

# **Inmarsat Leasing Limited**

**(Registered Number: 2487502)**

**Directors' Report and Financial Statements  
For the year ended December 31, 2005**



**Inmarsat Leasing Limited**  
**Directors' Report**  
**For the year ended December 31, 2005**

The directors present their report and the audited financial statements of Inmarsat Leasing Limited (the "Company") for the year ended December 31, 2005.

**Principal Activity, Review of Business and Future Developments**

During the year, the principal activity of the Company was the leasing of plant and equipment.

The results for the year are shown in the profit and loss account on page 4. Both the level of business and financial position are satisfactory to the directors.

**Results and Dividends**

The profit for the year on ordinary activities after taxation amounted to U\$2.4 million (2004: US\$2.9 million). The directors do not propose a dividend for the current year (2004: Nil).

**Directors and their interests**

The directors and secretary who held office at December 31, 2005 and throughout the year, were as follows:

Directors:

Rick Medlock  
Alison Horrocks  
Simon Ailes

Secretary:

Alison Horrocks

The directors do not hold any shares or options over the shares in the Company. During the year to December 31, 2005, Simon Ailes and Alison Horrocks held the following interests over ordinary shares in Inmarsat plc (formerly Inmarsat Group Holdings Limited), the ultimate holding company, which appeared in the register maintained by that company pursuant to Section 325 of the Companies Act 1985.

The interests of Rick Medlock, who is also a director of Inmarsat plc, are shown in the annual report of that company.

Name	Ordinary shares of €0.0005 each as at December 31, 2005	A Ordinary shares of €0.01 each as at December 31, 2004
Alison Horrocks	1,335,924	74,250

NB As part of the listing of Inmarsat plc (on the London Stock Exchange), the various classes of ordinary shares of €0.01 each were converted, following a 1 for 20 share split, into one new class of ordinary shares of €0.0005 each.

**Inmarsat Leasing Limited**  
**Directors' Report (Continued)**  
For the year ended December 31, 2005

Name	Ordinary share options at 01.01.05	Ordinary share options following share split (20:1)	Granted during the year	Exercised during the year	Lapsed during the year	Ordinary share options at 31.12.05	Exercise price in full or in part	Expiry Date
Simon Ailes	10,000	200,000	50,160	62,540	-	187,620	€1	Nov 2014

Inmarsat 2005 Sharesave Scheme							
Name	Share options held at 01.01.05	Granted during the year	Exercised during the year	Share options held at 31.12.05	Exercise price	Date from which exercisable	Expiry date
Alison Horrocks	Nil	4,229	-	4,229	£2.24	1 September 2008	March 2009

Share Incentive Schemes						
Name	Share awards held at 01.01.05	Awarded during the year	Vested during the year	Share awards held at 31.12.05	Award price	Vesting date
Alison Horrocks (a)	Nil	29,388	-	29,388	£2.24	31 May 2008
Alison Horrocks (b)	Nil	7,832	-	7,832	£3.83	9 March 2007 9 March 2008 9 March 2009

- (a) Inmarsat 2005 Performance Share Plan  
(b) Inmarsat 2005 Bonus Share Plan

**Directors' and Officers' liability insurance**

The Company maintains insurance to cover Directors' and Officers' liability as referred to in Section 310(3)(a) of the UK Companies Act 1985.

**Auditors**

In accordance with Section 386 of the Companies Act 1985, the Company has elected to dispense with the obligation to appoint auditors annually.

**Directors' Responsibilities**

The following statement, which should be read in conjunction with the auditors statement of responsibilities set out on page 3, is made with a view to distinguishing the respective responsibilities of the directors and the auditors in relation to the financial statements.

**Inmarsat Leasing Limited**  
**Directors' Report (Continued)**  
**For the year ended December 31, 2005**

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

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By Order of the Board



Alison Horrocks FCIS  
Secretary

July 7, 2006

99 City Road  
London  
EC1Y 1AX

## **Independent auditors' report to the members of Inmarsat Leasing Limited**

We have audited the financial statements of Inmarsat Leasing Limited for the year ended December 31, 2005 which comprise the profit and loss account, the statement of recognised gains and losses, the balance sheet, reconciliation of movement in shareholders' funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

### **Respective responsibilities of directors and auditors**

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

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

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the 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 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 financial statements.

### **Opinion**

In our opinion the 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 at December 31, 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London

July 7, 2006

**Inmarsat Leasing Limited**  
**Profit and Loss Account**  
For the year ended December 31, 2005

<b>US\$'000</b>	<b>Note</b>	<b>Year ended December 31, 2005</b>	<b>Year ended December 31, 2004</b>
<b>Revenues</b>	<b>3</b>	12,366	13,256
Administrative expenses		(47)	(9)
<b>Operating profit</b>		<b>12,319</b>	<b>13,247</b>
Interest payable	<b>4</b>	(8,863)	(9,172)
Interest receivable		2	-
<b>Profit on ordinary activities before taxation</b>	<b>5</b>	<b>3,458</b>	<b>4,075</b>
Tax on profit on ordinary activities	<b>7</b>	(1,035)	(1,126)
<b>Profit for the year after taxation</b>		<b>2,423</b>	<b>2,949</b>

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

**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 financial years.

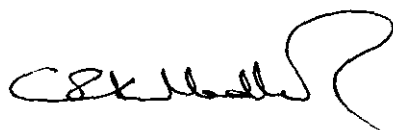
The accompanying notes are an integral part of the financial statements.

**Inmarsat Leasing Limited**  
**Balance Sheet**  
**As at December 31, 2005**

US\$'000	Note	As at December 31, 2005	As at December 31, 2004
<b>Current assets</b>			
<b>Debtors:</b>			
Amounts falling due after one year	9	201,908	205,827
		201,908	205,827
<b>Creditors:</b>			
Amounts falling due within one year	10	(126,516)	(131,683)
<b>Total assets less current liabilities</b>		75,392	74,144
Provision for liabilities and charges	11	(60,572)	(61,747)
<b>Net Assets</b>		14,820	12,397
<b>Capital and reserves</b>			
Called up share capital	12	-	-
Profit and loss account		14,820	12,397
<b>Equity shareholders' funds</b>		14,820	12,397

The notes on pages 7 to 11 form part of these accounts.

The financial statements on pages 4 to 11 were approved by the Board of Directors on July 7, 2006 and were signed on its behalf by:



Rick Medlock  
 Director

The accompanying notes are an integral part of the financial statements.

**Inmarsat Leasing Limited**  
**Reconciliation of Movements In Shareholders Funds**  
**As at December 31, 2005**

<b>US\$'000</b>	<b>Profit and loss account</b>	<b>Ordinary share capital</b>	<b>Total</b>
At January 1, 2004	9,308	-	9,308
Effect of change in functional currency	140	-	140
Profit for the financial year	2,949	-	2,949
<b>At December 31, 2004</b>	<b>12,397</b>	<b>-</b>	<b>12,397</b>
At January 1, 2005	12,397	-	12,397
Profit for the financial year	2,423	-	2,423
<b>At December 31, 2005</b>	<b>14,820</b>	<b>-</b>	<b>14,820</b>



**Inmarsat Leasing Limited**  
**Notes to the Financial Statements**  
**For the year ended December 31, 2005**

**1. Accounting policies**

**Basis of accounting**

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards. A summary of the Company's main accounting policies, which have been applied consistently except where noted, 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. The more significant estimates include deferred tax assets. 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.

**Changes in accounting policy and prior year adjustments**

The Company has adopted the following new accounting standards that are effective for accounting periods beginning January 1, 2005: FRS 17: Accounting for retirement benefits, FRS 21: Events after the balance sheet date, and FRS 25: Financial instruments: Disclosure and presentation, in these financial statements. The adoption of these standards had no impact on the financial statements for the years ended December 31, 2004 and 2005.

**Change in functional currency**

The functional and reporting currency of the Company changed as of October 1, 2004 from sterling to the US Dollar following an agreement between Inmarsat Global Limited, Inmarsat Ventures Limited and the Company to change the currency of lease and loan repayments to US Dollars. As a result, all of the Company's operational transactions are now denominated in US Dollars. The change in functional currency was effected prospectively to all transactions from October 1, 2004. The balance sheet at October 1, 2004 was translated to US Dollars at the spot rate on that date (US\$1.8096:£1).

**Revenues**

Revenues represent income from finance leases using the actuarial after tax method to give a constant periodic rate of return on the net cash investment.

**Net Investment in finance leases**

Net investment in finance leases is included in debtors and represents total minimum lease payments less gross earnings allocated to future periods and non-refundable rents received in advance.

**Inmarsat Leasing Limited**  
**Notes to the Financial Statements (Continued)**  
For the year ended December 31, 2005

**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 the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profit and loss and its results as stated in the financial statements. 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 law that have been enacted or substantively 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. See Note 7 and 11.

**2. Cash flow statement**

The Company is a wholly owned subsidiary of Inmarsat Ventures Limited, a company registered in England and Wales, whose consolidated financial statements include a cash flow statement. Accordingly, the Company is not required to produce a cash flow statement as prescribed in paragraph 5(a) of FRS1, Cash Flow Statements (revised 1996).

**3. Revenues**

Revenue, stated net of VAT and other sales taxes, comprises the following:

US\$'000	Year ended December 31, 2005	Year ended December 31, 2004
Income from finance leases	12,366	13,256

**4. Interest payable**

US\$'000	Year ended December 31, 2005	Year ended December 31, 2004
In respect of amounts due to parent undertaking on loans:		
- payable wholly or in part after one year	(8,863)	(9,172)

**5. Profit on ordinary activities before taxation**

Profit on ordinary activities before taxation is stated after charging:

US\$'000	Year ended December 31, 2005	Year ended December 31, 2004
Auditors' remuneration and expenses – audit services	9	9

**Inmarsat Leasing Limited**  
**Notes to the Financial Statements (Continued)**  
For the year ended December 31, 2005

**6. Employees and Directors**

None of the directors received any emoluments in respect of their qualifying services to the Company in the years ended December 31, 2005 and 2004. All directors of the Company are also the directors of the Inmarsat plc (the ultimate holding company). The remuneration package offered to the directors by Inmarsat plc is shown in the 2005 annual report of Inmarsat plc.

The Company had no directly employed staff during the years ended December 31, 2005 and 2004.

**7. Taxation**

The tax charge is based on the taxable profits for the year and comprises:

<b>US\$'000</b>	<b>Year ended December 31, 2005</b>	<b>Year ended December 31, 2004</b>
UK corporation tax at 30%	2,210	2,021
Deferred tax (note 11)	(1,175)	(895)
	<b>1,035</b>	<b>1,126</b>

**Deferred Taxation**

The tax effect of timing differences is:

<b>US\$'000</b>	<b>As at December 31, 2005</b>	<b>As at December 31, 2004</b>
Provision recognised (note 11)	60,572	61,747

Deferred tax primarily arises from the difference between the periods in which income is recognised for accounting and taxation purposes.

The Company's effective tax rate calculation is as follows:

<b>US\$'000</b>	<b>Year ended December 31, 2005</b>	<b>Year ended December 31, 2004</b>
UK statutory tax rate	30%	30%
Profit on ordinary activities	3,458	4,075
Corporation tax provision at UK statutory tax rate	1,037	1,222
Prior year adjustment	(2)	(96)
Timing differences	1,175	895
	<b>2,210</b>	<b>2,021</b>

**8. Dividends**

No dividends were paid in the year 2004, and the directors do not recommend a dividend in respect of the year ended December 31, 2005.

**Inmarsat Leasing Limited**  
**Notes to the Financial Statements (Continued)**  
For the year ended December 31, 2005

**9. Debtors – amounts falling due after one year**

<b>US\$'000</b>	<b>As at December 31, 2005</b>	<b>As at December 31, 2004</b>
<b>Amounts falling due after one year:</b>		
Net investments in finance leases due from group undertakings	201,908	205,827
	<b>201,908</b>	<b>205,827</b>

**10. Creditors – amounts falling due within one year**

<b>US\$'000</b>	<b>As at December 31, 2005</b>	<b>As at December 31, 2004</b>
Corporate tax	2,264	2,274
Amounts due to group undertakings	124,252	129,409
	<b>126,516</b>	<b>131,683</b>

Amounts due to group undertakings are unsecured, interest free and repayable on demand.

**11. Provision for liabilities and charges**

The movement in deferred taxation is as follows:

<b>US\$'000</b>	<b>Deferred tax</b>
As at January 1, 2004	61,968
Effect of change in functional currency (see below)	674
Charged in respect of current year	(895)
<b>As at December 31, 2004</b>	<b>61,747</b>
Charged in respect of current year	(1,175)
<b>As at December 31, 2005</b>	<b>60,572</b>

The functional and reporting currency of the Company changed as of October 1, 2004 from Sterling to US Dollars. The change in functional currency was effected prospectively for all transactions from that date. The balance sheet at October 1, 2004 was therefore translated at US Dollars at the spot rate at that date (£1 to \$1.8096).

**Inmarsat Leasing Limited**  
**Notes to the Financial Statements (Continued)**  
For the year ended December 31, 2005

**12. Called up share capital**

	As at December 31, 2005	As at December 31, 2004
US\$		
<b>Authorised</b>		
100 (2003: 100) ordinary shares of £1 each	181	181
<b>Allotted, called up and fully paid</b>		
2 (2003: 2) ordinary shares of £1 each	2	2

**13. Related party transactions**

The Company being a wholly owned subsidiary of Inmarsat Ventures Limited is exempt under paragraph 7 of FRS 8 Related Party Transactions, from the requirements to disclose transactions with entities that are part of the group.

**14. Parent undertaking**

The Company's parent undertaking is Inmarsat Ventures Limited and ultimate parent undertaking is Inmarsat plc (formerly Inmarsat Group Holdings Limited), both incorporated and registered in England and Wales. The largest and smallest groups in which the results of the Company are consolidated are headed by Inmarsat plc (formerly Inmarsat Group Holdings Limited) and Inmarsat Ventures Limited respectively. Copies of the Inmarsat plc consolidated financial statements can be obtained from the Company Secretary at 99 City Road, London EC1Y 1AX.