



Marconi

THE GEC PLAN AND
SELECTED BENEFIT
SCHEME

REPORT AND ACCOUNTS 2002

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Trustee, Administration, Managers and Advisers

Trustee

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

Directors

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

Secretary

C. J. Clifton

Investment managers

Capital International
Fidelity Pensions Management
Merrill Lynch Investment Managers
M&G Investment Management
Morley Fund Management Limited

Property managers

Gerald Eve
LaSalle Investment Management
Smith Melzack Pepper Angliss

Custodians for investments

ABN AMRO Mellon

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 LLP

Solicitors

Eversheds
Sacker & Partners

Pensions administration

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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 that participate in the Plan are eligible to apply for membership, provided they are under the age of 65. Members of the Plan are not contracted out of the State Earnings-Related Pension Scheme.

Recently, Marconi plc has been through a difficult period resulting in its announcement on 29 August 2002 relating to the financial restructuring of the group. Further information is given on page 3.

The fund

The fund of the Plan reduced during the year ended 5 April 2002 by £183.7 million to £2,495.2 million.

The fund account shows net withdrawals, arising from transactions with members and employers, for the year of £187.5 million. Ignoring the effects of bulk transfers, (which occur as a result of corporate sales or purchases of businesses by the participating employers) the major movements have been in the amounts received in respect of SBS contributions, and the amounts paid in respect of lump sums on retirement and individual transfers paid. These significant movements have occurred as a result of the large change in membership during the year under review, details of which are given on page 7.

Net investment returns of £3.8 million underline the reduction in the value of the assets of the Plan, which almost offset the income received from the investments. Whilst Plan investment performance relative to other funds was good, a negative return on the assets was recorded for the year ended 31 December 2001. More information about investment performance is given on page 5.

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 formal actuarial valuation was undertaken as 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 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 was 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 and that on the valuation assumptions the effect of the rate remaining at 6.6% was of no material significance. 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.

The Actuary undertook an interim valuation of the Plan as at 30 September 2001. Although the results were not as satisfactory as had been hoped at the date of the last formal valuation as at 6 April 1999, the funding position of the Plan was better than may have been expected given the performance of markets in the intervening period. The relative performance of the Plan since the last formal valuation has been good, with changes in the investment strategy and to credited interest in the last eighteen months contributing to this position. Nonetheless, the results of the interim valuation indicated that there was a £137 million deficit at 30 September 2001, although the MFR position remained strong and funding was satisfactory under FRS17 (the new standard for employers reporting the pension position in their corporate accounts).

Report of the Trustee

Actuarial valuation (continued)

Marconi Corporation recognised, however, that unless market conditions were to improve substantially before 5 April 2002, the formal valuation date, there was likely to be a deficit in the funding of the Plan. After consulting with the Scheme Actuary, and pending the results of the formal valuation, employers have since 6 April 2002 contributed at a rate of 14.2% of pensionable salaries. The revised schedule of contributions under the Pensions Act 1995 with effect from 6 April 2002, is reproduced on page 30.

The Actuary has provided draft results of the valuation as at 5 April 2002 to SPT and to Marconi Corporation which show that the deficit in the Plan as at that date is substantially less than had been indicated by the interim valuation undertaken as at 30 September 2001. In the year commencing 6 April 2002 the additional contributions already paid by the employers are greater than would be required to fund the deficit revealed as at 5 April 2002 over the remaining lifetime of the active employees. Consequently, Marconi Corporation has requested, and the trustee has agreed, that the contribution rate be reduced to 8.2% until the end of the year. This rate is that required to fund the future accrual of member's benefits and will be reconsidered by Marconi Corporation when the final results of the formal valuation as at 5 April 2002 are known. A full account of the results of the valuation will be included in next year's report.

A statement from the Actuary in terms of the Regulations is shown on page 14 and the certificate regarding the adequacy of contributions is shown on page 15.

Marconi plc financial restructuring

On 29 August 2002, Marconi plc announced that it had concluded non-binding indicative heads of terms, which set out the principles for the financial restructuring of Marconi plc and its wholly owned subsidiary, Marconi Corporation. The restructuring is targeted to be completed by the end of January 2003 and, if approved by the Court, will result in Marconi Corporation becoming the new holding company of the group. The restructuring is designed to create a stable financial foundation for Marconi Corporation. As currently contemplated by the non-binding indicative heads of terms, the legal position of the Plan will be unaffected by the proposed financial restructuring; the heads of terms currently contemplate that Marconi Corporation will remain as the Principal Employer in the Plan and will retain its current responsibilities under the Trust Deed and Rules.

In view of the financial position of Marconi Corporation SPT is reviewing the benefits provided by the Plan, particularly in those areas where discretionary powers of the trustee result in benefits being paid that are not actuarially neutral. SPT has decided to reduce the assumption regarding the future rate of credited interest to 2.5% per annum when calculating transfer values. This change is effective immediately and brings transfer quotations into line with the current rates being awarded to active members.

Other areas that are under review will require input from Marconi Corporation and it is intended to communicate any changes to members by the end of November 2002. It is intended that any changes that are made will result in the Plan becoming more secure and stable and will be in the interests of the whole membership of the Plan.

Investment policy

Investments are managed in accordance with the policy determined by SPT, having regard to advice given by the Investment Advisory Committee (IAC). The Chairman of SPT, John Brew, also acts as Chairman of the IAC. In addition to Mr Brew, the IAC membership during the year under review comprised three investment and economic experts. Following changes made in the investment strategy of the Plan, the IAC is being reorganised and details of new members will be included in next year's report. The policy determined by SPT is consistent with the Statement of Investment Principles (SIP), copies of which are available on request to Pensions Office or to SPT. The current SIP is reproduced on page 31.

From September 2001, following poor equity market performance, the holding of bonds in the portfolio exceeded the proportion provided in the SIP. The SIP was subsequently amended on 6 December 2001 to reflect the increased proportion of the fund held in bonds. Apart from this period, all investments were made in accordance with the SIP. Since then, and with the benefit of advice from the IAC, SPT considered the investment policy further and amended the SIP on 12 September 2002.

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 management in the year ended 5 April 2002

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

Investment managers and portfolios	5 April 2002		5 April 2001	
	£m	%	£m	%
Deutsche Asset Management				
<i>Short dated US Treasury Bonds</i>	46.8	2	45.8	2
M & G Investment Management				
<i>International bonds</i>	581.6	23	0.0	0
Morley Fund Management Limited				
<i>International bonds</i>	1,039.5	42	0.0	0
JP Morgan Fleming Asset Management				
<i>Japanese equities</i>	86.4	3	101.8	4
Merrill Lynch Investment Managers				
<i>UK equities</i>	433.7	18	262.8	10
<i>European equities</i>	177.5	7	214.4	8
Total	611.2	25	477.2	18
SIM				
<i>UK Fixed interest securities</i>	0.0	0	656.9	24
<i>UK Index-linked securities</i>	0.0	0	223.4	8
<i>Overseas Fixed interest securities</i>	0.0	0	16.8	1
<i>Overseas Index-linked securities</i>	0.0	0	109.3	4
<i>UK equities</i>	0.0	0	906.7	34
<i>Overseas equities</i>	0.0	0	15.6	1
<i>Property unit trusts</i>	0.0	0	7.8	-
Total	0.0	0	1,936.5	72
Total externally managed assets	2,365.5	95	2,561.3	96
SPT				
<i>Short-term deposits</i>	32.4	1	92.4	3
<i>Property</i>	110.7	5	143.9	5
<i>Other</i>	(13.4)	(1)	(118.7)	(4)
Total	129.7	5	117.6	4
Total assets	2,495.2	100	2,678.9	100

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

The investment managers are appointed by SPT and their objectives are laid down in customer agreements. All managers are authorised by the Financial Services Authority (FSA) except for the relationship with Deutsche Asset Management. In this case, US law governs the agreement as the original agreement is between SPT and Bankers Trust Company, a US subsidiary of Deutsche Asset Management.

Stanhope Investment Management Limited (SIM) is a wholly owned subsidiary of Marconi Corporation. During the year under review Marconi plc decided that it would no longer provide investment management services and, consequently, SPT 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.

Report of the Trustee

Investment management in the year ended 5 April 2002 (continued)

In a separate action, intended to increase the Plan's exposure to bonds rather than equities, M&G Investment Management (M&G) was appointed in February 2002 to manage a bond portfolio. Consequently, £580.0 million of assets was transferred to M&G prior to the year-end.

Since the year-end, there have been several changes in the investment management arrangements that are dealt with in the next section of the report.

Investment management since 6 April 2002

A full review of the investment management arrangements has been undertaken by SPT since 6 April 2002 and new agreements have been put in place with Fidelity Pensions Management and Capital International relating to equity portfolios. MFML and M&G were retained to manage the bond portfolios whilst MLIM continue to manage a proportion of the Plan's equity investments. All managers are authorised by the FSA.

Agreements have been terminated with the remaining managers, that are referred to in the table above, and assets held by them have been transferred to the new managers as appropriate. Following the reorganisation, the securities split at 31 July 2002 (ie excluding cash and property) between the new managers was as follows:

Manager	Portfolio	Amount %
Morley Fund Management Limited	International bonds	47.1
M&G Investment Management	International bonds	26.5
Merrill Lynch Investment Managers	UK equities	10.3
Fidelity Pensions Management	Global equities	8.1
Capital International	Global equities	8.0

Property continues to be managed by SPT with advice from the property managers listed at the front of this report. A review is currently in hand to determine the future strategy relating to property management.

Investment performance to 31 December 2001

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 1,000 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 £1.5 billion. Comparisons were also made of the returns from various categories of investments against appropriate indices.

Such 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 recent years, this was generally the case but it has become less so as customised benchmarks have become more common.

During 1998, SPT adopted a more Plan-specific investment strategy, in the light of the results of an Asset Liability Study carried out by the Actuary, and a new investment policy was established. Comparisons 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 2001.

Report of the Trustee

Investment performance to 31 December 2001 (continued)

	Annualised return % per annum			
	One Year	Three Years	Five Years	Ten Years
Plan	-4.2	5.7	10.0	12.1
Customised benchmark	-7.6	2.1	Not applicable	Not applicable
WM All Funds Universe	-8.9	2.9	7.7	10.8
WM50 Universe	-8.3	3.3	8.1	10.9

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

In the year 2001, equities again performed poorly and recorded a second successive negative return whilst conventional bonds and property made positive returns; index-linked bonds also produced a negative return in the year. The average return for UK pension funds in the WM All Funds Universe was -8.9%, a second successive negative return and the worst performance for a decade.

The equity markets were dominated by the slowdown in the US and a series of profit warnings from US and UK companies. The events of September 11th caused a marked fall in equity markets, which then rallied towards the end of the year. Even with the rally in the latter part of the year, the average return for the UK equities was -12.6% whilst the average return for overseas equities was -15.1% and ranged from -3.0% in the Pacific Rim to -26.5% in Japan. Conventional UK bonds produced a return of 4.2%, with conventional overseas bonds at 4.9% and index-linked bonds at -0.7%. The best performing sector was property, with a positive return of 7.6%.

Over the ten year period ended 31 December 2001, the Plan achieved higher returns than the average fund included in both the WM All Funds Universe and the WM 50 Universe. This has been most marked in the last three years where the policy to match the assets more closely to the liabilities to reduce the risk of under performance has resulted in good relative performance over the period. 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 Year ended 31 December 2001			Distribution 31 December 2001		
	Plan	Benchmark	WM All Funds	Plan	Benchmark	WM All Funds
	%	%	%	%	%	%
Fixed interest						
UK	3.7	1.0	4.2	23	17½	10
Overseas (see note)	4.4	1.8	4.9	5	0	3
Index-linked	2.3	0.6	-0.7	12	17½	7
UK equities	-8.9	-13.3	-12.6	41	46	46
Overseas equities	-20.6	-14.0	-15.1	11	12	25
Property	13.6	7.1	7.6	4	5	6
Cash & net current assets (see note)	3.7	4.9	2.3	4	2	3
Total fund assets measured	-4.2	-7.6	-8.9	100	100	100

Note: The Deutsche Asset Management portfolio is included in cash for performance measurement.

Report of the Trustee

Investment performance to 31 December 2001 (continued)

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 from the results given above, the Plan outperformed when measured against the average performance of other funds due to its lower exposure in the poorly performing UK and overseas equities sectors, and to good returns in the conventional bonds sectors, where the Plan had a higher exposure than other funds. The poor overseas equity performance is 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.

Overall, there was no material impact made by Policy when comparing the Plan return to the benchmark. The positive relative performance was due almost entirely to Selection. By far the largest contributory factor in the year was the UK equity portfolio, which recorded exceptionally strong relative results in the first half of the year.

Custody of assets

During the year, SPT undertook a review of the custody of its assets. It employed Deloitte & Touche to assist in the selection process and, from a shortlist of six custodians, ABN AMRO Mellon was selected as the global custodian. ABN AMRO Mellon best met the trustee's requirements and demonstrated the range and quality of services which they can provide for the protection and benefit of the Plan and its membership.

Consequently, an agreement was put in place in October 2001 and all assets have been transferred to the new custodian.

Administration and investment management expenses

Expenses relating to administration and investment management activities are borne by the Plan and are analysed in notes 5 and 8 to the accounts. For the year to 5 April 2002 expenses amounted to £8.4 million (2001 £8.7 million).

Expenses were 15.9% of the sum of normal contributions to The GEC Plan and SBS in the year to 5 April 2002 (2001 16.4%). "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 2002 (2001 10.2%).

The upgrade to the pension administration systems, which was mentioned in last year's report, is now virtually complete and there are not expected to be further significant costs associated with this project.

Membership

The number of contributing members of both The GEC Plan and SBS decreased during the year, mainly as a result of the contraction in the Marconi plc businesses.

Category of member	5 April 2002	5 April 2001
Contributor to The GEC Plan	11,748	15,703
Contributor to SBS	3,414	5,275
Pensioner	38,794	38,392
Deferred pensioner	34,926	34,582

Further statistics regarding the membership of the Plan are given on pages 28 and 29.

Report of the Trustee

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 1.3%, which corresponds with the increase in the RPI over the twelve-month period to January 2002, was applied to most pensions with effect from 1 May 2002. Proportionate increases were awarded to pensions that became deferred or commenced payment after 1 May 2001. 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 %
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
1997	2.8	2.8	2002	1.3	1.3

The average rate of increase awarded to a Plan pension that commenced payment on 1 May 1992 is 2.6% 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 declared a credited interest rate of 2.5% with an additional amount of 3% to be applied to those who left or died during the year, making 5.5% in total for those members.

At a meeting in March 2002, SPT considered whether the additional top-up could also be granted to members who remained in the Plan at 5 April 2002 but, bearing in mind the negative performance of the Plan, decided this was not possible.

For the year commencing 6 April 2002, SPT has again been prudent in setting a rate of 2.5% for the year. For active members and deferred pensioners who die or retire during the year to 5 April 2003, the credited interest rate to be applied to their benefits will be the declared 2.5%, plus an additional 2% top-up, in respect of the Plan year 2002/03. The additional 3% in respect of 2001/02 will also be payable, where applicable, to this group.

Report of the Trustee

Credited interest (continued)

Rates applicable for active members for the ten years since 6 April 1993 are set out below:

Plan year to 5 April	Rate of credited interest %	Plan year to 5 April	Rate of credited interest %
1994	13.25	1999	11.00
1995	13.50	2000	9.50
1996	12.50	2001	9.00
1997	11.00	2002	2.50
1998	11.00	2003	2.50

The average rate of credited interest applied for an active member who was a member for the whole of the ten year period ending 5 April 2003 is 10.6% per annum.

Additional Voluntary Contributions (AVCs) – New choices

As stated above, the change in investment policy is likely to result in lower future rates of credited interest than those that have been declared in the past. To provide members with flexibility and choice in the investment of their AVCs, SPT has introduced new investment choices for members.

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 offers a with-profits choice, whilst Merrill Lynch Pensions Limited offers a series of unit-linked investments. The new AVC investment managers were selected following a thorough review of providers and with the benefit of professional advice to SPT. Prior to the new arrangements being introduced, members were informed by circular, and at meetings organised by the Pensions Office, about the new choices. The meetings included presentations by the new managers giving details about their products.

Existing members at 5 April 2002 could choose to continue to contribute to SBS and continue to accrue credited interest on their contributions, whilst new AVC contributors after 6 April 2002 can invest only with the Standard Life Assurance Company or Merrill Lynch Pensions Limited. For members who choose to transfer their SBS balance to one of the new providers by 5 April 2003 (but not necessarily after that date) the 3% top-up for transfers during the year to 5 April 2002 would be added to the accrued SBS balance at 5 April 2002, and the 2% top-up for transfers during the current year would be applied pro-rata. Whilst there is no guarantee that the new choices will provide a higher return than SBS, members were made aware that future credited interest rates in SBS declared by SPT are likely to remain at lower rates than those declared in the past.

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.

Pensions

The aggregate amount of pensions paid in the year ended 5 April 2002 has increased when compared to the previous year because pensions grew at a faster rate than the annual increase awarded on 1 May 2001. This was due to members retiring in the year having higher amounts of pensions, when compared to those ceasing.

At the end of the year, the average age of pensioners was 73.7 years (2001 73.3 years) and the average pension in payment amounted to £3,175 per annum (2001 £3,078 per annum). In addition to a pension, most pensioners took part of their benefits as a capital sum at retirement.

Individual 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 stakeholder pension policy. Individual transfers paid from the Plan to other pension schemes and to personal and stakeholder pension arrangements amounted to £8.5 million in the year to 5 April 2002 (2001 £3.6 million). Bulk transfers are dealt with in the "Disposals of businesses by employers" section below.

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 2.5% per annum.
- 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. SPT will consider such nominations when deciding to whom any death benefits are to be paid. A nomination form (P7) is available from HR 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; 59 retiring employees or dependants used the service during the year (2001 67).

Report of the Trustee

Disposals of businesses by employers

Following the sale of Avery Berkel Limited, the affected employees 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 £22.9 million is included in the accounts relating to the 458 employees who chose to transfer their benefits.

During the year under review, the communication manufacturing businesses of Marconi were transferred to Jabil Circuit (UK) Limited (Jabil). A mirror-image pension scheme was established by Jabil, as the agreement between the two parties envisaged that a compulsory transfer of contributing members, pensioners and deferred pensioners would be made. Consequently, 842 contributing members, 200 pensioners and 55 deferred pensioners were transferred to the new scheme in two groups, on 1 October 2001 and 1 February 2002. The Actuary undertook a valuation of the Plan as at 30 September 2001 to determine the proportion of the liabilities of the Plan that related to those transferring to the Jabil Pension Plan. The assets are to be split in the same proportion and, consequently an amount of £34.9 million was transferred to the trustees of the Jabil Pension Plan on 1 October 2001, which represented 95% of the estimated total amount due in respect of the first group of transferring members. A provision of £4.0 million is included in the accounts representing the remaining outstanding amount that is due to be transferred during the current year.

Employees of EASAMS Limited, which was sold to ITNET Limited, have been offered the opportunity of transferring their interests in the Plan to their new employer's scheme. A provision of £1.3 million is included in the accounts representing the transfer that is expected to be made in respect of the 45 members who have chosen to transfer their interests. The transfer is due to be completed in the current year.

Calculations relating to the Berkel pension scheme, referred to in last year's report, have been completed with the result that a payment has been made to Norwich Union to secure the benefits of the pensioners concerned. The cost of buying the benefits was substantially less than was envisaged and it has been possible to release the provision included in previous years.

The interim period of membership in the Plan has ceased and transfer arrangements are being made relating to those members employed in the businesses of Woods Air Movement and General Domestic Appliances. Where appropriate, a transfer of assets will be included in next year's accounts for those members affected.

Members employed in Marconi Data Systems Limited, Marconi Commerce Systems Limited and Marconi Mobile continue to participate in the Plan following the sale of the businesses in which they are employed. Where appropriate, an opportunity for these members to transfer their benefits to their new employers' schemes will be arranged in due course.

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 HR departments or SPT.

Contributing members, deferred pensioners and pensioners receive a yearly statement of benefits.

The 2001 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 2001", which included highlights from the 2001 report and accounts. "Review for 2002" will be distributed to all eligible employees and pensioners in due course and the report and accounts will be distributed when requested.

As detailed earlier in this report, choice and flexibility has been introduced for AVC investments and communication about the change was made by the issue of bulletins, an investment guide, help and guidance via websites, emails, helplines and surgeries to contributing members and deferred pensioners.

Report of the Trustee

Communication (continued)

Contributing members of the Plan are encouraged to obtain information concerning the Plan direct from their HR departments. However, should they wish to contact SPT, or the Marconi Pensions Office, they should write to the address given on page 1, quoting their National Insurance number, member number (if known), employment site and Marconi Global ID. Members can also contact Pension Consultative Committee (PCC) representatives or the Chairmen or Secretaries of the PCCs at the addresses shown on page 36.

In addition to supplying documentation about the Plan, Pensions Office staff visit sites to deliver pre-retirement courses, make presentations to new joiners and explain Pension Office procedures. Consideration of ways to enhance communications and presentations to members is continuous.

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

Carplan for Pensionholders

In the latter part of 2001, Marconi launched an employee car purchase plan enabling employees and their families to enjoy the benefits of ownership of a new car at favourable prices. Marconi has been able to extend the arrangements on similar terms for Plan pensioners and, with the support of SPT, documentation was issued to all eligible pensioners inviting them to participate.

To date, a number of pensioners have taken advantage of Carplan for Pensionholders, which is completely separate from the benefits provided by the Plan. If you require further information about Carplan please phone 0870 50 50 161.

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

Report of the Trustee

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. Members of the Plan may continue to serve on the PCC for a period of up to four years, if they so wish, after having left the employment of Marconi or another participating employer.

Further information relating to the PCCs is given on page 36.

Trust Deed and Rules

The 14th Deed of Variation, which was detailed in last year's report, was executed on 10 August 2001.

Trustee Board

The following changes have been made in the composition of the Board since 5 April 2001:

Appointments **Mr M F Surrey** on 18 June 2001. Mike Surrey is Executive Vice President Finance for Marconi Operations.

Ms K H Jenkins on 12 June 2002. Kathy Jenkins was Executive Vice President (HR) at the Capital Division of Marconi (see below).

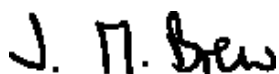
Resignations **Mr N D Sutcliffe** on 20 June 2001. Neil Sutcliffe, a director since 1998, resigned following his appointment to manage the Enterprise Division of Marconi.

Mr A B Lee on 30 May 2002. Andy Lee, a director since 1998, resigned consequent upon him ceasing employment with Marconi plc.

Ms K H Jenkins on 7 October 2002. Kathy Jenkins, a director since June, resigned consequent upon her ceasing employment with Marconi plc.

Mr D W Marsden on 10 October 2002. David Marsden, a director since March 2001, resigned consequent upon him ceasing employment with Marconi plc.

The Board would like to express its thanks to the directors who have resigned in the period and to welcome the newly appointed directors. Further information about the current members of the Board is given on page 35.



J M Brew
Chairman

31 October 2002

Statements 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

31 March 2000

**Watson Wyatt Partners
21 Tothill Street
Westminster
London
SW1H 9LL**

Statements of the Scheme Actuary

Actuarial Certificate given for the purposes of section 58 of the Pensions Act 1995 (Certificate of Schedule of Contributions)

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

Adequacy of rates of contributions

- 1 I hereby certify that, in my opinion, the rates of the contributions payable in accordance with this schedule of contributions are adequate for the purpose of securing that throughout the period it covers the scheme will meet the minimum funding requirement imposed by section 56 (1) of the Pensions Act 1995.
- 2 In forming this opinion I have complied with the requirements imposed by sections 56(3) and 58 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.



Signed **G J Mitchell**
Fellow of the Institute of Actuaries
Watson Wyatt LLP

Three Brindleyplace
Birmingham
B1 2LN

19 June 2002

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.

This certificate relates to the schedule of contributions which is shown on page 30.

Independent Auditors' Report

Independent auditors' report to the trustee of the G.E.C. (1972) Plan (the "Plan")

We have audited the financial statements of the Plan for the year ended 5 April 2002 which comprise the fund account, net assets statement and the related notes 1 to 12. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of trustees and auditors

As described in the statement of trustees' responsibilities, the scheme's 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 scheme in the form of an annual report. It is also responsible for procuring that contributions are made to the Plan in accordance with the schedule of contributions certified by the actuary.

Our responsibility is to audit the financial statements in accordance with United Kingdom legal and regulatory requirements and auditing standards. 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 schedule of 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 for the above year as described in the contents section and consider whether it is consistent with the audited financial statements. We 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 opinion we also evaluated the overall adequacy of the presentation of the information in the financial statements.

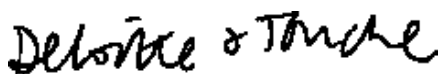
Our work also included examination, on a test basis, of evidence relevant to the amounts of contributions payable to the scheme and the timing of those payments in order to provide us with reasonable assurance that contributions have been paid in accordance with the schedule of contributions certified 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 2002 have been paid in accordance with the schedule of contributions certified by the actuary on 11 July 2000.

Opinion

In our opinion the financial statements show a true and fair view of the financial transactions of the Plan during the scheme year ended 5 April 2002, and of the amount and disposition at that date of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme 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

Chartered Accountants and Registered Auditors

Birmingham

4 November 2002

Fund Account

for the year ended 5 April 2002

	Note	2002 £ million	2001 £ million
Contributions to the GEC Plan	2		
Members		12.0	13.0
Employers		26.4	28.9
		<u>38.4</u>	<u>41.9</u>
Contributions to SBS	2	12.0	8.7
Transfer values received		0.0	0.1
<i>Total</i>		<u>50.4</u>	<u>50.7</u>
Benefits paid	3	162.6	133.5
Transfer values paid	4		
Individual		8.5	3.6
Bulk exercises		62.6	2,681.1
		<u>71.1</u>	<u>2,684.7</u>
Administration expenses	5	4.1	4.3
Premiums to life office	6	0.1	0.1
<i>Total</i>		<u>237.9</u>	<u>2,822.6</u>
<i>Net withdrawals arising from transactions with members and employers</i>		(187.5)	(2,771.9)
Returns on investments			
Investment income	7	84.5	105.9
Investment management expenses	8	(4.3)	(4.4)
Changes in market values of investments	9	(76.4)	(59.4)
<i>Net returns on investments</i>		<u>3.8</u>	<u>42.1</u>
Net decrease in the Fund during the year		(183.7)	(2,729.8)
Net assets at the beginning of the year		<u>2,678.9</u>	<u>5,408.7</u>
Net assets at the end of the year		<u><u>2,495.2</u></u>	<u><u>2,678.9</u></u>

Net Assets Statement

at 5 April 2002

	Note	2002 £ million	2001 £ million
INVESTMENTS	9		
Fixed interest securities			
UK		1,053.3	656.9
Overseas		86.5	62.2
		<u>1,139.8</u>	<u>719.1</u>
Index-linked securities			
UK		401.2	223.4
Overseas		87.5	109.3
		<u>488.7</u>	<u>332.7</u>
Equities			
UK		395.3	1,156.2
Overseas		278.5	323.2
		<u>673.8</u>	<u>1,479.4</u>
Property			
Freehold and leasehold		110.3	143.9
Unit trusts		0.0	7.7
		<u>110.3</u>	<u>151.6</u>
Insurance policies		1.4	2.6
Short-term deposits			
Sterling		86.6	106.6
Foreign currencies		1.1	1.6
		<u>87.7</u>	<u>108.2</u>
<i>Total investments</i>		<u>2,501.7</u>	<u>2,793.6</u>
Net current liabilities	10	(6.5)	(114.7)
Net assets at end of the year		<u><u>2,495.2</u></u>	<u><u>2,678.9</u></u>

The notes on pages 19 to 24 form part of these accounts.

Approved by
Stanhope Pension Trust Limited
on 31 October 2002

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 14 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 2002 adjusted, where applicable, by accrued interest.

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

All properties were revalued at 5 April 2002 by qualified professional valuers working for the company of DTZ Debenham Tie Leung, Chartered Surveyors, acting in the capacity of External Valuers. All such valuers are Chartered Surveyors, being members of the Royal Institution of Chartered Surveyors. All properties were revalued on the basis of Open Market Value and in accordance with the RICS Appraisal and Valuation Manual.

Unit trusts, at closing prices provided by the managers.

Insurance policies, consistent with the actuarial statement on page 14.

Overseas investments' values are translated into sterling at the rates of exchange ruling as at 5 April 2002.

2 Contributions

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

Where applicable, members also made 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 (2001 6.6%).

Where applicable, employers also made contributions to SBS to augment members' benefits.

Notes to the Accounts

3 Benefits paid

	2002			2001
	The GEC Plan £ million	SBS £ million	Total £ million	Total £ million
Pensions	120.8	0.0	120.8	113.6
Cash sums on retirement	38.3	0.1	38.4	15.8
Capital payments on death	2.0	0.0	2.0	2.3
Refunds of members' contributions with credited interest				
on death	0.7	0.1	0.8	1.5
on leaving service	0.5	0.1	0.6	0.3
	162.3	0.3	162.6	133.5

Benefits take account of improvements effective during the year; most pensions in payment, deferred pensions and contingent pensions were increased by 2.7% on 1 May 2001.

Transfers of assets from SBS to purchase pensions in The GEC Plan for members retiring in the year ended 5 April 2002 amounted to £18.8 million (2001 £9.8 million). As this amount is an intra fund transfer it is excluded from the face of the accounts.

4 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:

	2002			2001
	The GEC Plan £ million	SBS £ million	Total £ million	Total £ million
Personal pension providers	4.5	0.3	4.8	2.1
Other employers' schemes	3.5	0.2	3.7	1.5
	8.0	0.5	8.5	3.6

- (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:

	2002			2001
	The GEC Plan £ million	SBS £ million	Total £ million	Total £ million
Jabil Pension Plan	37.5	1.4	38.9	0.0
Avery Berkel Group Personal Pension Plan	22.2	0.7	22.9	0.0
ITNET Flexible Pension Scheme	1.3	0.0	1.3	0.0
Berkel Guaranteed Minimum Pensions	(0.5)	0.0	(0.5)	0.0
The BAE SYSTEMS 2000 Pension Plan	0.0	0.0	0.0	2,680.5
Mitel Semiconductor Pension Plan	0.0	0.0	0.0	0.6
	60.5	2.1	62.6	2,681.1

Notes to the Accounts

5 Administration expenses

	2002	2001
	£ million	£ million
Marconi Pensions Office	3.3	3.9
Actuarial, audit and legal fees	0.8	0.4
	<u>4.1</u>	<u>4.3</u>

6 Premiums to life office

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

7 Investment income

	2002	2001
	£ million	£ million
Fixed interest securities		
UK	29.2	38.5
Overseas	1.7	1.8
Index-linked securities		
UK	7.4	4.0
Overseas	3.5	5.3
Equities		
UK	25.0	33.3
Overseas	3.8	4.1
	<u>70.6</u>	87.0
Property		
Freehold and leasehold	10.5	13.6
Unit trusts	0.1	0.5
	<u>10.6</u>	14.1
Short-term deposits	3.3	4.8
	<u>84.5</u>	<u>105.9</u>

8 Investment management expenses

	2002	2001
	£ million	£ million
Investment management and custody	2.9	3.6
Property management	1.4	0.8
	<u>4.3</u>	<u>4.4</u>

Investment management includes fees charged by SIM related to direct costs incurred, amounting to £0.3 million for the year (2001 £0.4 million). Services were only provided by SIM for the period up to 31 July 2001, during which the assets were transferred to other managers. 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

9 Investments

(a) Movements of net assets during the year ended 5 April 2002

	Market values at 5 April 2001 £ 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 2002 £ million
Fixed interest securities							
UK	656.9	(10.2)	1,109.9	(696.2)	413.7	(7.1)	1,053.3
Overseas	62.2	0.0	22.9	0.0	22.9	1.4	86.5
Index-linked							
UK	223.4	0.0	183.1	(15.3)	167.8	10.0	401.2
Overseas	109.3	0.0	25.6	(48.3)	(22.7)	0.9	87.5
Equities							
UK	1,156.2	(73.7)	90.9	(724.4)	(633.5)	(53.7)	395.3
Overseas	323.2	(20.4)	129.4	(121.7)	7.7	(32.0)	278.5
Property							
Freehold and leasehold	143.9	0.0	0.1	(36.1)	(36.0)	2.4	110.3
Unit trusts	7.7	(7.7)	0.0	0.0	0.0	0.0	0.0
Insurance policies							
	2.6	(0.4)	0.0	(1.1)	(1.1)	0.3	1.4
			<u>1,561.9</u>	<u>(1,643.1)</u>			
Short-term deposits							
Sterling	106.6	0.0			(20.0)	0.0	86.6
Foreign currencies	1.6	0.0			(1.9)	1.4	1.1
<i>Total investments</i>	<u>2,793.6</u>	<u>(112.4)</u>			<u>(103.1)</u>	<u>(76.4)</u>	<u>2,501.7</u>
Net current liabilities	(114.7)	0.0			108.2	0.0	(6.5)
	<u>2,678.9</u>	<u>(112.4)</u>			<u>5.1</u>	<u>(76.4)</u>	<u>2,495.2</u>

Notes to the Accounts

9 Investments (continued)

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

	At	At
	5 April 2002	5 April 2001
	£ million	£ million
HSBC plc	32.4	92.4
Boston Safe Deposit Company Limited	29.6	0.0
Abbey National plc	19.3	0.0
Barclays	1.5	6.3
Lloyds TSB plc	2.1	6.2
ING Bank	0.5	0.0
Halifax	0.5	0.0
UBS	0.5	0.0
Bank of New York (Europe) Limited	0.1	1.1
State Street Bank & Trust Company	0.1	0.6
	86.6	106.6

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

(c) Foreign currencies deposits comprised:

	At	At
	5 April 2002	5 April 2001
	£ million	£ million
Japanese Yen	1.2	2.5
Forward contracts	(0.1)	(0.9)
	1.1	1.6

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

The market value of investments in participating employers at the year-end was £0.1 million (2001 £5.2 million). The proportion of the fund invested in Marconi shares is less than one thousandth of a per cent at 5 April 2002 (2001 0.9%). No transactions were undertaken in Marconi plc shares in the year ended 5 April 2002.

The whole of the holding of Marconi plc shares was sold on 26 June 2002 as a part of the reorganisation of the investment managers referred to in the report of the trustee.

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 (2001 Nil).

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

	At	At
	5 April 2002	5 April 2001
	£ million	£ million
Operating companies registered outside the UK	19.0	16.2
Operating companies registered within the UK	0.0	67.4

(g) At 5 April 2002 the Plan held UK Treasury Index Linked 2½% 2011 stock valued at £165.6 million, which equates to 6.6% of the net assets of the fund. (2001 No individual investment was held that amounted to more than 5% of the fund value).

Notes to the Accounts

10 Net current liabilities

	2002 £ million	2001 £ million
Debtors		
Investment income	5.8	11.6
Investments sold	1.1	7.0
Due from employers	0.8	0.0
Other	0.5	1.1
	<u>8.2</u>	<u>19.7</u>
Bank balances - current accounts overdrawn	(1.4)	(0.8)
Creditors		
Transfers to other pension schemes	(5.8)	(120.5)
Benefits	(2.6)	(1.1)
Administration and investment expenses	(2.0)	(3.4)
PAYE	(1.6)	(1.4)
Investment income in advance	(0.6)	(2.1)
Investments purchased	(0.3)	(4.6)
Other	(0.4)	(0.5)
	<u>(13.3)</u>	<u>(133.6)</u>
	<u><u>(6.5)</u></u>	<u><u>(114.7)</u></u>

The amount due from employers was cleared shortly after the year end.

11 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.

12 Value of Selected Benefit Scheme (SBS)

The combined assets of The GEC Plan and SBS are shown in the Net Assets Statement on page 18. The value of SBS at 5 April 2002 was £74.5 million (2001 £81.1 million).

Financial Statistics

Fund account for year ended 5 April	2002	2001	2000	1999	1998
	£ million	£ million	£ million	£ million	£ million
Transactions involving members and employers					
Additions to the Fund					
Contributions					
Members' to The GEC Plan	12.0	13.0	24.8	32.2	31.9
Employers' to The GEC Plan	26.4	28.9	54.7	70.9	64.1
SBS	12.0	8.7	17.0	22.4	22.3
Transfer values – Individual	0.0	0.1	0.0	0.3	0.0
– Bulk	0.0	0.0	0.1	23.8	1.9
Receipts from life office	0.0	0.0	0.1	0.3	0.0
Total	50.4	50.7	96.7	149.9	120.2
Withdrawals from the Fund					
Benefits paid	162.6	133.5	261.8	285.2	271.6
Transfer values – Individual	8.5	3.6	6.0	8.1	3.1
– Bulk	62.6	2,681.1	1,025.1	20.4	63.9
Administration expenses	4.1	4.3	6.5	5.7	4.3
Premiums to life office	0.1	0.1	0.2	0.3	0.3
Total	(237.9)	(2,822.6)	(1,299.6)	(319.7)	(343.2)
Returns on investments					
Investment income	84.5	105.9	192.1	206.1	172.6
Investment management expenses	(4.3)	(4.4)	(4.9)	(4.2)	(5.7)
Changes in market value of investments	(76.4)	(59.4)	359.6	253.7	1,119.6
Net returns on investments	3.8	42.1	546.8	455.6	1,286.5
Net increase (decrease) in the Fund	(183.7)	(2,729.8)	(656.1)	285.8	1,063.5
Fund at the beginning of the year	2,678.9	5,408.7	6,064.8	5,779.0	4,715.5
Fund at the end of the year	2,495.2	2,678.9	5,408.7	6,064.8	5,779.0
Distribution of net assets of the fund					
	%	%	%	%	%
Fixed interest securities					
UK	42.2	24.5	23.5	23.2	22.7
Overseas	3.5	2.3	2.4	3.9	5.4
Index-linked securities					
UK	16.1	8.3	3.2	2.5	3.0
Overseas	3.5	4.1	5.2	3.4	0.8
Equities					
UK	15.8	43.2	43.8	47.6	50.5
Overseas	11.1	12.1	13.4	12.2	11.0
Property	4.4	5.7	4.0	3.2	2.6
Managed funds	0.0	–	0.5	0.7	1.1
Insurance policies	0.1	0.1	–	0.1	0.1
Short-term deposits	3.5	4.0	3.8	3.8	3.4
Net current (liabilities) / assets	(0.2)	(4.3)	0.2	(0.6)	(0.6)
	100.0	100.0	100.0	100.0	100.0
Investment performance for	%	%	%	%	%
Year to previous 31 December	–4.2	4.7	17.8	13.9	19.4

Financial Statistics

LARGEST EQUITY HOLDING at 5 April 2002

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

	£ million	% of UK equities
BP Group	35.0	8.9
GlaxoSmithKline	29.0	7.3
Vodafone Group	21.0	5.3
AstraZeneca	19.5	4.9
Barclays	18.6	4.7
HSBC Holdings	17.9	4.5
Royal Bank of Scotland	16.7	4.2
Shell Transport and Trading	15.5	3.9
Amersham	11.2	2.8
HBOS	11.2	2.8
Signet Group	8.0	2.0
Lattice Group	7.8	2.0
Smith & Nephew	7.8	2.0
BT Group	7.8	2.0
British Land Co	7.0	1.8
Prudential	6.9	1.8
BAA	6.4	1.6
Rio Tinto	6.3	1.6
Royal & Sun Alliance	6.1	1.5
Daily Mail and General	5.7	1.4

Total market value of the UK equities was £395.3 million.

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

		£ million	% of overseas equities
Total Fina Elf	France	8.0	2.9
Royal Dutch Petroleum	Netherlands	7.6	2.7
Nestle	Switzerland	7.5	2.7
Novartis	Switzerland	5.8	2.1
Nokia	Finland	5.3	1.9
Siemens	Germany	4.9	1.8
Accor	France	4.8	1.7
SAP	Germany	4.8	1.7
Canon	Japan	4.5	1.6
ING Group	Netherlands	4.4	1.6

Total market value of the overseas equities was £278.6 million.

Financial Statistics

SUMMARY OF SECURITIES

	Market value at 5 April 2002 £ million	Market value at 5 April 2001 £ million
Fixed interest		
UK	1,053.3	656.9
Overseas	86.5	62.2
	<u>1,139.8</u>	<u>719.1</u>
Index-linked		
UK	401.2	223.4
Overseas	87.5	109.3
	<u>488.7</u>	<u>332.7</u>
Equities		
UK		
Resources	68.4	173.1
Basic Industries	14.0	44.9
General Industrials	3.1	26.1
Cyclical Consumer Goods	0.5	5.0
Non-Cyclical Consumer Goods	81.5	200.9
Cyclical Services	52.5	133.3
Non-Cyclical Services	39.0	157.8
Utilities	17.6	68.2
Information Technology	1.1	19.3
Financials	111.2	247.4
Investment Trusts etc	6.4	80.2
	<u>395.3</u>	<u>1,156.2</u>
Overseas		
<i>Europe</i>		
Belgium	1.5	-
Denmark	2.4	2.1
Eire	2.5	2.4
Finland	6.9	8.8
France	42.8	52.4
Germany	33.5	38.7
Italy	13.9	20.7
Luxembourg	1.8	-
Netherlands	21.9	27.0
Spain	10.1	13.8
Sweden	3.1	5.4
Switzerland	34.4	36.6
	<u>174.8</u>	<u>207.9</u>
<i>The Americas</i>		
USA	19.0	15.5
<i>Pacific Basin</i>		
Japan	84.7	99.8
	<u>278.5</u>	<u>323.2</u>
Total securities	<u><u>2,302.3</u></u>	<u><u>2,531.2</u></u>

Membership Statistics

As at 5 April	2002	2001	2000	1999	1998
The GEC Plan contributors (See note)					
At beginning of the year	15,703	30,805	43,638	46,945	48,899
New members	967	2,358	3,144	4,186	5,576
Members leaving service with the following benefits:					
Retirement	(1,215)	(472)	(1,392)	(1,839)	(2,285)
Refund of contributions	(542)	(235)	(231)	(407)	(496)
Death in service benefits	(12)	(8)	(25)	(60)	(84)
Transfer value or deferred pension	(3,153)	(16,745)	(14,329)	(5,187)	(4,665)
	(4,922)	(17,460)	(15,977)	(7,493)	(7,530)
At end of the year	11,748	15,703	30,805	43,638	46,945
SBS contributors					
At beginning of the year	5,275	11,632	17,012	17,811	17,900
New members	29	724	1,288	2,050	2,709
Transfers to other pension schemes	(567)	(5,670)	(4,937)	0	0
Members leaving service or ceasing to contribute	(1,323)	(1,411)	(1,731)	(2,849)	(2,798)
At end of the year	3,414	5,275	11,632	17,012	17,811
Pensioners (See note)					
At beginning of the year	38,392	72,191	78,279	77,413	76,590
New pensioners (including spouses' pensions coming into payment)	2,544	1,709	3,583	4,344	4,151
Transfers to other pension schemes	(209)	(33,874)	(6,358)	0	0
Deaths	(1,933)	(1,634)	(3,313)	(3,478)	(3,328)
At end of the year	38,794	38,392	72,191	78,279	77,413
Deferred pensioners (See note)					
At end of the year	34,926	34,582	53,435	58,208	57,094

Note

Members of The GEC Plan may have different categories of benefits concurrently (e.g. 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.

Membership Statistics

	2002	2001	2000	1999	1998
Age distribution of contributors to The GEC Plan at end of year	%	%	%	%	%
under 21	0.2	0.4	0.3	0.5	0.4
21 to 30	12.1	14.5	12.0	11.8	12.3
31 to 40	29.0	28.3	27.0	26.0	26.0
41 to 50	31.7	29.7	31.0	29.7	29.5
51 to 60	24.1	24.2	26.2	27.9	27.4
61 to 64	2.9	2.9	3.5	4.1	4.4
	100.0	100.0	100.0	100.0	100.0
Age distribution of new contributors to The GEC Plan	%	%	%	%	%
under 21	1.1	2.1	2.0	2.7	2.3
21 to 30	30.0	38.7	34.9	32.2	32.7
31 to 40	39.1	32.2	33.8	32.3	30.6
41 to 50	21.5	19.1	21.2	21.4	20.9
51 to 60	7.8	7.6	7.7	10.8	12.4
61 to 64	0.5	0.3	0.4	0.6	1.1
	100.0	100.0	100.0	100.0	100.0
Age distribution of contributors to SBS at end of year	%	%	%	%	%
under 31	4.4	7.1	6.0	6.3	6.5
31 to 40	22.2	22.3	21.6	20.5	20.3
41 to 50	33.9	31.7	31.7	30.3	30.0
51 to 60	34.9	34.9	35.9	37.3	37.0
61 to 64	4.6	4.0	4.8	5.6	6.2
	100.0	100.0	100.0	100.0	100.0
Age distribution of new pensioners	%	%	%	%	%
under 50	1.1	1.2	0.8	1.0	1.5
50 to 54	13.1	11.6	12.9	11.1	10.5
55 to 59	26.4	18.1	22.3	19.9	16.8
60 to 64	25.1	25.3	26.4	30.3	33.1
65 to 69	17.9	22.0	37.6	37.7	38.1
70 and over	16.4	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	43.6	43.1	44.5	44.4	44.4
Pensioners	73.3	73.3*	72.7*	72.3*	71.9
<i>Average Plan pensionable service</i>					
Contributing members	8.0	7.5	7.8	7.7	7.4

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

Schedule of Contributions

Schedule of Contributions

Scheme Name: G.E.C.(1972) Plan

Showing the contributions needed to meet the Minimum Funding Requirement (MFR) in line with Section 58 of the Pension Act 1995

Effective date of MFR valuation:

6 April 1999

Date the scheme actuary signed the MFR valuation:

31 March 2000

Date of further advice from Scheme Actuary:

25 February 2002

Period covered by this schedule:

6 April 2002 to 31 May 2005

This schedule sets out:

- The rates of contribution to be paid by the members and the employers of the G.E.C. (1972) Plan;
- The dates by which the employers are to pay the contributions to the Trustee; and
- The latest dates by which the Trustee must receive the contributions (the legal due dates).

Members' contributions

Active members contribute to the Plan 3% of their Contributory Earnings, under Rule 3.1 of The GEC Plan. These contributions are deducted by the employers at regular intervals from members' earnings; such intervals may be weekly, four-weekly, monthly or quarterly.

Each employer is to pay to the Trustee the contributions deducted on or after the sixth day of any month by the fourteenth day of the following month, and contributions deducted on or before the fifth day of any month by the fourteenth day of the same month.

Employers' contributions

With effect from 6 April 2002, each employer shall contribute to the Plan 14.2% of the Contributory Earnings of the members in its employment or a higher amount, as determined by Marconi Corporation plc under Clause 19 of the Trust Deed establishing the Plan.

For the purposes of the Pension Act 1995, and regulations made thereunder, the date by which such contributions are legally due is the nineteenth day of the month following that in which the earnings are paid. However, to ensure that the legal due date is met, each employer is to take every possible step to pay the Trustee the contributions in relation to earnings paid on or after the sixth day of any month by the fourteenth day of the following month, and the contributions in relation to earnings paid on or before the fifth day of any month by the fourteenth day of the same month.

Legal due date

The legal due date in relation to the members' contributions deducted in any month, and to employers' contributions on earnings paid in any month, is the nineteenth day of the following month. The Trustee has the discretion to report any failure to comply with the legal due date to the Occupational Pensions Regulatory Authority (OPRA), and in many circumstances is under a duty to make such a report to OPRA (and in certain cases to the Plan members also).

Administration expenses

The employers' contribution rate includes an allowance for administration expenses. No additional amounts are due in relation to expenses, except where it has been otherwise agreed by or on behalf of an employer.

Minimum Funding Requirement

The rates of contribution shown in this schedule have been certified by the Scheme Actuary as adequate for the purpose of securing that for the period covered by this schedule the Plan will meet the minimum funding requirement imposed by the Pensions Act 1995, section 56(1).

Statement of Investment Principles

1. Introduction

This Statement of Investment Principles, which supersedes the previous Statement adopted with effect from 6 December 2001, has been agreed by the Board of Stanhope Pension Trust Limited ("the Board"), the Trustee of the G.E.C. 1972 Plan ("the Plan"), following consideration of written advice from Watson Wyatt Partners LLP and consultation with Marconi Corporation plc ("Marconi"), representing the sponsoring employers. This Statement will not be amended without further written advice from a person suitably qualified in investment matters, and consultation with the employers.

A copy of this Statement, as amended from time to time, will be sent to Marconi and to each of the external investment managers employed to manage the assets of the Plan. A formal Customer Agreement between Stanhope Pension Trust Limited and each investment manager employed will be maintained at all times. The Board will seek confirmation of compliance with these principles by regular reports from the managers.

2. The kinds of investments held

The Board considers the following classes of investments to be suitable for the Plan:

Equities, convertible stocks and warrants

Fixed interest and index-linked stocks

Property

Cash deposits and short term bills and notes

Policies and bonds issued by insurance companies

Futures and options (for asset allocation changes)

Exposure to these assets may be effected via unit trusts or other collective arrangements. Forward foreign currency transactions are also permitted where they are used to hedge a foreign currency exposure back to sterling.

3. The expected return on investments

If the outlook for inflation remains unchanged and assuming that economic circumstances remain stable, then over the long term, the following average returns are expected from the assets, over and above the risk-free real return on index-linked gilts. These returns are intended to reflect likely index returns, in sterling, and not the value added (or subtracted) by the managers.

	% pa
UK equities	2½
Overseas equities	2½
Fixed interest	½
Property	1½
Cash and other	½

However, the Board recognises that, over shorter time periods, achieved returns are likely to differ markedly from those indicated above. The performance objectives given to the investment managers are annexed. They may be changed (or new managers appointed) from time to time without altering this Statement of Investment Principles, in which event the new objectives will be annexed in substitution.

4. Risk, and the balance between different kinds of investment

The Board has prescribed a strategic asset allocation benchmark, and minimum and maximum percentages of the assets that may be allocated to each class, as follows. These reflect the Board's views on the appropriate balance to be struck between returns and risk, and on the extent to which the Plan's assets should be distributed so as to match its liabilities. The benchmark, together with investment restrictions which are imposed on the managers to ensure that there is no undue concentration at the stock level, is designed to enable the Plan's investments to be suitable and to be adequately diversified insofar as is appropriate to the circumstances of the Plan. While there will be no general prohibition on appointed equity or bond managers, in regard to the size of holdings in any single security, the Board may forbid any manager from holding more than a specified proportion of its portfolio in any single security or class of security, or may (after consultation with Marconi) relax such a prohibition.

Statement of Investment Principles

4. Risk, and the balance between different kinds of investment (continued)

	Benchmark	Minimum	Maximum
	(%)	(%)	(%)
Total equities	30	0	35
Total bonds	65	50	100
Property	5	0	8
Cash and other	0	0	10
of which			
UK equities	15	0	21
Overseas equities	15	0	21
UK Fixed Interest Gilt	24	0	42
UK Fixed Interest non-Gilt	17	0	30
UK Index-Linked	24	0	42
Overseas Bonds	0	0	5

The Investment Advisory Committee continually assesses market trends and conditions and recommends amendments to the benchmark within the approved ranges.

5. Socially responsible investment

The Board considers the long term financial interests of the Plan's fund to be paramount, and encourages the investment managers to take account of social, environmental and ethical issues in selecting, retaining and realising investments insofar as this serves those interests.

The exercise of rights (including voting rights) attaching to investments is delegated by the Board to the investment managers.

6. The realisation of investments

The investment restrictions imposed on the managers ensure that a high proportion of the assets is readily realisable, and the Board and the Plan administrators will ensure that sufficient liquidity is held to meet known benefit payments. The Board is also satisfied that assets could be realised to meet unexpected cash flow requirements.

7. Performance Measurement

The Board receives an annual report on investment performance. This includes returns for each manager in each asset class and these are compared with the performance targets the managers have been set. The Investment Advisory Committee reviews investment performance with the investment consultant on a quarterly basis.

8. Minimum Funding Requirement

The Board and Marconi are seeking to employ an investment policy that they believe will lead to reasonable returns and low volatility in the funding level of the Plan. The Board believes that its policy is consistent with an expectation that the Plan will continue to satisfy the ongoing statutory Minimum Funding Requirement.

Statement of Investment Principles

Annex to Statement of Investment Principles

Investment Manager Performance Objectives

Merrill Lynch Investment Managers (“MAM”)

UK Equity (69W) Portfolio

MAM will select investments with the object of obtaining in the long term a total net return of more than 1% per annum in excess of that given by the FTSE All-Share Index.

Fidelity Pensions Management Limited

Global Equity Fund

To outperform by 1% per annum (net of fees) over rolling three year periods the benchmark set out below (“the Composite Benchmark”).

Asset	Benchmark %	Index
Equities		
UK	20	FTSE All Share Index
North America	25	FTSE All World N America Index
Europe (ex-UK)	35	FTSE All World Developed Europe ex UK Index
Pacific Basin		
Japan	12.5	FTSE All World Japan
Pacific (ex-Japan)	7.5	FTSE All World Developed Asia Pacific ex-Japan

Capital International Limited

UK & Overseas Equity Portfolio

To outperform by 1% per annum (net of fees) over rolling three year periods the benchmark set out below (“the Composite Benchmark”).

Asset	Benchmark %	Index
Equities		
UK	20	FTSE All Share Index
North America	25	FTSE All World N America Index
Europe (ex-UK)	35	FTSE All World Developed Europe ex UK Index
Pacific Basin		
Japan	12.5	FTSE All World Japan
Pacific (ex-Japan)	7.5	FTSE All World Developed Asia Pacific ex-Japan

Statement of Investment Principles

Morley Fund Management Limited UK and Overseas Bond Portfolio

The performance objective for the Fund is to outperform by 0.7% per annum (net of fees) over rolling three year periods the composite benchmark set out below ("the Composite Benchmark").

Asset	Benchmark %	Index
Sterling fixed interest UK gilts	45	Average of FTSE Actuaries All Stocks UK Gilt Index and FTSE Actuaries Over 15 Years UK Gilts Index
Non-gilts	10	Composite non-gilt index*
Sterling index-linked UK gilts Non-gilts	45	FTSE Actuaries 5 – 15 Years Index-linked Index

*Composite non-gilt index

50% - average of UBS – Warburg Sterling All Stocks AAA and Over 15 Years AAA non-gilts indices.

30% - average of UBS – Warburg Sterling All Stocks AA and Over 15 Years AA non-gilts indices.

20% - average of UBS – Warburg Sterling All Stocks A and Over 15 Years A non-gilts.

(including structured bonds in each case).

M&G Investment Management Limited UK & Overseas Bond Portfolio

The performance objective for the Fund is to outperform by 0.7% per annum (net of fees) over rolling three year periods the composite benchmark set out below ("the Composite Benchmark").

Asset	Benchmark %	Index
Sterling fixed interest UK gilts	20	Average of FTSE Actuaries All Stocks UK Gilt Index and FTSE Actuaries Over 15 Years UK Gilts Index
Non-gilts	60	Composite non-gilt index*
Sterling index-linked UK gilts Non-gilts	20	FTSE Actuaries 5 – 15 Years Index-linked Index

*Composite non-gilt index

50% - Merrill Lynch Sterling Non Gilts AAA-A rated index (code UN70)

50% - Merrill Lynch Sterling Non Gilts AAA-A rated index 15+ years (code UN78)

Directors

J M Brew

Aged 72. 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 66. 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.

M V Elliott

Aged 57. Prior to his retirement, Mick Elliott had over 40 years' service with the Marconi group. He was a senior employee representative for 25 years and became a Pension Consultative Committee member in 1999, and a director of SPT in 2001.

R J Mills

Aged 58. Prior to his retirement, Roy Mills had over 30 years' experience 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 2001.

K J O'Boyle *

Aged 44. 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 41. 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 2001.

M F Surrey

Aged 35. 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 Marconi Operations. He was appointed to the SPT Board in June 2001.

C R J Walton *

Aged 59. Prior to his retirement, Chris Walton, a chartered engineer, had over 20 year's experience as a Marconi program and planning manager. He has been a Pension Consultative Committee member since 1992, and was appointed to the SPT Board in 1993.

V A Webster *

Aged 57. Prior to his retirement, Vic Webster had over 30 year's experience as a senior technologist at Marconi Networks MVS Group in Liverpool. 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.*

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 * c/o Marconi Pensions Office PO Box 20 The Hollies Newport Road Stafford ST16 1BY	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 ** E2V Technologies Waterhouse Lane Chelmsford Essex CM1 2QU

* Mr Dronfield, Mr Chaplin and Mr Buckley are pensioners of the Plan

** Mr Kerr is a deferred pensioner 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

