to be replaced. The new high efficiency gearless machines and improved destination controls are expected to deliver power consumption savings of up to 50% by operating more effectively and reducing the number of wasted journeys between floors.

57,000 kg of waste was recycled in 2008, being the Company's first full year of its recycling scheme. This volume was equivalent to planting 878 trees and more importantly, saved $234m^3$ of landfill site. For 2009, all non-recyclable waste will be transported to the South East London Combined Heat and Power plant where it will be incinerated to produce heat and power for the local community.

Energy and the environment continues to be a major focus in 2009 and has the full backing of management with the aim of continuing to reduce the carbon footprint of the business.

Community

Safety at sea remains a primary commitment for Inmarsat Core[1]. Inmarsat remains the only approved provider of satellite communications services for the Global Maritime Distress and Safety System ('GMDSS'). This service is trusted throughout the world by mariners and by the rescue co-ordination centres that are integral to ensuring that a safety alert is actioned. The GMDSS gives maritime users complete confidence that if they send a distress call, it will be received by a rescue authority. Examples of when this service has been used to save lives during 2008 are:

- the rescue of more than 20 crew on board a burning vessel on the River Amazon;
- the rescue of 89 tourists from a cruise liner when it ran aground in the Antarctic; and
- the rescue of a crew forced to abandon their sailing yacht in rough seas in Canada.

In addition, during 2008, Inmarsat cemented its agreement to co-operate with the United Nations Educational, Scientific and Cultural Organisation ('UNESCO') on the use of BGAN to enhance a tsunami early warning system in the Indian Ocean. Following the December 2004 tsunami, more than 50 sea-level stations have been providing data as part of a network of seismometers, sea-level gauges and deep-pressure sensors. The sensors monitor changes in sea level, transmitting tidal information every 15 minutes to tsunami warning centres.

[1] Inmarsat plc and its subsidiaries excluding CIP

Incorporating BGAN services into the system will make it possible to transmit this data every minute, giving people close to shore vital extra time to move inland.

The Group continues its commitment to the support of Télécoms Sans Frontières ('TSF'), the telecommunications relief aid organisation. Inmarsat has supported the charity for more than six years through direct funding and the provision of free satellite terminals and has confirmed its ongoing support in 2010. TSF is able to reach disaster areas quickly and to help other aid charities with their communications needs whilst also providing the opportunity for those affected to call relatives. 2008 was a very busy year with TSF sending response teams to deal with crises in many different countries including Nicaragua, Georgia and China.

TSF also supports ongoing work in various countries working with Unicef, the United Nations Department of Safety and Security and the United Nations Development Programme. For example, in conjunction with TSF, Inmarsat's BGAN service is being deployed to support frontline disaster prevention in Nicaragua on a permanent basis so that rather than just reacting to emergencies as and when they happen, the Nicaraguan Government and aid agencies can prepare for the next emergency in the danger areas. TSF is supplying BGAN equipment and training to the Nicaraguan authorities as part of an initiative funded by the European Union. BGAN terminals have been strategically positioned in the three main hubs used by Nicaragua's National Disaster Response Agency, ready to be used in the event of an emergency.

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 and some services in China.

Education

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

During 2008, Inmarsat sponsored the UK Aerospace Youth Rocketry Challenge (UKAYRoC), an annual challenge for secondary school students to build a safe and stable model rocket, and to use it to lift a fragile payload of two raw hen's eggs to an altitude of more than 225m and also for a total flight duration of exactly 45 seconds before returning the payload safely and in good condition. The event is organised by Tri Polus, the UK Rocketry Association (UKRA), Space Connections and the Royal Aeronautical Society (RAeS) and 2008 saw over 50 teams from schools across the UK taking part.

Partnerships

With the continued development of Inmarsat services, the Group has seen how they can be used in ways which bring social and environmental benefits. Inmarsat's partners work closely with local companies and charities which are active in how they approach environmental and community matters. The Group is delighted that through the use of its services, its partners and customers can make a difference in these areas and examples of this during 2008 are detailed below:

- The Saudi Ministry of Agriculture created a network of locust early warning centres to protect the livelihoods of domestic farmers. Swarming in their millions, desert locusts inflict devastating damage on arable farmland, affecting local markets and national economies and international trade. Should an early warning centre detect a swarm, its operators can use BGAN to relay information, concerning the distance and position of the swarm, back to the Ministry head offices. The Ministry can then take measures to deal with the locusts before the insects get the opportunity to lay waste to the croplands. This information also enables the United Nations Food and Agriculture Organization to establish a globalised picture of the problem and therefore aid it in devising new strategies to protect the food stocks of equally or more vulnerable regions and countries.

- The launch of 'Kids of Nature' to encourage children – and their parents and teachers – to become closer to nature via website updates from remote areas. This initiative started in South Africa with the intention of expanding its geographic reach.

- The support of a veteran malaria-prevention campaigner in his journey through 33 countries around the coast of Africa to raise awareness of the dangers of malaria, using BGAN to keep in touch during his travels and to raise the profile of his activities with the media.

- Healthcare providers in Mozambique have been able to co-ordinate a programme to assist locals living with HIV and AIDS using Inmarsat services. These services provide reliable hand-held satellite connectivity in remote areas where approximately 40% of the population have to walk more than 20km to reach a primary care facility.

- The use of BGAN services for telemedicine applications where seriously ill people can have their ailments closely examined by experts hundreds of miles away. A recent, successful trial was undertaken by the University of Bogotá in Columbia to enable doctors to make fast diagnoses without either patient or medical expert needing to make a lengthy journey. Telemedicine applications using Inmarsat's broadband services are also used by airlines and the maritime industry.

- A European Union-backed emergency response initiative to set up temporary GSM disaster zones. The Wireless Infrastructure over Satellite for Emergency Communications (Wisecom) initiative recently used BGAN in its disaster recovery exercise to ensure that contact with the wider world could be maintained.

As at 12 March 2009

Andrew Sukawaty
Chairman and Chief Executive Officer

Mr Sukawaty joined the Company as Chairman in December 2003 and was appointed Chief Executive Officer in March 2004. He is non-executive chairman of Xyratex Ltd (Nasdaq) and a non-executive director of Ziggo B.V (formerly Zesko Holdings B.V.). He served as chief executive officer and president of Sprint PCS from 1996 to 2000 and as chief executive officer of NTL Limited from 1993 to 1996. Previously, he held various management positions with US West and AT&T. He has served on various listed company boards as a non-executive director. Mr Sukawaty holds a BBA from the University of Wisconsin and an MBA from the University of Minnesota.

Michael Butler
President

On 15 December 2008, the Company announced that Mr Butler would step down as Chief Operating Officer ('COO') with effect from 1 January 2009 and be replaced by Perry Melton, formerly Vice President of Sales and Marketing. Mr Butler will remain as President and an Executive Director of the Company until 30 April 2009 when he will leave the business as announced in March 2008. Mr Butler joined the Board in December 2003. He had served as Managing Director of Inmarsat since May 2000 and became COO in June 2004 and President in November 2006. Previously, he was the managing director of MCI WorldCom International in the UK and had held various general management positions, initially at MFS Communications Limited and subsequently MCI WorldCom International. He was also employed by British Telecommunications plc in a variety of managerial roles. He holds an HNC in Business and Finance and a Diploma from the Chartered Institute of Marketing.

Sir Bryan Carsberg
Independent, Non-Executive Director

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

Stephen Davidson
Independent, Non-Executive Director

Mr Davidson joined the Board in June 2005. Mr Davidson is Chairman of Datatec Ltd and Digital Marketing Group plc, the senior independent director of Mecom Group plc and 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. Previously he was Finance Director, then Chief Executive Officer of Telewest Communications plc. He has also been Chairman of the Cable Communications Association. He holds an MA (first class) in Mathematics and Statistics from the University of Aberdeen.

Admiral James Ellis Jr (Rtd)
Independent, Non-Executive Director

Admiral Ellis joined the Board in June 2005. He is President and Chief Executive Officer of the Institute of Nuclear Power Operations (INPO), with headquarters in Atlanta, Georgia. Admiral Ellis retired from the US Navy in 2004 as Commander, US Strategic Command. He was responsible for the global command and control of US strategic forces to meet decisive national security objectives. Admiral Ellis is a graduate of the US Naval Academy, was designated a Naval Aviator in 1971 and held a variety of sea and shore assignments in the US 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.

Kathleen Flaherty
Independent, Non-Executive Director

Ms Flaherty joined the Board in May 2006. She currently serves as a non-executive director of GenTek, Inc. (Nasdaq). Previously Ms. Flaherty served on the board of Marconi Corporation plc 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. Previous positions include Chief Marketing Officer at AT&T; President and Chief Operating Officer of Winstar International; Senior Vice President, Global Product Architecture for MCI Communications, Inc and Marketing Director for National Business Communications at BT. Ms. Flaherty graduated from Northwestern University, Evanston Illinois with a Ph.D. in Industrial Engineering and Management Sciences. She is a member of the McCormick Advisory Board, Northwestern University, and sits on its executive committee.

Rick Medlock
Chief Financial Officer

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

John Rennocks
Senior Independent, Non-Executive Director and Deputy Chairman

Mr Rennocks joined the Board in January 2005. He is an independent, non-executive chairman of Diploma plc, Nestor plc, Intelligent Energy plc and Composite Energy Ltd, and a non-executive director of two other companies. He has broad experience in emerging energy sources, support services and manufacturing. Mr. Rennocks previously served as a director of Inmarsat Ventures plc, and as Executive Director-Finance for British Steel plc/Corus Group plc, Powergen plc and Smith & Nephew plc. Mr. Rennocks is a Fellow of the Institute of Chartered Accountants of England and Wales.

Alison Horrocks
Vice President - Corporate Governance and 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

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

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

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

Executive Management Board

° The Chief Executive Officer and his direct reports comprise the Executive Staff.

Diane Cornell
Vice President – Government Affairs

Chris D'Aguiar
Vice President - Sales and Marketing

Richard Denny
Senior Vice President – Global Networks & Engineering

Padraig Dowd
Vice President – Commercial, Product & Service Management

Alison Horrocks°
Vice President – Corporate Governance & Company Secretary

Eugene Jilg°
Chief Technical Officer

Debbie Jones°
Senior Vice President – Corporate Development

Christopher McLaughlin
Vice President – External Affairs

Rick Medlock°
Chief Financial Officer

Perry Melton°
Chief Operating Officer

Leo Mondale
Vice President – Business Development & Strategy

Rupert Pearce°
Senior Vice President – Inmarsat Enterprises & Group General Counsel

Ruy Pinto
Vice President – Satellite & Network Operations

Nick Rowe
General Counsel

Nils Solvang
Vice President – Information & Communications Technology

Andrew Sukawaty°
Chairman & Chief Executive Officer

Michael Butler remains a member of the Executive Management Board until his departure on 30 April 2009.

Directors' Report
For the year ended 31 December 2008

The Directors have pleasure in submitting their report and the audited financial statements for the year ended 31 December 2008.

As explained in the Chief Financial Officer's Review on page 13, in addition to the Inmarsat Core[1] operations, the financial results of CIP UK Holdings Limited and its subsidiaries ('CIP UK') have also been incorporated into the Inmarsat consolidated financial statements for the year ended 31 December 2008. References to 'Group' on pages 14 to 22 include Inmarsat Core[1] operations and CIP (unless otherwise noted).

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

The Group has several branch and regional offices throughout the world. The subsidiary and associated undertakings principally affecting the profits or net assets of the Group in the year are listed in note 36 to the consolidated financial statements.

The Directors are also required by the Companies Act 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 Chairman and Chief Executive Officer's Business Review on pages 4 to 12, the Chief Financial Officer's Review on pages 13 to 22 and the Report on Corporate Social Responsibility on pages 23 to 25. The cautionary statement set out on the inside back cover forms part of this Annual Report and is incorporated by reference into the extended business review as defined above.

Results and dividends
The results for the year are shown in the Consolidated Income Statement on page 49.

The Directors propose the payment of a final dividend per ordinary share of 18.20 cents (US$) making a total for the year of 30.33 cents (US$) per ordinary share – 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 2009 Annual General Meeting ('AGM'), the final dividend will be paid on 29 May 2009 to shareholders on the register of members at the close of business on 15 May 2009.

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$150,000 (2007: US$130,000) to the telecommunications relief aid organisation, Télécoms Sans Frontières ('TSF'). The Company has pledged to pay TSF US$150,000 (plus US$50,000 of airtime) in 2009.

The Company made a payment of US$100,000 to the World Maritime University during 2008 and has pledged to make a further payment of US$103,500 in 2009 as part of its support for the education of maritime specialists (payment made in 2006 in respect of the 2007 financial year was US$100,000).

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

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

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

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

Directors and their interests
The Directors, who served throughout the year, were as follows:

- Michael Butler, President
- 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 2008. As announced on 13 March 2008, Michael Butler will be leaving the Company on 30 April 2009.

Biographical information on each of the Directors is contained on pages 26 and 27 of the Annual Report. Their biographies illustrate the Directors' range of experience, which ensures an effective Board to lead and control the Group.

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 2008 or subsequently have had any interests in any shares of the Company's subsidiaries.

[1] Inmarsat plc and its subsidiaries excluding CIP

Re-appointment of Directors

The Company's Articles of Association require that one-third of the Directors retire by rotation at each annual general meeting of the Company. Therefore, the following Directors will retire and put themselves forward for re-appointment at the 2009 AGM. The interval since their last re-appointment is no more than three years and they have each confirmed that they will stand for re-appointment:

- Admiral James Ellis Jr (Rtd)
- Kathleen Flaherty
- Rick Medlock

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 news up-dates, Company announcements, information releases and dissemination of information through normal management channels. The Company has a Staff Forum to extend two-way communications between employees and management and to allow the views of employees to be taken into account in making decisions which are likely to affect their interests. The Staff Forum is an elected body constituted in accordance with prevailing legislation to provide the formal means of consultation on contractual matters, as and when required. The Company also undertakes employee satisfaction surveys. Employees are actively encouraged to attend internal training courses to learn about the Company's business, its products and services.

The Company encourages, through its share and share option schemes, employee involvement in the Company's performance. Details of the outstanding options granted to employees are shown in note 27 to the consolidated financial statements. The first grant of options under the Inmarsat 2005 Sharesave Scheme and the Inmarsat 2005 International Sharesave Scheme matured in 2008. A second grant of options under both Schemes was made to eligible employees in December 2008, details of which are provided on page 44.

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 40 different nationalities amongst the staff.

Equal opportunities

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

Health and safety

The Group is committed to maintaining high standards of health and safety for its employees, customers, visitors, contractors and anyone affected by its business activities. Michael Butler has been identified as the member of senior management having responsibility for health and safety issues within the Inmarsat Core[1] operations. Following the departure of Mr Butler from the business, Mr Melton, the Chief Operating Officer, will assume this responsibility.

As the Directors have no control over the business of CIP, they cannot comment on the policies in place regarding CIP's employees, share plans and cannot comment on CIP's equal opportunities policy or health and safety procedures. This will change following the expected exercise of the call option to acquire CIP in April 2009.

Policy and practice on the payment of creditors

The Group's policy and practice on the 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 2008, the Group's trade creditors represented 30 days equivalent of aggregate amounts invoiced by suppliers during the year (2007: 30 days).

Interests in voting rights

At 12 March 2009, the Company had been notified, in accordance with the Financial Services Authority's Disclosure and Transparency Rules, of the following voting rights as a shareholder of the Company:

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

	Direct		Indirect	
Harbinger Capital Partners Master Fund I, Ltd and Harbinger Capital Partners Special Situations Fund, L.P.	–	–	132,041,000	28.76%
Lansdowne Partners Limited Partnership	–	–	50,958,170	11.14%
BlackRock, Inc.	–	–	42,576,471	9.31%
Legal & General Group Plc	31,677,326	6.90%	–	–
KDDI Corporation	21,739,149	4.76%	–	–
F&C Asset Management plc	–	–	19,164,056	4.19%
Allianz SE	–	–	13,833,486	3.02%

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

Share capital and control

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

The Company's ordinary shares of €0.0005 each are listed on the London Stock Exchange (LSE: ISAT). Details of the authorised and issued share capital of the Company, together with movements in the issued share capital during the year, are given in note 26 to the consolidated financial statements.

[1] Inmarsat plc and its subsidiaries excluding CIP

Directors' Report
For the year ended 31 December 2008 continued

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

Details of employee share schemes are set out in note 27. Shares acquired through Company share schemes and plans rank pari passu with the shares in issue and have no special rights. All of the ordinary shares held by the Inmarsat Employee Share Ownership Trust, being 1,250,367 shares, carry voting rights. The beneficiaries of 188,961 of these shares do not instruct the Trust on how to vote in respect of these shares.

The Inmarsat Core[1] operations have in place several significant agreements, which include, inter alia, its banking and debt arrangements, distribution agreements with suppliers and contracts for the in-orbit insurance of the Inmarsat-4 satellites. Subject to the identity of a third party bidder, in the event of a change of control following a takeover bid, Inmarsat Core[1] does not believe that these agreements would suffer a material adverse effect or be subject to termination upon a change of control. However, Inmarsat Core[1] has customary clauses in all its long term debt funding specifying that in the event of a change of control following a takeover bid, the lenders have the option to have the debt repaid under the specific terms of each type of debt.

The Company does not have agreements with any Director or employee of the Inmarsat Core[1] operations that would provide compensation for loss of office or employment resulting from a takeover except that provisions of the Company's share option schemes and share plans may cause options and awards granted under such schemes to vest on a takeover. As the Directors have no control over the business of CIP, they cannot comment on the impact on agreements to which CIP are a party in the event of a change of control.

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

The Directors have been authorised by shareholders to issue and allot ordinary shares up to agreed limits and to have the ability to make market purchases of ordinary shares. At the 2009 AGM, shareholders are being requested to renew these authorities.

Significant contracts
The majority of the space segment revenue of Inmarsat Core[1] is derived from sales to Land Earth Station Operators ('LESOs') and distribution partners ('DPs'). LESOs operate in accordance with the terms and conditions of the Land Earth Station Operator Agreement. The existing five-year agreement terminates on 14 April 2009 and new agreements governing the distribution of Inmarsat's service for LESOs and DPs will come into effect on 15 April 2009.

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

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

The Company, through its wholly owned subsidiary, Inmarsat Finance III Limited, has the option, not earlier than 15 April 2009, to acquire CIP UK Holdings Limited whose wholly-owned subsidiary, CIP Canada Investment Inc, owns the shares of Stratos. The intention is to exercise the option as soon as possible.

Directors' and Officers' liability insurance
Inmarsat plc maintains appropriate insurance to cover Directors' and Officers' liability for itself and its subsidiaries (excluding CIP, until the call option is exercised). At the date upon which this report was approved and for the year to 31 December 2008, the Company provided an indemnity in respect of all of the Company's Directors. Neither the insurance nor the indemnity provides cover where the Director is proved to have acted fraudulently or dishonestly.

Auditors
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.

A resolution to re-appoint Deloitte LLP as Auditors of the Company and to authorise the Board to determine their remuneration will be proposed at the 2009 AGM.

2009 Annual General Meeting
Your attention is drawn to the Notice of Meeting enclosed with this Annual Report which sets out the resolutions to be proposed at the forthcoming AGM.

By order of the Board

Alison Horrocks FCIS
Company Secretary
12 March 2009

[1] Inmarsat plc and its subsidiaries excluding CIP

Statement on Corporate Governance

The Company is committed to the highest standards of corporate governance. The Board has reviewed and is reporting on the Company's compliance with the requirements of the Combined Code (the 'Code') (published by the Financial Reporting Council in July 2003 and reissued in June 2006) for the year ended 31 December 2008.

Throughout the year ended 31 December 2008, the Company has been in compliance with the provisions set out in Section 1 of the Code save as provided below:

- Andrew Sukawaty acts in the dual role of Chairman and Chief Executive Officer. Mr Sukawaty was appointed Chairman in December 2003 and was asked by the Board to take on the additional responsibilities of Chief Executive Officer in March 2004. The Board believes that Mr Sukawaty's wide experience of the telecommunications industry in an executive capacity means that he is extremely well qualified to lead the Company in the joint role of Chairman and Chief Executive Officer. In September 2007, the Board announced that it had asked and Mr Sukawaty had agreed to remain in the joint role for a further period which is expected to be not less than two years to lead the Company through a period of dramatic change. It is anticipated that he would then transition to the sole role of Chairman; and
- in his capacity as Executive Chairman of the Company, Andrew Sukawaty acts as Chairman of the Nominations Committee. The Senior Independent Director, who is a member of the Nominations Committee, acts as Chairman of the meetings for discussion relating to succession planning for the Chief Executive Officer role.

The Board

The composition of the Board and its various Committees is regularly reviewed and evaluated so as to reflect the Board's and the Committees' balance of skills, expected time commitment, knowledge and experience. The Board currently has eight Directors, comprising three Executive Directors and five independent, Non-Executive Directors, which is considered an effective size and balance for the Company. A list of the individual Directors, their biographies and details of their Committee membership are provided on pages 26 and 27.

Following the Company's listing on the London Stock Exchange in June 2005, Andrew Sukawaty remained Chairman and Chief Executive Officer, both executive roles. There was a commitment that whilst this did not meet the requirements of the Code, there would, in time, be a separation of the roles as noted above. The Board continues to believe that Mr Sukawaty's involvement in both roles provides a balanced and stable platform for the Company as it matures as a public company and is in the best interests of the Company and its shareholders. To reflect this and in response to a request from the Board, in September 2007, Mr Sukawaty agreed that he would remain in the joint role for a further period of not less than two years. The Board recognised that with the potential acquisition of the Company's largest distributor in April 2009, this transaction would increase revenues, costs, staff and global office locations dramatically. Therefore the Board felt the time for management change would be after this transaction.

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

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 supplier to the Company.

Collectively, the Board believes that it possesses all of the necessary range of qualities and experience to lead the Company effectively. The Board meets regularly throughout the year. The Board is satisfied that the Chairman and each of the Non-Executive Directors commit sufficient time to the fulfilment of their duties as Directors of the Company. The Board delegates management of the business to the Executive Staff and the Executive Management Board listed on page 27, who meet on a regular basis.

During 2008, the Board established procedures for ensuring that its powers of authorisation of conflicts are operated effectively. Each Director was asked to identify any situations where their own interests might conflict with the interests of the Company and any such instances were reviewed by the Board in November 2008. The Directors have an ongoing duty to notify the Board of any potential conflicts and a formal review by the Board will be undertaken annually. There were no conflicts of interest noted in respect of any of the Directors.

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 pages 26 and 27 and details of the fees retained can be found on page 43. To avoid potential conflicts of interest, Non-Executive Directors are expected to inform the Chairman before taking up any additional external appointments.

The Chairman and Chief Executive Officer is responsible for the running of the Board and for implementing strategy for the Inmarsat Core[1] operations and subsequent to the exercise of the call option to acquire CIP, also of the Group. The Board has a formal schedule of matters reserved to it for decision but can also delegate specific responsibilities to its Board Committees or to committees convened for special purposes. The Board ensures that as an integral part of its performance, it considers the new statutory directors' duties. The Board has an annual rolling plan of items for discussion which is reviewed and adapted regularly to ensure that all of the matters reserved to the Board, as well as other key issues, are discussed at the appropriate time. Regular items for Board meetings include up-dates on business development opportunities, monthly

[1] Inmarsat plc and its subsidiaries excluding CIP

financial and operational reviews and as appropriate, reports from each of the principal Board Committees. Among the key matters on which the Board alone may make decisions are the business strategy of Inmarsat Core[1], its annual budget, dividends, financial reporting and major corporate activities. The Board holds a formal two day strategy meeting each year at which it considers the future direction of the business. In addition, however, the strategic direction of the Company is discussed on a regular basis by the Board.

Non-Executive Directors were appointed initially for three years and all Non-Executive Directors may not, unless agreed by the Board, remain in office for a period longer than six years, or two terms in office, whichever is the shorter. The diverse experience and backgrounds of the Non-Executive Directors ensures that they can debate with, and constructively challenge, management both in relation to the development of strategy and regarding operational and financial performance. The key elements of the role and responsibilities of the Non-Executive Directors are:

- the strategy of the Company;
- the Company's performance;
- standards of conduct, compliance and control on the Board and in the Company generally; and
- remuneration of, and succession planning for, Executive Directors.

The Non-Executive Directors meet annually, without the Chairman and Chief Executive Officer in attendance, to assess Board balance and independence and to monitor the powers of individual Executive Directors. The Senior Independent Director chairs these meetings.

On joining the Board, new Directors are given a comprehensive, formal and tailored induction programme including the provision of background material on the Company and briefings with senior management. The Company is committed to the provision of continuing professional development training for its Directors and in 2008, the Board received presentations from the Company's external advisers and guest speakers on subjects appropriate to the Company's business and changes to legislation. The Company Secretary supplies all Directors with information on relevant legal and best practice developments.

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

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

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

Board Committees

The main Board Committees are the Audit Committee, the Remuneration Committee and the Nominations Committee. The terms of reference explaining the roles of these Committees (which are reviewed at meetings during the year) 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

John Rennocks (Chairman)
Sir Bryan Carsberg
Stephen Davidson

Responsibilities include:

- monitoring the adequacy and effectiveness of the operation of internal controls and risk management
- reviewing the scope of the audit and management response thereto
- overseeing the relationship with the external auditors

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. By invitation, the meetings of the Audit Committee may be attended by the Chairman and Chief Executive Officer, Chief Financial Officer and the Head of Internal Audit. The Deloitte LLP audit partner is present at all Audit Committee meetings to ensure full communication of matters relating to the audit. 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 the integrity of the financial statements. This includes a review of significant issues and judgements, policies and disclosures. 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 2008, the Audit Committee reviewed and endorsed, prior to submission to the Board, half-year and full-year financial statements, interim management statements and results announcements and the quarterly financial reports for two US reporting subsidiaries. It considered internal audit reports and risk management updates, agreed external and internal audit plans, received updates on management responses to audit recommendations and approved the review of accounting policies.

[1] Inmarsat plc and its subsidiaries excluding CIP

Pursuant to the requirements of s404 of the Sarbanes-Oxley Act 2002 for its US reporting subsidiaries, an annual assessment must be undertaken by management of the effectiveness of internal controls over financial reporting. The Audit Committee has overseen the progress of a project to document and test internal controls over financial reporting through regular status reports submitted by management. The first annual assessment and related report from management was included in the Forms 20-F, which were filed with the US Securities and Exchange Commission ('SEC') in April 2008. The external Auditors are required to conduct their attestation under s404 for the financial year ending 31 December 2009.

The Company Secretary, as Chairman of the Disclosure Committee (the role of which is detailed on page 36), 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 policy identifies three categories of accounting services: audit-related services, which the Company's Auditors provide (such as interim and full year reporting); prohibited services, which the Company's Auditors may never provide (such as corporate finance consulting or advisory services); and potential services, which the Company's Auditors may in certain circumstances provide, subject to procurement procedures and fee constraints (such as tax advisory services and due diligence). The Auditors regularly confirm their independence to the Committee.

During the year, specific approval had been given by the Audit Committee for the Company's Auditors to perform non-audit services. Auditor objectivity and independence is safeguarded through a variety of mechanisms. Fees charged by the Company's Auditors in respect of non-audit services require the prior approval of the Audit Committee, except where the fee does not exceed more than 5% of the total revenues paid to the Auditors in that financial year. The Audit Committee has agreed that the Company could commit to fees in relation to tax advisory and tax compliance work from the Auditors, in aggregate, of up to 20% of the total audit fee each year, with up to £50,000 for any one project, without the need to seek approval for individual projects. A breakdown of the fees paid to the Company's Auditors during the year is set out in note 7 to the consolidated financial statements.

Remuneration Committee

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

Responsibilities include:

- determining policy on remuneration including annual bonuses
- setting and monitoring achievement of the objectives for the Executive Directors
- the grant of share options and share awards under the short and long-term incentive plans

The Remuneration Committee comprises solely independent, Non-Executive Directors. The Remuneration Committee, on behalf of the Board, meets as and when necessary to review and approve, as appropriate, the remuneration of the Executive Directors and senior management and major remuneration plans for the Inmarsat Core[1] operations. The Remuneration Committee appraises the Chairman and Chief Executive Officer against his written objectives. Similarly, the Chairman and Chief Executive Officer appraises the other Executive Directors and makes recommendations to the Remuneration Committee relating to their bonus achievement. The Remuneration Committee approves the setting of objectives for all of the Executive Directors and authorises their annual bonus payments for achievement of objectives.

The Remuneration Committee provides remuneration packages necessary and sufficient to attract, retain and motivate Executive Directors to run the Company successfully. The packages take into account available remuneration data and views from advisers. The Remuneration Committee is empowered to recommend the grant of share options under the existing share option plans and to make awards under the short and long-term incentive plans. The Remuneration Committee considers there to be an appropriate balance between fixed and variable remuneration and between short and long-term variable components of remuneration. The Remuneration Committee has also spent time considering the components of the long-term incentive plans in the face of the current uncertain economic times as they consider awards to be made in 2009. The Company's remuneration policy is intended to reward successful delivery against increasing returns for shareholders and to support the achievement of the strategy of Inmarsat Core[1].

During 2008, the Remuneration Committee made recommendations to the Board that an invitation under the Sharesave Scheme arrangements be issued to eligible employees, agreed the terms of departure for Michael Butler, an Executive Director, and also revised the maximum annual bonus opportunities for the Chief Executive Officer and the Chief Financial Officer. In addition, following the corporate restructure on 1 January 2009, the Remuneration Committee reviewed the salary of the Chief Financial Officer to reflect the additional operational responsibilities he had assumed.

All of the decisions of the Remuneration Committee on remuneration matters in 2008 were reported to and endorsed by the Board.

[1] Inmarsat plc and its subsidiaries excluding CIP

Nominations Committee

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

Responsibilities include:

- nominating candidates for appointment as Directors
- recommendations in relation to the re-appointment of Non-Executive Directors at the conclusion of their term
- review of succession planning

The Nominations Committee comprises a majority of independent, Non-Executive Directors. The Nominations Committee meets as and when necessary. The Nominations Committee has responsibility for nominating to the Board candidates for appointment as Directors, bearing in mind the need for a broad representation of skills across the Board.

The Nominations Committee will also make recommendations to the Board concerning the re-appointment of any independent, Non-Executive Director by the Board at the conclusion of his or her specified term; the election and re-election of any Director by shareholders under the retirement provisions of the Company's Articles of Association; and changes to senior management, including Executive Directors. The Nominations Committee gives full consideration to succession planning in the course of its work, taking into account the challenges and opportunities facing the Company and what skills and expertise are needed on the Board and from senior management in the future.

During 2008, the Nominations Committee agreed which Directors would retire by rotation at the 2008 AGM and also met regarding the departure of Michael Butler and how his responsibilities would be transitioned as part of a corporate restructure. The Nominations Committee also maintains the discussion of splitting the Chairman and Chief Executive Officer roles as part of its ongoing agenda. With Mr Butler's departure, the number of Executive Directors will reduce to two. It is not the intention of the Nominations Committee to recommend an increase in this number at the current time. The Chairman and Chief Executive Officer did not and will not chair the Nominations Committee when it is dealing with agenda items relating to the discussion of succession for the Chief Executive Officer position. For the discussions relating to Chief Executive Officer succession and the separation of the role of Chairman and Chief Executive Officer, John Rennocks, the Senior Independent Director, acts as Chairman.

The Nominations Committee confirmed to the Board that the contributions made by the Directors offering themselves for re-appointment at the 2009 AGM continued to benefit the Board and the Company should support their re-appointment.

2008 Board and Committee meetings

During the year to 31 December 2008, the Board met eleven times, including two meetings to approve progressing specific projects. This excludes ad hoc meetings held solely to deal with procedural matters. The following table shows the attendance of Directors at meetings of the Board and its main Committees:

	Board (maximum: 11)	Audit Committee (maximum: 4)	Remuneration Committee (maximum: 4)	Nominations Committee (maximum: 3)
Michael Butler	11	–	–	–
Sir Bryan Carsberg	11	4	4	1*
Stephen Davidson	11	4	4	3
Admiral James Ellis Jr (Rtd)	11	–	4	3
Kathleen Flaherty	11	–	4	1*
Rick Medlock	11	4*	–	–
John Rennocks	11	4	–	3
Andrew Sukawaty	11	3*	4*	3

*Attendance by invitation only.

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

The full Board participated in every Board meeting and Committee members did likewise in respect of all Committee meetings. In an instance where a Director is unable to attend Board or Committee meetings, any comments which he or she may have arising out of the papers to be considered at the meeting are relayed in advance to the relevant Chairman or the Company Secretary.

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

Performance evaluation

The effectiveness of the Board is an essential element of the Company's effective and efficient performance. During 2008, the Board and each of the Audit, Remuneration and Nominations Committees undertook performance evaluations. The main elements in the evaluation process were:

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

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

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

Directors' remuneration

Details of the Company's remuneration policy and Directors' remuneration are contained in the Directors' Remuneration Report on pages 37 to 46.

Relations with shareholders

The Company recognises the importance of communicating with its shareholders to ensure that its strategy and performance is understood and that it remains accountable to shareholders. The Board as a whole is responsible for ensuring that a satisfactory dialogue with shareholders takes place, whilst the Chairman and Chief Executive Officer and Chief Financial Officer ensure that the views of shareholders are communicated to the Board as a whole. The Board ensures that the Company's strategic plans have been carefully reviewed in terms of their ability to deliver long-term shareholder value. An audited 2008 Annual Report will be made available to shareholders and all results are posted on the Company's website, as are presentations made in respect of the full year results.

The Company has given regular investor road shows in the UK and overseas and presentations were also made after publication of the Preliminary Results in March 2008. Investor and analyst conference calls also took place after the half year results were published in August 2008. There is an ongoing programme of dialogue and meetings between the Executive Directors and institutional investors, fund managers and analysts. At these meetings, a wide range of relevant issues including strategy, performance, management and governance are discussed within the constraints of information which has already been made public. The Board is aware that institutional shareholders may be in more regular contact with the Company than other shareholders, but care is exercised to ensure that any price-sensitive information is released to all shareholders, institutional and private, at the same time in accordance with the Financial Services Authority requirements.

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

In the past, the Board has consulted with shareholders in connection with specific issues where it considers it appropriate and it would do so in the future as needed.

Shareholders are welcome at the Company's AGM where they will have an opportunity to meet the Board. The notice of the AGM is sent to all shareholders at least 20 working days before the meeting. The Chairmen of the Audit Committee and the Remuneration Committee, together with as many Directors as possible, will attend the 2009 AGM and be available to answer shareholders' questions. Voting may be by form of proxy, by poll, by a show of hands or a combination of all three. The voting results will be notified to the UK Listing Authority through a Regulatory Information Service immediately after the meeting and will be published on the Company's website.

The Board obtains feedback from its joint corporate brokers, JPMorgan Cazenove Limited and Credit Suisse, on the views of institutional investors on a non-attributed and attributed basis. Credit Suisse were appointed during 2008 and replaced Lehman Brothers as the second joint corporate broker for the Company. Any concerns of major shareholders would be communicated to the Board by the Chief Financial Officer. As a matter of routine, the Board receives regular reports on issues relating to share price, trading activity and details of movements in institutional investor shareholdings. The Board is also provided with current analyst opinions and forecasts.

Internal controls

The Board confirms that the procedures necessary to implement the 'Internal Control: Revised Guidance for Directors on the Combined Code' published by the Financial Reporting Council in October 2005 have been established and are reviewed on an ongoing basis. The Board acknowledges its responsibility for establishing and maintaining the Group's system of internal controls (excluding CIP where it has no control) and it receives regular reports from management identifying, evaluating and managing the risks within the business. The system of internal controls is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board and the Audit Committee have carried out a review of the effectiveness of the system of internal controls for the Inmarsat Core[1] operations during the year ended 31 December 2008 and for the period up to the date of approval of the consolidated financial statements contained in this Annual Report. Any necessary action resulting from discussions by the Board and Audit Committee has been (or is being) taken to remedy any significant failings or weaknesses identified from the review.

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

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

[1] Inmarsat plc and its subsidiaries excluding CIP

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

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

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

The Board recognises its obligations, as a result of two of the Group's wholly-owned subsidiaries being foreign registrants of the SEC, to comply with the Sarbanes-Oxley Act 2002. The Company has established a Disclosure Committee with responsibility for reviewing and approving controls and procedures over the public disclosure of financial and related information and other procedures necessary to enable the Chairman and Chief Executive Officer and the Chief Financial Officer to provide their certifications in relation to Forms 20-F filed with the SEC. The Company has also established processes to assess the adequacy of internal controls over financial reporting procedures as required under s404 of the Sarbanes-Oxley Act 2002 for the financial year ended 31 December 2008.

Going Concern

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

Risk management process

Directors' Remuneration Report

In preparing this report, the Board has followed the requirements of the Combined Code ('the Code') published by the Financial Reporting Council in July 2003 and reissued in June 2006. This report complies with the Companies Act 1985, as amended by the Directors' Remuneration Report Regulations 2002 and the Listing Rules of the Financial Services Authority. Shareholders will be invited to vote to approve the Directors' Remuneration Report at the forthcoming AGM. Information provided in the Directors' Remuneration Report is unaudited, unless otherwise specified.

Composition of the Remuneration Committee

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

Remuneration Policy

The Company's policy on remuneration for the current year and, so far as is practicable, for subsequent years is set out below. However, the Remuneration Committee believes that it is important to keep the remuneration policy under review and to retain the flexibility to make adjustments in order to ensure that it continues to support the changing needs of the business. When determining remuneration policy, the Remuneration Committee takes into account all factors which it deems necessary, including environmental, social and governance issues. Any changes in policy for subsequent years will be detailed in future reports on remuneration.

The Group must ensure that its remuneration arrangements attract and retain people of the right calibre, likely to deliver success and 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. The Remuneration Committee will balance its remuneration policy with the current global economic uncertainty as it considers pay and share awards in 2009.

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

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

Performance-related elements form a substantial part of the total remuneration package for the Executive Directors, and are designed to align their interests with those of shareholders. Whilst the Executive Directors are rewarded on the basis of individual responsibility, competence and contribution, their salary increases also take into account pay awards made elsewhere in Inmarsat Core[1] as well as external benchmarking. The Remuneration Committee is careful to give due attention to the principle that Executive Directors should not be paid more than is necessary to achieve the Company's objectives and create value for shareholders. There are three Executive Directors on the Board; Andrew Sukawaty (Chairman and Chief Executive Officer), Rick Medlock (Chief Financial Officer) and Michael Butler (President), who ceases to be a Director on 30 April 2009.

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

The Board believes that share ownership is an effective way of encouraging employees' involvement in the development of the business and bringing together their interests and those of shareholders. A range of share plans have been operated during 2008, details of which are provided on pages 40 to 44.

In line with best practice and to bring Directors' and shareholders' interests further into line, Executive Directors and the Executive Management Board are encouraged to maintain a holding of ordinary shares in the Company with a guideline value of five and one times salary respectively. The Executive Management Board will be encouraged to build up an ordinary shareholding with a guideline value of one times salary over a four year period.

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, reflecting the link between pay and performance:

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

The Remuneration Committee aims to ensure that remuneration arrangements continue to be in line with best practice and are in the interests of shareholders. During 2008 when our benchmarking and remuneration reviews were being undertaken, due to the competitive remuneration levels in the telecommunications and satellite markets, overall compensation levels across the workforce generally ranked above the 50th percentile of broader sector survey data. The Remuneration Committee believes that this positioning is appropriate given the context of Inmarsat's sector but this is an area which will be carefully reviewed for any changes when we undertake the same exercise in 2009. Overall reward levels depend on the achievement of challenging corporate and individual performance targets, ensuring continued close alignment between reward and enhanced shareholder value.

[1] Inmarsat plc and its subsidiaries excluding CIP

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

During 2008, external advice was received principally from Clifford Chance LLP (who are the Company's corporate legal advisors) and Deloitte LLP ('Deloitte') in respect of the departure of an Executive Director and on the ongoing operation of employee and executive share plans. Deloitte are the Remuneration Committee's remuneration consultants. Deloitte are also the Company's Auditors but have provided remuneration services in compliance with the terms of reference of the Audit Committee and the Ethical Standards of the Auditing Practices Board. During the year, external advice was also sought from Hewitt Associates regarding the valuation of share awards for accounting purposes.

The Company participated in various remuneration benchmarking surveys which use data from companies in different sectors, including high tech and telecommunications, provided by Insite Hi-Tech/Telecoms Survey, Computer Economics Survey, Remuneration Economics Survey and Watson Wyatt Hi-Tech/Telecoms Survey. The appropriateness of these surveys and whether they should be replaced by others is considered from time to time.

Non-Executive Directors' fees
Fees for Non-Executive Directors are determined annually by the Board as a whole, taking advice as appropriate and reflecting the time commitment and responsibilities of the role. With effect from 1 July 2008, the Board approved an increase of 3% to the basic Non-Executive Directors' fee. The fees are not pensionable. Non-Executive Directors' fees currently comprise a basic fee of £44,006 per annum plus additional fees of £5,000 per annum for Committee chairmanship of the Audit and Nominations Committees, £7,500 per annum for chairmanship of the Remuneration Committee and £2,500 per annum for each Committee membership. The Chairman and Chief Executive Officer who is Chairman of the Nominations Committee does not receive a fee for this position.

The Deputy Chairman and Senior Independent Director receives a basic fee of £82,512 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 43.

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

Non-Executive Directors do not have service contracts but instead, have letters of appointment. Non-Executive Directors were appointed initially for three years and all Non-Executive Directors may not, unless agreed by the Board, remain in office for a period longer than six years, or two terms in office, whichever is the shorter. The letters of appointment of the Non-Executive Directors are available for inspection at the Company's registered office during normal business hours and at the AGM (for 15 minutes prior to the meeting and during the meeting).

Aggregate remuneration paid to the Executive Staff
The aggregate remuneration (excluding income resulting from the vesting of share awards) of the Executive Staff (including Executive Directors and comprising eight individuals) for services in all capacities during the 2008 financial year was US$8.0m (2007: for the Executive Management Board comprising ten individuals: US$8.5m).

Executive Directors
Service agreements
Messrs Sukawaty, Butler and Medlock, being the three Executive Directors, all have service agreements dated 17 June 2005.

As announced on 13 March 2008, Michael Butler will be leaving the Company on 30 April 2009. As part of the mutually agreed departure terms, Mr Butler will receive a payment of £100,000 as compensation principally for non-participation in the 2008 share awards made under the Inmarsat 2005 Bonus Share Plan (the 'BSP') and Inmarsat 2005 Performance Share Plan (the 'PSP'). The Remuneration Committee has also agreed that Mr Butler is entitled to receive the two tranches of shares outstanding under the 2007 BSP award as the performance condition was fully achieved in 2007. His entitlement under the PSP award made in 2007 will vest in March 2010 subject to the performance conditions being achieved and his award will be scaled to reflect the period he was employed as a proportion of the vesting period, which will be over two thirds of the total period. Mr Butler will be entitled to receive a pro rata annual bonus based on the Company's performance from 1 January 2009 to 30 April 2009 if the Remuneration Committee determines that key performance indicators of the results of Inmarsat Core[1] give clear evidence that the bonus scheme would yield an award for the 2009 financial year.

The employment of Mr Sukawaty and Mr Medlock 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.

[1] Inmarsat plc and its subsidiaries excluding CIP

In the event of early termination of Mr Medlock's contract, the Company has no right to make a payment in lieu of notice 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.

As and when new service agreements are entered into with Executive Directors in the future, the Company will include an obligation on Directors to mitigate any payments made for any loss of office.

Main elements of Executive Directors' remuneration

Fixed remuneration

Basic salary and benefits

Basic salary is set by the Remuneration Committee by taking into account the responsibilities, individual performance and experience of the Executive Directors and the remuneration awards being made across the Company's workforce, as well as the market practice for executives in a similar position. Basic salary is reviewed (but not necessarily increased) annually by the Remuneration Committee and adjustments will occur if necessary in relation to market practice and after a formal appraisal of performance. Salaries are next due to be reviewed in July 2009 and the Remuneration Committee will carefully consider the economic climate and the Company's year to date performance in addition to the above when determining what (if any) increases should be made.

As at 31 December 2008, the annual salaries for Mr Sukawaty, Mr Butler and Mr Medlock were £459,800 (2007: £440,000), £311,000 (2007: £311,000) and £279,850 (2007: £267,800) respectively. From 1 January 2009, Mr Medlock's salary was increased to £321,828 per annum to reflect an increase in his operational responsibilities following the corporate restructure referred to earlier.

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

Pensions

The Executive Directors are eligible to participate in the Company's defined contribution pension plan arrangements. Pensionable salary is limited to basic salary, excluding all bonuses and other benefits, up to a maximum scheme specific cap. Mr Medlock and Mr Butler are members of the defined contribution pension plan for employees who will draw a UK pension; Mr Sukawaty is a member of the US 401k plan and also makes additional one-off employee contributions to the UK defined contribution pension 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 Butler:	10% salary
Mr Medlock:	10% salary

Details of the pension arrangements are provided in note 30 to the consolidated financial statements. No Director is a member of the Company's defined benefit pension plan arrangements.

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

Variable remuneration

Annual cash bonus

The Executive Directors are paid a cash bonus upon achievement of challenging objectives linked to Group financial and operational performance (excluding CIP). The financial performance targets represent 80% weighting and personal performance targets (linked to operational performance) represent 20% weighting. These weightings will also be used for the financial year to 31 December 2009. The objectives for each of the Executive Directors are set by the Remuneration Committee at the start of each financial year.

For Mr Sukawaty, the target level of cash bonus is 75% of basic salary which may be increased subject to actual individual and corporate performance to a maximum of 125% of basic salary (increased from 100% with effect from 1 July 2008). For Mr Medlock and Mr Butler, the target level of cash bonus is 50% of basic salary which may be increased subject to actual individual and corporate performance to a maximum of 100% and 75% of basic salary respectively. The bonus percentage for Mr Medlock was increased from 75% and is effective from 1 July 2008.

The Remuneration Committee approves the cash bonus payment for each of the Executive Directors, dependent upon the achievement of objectives. The Remuneration Committee concluded that the key performance measures used for the financial year to 31 December 2008 which were revenue growth, operating expenditure containment, EBITDA growth and a capital expenditure target (each for Inmarsat Core[1]) remained appropriate key performance measures to use for the financial year to 31 December 2009. These measures will exclude financial results for CIP. Each of the four corporate financial targets for 2008 which account for 80% of the annual cash bonus entitlement for each Executive Director, were exceeded. The Remuneration Committee decided that bonuses of 110%, 74% and 75% of base salary would be paid to Mr Sukawaty, Mr Butler and Mr Medlock respectively.

Bonuses are not pensionable. Details of the actual cash annual bonuses payable in respect of the year ended 31 December 2008 are provided on page 43.

[1] Inmarsat plc and its subsidiaries excluding CIP

Share incentives

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

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

An overview of these plans is provided below with details of any share awards made under each plan to date.

The current intention remains that only the PSP and BSP will be operated, with the other schemes being operated in the future if and when the Remuneration Committee considers this to be appropriate (for example, recruitment and retention). The Remuneration Committee will review and approve, as appropriate, any future recommendation from management regarding the operation of and participation in the PSP and BSP. The Remuneration Committee determined in 2008 that in future, the level of share awards to be made for the subsequent year under the BSP and PSP would be determined by the Company's financial performance for the current year. For example, exceeding the financial targets would lead to a higher award to individuals than if the targets had only just been met.

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

Inmarsat 2005 Bonus Share Plan (the 'BSP')

The BSP provides the means by which a part of a participant's annual bonus can be delivered in the form of shares, or their equivalent, and allows a bonus award of shares to be made in addition to a participant's cash bonus. No part of the annual cash bonus payments have been delivered in the form of shares.

The following awards under the BSP have been made to the Executive Directors and certain members of senior management:

- during 2006, awards of shares were made relating to monetary awards determined in May 2005 and September 2005;
- during 2008, awards of shares were made relating to monetary awards determined in March, May and September 2007; and
- during 2009, awards of shares will be made relating to a monetary award determined in March 2008.

It is the intention of the Remuneration Committee that a monetary award will be made in March 2009 following the announcement of the 2008 Financial Results, which will be converted to a share award in March 2010 subject to the Company's performance. The award will be to Executive Directors and senior management.

The levels of bonus share award that can be made are equivalent to 200% (increased from 100% following shareholder approval at the 2008 AGM) of the maximum annual cash bonus which may be paid and in exceptional circumstances, equivalent to 300% (increased from 200%) of the maximum annual cash bonus. For the Chairman and Chief Executive Officer, the maximum annual cash bonus opportunity is 125% of basic salary and for the other Executive Directors, the maximum annual cash bonus opportunity is 75-100% of basic salary. The Remuneration Committee will use these new limits carefully and does not intend automatically to make share awards at the higher level.

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

For the bonus share award, the Remuneration Committee sets the annual performance targets in respect of the financial year relating to the award. To date, these have been the same financial targets as those used for the annual cash bonus comprising four financial measures. These performance elements are also being used for the basis of the 2009 BSP award based on the 2009 Financial Results for Inmarsat Core[1]. Bonus share awards may normally be exercised according to a vesting schedule set by the Remuneration Committee. The Remuneration Committee can determine how dividends paid during the vesting period shall be awarded to participants. For the awards made to date, dividends accrue in the form of ordinary shares which are added to the original award of shares and vest in line with the relevant award.

The first award under the BSP was made to the Executive Directors and certain members of management in May 2005 as a bonus share award and was conditional upon the IPO occurring. The value of the bonus share award was based on a percentage of the target bonus for each individual. The number of shares was calculated based upon the mid-market closing price of the Company's ordinary shares following the announcement of the 2005 Preliminary Results on 9 March 2006. The annual performance targets relating to revenue, operating expenditure and EBITDA performance for the year ended 31 December 2005 were achieved in full and therefore the maximum bonus share awards were made to participants. The bonus share awards to the Executive Directors are detailed on page 45.

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

Share awards under the BSP were made to the Executive Directors and certain members of senior management in March 2007, with further awards to additional members of senior management in May and September 2007. The allocation of shares in respect of all three awards was made based upon the mid-market closing price of the Company's ordinary shares on 7 March 2008 following the announcement of the 2007 Preliminary Results. The annual performance targets relating

[1] Inmarsat plc and its subsidiaries excluding CIP

to revenue, operating expenditure and EBITDA performance for the year ended 31 December 2007 (excluding CIP) were achieved in full and therefore the maximum share awards were made to participants. The total number of shares allocated under the BSP in March 2008 was 938,198. The first tranche of shares awarded in 2007 vest in March 2009 and will include additional shares in respect of accrued dividends. The shares will vest in two further tranches in March 2010 and 2011.

New share awards under the BSP were made in March 2008 to Executive Directors and certain members of senior management. The allocation of shares will be made based upon the mid-market closing price of the Company's ordinary shares following the announcement of the 2008 Financial Results. The annual performance targets relating to revenue, operating expenditure, capital expenditure and EBITDA performance for the year ended 31 December 2008 (excluding CIP) were achieved in full and therefore the maximum share awards will be made to participants. The shares to be allocated under the BSP in March 2009 will vest in three tranches in March 2010, 2011 and 2012.

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 may be equal to 200% (increased from 100% following shareholder approval at the 2008 AGM) of annual basic salary as at the award date (other than in exceptional circumstances, such as on recruitment or retention where larger awards of up to 300% (increased from 200%) of annual basic salary may be made). It is not the intention of the Remuneration Committee automatically to make share awards up to the increased levels.

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

The first awards under the PSP were made to the Executive Directors and certain members of senior management as an allocation in May 2005 and the number of shares allocated was based upon the IPO listing price of £2.45 per share. The Remuneration Committee determined that the awards for the Executive Directors would be equivalent to 100% of basic salary. The first award vested in May 2008 and 100% of the award vested based on the achievement of the performance criteria, being the Company's performance against an index and EBITDA growth for Inmarsat Core[1]. Over the period, the EBITDA growth performance for Inmarsat Core[1] was 8.3% per annum, exceeding the upper hurdle which was 7% per annum. The Company's Total Shareholder Return (TSR), compared with an Index of FTSE 350 companies (excluding investment trusts), was at the 81st percentile, again exceeding the upper hurdle of the 75th percentile. The matrix calculation determined that both performance conditions were in the upper quartile of each performance requirement and therefore 100% of the shares vested.

A second award was made to the Executive Directors in March 2007 and the shares allocated were based upon the mid-market closing price on 28 March 2007 of £3.95 per share. The Remuneration Committee determined that the awards would be equivalent to 50% of basic salary. Subject to the performance conditions being met, the award will vest in full in March 2010.

A third award was made to Mr Sukawaty and Mr Medlock and certain members of senior management in March 2008 and the shares allocated were based upon the mid-market closing price on 18 March 2008 of £4.39 per share. The Remuneration Committee determined that the awards would be equivalent to 100% of basic salary. Subject to the performance conditions being met, the award will vest in full in March 2011.

The performance targets applicable to the 2007 and 2008 awards will be determined by reference to the Company's relative TSR performance against companies within the FTSE 350 Index (excluding investment trusts) and its EBITDA performance at the end of the relevant three-year performance period.

For the performance targets to be met in full and 100% of the award to vest at the end of the three-year period, the Company's relative performance against the TSR must be in the upper quartile and have EBITDA growth at or above 10% per annum. If the relative TSR performance is below the median level or the EBITDA growth achieved is less than 6% per annum, none of the shares will vest. 30% of the award will vest for median TSR performance and EBITDA growth of 6% per annum target. There is pro rata vesting of shares between median TSR performance and a minimum EBITDA growth of 6% per annum target and upper quartile TSR performance and EBITDA growth of 10% per annum. The parameters of the performance measure should not be construed as providing any view on the future performance of the Company.

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

The Remuneration Committee believes that the constituents of the FTSE 350 Index (excluding investment trusts) represent the most appropriate comparator group against which to measure the Company's performance. The Remuneration Committee has recently revisited whether it is still appropriate to use this index as the performance condition for future awards and considers it is. As the Company is relatively new to the FTSE 100 Index, it is not thought that this would be appropriate to use at this time. Also, the Remuneration Committee does not believe that there is another suitable comparator group which can be used. Growth in EBITDA was selected to reflect the Company's primary driver of value and this also remains appropriate at the moment for future awards.There are no provisions for the re-testing of performance under the PSP.

Following the planned exercise of the Call Option to acquire CIP in April 2009, the Remuneration Committee has already discussed that it may adjust the EBITDA range for the planned 2009 PSP award to one which is comparably demanding for the combined group.

[1] Inmarsat plc and its subsidiaries excluding CIP

It is intended that future awards under the PSP will also be made, with the next award scheduled to be made following the announcement of the Company's 2008 Financial Results. This will be an award to Executive Directors and senior management.

Details of the PSP awards are provided on page 45.

Inmarsat 2005 Restricted Share Scheme (the 'RSS')

The RSS is intended for the participation of Executive Directors and certain members of senior 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 2008. 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 2008. It is not currently anticipated that the Executive Scheme will be operated in the near term but the Board wishes to retain the flexibility to operate the Executive Scheme in the future if circumstances make it appropriate to do so.

Chief Executive Officer Share Award

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

The next few years represent a vital stage in the Company's development and expansion, particularly in view of the expectation to exercise the call option to acquire CIP which will change dramatically the size and scale of the Group. Mr Sukawaty's leadership has been recognised by investors as pivotal in delivering on initiatives to date, and is central to driving financial performance and capitalising on new opportunities. A one-off share incentive award was considered by the Remuneration Committee to be the most appropriate method of retaining Mr Sukawaty's services as Chairman and Chief Executive Officer and rewarding him for successful leadership for the period September 2007 to September 2010.

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

The incentive award enables the Company to secure Mr Sukawaty in an executive capacity for a further period. He will remain in the combined role of Chairman and Chief Executive Officer for a period of not less than two years from September 2007 and it is expected that he will subsequently transition to the Chairman role. The award incentivises performance over a period of three years and if he leaves the Company other than as a 'good leaver' at any time before the third anniversary in September 2010, the award will lapse. Additional provisions manage the transition to the Chairman role within the award period. A move to the sole role of Chairman within two years would result in a pro rated award for the proportion of the three-year period served in the executive role.

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

The Chairman of the Remuneration Committee and the Senior Independent, Non-Executive Director (who is also the Deputy Chairman) consulted carefully with major shareholders in September 2007 in considering the structure of this award, and the Remuneration Committee remains satisfied that the arrangement provided for competitive levels of reward for Mr Sukawaty but only in circumstances where substantial additional value is created for all shareholders. With the current uncertain economic times, the Remuneration Committee will review this plan during 2009 to ensure that its original intent to act as a reward mechanism for Mr Sukawaty remains effective.

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

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

Fees retained for non-executive directorships in other companies

As permitted under their service agreements, two of the Executive Directors hold positions in other companies as non-executive directors. The fees in this regard relating to the 2008 financial year were as follows:

	Company in which non-executive directorship held	2008 Fee
Executive Directors		
Rick Medlock	THUS plc (LSE) – January to October	£29,968
	Cheapflights Limited – April to December	£27,158
Andrew Sukawaty	Xyratex Limited (Nasdaq)	US$185,000
	Ziggo B.V.	€54,812

Directors' remuneration

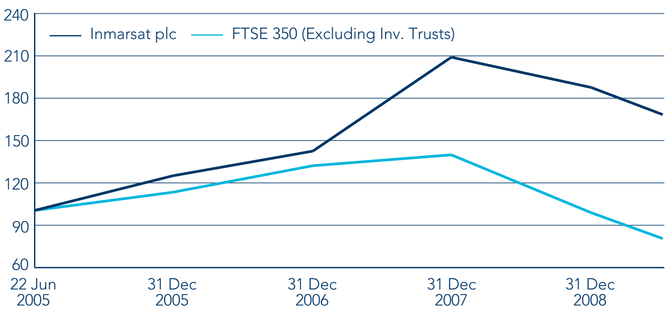
Audited information on the remuneration of each Director during the year is detailed below:

	Salaries/Fees		Bonus		Benefits		Total		Pension	
(£000)	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Executive Directors										
Michael Butler	**311**	306	**230**	233	**6**	6	**547**	545	**12**	11
Rick Medlock	**274**	268	**211**	199	**6**	6	**491**	473	**12**	11
Andrew Sukawaty	**450**	413	**506**	440	**18**	20	**974**	873	**58**	52
	1,035	987	**947**	872	**30**	32	**2,012**	1,891	**82**	74
Non-Executive Directors										
Sir Bryan Carsberg	**48**	47	**–**	–	**–**	–	**48**	47	**–**	–
Stephen Davidson	**55**	52	**–**	–	**–**	–	**55**	52	**–**	–
Admiral James Ellis Jr (Rtd)	**89**	87	**–**	–	**–**	–	**89**	87	**–**	–
Kathleen Flaherty	**46**	44	**–**	–	**–**	–	**46**	44	**–**	–
John Rennocks	**86**	83	**–**	–	**–**	–	**86**	83	**–**	–
	1,359	1,300	**947**	872	**30**	32	**2,336**	2,204	**82**	74

Note:
1) £:US$ exchange rate used was £1 = US$2.01 (2007: £1 = US$1.81).
2) The pension for Andrew Sukawaty includes an annual salary supplement in lieu of employer pension contribution.
3) The fee for Admiral James Ellis Jr (Rtd) included a fee as a Director of Inmarsat Inc., a wholly-owned subsidiary in the US. As at 31 December 2008, this fee was US$82,732 per annum (2007: US$79,780 per annum).

Performance graph

The following graph shows the Company's performance, measured by total shareholder return delivered since the IPO in 2005, in comparison with the performance of the FTSE 350 Index (excluding investment trusts) also measured by total shareholder return. The Remuneration Committee currently believes that this Index is the most suitable benchmark for comparison purposes as an appropriate industry specific index does not exist. The Remuneration Committee will consider in the future whether a sufficient number of comparable companies exist to form an additional comparator group but as in previous years, do not believe that a suitable group exists at this time.



Source: Datastream

Employee share option plans

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

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

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

Options and awards granted before the IPO are not counted towards the above limits. As at 31 December 2008, the dilution for share awards was within the above limits.

Inmarsat 2004 Staff Value Participation Plan (the '2004 Plan')

In November 2004, the Company adopted the 2004 Plan. 280,800 A ordinary shares were available to be granted under the 2004 Plan to eligible Directors or employees of Inmarsat Core[1]. All options under the 2004 Plan have now vested and are exercisable. Whenever options are exercised under the 2004 Plan, the holder must pay a de minimis charge of €1. The options expire ten years from the date of grant.

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

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

Inmarsat 2005 Sharesave Scheme (the 'Sharesave Scheme')

The Sharesave Scheme is a HM Revenue & Customs approved scheme open to all permanent employees of Inmarsat Core[1] paying UK PAYE, including Executive Directors. The maximum that can be saved each month is £250 and savings plus interest may be used to acquire shares by exercising the related option at the end of the three-year savings contract.

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). All of the Executive Directors and certain members of senior management participated in the first invitation under the Sharesave Scheme. The first grant matured on 1 September 2008.

A second grant under the Sharesave Scheme was made in December 2008 with an option grant price of £3.06 per ordinary share (a 20% discount to market value). Two of the Executive Directors and certain members of senior management participated in the second invitation under the Sharesave Scheme.

Inmarsat 2005 International Sharesave Scheme

The International Sharesave Scheme is open to eligible employees of Inmarsat Core[1] based overseas who do not pay UK PAYE. The International Sharesave Scheme was established to replicate the UK approved Sharesave Scheme as closely as possible. Employees receive the gain on the growth in share price when they exercise their options and retain the savings they have made.

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 first grant matured on 1 September 2008.

A second grant under the International Sharesave Scheme was made in December 2008 and used the same grant price as the UK Sharesave Scheme.

Details of the outstanding options granted to employees as at 31 December 2008 are shown in note 27 to the consolidated financial statements.

Inmarsat 2005 Share Incentive Plan (the 'SIP')

Awards under the SIP were made on 7 April 2006 and 10 April 2007. The SIP is a HM Revenue & Customs approved plan open to all permanent employees of Inmarsat Core[1] paying UK PAYE and operates in conjunction with a UK tax-resident trust which holds shares on behalf of participating employees. Under the SIP, the Company can award 'Free Shares' (up to a maximum value of £3,000) to employees. Employees can also acquire 'Partnership Shares' from their salary up to a maximum of £1,500 per annum and the Company will match this with up to two free 'Matching Shares' per 'Partnership Share' (equivalent to a maximum value of £3,000 per annum). The market values per ordinary share at the date of the 2006 and 2007 awards were £3.77 and £4.14 respectively.

Arrangements were put in place for eligible overseas employees of Inmarsat Core[1] to replicate the UK approved SIP as closely as possible. Additional arrangements were also put in place for the April 2006 award 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 approved SIP. Awards under these arrangements have been made using shares held by the Inmarsat Employees' Share Ownership Plan Trust.

No Executive Director applied to participate in the SIP or equivalent overseas arrangements when they were offered in 2006 and 2007.

[1] Inmarsat plc and its subsidiaries excluding CIP

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 2008 is set out below. No other Director has received share options.

Inmarsat 2005 Sharesave Scheme

	Options held at 1 January 2008	Granted during the year	Exercised during the year[1]	**Options held at 31 December 2008**	Exercise Price	Market price on Exercise	Date from which exercisable	Expiry Date
Michael Butler	4,229	–	4,229	**–**	£2.24	£5.00	1 September 2008	–
Rick Medlock	4,229	–	4,229	**–**	£2.24	£5.00	1 September 2008	–
	–	3,137	–	**3,137**	£3.06	–	1 February 2012	July 2012
Andrew Sukawaty	4,229	–	4,229	**–**	£2.24	£5.00	1 September 2008	–
	–	3,137	–	**3,137**	£3.06	–	1 February 2012	July 2012

1) All of the Executive Directors exercised their options under the first grant of the Sharesave Scheme on 1 September 2008. Mr Butler retained the resulting shares and Messrs Medlock and Sukawaty sold their resulting shares at a price of £5.00 per share.

Inmarsat 2005 Bonus Share Plan

	Share awards held at 1 January 2008	Vested during the year[2,3]	**Share awards held at 31 December 2008[4]**	Share awards held at 12 March 2009	Share price at date of award	Vesting Date
Award made in March 2005[1]						
Michael Butler	17,499	9,039	**9,038**	9,038	£3.83	March 2009
Rick Medlock	17,499	9,039	**9,038**	9,038	£3.83	March 2009
Andrew Sukawaty	37,859	19,555	**19,555**	19,555	£3.83	March 2009
Award made in March 2007[5]						
Michael Butler	65,537	–	**65,537**	65,537	£4.58	March 2009-2011
Rick Medlock	58,503	–	**58,503**	58,503	£4.58	March 2009-2011
Andrew Sukawaty	66,248	–	**66,248**	66,248	£4.58	March 2009-2011

1) The shares vest in three equal instalments in March 2007, 2008 and 2009.
2) The number of shares subject to the award increases by the number of shares that the Executive Director could have purchased with the value of dividends they would have received on their award, based on the share price on the ex-dividend date.
3) On 7 March 2008, shares vested at £4.57 per share. On 10 March 2008, Messrs Butler and Medlock sold their vested shares at a market price of £4.57 per share, representing a monetary value of £41,297. On the same date, Mr Sukawaty sold sufficient of his vested shares at a price of £4.57 per share to cover the tax and national insurance contributions due on the value of the shares and retained 11,509 shares.
4) Following the 2008 Financial Results, the third tranche of the award made in 2005 will vest. The number of shares vesting will include additional shares in respect of the value of reinvested dividends as noted in 2) above.
5) The shares vest in three equal instalments in March 2009, 2010 and 2011.
• On 19 March 2008, awards over a monetary value of £401,700 and £440,000 were made to Messrs Medlock and Sukawaty respectively. These monetary awards will be converted in full to ordinary shares following the announcement of the 2008 Financial Results. These shares will vest in three equal instalments in March 2010, 2011 and 2012.

Inmarsat 2005 Performance Share Plan

	Share awards held at 1 January 2008	Awarded during the year	Vested during the year[1,2]	**Share awards held at 31 December 2008**	Share price at date of award	Vesting Date
Michael Butler	106,123	–	116,402	**–**	£2.45	31 May 2008
	37,974	–	–	**37,974**	£3.95	29 March 2010
Rick Medlock	106,123	–	116,402	**–**	£2.45	31 May 2008
	33,898	–	–	**33,898**	£3.95	29 March 2010
	–	91,555	–	**91,555**	£4.39	19 March 2011
Andrew Sukawaty	153,062	–	167,890	**–**	£2.45	31 May 2008
	48,892	–	–	**48,892**	£3.95	29 March 2010
	–	100,284	–	**100,284**	£4.39	19 March 2011

1) 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.
2) On 2 June 2008, shares vested at £4.62 per share, representing market values of £537,777, £537,777 and £775,652 for Messrs Butler, Medlock and Sukawaty respectively. On 3 June 2008, Mr Medlock sold his vested shares at a market price of £4.64 per share, representing a monetary value of £540,105. On the same date, Messrs Butler and Sukawaty sold sufficient of their vested shares at a price of £4.64 per share to cover the tax and national insurance contributions due on the value of the shares and retained 68,557 and 98,882 shares respectively.

Chief Executive Officer Share Award[1]

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

1) The award may be increased to 1.7 million shares subject to the achievement of certain performance conditions (see page 42 for details).

The market price of the ordinary shares at 31 December 2008 was 471.50p and the range during the year was 330.25p to 585.00p.

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

Directors' interests

Audited information in respect of the interests of the Directors of the Company in office at the end of the period and their interests in the share capital of the Company as at 12 March 2009 and their connected persons are shown below.

Interest in ordinary shares of €0.0005 each	**As at 12 March 2009**	As at 31 December 2008	As at 31 December 2007
Executive Directors			
Michael Butler	**322,786**	322,786	500,000
Rick Medlock	**509,663**	509,663	511,163
Andrew Sukawaty	**1,108,036**	1,108,036	997,645
Non-Executive Directors			
Sir Bryan Carsberg	**16,327**	16,327	16,327
Stephen Davidson	**16,327**	16,327	16,327
Admiral James Ellis Jr (Rtd)	**21,727**	21,727	16,327
Kathleen Flaherty	**1,500**	1,500	1,500
John Rennocks	**43,104**	43,104	33,104

Note: 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
12 March 2009

Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements. The Directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs) and have also elected to prepare financial statements for the Company in accordance with IFRSs. Company law requires the Directors to prepare such financial statements in accordance with IFRSs, the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. Directors are also required to:

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

The Directors have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and Applicable Law). The parent company financial statements are required by law to give a true and fair view of the state of affairs of the Company. In preparing 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 UK Accounting Standards are followed; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' remuneration report which comply with the requirements of the Companies Act 1985.

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

Directors' responsibility statement

We confirm to the best of our knowledge that:

1. the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

2. the Chairman and Chief Executive Officer's Business Review, which is incorporated into the Directors' Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

By order of the Board

Andrew Sukawaty
Chairman and Chief Executive Officer
12 March 2009

Rick Medlock
Chief Financial Officer
12 March 2009

Independent Auditors' Report to the Members of Inmarsat plc

We have audited the consolidated financial statements of Inmarsat plc for the year ended 31 December 2008 which comprise the Consolidated Income Statement, the Consolidated Statement of Recognised Income and Expense, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the related notes 1 to 37. These consolidated financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

We have reported separately on the Company financial statements of Inmarsat plc for the year ended 31 December 2008.

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

Respective responsibilities of Directors and Auditors

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

Our responsibility is to audit the consolidated financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding Director's remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

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

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the consolidated financial statements and the information in the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and 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 to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the consolidated financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the consolidated financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 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.

As explained in Note 2, the Group in addition to complying with its legal obligation to apply those IFRSs adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board. Accordingly, in our opinion the financial statements give a true and fair view in accordance with International Financial Reporting Standards, of the state of the Group's affairs as at 31 December 2008 and of its profit for the year then ended.

Deloitte LLP
Chartered Accountants and Registered Auditors
London
12 March 2009

Consolidated Income Statement

(US$ in millions)	Note	2008	2007 (as restated)
Revenue		**996.7**	576.5
Employee benefit costs	8	**(190.8)**	(99.0)
Network and satellite operations costs		**(192.5)**	(42.4)
Other operating costs		**(106.2)**	(65.5)
Work performed by the Group and capitalised		**24.0**	18.5
EBITDA		**531.2**	388.1
Depreciation and amortisation	7	**(214.7)**	(176.8)
Share of results of associates		**0.7**	–
Operating profit		**317.2**	211.3
Interest receivable and similar income	10	**14.8**	6.7
Interest payable and similar charges	10	**(138.2)**	(93.3)
Net interest payable	10	**(123.4)**	(86.6)
Profit before income tax		**193.8**	124.7
Income tax credit/(expense)	11	**161.6**	(28.4)
Profit for the year		**355.4**	96.3
Attributable to:			
Equity holders		**355.3**	96.3
Non-controlling interest		**0.1**	–
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in US$ per share)			
– Basic	29	**0.78**	0.21
– Diluted	29	**0.77**	0.21
Adjusted earnings per share (expressed in US$ per share)			
– Basic	29	**0.30**	0.21
– Diluted	29	**0.32**	0.21

Consolidated Statement of Recognised Income and Expense

(US$ in millions)	Note	2008	2007 (as restated)
Profit for the year		**355.4**	96.3
Actuarial (losses)/gains from pension and post retirement healthcare benefits	28	**(8.7)**	7.3
Net (losses)/gains on cash flow hedges	28	**(35.8)**	11.8
Transfer to carrying amount of non-financial hedged item on cash flow hedges	28	**–**	(29.7)
Cancellation of deferred shares	28	**–**	0.1
Tax credited directly to equity	28, 11	**13.4**	3.1
Total recognised income for the year		**324.3**	88.9

Consolidated Balance Sheet

(US$ in millions)	Note	2008	2007 (as restated)
Assets			
Non-current assets			
Property, plant and equipment	14	**1,433.3**	1,393.8
Intangible assets	15	**1,027.7**	1,058.8
Investments	16	**6.4**	6.8
Other receivables	18	**2.2**	1.0
Derivative financial instruments	32	**8.6**	–
		2,478.2	2,460.4
Current assets			
Cash and cash equivalents	17	**156.4**	115.0
Trade and other receivables	18	**251.3**	234.8
Inventories	19	**19.8**	15.8
Derivative financial instruments	32	**1.1**	0.5
		428.6	366.1
Total assets		**2,906.8**	2,826.5
Liabilities			
Current liabilities			
Borrowings	20	**204.4**	93.7
Trade and other payables	21	**195.8**	195.5
Provisions	22	**–**	0.1
Current income tax liabilities	23	**27.8**	28.8
Derivative financial instruments	32	**32.5**	4.3
		460.5	322.4
Non-current liabilities			
Borrowings	20	**1,370.2**	1,483.5
Other payables	21	**16.6**	7.6
Provisions	22	**35.8**	41.4
Deferred income tax liabilities	23	**52.5**	230.5
Derivative financial instruments	32	**37.5**	7.7
		1,512.6	1,770.7
Total liabilities		**1,973.1**	2,093.1
Net assets		**933.7**	733.4
Shareholders' equity			
Ordinary shares	26	**0.3**	0.3
Share premium	28	**679.6**	677.1
Equity reserve	28	**56.9**	56.9
Other reserves	28	**(25.2)**	(7.4)
Retained earnings	28	**220.6**	5.1
Equity attributable to shareholders of the parent		**932.2**	732.0
Non-controlling interest	28	**1.5**	1.4
Total equity		**933.7**	733.4

The consolidated financial statements of the Group on pages 49 to 93 were approved by the Board of Directors on 12 March 2009 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	2008	2007
Cash flow from operating activities			
Cash generated from operations	25	**528.0**	384.3
Interest received		**2.4**	6.3
Income taxes (paid)/credited		**(3.6)**	0.1
Net cash inflow from operating activities		**526.8**	390.7
Cash flow from investing activities			
Purchase of property, plant and equipment		**(203.7)**	(205.3)
Consideration under ACeS collaboration arrangement		**(2.5)**	(3.0)
Additions to capitalised development costs		**(7.9)**	(8.3)
Proceeds from disposal of property		**0.8**	–
Work performed by the Group and capitalised		**(23.4)**	(17.5)
CIP transaction fees	24	**(6.5)**	(12.7)
Purchase of Stratos, net of cash acquired	24	**–**	(207.3)
Purchase of CIP Option	24	**–**	(0.7)
Net cash used in investing activities		**(243.2)**	(454.8)
Cash flow from financing activities			
Dividends paid to shareholders	13	**(130.2)**	(125.9)
Purchase of own debt securities	20	**(109.6)**	(38.0)
Interest paid on borrowings		**(64.9)**	(39.8)
Net drawdown on credit facilities	20	**58.6**	70.0
Net proceeds from issue of ordinary shares		**2.4**	–
Net proceeds from Convertible Bond issue	20	**–**	281.9
Payment on purchase of own shares by employee benefit trust		**–**	(10.1)
Finance lease disposal fees		**–**	(1.4)
Other financing activities		**(0.7)**	–
Net cash (used in)/from financing activities		**(244.4)**	136.7
Foreign exchange adjustment		**0.4**	(0.3)
Net increase in cash and cash equivalents		**39.6**	72.3
Movement in cash and cash equivalents			
At beginning of year		**115.0**	42.7
Net increase in cash and cash equivalents		**39.6**	72.3
As reported on the Balance Sheet (net of bank overdrafts)	17	**154.6**	115.0
At end of year, comprising			
Cash at bank and in hand	17	**108.5**	65.5
Short-term deposits with original maturity of less than 3 months	17	**47.9**	49.5
Bank overdrafts	17	**(1.8)**	–
		154.6	115.0

Notes to the Consolidated Financial Statements

1. General information
Inmarsat plc ('the Company' or together with its subsidiaries, 'the Group') is a company incorporated and domiciled in England and Wales. The address of its registered office is 99 City Road, London, EC1Y 1AX, United Kingdom. The nature of the Group's operations and its principal activities are set out in note 6.

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

2. Principal accounting policies
Basis of preparation
The principal accounting policies adopted in the preparation of the consolidated financial statements for the years ended 31 December 2008 and 2007 ('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 ('IFRS') as adopted by the European Union and IFRS as issued by the International Accounting Standards Board ('IASB') and the assumptions and estimates they have made in applying the standards and interpretations and the policies adopted in the 2008 financial statements.

These financial statements have been prepared in accordance with IFRS 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.

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

The Group's business activities, together with factors likely to affect its future development, performance and position are set out in the Chairman and Chief Executive Officer's Business Review and the Chief Financial Officer's Review on pages 4 to 22. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Chief Financial Officer's Review on pages 13 to 22. In addition, note 3 and 32 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposure to credit risk and liquidity risk.

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

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

In the current year, the Group has adopted IFRIC 14, 'IAS19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'. IFRIC 14 provides guidance on the implications of pension scheme minimum funding requirements and the criteria under which reductions in future contributions should be regarded as available. Adoption of IFRIC 14 has no impact on these consolidated financial statements.

On 1 January 2008, the Group adopted IAS 23 (as revised), 'Borrowing Costs', in advance of its effective date, which is for annual reporting periods beginning on or after 1 January 2009. The impact of the adoption of IAS 23 (as revised) is the compulsory capitalisation of interest and finance costs associated with assets that take a substantial period of time to get ready for intended use. As a result, during 2008 US$0.9m of interest was capitalised (2007: US$nil) (see note 10).

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

IFRS 1 (as amended)/IAS 27 (as amended) – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective for financial years beginning on or after 1 January 2009).
IFRS 2 (as amended) – Share-based Payment: Vesting Conditions and Cancellations (effective for financial years beginning on or after 1 January 2009).
IFRS 3 (as revised) – Business Combinations (effective for financial years beginning on or after 1 July 2009).
IFRS 8 – Operating Segments (effective for financial years beginning on or after 1 January 2009).
IAS 1 (as amended) – Presentation of Financial Statements – Capital Disclosures (effective for financial years beginning on or after 1 January 2009).
IAS 27 (as amended) – Consolidated and Separate Financial Statements (effective for financial years beginning on or after 1 July 2009).
IAS 32 (as amended)/IAS 1 (as amended) – Puttable Financial Instruments and Obligations Arising on Liquidation (effective for financial years beginning on or after 1 January 2009).
IAS 39 (as amended) – Financial Instruments: Recognition and Measurement (effective for financial years beginning on or after 1 July 2009).
IFRIC 13 – Customer Loyalty Programmes (effective for years beginning on or after 1 July 2008).
IFRIC 15 – Agreements for the Construction of Real Estate (effective for financial years beginning on or after 1 January 2009).
IFRIC 16 – Hedges of a Net Investment in a Foreign Operation (effective for financial years beginning on or after 1 October 2008).
IFRIC 17 – Distribution of Non-cash Assets to Owners (effective for financial years beginning on or after 1 July 2009).
IFRIC 18 – Transfers of Assets from Customers (effective for transfers received on or after 1 July 2009).

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

- additional segment disclosure when IFRS 8 comes into effect for periods commencing on or after 1 January 2009.
- treatment of the acquisition of subsidiaries when IFRS 3 comes into effect for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 July 2009.

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

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

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

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

All intragroup transactions, balances, income and expenses are eliminated on consolidation.

On the acquisition of a company or business, fair values reflecting conditions at the date of acquisition are attributed to the identifiable separable assets, liabilities and contingent liabilities acquired. In respect of the CIP transaction described below and in note 24, the book values of the identifiable separable assets, liabilities and contingent liabilities acquired were deemed to represent their provisional fair value as the acquisition was accounted for on a provisional basis in the consolidated financial statements for the year ended 31 December 2007. The values of identifiable separable assets, liabilities and contingent liabilities have been adjusted following a final fair value exercise conducted during the year.

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.

Restatement

The Consolidated Income Statement, Consolidated Statement of Total Recognised Income and Expense, Consolidated Balance Sheet and related notes for the year ended 31 December 2007 have been restated in accordance with IFRS 3, 'Business Combinations', to reflect the final fair value allocation of the assets and liabilities recognised as a result of the deemed acquisition of CIP (see note 14, 15 and 24).

The depreciation and amortisation charge has increased by US$0.1m to US$176.8m and the tax expense has increased by US$0.2m to US$28.4m, resulting in a US$0.3m decrease in consolidated profit for the year. Total assets at 31 December 2007 have increased by US$61.9m to US$2,826.5m and total liabilities have increased by US$62.2m to US$2,093.1m, resulting in a decrease in net assets of US$0.3m (see note 24).

Consolidation of CIP

The consolidated results of the Group for the years ended 31 December 2008 and 2007 include the financial results of CIP UK Holdings Limited and its subsidiaries including Stratos Global Corporation (together 'CIP') (2007 includes the 21 day period from 11 December 2007 to 31 December 2007).

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

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

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

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

We have accounted for the combination of Inmarsat Core[1] and CIP using the purchase method of accounting in accordance with IFRS 3, 'Business Combinations'. Results of operations for CIP for the period 11 December 2007 to 31 December 2007 (21 days of activity) have been included in the Consolidated Income Statement of the Group for the year ended 31 December 2007. The results for the year ended 31 December 2007 have been restated to reflect the final fair value allocation of assets and liabilities.

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

Comparatives

The Group previously classified US$1.0m of CIP's pension liabilities as current trade and other payables. To conform to the treatment of pension liabilities by Inmarsat Core[1], US$1.0m has been reclassified from current trade and other payables to non-current pension provisions in 2007.

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 2008 was US$1.44/£1.00 (2007: US$1.99/£1.00). The average rate between US dollar and Pounds Sterling for 2008 was US$1.86/£1.00 (2007: US$2.00/£1.00). The hedged rate between US dollar and Pounds Sterling for 2008 for Inmarsat Core[1] was US$2.01/£1.00 (2007: US$$1.81/£1.00).

[1] Inmarsat plc and its subsidiaries excluding CIP

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

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

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

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

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

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

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

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

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

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

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

Employee benefits

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

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

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

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

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

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

Current tax

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

Deferred income tax

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

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

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

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

Research and development

Research expenditure is expensed when incurred. Development expenditure is expensed when incurred unless it meets criteria for capitalisation. Development costs are only capitalised once 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. As of 1 January 2008, on adoption of IAS 23 (as revised), 'Borrowing Costs', borrowing costs attributable to the construction of assets which take a substantial period of time to get ready for intended use ('qualifying assets') are added to the costs of those assets. Prior to 1 January 2008 borrowing costs for the construction of assets were not capitalised.

Assets in course of construction
Assets in course of construction relate to the Inmarsat-4 F3 satellite and BGAN services. These assets will be transferred to space segment assets and depreciated over the life of the satellites once they become operational and placed into service.

No depreciation has been charged on these assets.

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

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

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

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

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

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

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

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

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

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

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

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

(e) Spectrum rights
Spectrum rights are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method. Spectrum rights acquired as a result of the ACeS collaboration in September 2006 are amortised over a remaining useful life of 6.3 years. Spectrum rights acquired as a result of the CIP transaction are amortised over their useful lives of 3 to 10 years.

(f) Customer relationships
Customer relationships acquired in connection with the acquisition of CIP are carried at cost less accumulated amortisation and are being amortised over the expected period of benefit of 12 years using the straight-line method.

(g) Intellectual property
Intellectual property is carried at cost less accumulated amortisation. Amortisation was calculated using the straight-line method over a remaining useful life of 0.3 years.

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

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

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

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

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

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

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

As of 1 January 2008, on adoption of IAS 23 (as revised), 'Borrowing Costs', borrowing costs attributable to the construction of assets which take a substantial period of time to get ready for intended use ('qualifying assets') are added to the costs of those assets. Prior to 1 January 2008 borrowing costs for the construction of assets were not capitalised.

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

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

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

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

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

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

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

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

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

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

[1] Inmarsat plc and its subsidiaries excluding CIP

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

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

(a) Market risk

(i) Foreign exchange risk

The functional currency of Inmarsat plc is US dollars. The Group generates substantially all of its revenue in US dollars. The vast majority of capital expenditure is denominated in US dollars. Approximately 60% of Inmarsat Core's[1] operating costs are denominated in Sterling. This exposure therefore needs to be carefully managed to avoid variability in future cash flows and earnings caused by volatile foreign exchange rates. As a guide Inmarsat Core's[1] Sterling operating cost base for 2008 has been relatively constant at approximately £5.0m per month.

The foreign currency hedging policy of Inmarsat Core[1] is to economically hedge a minimum of 50% of anticipated Sterling denominated operating expenses for the next 12 months and up to a maximum of 100% for the next three years on a rolling basis.

Excluding the impact of CIP, as at 31 December 2008 it is estimated that:

- A hypothetical 1% inflation of the hedged US dollar/Sterling exchange rate would have impacted the 2008 profit before tax by approximately US$1.3m (2007: US$1.2m).
- A hypothetical 1% inflation of the US dollar/Sterling foreign currency spot rate at 31 December 2008, would have reduced the 2008 profit before tax by approximately US$0.1m (2007: increased by US$0.1m), primarily as a result of the translation of Sterling denominated monetary assets and liabilities. This analysis includes only outstanding foreign currency denominated monetary items and adjusts the translation of these items at the period end for a 1% change in foreign currency rates.
- A hypothetical 1% inflation in the US dollar/Sterling and a 1% deflation in the US dollar/Euro foreign currency spot rates at 31 December 2008, would have impacted equity by US$1.3m and US$1.5m, respectively (2007: US$1.3m and US$nil, respectively) primarily as a result of the changes in fair value of derivative instruments designated as cash flow hedges.

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

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

(ii) Price risk

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

(b) Interest rate risk

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

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

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

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

[1] Inmarsat plc and its subsidiaries excluding CIP

As at 31 December 2008, if interest rates on borrowings changed by 1%, with all other variables held constant, the Group's profit after tax for the year would have been impacted by US$1.6m (2007: US$1.4m). This is primarily due to the Group's exposure to interest rates on its variable rate borrowings. The sensitivity analysis has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at each balance sheet date was outstanding for the whole year. Management believes that a 1% sensitivity rate provides a reasonable basis upon which to assess expected changes in interest rates.

(c) Credit risk

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

The maximum exposure to credit risk is:

(US$ in millions)	Note	2008	2007
Cash and cash equivalents	17	**156.4**	115.0
Trade receivables	18	**175.8**	163.8
Derivative financial instruments	32	**9.7**	0.5
Total credit risk		**341.9**	279.3

For Inmarsat Core[1], the average credit period on sales of services is 77 days (2007: 80 days). No interest is charged on trade receivables until the receivables become overdue for payment. Thereafter, interest is charged at a weighted average of 14% per annum (2007: 16% per annum) on the outstanding balance. Inmarsat Core[1] provides for receivables on a specific trade receivable basis. As at 31 December 2008 Inmarsat Core[1] had not provided for any specific trade receivables (2007: US$nil).

For 2008, two (2007: two) distribution partners comprised approximately 80.8% (2007: 82.1%) of Inmarsat Core[1]'s revenues. These same two customers comprised 80.7% (2007: 84.8%) of Inmarsat Core[1]'s trade receivables balance as at 31 December 2008. One of these distribution partners is Stratos.

CIP's credit risk is managed separately by their management which operates independently from Inmarsat Core[1]. CIP is exposed to credit risk in the event of non-performance by counterparties to its derivative financial instruments. Non-performance is not anticipated since these counterparties are highly rated financial institutions. CIP is also exposed to credit risk with respect to accounts receivable from customers. CIP provides services to many customers across different geographic areas. No customer accounted for more than 10% or more of accounts receivable as at 31 December 2008. CIP has credit evaluation, approval and monitoring processes intended to mitigate potential credit risks, and maintains provisions for potential credit losses that are assessed on an ongoing basis.

The allowance for uncollectability of trade receivables and revenue adjustments as at 31 December 2008 for CIP was US$13.9m (2007: US$14.6m).

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

(US$ in millions)	Note	2008	2007
Current		**150.8**	140.0
Between 1 and 30 days overdue		**16.4**	16.4
Between 31 and 120 days overdue		**7.1**	7.4
Over 120 days overdue		**1.5**	–
Total trade receivables	18	**175.8**	163.8

[1] Inmarsat plc and its subsidiaries excluding CIP

(d) Liquidity risk

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

Inmarsat Core[1] manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Inmarsat Core[1] maintains a long-term Revolving Credit Facility of US$300.0m that is designed to ensure Inmarsat Core[1] has sufficient available funds for operations. Drawings on this facility were US$140.0m as at 31 December 2008 (2007: US$70.0m).

CIP which is managed and operates independently from Inmarsat Core[1] manages liquidity risk with a US$25.0m Revolving Operating Facility which was undrawn as at 31 December 2008 and 2007. The facility is designed to ensure that CIP has sufficient available funds for operations.

4. Critical accounting estimates and judgements in applying accounting policies

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

(a) Estimated impairment of goodwill

The Group annually undertakes tests to determine whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2. The carrying amounts of goodwill and intangible assets are given in note 15.

For the purpose of testing for impairment, goodwill is specifically allocated to CGUs. Four CGUs have been identified, being Inmarsat Core[1] – 'Mobile Satellite Services' ('MSS') and 'Other', CIP – 'Stratos Mobile Satellite Services' ('Stratos MSS') and 'Broadband'. It has been determined that goodwill that arose on the acquisition of Inmarsat Ventures Limited represented goodwill of the MSS CGU only. Goodwill that arose on the acquisition of CIP has been allocated to the Stratos MSS and Broadband CGUs following the finalisation of the fair value of the assets and liabilities during the year (see note 24). Therefore, goodwill has been tested for impairment on the MSS, Stratos MSS and Broadband CGUs only.

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

- discount rate – the pre-tax rate used to discount the operating profit projections in respect of Inmarsat Core[1] and CIP were 10.5% and 10.5% respectively;
- operating profit projections are derived from recently approved 5 year forecasts and have assumed terminal growth rates for Inmarsat Core[1] and CIP of 3.0% and 3.0% respectively.

Using the value in use as a measure, no impairment to the carrying value of goodwill was recognised. In the opinion of the Directors, there have been no changes in the business strategy that would result in the carrying value of goodwill exceeding its recoverable amount. For the Broadband segment the discount rate would need to increase to 11.23%, before the carrying value would exceed the value in use and result in an impairment charge being recognised in the Income Statement.

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

Inmarsat Core[1] has applied a rate of return on assets of 7.77% p.a. (2007: 7.40% p.a.) which represents the expected return on asset holdings in the future. The discount rate used to calculate the pension and post-retirement healthcare benefits liabilities was 6.10% (2007: 5.80%) (see note 30).

(c) Income tax

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

[1] Inmarsat plc and its subsidiaries excluding CIP

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

The table below shows the combined results for Inmarsat Core[1] and CIP for the years ended 31 December 2008 and 2007, and the intragroup eliminations and adjustments that were required for the reported consolidated income statement position. CIP reflects the consolidated results of CIP UK, CIP Canada and Stratos Global Corporation for the full year to 31 December 2008 and the 21 day period to 31 December 2007, following the deemed acquisition of CIP on 11 December 2007. The combined results at 31 December 2007 have been restated to reflect the final fair value allocation of the assets and liabilities of CIP.

(US$ in millions)	2008 Inmarsat Core[1]	2008 CIP	2008 Intragroup eliminations and adjustments	2008 **Consolidated plc**	2007 (as restated) Inmarsat Core[1]	2007 (as restated) CIP	2007 (as restated) Intragroup eliminations and adjustments	2007 (as restated) Consolidated plc
Revenue	634.7	638.0	(276.0)[(a)]	**996.7**	557.2	31.6	(12.3)[(a)]	576.5
Employee benefit costs	(107.8)	(83.0)	–	**(190.8)**	(94.3)	(4.7)	–	(99.0)
Network and satellite operations costs	(39.7)	(429.1)	276.3[(b)]	**(192.5)**	(33.8)	(20.8)	12.2[(b)]	(42.4)
Other operating costs	(79.6)	(27.6)	1.0[(b)]	**(106.2)**	(64.1)	(1.5)	0.1[(b)]	(65.5)
Work performed by the Group and capitalised	24.0	–	–	**24.0**	18.5	–	–	18.5
EBITDA	431.6	98.3	1.3	**531.2**	383.5	4.6	–	388.1
Depreciation and amortisation	(167.0)	(47.7)	–	**(214.7)**	(174.2)	(2.6)	–	(176.8)
Share of results of associates	–	0.7	–	**0.7**	–	–	–	–
Operating profit	264.6	51.3	1.3	**317.2**	209.3	2.0	–	211.3
Interest receivable and similar income	29.0	1.0	(15.2)[(c)]	**14.8**	7.6	–	(0.9)[(c)]	6.7
Interest payable and similar charges	(107.2)	(39.4)	8.4[(d)]	**(138.2)**	(91.4)	(2.3)	0.4[(d)]	(93.3)
Net interest payable	(78.2)	(38.4)	(6.8)	**(123.4)**	(83.8)	(2.3)	(0.5)	(86.6)
Profit/(loss) before income tax	186.4	12.9	(5.5)	**193.8**	125.5	(0.3)	(0.5)	124.7
Income tax credit/(expense)	165.2	(3.6)	–	**161.6**	(28.3)	(0.1)	–	(28.4)
Profit/(loss) for the year	351.6	9.3	(5.5)	**355.4**	97.2	(0.4)	(0.5)	96.3

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

The table below shows the combined balance sheets of Inmarsat Core[1] and CIP at 31 December 2008 and 2007. The table also identifies all associated intragroup eliminations and adjustments for the reported Consolidated Group Balance Sheet. The combined balance sheets at 31 December 2007 have been restated to reflect the final fair value allocation of the assets and liabilities of CIP.

(US$ in millions)	2008 Inmarsat Core[1]	2008 CIP	2008 Intragroup eliminations and adjustments	2008 **Consolidated plc**	2007 (as restated) Inmarsat Core[1]	2007 (as restated) CIP	2007 (as restated) Intragroup eliminations and adjustments	2007 (as restated) Consolidated plc
Non-current assets	2,233.8	661.7	(417.3)[(a)]	**2,478.2**	2,097.9	688.1	(325.6)[(a)]	2,460.4
Current assets	243.2	270.3	(84.9)[(b)]	**428.6**	219.3	218.0	(71.2)[(b)]	366.1
Total assets	2,477.0	932.0	(502.2)	**2,906.8**	2,317.2	906.1	(396.8)	2,826.5
Current liabilities	(393.5)	(172.3)	105.3[(c)]	**(460.5)**	(262.3)	(158.2)	98.1[(c)]	(322.4)
Non-current liabilities	(1,156.7)	(747.8)	391.9[(d)]	**(1,512.6)**	(1,321.8)	(748.1)	299.2[(d)]	(1,770.7)
Total liabilities	(1,550.2)	(920.1)	497.2	**(1,973.1)**	(1,584.1)	(906.3)	397.3	(2,093.1)
Net assets	926.8	11.9	(5.0)	**933.7**	733.1	(0.2)	0.5	733.4

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

[1] Inmarsat plc and its subsidiaries excluding CIP

The table below splits cash flows between Inmarsat Core[1] and CIP for the years ended 31 December 2008 and 2007 and the intragroup eliminations and adjustment for the reported consolidated statement of cash flows. The 2007 cash flows for CIP reflects 21 days of trading activity following the deemed acquisition of CIP on 11 December 2007.

	2008				2007			
(US$ in millions)	Inmarsat Core[1]	CIP	Intragroup eliminations and adjustments	**Consolidated plc**	Inmarsat Core[1]	CIP	Intragroup eliminations and adjustments	Consolidated plc
Cash flow from operating activities								
Cash generated from operations	424.6	103.9	(0.5)[(a)]	**528.0**	372.7	11.6	–	384.3
Interest received	1.4	1.0	–	**2.4**	6.3	–	–	6.3
Income taxes (paid)/credited	(1.3)	(2.3)	–	**(3.6)**	0.1	–	–	0.1
Net cash inflow from operating activities	424.7	102.6	(0.5)	**526.8**	379.1	11.6	–	390.7
Cash flow from investing activities								
Purchase of property, plant and equipment	(179.8)	(24.4)	0.5[(a)]	**(203.7)**	(201.6)	(3.7)	–	(205.3)
Consideration under ACeS collaboration arrangement	(2.5)	–	–	**(2.5)**	(3.0)	–	–	(3.0)
Additions to capitalised development costs	(7.9)	–	–	**(7.9)**	(8.3)	–	–	(8.3)
Proceeds from disposal of property	–	0.8	–	**0.8**	–	–	–	–
Work performed by the Group and capitalised	(23.4)	–	–	**(23.4)**	(17.5)	–	–	(17.5)
Purchase of Stratos' Senior Unsecured Notes	(54.5)	–	54.5[(b)]	**–**	–	–	–	–
CIP transaction fees	(6.5)	–	–	**(6.5)**	(6.8)	(5.9)	–	(12.7)
Purchase of Stratos, net of cash acquired	–	–	–	**–**	–	(237.0)	29.7[(c)]	(207.3)
Purchase of CIP option	–	–	–	**–**	(0.7)	–	–	(0.7)
Net cash used in investing activities	(274.6)	(23.6)	55.0	**(243.2)**	(237.9)	(246.6)	29.7	(454.8)
Cash flow from financing activities								
Dividends paid to shareholders	(130.2)	–	–	**(130.2)**	(125.9)	–	–	(125.9)
Purchase of own debt securities	(55.1)	–	(54.5)[(b)]	**(109.6)**	(38.0)	–	–	(38.0)
Interest paid on borrowings	(38.4)	(26.5)	–	**(64.9)**	(39.8)	–	–	(39.8)
Net drawdown of credit facilities	70.0	(11.4)	–	**58.6**	70.0	–	–	70.0
Net proceeds from issue of ordinary shares	2.4	–	–	**2.4**	–	–	–	–
Loan to CIP	–	–	–	**–**	(298.9)	298.9	–	–
Hedging activities in relation to CIP	–	–	–	**–**	29.7	–	(29.7)[(c)]	–
Net proceeds from issue of Convertible Bond	–	–	–	**–**	281.9	–	–	281.9
Payment on purchase of own shares by employee benefit trust	–	–	–	**–**	(10.1)	–	–	(10.1)
Finance lease disposal fees	–	–	–	**–**	(1.4)	–	–	(1.4)
Other financing activities	(0.7)	–	–	**(0.7)**	–	–	–	–
Net cash (used in)/from financing activities	(152.0)	(37.9)	(54.5)	**(244.4)**	(132.5)	298.9	(29.7)	136.7
Foreign exchange adjustment	0.4	–	–	**0.4**	(0.3)	–	–	(0.3)
Net (decrease)/increase in cash and cash equivalents	(1.5)	41.1	–	**39.6**	8.4	63.9	–	72.3

(a) The adjustment of US$0.5m represents elimination of intragroup purchases by Inmarsat Core[1] from CIP during the period.
(b) The adjustment of US$54.5m represents reclassification of debt securities purchased by Inmarsat Core[1] during the period.
(c) The adjustment of US$29.7m represents hedging gains which have been applied as a basis adjustment against the purchase price of Stratos by CIP Canada on consolidation (see note 24).

[1] Inmarsat plc and its subsidiaries excluding CIP

6. Segmental information

The Group operates in two business segments being the supply of mobile satellite communications services ('MSS') and, following the deemed acquisition of CIP, broadband services.

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

Primary reporting format – business segments

(US$ in millions)	Note	2008 MSS	2008 Broadband	2008 Other	2008 Unallocated	2008 Total
Revenue		**881.3**	**105.2**	**10.2**	**–**	**996.7**
Segment result (operating profit)		**346.9**	**10.1**	**2.4**	**(42.2)**	**317.2**
Net interest charged to the Income Statement	10	**–**	**–**	**–**	**(123.4)**	**(123.4)**
Profit before income tax						**193.8**
Income tax credit	11					**161.6**
Profit for the year						**355.4**
Segment assets [(a)]		**2,624.1**	**126.2**	**–**	**156.5**	**2,906.8**
Segment liabilities		**(300.4)**	**(17.8)**	**–**	**(1,654.9)**	**(1,973.1)**
Capital expenditure [(b)]		**(218.6)**	**(9.1)**	**–**	**–**	**(227.7)**
Depreciation		**(159.6)**	**(7.2)**	**–**	**–**	**(166.8)**
Amortisation of intangible assets		**(46.4)**	**(1.5)**	**–**	**–**	**(47.9)**

(a) Following the finalisation of the fair value review, the goodwill arising on the CIP transaction has been allocated to the MSS and Broadband segments as US$241.5m and US$29.8m, respectively. The remainder of the goodwill, being US$406.2m, relates to Inmarsat Core[1].
(b) Capital expenditure stated using accruals basis.

(US$ in millions)	Note	2007 (as restated) MSS	2007 (as restated) Broadband[(a)]	2007 (as restated) Other	2007 (as restated) Unallocated	2007 (as restated) Total
Revenue		562.1	6.5	7.9	–	576.5
Segment result (operating profit/(loss))		210.4	(0.1)	1.0	–	211.3
Net interest charged to the Income Statement	10	–	–	–	(86.6)	(86.6)
Profit before income tax						124.7
Income tax expense	11					(28.4)
Profit for the year						96.3
Segment assets [(b)]		2,587.6	123.9	–	115.0	2,826.5
Segment liabilities		(235.7)	(20.8)	–	(1,836.6)	(2,093.1)
Capital expenditure [(c)]		(194.3)	–	–	–	(194.3)
Depreciation		(154.8)	(0.4)	–	–	(155.2)
Amortisation of intangible assets		(21.5)	(0.1)	–	–	(21.6)

(a) The segmental information for the year ended 31 December 2007 has been reclassified to disclose the results of the broadband segment. The results of the broadband segment in the year to 31 December 2007 represent the 21 days of trading activity following the deemed acquisition of CIP on 11 December 2007. The broadband segment was previously identified as a non-reportable segment in the year to 31 December 2007 and was aggregated within the 'Other' non-reportable segment results.
(b) Following the finalisation of the fair value review, the goodwill arising on the CIP transaction has been allocated to the MSS and Broadband segments as US$241.5m and US$29.8m, respectively. The remainder of the goodwill, being US$406.2m, relates to Inmarsat Core[1].
(c) 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.

For Inmarsat Core[1] revenues are allocated to countries based on the location of the distribution partner who receives the invoice for the services. For CIP revenues are allocated to countries based on the billing address of the customer for whom the service is provided.

[1] Inmarsat plc and its subsidiaries excluding CIP

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

(US$ in millions)	2008 Revenue	2008 Segment assets	2008 Capital expenditure	2007 (as restated) Revenue	2007 (as restated) Segment Assets	2007 (as restated) Capital expenditure
Europe [a]	430.4	1,550.2	210.9	207.5	1,718.6	192.6
North America	297.2	389.5	15.1	287.9	334.5	1.4
Asia and Pacific	201.2	40.7	1.7	69.3	17.1	0.1
Rest of the world	67.9	0.1	–	11.8	54.7	0.2
Unallocated [b]	–	926.3	–	–	701.6	–
	996.7	2,906.8	227.7	576.5	2,826.5	194.3

(a) Segment assets in 2007 include the Inmarsat-4 F3 satellite, which was held in storage.
(b) Unallocated items relate to satellites which are in orbit, which at 31 December 2008 includes the Inmarsat-4 F3 satellite.

7. Profit before income tax

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

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

(US$ in millions)	Note	2008	2007
Depreciation of property, plant and equipment:			
– Owned assets [a]	14	166.8	155.2
Amortisation of intangible assets	15	47.9	21.6
Operating lease rentals			–
– Land and buildings		17.5	11.7
– Services equipment, fixtures and fittings		0.5	–
– Space segment		20.4	15.4

(a) Included within depreciation on owned assets for 2007 is a one-off charge of US$9.4m relating to accelerated depreciation of an amount that was previously capitalised as part of the launch of the third Inmarsat-4 satellite.

The analysis of the Auditors' remuneration is as follows:

(US$ in millions)	2008	2007
Fees payable to the Company's Auditor for the audit of the Company's annual accounts	0.2	0.2
Fees payable to the Company's Auditor for other services to the Group:		
– The audit of the Company's subsidiaries, pursuant to legislation	0.4	0.3
Total audit fees	0.6	0.5
– Other services, pursuant to legislation	0.2	0.1
– Tax services	0.3	0.5
– Services relating to corporate finance transactions	0.3	1.4
Total non-audit services	0.8	2.0

(a) In addition, total audit fees payable to other auditors in respect of the audit of the consolidated financial statements was US$12,273 (2007: US$8,155).
(b) In addition to the fees disclosed above, Inmarsat Core's[1] pension plan incurred audit fees from our auditors of US$27,140 for the 2008 financial year and US$25,454 from other auditors for the 2007 financial year.
(c) In addition, Stratos incurred audit fees from other auditors for the audit of their 2008 annual accounts and subsidiaries of US$1.0m.

8. Employee benefit costs (including the Executive Directors)

(US$ in millions)	Note	2008	2007
Wages and salaries		146.7	78.7
Social security costs		15.0	8.8
Share options charge (including employers' national insurance contribution)	27	9.4	5.2
CIP management incentive plan		11.4	–
Defined contribution pension plan costs		5.7	3.1
Defined benefit pension plan costs [a]	30	1.8	2.4
Post-retirement healthcare plan costs [a]	30	0.8	0.8
Total employee benefit costs		190.8	99.0

(a) Defined benefit pension plan costs and post-retirement healthcare plan costs for 2008 and 2007 reflect the service cost (see note 30).

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

	2008			2007		
	Inmarsat Core[1]	**CIP**	**Group**	Inmarsat Core[1]	CIP[(a)]	Group
Operations	**175**	**341**	**516**	164	20	184
Sales and marketing	**79**	**150**	**229**	78	9	87
Development and engineering	**87**	**62**	**149**	86	4	90
Administration	**127**	**212**	**339**	123	12	135
	468	**765**	**1,233**	451	45	496

(a) Average number of people employed for the year based on 21 days following the deemed acquisition of CIP on 11 December 2007.

Employee numbers for CIP reflect the weighted average number of employees considered as part of the Group for the year. The average monthly number of people employed by CIP's operating company Stratos during the year ended 31 December 2007 was 777.

9. Executive and Non-Executive Directors' remuneration

(US$ thousands)	2008	2007
Aggregate emoluments	**4,700**	3,991
Company contributions to defined contribution pension schemes	**165**	135
	4,865	4,126

The Directors' Remuneration Report contains full disclosure of Directors' remuneration on pages 37 to 46. Two Directors (2007: two) are accruing benefits under the Group's defined contribution pension plan. One Director is a member of the US 401k Plan (2007: one).

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

10. Net interest payable

(US$ in millions)	2008	2007
Interest on Senior Notes and Senior Credit Facility	**28.3**	40.1
Accretion of principal on Senior Discount Notes	**44.0**	39.5
Interest on Convertible Bond	**22.1**	2.6
Interest on CIP borrowings (note 20)	**31.6**	2.0
Pension and post-retirement liability finance costs	**–**	1.3
Interest rate swaps	**4.8**	–
Unwinding of discount on deferred satellite liabilities	**2.8**	3.3
Amortisation of debt issue costs	**4.5**	3.7
Other interest	**1.0**	0.8
Interest payable and similar charges	**139.1**	93.3
Less: Amounts included in the cost of qualifying assets [(a)]	**(0.9)**	–
Total interest payable and similar charges	**138.2**	93.3
Bank interest receivable and other interest	**3.1**	6.4
Interest rate swaps	**–**	0.3
Net discount on purchase of Stratos' Senior Unsecured Notes	**2.4**	–
Pension and post-retirement liability finance gains	**9.3**	–
Total interest receivable and similar income	**14.8**	6.7
Net interest payable	**123.4**	86.6

(a) Borrowing costs included in the cost of qualifying assets during the year are calculated by applying a capitalisation rate to expenditure on such assets. The average interest capitalisation rate for the year was 8.54%.

[1] Inmarsat plc and its subsidiaries excluding CIP

11. Income tax

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

(US$ in millions)	2008	2007 (as restated)
Current tax expense:		
Current year	**(9.4)**	(13.3)
Adjustments in respect of prior periods		–
– Recognition of finance lease and operating leaseback [(a)]	**6.8**	–
– Reduction of Jersey Corporation Tax rate to 0%	**0.4**	–
– Other	**(2.5)**	–
Total current tax expense	**(4.7)**	(13.3)
Deferred tax credit/(expense):		
Origination and reversal of temporary differences		
– Recognition of finance lease and operating leaseback [(a)]	**211.8**	–
– Other	**(47.4)**	(24.3)
Adjustment due to difference in foreign exchange rate	**2.7**	–
Adjustments in respect of the reduction in the Corporation Tax rate from 30% to 28%	**–**	9.2
Adjustments in respect of prior periods	**(0.8)**	–
Total deferred tax credit/(expense)	**166.3**	(15.1)
Total income tax credit/(expense)	**161.6**	(28.4)

(a) The current tax and deferred tax credits relate to a finance lease and operating leaseback transaction that was entered into in 2007. We have recorded the tax benefit in the current year as we now consider it likely that we will receive the benefit.

Reconciliation of effective tax rate:

(US$ in millions)	2008	2007 (as restated)
Profit before tax	**193.8**	124.7
Income tax at 28.5% (2007: 30%)	**(55.2)**	(37.4)
Differences in overseas tax rates	**(4.8)**	(0.1)
Adjustments in respect of prior periods		
– Recognition of finance lease and operating leaseback	**6.8**	–
– Reduction of Jersey Corporation Tax rate to 0%	**0.4**	–
– Other	**(3.4)**	–
Effect of the reduction in the Corporation Tax rate from 30% to 28% on:		
– opening deferred tax balance	**–**	9.2
– current year movement in deferred tax	**1.0**	2.4
Impact of finance lease and operating leaseback on deferred tax	**211.8**	–
Benefit of current year non-capital losses not recognised	**(1.3)**	–
Other non-deductible expenses/non taxable income	**6.3**	(2.5)
Total income tax credit/(expense)	**161.6**	(28.4)

Tax credited/(charged) to equity:

(US$ in millions)	2008	2007 (as restated)
Current tax credit on share options	**1.7**	0.6
Deferred tax charge on share options	**(0.4)**	(0.4)
Deferred tax credit relating to gains on cash flow hedges	**9.9**	5.1
Deferred tax credit/(charge) on actuarial gains and losses from pension and post-retirement healthcare benefits	**2.2**	(2.2)
Total tax credited to equity	**13.4**	3.1

12. Net foreign exchange (gains)/losses

(US$ in millions)	2008	2007
Pension and post-retirement liability (note 30)	**(10.2)**	0.6
Other operating costs	**(0.1)**	2.7
Total foreign exchange (gains)/losses	**(10.3)**	3.3

13. Dividends

The dividends paid in 2008 were US$55.5m (12.13 cents (US$) per ordinary share) and US$79.1m (17.33 cents (US$) per ordinary share) for the 2008 interim dividend and the 2007 final dividend, respectively. Dividends paid in 2007 were US$52.8m (11.55 cents (US$) per ordinary share) and US$73.1m (16.00 cents (US$) per ordinary share) for the 2007 interim dividend and the 2006 final dividend, respectively. A final dividend in respect of 2008 of 18.20 cents (US$) per ordinary share, amounting to a total dividend of US$83.7m, is to be proposed at the Annual General Meeting on 5 May 2009. In accordance with IAS 37, these financial statements do not reflect this final dividend payable.

(US$ in cents)	2008	2007
Interim dividend paid per ordinary share	**12.13**	11.55
Proposed final dividend per ordinary share	**18.20**	17.33
Total dividend per ordinary share	**30.33**	28.88

14. Property, plant and equipment

(US$ in millions)	Note	Freehold land and Buildings	Services, equipment, fixtures and fittings	Space segment	Assets in the course of construction	Total
Cost at 1 January 2007		2.7	75.1	1,335.5	181.1	1,594.4
Additions		0.2	6.9	106.6	63.0	176.7
Acquisitions (as restated)	24	8.6	75.7	40.5	–	124.8
Transfers		–	3.1	10.8	(13.9)	–
Cost at 31 December 2007 (as restated)		11.5	160.8	1,493.4	230.2	1,895.9
Additions		**0.5**	**24.0**	**23.0**	**162.7**	**210.2**
Disposals		**–**	**(4.4)**	**–**	**–**	**(4.4)**
Transfers		**–**	**0.4**	**0.2**	**(0.6)**	**–**
Cost at 31 December 2008		**12.0**	**180.8**	**1,516.6**	**392.3**	**2,101.7**
Accumulated depreciation at 1 January 2007		(2.7)	(47.4)	(296.8)	–	(346.9)
Charge for the year (as restated)		–	(18.7)	(136.5)	–	(155.2)
Accumulated depreciation at 31 December 2007 (as restated)		(2.7)	(66.1)	(433.3)	–	(502.1)
Charge for the year		**(0.8)**	**(29.6)**	**(136.4)**	**–**	**(166.8)**
Disposals		**–**	**0.5**	**–**	**–**	**0.5**
Accumulated depreciation at 31 December 2008		**(3.5)**	**(95.2)**	**(569.7)**	**–**	**(668.4)**
Net book amount at 31 December 2007 (as restated)		8.8	94.7	1,060.1	230.2	1,393.8
Net book amount at 31 December 2008		**8.5**	**85.6**	**946.9**	**392.3**	**1,433.3**

The 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. The third Inmarsat-4 satellite was successfully launched in August 2008 and will enter commercial service in 2009. Consequently, as at 31 December 2008 the costs associated with the Inmarsat-4 F3 satellite remain in assets under construction. No depreciation has been recognised in 2008 in respect of the Inmarsat-4 F3 satellite. The R-BGAN service was terminated on 31 December 2008, therefore all associated assets had been fully depreciated by the end of 2008.

At 31 December 2008 and 2007, freehold land and buildings for Inmarsat Core[1] were carried at cost less accumulated depreciation (US$nil). Had the freehold land and buildings been revalued on a market basis, their carrying amount at 31 December 2008 and 2007 would have been US$5.9m (2007: US$5.9m). The Directors determined the market valuation.

[1] Inmarsat plc and its subsidiaries excluding CIP

15. Intangible assets

(US$ in millions)	Note	Goodwill	Trademarks	Software	Patents	Terminal development costs	Customer relationships	Spectrum rights	Intellectual property	Total
Cost at 1 January 2007		406.2	19.0	51.1	14.0	67.4	–	2.7	0.7	561.1
Additions		–	–	9.3	–	8.3	–	–	–	17.6
Acquisitions (as restated)	24	271.3	16.8	18.6	–	–	233.2	0.9	–	540.8
Cost at 31 December 2007 (as restated)		677.5	35.8	79.0	14.0	75.7	233.2	3.6	0.7	1,119.5
Additions		**–**	**–**	**9.1**	**–**	**7.7**	**–**	**–**	**–**	**16.8**
Cost at 31 December 2008		**677.5**	**35.8**	**88.1**	**14.0**	**83.4**	**233.2**	**3.6**	**0.7**	**1,136.3**
Accumulated amortisation at 1 January 2007		–	(2.9)	(20.1)	(6.1)	(9.8)	–	(0.1)	(0.1)	(39.1)
Charge for the year (as restated)		–	(1.1)	(9.8)	(2.0)	(6.9)	(1.1)	(0.4)	(0.3)	(21.6)
Accumulated amortisation at 31 December 2007 (as restated)		–	(4.0)	(29.9)	(8.1)	(16.7)	(1.1)	(0.5)	(0.4)	(60.7)
Charge for the year		**–**	**(2.7)**	**(15.7)**	**(2.0)**	**(6.9)**	**(19.6)**	**(0.7)**	**(0.3)**	**(47.9)**
Accumulated amortisation at 31 December 2008		**–**	**(6.7)**	**(45.6)**	**(10.1)**	**(23.6)**	**(20.7)**	**(1.2)**	**(0.7)**	**(108.6)**
Net book amount at 31 December 2007 (as restated)		677.5	31.8	49.1	5.9	59.0	232.1	3.1	0.3	1,058.8
Net book amount at 31 December 2008		**677.5**	**29.1**	**42.5**	**3.9**	**59.8**	**212.5**	**2.4**	**–**	**1,027.7**

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. The estimated useful lives of trademarks are between 10 and 20 years. The estimated useful life of patents is 7 years.

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

User terminal development costs directly relating to the development of the user terminals for the R-BGAN and BGAN services are capitalised as intangible fixed assets. The R-BGAN service was terminated on 31 December 2008, therefore all R-BGAN user terminal costs had been fully depreciated by 31 December 2008. R-BGAN costs were being amortised over the estimated sales life of the services which was 5 years. BGAN costs are being amortised over the estimated sales life of the services which is 5 to 10 years.

Customer relationships acquired in connection with CIP are being amortised over the expected period of benefit of 12 years using the straight-line method.

Spectrum rights relate to the acquisition of ACeS and the CIP transaction as detailed at note 24. Spectrum rights acquired as a result of the ACeS collaboration are being amortised on a straight-line basis over the remaining useful lives of 6.3 years. Spectrum rights acquired as a result of the CIP transaction are being amortised over their useful lives of 3 to 10 years.

Intellectual property relates to the acquisition of ACeS and is being amortised over the remaining useful life of 0.3 years.

16. Investments

(US$ in millions)	As at 31 December 2008	As at 31 December 2007 (as restated)
Interest in associates	**6.4**	6.8
	6.4	6.8

Interests in associates represent those held by CIP UK's subsidiary Stratos and have been consolidated as a result of the CIP transaction (see note 24). Stratos owns a 49% ownership interest in Navarino Telecom SA and NTS Maritime Limited (together, 'Navarino'). Stratos had an option to acquire the remaining ownership interest in Navarino, which expired on 13 January 2008. Given the option was not exercised the interest in Navarino has been treated as an associate using the equity method of accounting. During 2008 Stratos acquired a 26.67% interest in JSAT Mobile Communications Inc and the interest has been treated as an associate using the equity method of accounting. The aggregated assets, liabilities, revenue and profit of associates are deemed to be immaterial for reporting purposes.

17. Cash and cash equivalents

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

(US$ in millions)	As at 31 December 2008	As at 31 December 2007
Cash at bank and in hand	**108.5**	65.5
Short-term deposits with original maturity of less than three months	**47.9**	49.5
	156.4	115.0

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

(US$ in millions)	As at 31 December 2008	As at 31 December 2007
Cash and cash equivalents	**156.4**	115.0
Bank overdrafts (note 20)	**(1.8)**	–
	154.6	115.0

18. Trade and other receivables

(US$ in millions)	As at 31 December 2008	As at 31 December 2007
Current:		
Trade receivables	**175.8**	163.8
Other receivables	**13.2**	13.6
Other prepayments and accrued income	**62.3**	57.4
	251.3	234.8

(US$ in millions)	As at 31 December 2008	As at 31 December 2007
Non-current:		
Other prepayments and accrued income	**2.2**	1.0
	2.2	1.0

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

19. Inventories

(US$ in millions)	As at 31 December 2008	As at 31 December 2007
Finished goods	**19.8**	15.8
	19.8	15.8

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

20. Borrowings

(US$ in millions)	Effective interest rate %	As at 31 December 2008	As at 31 December 2007
Current:			
Bank overdrafts	2.0	**1.8**	–
Deferred satellite payments [a]	7.0	**10.2**	12.1
Senior Credit Facility [b]	4.59	**190.0**	70.0
Stratos' Senior Credit Facility [f]	3.96	**2.3**	11.5
Stratos' Mortgage obligation [g]	7.03	**0.1**	0.1
Total current borrowings		**204.4**	93.7
Non-current:			
Deferred satellite payments [a]	7.0	**31.2**	40.3
Senior Credit Facility [b]	4.59	**199.4**	248.9
Senior Notes [c]	7.625	**158.2**	211.6
Premium on Senior Notes [c]		**0.7**	0.9
Senior Discount Notes [d]	10.375	**443.8**	399.4
– Accretion of discount on the principal		**–**	5.3
Convertible Bond [e]	9.88	**242.0**	224.3
– Accretion of interest on the principal		**2.1**	2.0
Stratos' Senior Credit Facility [f]	3.96	**205.8**	207.0
Stratos' Mortgage obligation [g]	7.03	**0.2**	0.4
Stratos' Senior Unsecured Notes [h]	9.875	**86.8**	143.4
Total non-current borrowings		**1,370.2**	1,483.5
Total borrowings		**1,574.6**	1,577.2

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

(b) US$550.0m Senior Credit Facility, led by Barclays Capital, ING Bank N.V. and the Royal Bank of Scotland plc with Inmarsat Investments Limited, is for general corporate purposes. The US$550.0m five-year Senior Credit Facility consists of a US$250.0m amortising term loan and a US$300.0m revolving credit facility. US$50.0m of the term loan is repayable in 2009, with the balance payable at maturity in May 2010. The revolving credit facility, whilst included in current borrowing, is repayable at the latest at maturity of Senior Credit Facility in May 2010. The term loan and drawings under the revolving credit facility were initially priced at 120 basis points above LIBOR and thereafter tied to a leverage grid.
As at 31 December 2008, US$250.0m (2007: US$250.0m) was drawn down at 3 month USD LIBOR plus a margin of 0.7% (2007: 0.7%). Drawings on the US$300.0m revolving credit facility at 31 December 2008 were US$140.0m (2007: US$70.0m).
At 31 December 2008, Inmarsat Core[1] had in place 3 interest rate swap agreements each of $100m to exchange LIBOR floating interest rates on US$300.0m of its Senior Credit Facility. LIBOR floating rates of 1.96% are exchanged for fixed rates of 4.978%, 4.496% and 4.907% on notional amounts of US$100.0m, US$100.0m and US$100.0m, respectively (Note 32).

(c) The 7.625% Senior Notes were issued by Inmarsat Finance plc, a 100% owned subsidiary of Inmarsat Group Limited. The Senior Notes mature on 30 June 2012. Interest is payable semi-annually in February and August.
At 31 December 2008, the Group had purchased US$146.7m (2007: US$91.6m) of the aggregate principal amount of the notes outstanding (US$310.4m). During 2008 Inmarsat Investments Limited purchased US$55.1m (2007: US$38.0m) of the Senior Notes for US$55.8m (2007: US$40.7m). Inmarsat Investments Limited paid a premium of US$0.6m (2007: US$1.3m) and prepaid interest of US$0.1m (2007: US$1.4m) 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$55.8m (2007: US$40.7m) results in an overall economic benefit to the Group when the premium paid is compared to future net interest charges discounted back to values at that date.

(d) In November 2004, Inmarsat Finance II plc, a 100% owned subsidiary of Inmarsat Holdings Limited, issued a US$450.0m face value 10.375% Senior Discount Note at a price of 66.894% and thus received proceeds of US$301.0m. The Notes accrete semi-annually in May and November until November 2008; thereafter interest is cash paid semi-annually. The Notes mature on 15 November 2012.

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

[1] Inmarsat plc and its subsidiaries excluding CIP

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

(US$ in millions)	
Fair value of convertible bonds issued	287.7
Cost of issue	(6.5)
Net proceeds	281.2
Equity component (1)	(56.9)
Liability component at date of issue (2)	224.3
Interest charged	2.6
Coupon interest accrued	(0.6)
Liability component at 31 December 2007	226.3
Interest charged	**22.1**
Amortisation of debt issue costs	**0.7**
Coupon interest accrued	**(5.0)**
Liability component at 31 December 2008	**244.1**

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

The interest charged for the year is calculated by applying an effective interest rate of 9.88% to the liability component. The total interest charge is split between the coupon interest charge of US$5.0m (2007: US$0.6m) and accreted interest of US$17.1m (2007: US$2.0m). The coupon interest is paid semi annually in May and November each year until maturity. Similarly, the bonds accrete semi-annually in May and November each year until maturity.

(f) On 13 February 2006, CIP's subsidiary, Stratos, entered into a credit agreement. The Senior Credit Facilities consist of a five year US$25.0m Revolving Operating Facility and a six year Term B Facility of US$225.0m. The Term B Facility is repayable in annual principal payments of US$2.3m with the balance due at maturity in February 2012 and bears interest at LIBOR plus an applicable margin, which is currently 250 basis points per annum (2007: 275) based on Stratos' leverage ratio. An improvement in the ratio to beyond 3.5:1 resulted in a reduction of the margin rate to 250 basis points, as defined by the credit agreement. The applicable LIBOR rate at 31 December 2008 was 1.46% (2007: 4.83%). In addition to scheduled repayments, if leverage ratios exceed certain thresholds, specified proceeds from new debt and equity issuances as well as a stated percentage of excess cash flows, as defined in the credit agreement, are to be applied to the indebtedness outstanding under the facilities. At 31 December 2008, CIP's subsidiary, Stratos had in place interest rate swap agreements to exchange LIBOR floating interest rates on US$75.0m of its Term B Facility (2007: US$200.0m). The LIBOR floating rate of 3.96% (2007: 4.83%) was exchanged for a fixed rate of 3.95% on a notional amount of US$75.0m (2007: 3.95%, 4.28% and 5.18% on notional amounts of US$75.0m, US$50.0m and US$75.0m, respectively) (Note 32). The Revolving Operating Facility has a term of five years and matures in February 2011. The Revolving Operating Facility is available to Stratos in Canadian or US dollars and bears interest at varying base rates plus 100 – 225 basis points per annum, based on Stratos' leverage ratio as set out in the credit agreement. As at 31 December 2008 and 2007, no amounts were drawn on the Revolving Operating Facility. If any amounts had been drawn on the Revolving Operating Facility, as at 31 December 2008, the applicable interest rate would have been LIBOR plus 185 basis points (2007: LIBOR plus 185 basis points). The US$25.0m Revolving Operating Facility at 31 December 2008 is subject to an annual commitment fee of 40 basis points (2007: 40 basis points). This rate is subject to change based on Stratos' leverage ratio as set out in the credit agreement.

(g) Stratos' Mortgage Obligation bears interest at a rate of 7.03% per annum, is repayable in blended monthly instalments of $15.0 thousand Canadian dollars, matures in April 2011, is amortised over a 10 year period, and is collateralised by land and a building owned by Stratos. The Mortgage Obligation is denominated in Canadian dollars. The Canadian dollar equivalent was $0.4m at 31 December 2008 (2007: $0.6m).

(h) Stratos' Senior Unsecured Notes were issued in February 2006. The notes are due at maturity on 15 February 2013 and bear interest at a rate of 9.875% per annum, payable semi-annually in arrears on 15 February and 15 August each year. During 2008, Inmarsat Finance III Limited ('Inmarsat III') purchased US$57.7m of the aggregate principal amount of the notes. Inmarsat III received a discount of US$2.9m and paid prepaid interest of US$1.3m 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$56.1m 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.
At any time before 15 February 2009, Stratos had an option to redeem up to 35% of the aggregate principal amount of the Notes within 60 days of an equity offering, with the net proceeds of such offering, at a redemption price of 109.875% of the principal amount thereof, plus accrued and unpaid interest, provided that immediately after giving effect to such redemption, at least 65% of the original principal amount of the notes remain outstanding. Stratos did not exercise this option.
On 11 December 2007, CIP Canada acquired all of the issued and outstanding common shares of Stratos. Under the terms of the indenture governing the Notes, Stratos was required to make a mandatory offer to note holders to repurchase all notes at a purchase price in cash equal to not less than 101% of the aggregate principal amount plus accrued and unpaid interest to the date of repurchase. The mandatory tender period closed on 14 January 2008 and at that time only US$1,000 of notes had been tendered. Prior to the expiration date, US$1,000 aggregate principal amount of the Notes was validly tendered. CIP Canada purchased all of these tendered Notes and they will be held in trust by an independent trustee for the benefit of CIP Canada.

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

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

(US$ in millions)	As at 31 December 2008 Amount	Deferred finance cost	Net balance	As at 31 December 2007 Amount	Deferred finance cost	Net balance
Senior Credit Facility	**390.0**	**(0.6)**	**389.4**	320.0	(1.1)	318.9
Senior Discount Notes	**450.0**	**(6.2)**	**443.8**	406.7	(7.3)	399.4
– Accretion of discount on the principal	**–**	**–**	**–**	5.3	–	5.3
Senior Notes	**163.7**	**(5.5)**	**158.2**	218.8	(7.2)	211.6
Premium on Senior Notes	**0.7**	**–**	**0.7**	0.9	–	0.9
Deferred satellite payments	**41.4**	**–**	**41.4**	52.4	–	52.4
Convertible Bonds	**246.4**	**(4.4)**	**242.0**	229.4	(5.1)	224.3
– Accretion of interest on the principal	**2.1**	**–**	**2.1**	2.0	–	2.0
Bank overdrafts	**1.8**	**–**	**1.8**	–	–	–
Stratos' Senior Credit Facilities	**211.5**	**(3.4)**	**208.1**	222.8	(4.3)	218.5
Stratos' Mortgage obligation	**0.3**	**–**	**0.3**	0.5	–	0.5
Stratos' Senior Unsecured Notes	**92.3**	**(5.5)**	**86.8**	150.0	(6.6)	143.4
Total Borrowings	**1,600.2**	**(25.6)**	**1,574.6**	1,608.8	(31.6)	1,577.2

The maturity of non-current borrowings is as follows:

(US$ in millions)	2008	2007
Between one and two years	**202.8**	6.7
Between two and five years	**1,160.1**	1,315.5
After five years	**7.3**	161.3
	1,370.2	1,483.5

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

Inmarsat Core[1] has a US$300.0m Revolving Credit Facility that has no restrictions and as at 31 December 2008 was drawn down by US$140.0m (2007: US$70.0m).

CIP's subsidiary Stratos has in place a US$25.0m Revolving Operating Facility which was undrawn as at 31 December 2008 and 2007.

The Directors consider the carrying value of borrowings, other than the Senior Notes, Senior Discount Notes, Convertible Bonds and the Stratos' Senior Unsecured Notes to approximate to their fair value (see note 32).

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

Effective interest rate %	2008	2007
Bank overdrafts	**2.0**	5.9
Senior Discount Notes	**10.375**	10.375
Senior Notes	**7.625**	7.625
Senior Credit Facility	**4.59**	5.69
Deferred satellite payments	**7.0**	7.0
Convertible Bonds	**9.88**	9.88
Stratos' Senior Credit Facilities	**3.96**	7.58
Stratos' Mortgage obligation	**7.03**	7.03
Stratos' Senior Unsecured Notes	**9.875**	9.875

[1] Inmarsat plc and its subsidiaries excluding CIP

21. Trade and other payables

(US$ in millions)	As at 31 December 2008	As at 31 December 2007
Current:		
Trade payables	**104.2**	99.4
ACeS deferred consideration	**2.4**	2.4
Other taxation and social security payables	**2.7**	4.0
Other creditors [(a)]	**30.7**	19.1
Accruals and deferred income	**55.8**	70.6
	195.8	195.5

(US$ in millions)	As at 31 December 2008	As at 31 December 2007
Non-current:		
ACeS deferred consideration	**2.7**	4.8
Other payables	**13.9**	2.8
	16.6	7.6

(a) In 2007, US$1.0m of CIP's pension liabilities has been reclassified from trade and other payables to pension provisions.

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

22. Provisions

(US$ in millions)	Restructuring provision
Current:	
As at 1 January 2007	1.6
Utilised in current year	(1.5)
As at 31 December 2007	0.1
Utilised in current year	**(0.1)**
As at 31 December 2008	**–**

(US$ in millions)	Post-retirement healthcare benefits	Pension	Asset retirement obligations	Other	Total
Non-current:					
As at 1 January 2007	22.0	15.2	–	0.4	37.6
Acquired on acquisition of CIP [(a)]	–	7.9	3.5	0.4	11.8
Charged to Income Statement in respect of current year	2.4	2.1	–	0.4	4.9
Credited directly to Statement of Recognised Income and Expense in respect of current year	(1.9)	(5.4)	–	–	(7.3)
Contributions paid	–	(5.3)	–	–	(5.3)
Utilised in current year	(0.2)	–	–	(0.1)	(0.3)
As at 31 December 2007	22.3	14.5	3.5	1.1	41.4
(Credited)/charged to Income Statement in respect of current year	**(4.8)**	**(1.9)**	**0.2**	**0.3**	**(6.2)**
Charged directly to Statement of Recognised Income and Expense in respect of current year	**2.6**	**6.1**	**–**	**–**	**8.7**
Contributions paid	**–**	**(5.7)**	**–**	**–**	**(5.7)**
Utilised in current year	**(0.3)**	**(1.3)**	**(0.3)**	**(0.5)**	**(2.4)**
As at 31 December 2008	**19.8**	**11.7**	**3.4**	**0.9**	**35.8**

(a) In 2007, US$1.0m of CIP's pension liabilities has been reclassified from trade and other payables to pension provisions.

During 2008, the Group made an additional cash contribution of US$3.8m (2007: US$3.4m) to reduce the pension deficit.

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

Other provisions in 2008 and 2007 relate to a legally required provision for eventual severance payments to employees in Italy and Dubai and a provision acquired on acquisition of CIP. In addition, in 2007 other provisions included an onerous lease provision on premises located in Washington.

23. Current and deferred income tax assets and liabilities

The current income tax liability of US$27.8m (2007: US$28.8m) 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 2008			As at 31 December 2007 (as restated)		
(US$ in millions)	Assets	Liabilities	Net	Assets	Liabilities	Net
Property, plant and equipment and intangible assets	**(19.3)**	**109.5**	**90.2**	(8.9)	273.4	264.5
Other	**(27.8)**	**7.8**	**(20.0)**	(10.9)	0.9	(10.0)
Pension asset	**(6.7)**	**–**	**(6.7)**	(8.7)	–	(8.7)
Share options	**(2.9)**	**–**	**(2.9)**	(3.3)	–	(3.3)
Loss carry forwards	**(34.1)**	**–**	**(34.1)**	(47.6)	–	(47.6)
Valuation allowances	**–**	**26.0**	**26.0**	–	35.6	35.6
Net deferred income tax liabilities	**(90.8)**	**143.3**	**52.5**	(79.4)	309.9	230.5

Movement in temporary differences during the year:

(US$ in millions)	As at 1 January 2008 (as restated)	Adjustment to income opening balance due to change in rate	Acquired on acquisition of CIP	Recognised in income	Adjustment to equity opening balance due to change in rate	Recognised in equity	As at 31 December 2008
Property, plant and equipment and intangible assets	**264.5**	**–**	**–**	**(174.3)**	**–**	**–**	**90.2**
Other	**(10.0)**	**–**	**–**	**(0.1)**	**–**	**(9.9)**	**(20.0)**
Pension asset	**(8.7)**	**–**	**–**	**4.2**	**–**	**(2.2)**	**(6.7)**
Share options	**(3.3)**	**–**	**–**	**–**	**–**	**0.4**	**(2.9)**
Loss carry forwards	**(47.6)**	**–**	**–**	**13.5**	**–**	**–**	**(34.1)**
Valuation allowances	**35.6**	**–**	**–**	**(9.6)**	**–**	**–**	**26.0**
Total	**230.5**	**–**	**–**	**(166.3)**	**–**	**(11.7)**	**52.5**

(US$ in millions)	As at 1 January 2007	Adjustment to income opening balance due to change in rate	Acquired on acquisition of CIP (as restated)	Recognised in income	Adjustment to equity opening balance due to change in rate	Recognised in equity	As at 31 December 2007 (as restated)
Property, plant and equipment and intangible assets	147.5	(9.8)	100.6	26.2	–	–	264.5
Other	0.5	0.1	(4.4)	(1.1)	(0.1)	(5.0)	(10.0)
Pension asset	(10.9)	0.4	(0.7)	0.3	0.2	2.0	(8.7)
Share options	(2.7)	0.1	–	(1.1)	0.1	0.3	(3.3)
Loss carry forwards	–	–	(47.6)	–	–	–	(47.6)
Valuation allowances	–	–	35.6	–	–	–	35.6
Total	134.4	(9.2)	83.5	24.3	0.2	(2.7)	230.5

24. Acquisitions

CIP UK Holdings Limited

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

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

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

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

The Group has accounted for the combination of Inmarsat Core[1] and CIP using the purchase method of accounting in accordance with IFRS 3 'Business Combinations'. Results of operations for CIP have been included in the Consolidated Income Statement for the Group for the full year ended 31 December 2008 and the 21 day period 11 December 2007 to 31 December 2007.

For the year ended 31 December 2007 the purchase price was allocated to the assets and liabilities on a provisional basis. No fair value adjustments were made to the book values of assets and liabilities under that provisional basis. The allocation of the purchase consideration was finalised during 2008. As a result of this review, goodwill decreased by US$136.0m. The decrease reflects the recognition of identifiable intangible assets of US$197.7m, an uplift to tangible assets of US$1.0m, a corresponding deferred tax liability of US$59.6m and additional capitalised costs of US$3.1m.

The final allocation of the purchase consideration to the net assets and liabilities of CIP is as follows:

(US$ in millions)	Book value and provisional fair value	Final fair value adjustments	Final fair value
Net assets acquired:			
Intangible assets [(a)]	71.8	197.7	269.5
Property, plant and equipment [(b)]	123.8	1.0	124.8
Investments	6.8	–	6.8
Derivative financial instruments	0.3	–	0.3
Other receivables	1.0	–	1.0
Total Non-current assets	**203.7**	**198.7**	**402.4**
Cash and cash equivalents	56.0	–	56.0
Trade and other receivables	163.7	–	163.7
Inventories	11.2	–	11.2
Derivative financial instruments	0.2	–	0.2
Total Current assets	**231.1**	**–**	**231.1**
Borrowings	(2.4)	–	(2.4)
Trade and other payables [(c)]	(148.4)	–	(148.4)
Current income tax liabilities	(8.2)	–	(8.2)
Derivative financial instruments	(1.0)	–	(1.0)
Total Current liabilities	**(160.0)**	**–**	**(160.0)**
Borrowings	(359.9)	–	(359.9)
Other payables	(4.0)	–	(4.0)
Provisions [(c)]	(11.7)	–	(11.7)
Deferred income tax liabilities [(d)]	(23.9)	(59.6)	(83.5)
Total Non-current liabilities	**(399.5)**	**(59.6)**	**(459.1)**
Identifiable net assets	**(124.7)**	**139.1**	**14.4**
Goodwill [(e)]	407.3	(136.0)	271.3
	282.6	**3.1**	**285.7**
Represented by:			
Consideration [(f)]	293.0	–	293.0
Less: hedge accounting gains [(f)]	(29.7)	–	(29.7)
Directly attributable costs [(g)]	17.9	3.1	21.0
Non-controlling interests [(h)]	1.4	–	1.4
	282.6	**3.1**	**285.7**

(a) The increase in intangible assets consists of US$16.8m of trade names, US$18.4m of internally developed technology and US$162.5m of customer relationships which are to be amortised over their useful lives of ten, five and twelve years respectively.
(b) The value of property, plant and equipment has been increased to reflect their depreciated replacement costs.
(c) US$1.0m of CIP's pension liabilities has been reclassified from trade and other payables to pension provisions.
(d) The adjustment to deferred income tax liabilities reflects the deferred tax arising as a result of the fair value adjustments discussed above.
(e) Goodwill comprises the difference between the purchase consideration and the provisional fair value of the net assets acquired.
(f) The consideration represents the loan funding provided by Inmarsat III converted from Canadian dollars to US dollars at the date of transfer. The loan is denominated in US dollars, as per the loan agreement. The Group used forward foreign exchange contracts to hedge against currency risk as at the date of the agreement and has elected to present the gains made on the foreign exchange contracts as a basis adjustment to reduce the carrying value of goodwill.
(g) An increase in directly attributable costs is as a result of the completion of the Transaction and finalisation of the associated costs.
(h) Non-controlling interests represent the amount payable by Inmarsat III to exercise the option to acquire 100% of the share capital of CIP UK and a minority interest in a subsidiary of CIP.

[1] Inmarsat plc and its subsidiaries excluding CIP

25. Cash generated from operations

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

(US$ in millions)	2008	2007 (as restated)
Profit for the year	**355.4**	96.3
Adjustments for:		
Depreciation and amortisation	**214.7**	176.8
Income tax (credit)/charge	**(161.6)**	28.4
Interest payable	**138.2**	93.3
Interest receivable	**(14.8)**	(6.7)
Non-cash employee benefit costs	**21.4**	5.2
Forward exchange contracts	**9.5**	1.4
Share of results of associates, net of dividends received	**0.4**	–
Changes in net working capital:		
(Increase)/decrease in trade and other receivables	**(9.6)**	5.2
Increase in inventories	**(4.0)**	(3.8)
Decrease in trade and other payables	**(16.8)**	(8.3)
Decrease in provisions	**(4.8)**	(3.5)
Cash generated from operations	**528.0**	384.3

26. Share capital

(US$ in millions)	As at 31 December 2008	As at 31 December 2007
Authorised:		
1,166,610,560 ordinary shares of €0.0005 each (2007: 1,166,610,560)	**0.7**	0.7
0 Euro deferred shares of €0.01 each (2007: 11,669,472)	**–**	0.1
0 Sterling deferred shares of £1.00 each (2007: 50,000)	**–**	0.1
	0.7	0.9
Allotted, issued and fully paid:		
459,048,648 ordinary shares of €0.0005 each (2007: 457,486,883)	**0.3**	0.3
	0.3	0.3

During the year ended 31 December 2008, a total of 1,561,765 (2007: 317,027) ordinary shares of €0.0005 each were allotted and issued by the Company under its employee share schemes.

At the Annual General Meeting held on 6 May 2008, shareholders approved that the 11,669,472 Euro deferred shares of €0.01 each and the 50,000 Sterling deferred shares of £1.00 each in the authorised share capital of the Company be cancelled and that the authorised share capital be diminished by €116,694.72 and £50,000 accordingly.

27. Employee share options and awards

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

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

A summary of share activity within the Trust as at 31 December 2008 is as follows:

	Shares available for grant	Options outstanding	Weighted average exercise price per option
Balance at 1 January 2007	58,367	748,295	£3.60
Granted re Share Incentive Plan (10 April 2007)	(15,926)	–	
Forfeited	930	(930)	
Exercised	–	(435,673)	£4.10
Exercise re International Sharesave Plan	(2,467)	–	
Market purchase of shares (26 November 2007)	1,000,000	–	
Balance at 31 December 2007	1,040,904	311,692	£3.64
Forfeited	**180**	**(180)**	
Exercised	**–**	**(122,551)**	**£4.74**
Exercise re International Sharesave Plan	**(28,926)**	**–**	
Market purchase of shares (30 October 2008)	**10,000**	**–**	
Balance at 31 December 2008	**1,022,158**	**188,961**	**£3.75**
Exercisable at 31 December 2008	**–**	**188,961**	
Exercise Price per tranche	**–**	**€1.00**	

The weighted average of the remaining contractual life for the 2004 Plan at 31 December 2008 is 6.0 years.

In line with IFRS 2, Share-Based Payment, the Company recognised US$9.4m and US$5.2m respectively in total share compensation costs across all its share plans for the 2008 and 2007 financial years. Total share-based compensation costs are recognised over the vesting period of the options and share awards ranging from one to four years.

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

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

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

- during 2006, awards of shares were made relating to a monetary award determined in May 2005 and September 2005. These awards vested in three equal tranches following the announcement of the Preliminary Results for each of the financial years 2006, 2007 and 2008;
- during 2008, awards of shares were made relating to a monetary award determined in March, May and September 2007. These awards vested and will vest (subject to continued employment) in three equal tranches following the announcement of the Preliminary Results for each of the financial years 2008, 2009 and 2010; and
- during 2009, awards of shares will be made relating to a monetary award determined in March 2008. These awards will vest in three equal tranches following the announcement of the Preliminary Results for each of the financial years 2010, 2011 and 2012.

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

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

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

The Company also operates a Performance Share Plan ('PSP') under which the first share award was made on 31 May 2005 in the form of a conditional allocation of shares. The number of shares subject to the share award was determined by reference to the price at which the shares were offered for sale upon the listing of the Company on the London Stock Exchange in June 2005 of £2.45 per share. Participants are entitled to receive the value of any dividends that are paid during the vesting period in the form of cash or additional shares. In March 2008, 100% of these shares vested.

Additional share awards were made in September 2005, March 2007 and March 2008 with the reference price in determining the number of shares of £3.24, £3.95 and £4.39 respectively (market value of shares on the date of grant).

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

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

	Performance Share Plan				CEO Award
Grant date	31 May 2005	29 September 2005	29 March 2007	19 March 2008	28 September 2007
Grant price	£2.45	£3.24	£3.95	£4.39	£4.49
Exercise price	nil	nil	nil	nil	nil
Bad leaver rate	0%	0%	0%	0%	0%
Vesting period	3 years	3 years	3 years	3 years	3 years
Expected correlation between any pair of shares in PSP comparator group	12%	10%	n/a	n/a	n/a
Volatility	36%	34%	27%	28.5%	28%
Fair value per share option	£1.34	£2.20	£2.15	£2.40	£2.65

Both the BSP and PSP share awards expire 10 years after date of grant. The weighted average of the remaining contractual life for both the BSP and PSP share awards at 31 December 2008 is 8.5 and 7.3 years respectively.

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

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

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

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

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

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 of the shares on the first invitation date (23 June 2005)). The first grant matured on 1 September 2008.

A second grant under the Sharesave Scheme was made in December 2008 with an option price of £3.06 per ordinary share (a 20% discount to the average market value of the shares in the week prior to the invitation date (17 -21 November 2008)).

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

The first grant under the International Sharesave Plan was made in October 2005 with an option grant price of £2.24 per ordinary share. The first grant matured on 1 September 2008.

A second grant under the International Sharesave Plan was made in December 2008 with an option price of £3.06 per ordinary share.

Options under the UK Sharesave Scheme and International Sharesave Plan expire after a maximum of 3.5 years following the initial savings payments having been made. The weighted average of the remaining contractual life for the first grant of the UK Sharesave Scheme and International Sharesave Plan at 31 December 2008 is 0.1 and 0.3 years, respectively. The weighted average of the remaining contractual life for the second grant of the UK Sharesave Scheme and International Sharesave Plan at 31 December 2008 is 3.5 years and 3.5 years, respectively.

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

	Sharesave Scheme (UK)	Sharesave Scheme (UK)	Sharesave Plan (International)	Sharesave Plan (International)
Grant date	21 July 2005	15 December 2008	19 October 2005	15 December 2008
Market price at date of Grant	£3.14	£4.44	£2.80	£4.44
Exercise price	£2.24	£3.06	£2.24	£3.06
Bad leaver rate	5%pa	3%pa	5%pa	3%pa
Vesting period	3 years	3 years	3 years	3 years
Volatility	35%	33.2%	34%	33.2%
Dividend yield assumption	3.6%	3.36%	2.8%	3.36%
Risk free interest rate	4.25%	2.46%	4.25%	2.46%
Fair value per option	£1.10	£1.50	£0.90	£1.50

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

Awards under the UK Share Incentive Plan ('SIP') were made on 7 April 2006 and 10 April 2007. The SIP is an HM Revenue & Customs approved plan open to all UK permanent employees and operates in conjunction with a UK tax-resident trust which holds shares on behalf of participating employees. Under the SIP, the Company can award 'Free Shares' (up to a maximum value of £3,000) to employees. Employees can also acquire 'Partnership Shares' from their salary up to a maximum of £1,500 per annum and the Company will match this with up to two free 'Matching Shares' per 'Partnership Share' (equivalent to a maximum value of £3,000 per annum). The market value per ordinary share at the date of the awards was £3.77 (2006) and £4.14 (2007).

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

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

A summary of share awards and option activity as at 31 December 2008 (excluding the 2004 Plan which is noted above) is as follows:

Share Awards and Options outstanding	SIP (UK)	SIP (Intl and Unapproved)	BSP	CEO Share Award[(a)]	PSP	Sharesave Scheme (UK)	Sharesave Plan (International)	Total
Balance at 31 December 2007	572,718	63,613	1,079,698	1,000,000	891,898	690,199	86,424	4,384,550
Granted/Allocated	–	–	**4,609**	–	**394,126**	**832,097**	**165,447**	**1,396,279**
Lapsed	–	–	**(23,589)**	–	–	**(5,920)**	**(500)**	**(30,009)**
Exercised	–	–	–	–	–	**(624,470)**	**(79,158)**	**(703,628)**
Transferred/Sold	**(22,811)**	**(5,491)**	**(91,480)**	–	**(845,815)**	–	–	**(965,597)**
Balance at 31 December 2008	**549,907**	**58,122**	**969,238**	**1,000,000**	**440,209**	**891,906**	**172,213**	**4,081,595**
Exercisable at 31 December 2008	–	–	–	–	–	**59,809**	**6,766**	**66,575**
Exercise Price per share	**n/a**	**n/a**	**nil**	**nil**	**nil**	**(b)**	**(c)**	**n/a**

(a) As described previously, a further award over 700,000 shares could be earned if, after three years from grant, the share price has reached £9.25 per share.
(b) The first grant under the UK Sharesave scheme in 2005 had an exercise price of £2.24.
The second grant under the UK Sharesave scheme in 2008 has an exercise price of £3.06.
(c) The first grant under the International Sharesave plan in 2005 had an exercise price of £2.24.
The second grant under the International Sharesave plan in 2008 has an exercise price of £3.06.

28. Reserves

Reconciliation of Movements in Shareholders' Equity

(US$ in millions)	Ordinary share capital	Share premium account	Equity reserve	Other reserves	(Retained earnings)/ accumulated losses	Non-controlling interest	Total
Balance at 1 January 2007	0.4	675.4	–	11.3	29.4	–	716.5
Attributable on combination of CIP	–	–	–	–	–	1.4	1.4
Net fair value gains – cash flow hedges	–	–	–	11.8	–	–	11.8
Transfer to carrying amount of non-financial hedged item on cash flow hedges [(a)]	–	–	–	(29.7)	–	–	(29.7)
Issue of share capital	–	1.7	–	–	–	–	1.7
Recognition of equity component of convertible bond	–	–	56.9	–	–	–	56.9
Cancellation of deferred shares	(0.1)	–	–	0.1	–	–	–
Purchase of shares by employee benefit trust	–	–	–	(10.1)	–	–	(10.1)
Profit for the year (as restated) [(b)]	–	–	–	–	96.3	–	96.3
Dividends payable	–	–	–	–	(125.9)	–	(125.9)
Share options charge	–	–	–	4.1	–	–	4.1
Actuarial gains from pension and post-retirement healthcare benefits	–	–	–	–	7.3	–	7.3
Tax credited/(charged) directly to equity	–	–	–	5.1	(2.0)	–	3.1
Balance at 31 December 2007 (as restated)	0.3	677.1	56.9	(7.4)	5.1	1.4	733.4
Net fair value losses – cash flow hedges	**–**	**–**	**–**	**(35.8)**	**–**	**–**	**(35.8)**
Issue of share capital	**–**	**2.5**	**–**	**–**	**–**	**–**	**2.5**
Profit for the year	**–**	**–**	**–**	**–**	**355.3**	**0.1**	**355.4**
Dividends payable	**–**	**–**	**–**	**–**	**(134.6)**	**–**	**(134.6)**
Share options charge	**–**	**–**	**–**	**8.1**	**–**	**–**	**8.1**
Actuarial losses from pension and post-retirement healthcare benefits	**–**	**–**	**–**	**–**	**(8.7)**	**–**	**(8.7)**
Tax credited directly to equity	**–**	**–**	**–**	**9.9**	**3.5**	**–**	**13.4**
Balance at 31 December 2008	**0.3**	**679.6**	**56.9**	**(25.2)**	**220.6**	**1.5**	**933.7**

(a) Included in other reserves are cash flow hedge reserves which represent hedging gains and losses on the effective portions of cash flow hedges, net of tax. During 2007, Inmarsat Core[1] entered into a series of foreign exchange forwards and options in order to hedge the purchase of Stratos by CIP Canada (described in note 24). Inmarsat Core[1] recognised a US$29.7m gain together with resulting deferred tax of US$8.3m in other reserves, representing the movement in the cash flow hedge reserve in relation to the aforementioned designated hedges. Following the completion of the transaction within the year, the gain and associated deferred tax was transferred to the carrying amount of non-financial hedged item on cash flow hedges, being the acquisition of Stratos by CIP.
(b) 2007 profit for the year has been restated by US$0.3m to reflect the revised depreciation and amortisation charge following the final fair value allocation of Stratos' assets which were acquired by CIP Canada on 11 December 2007.

[1] Inmarsat plc and its subsidiaries excluding CIP

29. Earnings per share and adjusted earnings per share

Basic earnings per share

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

	2008	2007 (as restated)
Profit attributable to equity holders of the Company (US$ in millions)	355.3	96.3
Weighted average number of ordinary shares in issue (number)	457,852,525	456,825,077
Basic earnings per share (US$ per share)	**0.78**	0.21

Diluted earnings per share

Diluted earnings per share is calculated by adjusting the profit attributable to equity holders for the interest on the Convertible Bonds (net of tax) and by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Currently the underlying shares in relation to our Convertible Bonds outstanding and the Share options in relation to employee share plans are the only categories of dilutive potential ordinary shares. For the Convertible Bonds the weighted average of the maximum number of ordinary shares, assuming full conversion, is included in the calculation of the weighted average number of shares. For employee share options a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options and value of related future employee services.

	2008	2007 (as restated)
Profit attributable to equity holders of the Company (US$ in millions)	355.3	96.3
Adjustments for:		
– Interest on Convertible Bonds, net of tax (US$ in millions)	15.9	1.8
Profit attributable to equity holders of the Company for diluted earnings per share number (US$ in millions)	371.2	98.1
Weighted average number of ordinary shares in issue (number)	457,852,525	456,825,077
Adjustments for:		
– Share options (number)	3,161,817	3,469,338
– Convertible Bonds (number)	22,664,251	2,794,223
Weighted average number of ordinary shares for diluted earnings per share (number)	483,678,593	463,088,638
Diluted earnings per share (US$ per share)	**0.77**	0.21

Adjusted earnings per share

Earnings per share adjusted to exclude the tax credit on the finance lease and operating leaseback transaction (see note 11).

Adjusted basic earnings per share

	2008	2007 (as restated)
Profit attributable to equity holders of the Company (US$ in millions)	355.3	96.3
Tax credit (US$ in millions)	(218.6)	–
Adjusted profit attributable to equity holders of the Company (US$ in millions)	136.7	96.3
Weighted average number of ordinary shares in issue (number)	457,852,525	456,825,077
Adjusted basic earnings per share (US$ per share)	**0.30**	0.21

Adjusted diluted earnings per share

	2008	2007 (as restated)
Profit attributable to equity holders of the Company for diluted earnings per share number (US$ in millions)	371.2	98.1
Tax credit (US$ in millions)	(218.6)	–
Adjusted profit attributable to equity holders of the Company for diluted earnings per share number (US$ in millions)	152.6	98.1
Weighted average number of ordinary shares in issue (number)	457,852,525	456,825,077
Adjustments for:		
– Share options (number)	3,161,817	3,469,338
– Convertible Bonds (number)	22,664,251	2,794,223
Weighted average number of ordinary shares for diluted earnings per share (number)	483,678,593	463,088,638
Adjusted diluted earnings per share (US$ per share)	**0.32**	0.21

30. Pension arrangements and post-retirement healthcare benefits

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

Inmarsat Core[1] operates pension schemes in each of its principal locations. The UK scheme has two plans: a defined benefit scheme, which is closed to new employees, and a defined contribution plan. The defined benefit scheme is funded and its assets are held in a separate fund administered by a corporate trustee. US$2.4m was credited in the Income Statement in the 2008 financial year in respect of the defined benefit scheme (2007: US$2.1m charged).

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 2008. The results of this updated valuation as at 31 December 2008, for the purposes of the additional disclosures required by IAS 19, are set out below.

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

The obligation under these plans was determined by the application of the terms of medical plans, together with relevant actuarial assumptions and healthcare cost trend rates. The long-term rate of medical expense inflation used in the actuarial calculations is 4.0% per annum in excess of the rate of general price inflation of 3.15% (2007: 4.0% in excess of 3.45%). The discount rate used in determining the accumulated post-retirement benefit obligation was 6.1% at 31 December 2008 (2007: 5.8%).

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

The majority of CIP's employees are covered by defined contribution pension plans. CIP also operates defined benefit pension plans, including an unfunded early retirement plan for the employees of its subsidiary Xantic B.V. US$0.5m was charged in the Income Statement in the period in respect of these defined benefit schemes (2007: US$nil).

The defined benefit plan was valued using the projected unit credit method with the formal valuation undertaken by professionally qualified and independent actuaries TKP Pension B.V. (Netherlands) as at 31 December 2008.

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

	As at 31 December 2008	As at 31 December 2007
Discount rate	**6.10%**	5.80%
Expected return on plan assets	**7.77%**	7.40%
Future salary increases	**5.15%**	5.45%
Medical cost trend rate	**7.15%**	7.45%
Future pension increases	**3.15%**	3.45%

The principal actuarial assumptions used to calculate CIP's pension benefit liabilities under IAS 19 as at 31 December 2008 are:

	As at 31 December 2008	As at 31 December 2007
Discount rate	**3.60-4.80%**	4.40-4.70%
Future salary increases	**2.00-3.78%**	2.50-2.80%
Future pension increases	**1.40-2.10%**	2.50-2.80%

The mortality assumption has been updated to reflect experience and expected changes in future improvements in life expectancy. The average life expectancy assumptions for Inmarsat Core[1]'s pension and post-retirement healthcare benefits liabilities are as follows:

	2008 Number of years	2007 Number of years
Male current age 65	**86.2**	85.0
Female current age 65	**89.5**	88.2

[1] Inmarsat plc and its subsidiaries excluding CIP

For 2007, mortality has been assumed to follow the standard tables PA92C2006 rated down by one year and with a 0.25% reduction to the discount rate in payment to allow for future mortality improvements (which is equivalent to a future improvement in life expectancy of approximately one year in every ten years). For 2008, mortality has been assumed to follow the standard tables PA92C2006 with the improvement allowance of 0.25% replaced with medium cohort improvements.

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

	As at 31 December 2008		
	Long-term rate of return expected %	Value (US$ in millions)	Percentage of total plan assets %
Equities	**8.15**	**29.5**	**84.29**
Cash	**3.95**	**–**	**–**
Bonds	**5.40**	**4.2**	**12.00**
Other	**6.80**	**1.3**	**3.71**
Fair value of scheme assets		**35.0**	

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

Amounts recognised in the Balance Sheet are:

(US$ in millions)	As at 31 December 2008	As at 31 December 2007
Present value of Inmarsat Core[1] funded defined benefit obligations (pension)	**(41.9)**	(58.2)
Present value of Inmarsat Core[1] unfunded defined benefit obligations (post-retirement healthcare)	**(19.8)**	(22.3)
Present value of CIP unfunded defined benefit obligations (pension)	**(4.8)**	(7.9)
Fair value of Inmarsat Core[1] defined benefit assets	**35.0**	51.6
Net defined benefit liability recognised in the Balance Sheet	**(31.5)**	(36.8)

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

(US$ in millions)	Inmarsat Core[1] Defined benefit pension plan	CIP Defined benefit pension plan	Post-retirement medical benefits
At 1 January 2007	56.3	–	22.0
Acquired on acquisition of CIP (as restated)	–	7.9	–
Current service cost	2.4	–	0.8
Interest cost	2.6	–	1.0
Actuarial gain	(5.1)	–	(1.9)
Foreign exchange loss	1.6	–	0.6
Benefits paid	(0.5)	–	(0.2)
Contributions by pension participants	0.9	–	–
At 31 December 2007 (as restated)	58.2	7.9	22.3
Current service cost	**1.6**	**0.2**	**0.8**
Interest cost	**3.4**	**0.2**	**1.3**
Actuarial (gain)/loss	**(6.3)**	**(2.3)**	**2.6**
Foreign exchange (gain)/loss	**(15.6)**	**0.1**	**(6.9)**
Benefits paid	**(0.5)**	**(1.3)**	**(0.3)**
Contributions by pension participants	**1.1**	**–**	**–**
At 31 December 2008	**41.9**	**4.8**	**19.8**

[1] Inmarsat plc and its subsidiaries excluding CIP

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

(US$ in millions)	2008	2007
At 1 January	**51.6**	41.1
Expected return on plan assets	**4.0**	2.9
Actuarial (loss)/gain	**(14.7)**	0.3
Contributions by employer	**5.7**	5.3
Contributions by pension participants	**1.1**	0.9
Benefits paid	**(0.5)**	(0.5)
Foreign exchange gain	**(12.2)**	1.6
At 31 December	**35.0**	51.6

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

(US$ in millions)	2008 Inmarsat Core[1] Defined benefit pension plan	2008 CIP Defined benefit pension plan	2008 Post-retirement healthcare benefits	2007 Inmarsat Core[1] Defined benefit pension plan	2007 CIP Defined benefit pension plan	2007 Post-retirement healthcare benefits
Current service cost	**1.6**	**0.2**	**0.8**	2.4	–	0.8
Interest cost	**3.4**	**0.2**	**1.3**	2.6	–	1.0
Expected return on pension assets	**(4.0)**	**–**	**–**	(2.9)	–	–
Foreign exchange (gain)/loss	**(3.4)**	**0.1**	**(6.9)**	–	–	0.6
	(2.4)	**0.5**	**(4.8)**	2.1	–	2.4
Actual return on plan assets	**(9.5)**	**–**	**–**	3.2	–	–

Current services costs for 2008 are included within employee benefit costs (note 8). The net financing costs together with foreign exchange losses are included within interest payable (note 10).

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

(US$ in millions)	2008 Inmarsat Core[1] Defined benefit pension plan	2008 CIP Defined benefit pension plan	2008 Post-retirement healthcare benefits	2007 Inmarsat Core[1] Defined benefit pension plan	2007 CIP Defined benefit pension plan	2007 Post-retirement healthcare benefits
Net actuarial losses/(gains)	**8.4**	**(2.3)**	**2.6**	(5.4)	–	(1.9)

History of experience gains and losses:

(US$ in millions)	2008 Inmarsat Core[1] Defined benefit pension plan	2008 CIP Defined benefit pension plan	2008 Post-retirement healthcare benefits	2007 Inmarsat Core[1] Defined benefit pension plan	2007 CIP Defined benefit pension plan	2007 Post-retirement healthcare benefits
Present value of defined benefit obligations (US$ in millions)	**(41.9)**	**(4.8)**	**(19.8)**	(58.2)	(7.9)	(22.3)
Fair value of plan assets (US$ in millions)	**35.0**	**–**	**–**	51.6	–	–
Deficit in plans (US$ in millions)	**(6.9)**	**(4.8)**	**(19.8)**	(6.6)	(7.9)	(22.3)
Experience gains/(losses) on plan liabilities (US$ in millions)	**–**	**0.2**	**(7.1)**	–	–	0.3
Percentage of plan liabilities	**0.0%**	**4.3%**	**(35.9%)**	0.0%	0.0%	1.3%
Experience losses on plan assets (US$ in millions)	**(14.7)**	**–**	**–**	(0.3)	–	–
Percentage of plan assets	**(42.0%)**	**–**	**–**	(0.6%)	–	–

	2006 Inmarsat Core[1] Defined benefit pension plan	2006 Post-retirement healthcare benefits	2005 Inmarsat Core[1] Defined benefit pension plan	2005 Post-retirement healthcare benefits
Present value of defined benefit obligations (US$ in millions)	(56.3)	(22.0)	(46.6)	(18.5)
Fair value of plan assets (US$ in millions)	41.1	–	27.9	–
Deficit in plans (US$ in millions)	(15.2)	(22.0)	(18.7)	(18.5)
Experience gains/(losses) on plan liabilities (US$ in millions)	3.4	0.3	–	(0.7)
Percentage of plan liabilities	6.0%	1.4%	0.1%	(3.9%)
Experience (losses)/gains on plan assets (US$ in millions)	(0.2)	–	3.9	–
Percentage of plan assets	(0.5%)	–	14.0%	–

[1] Inmarsat plc and its subsidiaries excluding CIP

The estimated contributions expected to be paid into the Inmarsat Core[1] defined benefit pension plan during 2009 are US$1.8m (2008: actual US$5.7m).

The estimated contributions expected to be paid into the CIP defined benefit pension plan during 2009 are US$1.0m.

The healthcare cost trend rate assumption for Inmarsat Core's[1] post-retirement healthcare benefits has a significant effect on the amounts recognised in the Income Statement in respect of the post-retirement medical benefits. Increasing the assumed healthcare cost trend rate by one percentage point would have increased the post-retirement medical benefit obligation as of 31 December 2008 by US$5.2m (2007: US$5.1m) and the aggregate of the service cost and interest cost by US$0.7m (2007: US$0.4m). Decreasing the assumed healthcare cost trend rate by one percentage point would have reduced the post-retirement medical benefit obligation as of 31 December 2008 by US$3.9m (2007: US$4.0m), and the aggregate of the service cost and interest cost by US$0.5m (2007: US$0.3m).

31. Operating lease commitments

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

(US$ in millions)	As at 31 December 2008	As at 31 December 2007
Within one year	**20.0**	33.2
Within two to five years	**49.4**	66.4
After five years	**105.5**	155.4
	174.9	255.0

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

At 31 December 2008, the Group in addition to the above operating lease commitments is contracted to pay warranty costs relating to the BGAN programme of US$nil over the next year (as at 31 December 2007: US$1.5m over the next year).

The total of future sub-lease payments expected to be received under non-cancellable sub leases at 31 December 2008 relating to the above head office lease is US$2.7m over two years (as at 31 December 2007: US$3.5m over two years).

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

Operating lease commitments at 31 December 2008 include US$18.7m (2007: US$24.5m) of commitments made by CIP.

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

(US$ in millions)	As at 31 December 2008	As at 31 December 2007
Within one year	**13.5**	10.6
Within two to five years	**0.2**	–
After five years	**–**	–
	13.7	10.6

(a) Excludes intragroup amounts with CIP.

32. Financial instruments

Treasury management and strategy

Inmarsat Core's[1] treasury activities are managed by its corporate finance department under the direction of a Treasury Review Committee whose chairman is the Chief Financial Officer, and are consistent with Board-approved treasury policies and guidelines. The overriding objective of treasury activities is to manage financial risk.

Key features of treasury management include:

- ensuring that Inmarsat Core[1] is in a position to fund its obligations in appropriate currencies as they fall due;
- maintaining adequate undrawn borrowing facilities;
- economically hedging both contracted and anticipated foreign currency cash flows on a minimum twelve-month rolling basis with the option of covering exposures up to a maximum of three years forward;
- interest rate hedging; and
- maximising return on short-term investments.

[1] Inmarsat plc and its subsidiaries excluding CIP

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

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

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

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

Capital risk management

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

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

Inmarsat Core's[1] overall strategy remains unchanged from 2008.

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

Financial instruments by category

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

	As at 31 December 2008			As at 31 December 2007		
(US$ in millions)	**Loans and receivables**	**Derivatives used for hedging**	**Total**	Loans and receivables	Derivatives used for hedging	Total
Assets as per Balance Sheet						
Trade and other receivables	**251.3**	**–**	**251.3**	234.8	–	234.8
Cash and cash equivalents	**156.4**	**–**	**156.4**	115.0	–	115.0
Derivative financial instruments	**–**	**9.7**	**9.7**	–	0.5	0.5
	407.7	**9.7**	**417.4**	349.8	0.5	350.3

	As at 31 December 2008			As at 31 December 2007 (as restated)		
(US$ in millions)	**Derivatives used for hedging**	**Other financial liabilities**	**Total**	Derivatives used for hedging	Other financial liabilities	Total
Liabilities as per Balance Sheet						
Borrowings	**–**	**1,574.6**	**1,574.6**	–	1,577.2	1,577.2
Trade and other payables [(a)]	**–**	**123.2**	**123.2**	–	109.4	109.4
Derivative financial instruments	**70.0**	**–**	**70.0**	12.0	–	12.0
	70.0	**1,697.8**	**1,767.8**	12.0	1,686.6	1,698.6

(a) Consists of trade payables, ACeS deferred consideration and other payables per note 21.

[1] Inmarsat plc and its subsidiaries excluding CIP

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

	As at 31 December 2008				
(US$ in millions)	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
Borrowings	**204.4**	**209.8**	**1,178.7**	**7.3**	**1,600.2**
Derivative financial instruments	**32.5**	**2.0**	**35.5**	**–**	**70.0**
Trade and other payables	**106.6**	**4.6**	**0.4**	**11.6**	**123.2**
	343.5	**216.4**	**1, 214.6**	**18.9**	**1,793.4**

	As at 31 December 2007 (as restated)				
(US$ in millions)	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Borrowings	93.7	13.2	1,340.4	161.5	1,608.8
Derivative financial instruments	4.3	–	1.6	6.1	12.0
Trade and other payables	101.8	5.1	2.5	–	109.4
	199.8	18.3	1,344.5	167.6	1,730.2

Net fair values of derivative financial instruments

The Group's derivative financial instruments as at 31 December 2008 consist of forward foreign currency contracts and interest rate swaps. The interest rate swaps and approximately 90% of forward foreign currency contracts (2008 – 80%) are designated cash flow hedges.

The net fair values at the Balance Sheet date were:

(US$ in millions)	**As at 31 December 2008**	As at 31 December 2007
Contracts with positive fair values:		
Forward foreign currency contracts – designated cash flow hedges	**9.7**	0.5
Forward foreign currency contracts – undesignated	**–**	–
Contracts with negative fair values:		
Forward foreign currency contracts – designated cash flow hedges	**(31.6)**	(2.0)
Forward foreign currency contracts – undesignated	**(2.8)**	(0.4)
Total forward exchange currency contracts	**(24.7)**	(1.9)
Interest rate swap – designated cash flow hedge	**(35.6)**	(9.6)
Total net fair value	**(60.3)**	(11.5)
Less non-current portion		
Forward foreign currency contracts – designated cash flow hedges	**6.6**	–
Forward foreign currency contracts – undesignated	**–**	–
Interest rate swap – designated cash flow hedge	**(35.5)**	(7.7)
Current portion	**(31.4)**	(3.8)

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

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

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

Forward foreign exchange

The following table sets out the face value and fair value of forward foreign exchange contracts outstanding for the Group as at 31 December 2008 and 2007:

Outstanding forward foreign exchange contracts (in millions)	Face value	Maturing within 1 year	Maturing between 1 and 2 years	Maturing between 2 and 5 years	Fair value (US$)
	As at 31 December 2008				
GBP contracts	**£94.6**	**£67.6**	**£27.0**	**–**	**(32.3)**
Euro contracts	**€145.1**	**€29.2**	**€26.8**	**€89.1**	**8.2**
Canadian dollar contracts	**$17.0**	**$17.0**	**–**	**–**	**(0.6)**
					(24.7)

Outstanding forward foreign exchange contracts (in millions)	Face value	Maturing within 1 year	Maturing between 1 and 2 years	Maturing between 2 and 5 years	Fair value (US$)
	As at 31 December 2007				
GBP contracts	£65.0	£65.0	–	–	(1.9)
Euro contracts – Inmarsat Core[1]	€8.9	€8.9	–	–	–
					(1.9)

During 2007, Inmarsat Core[1] entered into a series of foreign exchange forwards and options in order to hedge the purchase of Stratos by CIP Canada. Inmarsat Core[1] hedged the purchase consideration of $294.0m Canadian dollars and recognised a US$29.7m gain in relation to the aforementioned designated hedges. The gain has been applied as a basis adjustment against the acquisition of Stratos by CIP (see note 24).

Interest rate swap

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding for the Group as at 31 December 2008:

Outstanding floating for fixed contracts	Average contracted fixed interest rate 2008 %	2007 %	Notional principal amount 2008 (US$ in millions)	2007 (US$ in millions)	Fair value 2008 (US$ in millions)	2007 (US$ in millions)
Less than 1 year	**3.95%**	4.71%	**75.0**	300.0	**(0.1)**	(1.9)
1 to 2 years	**–**	4.28%	**–**	50.0	**–**	–
2 to 5 years	**4.79%**	4.50%	**300.0**	100.0	**(35.5)**	(1.6)
5 years +	**–**	4.94%	**–**	200.0	**–**	(6.1)
			375.0	650.0	**(35.6)**	(9.6)

Under the interest rate swaps the Group received quarterly floating interest (three month USD LIBOR) to offset floating interest payable. Gains or losses will reverse in the Income Statement when the swaps expire. In 2008, the Group recognised US$1.4m (2007: US$nil) directly in the Income Statement as a result of ineffectiveness arising on designated interest rate swaps.

Non-derivative financial assets and financial liabilities

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

Non-derivative financial liabilities consist of bank overdrafts, deferred satellite payments, Senior Credit Facilities, Senior Discount Notes, Senior Notes, Convertible Bonds, Stratos' Senior Credit Facilities, Stratos' Mortgage Obligation, Stratos' Capital Lease Obligation, Stratos' Senior Unsecured Notes, accrued and accreted interest on borrowings, trade creditors and other creditors.

Fair value of non-derivative financial assets and financial liabilities

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

[1] Inmarsat plc and its subsidiaries excluding CIP

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

- The fair values of cash at bank, overdrafts and short-term deposits approximate their carrying values because of the short-term maturity of these instruments (note 17).
- The fair value of trade and other receivables and payables approximate their carrying values (notes 18 and 21 respectively).
- The carrying amount of deferred satellite payments represents the present value of future payments discounted at a variable risk-free rate at the period end. This carrying amount approximately equals fair value (note 20).
- Senior Credit Facilities are reflected in the Balance Sheet as at 31 December 2008 net of unamortised arrangement costs of US$0.6m (2007: US1.1m). The fair value approximates the carrying value (note 20).
- Senior Notes and Senior Discount Notes are reflected in the Balance Sheet as at 31 December 2008 net of unamortised arrangement costs of US$5.5m and US$6.2m, respectively (2007: US$7.2m and US$7.3m, respectively) (note 20). The fair values of the Senior Notes and the Senior Discount Notes are based on the market price of the bonds as at 31 December 2008 and are reflected in the table below.
- The liability component of the Convertible Bonds is reflected in the Balance Sheet as at 31 December 2008 on an amortised cost basis, net of unamortised arrangement costs of US$4.4m (2007: US$5.1m) (note 20). The fair value of the Convertible Bonds is based on the market price of the bonds as at 31 December 2008 and is reflected in the table below.
- Stratos' Senior Credit Facilities, Revolving Operating Facility and the Mortgage Obligation are reflected in the Balance Sheet as at 31 December 2008 at amortised cost, net of unamortised arrangement costs of US$3.4m, US$nil and US$nil (2007: US$4.3m, US$nil and US$nil) respectively (note 20). Their fair values approximate their carrying values excluding unamortised arrangement costs.
- Stratos' Senior Unsecured Notes are reflected in the Balance Sheet as at 31 December 2008 net of unamortised transaction costs of US$5.5m (2007: US$6.6m) (note 20). As at 31 December 2008 the Group owned US$57.7m (2007: US$nil) of the outstanding aggregate principal amount of Stratos' Senior Unsecured Notes. The fair value of Stratos' Senior Unsecured Notes is based on the market price of the notes as at 31 December 2008 and is reflected in the table below.

	As at 31 December 2008		As at 31 December 2007	
(US$ in millions)	**Carrying amount**	**Fair value amount**	Carrying amount	Fair value amount
Senior Discount Notes	**(450.0)**	**(400.8)**	(406.7)	(443.3)
Senior Notes [(a)]	**(310.4)**	**(270.8)**	(310.4)	(319.7)
Convertible Bonds	**(246.4)**	**(204.1)**	(229.4)	(300.5)
Stratos' Senior Unsecured Notes	**(92.3)**	**(86.9)**	(150.0)	(158.3)

(a) Including US$146.7m of the aggregate principal amount outstanding at 31 December 2008 which was owned by the Group (2007: US$91.6m) (note 20).

33. Capital commitments

The Group had authorised and contracted but not provided for capital commitments as at 31 December 2008 of US$366.9m (2007: US$482.6m). These amounts primarily represent commitments in respect of the Alphasat project, the launch of the Inmarsat-4 F3 satellite, Hawaii SAS site, our SPS hand-set development and BGAN services.

34. Contingent liability

During 2007, an assessment was made against us for VAT payable in relation to the sale of our head office which took place in 2004. The total amount of the assessment, including penalties is estimated to be in the region of £10.0m – £12.0m (US$14.4m – US$17.3m, based on the 31 December 2008 exchange rate between the US dollar and Pounds Sterling). We have sought external advice and are appealing the assessment as well as considering other strategies to mitigate the position. We do not believe that a material loss is probable, and therefore no provision has been made in these financial statements. We cannot currently estimate the amount of time that will be required to settle this matter.

35. Related party transactions

In the normal course of operations Stratos engages in transactions with its equity owned investees Navarino Telecom SA and NTS Maritime Limited (together 'Navarino'). These transactions represent sales of airtime and equipment and are measured at the amounts exchanged. Group revenue from the related party for the 2008 financial year was US$21.4m (2007: US$nil). The amount receivable from the related party at 31 December 2008 was US$8.0m (2007: US$7.0m).

Remuneration paid to key management personnel, being the Executive and Non-Executive Directors of the Company, during the year is disclosed in the audited information contained within the Directors' Remuneration Report. The amount owing to the Directors as at 31 December 2008 and 2007 was US$1.7m and US$1.6m respectively.

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

36. Principal subsidiary undertakings

The following subsidiaries are included in the consolidated financial information:

	Principal activity	Country of incorporation and operation	Interest in issued ordinary share capital at 31 December 2008	Interest in issued ordinary share capital at 31 December 2007
Inmarsat Finance III Limited	Finance company	England and Wales	**100%**	100%
Inmarsat Holdings Limited	Holding company	England and Wales	**100%**	100%
Inmarsat Finance II plc	Finance company	England and Wales	**100%**	100%
Inmarsat Group Limited	Holding company	England and Wales	**100%**	100%
Inmarsat Finance plc	Finance company	England and Wales	**100%**	100%
Inmarsat Investments Limited	Holding company	England and Wales	**100%**	100%
Inmarsat Ventures Limited	Holding company	England and Wales	**100%**	100%
Inmarsat Global Limited	Satellite telecommunications	England and Wales	**100%**	100%
Inmarsat Employment Company Limited	Employment company	Jersey	**100%**	100%
Inmarsat Inc.	Service provider	USA	**100%**	100%
Inmarsat Employee Share Plan Trustees Limited	Corporate trustee	England and Wales	**100%**	100%
Inmarsat Trustee Company Limited	Corporate trustee	England and Wales	**100%**	100%
Inmarsat Brasil Limitada	Legal representative of Inmarsat	Brazil	**99.9%**	99.9%
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%
EuropaSat Limited	Operating company	England and Wales	**100%**	100%
Inmarsat Navigation Ventures Limited	Operating company	England and Wales	**100%**	100%
Inmarsat B.V.	Service provider	The Netherlands	**100%**	100%
PT ISAT	Management and business consulting services	Indonesia	**100%**	100%
Inmarsat US Holdings Inc.	Holding company	USA	**100%**	100%
Inmarsat Government Services Inc.	Service provider	USA	**100%**	–
Inmarsat Hawaii Inc.	Service provider	USA	**100%**	100%
Inmarsat Canada Holdings Inc.	Holding company	Canada	**100%**	–
CIP UK Holdings Limited	Holding company	England and Wales	**0%**	0%
CIP Canada Investment Inc.	Holding company	Canada	**0%**	0%
Stratos Global Corporation	Service provider	Canada	**0%**	0%
Stratos Wireless Inc.	Operating company	Canada	**0%**	0%
Stratos Mobile Networks Inc.	Operating company	USA	**0%**	0%
Stratos Mobile Networks (USA) L.L.C.	Dormant	USA	**0%**	0%
Stratos Government Services Inc.	Operating company	USA	**0%**	0%
Stratos Communications Inc.	Operating company	USA	**0%**	0%
Stratos Offshore Services Company	Operating company	USA	**0%**	0%
Stratos Global Limited	Operating company	England and Wales	**0%**	0%
Stratos Aeronautical Limited	Operating company	England and Wales	**0%**	0%
Stratos Services Limited	Operating company	England and Wales	**0%**	0%
Stratos New Zealand Limited	Operating company	New Zealand	**0%**	0%
Stratos Communications (Australia) Pty Limited	Operating company	Australia	**0%**	0%
Plenexis Gesellschaft Fur Satelliten – Kommunikation mBH	Operating company	Germany	**0%**	0%
Moskowskij Teleport	Operating company	Russia	**0%**	0%
Xantic B.V.	Operating company	The Netherlands	**0%**	0%
Xantic Sales B.V.	Operating company	The Netherlands	**0%**	0%

Galileo Ventures Limited changed its name to EuropaSat Limited on 10 July 2008.
Inmarsat Government Services Inc. was incorporated on 26 June 2008.
Inmarsat Canada Holdings Inc. was incorporated on 4 December 2008.

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

[1] Inmarsat plc and its subsidiaries excluding CIP

37. Events after the balance sheet date

The Board intends to declare a final dividend of 18.20 cents (US$) per ordinary share to be paid on 29 May 2009 to ordinary shareholders on the register of members at the close of business on 15 May 2009. Shareholders will be asked to approve the final dividend payment at the Annual General Meeting to be held on 5 May 2009. 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 2008 financial year.

Subsequent to 31 December 2008 other than the events discussed above there have been no other material events, which would affect the information reflected in the consolidated financial statements of the Group.

Independent Auditors' Report to the Members of Inmarsat plc

We have audited the Company financial statements of Inmarsat plc for the year ended 31 December 2008 which comprise the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds and the related notes on pages 95 and 96. 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 2008 and on the information in the Directors' Remuneration Report that is described as having been audited.

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

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the Company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited Company financial statements. The other information comprises only the Directors' Report, the Chairman and Chief Executive's Business Review, the Chief Financial Officer's 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 2008;
- 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 LLP

Chartered Accountants and Registered Auditors
London
12 March 2009

Company Balance Sheet

(US$ in millions)	As at 31 December 2008	As at 31 December 2007
Fixed assets		
Investments [(a)]	**705.6**	698.4
Total fixed assets	**705.6**	698.4
Current assets		
Debtors – amounts falling due within one year [(b)]	**4.5**	1.6
Debtors – amounts falling due after one year [(c)]	**323.7**	270.0
Cash at bank	**4.6**	14.0
Total current assets	**332.8**	285.6
Creditors – amounts falling due within one year		
Other creditors [(d)]	**(8.4)**	(2.7)
Amounts due to subsidiaries	**(7.0)**	(10.3)
Total creditors: amounts falling due within one year	**(15.4)**	(13.0)
Net current assets	**317.4**	272.6
Total assets less current liabilities	**1,023.0**	971.0
Borrowings [(e)]	**(244.1)**	(226.3)
Net assets	**778.9**	744.7
Capital and reserves		
Called up share capital	**0.3**	0.3
Share premium	**679.6**	677.1
Convertible bond reserve	**56.9**	56.9
Other reserves	**8.3**	0.2
Accumulated profit	**33.8**	10.2
Total shareholders' funds	**778.9**	744.7

(a) Investments consist of a US$676.4m investment in Inmarsat Holdings Limited (2007: US$676.4m), US$18.1m of capital contributions to Group companies in respect of share-based payments (2007: US$10.9m) and US$11.1m (2007: US$11.1m) notional capital contribution to Inmarsat Finance III Limited.
(b) Debtors – amounts falling due within one year consists of US$4.4m amounts due from Group companies (2007: US$1.4m) and US$0.1m prepayments and accrued income (2007: US$nil). In 2007 there was also a corporation tax debtor of US$0.2m (2008: US$nil).
(c) Debtors – amounts falling due after one year consists of US$323.3m amounts due from Group companies (2007: US$270.0m) and a deferred tax asset of US$0.4m (2007: US$nil).
(d) Other creditors consists of US$4.7m due to shareholders in respect of dividends paid during 2008 (2007: US$0.2m), operating accruals of US$3.2m (2007: US$2.0m) and US$0.5m due to the employee share ownership plan (2007: US$0.5m).
(e) Borrowings comprise the Convertible Bond discussed in note 20 to the consolidated financial statements.

The financial statements of the Company on pages 95 and 96 were approved by the Board of Directors on 12 March 2009 and signed on its behalf by

Andrew Sukawaty
Chairman and Chief Executive Officer

Rick Medlock
Chief Financial Officer

Reconciliation of Movements in Shareholders' Funds

(US$ in millions)	Ordinary share capital	Share premium account	Convertible bond reserve	Other reserves	Accumulated profit	Total
Balance at 1 January 2007	0.4	675.4	–	6.2	0.2	682.2
Issue of share capital	–	1.7	–	–	–	1.7
Profit for the year	–	–	–	–	135.9	135.9
Dividends payable	–	–	–	–	(125.9)	(125.9)
Share options charge	–	–	–	4.0	–	4.0
Cancellation of deferred shares	(0.1)	–	–	0.1	–	–
Purchase of shares by Employment Benefit Trust	–	–	–	(10.1)	–	(10.1)
Recognition of equity component of Convertible Bonds	–	–	56.9	–	–	56.9
Balance at 31 December 2007	0.3	677.1	56.9	0.2	10.2	744.7
Issue of share capital	**–**	**2.5**	**–**	**–**	**–**	**2.5**
Profit for the year	**–**	**–**	**–**	**–**	**158.2**	**158.2**
Dividends payable	**–**	**–**	**–**	**–**	**(134.6)**	**(134.6)**
Share options charge	**–**	**–**	**–**	**8.1**	**–**	**8.1**
Balance at 31 December 2008	**0.3**	**679.6**	**56.9**	**8.3**	**33.8**	**778.9**

Basis of accounting
The 2008 and 2007 financial statements have been prepared on the basis of UK GAAP as the Company itself has not converted to IFRS. The accounting policies, where relevant to the Company, are consistent with those of the consolidated Group as set out in note 2 to the consolidated financial accounts. The principal accounting policies under UK GAAP are as follows.

Profit and loss account
The Company has taken advantage of the exemption available under section 230 of Companies Act 1985 and has not presented a profit and loss account. The profit after dividends for the year ended 31 December 2008 was US$23.6m (2007: US$10.0m).

Auditors' remuneration
During the year, the Company paid its external Auditors US$0.2m for statutory audit services (2007: US$0.2m). In addition, non-audit fees of US$0.2m were paid to the Company's external Auditors in relation to tax services and fees of US$0.3m were paid in relation to corporate finance services. In 2007, fees of US$0.1m were paid to the Company's external Auditors in relation to the issue of convertible bonds (see note 20).

Employee costs and Directors' remuneration
The average monthly number of people employed during the year was 2 (2007: nil). Total staff costs for 2008 were US$3.6m (2007: US$nil). Full details of Directors' remuneration and Directors' share options and share awards are given in the Directors' Remuneration Report.

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

The exchange rate between US dollars and Pounds Sterling as at 31 December 2008 was US$1.44/£1.00 (2007: US$1.99/£1.00). The average rate and hedged rate between US dollars and Pounds Sterling for 2008 was US$1.86/£1.00 (2007:US$2.00/£1.00) and US$2.01/£1.00 (2007: US$1.81/£1.00) respectively.

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

Investments
Investments in subsidiary undertakings are stated in the Balance Sheet at cost less amounts written-off.

Employee share options
The accounting policy for employee share options is identical to that applied in the consolidated financial statements as set out in note 2 and 27, with the exception that shares issued by the Company to employees of its subsidiaries for which no consideration is received are treated as an increase in the Company's investment in those subsidiaries.

Financial instruments
The Company applies FRS 25 'Financial Instruments: Disclosure and Presentation' and FRS 26 'Financial Instruments: Measurement'. These standards have no material impact on the Company's financial statements.

On 19 March 2007 the Company guaranteed a loan facility entered into by a subsidiary, Inmarsat Finance III Limited, in connection with the acquisition of Stratos by CIP Canada (refer to note 24 of the consolidated financial statements for details of the transaction). The guarantee enabled Inmarsat Finance III Limited to achieve a preferable rate of interest. In terms of FRS 26 'Financial Instruments Measurement', the Company is required to recognise the fair value of the financial guarantee as a notional capital contribution and as such increase in the Company's investment in the subsidiary. The corresponding credit has been recorded as a liability and will be released through the profit and loss over the life of the underlying facility. The Company initially recognised US$11.1m in respect of the guarantee in 2007 and had released US$10.5m through the profit and loss account by 31 December 2007. During 2008 the remaining US$0.6m was released through the profit and loss account.

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

Convertible Bonds
Details of the convertible bonds are given in note 20 to the consolidated financial statements. There is no difference between the disclosures given in the consolidated financial statements and those required under UK GAAP.

Subsequent events
Details of subsequent events are given in note 37 to the consolidated financial statements. There is no difference between the disclosures given in the consolidated financial statements and those required under UK GAAP.

Share capital
Details of the Company's authorised and issued share capital and of movements in the year are given in note 26 to the consolidated financial statements. There is no difference between the disclosures given in the consolidated financial statements and those required under UK GAAP.

Additional information

Five Year Summary

(US$ in millions)	2008	2007 (as restated)	2006	2005	2004
Revenues	**996.7**	576.5	500.1	491.1	480.7
EBITDA	**531.2**	388.1	331.7	316.0	301.7
EBITDA %	**53.3%**	67.3%	66.3%	64.3%	62.8%
Profit before income tax	**193.8**	124.7	89.8	95.5	24.9
Profit for year	**355.4**	96.3	127.7	64.4	19.1
Net cash inflow from operating activities	**526.8**	390.7	330.0	341.7	305.6
Net cash used in investing activities	**(243.2)**	(454.8)	(132.4)	(67.6)	(176.5)
Net cash (used in)/provided by financing activities	**(244.4)**	136.7	(189.8)	(470.0)	(129.7)
Total assets	**2,906.8**	2,826.5	1,973.6	2,024.8	2,198.6
Total liabilities	**1,973.1**	(2,093.1)	(1,257.1)	(1,348.3)	(2,200.1)
Shareholders' equity	**933.7**	733.4	716.5	676.5	(1.5)

Notes:
1. Results for the years ended 31 December 2008, 2007, 2006, 2005 and 2004 are on the basis of IFRS.
2. Results for the year ended 31 December 2008 includes CIP for the period.

Financial calendar 2009

5 May	Annual General Meeting
13 May	Ex-dividend date for 2008 final dividend
15 May	Record date for 2008 final dividend
29 May	2008 final dividend payment date
August	2009 interim results
October	2009 interim dividend

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

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

Printed on Zanders Mega Silk – a paper that is manufactured using 50% recycled de-inked fibre and 50% TCF (totally chlorine free) pulp, and is sourced from sustainable forests. The paper is also biodegradable and harmless to the environment.

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