



THE GEC PLAN AND
SELECTED BENEFIT
SCHEME

REPORT AND ACCOUNTS 2003

Contents

Trustee, Administration, Managers and Advisers	2
Report of the Trustee	3
Statements of the Scheme Actuary	15
Independent auditors' report to the Trustee	17
Fund Account	18
Net Assets Statement	19
Notes to the accounts	20
Financial statistics	26
Membership statistics	29
Schedule of Contributions	31
Investment Committee terms of reference	32
Directors	33
Investment Committee	34
Pension Consultative Committees	35
Other information	36

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. H. Green
P. G. Harris
R. S. Kendall
R. J. Mills
E. Nardi
M. F. Surrey
C. R. J. Walton
V. A. Webster

Secretary

G. J. Sutch

Investment managers

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

Property managers

LaSalle Investment Management

Custodians for investments

ABN AMRO Mellon

Investment Consultant

Watson Wyatt LLP

Auditors

Deloitte & Touche LLP

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 LLP
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. 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 was formerly a subsidiary of Marconi plc, which has reached a financial settlement with its creditors since 5 April 2003 resulting in the restructuring of the Marconi Group. Further details about the restructuring are given on page 5.

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 Second Pension (formerly known as the State Earnings-Related Pension Scheme (SERPS)).

The fund

The fund of the Plan reduced during the year ended 5 April 2003 by £263.0 million to £2,232.2 million.

The fund account shows net withdrawals for the year, arising from transactions with members and employers, of £249.8 million. Ignoring the effects of bulk transfers (which occur as a result of corporate sales of businesses by the participating employers) the major movements have been a reduction in contributions and an increase in pensions paid. These items are related and are the result of the significant reduction in the contributing membership of the Plan that has occurred as Marconi Corporation's business has contracted. More information on the large change in membership during the year under review is given on page 9.

The decline in the value of the assets of the Plan more than offset the income received from the investments resulting in a net reduction of £13.2 million from the investments. Plan investment performance relative to its customised benchmark was good however and a positive return on the assets was recorded for the year ended 31 December 2002. More information about investment performance is given on page 7.

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 as at 5 April 2002.

The main purposes of the valuation are to examine the financial position of the Plan and to advise SPT and Marconi Corporation of the level of contributions needed from the employers to meet the balance of cost of benefits accruing for members' future service in the Plan.

The actuary carried out the valuation using the Projected Unit method. Broadly speaking, this method produces a normal long term contribution rate required to secure each year's benefits as they accrue. Provided that new entrants continue to join the Plan at a reasonable rate, both the active membership profile of the Plan and the contribution rate should remain reasonably stable over time.

The liabilities in respect of past service were calculated by estimating the incidence, amount and probability of future benefit payments using the actuarial assumptions summarised below. These liabilities were then discounted to the valuation date by reference to an appropriate market-based discount rate and were compared to the market value of Plan assets as reported in last year's accounts. The target funding position is 100% cover of asset value relative to past service liabilities.

To assess the level of contributions required in the future, the actuary calculated the total cost of benefits accruing in the ensuing year's service by determining the addition to the past service liabilities arising from that year's service, making due allowance for expected investment returns, salary inflation, declaration of credited interest and benefit payments during the year. The discounted value of the expected members' contributions was deducted to arrive at the amount payable by the employers, which was expressed as a percentage of total pensionable pay.

Report of the Trustee

Actuarial valuation (continued)

The key issue in carrying out the valuation is the choice of discount rate, as this is critical to determining the market related value of liabilities. In making this choice, the redemption yield on index linked gilts provides a relevant indicator. In principle, an index linked gilt portfolio could be arranged so that future inflows of cash (from interest payments and principal repayments) match pension payments as they become due. Such a policy of asset and liability matching would give a high degree of confidence in the amount of index linked gilts that would be required to meet pensions in payment. For the 2002 valuation of pensioner liabilities, the actuary based the discount rate on the redemption yields available on index linked gilts, with a small margin to reflect outperformance from a portfolio diversified into corporate bonds. In the case of non-pensioner liabilities the actuary changed his approach in this valuation to be more explicit about anticipated returns on equities (prior to retirement) and bonds (after retirement). The actuary believes that it is reasonable to allow a higher expected rate of return prior to retirement, reflecting anticipated returns on equity investments, on the assumption that this will be the main asset class employed up to retirement.

As at 5 April 2002, the redemption yield available on index linked gilts was about 2.25% and the actuary has used a real rate of 2.5% to discount anticipated benefits once in payment in relation to both current and future pensioners. For non-pensioner liabilities prior to retirement the actuary assumed returns of 4.5% per annum in excess of price inflation.

The rates of discount chosen by the actuary are prudent when compared to the historical rates of return earned by the Plan. The principle underlying the valuation is that, because of the financial uncertainties and risks inherent in the Plan, the recognition of any excess returns over the assumed discount rates will be deferred to future valuations, after such returns have materialised.

The financial assumptions adopted by the actuary for the valuation at 5 April 2002 were as follows:

Long term rates of:	% per annum
Price inflation	2.75
Increases in pay (in addition to promotional increases)	4.75
Growth of basic State pension	2.75
Pension increases	2.75
Discount rate after retirement	5.25
Discount rate prior to retirement	7.25
Credited interest	5.75

The past service position of the Plan as at 5 April 2002 was as shown in the following table:

Market based value of liabilities:	£ million
Current pensioners and dependants	1,515
Deferred pensioners (excluding SBS)	512
Contributing members in respect of service to 5 April 2002	371
Terminal bonus reserve	21
SBS	75
Total accrued benefits	2,494
Market value of assets	2,495

The difference between the liabilities and assets at 5 April 2002 was negligible and, consequently, the funding level (the 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 not less than 115% and not more than 120%. 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 12 March 2003 to ensure continued compliance with the MFR.

Report of the Trustee

Actuarial valuation (continued)

The Actuary calculated that, to fund the provision of future benefits, the rate of contribution required from the employers is 8.2% of pensionable salaries. Marconi Corporation considered the advice of the Actuary and decided to contribute to the Plan at the recommended rate of 8.2% of pensionable salaries. The recommendation will be reconsidered at the date of the next valuation.

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.

Marconi plc financial restructuring

In August 2002, Marconi plc announced that its discussions with its creditors had established the principles for the financial restructuring of Marconi plc and its wholly owned subsidiary, Marconi Corporation. The restructuring envisaged in August 2002 was completed on 19 May 2003 when it was approved by the Court.

Under the arrangements, Marconi Corporation became the entity that is listed on the London Stock Exchange and the new holding company of the group. The restructuring was designed to create a stable financial foundation for Marconi Corporation from which it could move forwards with confidence.

The legal position of the Plan is unaffected by the financial restructuring; Marconi Corporation remains as the Principal Employer in the Plan and retains all of its responsibilities and obligations under the Trust Deed and Rules.

During this period of uncertainty, SPT sought to protect its ability to continue to administer the Plan by becoming the leaseholder on the offices used by Marconi Pensions Office and by purchasing the fixed assets (IT and office equipment etc) used to administer the Plan. Marconi Corporation had previously owned such assets and SPT accounted for their use by the reimbursement of the depreciation charges related to them. The value of the fixed assets is now included as an asset of the Plan.

Appointment of auditor

Following the conversion of the Plan auditor, Deloitte & Touche, to a Limited Liability Partnership (LLP) with effect from 1 August 2003, Deloitte & Touche resigned as auditors with effect from 31 July 2003 and SPT appointed its successor Deloitte & Touche LLP.

Investment Committee

Following the changes at Marconi Corporation, and in particular the termination of the operations of Stanhope Investment Management Limited (SIM), an Investment Consultant was appointed to provide advice in a number of areas including the appointment of investment managers and the monitoring of investment performance. SPT recognised that following the changes to SIM it was appropriate to review the terms of reference of the Investment Advisory Committee and decided to do so at its meeting in September 2002. SPT also decided the IAC should become a committee of the Board rather than a stand-alone body. As the interests of SPT and Marconi Corporation are similar in that both wish to maximise the investment returns and reduce risk to ensure the long-term security of the fund, it is appropriate that the IAC should include representatives of both and that the input of the independent Investment Consultant should continue.

Marconi Pensions Office was asked to develop terms of reference for the new committee. The Board of SPT approved the new terms of reference at its meeting on 12 March 2003 and the name of the committee was changed to the Investment Committee (IC). John Brew, the chairman of SPT, also acts as chairman of the IC. The terms of reference of the IC are reproduced on page 32 and a biography of each of its members appears on page 34.

Investment policy

Investments are managed in accordance with the policy determined by SPT, having regard to the recommendations of the IC. 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. During the period under review, all investments were made in accordance with the SIP. 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 and property management and custody

The investment and property managers are appointed by SPT and their objectives are laid down in customer agreements. All investment managers are authorised by the Financial Services Authority (FSA).

A full review of the investment management arrangements was undertaken by SPT in the year and new agreements relating to global equity portfolios were put in place with Fidelity Pensions Management and Capital International. Morley Fund Management Limited (MFML) and M&G Investment Management (M&G) were retained to manage the bond portfolios and Merrill Lynch Investment Managers (MLIM) continue to manage a proportion of the Plan's equity investments. Agreements were terminated with the remaining managers that are referred to in the table below and assets held by them were transferred to the new managers as appropriate.

Property investments are managed by SPT, with advice from La Salle Investment Management (La Salle), a specialist property management company. La Salle was chosen as the single property adviser following a review to determine the future strategy relating to property management. La Salle was selected as it best met the trustee's requirements and, as a result, the agreements with the other managers listed in last year's report have been terminated.

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

Investment managers and portfolios	5 April 2003		5 April 2002	
	£m	%	£m	%
Capital International				
<i>Global equities</i>	156.8	7	0.0	0
Deutsche Asset Management				
<i>Short dated US Treasury Bonds</i>	0.0	0	46.8	2
Fidelity Pensions Management				
<i>Global equities</i>	162.1	7	0.0	0
M&G Investment Management				
<i>International bonds</i>	609.9	28	581.6	23
Morley Fund Management Limited				
<i>International bonds</i>	1,087.6	49	1,039.5	42
JP Morgan Fleming Asset Management				
<i>Japanese equities</i>	0.0	0	86.4	3
Merrill Lynch Investment Managers				
<i>UK equities</i>	212.6	9	433.7	18
<i>European equities</i>	0.0	0	177.5	7
Total	212.6	9	611.2	25
Total externally managed assets	2,229.0	100	2,365.5	95
SPT				
<i>Short-term deposits</i>	11.0	0	32.4	1
<i>Property</i>	107.6	5	110.7	5
<i>Other</i>	(115.4)	(5)	(13.4)	(1)
Total	3.2	0	129.7	5
Total assets	2,232.2	100	2,495.2	100

The amounts shown above for each manager include net current assets/(liabilities).

ABN AMRO Mellon acts as the global custodian for the Plan's assets. The performance of the custodian is monitored on a regular basis by Marconi Pensions Office on behalf of the trustee.

Report of the Trustee

Myners Report

Paul Myners was commissioned by the Government to review Institutional Investment in the UK. The resulting report: "Institutional Investment in the UK: A Review", proposed improvements to the investment decision making by Pension Funds trustees and other Institutional Investors. It did so by setting out a series of principles which trustees were recommended to use when considering Investment Policy. These were:

- Effective decision making
- Clear objectives
- Focus on asset allocation
- Expert advice
- Explicit mandates
- Activism
- Benchmarks
- Performance measurement
- Transparency
- Regular reporting

SPT has always aimed to follow good practice and consequently considered the report and reviewed the principles in detail. SPT considers that it complies with the principles.

Investment performance to 31 December 2002

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, until the current year, were obtained from a service provided by The WM Company (WM). Watson Wyatt Partners have measured this year's performance with the change being made because the introduction of a Plan specific benchmark makes the comparison with other funds less relevant.

SPT now measures 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 tables below summarise the Plan asset distribution and the performance results for the period ended 31 December 2002.

Category of investment	Distribution 31 December 2002			
	Plan %		Benchmark %	
Fixed interest				
UK	43		41	
Overseas	1		0	
Index-linked	28		24	
UK equities	12		15	
Overseas equities	11		15	
Property	5		5	
Cash & net current assets	0		0	
Total	100		100	
	Annualised return % per annum			
	One Year	Three Years	Four Years	Ten Years
Plan	0.6	0.3	6.2	10.2
Customised benchmark	0.2	(2.8)	1.6	Not applicable

Report of the Trustee

Investment performance to 31 December 2002 (continued)

The customised benchmark is shown for one year, three years and four years, as it is only in the last four 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 2002, equities again performed poorly and recorded a third successive negative return whilst conventional bonds and property again made positive returns.

Equity markets continued to be dominated by negative sentiment with the US stock market recording falls that have only been worse on two previous occasions – the Wall Street crash of 1929 (followed by the Great Depression) and the Japanese attack on Pearl Harbour. In London, the equity market had demonstrated a degree of defensiveness but it also fell heavily by around 22% in four months as insurers were forced to sell equities to maintain solvency ratios.

Bonds performed strongly over the year, which, in part, was due to pension funds taking a more defensive stance and matching assets to their liability profiles and the need for insurance companies to address their solvency issues. The change made by SPT to a liability-led investment strategy means that the plan assets are closely matched to its liabilities. Although it is not possible to exactly match the expected future cash flows an investment in bonds provides a close fit. The move to bond investments, however, may mean that the overall return that the Plan is able to achieve is reduced.

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 2003 total expenses amounted to £7.1 million (2002 £8.4 million).

In recent years the administration costs (excluding investment management activities) have been shown in the report as a percentage of the sum of normal contributions to The GEC Plan and additional voluntary contributions (AVCs). This year, such a comparison would show a large increase due to the reduction in the contributing membership in the year to 5 April 2003 and would therefore reflect the change in the profile of the membership rather than the change in administration efficiency.

Consequently it has been decided to show the expenses of running the Pensions Office as a cost per member based on the whole membership of the Plan. As this is the first year that such a measure has been used it has been decided to show comparative figures for the last five years:

Year ended 5 April	Total membership	Pensions Office expenses £ million	Cost per member £
1999	180,125	5.0	27.76
2000	156,431	6.0	38.36
2001	88,677	3.9	43.98
2002	85,468	3.3	38.61
2003	75,765	2.1	27.72

Work on the replacement of the pensions administration systems commenced in late 1999 and the figures for the middle years shown above reflect the increased costs that were payable whilst construction of the new systems was under way. The 2003 cost of running the Pensions Office reflects a full year effect of the efficiency gains that have been delivered by the new systems. It must also be recognised that the figures for each year are not strictly comparable because of the changing member numbers and profile.

Report of the Trustee

Membership

Category of member	5 April 2003	5 April 2002
Contributor to The GEC Plan	4,103	11,748
AVC contributor – SBS	1,199	3,414
AVC contributor – SLAC	479	0
AVC contributor – MLIM	450	0
Pensioner	39,128	38,794
Deferred pensioner	32,534	34,926

The number of members contributing to The GEC Plan decreased substantially during the year. This change was mainly due to two factors: the sale of the General Domestic Appliances business by Marconi Corporation which resulted in 4,200 members leaving the Plan, and the steep decline in the number of people employed by Marconi Corporation and its subsidiary companies. Following the successful financial reconstruction of Marconi Corporation referred to earlier in the report, it is expected that the Plan membership will now stabilise. Pensioner numbers in the period have increased, which reflects the growing maturity of the Plan.

Perhaps a little surprisingly, deferred pensioner numbers have decreased. During the year, SPT has been actively tracing deferred pensioners with a benefit secured by the Equivalent Pension Benefit (the forerunner of SERPS). In most cases this represents a very small cash benefit that is costly to maintain and administer and as a result of the action taken by SPT many of these benefits have been paid.

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

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 2.9%, which corresponds with the increase in the RPI over the twelve-month period to January 2003, was applied to most pensions with effect from 1 May 2003. Proportionate increases were awarded to pensions that became deferred or commenced payment after 1 May 2002. 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 %
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
1998	3.5	3.3	2003	2.9	2.9

The average rate of increase awarded to a Plan pension that commenced payment on 1 May 1993 is 2.6% per annum, slightly higher than the average rate of change in the RPI over the same period.

Report of the Trustee

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%.

In last year's report, the possible effects of the liability-led investment strategy adopted by SPT were outlined and in particular that this strategy will almost certainly result in declarations of lower rates of credited interest than was previously the case. For the year ending 5 April 2003, SPT declared a credited interest rate of 2.5% with a terminal bonus to be applied to those who left or died or transferred their SBS balance to an external provider during the year. The terminal bonus for those who were members prior to 6 April 2002 was 5% and for those who were members only for the period since 6 April 2002 the terminal bonus was 2%, making a total of 7.5% and 4.5% respectively for those members.

At a meeting in March 2003, SPT considered whether the terminal bonuses could be applied as an additional top-up to members who remained in the Plan at 5 April 2003 but, in the light of market volatility and the current funding position of the Plan, decided that this was not possible.

For the year commencing 6 April 2003, SPT has again been prudent in setting a rate of 2.5% for the year. SPT also declared a terminal bonus to be applied to those who left or died or transferred their SBS balance to an external provider during the year. The terminal bonus for those who were members prior to 6 April 2002 will be 5% and for those who were members for the period 6 April 2002 to 5 April 2003, the terminal bonus will be 2%, making a total of 7.5% and 4.5% respectively for those members.

Rates applicable for active members for the ten years since 6 April 1994 are set out below:

Plan year to 5 April	Rate of credited interest %	Plan year to 5 April	Rate of credited interest %
1995	13.50	2000	9.50
1996	12.50	2001	9.00
1997	11.00	2002	2.50
1998	11.00	2003	2.50
1999	11.00	2004	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 2004 is 8.4% per annum.

Additional Voluntary Contributions (AVCs)

As reported last year, SPT has introduced new investment choices for members to provide them with flexibility and choice in the investment of their AVCs. The Standard Life Assurance Company (SLAC) offers a with-profits choice, whilst Merrill Lynch Pensions Limited (MLPL) offers a series of unit-linked investments.

Existing members of SBS have an option to transfer their benefits to the external providers and if they do so by 5 April 2004 (but not necessarily after that date) they become entitled to the terminal bonuses, as explained above. In the year to 5 April 2003 aggregate amounts of £2.4 million and £2.9 million were transferred to SLAC and MLPL, respectively, as a result of members opting to transfer their SBS balances.

Report of the Trustee

Benefits

Changes in benefits

As a result of the funding position of the Plan, SPT has reviewed the benefits provided by the Plan, particularly in those areas where discretionary powers of the trustee resulted in benefits being paid that were not actuarially neutral.

SPT decided to reduce the assumption regarding the future rate of credited interest to 2.5% per annum when calculating transfer values. This change was made at the meeting of the trustee on 23 October 2002 and was effective immediately. The change brought transfer quotations into line with rates being awarded to active members.

Early retirement factors have been amended to a cost neutral basis with effect from 5 April 2002. Since the provisional valuation results as at 5 April 2002 were not immediately available, SPT used its discretion to pay benefits based on the old early retirement factors in respect of final quotations issued prior to 12 December 2002.

On the advice of the Actuary, the calculation of transfer values from January 2003 has been amended to ensure that they continue to reflect the expected cost to the Plan of the benefits given up. For most members the transfer value will exceed the value of benefits calculated under statutory MFR requirements.

The option for members to convert their SBS balances into a pension payable from The GEC Plan was withdrawn at the meeting on 23 October 2002. The alternative arrangement put in place from that date was the purchase of an annuity from an insurance company. Hargreaves Lansdowne, an annuity bureau, have been appointed by SPT to assist members in this process.

The changes in the benefit structure will result in the Plan becoming more secure and stable and have been made in the interests of the whole membership of the Plan.

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 2003 has increased when compared to the previous year because pensions grew at a faster rate than the annual increase awarded on 1 May 2002. 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 73.2 years (2002 73.7 years). This reduction in the average age of pensioners is unexpected and it results from an increase in the number of members taking early retirement. A large proportion of the new pensioners that have been added to the pension payroll have been younger than would normally have been expected.

New pensions tend to be higher than those already in payment as they reflect service and salary levels at the date of retirement and the average pension in payment amounted to £3,417 per annum at 5 April 2003 (2002 £3,175 per annum), an increase of over 7.5%. The average rate of pension paid to new joiners on the payroll amounted to £5,337 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 £4.8 million in the year to 5 April 2003 (2002 £8.5 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 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.

Report of the Trustee

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 should be returned direct to, and 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; 51 retiring employees or dependants used the service during the year (2002 59).

Disposals of businesses by employers

Following the disposal of the communication manufacturing businesses of Marconi 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. 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 Circuit Pension Scheme (Jabil 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 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 was included in the accounts for the year ended 5 April 2002 representing the estimated outstanding amount due to be transferred at that date. The balance of the transfer is subject to adjustments related to the return on The GEC Plan and it remains outstanding at 5 April 2003. As a result the provision has been reduced to £3.4 million and the transfer is expected to be finalised and paid during the current year.

Employees of EASAMS Limited, which was sold to ITNET Limited, were offered the opportunity of transferring their interests in the Plan to their new employer's scheme. A provision of £1.3 million was included in the accounts for the year ended 5 April 2002 representing the transfer that was expected to be made in respect of the 45 members who had chosen to transfer. The transfer was completed in the current year and amounted to £1.2 million.

Transfer arrangements relating to 151 members employed in the businesses of Woods Air Movement, referred to in last year's report have been completed during the year and an amount of £3.8 million is included in the accounts relating to this transfer.

Transfer arrangements relating to members employed by General Domestic Appliances, which was sold to Merloni Elettrodomestici S.p.A. in December 2001 and was referred to in last year's report, have not yet been completed. At its meeting on 25 June 2003, SPT agreed in principle to put transfer arrangements in place with the trustee of the Merloni Domestic Appliances Limited Pension Scheme that will result in the transfer of the benefits of the 4,211 members concerned. Consequently, a provision of £112.5 million is included in the accounts in respect of this transaction.

Members employed in Marconi Data Systems Limited and Marconi Commerce Systems Limited, which were sold to Danaher Corporation continued to participate in the Plan until 31 December 2002. No transfer arrangements were made in respect of these companies' employees and their deferred pensions remain payable from the Plan. Similarly, employees of Marconi Mobile, which was sold to 3i, continued to participate in the Plan until 3 August 2003 and retain deferred benefits in the Plan.

Since the year-end, Marconi Corporation has announced that it has completed a corporate transaction to outsource its Information Technology capability to the Computer Sciences Corporation, which involves the transfer of 79 employees. Discussions between SPT and the trustee of the Computer Sciences Corporation Limited Pension Scheme are currently taking place and it is expected that there will be an opportunity for the affected employees to transfer their benefits to their new employer's scheme. In addition, and as part of the same corporate transaction, 14 employees were transferred to the British Telecom Group plc. Discussions between SPT and the trustee of the BT Retirement Plan are also taking place with a view to providing those members affected with an opportunity to transfer their benefits to their new employer's scheme.

Report of the Trustee

Communication

Application forms to join the Plan are made available to all new eligible employees, together with the Plan booklet. Copies of these documents are available on request to HR departments, Pensions Office or SPT.

Contributing members, deferred pensioners and pensioners receive a yearly statement of benefits with further statements provided for members who pay AVCs, whether invested internally or with the external providers, SLAC and MLPL.

The 2002 report and accounts was made available to members through their respective employers, and direct to members, pensioners and deferred pensioners to meet specific requests and was also provided in electronic form on the Pensions Office web site. Each member, pensioner and deferred pensioner was sent a copy of a leaflet, "Pensions Update", which included highlights from the 2002 report and accounts, together with other important announcements relating to the Plan. There will be a similar document circulated this year to all scheme members and the report and accounts will be distributed when requested and will again be available via the web site.

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 Pensions Office, they should write to the address given on page 2, 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 Chairman or Secretary of the PCC via the Pensions Office.

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 Pensions Office procedures. Consideration of ways to enhance communications and presentations to members is a continuous process within the Pensions Office. Regular updates about the Plan are now issued and general information can be obtained from the Pensions Office website, www.marconi-pensions.co.uk

During the year the Pensions Office has carried out a number of surveys of retiring members to ascertain the level of service provided. The results of these surveys have been very positive with many complimentary comments being made regarding the level of service. A recurring theme in the survey is the member's appreciation of the personal service provided by the Pensions Office staff, in contrast to an impersonal push button call centre approach.

There were of course some critical comments made by members and the management of the Pensions Office has addressed the issues raised. It is always encouraging to receive feedback from members, whether positive or negative, and SPT encourages members to write to Pensions Office with any comments or suggestions they may have regarding the service provided.

Carplan for Pensionholders

Carplan for Pensionholders, a scheme that offers the opportunity to pensioners to purchase a motor vehicle at a discounted price, was launched late in 2001 with the support of SPT. Since then, a number of pensioners have taken advantage of the scheme, which is completely separate from the benefits provided by the Plan. SPT obtains no benefit from the scheme and pensioners should satisfy themselves regarding the rates.

The scheme is operated by Alphabet (GB) Limited and the contact telephone helpline is 0870 50 50 109.

Financial statements

SPT is responsible for preparing the financial statements that follow this report, which are required to comply with applicable UK law and accounting standards. 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".

Report of the Trustee

Financial statements (continued)

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.

Member Nominated Directors (MNDs)

The Pensions Act 1995 places a statutory obligation on SPT to secure the nomination of MNDs to the Board, or (as in the case of the Plan) to implement an agreed alternative, and thus on Marconi Corporation to appoint the nominated directors. This requirement is met by the operation of the PCC, elected by the Plan members at each business unit, which nominates four directors to be appointed to the SPT Board. Members of the Plan may continue to serve on the PCC for the remainder of their period of office, if they so wish, after having left the employment of Marconi Corporation or another participating employer.

Further information relating to the PCC, including details of a change in the structure, is given on page 35.

Trustee Board

The following changes have been made in the composition of the Board since 5 April 2002:

Appointments **Ms K H Jenkins** on 17 July 2002. Kathy Jenkins was Executive Vice President HR at the Capital Division of Marconi Corporation (see below).

Ms E Nardi on 22 November 2002. Elisa Nardi is Executive Vice President Resourcing and Development at Marconi Corporation.

Mr R H Green on 22 November 2002. Rob Green is Executive Vice President Finance Shared Services at Marconi Corporation.

Mr R S Kendall on 22 November 2002. Richard Kendall is Executive Vice President Sales Operations and Commercial at Marconi Corporation.

Mr P G Harris on 13 June 2003. Pete Harris is Head of Compensation, Pensions and Benefits at Marconi Corporation.

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

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

Mr D W Marsden on 10 October 2002. David Marsden, a director since March 2000, resigned consequent upon him ceasing employment with Marconi Corporation.

Mr C F N Samuel on 1 November 2002. Clifford Samuel, a director since March 2000, resigned consequent upon him ceasing employment with Marconi Corporation.

Mr K J O'Boyle on 13 June 2003. Kevin O'Boyle, a director since April 1999, resigned consequent upon him ceasing employment with Marconi Corporation.

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 33.

In the year under review there has also been two changes of Company Secretary. Stephen Hart resigned on 30 April 2002 consequent upon him ceasing employment with Marconi Corporation and was replaced by Christopher Clifton. Christopher resigned on 6 February 2003 as a consequence of the appointment by Marconi Corporation of the UK Pensions Manager, Graham Sutch, who undertook the role from the same date.



P G Harris
Director

4 November 2003

Statements of the Scheme Actuary

Actuarial statement made for the purposes of regulation 30 of the Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996

Name of scheme: The G.E.C. 1972 Plan ("the scheme")

Effective date of valuation: 5 April 2002

1 Security of prospective rights

In my opinion, the resources of the scheme are likely in the normal course of events to meet in full the liabilities of the scheme 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 8.2% of earnings subject to review at future valuations.

2 Summary of the methods and assumptions used

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

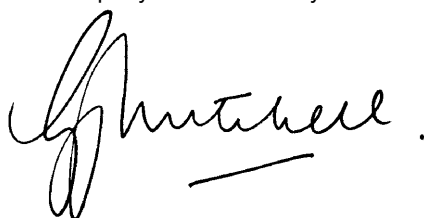
The liabilities referred to in this Statement relate to the benefits which are expected to become payable under the normal operation of the scheme. They take account of future benefit accruals and include appropriate allowance for future increases in salaries and credited interest.

This statement does not address the situation were the scheme to be discontinued, further consideration of which is set out in my actuarial valuation addressed to the Trustee dated February 2003.

Funding method: Projected unit

Long term rates of:	Nominal % pa
Price inflation	2.75
Increases in pay (in addition to promotional increases)	4.75
Growth of basic State pension	2.75
Pension increases	2.75
Discount rate after retirement	5.25
Discount rate prior to retirement	7.25
Credited interest	5.75

Further details of the methods and assumptions used are set out in my actuarial valuation addressed to the Trustee and the Company dated February 2003.



Signed **Graham Mitchell**
Fellow of the Institute of Actuaries
Partner
Watson Wyatt LLP
February 2003

Three Brindleyplace
Birmingham
B1 2LN

Statements of the Scheme Actuary

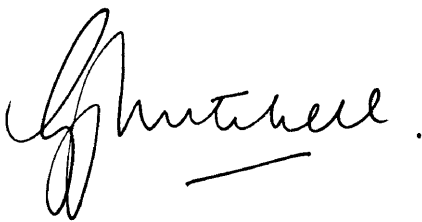
Actuarial Certificate given for the purposes of section 58 of the Pensions Act 1995 (Certificate of Schedule of Contributions)

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 the schedule of contributions dated 6 and 12 March 2003 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 March 2003

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 that is reproduced on page 31.

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 2003 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.

This report is made solely to the trustee, as a body, in accordance with regulations 3 and 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our audit and examination work has been undertaken so that we might state to the trustee those matters we are required to state to them in an auditors' report and statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the trustee as a body for our audit and examination work, for this report and statement, or for the opinions we have formed.

Respective responsibilities of trustee and auditors

As described in the statement of trustee's responsibilities, the Plan'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 Plan 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 Plan and the timing of those payments in order to provide us with reasonable assurance that contributions have been paid in accordance with the schedules of contributions certified by the actuary and detailed below.

Statement about contributions under the Plan

In our opinion contributions payable to the Plan during the year ended 5 April 2003 have been paid in accordance with the schedules of contributions certified by the actuary as follows.

Effective date of schedule of contributions	Rate of employee/employer contributions	Date certified by Actuary
6 April 2002	3%/14.2%	19 June 2002
1 November 2002	3%/8.2%	17 December 2002
12 March 2003	3%/8.2%	19 March 2003

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 2003, 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 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 LLP

Deloitte & Touche LLP
Chartered Accountants
Registered Auditors
Birmingham

5 November 2003

Fund Account

for the year ended 5 April 2003

	Note	Year to 5 April 2003 £ million	Year to 5 April 2002 £ million
Contributions to The GEC Plan	2		
Members'		6.1	12.0
Employers'		24.8	26.4
		<u>30.9</u>	<u>38.4</u>
Members' Additional Voluntary Contributions	2		
Internally invested in SBS		8.5	12.0
Externally invested		0.8	0.0
		<u>9.3</u>	<u>12.0</u>
<i>Total</i>		<u>40.2</u>	<u>50.4</u>
Benefits paid	3	167.1	162.6
Transfer values paid	4		
Individual		4.8	8.5
Bulk exercises		115.6	62.6
		<u>120.4</u>	<u>71.1</u>
Administration expenses	5	2.5	4.1
Premiums to life office	6	0.0	0.1
<i>Total</i>		<u>290.0</u>	<u>237.9</u>
Net withdrawals arising from transactions with members and employers		(249.8)	(187.5)
Returns on investments			
Investment income	7	104.8	84.5
Investment management expenses	8	(4.6)	(4.3)
Changes in market values of investments	9	(113.4)	(76.4)
Net returns on investments		<u>(13.2)</u>	<u>3.8</u>
Net decrease in the Fund during the year		(263.0)	(183.7)
Net assets at the beginning of the year		<u>2,495.2</u>	<u>2,678.9</u>
Net assets at the end of the year		<u>2,232.2</u>	<u>2,495.2</u>



Net Assets Statement

at 5 April 2003

	Note	At 5 April 2003 £ million	At 5 April 2002 £ million
ASSETS DESIGNATED TO MEMBERS	9		
MLPL unit linked investments		3.1	0.0
SLAC With Profits fund		1.9	0.0
		<u>5.0</u>	<u>0.0</u>
ASSETS NOT DESIGNATED TO MEMBERS	9		
Fixed interest securities			
UK		938.7	1,053.3
Overseas		102.5	86.5
		<u>1,041.2</u>	<u>1,139.8</u>
Index-linked securities			
UK		648.7	401.2
Overseas		0.0	87.5
		<u>648.7</u>	<u>488.7</u>
Equities			
UK		271.7	395.3
Overseas		247.8	278.5
		<u>519.5</u>	<u>673.8</u>
Property		107.6	110.3
Insurance policies		1.2	1.4
Sterling short-term deposits		23.8	86.6
Foreign currencies		2.0	1.1
<i>Total investments</i>		<u>2,349.0</u>	<u>2,501.7</u>
Fixed assets	10	0.1	0.0
Net current liabilities	11	(116.9)	(6.5)
Net assets at end of the year		<u>2,232.2</u>	<u>2,495.2</u>

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

Approved by
Stanhope Pension Trust Limited
on 4 November 2003



 P.G. Harris
 M.F. Surrey

} 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. In the case of the transfer involving General Domestic Appliances Limited's employees, a formal transfer agreement has yet to be signed although the trustees have accepted the transfer basis set out in the Commercial Agreement between Marconi and Merloni Elettrodomestici S.p.A. and expect that the transfer will go ahead shortly.

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 2003 adjusted, where applicable, by accrued interest.

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

All properties were revalued at 5 April 2003 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 15.

Overseas investments' values are translated into sterling at the rates of exchange ruling as at 5 April 2003.

Fixed assets are valued at cost less depreciation. Such assets are depreciated over their expected useful lives of between two and ten years.

2 Contributions

(a) Members contributed to The GEC Plan at a rate of 3% of earnings. Members can also make additional voluntary contributions at varying amounts specified by them, subject to the limits imposed by legislation. Additional voluntary contributions are held internally in SBS to provide retirement benefits and death in service benefits or are held externally by Merrill Lynch Pensions Limited or the Standard Life Assurance Company. Merrill Lynch provide a range of unit-linked investment funds whilst Standard Life provide a with-profits fund.

(b) Employers contributed to The GEC Plan at a rate of 14.2% of members' earnings for the period 6 April 2002 to 31 October 2002 and at a rate of 8.2% of members' earnings for the rest of the year. The employers' average rate of contribution during the year was 11.6% (2002 6.6%). Where applicable, employers also made contributions to SBS to augment members' benefits.

Notes to the Accounts

3 Benefits paid

	2003			2002
	The GEC Plan £ million	SBS £ million	Total £ million	Total £ million
Pensions	129.4	0.0	129.4	120.8
Cash sums on retirement	35.2	0.2	35.4	38.4
Capital payments on death	1.1	0.0	1.1	2.0
Refunds of members' contributions with credited interest				
on death	0.6	0.1	0.7	0.8
on leaving service	0.4	0.1	0.5	0.6
	<u>166.7</u>	<u>0.4</u>	<u>167.1</u>	<u>162.6</u>

Benefits take account of improvements effective during the year; most pensions in payment, deferred pensions and contingent pensions were increased by 1.3% on 1 May 2002.

Transfers of assets from SBS to purchase pensions in The GEC Plan for members retiring in the year ended 5 April 2003 amounted to £20.9 million (2002 £18.8 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 comprise amounts that were paid to personal pension providers and to other employer's pension schemes at the request of members who had left pensionable service, in lieu of benefits to which they were entitled.

	2003			2002
	The GEC Plan £ million	SBS £ million	Total £ million	Total £ million
Personal pension providers	2.5	0.7	3.2	4.8
Other employers' schemes	1.4	0.2	1.6	3.7
	<u>3.9</u>	<u>0.9</u>	<u>4.8</u>	<u>8.5</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:

	2003			2002
	The GEC Plan £ million	SBS £ million	Total £ million	Total £ million
Merloni Domestic Appliances Limited Pension Scheme	103.7	8.8	112.5	0.0
Woods Air Movement Pension Plan	3.5	0.3	3.8	0.0
Jabil Circuit Pension Scheme	(0.6)	0.0	(0.6)	38.9
Avery Berkel Group Personal Pension Plan	0.0	0.0	0.0	22.9
ITNET Flexible Pension Scheme	(0.1)	0.0	(0.1)	1.3
Berkel Guaranteed Minimum Pensions	0.0	0.0	0.0	(0.5)
	<u>106.5</u>	<u>9.1</u>	<u>115.6</u>	<u>62.6</u>

Notes to the Accounts

5 Administration expenses

	2003	2002
	£ million	£ million
Marconi Pensions Office	2.1	3.3
Actuarial, audit and legal fees	0.4	0.8
	<u>2.5</u>	<u>4.1</u>

6 Premiums to life office

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

7 Investment income

		2003	2002
		£ million	£ million
Fixed interest securities			
UK	60.4	29.2	
Overseas	1.4	1.7	
Index-linked securities			
UK	14.0	7.4	
Overseas	1.6	3.5	
Equities			
UK	9.5	25.0	
Overseas	5.0	3.8	
		<u>91.9</u>	70.6
Property		11.0	10.6
Short-term deposits		<u>1.9</u>	3.3
		<u>104.8</u>	<u>84.5</u>

8 Investment management expenses

	2003	2002
	£ million	£ million
Investment management and custody	3.8	2.9
Property management	0.8	1.4
	<u>4.6</u>	<u>4.3</u>

Fees charged by the 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.

Basic custody fees are calculated as a percentage of the market value of the investments held by the custodian, with additional charges made for specific additional services.

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 2003

	Market values at 5 April 2002 £ million	Purchases at cost £ million	Sales proceeds £ million	Net investment £ million	Changes in market values of investments £ million	Market values at 5 April 2003 £ million
Assets designated to members						
MLPL unit linked investments	0.0	3.4	(0.3)	3.1	0.0	3.1
SLAC With Profits fund	0.0	2.7	(0.2)	2.5	(0.6)	1.9
Assets not designated to members						
Fixed interest securities						
UK	1,053.3	1,554.2	(1,708.1)	(153.9)	39.3	938.7
Overseas	86.5	217.6	(203.6)	14.0	2.0	102.5
Index-linked						
UK	401.2	687.1	(483.5)	203.6	43.9	648.7
Overseas	87.5	11.7	(96.9)	(85.2)	(2.3)	0.0
Equities						
UK	395.3	125.1	(144.2)	(19.1)	(104.5)	271.7
Overseas	278.5	397.6	(336.0)	61.6	(92.3)	247.8
Freehold and leasehold property	110.3	0.0	(0.2)	(0.2)	(2.5)	107.6
Insurance policies	1.4	0.0	0.0	0.0	(0.2)	1.2
		<u>2,999.4</u>	<u>(2,973.0)</u>			
Sterling short term deposits	86.6			(62.8)	0.0	23.8
Foreign currencies	1.1			(2.9)	3.8	2.0
Total investments	<u>2,501.7</u>			<u>(39.3)</u>	<u>(113.4)</u>	<u>2,349.0</u>
Fixed assets	0.0			0.1	0.0	0.1
Net current liabilities	(6.5)			(110.4)	0.0	(116.9)
	<u>2,495.2</u>			<u>(149.6)</u>	<u>(113.4)</u>	<u>2,232.2</u>

Notes to the Accounts

9 Investments (continued)

- (a) Since 6 April 2002, members have had an opportunity to pay additional voluntary contributions to the Standard Life Assurance Company (SLAC) or to Merrill Lynch Pensions Limited (MLPL), rather than to SBS. In addition to paying regular contributions to either SLAC or MLPL members have also been given an option to transfer their SBS balances, and included in the above figures is an aggregate amount of £5.2 million relating to transfers of balances. In the above table the "Assets designated to members" represents the contributions and transfers paid to the two external providers. Investments purchased by the Plan with the external providers are allocated to provide benefits to the members on whose behalf the corresponding contributions or transfers were paid.

The contributions of those members who chose to continue to contribute to SBS are pooled with the assets of The GEC Plan and a separate account is maintained for each member. Members receive credited interest on their individual SBS balance each month. In the section of the above table titled "Assets not designated to members", the combined assets of The GEC Plan and SBS are shown. The value of members' separate accounts within SBS at 5 April 2003 was £43.1 million (2002 £69.8 million). The amount at 5 April 2002 has been restated due to a change in the calculation method and the large difference between the two year ends is a result of the transfers referred to in the preceding paragraph and the provision included in the accounts relating to the transfer of the employees of General Domestic Appliances Limited.

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

	At 5 April 2003 £ million	At 5 April 2002 £ million
HSBC Bank plc	11.0	32.4
Abbey National plc	5.0	19.3
Dresdner Bank plc	3.3	0.0
Boston Safe Deposit Company Limited	3.0	29.6
Barclays plc	1.5	1.5
Other	0.0	3.8
	<u>23.8</u>	<u>86.6</u>

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

- (c) Foreign currencies comprised:

	At 5 April 2003 £ million	At 5 April 2002 £ million
Japanese Yen	0.7	1.2
US dollar	0.4	0.0
Other	1.6	0.0
Forward contracts	(0.7)	(0.1)
	<u>2.0</u>	<u>1.1</u>

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

There were no investments in participating employers at the year-end (2002 £0.1 million). The Marconi plc shares held at 5 April 2002 were 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 (2002 Nil).

Notes to the Accounts

9 Investments (continued)

(f)	The market value of holdings in unit trusts comprised:	At 5 April 2003 £ million	At 5 April 2002 £ million
	Operating companies registered outside the UK	0.0	19.0
	Operating companies registered within the UK	0.0	0.0

(g) At 5 April 2003 the Plan held the following stocks which comprised more than 5% of the net assets of the Plan.

	At 5 April 2003		At 5 April 2002	
	£ million	% of Plan assets	£ million	% of Plan assets
UK Treasury 2.5% Index-linked 2011	279.0	12.5	165.6	6.6

10 Fixed assets

During the year operational fixed assets, such as office furniture and IT equipment, were purchased by SPT from Marconi Corporation.

11 Net current liabilities

	2003 £ million	2002 £ million
Debtors		
Investments sold	25.7	1.1
Investment income	3.7	5.8
Other	0.4	0.5
Due from employers	0.0	0.8
	29.8	8.2
Bank balances - current accounts overdrawn	(0.5)	(1.4)
Creditors		
Transfers to other pension schemes	(116.8)	(5.8)
Benefits	(0.7)	(2.6)
Administration and investment expenses	(2.1)	(2.0)
PAYE	(2.1)	(1.6)
Investment income in advance	0.0	(0.6)
Investments purchased	(24.4)	(0.3)
Other	(0.1)	(0.4)
	(146.2)	(13.3)
	(116.9)	(6.5)

12 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.

Financial Statistics

Five years to 5 April 2003

Fund account	2003	2002	2001	2000	1999
	£ million	£ million	£ million	£ million	£ million
Transactions involving members and employers					
Additions to the Fund					
Contributions					
Members' to The GEC Plan	6.1	12.0	13.0	24.8	32.2
Employers' to The GEC Plan	24.8	26.4	28.9	54.7	70.9
Internally invested AVCs - SBS	8.5	12.0	8.7	17.0	22.4
Externally invested AVCs	0.8	0.0	0.0	0.0	0.0
Transfer values Individual	0.0	0.0	0.1	0.0	0.3
Bulk	0.0	0.0	0.0	0.1	23.8
Receipts from life office	0.0	0.0	0.0	0.1	0.3
Total	40.2	50.4	50.7	96.7	149.9
Withdrawals from the Fund					
Benefits paid	167.1	162.6	133.5	261.8	285.2
Transfer values Individual	4.8	8.5	3.6	6.0	8.1
Bulk	115.6	62.6	2,681.1	1,025.1	20.4
Administration expenses	2.5	4.1	4.3	6.5	5.7
Premiums to life office	0.0	0.1	0.1	0.2	0.3
Total	(290.0)	(237.9)	(2,822.6)	(1,299.6)	(319.7)
Returns on investments					
Investment income	104.8	84.5	105.9	192.1	206.1
Investment management expenses	(4.6)	(4.3)	(4.4)	(4.9)	(4.2)
Changes in market value of investments	(113.4)	(76.4)	(59.4)	359.6	253.7
Net returns on investments	(13.2)	3.8	42.1	546.8	455.6
Net increase (decrease) in the Fund	(263.0)	(183.7)	(2,729.8)	(656.1)	285.8
Fund at the beginning of the year	2,495.2	2,678.9	5,408.7	6,064.8	5,779.0
Fund at the end of the year	2,232.2	2,495.2	2,678.9	5,408.7	6,064.8
Distribution of net assets of the Fund					
	%	%	%	%	%
Assets designated to members	0.2	0.0	0.0	0.0	0.0
Assets not designated to members					
Fixed interest securities					
UK	42.0	42.2	24.5	23.5	23.2
Overseas	4.6	3.5	2.3	2.4	3.9
Index-linked securities					
UK	29.1	16.1	8.3	3.2	2.5
Overseas	0.0	3.5	4.1	5.2	3.4
Equities					
UK	12.2	15.8	43.2	43.8	47.6
Overseas	11.1	11.1	12.1	13.4	12.2
Property	4.8	4.4	5.7	4.0	3.2
Managed funds	0.0	0.0	–	0.5	0.7
Insurance policies	0.1	0.1	0.1	–	0.1
Short-term deposits	1.2	3.5	4.0	3.8	3.8
Net current (liabilities) / assets	(5.3)	(0.2)	(4.3)	0.2	(0.6)
	100.0	100.0	100.0	100.0	100.0
Investment performance for year to previous 31 December	%	%	%	%	%
	0.6	(4.2)	4.7	17.8	13.9

Financial Statistics

Largest equity holdings at 5 April 2003

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

	£ million	% of UK equities
BP Group	21.1	7.8
Vodafone Group	19.8	7.3
GlaxoSmithKline	19.6	7.2
HSBC Holdings	15.0	5.5
Royal Bank of Scotland	13.9	5.1
AstraZeneca	12.7	4.7
Barclays	12.2	4.5
Shell Transport and Trading	11.3	4.2
HBOS	10.5	3.9
Rio Tinto	7.4	2.7
BG Group	6.8	2.5
Smith & Nephew	6.8	2.4
BAT	6.2	2.3
BT Group	5.8	2.1
BAA	5.2	1.9
Diageo	4.8	1.8
Daily Mail and General	4.2	1.5
Associated British Foods	4.2	1.5
National Grid Transco	4.1	1.5
Amersham	3.8	1.4

Total market value of the UK equities was £271.7 million.

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

		£ million	% of overseas equities
Royal Dutch Petroleum	Netherlands	5.5	2.2
Novartis	Switzerland	4.9	2.0
Vivendi	France	3.8	1.5
Nokia	Finland	3.8	1.5
Siemens	Germany	3.7	1.5
Credit Suisse	Switzerland	3.2	1.3
Swisscom AG	Switzerland	3.1	1.2
KPN	Netherlands	2.9	1.2
Philips Electronics	Netherlands	2.9	1.2
BNP Paribas	France	2.8	1.1

Total market value of the overseas equities was £247.8 million.

Financial Statistics

Summary of securities by market value

	At 5 April 2003 £ million	At 5 April 2002 £ million
Fixed interest		
UK 0-5 years	130.6	194.3
5-15 years	271.2	268.0
Over 15 years	536.9	591.0
Overseas	102.5	86.5
	1,041.2	1,139.8
Index-linked		
UK 0-5 years	1.2	17.9
5-15 years	592.7	359.4
Over 15 years	54.8	23.9
Overseas	0.0	87.5
	648.7	488.7
UK Equities		
Resources	50.7	68.4
Basic Industries	1.6	14.0
General Industrials	2.1	3.1
Cyclical Consumer Goods	0.2	0.5
Non-Cyclical Consumer Goods	65.6	81.5
Cyclical Services	35.0	52.5
Non-Cyclical Services	33.5	39.0
Utilities	8.2	17.6
Information Technology	0.8	1.1
Financials	74.0	111.2
Investment Trusts etc	0.0	6.4
	271.7	395.3
Overseas Equities		
<i>Europe</i>		
Denmark	2.8	2.4
Eire	3.0	2.5
Finland	4.1	6.9
France	21.3	42.8
Germany	15.3	33.5
Italy	6.8	13.9
Netherlands	20.1	21.9
Norway	2.0	0.0
Spain	7.1	10.1
Sweden	3.5	3.1
Switzerland	21.0	34.4
Other	3.0	3.3
	110.0	174.8
<i>The Americas</i>		
Canada	2.4	0.0
USA	75.3	19.0
	77.7	19.0
<i>Pacific Basin</i>		
Australia	12.3	0.0
China	0.2	0.0
Hong Kong	6.5	0.0
Japan	37.4	84.7
New Zealand	0.7	0.0
Singapore	3.0	0.0
	60.1	84.7
	247.8	278.5
Total securities	2,209.4	2,302.3

The above table excludes investments designated to members.

Membership Statistics

Five years to 5 April 2003	2003	2002	2001	2000	1999
The GEC Plan contributors (see note)					
At beginning of the year	11,748	15,703	30,805	43,638	46,945
New members	236	967	2,358	3,144	4,186
Members leaving service with the following benefits:					
Retirement	(679)	(1,215)	(472)	(1,392)	(1,839)
Refund of contributions	(288)	(542)	(235)	(231)	(407)
Death in service benefits	(8)	(12)	(8)	(25)	(60)
Transfer value or deferred pension	(6,906)	(3,153)	(16,745)	(14,329)	(5,187)
	(7,881)	(4,922)	(17,460)	(15,977)	(7,493)
At end of the year	4,103	11,748	15,703	30,805	43,638
AVC contributors (includes internal and external)					
At beginning of the year	3,414	5,275	11,632	17,012	17,811
New members	919	29	724	1,288	2,050
Transfers to other pension schemes	(1,079)	(567)	(5,670)	(4,937)	0
Members leaving service or ceasing to contribute	(1,126)	(1,323)	(1,411)	(1,731)	(2,849)
At end of the year	2,128	3,414	5,275	11,632	17,012
Pensioners (see note)					
At beginning of the year	38,794	38,392	72,191	78,279	77,413
New pensioners (including spouses' pensions coming into payment)	2,193	2,544	1,709	3,583	4,344
Transfers to other pension schemes	0	(209)	(33,874)	(6,358)	0
Deaths	(1,859)	(1,933)	(1,634)	(3,313)	(3,478)
At end of the year	39,128	38,794	38,392	72,191	78,279
Deferred pensioners (see note)					
At end of the year	32,534	34,926	34,582	53,435	58,208

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

	2003	2002	2001	2000	1999
Age distribution of contributors to The GEC Plan at end of year	%	%	%	%	%
under 21	0.1	0.2	0.4	0.3	0.5
21 to 30	15.2	12.1	14.5	12.0	11.8
31 to 40	32.9	29.0	28.3	27.0	26.0
41 to 50	33.2	31.7	29.7	31.0	29.7
51 to 60	17.5	24.1	24.2	26.2	27.9
61 to 64	1.1	2.9	2.9	3.5	4.1
	100.0	100.0	100.0	100.0	100.0
Age distribution of new contributors to The GEC Plan	%	%	%	%	%
under 21	1.3	1.1	2.1	2.0	2.7
21 to 30	36.2	30.0	38.7	34.9	32.2
31 to 40	39.1	39.1	32.2	33.8	32.3
41 to 50	18.3	21.5	19.1	21.2	21.4
51 to 60	5.1	7.8	7.6	7.7	10.8
61 to 64	0.0	0.5	0.3	0.4	0.6
	100.0	100.0	100.0	100.0	100.0
Age distribution of contributors to SBS at end of year	%	%	%	%	%
under 31	5.4	4.4	7.1	6.0	6.3
31 to 40	27.1	22.2	22.3	21.6	20.5
41 to 50	39.5	33.9	31.7	31.7	30.3
51 to 60	26.1	34.9	34.9	35.9	37.3
61 to 64	1.9	4.6	4.0	4.8	5.6
	100.0	100.0	100.0	100.0	100.0
Age distribution of new pensioners	%	%	%	%	%
under 50	1.1	1.1	1.2	0.8	1.0
50 to 54	18.8	13.1	11.6	12.9	11.1
55 to 59	28.2	26.4	18.1	22.3	19.9
60 to 64	21.6	25.1	25.3	26.4	30.3
65 to 69)	14.4	17.9	22.0	37.6	37.7
70 and over)	15.9	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	41.6	43.6	43.1	44.0	44.5
Pensioners	73.2	73.7	73.3*	72.7*	72.3*
<i>Average Plan pensionable service</i>					
Contributing members	7.7	8.0	7.5	7.8	7.7

* 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

This Schedule has been drawn up pursuant to the Pensions Act 1995 and the Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996.

Effective date of MFR valuation:	5 April 2002
Date of signature of MFR valuation by Scheme Actuary:	6 February 2003
Start of period covered by this Schedule:	12 March 2003
End of period covered by this Schedule:	11 March 2008

(or such earlier date as may be determined)

This Schedule sets out:

- The rates of contributions to be paid by the members and the employers of the G.E.C. 1972 Plan ('the Plan').
- The dates by which the employers are to pay the contributions to the Trustee.
- 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 the contributions deducted on or before the fifth day of any month by the fourteenth day of the same month.

Employers' contributions

Each employer shall contribute to the Plan 8.2% 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 Pensions Act 1995 and regulations made thereunder, the date by which such regular contributions are legally due is the nineteenth day of the month following that in which earnings are paid. However, to ensure that the legal due date is met, each employer is to take every possible step to pay to 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. In addition, the employers will pay such additional contributions as may be required from time to time under the Trust Deed and Rules.

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 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 of five years from the date of the Certificate the Plan will meet the minimum funding requirement imposed by the Pensions Act 1995, section 56(1).

Agreed for and on behalf of:

Marconi Corporation plc as Principal Employer:

Signed: CC Holden, Acting Finance Director, 6 March 2003

Marconi Corporation plc as the Employer nominated by Participating Companies to reach agreement in relation to this Schedule

Signed: MWJ Parton, Chief Executive, 6 March 2003

Stanhope Pension Trust Limited as Trustee

Signed: JM Brew, Chairman, 12 March 2003

Investment Committee – Terms of reference

Membership

The members of the Investment Committee are appointed by Stanhope Pension Trust Limited (SPT) to consider investment policy and provide specialist guidance on investment issues in respect of pension scheme(s) of which SPT is the corporate trustee.

Members of the IC are selected by the Chairman of SPT following consultation with the Board and are then formally appointed by the Board.

One member of the Investment Committee will be a representative of the Company, independent of the trustee.

Meetings

Meetings of the Investment Committee are usually held six times each year, although additional meetings may be held as required. Meetings are organised by Marconi Pensions Office.

Meetings are attended by the Investment Committee members and the Investment Consultant. All Directors of SPT are invited to attend. Where appropriate the Plan Actuary will also be invited to attend.

Meetings will usually include presentations by certain of the Investment Managers whom SPT has appointed to manage the investment assets of the pension scheme(s).

Guidance

The Investment Committee exists to provide guidance to the Board of SPT regarding investment matters. This is expected to include;

- Providing broad guidance to SPT and any investment managers with respect to investment objectives and policy
- The prospects for returns, volatility and relative performance from various investment markets and types
- Assistance in the selection and monitoring of the investment managers
- Assessment of the returns achieved and risk levels taken
- Such guidance does not include the formulation and assessment of asset/liability issues

The Investment Committee does not take any investment decisions. Investment advice is not given in relation to any particular investment, or the merits or otherwise of any particular type of investment.

Proposals put forward by SPT, the Company and/or Investment Managers, are discussed by the Investment Committee and the resulting recommendations are contained in the minutes of the meetings which are prepared by Marconi Pensions Office.

Where a revision of the Statement of Investment Principles under section 35 of the Pensions Act is contemplated, SPT will receive the statutory written advice from the Investment Consultant or another appropriately qualified person.

Minutes

The minutes are circulated to the Board of SPT and in conjunction with the reports of the Investment Consultant provide the main, but not exclusive, source of guidance when determining the investment strategy and policy to be adopted by SPT.

Amendment

These Terms of Reference may be amended from time to time by agreement of the Board of SPT.

The Terms of Reference of the Investment Committee were approved by the Board of SPT on 12 March 2003.

Directors

J M Brew

Aged 73. 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 Investment Committee.

J H Chaplin

Aged 67. 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 58. 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 H Green

Aged 35. Rob Green, a chartered accountant, joined Marconi Communications Limited in 1999 and has held various finance positions at the London and Coventry sites since that date. He is currently Executive Vice President, Finance. He was appointed to the SPT Board in November 2002.

P G Harris *

Aged 40. Pete Harris, a member of the Chartered Institute of Personnel and Development, is a mathematician by training. He joined GEC in 1984 and has had a number of roles within the Marconi group, both in engineering and in HR. In his current role he is responsible for Marconi's pension arrangements in the UK and overseas. He was appointed to the SPT Board and to the Investment Committee in June 2003.

R S Kendall

Aged 47. Richard Kendall joined Marconi in May 1991. During his career at Marconi he has held a number of senior roles including heading up the BT Account Team, leading the acquisition of Bosch Telecom and establishing and managing the Synchronised Digital Hierarchy partnership between GPT/Marconi/Siemens. Richard's current role is Executive Vice President of Commercial and Sales Operations. He was appointed to the SPT Board in November 2002.

R J Mills

Aged 59. 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.

E Nardi

Aged 38. Elisa Nardi, joined Marconi in August 2001. She is currently Executive Vice President of Resourcing, Development & the Corporate Functions reporting to the Group HR Director. Prior to this Elisa has worked as an independent HR consultant and in a variety of HR roles within PepsiCo, HJ Heinz and Ford Motor Company. She was appointed to the SPT Board in November 2002.

M F Surrey

Aged 36. Mike Surrey, a chartered accountant who joined GPT in 1992, has worked in various positions in GEC and Marconi. He is currently Group Controller & Executive Vice President Finance - Operations for Marconi Corporation. He was appointed to the SPT Board in June 2001.

C R J Walton *

Aged 60. 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 58. 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.*

Investment Committee

The Terms of Reference of the Investment Committee were approved by the Board of SPT on 12 March 2003 and are reproduced on page 32. The current membership is as follows:

J M Brew

John Brew is Chairman of SPT and his details are shown on page 33.

C G Clarke

Christopher Clarke, aged 59, qualified as a Chartered Accountant in 1968 and has spent the whole of his subsequent career in investment management. After four years in the merchant bank Wm. Brandts he joined a unit trust group that became part of Henderson Administration (currently Henderson Global Investors) in 1974 and stayed there until retirement in March 2003. Christopher became managing director of Witan Investment Trust plc in 1992 and remains on the board as a non-executive director. He is also non-executive Chairman of BWD Securities plc, a quoted investment management and stockbroking business based primarily in the North of England. He was appointed to the Investment Committee on 12 March 2003 as independent advisor.

P G Harris

Peter Harris is a director of SPT and his details are shown on page 33. He was appointed to the Investment Committee on 25 June 2003.

D H Reid

Damian Reid, aged 41, was appointed Chief Strategy Officer of Marconi plc in September 2001 having previously served as Senior Vice President, Corporate Finance of Marconi plc. He joined GEC in 1998. Mr Reid is a non-executive director of Atlantic Telecom Group plc (in liquidation). He was appointed to the Investment Committee on 25 June 2003 as the representative of Marconi Corporation plc

Pension Consultative Committee

Until October 2003, two Pension Consultative Committees (PCCs), elected by Plan members every four years, met periodically:

- to consult with Pensions Office on matters relating to Marconi Corporation 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 relating to 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.

As a result of the decrease in the numbers of both contributing members and company sites, the structure of the PCCs was reviewed during the year. At a joint meeting of the two PCCs in July 2003 it was agreed that the current structure would be replaced with a single PCC with effect from October 2003. Elections took place to this new PCC in September 2003 and at its first meeting the PCC elected a chairman and secretary and nominated four representatives for appointment by Marconi Corporation as directors of SPT.

The chairman of the PCC is Peter Dronfield and the secretary is Ken Buckley. The current members of the PCC who are also directors of SPT are Mick Elliott, Roy Mills, Chris Walton and Vic Webster. Currently all four member nominated directors are pensioners of the Plan and the PCC has decided that it wishes to nominate contributing members as well as pensioners to act in this capacity. Consequently at its meeting in October the PCC nominated one of its number to serve as a director in substitution for Roy Mills. It is expected that the appointment will shortly be made by Marconi Corporation plc.

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.

Members may contact any PCC representative at their employing site or the chairman or secretary of the PCC via Pensions Office at the following address:

PCC Chairman/PCC Secretary

c/o Marconi Pensions Office
PO Box 20
The Hollies
Newport Road
STAFFORD
ST16 1BY

Or via email at:

pcc.chairman@marconi-pensions.co.uk

pcc.secretary@marconi-pensions.co.uk

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.

Alternatively, OPRA operate a web site with an online service for tracing a pension scheme, which can be located at: www.opra.gov.uk

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

OPAS also have a web site, which can be located at www.opas.org.uk

