

Inmarsat plc

(formerly Inmarsat Group Holdings Limited)

(Registered Number: 4886072)

Interim Financial Statements

For the period 1 January 2008 to 26 September 2008

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Inmarsat plc
Profit and Loss Account
For the period 1 January 2008 to 26 September 2008

	<u>Note</u>	Period ended 26 September 2008 (US\$ millions)
Revenues		1 8
Other net operating costs	2	(1 7)
Total operating costs		(1.7)
Operating profit		0.1
Interest receivable and similar income		13 0
Interest payable and similar charges		(15 2)
Other finance costs		0 7
Dividends received		<u>159 6</u>
Profit on ordinary activities before taxation		158.2
Taxation	3	<u>0 4</u>
Profit after taxation for the period		158.6
Dividends paid	4	<u>(79 1)</u>
Retained profit for the period		<u>79.5</u>

All activities relate to continuing operations. There is no difference between the results as stated above and the historical cost equivalents.

Statement of total recognised gains and losses

A statement of total recognised gains and losses is not presented as there are no recognised gains and losses other than the profit in the period.

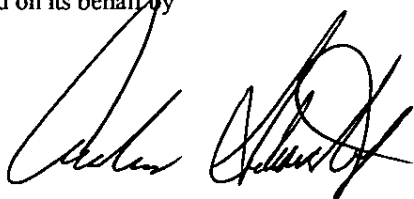
The accompanying Notes are an integral part of these interim financial statements.

Inmarsat plc
Balance Sheets
As at 26 September 2008

		As at	
		26 September	31 December
	Note	2008	2007
		(US\$ millions)	
Fixed assets			
Investments	5	<u>703.1</u>	<u>698.4</u>
Total fixed assets		<u>703.1</u>	<u>698.4</u>
Current assets			
Debtors – amounts falling due within one year	6	57.8	1.6
Debtors – amounts falling due after one year	7	318.8	270.0
Deferred tax asset		0.1	—
Cash at bank		<u>0.1</u>	<u>14.0</u>
Total current assets		<u>376.8</u>	<u>285.6</u>
Creditors – amounts falling due within one year	8	<u>(12.7)</u>	<u>(13.0)</u>
Net current assets		<u>364.1</u>	<u>272.6</u>
Total assets less current liabilities		<u>1,067.2</u>	<u>971.0</u>
Creditors – amounts falling due after one year	9	<u>(238.2)</u>	<u>(226.3)</u>
Net assets		<u>829.0</u>	<u>744.7</u>
Capital and reserves			
Called up share capital	10	0.3	0.3
Share premium account	11	677.1	677.1
Convertible bond reserve	11	56.9	56.9
Other reserves	11	5.0	0.2
Retained earnings	11	<u>89.7</u>	<u>10.2</u>
Total equity shareholders' funds		<u>829.0</u>	<u>744.7</u>

The accompanying Notes are an integral part of these interim financial statements

The interim financial statements on pages 1 to 7 were approved by the board of directors on 26 September 2008 and were signed on its behalf by



Chairman



Director

Inmarsat plc
Notes to the Interim Financial Statements
For the period 1 January 2008 to 26 September 2008

1. Background, basis of accounting and principal accounting policies

Background

The principal activity of the Company is a holding company

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards. A summary of the Company's main accounting policies, which have been applied consistently throughout the current period and preceding year, is given below.

The preparation of the 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 Company has reviewed its accounting policies and continues to adopt accounting policies most appropriate to its business so as to give a true and fair view as well as disclose sufficient information to enable users to understand the policies and how they have been applied in the financial statements.

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 dollars during the accounting period have been translated into 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 dollar for which the company has not purchased forward exchange contracts (including the subordinated preference certificates) are translated at year end rates. Differences on exchange are dealt with in the profit and loss account.

Shares issued by the Company and denominated in a currency other than US dollars are translated at the date of the issue.

Revenue recognition

Revenue relates to management services provided to subsidiary entities.

Stock compensation costs

FRS 20 "Share-based Payment" requires that where shares or rights to shares are granted to third parties, including employees, a charge is recognised in the profit and loss account based on the fair value of the shares at the date the grant of shares or right to shares is made. The company recognises charges relating to share options granted over the relevant vesting period. All the existing share option plans prior to the acquisition of Inmarsat Ventures Limited were cancelled at the time of the acquisition.

The Company recognises a charge for National Insurance contributions on outstanding share options where the options are expected to be exercised. The liability is calculated on the difference between the market value of the underlying shares at the end of the financial year and the option exercise price as it is recognised over the period from the date of grant to the end of the performance period.

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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

Taxation

Current tax, including UK Corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date

Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profit and loss and the results as stated in the financial information. No deferred tax is recognised on permanent differences.

Deferred tax is measured at the average tax rates that are expected to apply in the period in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis. Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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.

2. Other net operating costs

	Period ended 26 September 2008 (US\$ in millions)
Other external charges	—
Wages and salaries	<u>1.7</u>
Total other net operating costs	<u>1.7</u>

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3. Taxation

The tax credit is based on the taxable profits for the period and comprises

	Period ended 26 September 2008 (US\$ in millions)
Corporation tax at 28.5% - current period	0.3
Deferred tax-current year	<u>0.1</u>
	<u>0.4</u>

The Company's effective tax rate reconciliation is as follows

	Period ended 26 September 2008 (US\$ in millions)
UK statutory tax rate	28.5%
Profit on ordinary activities before taxation	158.2
Corporation tax provision at UK statutory rate	45.1
Non-taxable dividend income	<u>(45.5)</u>
Current tax credit for the period	<u>(0.4)</u>

4. Dividends

A final dividend of US\$79.1m (17.33 cents (US\$) per ordinary share) in respect of the 2007 financial year was approved by shareholders at the Annual General Meeting on 6 May 2008 and paid on 23 May 2008. An interim dividend in respect of 2008 of 12.13 cents (US\$) per ordinary share, amounting to a total dividend of US\$55.5m, is to be proposed at the Board meeting on 26 September 2008.

5. Investments

The Company had an investment of US\$676.4m in Inmarsat Holdings Limited at 26 September 2008 (31 December 2007: US\$676.4m). As at 26 September 2008 the Company also had investments in Inmarsat Employment Company Limited of US\$3.4m (31 December 2007: US\$2.5m), Inmarsat Inc of US\$0.8m (31 December 2007: US\$0.6m), Inmarsat Services Limited of US\$0.2m (31 December 2007: US\$0.2m), Inmarsat Global Limited of US\$8.3m (31 December 2007: US\$6.5m), Inmarsat Ventures Limited of US\$2.9m (31 December 2007: US\$1.1m). In addition, as at 26 September 2008 investments include US\$11.1m (31 December 2007: US\$11.1m) notional capital contribution to Inmarsat Finance III Limited in respect of a bank guarantee issued by the Company for and on behalf of its subsidiary, Inmarsat Finance III Limited.

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Notes to the Interim Financial Statements
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6. Debtors- amounts falling due within one year

	As at	
	26 September	31 December
	<u>2008</u>	<u>2007</u>
	(US\$ in millions)	
Amounts due from subsidiary undertakings	57.1	1.4
Corporation Tax	0.6	0.2
Prepayments and accrued income	<u>0.1</u>	<u>—</u>
	<u>57.8</u>	<u>1.6</u>

Amounts due from subsidiary undertakings are unsecured interest free and repayable on demand and primarily consist of dividends receivable

7 Debtors- amounts falling due after one year

	As at	
	26 September	31 December
	<u>2008</u>	<u>2007</u>
	(US\$ in millions)	
Amounts due from by subsidiary undertakings	<u>318.8</u>	<u>270.0</u>

8. Creditors- amounts falling due within one year

	As at	
	26 September	31 December
	<u>2008</u>	<u>2007</u>
	(US\$ in millions)	
Amounts due to subsidiary undertakings	9.5	10.3
Other creditors	0.5	1.6
Accruals and deferred income	<u>2.7</u>	<u>1.1</u>
	<u>12.7</u>	<u>13.0</u>

Amounts due to subsidiary undertakings are unsecured interest free and repayable on demand

9. Creditors- amounts falling due after one year

	As at	
	26 September	31 December
	<u>2008</u>	<u>2007</u>
	(US\$ in millions)	
Convertible Bonds	<u>238.2</u>	<u>226.3</u>

On 16 November 2007, US\$287.7m in principal amount of 1.75% convertible bonds (the 'Bonds') due 2017 were issued. The Bonds are convertible into ordinary shares of the company and have a 1.75% per annum coupon payable semi-annually and yield to maturity of 4.5%. The Bonds have an initial conversion premium of 32.5% over a reference price of £4.6193 representing approximately 5% of the Company's current 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 the 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 principle amount at years 5 and 7. The net proceeds received have been split into a liability component of US\$224.3m and an equity component of US\$56.9m. Interest charged is calculated by applying an effective interest rate of 9.88% to the liability component. The bonds accrete semi-annually in May and November each year until maturity. During the period, the accreted amount was US\$11.9m (2007 US\$2.0m).

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10. Called up share capital

	As at	
	26 September 2008	31 December 2007
	(US\$ in millions)	
Authorised:		
1,166,610,560 ordinary shares of 0.0005 each (2007 1,166,610,560)	0.7	0.7
Zero Euro deferred shares of 0.01 each (2007 11,669,472)	—	0.1
Zero Sterling deferred shares of £1.00 each (2007 50,000)	—	0.1
	<u>0.7</u>	<u>0.9</u>
Allotted, issued and fully paid		
458,933,895 ordinary shares of 0.0005 each (2007 457,486,883)	<u>0.3</u>	<u>0.3</u>

At the Annual General Meeting of the Company held on 6 May 2008, shareholders approved the cancellation of the Euro deferred shares and the Sterling deferred shares from the authorised share capital

During the period from 1 January 2008 to 26 September 2008, a total of 1,447,012 ordinary shares of 0.0005 each were allotted and issued by the Company under employee share schemes

11. Reserves

	Ordinary share capital	Share premium account	Equity reserve	Other reserves	Retained Earnings	Total
	(US\$ in millions)					
At 1 January 2007	<u>0.4</u>	<u>675.4</u>	—	<u>6.2</u>	<u>0.2</u>	<u>682.2</u>
Issue of shares	—	1.7	—	—	—	1.7
Issue of stock options	—	—	—	4.0	—	4.0
Cancellation of deferred shares	(0.1)	—	—	0.1	—	—
Recognition of equity component of convertible bonds	—	—	56.9	—	—	56.9
Purchase of shares by employee benefit trust	—	—	—	(10.1)	—	(10.1)
Retained earnings	—	—	—	—	10.0	10.0
At 31 December 2007	<u>0.3</u>	<u>677.1</u>	<u>56.9</u>	<u>0.2</u>	<u>10.2</u>	<u>744.7</u>
Issue of stock options	—	—	—	4.8	—	4.8
Retained earnings	—	—	—	—	79.5	79.5
At 26 September 2008	<u>0.3</u>	<u>677.1</u>	<u>56.9</u>	<u>5.0</u>	<u>89.7</u>	<u>829.0</u>

12. Contingent liabilities / Contingent assets

There were no material contingent assets or liabilities at 26 September 2008

13. Related Party Transactions

There were no related party transactions during the period other than those which are exempt from disclosure by virtue of their taking place with 90% subsidiaries of the Company