

Marconi



**THE GEC PLAN AND
SELECTED BENEFIT
SCHEME**

REPORT AND ACCOUNTS | 2001



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Trustee, Administration Managers and Advisers

Trustee

Stanhope Pension Trust Limited, P.O. Box 20, Newport Road, Stafford, ST16 1BY

Directors

J. M. Brew (*Chairman*)
J. H. Chaplin
M. V. Elliott
A. B. Lee
D. W. Marsden
R. J. Mills
K. J. O'Boyle
C. F. N. Samuel
M. F. Surrey
C. R. J. Walton
V. A. Webster

Secretary

S. J. S. Hart

Investment Advisory Committee

J. M. Brew (*Chairman*)
B. M. Hiorns
N. Walter
R. P. Walther

Investment managers

Deutsche Asset Management
JP Morgan Fleming Asset Management
Merrill Lynch Investment Managers
Morley Fund Management Limited
Stanhope Investment Management Limited

Property managers

Gerald Eve
LaSalle Investment Management
Smith Melzack Pepper Angliss

Custodians for investments

Bankers Trust Company
Bank of New York (Europe) Limited
State Street Bank and Trust Company

Auditors

Deloitte & Touche

Bankers

HSBC Bank plc

Medical adviser

E. J. Albright, M.B., Ch.B.

Scheme Actuary

Graham Mitchell
Partner in the firm of Watson Wyatt Partners

Solicitors

Eversheds
Sacker & Partners

Pensions administration

Marconi Pensions Office
The Hollies
P.O. Box 20
Newport Road
Stafford ST16 1BY

Tel: 01785 785400

Fax: 01785 785401

Web site: www.marconi-pensions.co.uk

Pension Schemes Registry number

101206410

Report of the Trustee

Constitution

The G.E.C. 1972 Plan (the Plan), comprising The GEC Plan and Selected Benefit Scheme (SBS), is the principal pension arrangement in the UK for employees of the Marconi Group (Marconi). The Plan was established with effect from 6 April 1973 and is constituted under a definitive deed dated 4 March 1982, as amended.

The Plan is administered by the Marconi Pensions Office on behalf of the corporate trustee, Stanhope Pension Trust Limited (SPT). The power of appointing and removing the trustee, and the directors of SPT, is vested in Marconi Corporation plc (Marconi Corporation) under the terms of the Plan's definitive deed and of the articles of association of SPT, respectively. Marconi Corporation is a subsidiary of Marconi plc.

Employees of Marconi Corporation and its subsidiary and associated companies which participate in the Plan, are eligible to apply for membership provided they are under the age of 65. The Plan is not contracted out of the State Earnings-Related Pension Scheme.

The fund

The fund reduced during the year ended 5 April 2001 by £2,729.8 million to £2,678.9 million.

This large reduction was mainly the result of the transfer of assets (as well as the liabilities in respect of transferring members, deferred pensioners and pensioners) to the BAE SYSTEMS 2000 Pension Plan (the BAE SYSTEMS Plan) which amounted to £2,680.5 million. Details of the transfer are given on page 12.

Ignoring the BAE SYSTEMS Plan transfer, net withdrawals arising from transactions with members and employers totalled £91.4 million, which were offset by net investment returns of £42.1 million.

Scheme Actuary

Andrew Wise, the Scheme Actuary, resigned on 6 December 2000 and was replaced by Graham Mitchell, also a partner in the firm Watson Wyatt Partners. Mr Mitchell was appointed Scheme Actuary with effect from 7 December 2000.

In announcing his resignation Mr Wise stated:

"In connection with my resignation as Scheme Actuary of the G.E.C. 1972 Plan with effect from 6 December 2000, I declare that I know of no circumstances connected with my resignation which in my opinion significantly affect the interests of, or beneficiaries under, the Plan."

Actuarial valuation

The financial position of the Plan cannot be judged solely by the income and expenditure in any particular year, or by the market value of its investments at a particular point in time, but is shown by actuarial valuations normally undertaken triennially. The last actuarial valuation was undertaken at 6 April 1999 at which time the Actuary advised that the funding level (ratio of assets to liabilities) was 100.0%. The Actuary confirmed that the Plan met the statutory Minimum Funding Requirement (MFR) with a funding level of 120.5%. Following the valuation, as required by Regulations made under the Pensions Act 1995, the Board of SPT has put in place a schedule of contributions effective from 1 June 2000 to ensure the continued compliance with the MFR.

The Actuary calculated that to fund the provision of future benefits, the rate of contribution required from the employers is 7.2% of pensionable salaries. The Actuary advised that it was not necessary for the rate of employers' contribution to be altered immediately as the Plan was 100% funded at 6 April 1999. Marconi Corporation considered the advice of the Actuary and decided to continue to contribute to the Plan at a rate of 6.6% of pensionable salaries.

Report of the Trustee

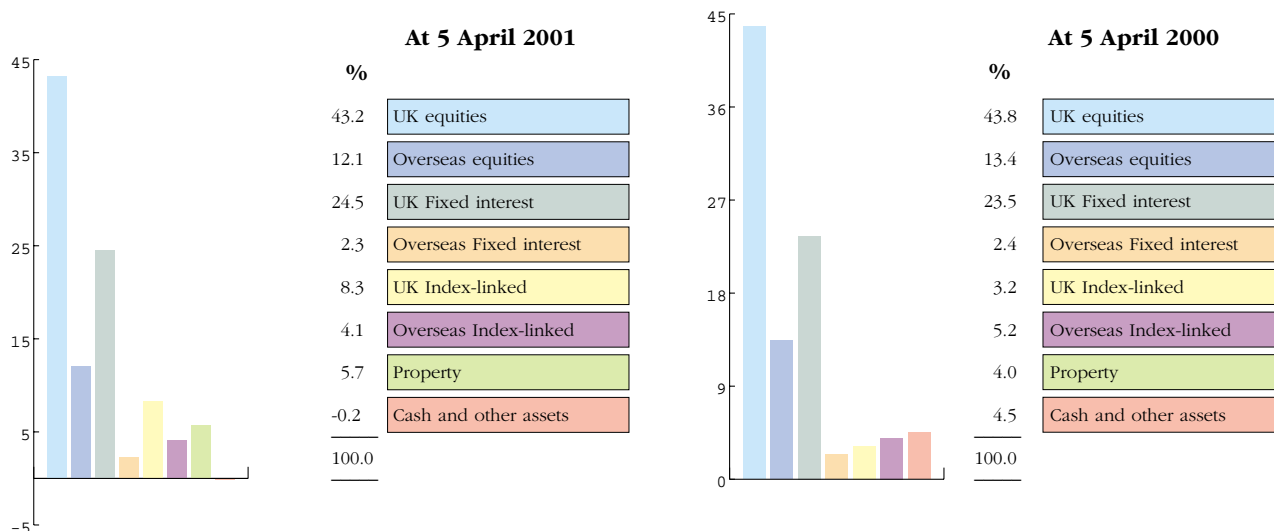
Actuarial valuation (continued)

A statement from the Actuary in terms of the Disclosure Regulations is shown on page 15 and his certificate regarding the adequacy of contributions is shown on page 16.

Investment policy and management of assets

Investments continue to be managed in accordance with the policy determined by SPT having regard to advice given by the Investment Advisory Committee (IAC) and by Stanhope Investment Management Limited (SIM). Information about the current members of the IAC, which meets quarterly to review investment strategy and to make such recommendations to SPT as it considers appropriate, is given on page 32.

The policy determined by SPT is consistent with the Statement of Investment Principles (SIP), copies of which are available on request to Marconi Pensions Office or to SPT. The SIP was last amended in June 2000, as explained in last year's report, in which it was reproduced. All investments were made in accordance with the SIP. The charts below show the percentage distribution of the various categories of investment at each year end.



The values of the investments are shown in the Net Assets Statement on page 19.

The investment managers are appointed by SPT and their objectives are laid down in customer agreements with SPT. All managers are authorised by the Investment Management Regulatory Organisation (IMRO) except for Bankers Trust Company, which is now a part of Deutsche Asset Management. US law governs the Bankers Trust Company agreement. SIM is a wholly owned subsidiary of Marconi Corporation.

Report of the Trustee

Investment policy and management of assets (continued)

The managers have responsibility for investments in specific geographical regions and investment categories, while property and most cash assets of the Plan are managed by SPT, as shown below:

Investment managers and portfolios	5 April 2001		5 April 2000	
	£m	%	£m	%
Deutsche Asset Management <i>Short dated US Treasury Bonds</i>	45.8	2	129.8	2
JP Morgan Fleming Asset Management <i>Japanese equities</i>	101.8	4	241.4	5
Merrill Lynch Investment Managers <i>UK equities</i>	262.8	10	507.9	9
<i>European equities</i>	214.4	8	466.6	9
Total	477.2	18	974.5	18
SIM <i>UK Fixed interest securities</i>	656.9	24	1,272.0	24
<i>UK Index-linked securities</i>	223.4	8	173.7	3
<i>Overseas Fixed interest securities</i>	16.8	1	0.0	0
<i>Overseas Index-linked securities</i>	109.3	4	278.0	5
<i>UK equities</i>	906.7	34	1,866.9	35
<i>Overseas equities</i>	15.6	1	39.0	1
<i>Property unit trusts</i>	7.8	–	14.6	–
<i>Managed funds</i>	0.0	0	26.5	–
Total	1,936.5	72	3,670.7	68
Total externally managed assets	2,561.3	96	5,016.4	93
SPT <i>Short-term deposits</i>	92.4	3	169.6	3
<i>Property</i>	143.9	5	198.7	4
<i>Other</i>	(118.7)	(4)	24.0	–
Total	117.6	4	392.3	7
Total assets	2,678.9	100	5,408.7	100

Except for SIM, the amounts shown above for each manager include net current assets / (liabilities)

There were no changes to the investment managers in the year to 5 April 2001 although restructuring in the industry resulted in some of the managers being renamed.

Since the year end, however, Marconi plc has decided that it will no longer provide investment management services and, consequently, SPT has transferred the bonds and equities which were managed by SIM to Morley Fund Management Limited (MFML) and Merrill Lynch Investment Managers (MLIM) respectively. MFML was appointed on 9 May 2001 and assets totalling £1,011.5 million were transferred to it on 11 May 2001. MLIM was appointed on 30 July 2001 and assets totalling £853.6 million were transferred to it on the following day.

SPT considers that, with minor exceptions, its investments are marketable and readily realisable in the short term. Direct property investments can be realised in the market but over a longer time scale than other investments.

Report of the Trustee

Investment performance in the period to 31 December 2000

Rates of return on investments are calculated from the investment income received and the changes in the market value of investments over each calendar year. Rates of return are used as one of the measures of investment performance and are obtained from a service provided by The WM Company (WM).

Historically, Plan performance has been compared with that of other funds participating in the WM service. The benchmarks used to assess the performance were the average returns from the WM All Funds and the WM50 Universes. The WM All Funds Universe includes over 1,200 funds with an aggregate value representing more than 75% of the value of UK pension funds' assets and the WM50 Universe is comprised of the 50 largest funds measured by WM, each of which is valued at more than £1.6 billion. Comparisons were also made of the returns from various categories of investments against appropriate indices.

The comparisons were carried out largely as a matter of interest, to gauge whether a good return had been achieved. Achieving the average pension fund return has never been a (formal or informal) target for the Plan and there has never been a desire to invest the Plan's assets in a similar manner to other pension funds. The returns were only comparable to the extent that the investment strategy of other funds was similarly unconstrained to that of the Plan. Until recently this was generally true but this has become less the case as customised benchmarks have become more common.

During 1998, SPT adopted a more Plan specific investment strategy in the light of the results of the Asset Liability Study carried out by the Actuary and a new investment policy was established. Comparisons will continue to be made with the total returns achieved by other funds but it is much less a "like-for-like" comparison than was previously the case.

SPT also now measure the performance of the Plan against its own customised benchmark (which more closely mirrors the investment strategy) and the performance against this benchmark is now reported regularly. The table below summarises the results for the period ended 31 December 2000.

	Annualised return % per annum			
	One Year	Two Years	Five Years	Ten Years
Plan	4.7	11.1	13.2	14.0
Customised benchmark	(0.8)	7.4	Not applicable	Not applicable
WM All Funds Universe	(1.3)	9.4	12.0	13.6
WM50 Universe	(1.1)	9.7	12.2	13.6

The customised benchmark is shown for one year and two years as it is only in the last two years that the performance of the Plan has been constrained by the investment policy. Normally investment performance would be measured over longer periods.

The year 2000 was a turbulent year for equity markets with considerable volatility and generally negative returns whilst bonds, both index linked and conventional, and property made positive returns. The average return for UK pension funds in the WM All Funds Universe was -1.3%, the first negative return since 1994.

In the equity markets the technology, media and telecommunications sector (TMT), which had dominated performance in 1999, continued to perform strongly in the first part of the year. As economic conditions became more difficult towards the end of the year there was a spectacular reversal of fortunes in the TMT sector. Conversely, the "old economy" sectors such as utilities, oils and financials performed poorly at the beginning of the year but recovered strongly later. The average

Report of the Trustee

return for the UK equities was -4.1% whilst overseas equities showed an average return of -6.7%, with the worst performing major market being Japan at -25.4%. Conventional UK bonds produced a return of 9.4%, with conventional overseas bonds at 14.6% and index-linked bonds at 4.3%.

Investment performance in the period to 31 December 2000 (continued)

Over the ten year period ended 31 December 2000, the Plan achieved higher returns than the average fund included in both the WM All Funds Universe and the WM50 Universe. It must be remembered that investment performance relates to past returns and is not necessarily indicative of future results.

The table below compares the Plan return and asset distribution with those of the customised benchmark and the WM All Funds average:

Category of investment	Return			Distribution		
	Year ended 31 December 2000			31 December 2000		
	Plan	Benchmark	WM All Funds	Plan	Benchmark	WM All Funds
	%	%	%	%	%	%
Fixed interest						
UK	9.4	8.4	9.4	25	17½	10
Overseas (see note)	21.9	10.5	14.6	5	0	4
Index-linked	3.6	3.2	4.3	4	17½	6
UK equities	2.8	-5.9	-4.1	44	46	48
Overseas equities	-8.3	-4.1	-6.7	13	12	23
Property	11.9	10.6	10.1	5	5	5
Cash & net current assets (see note)	9.6	5.8	11.5	4	2	4
Total fund assets measured	4.7	-0.8	-1.3	100	100	100
<i>Note: The Bankers Trust portfolio is included in cash for performance measurement purposes.</i>						

A result of the change to a liability-led investment strategy is that the Plan runs a significantly lower risk of a poor return but the opposite is also true - there will be less chance of an exceptionally high return. As may have been expected, the Plan outperformed when measured against the average performance of other funds due to its lower exposure in the UK and overseas equities sectors, and to good returns in the conventional bonds sectors, where the Plan had a higher exposure than other funds. A similar situation is apparent when Plan performance is compared to the benchmark. The overseas equity performance was a reflection of the relatively high proportion of Japanese equities held by the Plan.

Investment performance is attributable to two factors: Policy and Selection. Policy measures the effect of the distribution of investments and also of changes made during the year whilst Selection measures the contribution made to performance by the choice of investments within each of the categories of asset.

In terms of both Policy and Selection the Plan performed better than the customised benchmark in 2000. The positive contribution made by Policy was mainly a result of the higher level of bonds held by the Plan whilst the contribution made by Selection was mainly due to UK equities, where the Plan held a lower proportion of TMT stocks.

Comparative information about rates of return on members' contributions is given on page 10.

Report of the Trustee

Custody of assets

There have been no changes to the custodians in the year under review. The assets of the Plan are held securely by the following custodians:

Investment Manager	Asset classes held by custodian	Custodian
Deutsche Asset Management	US Treasury bonds	Bankers Trust Company
JP Morgan Fleming Asset Management	Japanese equities	State Street Bank & Trust Company
Merrill Lynch Investment Managers	UK and European equities	Bank of New York (Europe) Limited
Morley Fund Management Limited	Fixed interest and index linked securities	State Street Bank & Trust Company
Merrill Lynch Investment Managers (ex SIM portfolio)	UK and overseas equities and property unit trusts	State Street Bank & Trust Company

The custodians are regularly assessed and the services provided are monitored to ensure that the assets are secure and that the service standards demanded by SPT are maintained. Marconi Pensions Office is currently undertaking a review of the custodians and changes (if any) which result will be explained in next year's report.

Underwriting commissions

Following its defeat in the Court of Appeal in a case involving a different pension scheme, the Inland Revenue decided not to pursue its claim for taxation relating to underwriting commissions against SPT. Consequently, the Inland Revenue withdrew assessments made against SPT in respect of underwriting commission income.

Membership

Mainly as a result of the BAE SYSTEMS transfer, membership of all categories of members of the Plan decreased during the year to 5 April 2001. On 6 April 2000, 14,979 contributing members of The GEC Plan (including 5,652 contributing members of SBS), 35,499 pensioners and 18,539 deferred pensioners were transferred to the BAE SYSTEMS 2000 Pension Plan; more information about this transfer is given on page 11. The membership numbers for April 2000 differ from the numbers given in last year's report; they are taken from the data used by the Scheme Actuary when assessing the amount of the transfer; previous figures were taken from the database at an earlier date and the changes reflect this timing difference.

Category of member	5 April 2000	6 April 2000	5 April 2001
Contributor to The GEC Plan	30,805	15,826	15,703
Contributor to SBS	11,632	5,652	5,275
Pensioner	72,191	40,075	38,392
Deferred pensioner	53,435	37,383	34,582

Further statistics regarding the membership of the Plan are given on pages 29 and 30.

Report of the Trustee

Administration and investment management expenses

Expenses relating to administration and investment management activities are borne by the Plan and are analysed in notes 7 and 10 to the accounts. For the year to 5 April 2001 expenses amounted to £8.7 million (2000 £11.4 million).

Expenses were 16.4% of the sum of normal contributions to The GEC Plan and SBS in the year to 5 April 2001 (2000 11.3%). "Normal contributions" is the rate of contributions which is required to provide Plan benefits and was 10.2% of pensionable earnings in the year to 5 April 2001 (2000 10.2%). The increase in the expense ratio results mainly from the smaller number of contributing members following the transfer to the BAE SYSTEMS Plan and the costs associated with the upgrade to pension administration systems which is now virtually complete.

Pension and deferred pension increases

The Plan Rules provide for increases of the lesser of 5% per annum and the increase in the General Index of Retail Prices (RPI). Increases above these rates, having regard to changes in the RPI and the resources of the Plan, are at the discretion of SPT and are subject to the approval of Marconi Corporation.

An increase of 2.7%, which corresponds with the increase in the RPI over the twelve month period to January 2001, was applied to most pensions with effect from 1 May 2001. Proportionate increases were awarded to pensions that became deferred or commenced payment after 1 May 2000. Some pensions and deferred pensions are not subject to increase, or are subject to fixed increases, according to the terms on which they were originally established.

The rates of increase to Plan pensions that generally applied during the past ten years are as follows:

Year beginning 1 May	Rate of Plan increase %	Comparable rate of increase in the RPI	Year beginning 1 May	Rate of Plan increase %	Comparable rate of increase in the RPI
1992	4.5	4.1	1997	2.8	2.8
1993	1.9	1.7	1998	3.5	3.3
1994	2.5	2.5	1999	2.4	2.4
1995	3.3	3.3	2000	2.0	2.0
1996	2.9	2.9	2001	2.7	2.7

The average rate of increase to a Plan pension that commenced payment on 1 May 1991 has been 2.8% per annum, slightly higher than the average rate of change in the RPI over the same period.

Credited interest

Credited interest is applied to members' contributions to The GEC Plan and SBS. The amounts accumulated in The GEC Plan are used in the calculation of 'Basis 3' pensions and refunds of members' contributions on withdrawal or death; those accumulated in SBS are used to purchase an annuity at the date of retirement or as refunds of members' contributions on withdrawal or death. The rate of credited interest is determined yearly by SPT on the advice of the Actuary; the minimum rate is 2.5%.

As explained above, SPT has adopted a liability-led investment strategy, which is likely to result in lower future investment returns than was previously the case. This strategy will almost certainly result in declarations of lower rates of credited interest and, having taken advice from the Actuary, SPT felt there was a need to be prudent in its declaration of the rate of credited interest for the year ending 5 April 2002. As a result, SPT has declared a credited interest rate at the start of this Plan year of 2.5%.

Report of the Trustee

Credited interest (continued)

For active members and deferred pensioners who die or retire during the year to 5 April 2002, the credited interest rate to be applied to their benefits will be the declared 2.5% plus an additional 3% top-up, making 5.5% in total. In all other circumstances, the rate of 2.5% will apply for the year to 5 April 2002; SPT will consider whether any additional top-up can be granted at the end of the year when the performance of the Plan will be known.

Rates applicable for the ten years since 6 April 1992 are set out below:

Plan year to 5 April	Rate of credited interest	Plan year to 5 April	Rate of credited interest
	%		%
1993	17.00	1998	11.00
1994	13.25	1999	11.00
1995	13.50	2000	9.50
1996	12.50	2001	9.00
1997	11.00	2002	2.50

The average rate of credited interest for the ten years ending 5 April 2002 is 10.97% per annum.

SPT has recognised that the necessary change in investment policy is likely to result in reduced rates of credited interest in the future, when compared with the historic rates declared. To give members more flexibility and choice, SPT is introducing new investment choices for members' AVCs. The objective in broadening members' choices is to enable AVCs to be invested in ways most suited to the member's needs. SPT has appointed two AVC investment managers. The Standard Life Assurance Company will offer a with-profits choice, whilst Merrill Lynch Pensions Limited will offer a series of unit-linked investments. The new AVC investment managers have been selected following a thorough review of providers and with the benefit of professional advice to SPT.

While the new arrangements are introduced, expected to be during August 2001, members are being informed about the new choices, including details of the new managers and their products. At present, over 30% of members of The GEC Plan also contribute to SBS, and such members will be able to continue to do so and accrue credited interest on their contributions, if they so wish. After the new arrangements are introduced, however, new AVC contributors will be eligible to invest only with the new providers.

Whilst there is no guarantee that the new choices will provide a higher return, members should be aware that future credited interest rates declared by SPT are likely to be much lower than rates declared in the past.

Trust Deed and Rules

The 14th Deed of Variation has been executed and amends three main areas of the Plan. The first two areas of change, AVCs and credited interest, have been covered earlier in this report.

The third area relates to divorce provisions. The changes proposed will empower SPT to deal with the benefit due to a member's ex-spouse when a pension is shared on divorce, as well as the Inland Revenue's numerous limitations on benefits for both the member and the ex-spouse. Introduction of the divorce rules is a standard requirement of the Inland Revenue.

Report of the Trustee

Benefits

Transfer values paid to the Plan

As a general rule, SPT does not accept transfer payments into the Plan except where such transfers occur as a result of a bulk exercise following the acquisition of a business by a participating employer. This embargo was imposed due to uncertainties created by some effects of the Pensions Act 1995 that have not been resolved. A small number of individual transfers were accepted into SBS during the year, however, relating to reinstatements following reviews which showed that the members concerned had been badly advised by life offices or by financial advisers when transfers were made from the Plan in previous years.

Pensions

The aggregate amount of pensions paid in the year ended 5 April 2001 has reduced substantially when compared to the previous year due to the BAE SYSTEMS transfer. Excluding the effects of that transfer, however, the amount paid in pensions grew at a faster rate than the annual increase awarded on 1 May 2000. This was due to members retiring in the year having higher amounts of pensions when compared to those ceasing and occurred despite an aggregate decrease in the number of pensioners over the year.

At 1 May 2001, the average age of pensioners was 73.3 years (2000 72.7 years) and the average pension in payment amounted to £3,078 per annum (2000 £2,916 per annum). In addition to a pension, most pensioners took part of their benefits as a capital sum at retirement.

Transfer values paid from the Plan

On leaving pensionable service, a member may choose to have the value of his deferred benefits transferred to another employer's approved pension scheme or to a personal (or, since April 2001, stakeholder) pension policy. Individual transfers paid from the Plan to other pension schemes and to personal pension arrangements amounted to £3.6 million in the year to 5 April 2001 (2000 £6.0 million).

Transfer values may not be less than the value of benefits calculated on the basis used for the MFR. For the purpose of calculating the transfer value under this basis, SPT has considered whether discretionary benefits should be included. The policy is that:

- Discretionary increases to pensions in payment should not be taken into account.
- Future credited interest should be anticipated at the same rate as required by MFR calculations.
- Provision for specified dependants' benefits should be made.
- No provision for favourable early retirement terms should be made.

Death benefits

Members are recommended to nominate the persons to whom they wish benefits to be paid in the event of death and to review such nominations if personal circumstances change. A nomination form (P7) is available from personnel departments or direct from SPT; completed nomination forms are treated in strictest confidence by SPT.

Financial counselling

An independent financial counselling service is available to members and to their dependants where capital benefits payable exceed £25,000; 67 retiring employees or dependants used the service during the year (2000 152).

Report of the Trustee

Acquisitions and disposals of businesses by employers

Acquisitions

There were no acquisitions in the year by the employers that resulted in transfers being made to the Plan.

Disposals

As reported last year, BAE SYSTEMS plc set up its own pension arrangement, the BAE SYSTEMS 2000 Pension Plan (the BAE SYSTEMS Plan), following the merger of the defence businesses of The General Electric Company, p.l.c. (now Marconi Corporation plc) with the businesses of British Aerospace plc (now BAE SYSTEMS plc). An initial transfer of assets was made to the BAE SYSTEMS Plan on 6 April 2000 relating to the 14,979 contributing members employed by BAE SYSTEMS plc and the 18,539 deferred pensioners and 35,499 pensioners whose benefits were derived from employment with a GEC defence business (or were otherwise designated to the BAE SYSTEMS Plan). The balance of the assets, together with an additional amount related to the return on the assets in the period, was paid to the BAE SYSTEMS Plan on 15 June 2001 and the total amount of the transfer, £2,680.5 million, is included in the accounts.

Employees of Plessey Semiconductors were offered an opportunity of transferring their interests in the Plan to their new employer's pension scheme, or to a personal pension provider. A transfer amount of £0.6 million is included in the accounts relating to the 39 employees who chose to transfer their benefits.

The provision relating to the Berkel pension scheme, referred to in last year's report, has been maintained pending completion of the transfer to Norwich Union.

No transfer has yet been made in respect of those members employed in the facilities management and processing business of EASAMS Limited, Avery Berkel Limited or the communication manufacturing businesses of Marconi which have been transferred to Jabil Circuit UK Limited. Where appropriate, a transfer of assets will be included in next year's accounts for those members affected.

Communication

Application forms to join The GEC Plan and SBS are made available to all new eligible employees together with the Plan booklet. Copies of these documents are available on request from personnel departments or SPT.

Contributing members, deferred pensioners and pensioners receive a yearly statement of benefits with further statements provided for members who pay additional voluntary contributions to SBS.

The 2000 Report and Accounts was made available to members through their respective employers and direct to members, pensioners and deferred pensioners to meet specific requests. Each member and pensioner was sent a copy of a leaflet, "Review for 2000", which included highlights from the 2000 Report and Accounts. The Report and Accounts will continue to be made available to members and prospective members. "Review for 2001" will be distributed to all eligible employees and pensioners in due course.

As detailed above, choice and flexibility are being introduced for AVC investments during the coming year and communication about the change has already begun with the issue of two bulletins to contributing members. This will be followed shortly by an investment guide, a new AVC booklet, help and guidance via websites, emails, helplines and surgeries.

Contributing members of the Plan are encouraged to obtain information concerning the Plan direct from their personnel departments. However, should they wish to contact the SPT, or Marconi Pensions Office, they should write to the address given on page 2, quoting their National Insurance number, member number (if known) and employment site. Members can also contact Pension Consultative Committee (PCC) representatives or the Chairmen or Secretaries of the PCCs at the addresses shown on page 33.

Report of the Trustee

Communication (continued)

SPT and Marconi Pensions Office relocated to new offices within Stafford that are better suited to the requirements of modern pension administration and our new addresses are given on page 2.

In addition to supplying documentation about the Plan, Marconi Pensions Office staff visit sites to deliver pre-retirement courses, make presentations to new joiners and explain Marconi Pension Office procedures. Consideration of ways to enhance communications and presentations to members is continuous and an interactive quotation system for contributing members is to be made available via the internet.

Regular updates about the Plan are now issued and general information can be obtained from our website, www.marconi-pensions.co.uk.

Financial statements

SPT is responsible for preparing the financial statements that follow this report. Pension scheme regulations require SPT to make available to Plan members, beneficiaries and certain other parties, audited financial statements which:

- show a true and fair view of the financial transactions of the Plan during the year and of the amount and disposition of the assets and liabilities at the end of the year (other than the liability to pay pensions and other benefits after the end of the year which are dealt with in the Actuary's report),
- contain the information specified in the Schedule to The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, and
- are prepared in accordance with the Statement of Recommended Practice "Financial Reports of Pension Schemes".

SPT has supervised the preparation of the financial statements and has ensured that suitable accounting policies have been agreed and applied consistently and that any judgements and estimates that have been made are reasonable and prudent.

SPT is also responsible for ensuring that contributions to the Plan are made in accordance with the schedule of contributions and that contributions are paid within the time limit laid down in the regulations made under the Pensions Act 1995.

Member Nominated Directors (MNDs)

The Pensions Act 1995 places a statutory obligation on SPT to secure the nomination of MNDs to the Board, or to implement an agreed alternative, and thus on Marconi Corporation to appoint the nominated directors.

This requirement is met by the operation of regional PCCs which are elected by the members at each business unit and which nominate four directors to be appointed to the SPT Board. Representation of pensioners and deferred pensioners is also via the PCCs. Members of the Plan may continue to serve on the PCC if they so wish, having left the employment of Marconi or another participating employer, for a period of up to four years.

Further information relating to the PCCs is given on page 33.

Report of the Trustee

Trustee Board

The following changes have been made in the composition of the Board since 5 April 2000:

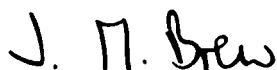
Appointments Mr M V Elliott on 3 May 2000
 Mr R J Mills on 3 May 2000
 Mr M F Surrey on 18 June 2001.

Mick Elliott is a draughtsman with Marconi Mobile at Chelmsford, Roy Mills is a design engineer with General Domestic Appliances at Bodelwyddan and Mike Surrey is Executive Vice President (Finance) at the Enterprise Division of Marconi.

Resignations Mr D J Cox on 6 April 2000
 Mr W A Newman on 6 April 2000
 Mr N D Sutcliffe on 20 June 2001.

Derek Cox, a director since 1993, and Bill Newman, a director since 3 August 1999, resigned following the transfer of their benefits in the Plan to the BAE SYSTEMS 2000 Pension Plan. Neil Sutcliffe, a director since 1998, resigned following his appointment to manage the Enterprise Division of Marconi.

Further information about the current members of the Board is given on page 31.



J M Brew
Chairman

18 August 2001

Report of the Scheme Actuary

Actuarial Statement made for the purposes of Regulation 30 of The Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuation) Regulations 1996

G.E.C. 1972 Plan ("the Plan")

Effective date of valuation: 6 April 1999

1 Security of prospective rights

In my opinion, the resources of the Plan are likely in the normal course of events to meet in full the liabilities of the Plan as they fall due. In giving this opinion, I have assumed that the following amounts will be paid to the scheme:

Description of contributions

By members: as specified in the Rules

By the employer: not less than 6.6% of earnings subject to review at future valuations

2 Summary of methods and assumptions used

For the purposes of this Statement I have assumed that the Plan will continue. Thus, in the normal course of events active members will continue to accrue benefits under the Plan and their benefits will be based on their actual pensionable service at cessation of membership and their final pensionable salary at that time.

The liabilities referred to in this Statement relate to the benefits which are expected to become payable under the normal operation of the Plan. They take account of future benefit accruals and include appropriate allowance for future increases in salaries and credited interest.

This statement does not address the situation were the Plan to be discontinued, further consideration of which is set out in my actuarial valuation addressed to the Trustee dated March 2000.

Funding method:	Projected unit % per annum
Increases in pay (in addition to promotional increases)	5.00
Growth of basic State pension	3.00
Pension increase	3.00
Average discount rate for accrued liabilities	5.70
Discount rate for investment of future contributions	7.25
Credited interest	5.50

Further details of the methods and assumptions used are set out in my actuarial valuation addressed to the Trustee dated March 2000.



Signed **A J Wise**
Fellow of the Institute of Actuaries
Partner in the firm of Watson Wyatt Partners

Watson Wyatt Partners
21 Tothill Street
Westminster
London
SW1H 9LL

31 March 2000

Report of the Scheme Actuary

Actuarial Certificate

Occasional or Periodical Certification of Contributions (Section 57(1)(b), Pensions Act 1995)

Name of Scheme : G.E.C. 1972 Plan

1 Adequacy of rates of contributions

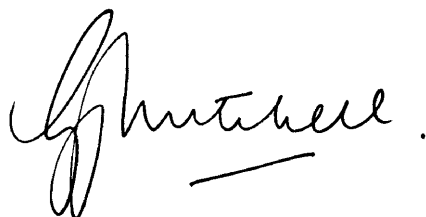
I hereby certify that, in my opinion, the rates of the contributions payable in accordance with the schedule of contributions dated 27 June 2000 are adequate for the purpose of securing that the minimum funding requirement imposed by section 56 (1) of the Pensions Act 1995 will continue to be met throughout the remainder of the period covered by the schedule of contributions.

In forming this opinion I have complied with the requirements imposed by sections 56(3) and 57 of the Pensions Act 1995, the Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996 and the mandatory guidelines on minimum funding requirement (GN27), prepared and published by the Institute of Actuaries and the Faculty of Actuaries, and have made the assumptions prescribed by them.

2 Relevant changes since last actuarial valuation

Since the last actuarial valuation of the scheme was prepared under section 57 of the Pensions Act 1995 the following changes which are relevant have occurred:

The bulk transfer of £2,677m (as at 5 April 2000) to the BAE SYSTEMS 2000 Pension Plan was completed on 15 June 2001.



Signed **G J Mitchell**

Fellow of the Institute of Actuaries

Partner in the firm of Watson Wyatt Partners

11 July 2001

**Watson Wyatt Partners
Aspley House
35 Waterloo Street
Birmingham
B2 5TJ**

Note:

The certification of the adequacy of rates of contributions for the purpose of securing the meeting of the minimum funding requirement is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were wound up.

The periodic certification by the Scheme Actuary must occur within a period of 21 days before or after the anniversary of the original certification of the Scheme Actuary.

Auditors' Report

Auditors' report to the trustee of the G.E.C. 1972 Plan ('the Plan')

We have audited the financial statements on pages 18 to 25, which have been prepared on the basis of the accounting policies set out on page 20.

Respective responsibilities of trustee and auditors

As described on page 13 the trustee is responsible for obtaining audited financial statements which comply with applicable United Kingdom law and Accounting Standards and for making available certain other information about the Plan in the form of an Annual Report. The trustee is also responsible for procuring that contributions are made to the Plan in accordance with the Plan rules and the recommendations of the actuary and, following the first minimum funding valuation, in accordance with the schedule of contributions certified by the actuary. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements show a true and fair view and contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. We also provide a statement about contributions, in which we report to you our opinion as to whether contributions have been paid in accordance with the Plan rules and the recommendations of the actuary and, following the first minimum funding valuation, in accordance with the schedule of contributions certified by the contributions certified by the actuary. We report to you if we have not received all the information and explanations that we require for our audit.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion and statement about contributions

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the 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 judgements made by or on behalf of the trustee in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Plan'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 opinions we also evaluated the overall adequacy of the presentation of information in the financial statements.

Our work also included examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Plan and the timing of those payments in order to provide us with reasonable assurance that contributions have been paid in accordance with the Plan rules and the recommendations of the actuary and, since 11 July 2000, in accordance with the schedule of contributions certified by the actuary on 11 July 2000.

Statement about contributions under the Plan

In our opinion contributions payable to the Plan during the year ended 5 April 2001 have been paid in accordance with the Plan rules and the recommendations of the actuary and, since 11 July 2000, in accordance with the schedule of contributions certified by the actuary.

Opinion

In our opinion, the financial statements show a true and fair view of the financial transactions of the Plan during the Plan year ended 5 April 2001 and of the amount and disposition at that date of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Plan year, and contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995.



Deloitte & Touche

3 September 2001

Chartered Accountants and Registered Auditors

Colmore Gate
2 Colmore Row
Birmingham B3 2BN

Fund Account

for the year ended 5 April 2001

	Note	2001 £ million	2000 £ million
Contributions from members	2		
The GEC Plan		13.0	24.8
SBS for retirement benefits		8.6	16.8
SBS for death in service benefits		0.1	0.2
		<hr/>	<hr/>
		21.7	41.8
Contributions from employers	2		
The GEC Plan		28.9	54.7
Transfer values received			
Individual		0.1	0.0
Bulk exercises	3	0.0	0.1
		<hr/>	<hr/>
		0.1	0.1
Receipts from life office	4	0.0	0.1
<i>Total</i>		<hr/>	<hr/>
		50.7	96.7
Benefits paid	5	133.5	261.8
Transfer values paid	6		
Individual		3.6	6.0
Bulk exercises		2,681.1	1,025.1
		<hr/>	<hr/>
		2,684.7	1,031.1
Administration expenses	7	4.3	6.5
Premiums to life office	8	0.1	0.2
<i>Total</i>		<hr/>	<hr/>
		2,822.6	1,299.6
Net withdrawals arising from transactions with members and employers		(2,771.9)	(1,202.9)
Returns on investments			
Investment income	9	105.9	192.1
Investment management expenses	10	(4.4)	(4.9)
Changes in market values of investments	11	(59.4)	359.6
		<hr/>	<hr/>
Net returns on investments		42.1	546.8
Net decrease in the Fund during the year		(2,729.8)	(656.1)
Net assets at the beginning of the year		5,408.7	6,064.8
Net assets at the end of the year		<hr/>	<hr/>
		2,678.9	5,408.7

Net Assets Statement

at 5 April 2001

	Note	2001 £ million	2000 £ million
INVESTMENTS	11		
Fixed interest securities			
UK		656.9	1,272.0
Overseas		62.2	129.8
		<u>719.1</u>	<u>1,401.8</u>
Index-linked securities			
UK		223.4	173.7
Overseas		109.3	278.0
		<u>332.7</u>	<u>451.7</u>
Equities			
UK		1,156.2	2,369.8
Overseas		323.2	724.7
		<u>1,479.4</u>	<u>3,094.5</u>
Property			
Freehold and leasehold		143.9	198.7
Unit trusts		7.7	14.6
		<u>151.6</u>	<u>213.3</u>
Managed funds		0.0	26.1
Insurance policies		2.6	3.0
Short-term deposits			
Sterling		106.6	170.2
Foreign currencies		1.6	36.1
		<u>108.2</u>	<u>206.3</u>
<i>Total investments</i>		<u>2,793.6</u>	<u>5,396.7</u>
Net current (liabilities) / assets	12	<u>(114.7)</u>	<u>12.0</u>
Net assets at end of the year		<u>2,678.9</u>	<u>5,408.7</u>

The notes on pages 20 to 25 form part of these accounts.

Approved by
Stanhope Pension Trust Limited
on 18 August 2001

J. M. Brew
Kevin T O'Boyle

J. M. Brew
K. J. O'Boyle } Directors

Notes to the Accounts

1 Accounting policies

(a) *Basis of preparation*

The accounts are prepared and audited in accordance with regulations made under section 41 (1) and (6) of the Pensions Act 1995 (The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996) and with the guidelines set out in the Statement of Recommended Practice, Financial Reports of Pension Schemes issued by the Pensions Research Accountants Group.

The accounts summarise the transactions and net assets of the Plan. They do not take account of liabilities to pay pensions and other benefits in the future. The actuarial position of the fund, which does take account of such liabilities, is dealt with in the statement by the Actuary on page 15 and the accounts should be read in conjunction with this statement.

(b) *Fund Account*

Items are brought into account on an accruals basis.

Individual transfers are accounted for at the date of transfer, whilst bulk transfers involving other pension schemes are added to or deducted from the Fund Account on an accruals basis where arrangements have been agreed by the trustees of receiving and ceding pension schemes and, where necessary, members' consents have been obtained.

Changes in market values of investments relate to increases and decreases arising from movements in the prices of investments including realised profits and losses arising during the year from disposals of investments.

(c) *Net Assets Statement*

Investments are valued on the bases shown below:

Securities listed on UK and recognised overseas stock exchanges, at closing prices as at 5 April 2001 adjusted, where applicable, by accrued interest.

Unlisted securities, at valuations provided by the Plan's investment managers.

The Plan's properties were valued as at 5 April 2001. All valuations were carried out by qualified professional valuers working for the company of DTZ Debenham Tie Leung Limited, Chartered Surveyors, acting in the capacity of External Valuers. All such valuers are Chartered Surveyors, being members of the Royal Institution of Chartered Surveyors.

Unit trusts, at closing prices provided by the managers.

Insurance policies, consistent with the actuarial statement on page 15.

Overseas investments' values are translated into sterling at the rates of exchange ruling as at 5 April 2001.

2 Contributions

(a) Members contributed to The GEC Plan at a rate of 3% of earnings.

Where applicable, members also contributed additional voluntary contributions to SBS for retirement benefits and death in service benefits at varying amounts specified by them, subject to the limits imposed by legislation.

(b) Employers contributed to The GEC Plan at a rate of 6.6% of members' earnings (2000 6.6%).

3 Transfer values received

There were no bulk transfers, which result from acquisitions of businesses by the participating employers, received in the year ended 5 April 2001 and the amount in the previous year relates to a transfer from the Tetrel Limited Employees Retirement Benefits Scheme.

Notes to the Accounts

4 Receipts from life office

These relate to claims from the insurance of SBS death in service benefits.

5 Benefits paid

	2001			2000
	The GEC Plan £ million	SBS £ million	Total £ million	Total £ million
Pensions	113.6	0.0	113.6	211.8
Cash sums on retirement	15.8	0.0	15.8	43.2
Capital payments on death	2.3	0.0	2.3	3.8
Refunds of members' contributions with credited interest				
on death	1.3	0.2	1.5	2.4
on leaving service	0.2	0.1	0.3	0.6
	<u>133.2</u>	<u>0.3</u>	<u>133.5</u>	<u>261.8</u>

Benefits take account of improvements effective during the year; most pensions in payment, deferred pensions and contingent pensions were increased by 2.0% on 1 May 2000.

Transfers of assets from SBS to purchase pensions in The GEC Plan for members retiring in the year ended 5 April 2001 amounted to £9.8 million (2000 £24.1 million). As this amount is an intra fund transfer it is excluded from the face of the accounts.

6 Transfer values paid

- (a) Individual transfer values paid, at the request of members who had left pensionable service, in lieu of benefits to which they were entitled, comprised:

	2001			2000
	The GEC Plan £ million	SBS £ million	Total £ million	Total £ million
Personal pension providers	2.0	0.1	2.1	3.3
Other employers' schemes	1.4	0.1	1.5	2.7
	<u>3.4</u>	<u>0.2</u>	<u>3.6</u>	<u>6.0</u>

- (b) Bulk transfers of assets were made to the following pension schemes (or were provided for in the accounts) as a result of arrangements agreed between SPT and the trustees of the receiving schemes following disposals of businesses by the participating employers.

	2001			2000
	The GEC Plan £ million	SBS £ million	Total £ million	Total £ million
The BAE SYSTEMS 2000 Pension Plan	2,575.7	104.8	2,680.5	0.0
Mitel Semiconductor Pension Plan	0.6	0.0	0.6	0.0
ALSTOM Pension Scheme	0.0	0.0	0.0	1,024.6
Berkel Guaranteed Minimum Pensions	0.0	0.0	0.0	0.4
Telemetric Group Pension Scheme	0.0	0.0	0.0	0.1
	<u>2,576.3</u>	<u>104.8</u>	<u>2,681.1</u>	<u>1,025.1</u>

Notes to the Accounts

7 Administration expenses		2001	2000
		£ million	£ million
Marconi Pensions Office		3.9	6.0
Actuarial, audit and legal fees		0.4	0.5
		<u>4.3</u>	<u>6.5</u>
8 Premiums to life office			
These relate to the insurance of SBS death in service benefits.			
9 Investment income		2001	2000
		£ million	£ million
Fixed interest securities			
UK	38.5	79.0	
Overseas	1.8	1.8	
Index-linked securities			
UK	4.0	5.4	
Overseas	5.3	6.8	
Equities			
UK	33.3	72.7	
Overseas	4.1	5.4	
		<u>87.0</u>	171.1
Property			
Freehold and leasehold	13.6	13.9	
Unit trusts	0.5	0.9	
		<u>14.1</u>	14.8
Short-term deposits		4.8	6.2
		<u>105.9</u>	<u>192.1</u>
10 Investment management expenses		2001	2000
		£ million	£ million
Investment management		3.6	3.8
Property management		0.8	1.1
		<u>4.4</u>	<u>4.9</u>

Investment management includes fees charged by SIM related to direct costs incurred, amounting to £0.4 million for the year (2000 £0.5 million). Fees charged by the other investment managers are calculated as a percentage of the market value of the investments managed and, in some cases, are linked to performance compared with market indicators.

Property managers charge fees related to the amount of rental income on the properties they manage. There are also additional fees for items such as rent reviews, lease renewals and irrecoverable expenses on empty properties.

Notes to the Accounts

11 Investments

(a) Movements of net assets during the year ended 5 April 2001

	Market value at 5 April 2000 £ million	Transfers of assets in specie £ million	Purchases at cost £ million	Sales proceeds £ million	Net investment £ million	Changes in market values of investments £ million	Market values at 5 April 2001 £ million
Fixed interest securities							
UK	1,272.0	(615.4)	1,390.1	(1,408.0)	(17.9)	18.2	656.9
Overseas	129.8	(0.0)	33.2	(107.9)	(74.7)	7.1	62.2
Index-linked							
UK	173.7	(83.7)	241.7	(103.9)	137.8	(4.4)	223.4
Overseas	278.0	(135.1)	95.6	(156.7)	(61.1)	27.5	109.3
Equities							
UK	2,369.8	(1,148.8)	419.7	(451.4)	(31.7)	(33.1)	1,156.2
Overseas	724.7	(347.6)	244.5	(224.5)	20.0	(73.9)	323.2
Property							
Freehold and leasehold	198.7	(43.5)	1.1	(17.1)	(16.0)	4.7	143.9
Unit trusts	14.6	(7.1)	0.0	(0.0)	0.0	0.2	7.7
Managed funds							
	26.1	0.0	0.0	(27.5)	(27.5)	1.4	0.0
Insurance policies							
	3.0	0.0	0.0	(1.2)	(1.2)	0.8	2.6
			<u>2,425.9</u>	<u>(2,498.2)</u>			
Short-term deposits							
Sterling	170.2	(179.2)			115.6	0.0	106.6
Foreign currencies	36.1	0.0			(26.6)	(7.9)	1.6
<i>Total investments</i>	<u>5,396.7</u>	<u>(2,560.4)</u>			<u>16.7</u>	<u>(59.4)</u>	<u>2,793.6</u>
Net current assets/(liabilities)							
	<u>12.0</u>	<u>0.0</u>			<u>(126.7)</u>	<u>0.0</u>	<u>(114.7)</u>
	<u>5,408.7</u>	<u>(2,560.4)</u>			<u>(110.0)</u>	<u>(59.4)</u>	<u>2,678.9</u>

Notes to the Accounts

11 Investments (continued)

(b) Sterling deposits were held with the following banks:

	At 5 April 2001 £ million	At 5 April 2000 £ million
HSBC plc	92.4	74.0
Barclays	6.3	16.0
Lloyds TSB plc	6.2	8.5
Bank of New York (Europe) Limited	1.1	1.3
State Street Bank & Trust Company	0.6	0.4
Bank of Scotland Treasury Services plc	0.0	50.0
Coutts & Co	0.0	20.0
	106.6	170.2

All such deposits are held on call or are fixed deposits for periods not exceeding one month.

(c) Foreign currencies deposits comprised:

	At 5 April 2001 £ million	At 5 April 2000 £ million
Japanese Yen	2.5	40.8
Forward contracts	(0.9)	(4.8)
Other	0.0	0.1
	1.6	36.1

Foreign currency deposits are held on call. The amounts shown for forward contracts represent aggregate losses based on year-end exchange rates on contracts to buy or sell foreign currencies that had settlement dates falling after the year-end.

(d) Investment in participating employers

At 5 April 2000, the employer related investments comprised Marconi plc shares, BAE SYSTEMS plc shares and BAE SYSTEMS loan stock. As a result of the transfer to the BAE SYSTEMS 2000 Pension Plan on 6 April 2000, BAE SYSTEMS plc ceased to be a participating employer in the Plan. BAE SYSTEMS plc shares and loan stock are therefore included in the market value as at 5 April 2000, but excluded from the market value as at 5 April 2001, that are reported below.

The market value of the investments in participating employers at the year end was £5.2 million or 0.2% of the assets of the Plan (2000 £47.2 million or 0.9% of the assets of the Plan).

In the year to 5 April 2001, transactions were undertaken in Marconi plc shares as follows:

Holding at 5 April 2000	Transfer to BAE SYSTEMS 2000 Pension Plan	Sales	Purchases	Holding at 5 April 2001
4,243,000	(2,001,348)	(803,690)	56,750	1,494,712

The Plan's investments comply with the restrictions prescribed for employer related investments.

(e) There were no calls payable on quoted or unquoted securities and no contingent underwriting liabilities at the year-end (2000 Nil).

(f) The market value of holdings in unit trusts comprised:

	At 5 April 2001 £ million	At 5 April 2000 £ million
Operating companies registered outside the UK	16.2	39.0
Operating companies registered within the UK	67.4	140.9

(g) At 5 April 2001 the Plan had no individual investment which amounted to more than 5% of the net assets (2000 Nil).

Notes to the Accounts

12 Net current (liabilities) / assets

	2001 £ million	2000 £ million
Debtors		
Investment income	11.6	19.8
Investments sold	7.0	29.9
Contributions	0.5	7.0
Other	0.6	0.4
	<u>19.7</u>	<u>57.1</u>
Bank balances - current accounts overdrawn	(0.8)	(1.0)
Creditors		
Transfers to other pension schemes	(120.5)	(0.6)
Investments purchased	(4.6)	(30.5)
Administration expenses	(3.4)	(2.7)
Investment income in advance	(2.1)	(3.4)
PAYE	(1.4)	(2.9)
Benefits	(1.1)	(3.4)
Other	(0.5)	(0.6)
	<u>(133.6)</u>	<u>(44.1)</u>
	<u>(114.7)</u>	<u>12.0</u>

13 Taxation

UK income tax

The Plan is exempt approved by the Inland Revenue under Chapter I Part XIV of the Income and Corporation Taxes Act 1988.

Underwriting commissions

Following its defeat in a case involving a different pension scheme, the Inland Revenue decided not to proceed with its claim against Stanhope Pension Trust Limited relating to the taxation of underwriting commissions.

This long running case has therefore been concluded in favour of the trustee and there is no liability for income tax on this type of income.

14 Value of Selected Benefit Scheme (SBS)

The combined assets of The GEC Plan and SBS are shown in the Net Assets Statement on page 19. The value of SBS at 5 April 2001 was £81.1 million (2000 £179.7 million). This reduction occurred mainly as a result of the transfer to the BAE SYSTEMS 2000 Pension Plan.

Largest Equity Holding

at 5 April 2001

The twenty largest individual shareholdings in UK equities by market value:

	£ million	% of UK equities
BP Amoco	89.8	7.8
GlaxoSmithKline	84.4	7.3
Vodafone Group	84.2	7.3
Shell Transport and Trading	50.1	4.3
HSBC Holdings	44.6	3.9
AstraZeneca	35.7	3.1
British Telecom	32.6	2.8
Barclays	29.8	2.6
Royal Bank of Scotland	27.0	2.3
Lloyds TSB Group	26.1	2.2
Rio Tinto	18.2	1.6
Royal & Sun Alliance	17.1	1.5
CGNU	16.7	1.4
Prudential	14.3	1.2
Lattice Group	12.0	1.0
Nycomed Amersham	11.5	1.0
Smith & Nephew	11.5	1.0
Cable & Wireless	11.3	1.0
Unilever	10.1	0.9
National Grid	10.0	0.9

Total market value of the UK equities was £1,156.2 million.

The ten largest individual holdings in overseas equities by market value:

		£ million	% of overseas equities
Royal Dutch Petroleum	Netherlands	8.8	2.7
Total Fina Elf	France	8.2	2.5
ING Group	Netherlands	7.2	2.2
Nokia	Finland	7.2	2.2
Nestle	Switzerland	7.1	2.2
Novartis	Switzerland	6.7	2.1
Siemens	Germany	6.3	1.9
T.I.M.	Italy	5.5	1.7
Telefonica	Spain	5.3	1.6
Accor	France	4.8	1.5

Total market value of the overseas equities was £323.2 million.

Summary of Securities

	Market value at 5 April 2001 £ million	Market value at 5 April 2000 £ million
Fixed interest		
UK	656.9	1,272.0
Overseas	62.2	129.8
	<hr/>	<hr/>
	719.1	1,401.8
Index-linked		
UK	223.4	173.7
Overseas	109.3	278.0
	<hr/>	<hr/>
	332.7	451.7
Equities		
UK		
Resources	173.1	293.4
Basic Industries	44.9	57.2
General Industrials	26.1	73.3
Cyclical Consumer Goods	5.0	61.8
Non-Cyclical Consumer Goods	200.9	343.7
Cyclical Services	133.3	289.4
Non-Cyclical Services	157.8	400.4
Utilities	68.2	174.7
Information Technology	19.3	42.1
Financials	247.4	501.3
Investment Trusts etc	80.2	132.5
	<hr/>	<hr/>
	1,156.2	2,369.8
Overseas		
<i>Europe</i>		
Denmark	2.1	-
Eire	2.4	4.4
Finland	8.8	27.4
France	52.4	113.8
Germany	38.7	76.5
Greece	-	2.6
Italy	20.7	48.6
Netherlands	27.0	47.2
Spain	13.8	26.8
Sweden	5.4	28.8
Switzerland	36.6	80.2
	<hr/>	<hr/>
	207.9	456.3
<i>The Americas</i>		
USA	16.2	39.0
<i>Pacific Basin</i>		
Japan	99.8	229.4
	<hr/>	<hr/>
	323.9	724.7
Total securities	<hr/> 2,531.9 <hr/>	<hr/> 4,948.0 <hr/>

Membership Statistics

Five years to 5 April 2001

	2001	2000	1999	1998	1997
The GEC Plan contributors (See note 1)					
At beginning of the year (see note 2)	30,805	43,638	46,945	48,899	49,488
New members	2,358	3,144	4,186	5,576	5,301
Members leaving service with the following benefits:					
Retirement	(472)	(1,392)	(1,839)	(2,285)	(1,935)
Refund of contributions	(235)	(231)	(407)	(496)	(353)
Death in service benefits	(8)	(25)	(60)	(84)	(79)
Transfer value or deferred pension (see note 2)	(16,745)	(14,329)	(5,187)	(4,665)	(3,523)
	(17,460)	(15,977)	(7,493)	(7,530)	(5,890)
At end of the year (see note 2)	15,703	30,805	43,638	46,945	48,899
SBS contributors					
At beginning of the year	11,632	17,012	17,811	17,900	16,843
New members	724	1,288	2,050	2,709	2,817
Transfers to other pension schemes	(5,670)	(4,937)	0	0	0
Members leaving service or ceasing to contribute	(1,411)	(1,731)	(2,849)	(2,798)	(1,760)
At end of the year	5,275	11,632	17,012	17,811	17,900
Pensioners (See note 1)					
At beginning of the year	72,191	78,279	77,413	76,590	75,934
New pensioners (including spouses' pensions coming into payment)	1,709	3,583	4,344	4,151	3,952
Transfers from other pension schemes	0	0	0	0	228
Transfers to other pension schemes	(33,874)	(6,358)	0	0	0
Deaths	(1,634)	(3,313)	(3,478)	(3,328)	(3,524)
At end of the year	38,392	72,191	78,279	77,413	76,590
Deferred pensioners (See note 1)					
At end of the year (see note 2)	34,582	53,435	58,208	57,094	52,611

Notes

- Members of The GEC Plan may have different categories of benefits concurrently (eg a contributing member may have one or more deferred pensions arising from transfers from other pension schemes or from earlier periods of employment with a Marconi group company or may be in receipt of a pension from an earlier period of service). Where this is the case, members are counted in one category only.
- The numbers of active members and deferred pensioners reported at the last year-end have been adjusted to reflect the discrepancy between the original calculation and the numbers reported by the Scheme Actuary when the asset transfer to the BAE SYSTEMS Plan was calculated. The discrepancy occurred because the data used by the Scheme Actuary was at a later date and therefore reflected complete information.

Membership Statistics

continued

	2001	2000	1999	1998	1997
Age distribution of contributors to The GEC Plan at end of year					
	%	%	%	%	%
under 21	0.4	0.3	0.5	0.4	0.3
21 to 30	14.5	12.0	11.8	12.3	11.5
31 to 40	28.3	27.0	26.0	26.0	25.6
41 to 50	29.7	31.0	29.7	29.5	30.3
51 to 60	24.2	26.2	27.9	27.4	27.3
61 to 64	2.9	3.5	4.1	4.4	5.0
	100.0	100.0	100.0	100.0	100.0
Age distribution of new contributors to The GEC Plan					
	%	%	%	%	%
under 21	2.1	2.0	2.7	2.3	1.3
21 to 30	38.7	34.9	32.2	32.7	33.4
31 to 40	32.2	33.8	32.3	30.6	33.3
41 to 50	19.1	21.2	21.4	20.9	21.9
51 to 60	7.6	7.7	10.8	12.4	9.5
61 to 64	0.3	0.4	0.6	1.1	0.6
	100.0	100.0	100.0	100.0	100.0
Age distribution of contributors to SBS at end of year					
	%	%	%	%	%
under 31	7.1	6.0	6.3	6.5	5.9
31 to 40	22.3	21.6	20.5	20.3	20.1
41 to 50	31.7	31.7	30.3	30.0	31.2
51 to 60	34.9	35.9	37.3	37.0	36.1
61 to 64	4.0	4.8	5.6	6.2	6.7
	100.0	100.0	100.0	100.0	100.0
Age distribution of new pensioners					
	%	%	%	%	%
under 50	1.2	0.8	1.0	1.5	1.0
50 to 54	11.6	12.9	11.1	10.5	11.7
55 to 59	18.1	22.3	19.9	16.8	17.9
60 to 64	25.3	26.4	30.3	33.1	30.3
65 to 69	22.0	37.6	37.7	38.1	39.1
70 and over	21.8				
	100.0	100.0	100.0	100.0	100.0
Other Statistics	Years	Years	Years	Years	Years
<i>Average age</i>					
Contributing members	43.1	44.0	44.5	44.4	44.4
Pensioners	73.3*	72.7*	72.3*	71.9	71.7
<i>Average Plan pensionable service</i>					
Contributing members	7.5	7.8	7.7	7.4	7.8

* The average age of pensioners in the last three years is calculated as at 1 May; in previous years data is provided as at 5 April. The calculation date has been changed in these years to allow for the transfers of ALSTOM and BAE SYSTEMS pensioners.

Directors

J M Brew

Aged 70. John Brew, a Fellow of the Institute of Investment Management and Research and an Associate of The Institute of Actuaries, is a mathematician by training. He worked on the Stock Exchange, joining Grieveson Grant in 1953 and was a partner from 1961 until amalgamation with Kleinwort Benson. He was Chief Executive of Kleinwort Grieveson Securities until 1987. He was appointed to the SPT Board in 1991, and is Chairman of both the SPT Board and the IAC.

J H Chaplin

Aged 65. Jon Chaplin, a barrister, was Company Secretary of GEC from April 1980 until he retired in April 1991. He was appointed to the SPT Board in 1980, and is now a pensioner of The GEC Plan. He also currently acts as an outside trustee of other occupational pension schemes and common investment funds.

M V Elliott

Aged 56. Mick Elliott has over 40 years' service with the group, since 1966 as a draughtsman at Chelmsford, currently for Marconi Mobile. He has been a senior employee representative for 25 years. He became a Pension Consultative Committee member in 1999, and a director of SPT in 2000.

A B Lee

Aged 44. Andy Lee is Executive Vice-President, Marconi University, based in Pittsburgh, Pa., having previously been Executive Vice-President, Marconi Communications, and also Personnel Director for Marconi Electronic Systems and GPT. He was appointed to the SPT Board in 1998.

D W Marsden

Aged 49. David Marsden joined GEC in 1999, and is now Chief Finance Officer and Executive Vice President (Finance) of Marconi Networks, based in Pittsburgh, Pa.. He is qualified as an associate of CIMA. He was appointed to the SPT Board in March 2000.

R J Mills

Aged 57. Roy Mills has worked since 1971 as a senior design engineer with the General Domestic Appliances group of companies, in North Wales and previously in Peterborough. He has been a Pension Consultative Committee member since 1986, and an SPT Board member since 2000.

K J O'Boyle *

Aged 43. Kevin O'Boyle joined GEC in 1999, and is now Marconi's Group Pensions Director. He is responsible for Marconi's pension arrangements both in the UK and overseas. He was appointed a director of SPT in 1999 and he is also a director of SIM.

C F N Samuel

Aged 40. Clifford Samuel is Marconi's Deputy General Counsel, having been a senior lawyer at the GEC and Marconi head office since 1994, and previously a solicitor in private practice. He was appointed to the SPT Board in 2000.

M F Surrey

Aged 34. Mike Surrey, a chartered accountant who joined GPT in 1992, has worked in various positions in GEC and Marconi. He is currently Executive Vice President (Finance) for the Enterprise Division of Marconi. He was appointed to the SPT Board in June 2001.

C R J Walton *

Aged 58. Chris Walton, a chartered engineer, is a Marconi Networks (Multimedia and Voice Solutions) program and planning manager at Poole, where he has been employed for more than twenty years. He has been a Pension Consultative Committee member since 1992, and was appointed to the SPT Board in 1993.

V A Webster *

Aged 56. Vic Webster is a senior technologist at Marconi Networks MVS Group in Liverpool, where he has worked since 1963. He became a Pension Consultative Committee member in 1991, serving as the Secretary of the West PCC from 1992 to 1997. He was appointed to the SPT Board in 1997.

** Members of the Approvals Sub Committee of the Board.*

Investment Advisory Committee

J M Brew

Mr Brew has been chairman of the IAC since January 1991; he is also a director and chairman of the SPT Board (see page 31).

B M Hiorns

Dr Hiorns is Chief Investment Officer at Teather & Greenwood, having previously been the UK investment head of Dresdner RCM Global Investors, the fund management subsidiary of Dresdner Bank. He joined Grieveson Grant, now part of Kleinwort Benson, in 1974 and during his career he has had responsibility for a wide range of senior investment management roles including head of strategy. He was appointed to the IAC in June 1994.

R P Walther

Mr Walther, a Fellow of The Institute of Actuaries and an Associate of the UK Society of Investment Professionals, is Chief Executive of the Clerical Medical Investment Group and a member of the Halifax Executive Committee. He joined Clerical Medical in 1965 and during his career with them he has held responsibilities for a wide range of senior investment management roles, having overall responsibility for investment between 1979 and 1995. He was appointed to the IAC in July 1988.

N Walter

Professor Walter has worked for Deutsche Bank since 1987, having been managing director of Deutsche Bank Research and Group Chief Economist since 1992. From 1971 to 1986 he was at the Kiel Institute for World Economics, as professor and scientific director from 1978. He has published frequently in Germany, Britain and elsewhere, principally on economic policy analysis and forecasting. He was appointed to the IAC in January 1999.

Pension Consultative Committees

Two Pension Consultative Committees (PCCs), elected by Plan members, meet periodically:

- to consult with the Pensions Office on matters relating to Marconi Group pension schemes
- to assist the Pensions Office, trustee and management in the communication of information to members
- to represent the views of pension scheme members and employees as to matters affecting their interests
- to nominate representatives for appointment by Marconi Corporation as directors of SPT. Each representative must be a contributing member or a pensioner of the Plan. The PCCs review their nominations every four years.

Sitting members of a PCC who leave service may, if they so wish, remain PCC members for the balance of their four-year period of office or, in the case of pensioners, for a further period of four years from the date of commencement of their pension.

The Chairmen and Secretaries of the PCCs are:

Area	Chairman	Secretary
<i>North</i>	P Dronfield Marconi Communications Limited PO Box 53 New Century Park Coventry CV3 7HJ	K W Buckley * c/o Marconi Pensions Office PO Box 20 The Hollies Newport Road Stafford ST16 1BY
<i>South</i>	I C Chaplin * c/o Marconi Pensions Office PO Box 20 The Hollies Newport Road Stafford ST16 1BY	J W Kerr Marconi Applied Technologies Waterhouse Lane Chelmsford Essex CM1 2QU

* Mr Chaplin and Mr Buckley are pensioners of the Plan

Other Information

Occupational Pensions Regulatory Authority (OPRA)

Pension Schemes Registry

Pension schemes are regulated by OPRA, which has power to impose civil penalties and to bring criminal prosecutions for serious breaches of the regulations made under the Pensions Act 1995.

OPRA also maintains the register of all occupational and personal pension schemes and the registry offers a service to enable individuals to trace benefits to which they may be entitled from previous employers' pension schemes. The registrar can be contacted at:

Occupational Pensions Regulatory Authority
Pension Schemes Registry
PO Box 1NN
Newcastle-upon-Tyne
NE99 1NN.

A guide for pension scheme trustees, published in updated form by OPRA in 2001, has been provided to each of the directors of SPT.

OPAS (The Office of the Pensions Advisory Service)

Pensions Ombudsman

OPAS is available to assist members and beneficiaries of occupational pension schemes in connection with any difficulties that they have been unable to resolve with the trustees or administrators, and to assist at any stage during the internal dispute resolution procedure.

The Pensions Ombudsman, appointed by the government, may investigate and decide complaints or disputes of fact or law concerning occupational pension schemes made or referred.

Before approaching the Pensions Ombudsman, members must have followed the internal dispute resolution procedure, a copy of which is available on request from SPT. Both OPAS and the Pensions Ombudsman can be contacted at:

11 Belgrave Road
London
SW1V 1RB



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