

Marconi

THE GEC PLAN AND SELECTED BENEFIT SCHEME



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Trustee, Administration, Managers and Advisers

Trustee

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

Directors

J. H. Chaplin
M. V. Elliott
R. H. Green
P. G. Harris
R. S. Kendall
J. R. Leaney
C. G. Lewin (*Chairman*)
P. Moloney
M. F. Surrey
V. A. Webster
N. E. Wignall

Secretary

D. J. Lee

Investment managers

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

Property managers

LaSalle Investment Management Limited

Custodians for investments

ABN AMRO Mellon

External AVC providers

Standard Life Assurance Company
Merrill Lynch Pensions Limited

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

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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 Marconi Corporation plc (Marconi) and its subsidiary and associated companies. 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 (MPO) 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 under the terms of the Plan's definitive deed and of the articles of association of SPT, respectively. Further details regarding Member Nominated Directors are given on page 11.

Employees of Marconi 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 (which replaced the State Earnings-Related Pension Scheme (SERPS)).

The fund

The fund of the Plan increased during the year ended 5 April 2004 by £93.3 million to £2,325.5 million.

The fund account shows net withdrawals for the year, arising from transactions with members and employers, of £148.1 million. Excluding the effects of bulk transfers, the major change was a reduction in the amount of contributions paid. This change, together with the increase in the amount of pensions paid, reflects the growing maturity of the Plan with many more pensioners receiving benefits compared to the numbers contributing to the scheme.

Investment performance in the year has been positive as markets have rebounded from the very low levels seen at 5 April 2003. As well as performing well in absolute terms, Plan investment performance relative to its customised benchmark was also good. Plan performance is measured over calendar years and more information about investment performance in the year to 31 December 2003 is given on page 5.

Actuarial valuation

The financial position of the Plan cannot be judged solely by the income and expenditure in any particular year, or by the market value of its investments at any particular point in time, but is shown by actuarial valuations normally undertaken triennially. The last actuarial valuation was undertaken as at 5 April 2002 and details of the results were included in last year's report.

The next formal actuarial valuation of the Plan will be undertaken as at 5 April 2005, the results of which will be circulated to members as soon as possible after the Actuary's report is issued.

A statement from the Actuary in terms of the Disclosure Regulations is shown on page 13 and his certificate regarding the adequacy of contributions is shown on page 14.

Investment Committee

The Investment Committee (IC) considers the investment policy appropriate to the Plan, provides specialist guidance on investment issues to the Board of SPT and recommends changes to the policy. It is a committee of the Board comprised of both Board members and co-opted specialists; those members who are not Directors of SPT are formally appointed to the IC by the Board. The terms of reference of the IC require that one of its members shall be a representative of Marconi.

An Investment Consultant has also been appointed by SPT to report to the IC and to provide advice in a number of specialist areas including the terms of appointment of investment managers and the monitoring of investment performance.

Chris Lewin, the Chairman of SPT, also acts as Chairman of the IC and a biography of each of its members appears on page 31.

Report of the Trustee

Investment policy

Investments are managed in accordance with the policy determined by SPT, having regard to the recommendations of the IC. The policy is consistent with the Statement of Investment Principles (SIP), copies of which are available on request to MPO or to SPT.

During the period under review, all investments were made in accordance with the SIP. SPT considers that, with minor exceptions, the Plan's 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.

Investment and property management and custody

The investment managers have responsibility for investments in specific geographical regions and/or investment categories as shown below. The 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). During the year LaSalle Investment Management Limited have been appointed as the sole discretionary property manager. Previously, property was managed on an agency basis by a number of managers for SPT.

Investment managers and portfolios	5 April 2004		5 April 2003	
	£m	%	£m	%
Capital International Limited <i>Global equities</i>	203.2	9	156.8	7
Fidelity Pensions Management <i>Global equities</i>	199.1	9	162.1	7
M&G Investment Management <i>International bonds</i>	552.2	24	609.9	28
Morley Fund Management Limited <i>International bonds</i>	975.4	42	1,087.6	49
Merrill Lynch Investment Managers Limited <i>UK equities</i>	258.3	11	212.6	9
LaSalle Investment Management Limited (see above) <i>Property</i>	103.9	4	-	-
Merrill Lynch Pensions Limited (MLPL) and Standard Life Assurance Company (SLAC) <i>External AVC funds</i>	7.9	0	5.0	0
Total externally managed assets	2,300.0	99	2,234.0	100
SPT				
<i>Short-term deposits</i>	18.4	1	11.0	0
<i>Property</i>	-	-	107.6	5
<i>Other</i>	7.1	0	(120.4)	-5
Total	25.5	1	(1.8)	0
Total assets	2,325.5	100	2,232.2	100

The amounts shown above for each manager include net current assets and liabilities attributable to the assets they manage.

ABN AMRO Mellon acts as the global custodian for the Plan's assets and its performance is monitored by MPO on behalf of SPT.

Report of the Trustee

Myners Report

The Myners Report on Institutional Investment in the UK was published in 2001 and set out a series of principles which trustees were recommended to use when considering Investment Policy. These were subsequently endorsed by the Government in a Code of Investment Principles.

During 2004 the Department for Work and Pensions has reviewed how practices have changed in line with the principles and the results of this review, together with discussions with the pensions industry, will be considered by the Government before any further recommendations are made in the Autumn.

The trustee has reviewed the principles in detail and considers that it currently complies with most of them.

Investment performance to 31 December 2003

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

SPT 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 reported regularly to the IC. The tables below summarise the Plan asset distribution and the performance results for the period ended 31 December 2003.

Category of investment	Distribution 31 December 2003	
	Plan %	Benchmark %
Fixed interest		
UK	39.8	41.0
Overseas	3.7	0.0
Index-linked	23.9	24.0
UK equities	14.2	15.0
Overseas equities	12.9	15.0
Property	3.8	5.0
Cash & net current assets	1.7	0.0
Total	100.0	100.0

	Annualised return % per annum			
	One Year	Three Years	Five Years	Ten Years
Plan	9.7	1.9	5.5	8.6
Customised benchmark	9.6	0.3	3.2	NA

The customised benchmark is shown for one year, three years and five years, as it is only in the last five years that the performance of the Plan has been affected by the revised investment policy.

2003 saw a return to positive territory by the global equity markets, following 3 years of negative returns, with the FTSE-All Share index up 20.9% on the year and the FTS-A All World index up 20.5%. By contrast returns from the bond markets were much lower with UK fixed interest Gilts flat in real terms as UK interest rates rose for the first time since 2000. Returns from Index-linked Gilts rose to 6.6% over the year as deflation fears diminished and corporate bonds returned 5.9%.

Report of the Trustee

Investment performance to 31 December 2003 (continued)

Both of the Plan's bond managers, Morley and M&G, made good returns, outperforming their benchmarks by 0.8% and 1.3% respectively. Capital had a particularly strong second half of the year and their global equity portfolio outperformed by 2.6% over the year. These good performances were partly offset by underperformance of the other equity portfolios. Despite finishing with a strong final quarter performance, MLIM underperformed their benchmark by 1.8% and Fidelity slightly underperformed over the twelve months. The property portfolio underperformed its benchmark over the year as the costs of restructuring this portfolio fed through into the performance.

Taking a longer view, over the 3 years to 31 December 2003 the Plan achieved a return of 1.9% per annum against the customised benchmark return of 0.3% per annum.

Administration and investment management expenses

Expenses relating to administration and investment management activities are borne by the Plan and are analysed in notes 6 and 8 to the accounts. For the year to 5 April 2004 total expenses amounted to £7.7 million (2003 £7.1 million).

The expenses of running MPO, as a cost per member based on the whole membership of the Plan, are as follows:

Year ended 5 April	Total membership	MPO expenses £ million	Cost per member £
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
2004	72,421	1.8	24.85

Work on the replacement of the pensions administration system commenced in late 1999 and the figures for the earlier years shown above reflect the increased costs that were payable whilst construction of the new systems was under way. Later years' figures reflect the efficiency gains that have been achieved although the figures should be treated with some caution as they are not strictly comparable because of the changing member numbers and profile.

Membership

Category of member	5 April 2004	5 April 2003
Contributor to The GEC Plan	3,250	4,103
SBS - Internal	917	1,199
SLAC	486	479
MLPL	496	450
Pensioner	38,474	39,128
Deferred pensioner	30,697	32,534

The number of members contributing to The GEC Plan and to the SBS decreased during the year. These changes were due to the continuing decline in the number of people employed by Marconi and its subsidiary companies and the bulk transfer to the Computer Sciences Corporation (CSC) and British Telecom (BT) schemes reported below.

Pensioner numbers have decreased during the year as less pensions have been established than those ceased as a result of pensioner deaths.

Deferred pensioner numbers have also decreased. During the year, the MPO has continued to trace deferred pensioners with a benefit secured under the Equivalent Pension Benefit (the forerunner of SERPS). In most of these cases, the pension benefit is very small and is commuted for a single cash sum.

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

Report of the Trustee

Pension and deferred pension increases

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

An increase of 2.6%, which corresponds with the increase in the RPI over the twelve-month period to January 2004, was applied to most pensions with effect from 1 May 2004. Proportionate increases were awarded to pensions that became deferred or commenced payment after 1 May 2003. 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 %
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
1999	2.4	2.4	2004	2.6	2.6

The average rate of increase awarded to a Plan pension that commenced payment on 1 May 1994 is 2.6% per annum, marginally higher than the average rate of change in the RPI over the same period.

Credited interest

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

In recent years' reports, the possible effects of the liability-led investment strategy adopted by SPT have been outlined and in particular that this strategy will almost certainly result in declarations of lower rates of credited interest than had been the case previously. For the year ended 5 April 2004, SPT declared a credited interest rate of 2.5% with a terminal bonus to be applied in certain circumstances 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 in the period 6 April 2002 to 5 April 2003, the terminal bonus was 2%, making a total of 7.5% and 4.5% respectively for those members.

At a meeting in March 2004, SPT considered whether the terminal bonuses which had previously been declared could be made permanent by the declaration of an additional top-up rate for members who remained in the Plan at 5 April 2004. In the light of market volatility and the current funding position of the Plan, however, SPT decided that this was not possible.

For the year commencing 6 April 2004, SPT has again been prudent in setting a credited interest 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 2.5% and for those who were members for the period 6 April 2002 to 5 April 2003, the terminal bonus will be 1%, making a total of 5% and 3.5% respectively. SPT recognised that this change in the rate of terminal bonuses may result in an immediate reduction in the benefit expectations of a member whose benefits are calculated using credited interest. SPT therefore decided, with the agreement of Marconi, that for those members who take their benefits in the year commencing 6 April 2004, any benefit calculated using credited interest on contributions made prior to 5 April 2004 will not be less than it would have been had it been paid on 5 April 2004.

Report of the Trustee

Credited interest (continued)

Excluding the effects of terminal bonuses, rates of credited interest declared by SPT in the ten years since 6 April 1995 are set out below:

Plan year to 5 April	Rate of credited interest %	Plan year to 5 April	Rate of credited interest %
1996	12.50	2001	9.00
1997	11.00	2002	2.50
1998	11.00	2003	2.50
1999	11.00	2004	2.50
2000	9.50	2005	2.50

The average rate of credited interest applied in respect of a member who remained a member for the whole of the ten-year period ending 5 April 2005 would be 7.3% per annum. It must be noted that the declarations of credited interest in the earlier years were significantly higher than in the later years and than those which may be expected in future due to the change in investment strategy. Members have access to alternative forms of investment for their AVC fund, which are explained below.

Additional Voluntary Contributions (AVCs)

Members are provided with flexibility and choice in the investment of their AVCs through the appointment of SLAC and MLPL. SLAC offers a with-profits choice, whilst MLPL offers a series of unit-trust investments.

Contributing and deferred members of the internally invested SBS have an option to transfer their benefits to the external providers and if they do so by 5 April 2005 (but not necessarily after that date) they may be entitled to the terminal bonuses explained above. Such members can contact MPO for more information about the investment choices and, if appropriate, to arrange to transfer their SBS fund.

Benefits

Changes in benefit structure

There have been no changes to the benefit structure of the Plan since the last report.

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 transaction following the acquisition of a business by a participating employer (there have been no such transfers this year).

Pensions

The aggregate amount of pensions paid in the year ended 5 April 2004 has increased when compared to the previous year at a faster rate than the annual increase awarded on 1 May 2003. This was mainly as a result of members retiring in the year having higher amounts of pensions, when compared to those ceasing.

The average pension in payment amounted to £3,544 per annum at 5 April 2004 (2003 £3,417 per annum), an increase of 3.7%. The average rate of pension paid to new joiners on the payroll amounted to £3,199 per annum (2003 £5,337 per annum). This reduction has resulted from the numbers of retirements returning to more normal levels and therefore a larger proportion of the pensions established have been spouse's pensions, which tend to be lower amounts. In addition to a pension, most pensioners took part of their benefits as a capital sum at retirement.

At the end of the year, the average age of pensioners was 73.5 years (2003 73.2 years).

Report of the Trustee

Benefits (continued)

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 £5.5 million in the year to 5 April 2004 (2003 £4.8 million). Bulk transfers are dealt with below in the "Disposals of businesses by employers" section of the report.

Transfer values may not be less than the value of benefits calculated on the basis used for the Minimum Funding Requirement. 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.

Death benefits

Members are recommended to nominate the person(s) 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 for contributing members from their Human Resources department or for other members 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; 13 retiring employees or dependants used the service during the year (2003 51).

Disposals of businesses by employers

The arrangements relating to those members, pensioners and deferred pensioners who were transferred to the Jabil Circuit Pension Scheme in 2001 and 2002 were completed during the year and the balancing payment referred to in last year's report was made to the trustees of that scheme on 9 December 2003.

Similarly, the arrangements relating to those members who were transferred to the Merloni Domestic Appliances Limited Pension Scheme in 2002 were completed during the year and the balancing payment referred to in last year's report was made to the trustees of that scheme on 18 February 2004.

Members employed in Marconi Mobile, which was sold to 3i, continued to participate in the Plan until 3 August 2003. No transfer arrangements were made in respect of these employees and, unless they have arranged an individual transfer out of the Plan, their deferred pensions remain payable from the Plan.

The proposed transfer referred to in last year's report, relating to those members of the Plan who were employed in the Information Technology areas of Marconi's business, has been completed during the year. Transfer offers were made to 79 members who had transferred employment to CSC and to 14 members who had transferred employment to BT. Offers to transfer their benefits in the Plan to their new employer's pension scheme were accepted by 67 and 12 members respectively. Amounts of £1,568,625, relating to the members who chose to transfer their benefits to the Computer Sciences Corporation Limited Pension Scheme and £339,113, relating to the members who chose to transfer their benefits to the BT Pension Scheme, are included in the accounts.

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 from HR departments, MPO 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 in SBS or with the external providers, SLAC and MLPL.

The 2004 annual benefit statements relating to those paying AVCs have been amended to ensure compliance with the Statutory Money Purchase Illustrations (SMPI) regulations. The intention of this legislation is that an illustration will be provided to show the amount of pension that might be payable when a member retires, in terms of today's prices. The aim is to provide illustrations of pension benefits on a broadly consistent basis across various types of money purchase pension provision. This is intended to assist individuals to assess the adequacy of their pension arrangements and the extent to which they need to make further provision.

The 2003 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 MPO web site. Each member, pensioner and deferred pensioner was sent a copy of a leaflet, "Pensions Update 2004", which included important announcements relating to the Plan. Similar correspondence will be sent to all scheme members when required (and at least annually) to keep them abreast of developments in the Plan. The 2004 report and accounts will be distributed to those who have requested a copy and will again be available via the MPO web site, www.marconi-pensions.co.uk.

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 MPO, 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 at their employment site or the Chairman or Secretary of the PCC via MPO.

In addition to supplying documentation about the Plan, MPO staff visit sites to deliver pre-retirement courses, make presentations to new joiners and explain MPO procedures. Consideration of ways to enhance communications and presentations to members is a continuous process within MPO. Regular updates about the Plan are now issued and general information can be obtained from the MPO web site.

During the year the MPO 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 MPO staff, in contrast to an impersonal push button call centre approach, which many members have experienced in other areas.

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

Report of the Trustee

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 (revised November 2002)".

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.

Trust Deed and Rules

The 15th Deed of Variation was executed on 24 March 2004, which formally introduced the ability of SPT to utilise the proceeds of members' SBS and AVC accounts to purchase annuities outside The GEC Plan. Information about this matter was first published in the January 2003 edition of Pensions Update and the change was effective from 31 March 2003 in accordance with the Deed.

The Finance Act 2004 will simplify the taxation regime relating to pension schemes with effect from 6 April 2006 and the Pensions Bill that is currently being considered in Parliament is likely to introduce further changes. Consequently it will be necessary for some aspects of the Trust Deed and Rules to be amended. The situation will be kept under review by MPO and SPT and any changes that are necessary will be communicated to members and included in subsequent years' reports.

Member Nominated Directors (MNDs)

The Pensions Act 1995 places a requirement on SPT to secure the nomination of MNDs to the Board through either a statutory procedure or (as in the case of the Plan) to implement an agreed alternative. This requirement is met by the operation of the PCC, members of which are elected for a period of four years by the Plan members at each business unit. The PCC nominates four of its members to act as Directors of SPT and they are formally appointed to the Board by Marconi. If they so wish, members of the Plan may continue to serve on the PCC after having left the employment of Marconi or another participating employer for the remainder of their period of office.

Further information relating to the PCC is given on page 32.

Report of the Trustee

Trustee Board, Chairman and Secretary

The following changes have been made in the composition of the Board since 5 April 2003:

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

Mr P Moloney on 1 November 2003. Pat Moloney is a Senior Technologist at Marconi's Liverpool site and is a member of the PCC.

Mr J R Leaney on 6 April 2004. John Leaney is a Field Engineer operating from his home address, and is a member of the PCC.

Mr C G Lewin on 1 June 2004. Chris Lewin is a qualified actuary and was Head of UK Pensions at Unilever from May 1998 to December 2003. He was elected Chairman of the Board of SPT at its meeting in June 2004.

Ms N E Wignall on 22 July 2004. Natalie Wignall is a barrister and acts as General Counsel, Europe for Marconi.

Resignations **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.

Mr R J Mills on 1 November 2003. Roy Mills, a Director since May 2000, resigned consequent upon him being replaced as a nominee of the PCC having previously ceased employment with Marconi.

Mr J M Brew on 1 June 2004. John Brew, a Director since January 1991, resigned consequent upon his decision to retire as Chairman.

Mr C R J Walton on 4 August 2004. Chris Walton, a Director since April 1993, resigned consequent upon him being replaced as a nominee of the PCC having previously ceased employment with Marconi.

Ms E Nardi on 10 August 2004. Elisa Nardi, a Director since November 2002 resigned as a consequence of an internal promotion within the Marconi group.

The Board would like to express its thanks to the Directors who have resigned since the last report and in particular to John Brew who has acted as the Chairman of the Board for the last thirteen years and has guided the Board through turbulent times and challenging issues.

The Board welcomes the newly appointed Directors and looks forward to working with them in continuing to deliver the benefit promises of the Plan to its members. Further information about the current members of the Board is given on page 30.

In the period since the last report, there has also been a change of Company Secretary. Graham Sutch resigned on 6 April 2004 consequent upon him ceasing employment with Marconi and was replaced by David Lee.



C G Lewin
Chairman

30 October 2004

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.

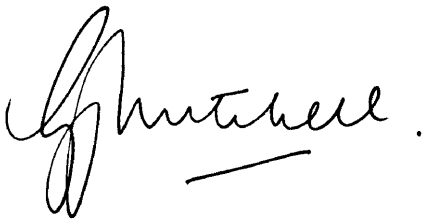
The liabilities referred to in this Statement relate to the benefits which are expected to become payable under the normal operation of the scheme. They take account of future benefit accruals and include appropriate allowance for future increases in salaries and credited interest.

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

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Birmingham
B1 2LN

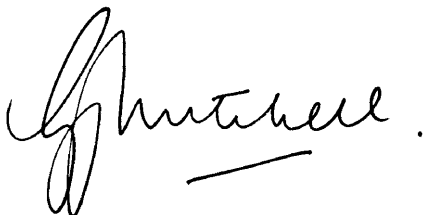
Statements of the Scheme Actuary

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 **Graham Mitchell**
Fellow of the Institute of Actuaries
Partner
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.

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 2004 which comprise the fund account, net assets statement and the related notes 1 to 11. 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 2004 have been paid in accordance with the schedule of contributions certified by the actuary on 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 2004, 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

4 November 2004

Fund Account

for the year ended 5 April 2004

	Note	Year to 5 April 2004 £ million	Year to 5 April 2003 £ million
Contributions to The GEC Plan	2		
Members'		3.7	6.1
Employers'		11.4	24.8
		<u>15.1</u>	<u>30.9</u>
Members' Additional Voluntary Contributions	2		
Internally invested in SBS		2.2	8.5
Externally invested		0.7	0.8
		<u>2.9</u>	<u>9.3</u>
Claims from life office	3	0.3	0.0
<i>Total</i>		<u>18.3</u>	<u>40.2</u>
Benefits paid	4	147.6	167.1
Transfer values paid	5		
Individual		5.5	4.8
Bulk transactions		10.9	115.6
		<u>16.4</u>	<u>120.4</u>
Administration expenses	6	2.4	2.5
<i>Total</i>		<u>166.4</u>	<u>290.0</u>
<i>Net withdrawals arising from transactions with members and employers</i>		(148.1)	(249.8)
Returns on investments			
Investment income	7	96.4	104.8
Investment management expenses	8	(5.3)	(4.6)
Changes in market values of investments	9	150.3	(113.4)
<i>Net returns on investments</i>		<u>241.4</u>	<u>(13.2)</u>
Net increase/(decrease) during the year		93.3	(263.0)
Net assets at the beginning of the year		<u>2,232.2</u>	<u>2,495.2</u>
Net assets at the end of the year		<u>2,325.5</u>	<u>2,232.2</u>



Net Assets Statement

at 5 April 2004

	Note	At 5 April 2004 £ million	At 5 April 2003 £ million (Note 1)
ASSETS DESIGNATED TO MEMBERS	9		
MLPL unit linked investments		5.1	3.1
SLAC With Profits fund		2.8	1.9
		<u>7.9</u>	<u>5.0</u>
ASSETS NOT DESIGNATED TO MEMBERS	9		
Fixed interest securities			
UK		894.2	918.5
Overseas		73.4	100.8
		<u>967.6</u>	<u>1,019.3</u>
Index-linked securities			
UK		535.0	646.2
Equities			
UK		335.5	271.7
Overseas		313.7	247.8
		<u>649.2</u>	<u>519.5</u>
Property		101.2	107.6
Insurance policies		1.1	1.2
Sterling short-term deposits		42.9	23.8
Foreign currencies		2.5	2.0
<i>Total investments</i>		<u>2,307.4</u>	<u>2,324.6</u>
Fixed assets		0.1	0.1
Net current assets/(liabilities)	10	<u>18.0</u>	<u>(92.5)</u>
Net assets at end of the year		<u><u>2,325.5</u></u>	<u><u>2,232.2</u></u>

The notes on pages 18 to 24 form part of these accounts.

Approved by
Stanhope Pension Trust Limited
on 30 October 2004

 C. G. Lewin
 P. G. Harris } 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 (revised November 2002) 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 13 and the accounts should be read in conjunction with this statement.

(b) Fund Account

Items are brought into account on an accruals basis.

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

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

(c) Net Assets Statement

Investments are valued on the bases shown below:

Securities listed on UK and recognised overseas stock exchanges at closing prices as at 5 April 2004.

The accounting policy in relation to fixed interest securities has been altered this year in respect of the accounting treatment of accrued interest. In previous years accrued interest was included in the valuation of the investments whereas from this year it has been included in the accrued income. This change in policy has resulted in a need to restate some figures included as at 5 April 2003 in last year's net assets statement as follows:

Restated item	Original amount £ million	Adjustment £ million	Restated amount £ million
Value of UK fixed interest investments	938.7	(20.2)	918.5
Value of overseas fixed interest investments	102.5	(1.7)	100.8
Value of UK index linked investments	648.7	(2.5)	646.2
Value of net current assets	(116.9)	24.4	(92.5)
Total	1,573.0	0.0	1,573.0

There is no change on the value of the net assets of the Plan at either year-end as result of this change.

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

All properties were revalued at 31 December 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. Properties purchased since 31 December 2003 are valued at the purchase price. SPT is satisfied that there are no significant differences between the market values at 31 December 2003 and at 5 April 2004.

Unit trusts, at closing prices provided by the managers.

Insurance policies, consistent with the actuarial statement on page 13.

Overseas investments' values are translated into sterling at the rates of exchange ruling as at 5 April 2004.

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

Notes to the Accounts

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 or Standard Life. Merrill Lynch provide a range of unit-linked investment funds whilst Standard Life provide a with-profits fund. The choice of external provider and investment strategy rests with the member.
- (b) Employers contributed to The GEC Plan at a rate of 8.2% of members' earnings (2003 14.2% until 31 October 2002 and 8.2% thereafter – average rate 11.7%). Where applicable, employers also made contributions to augment members' benefits.

3 Claims from life office

This relates to claims paid following the deaths of members who were entitled to life cover under SBS.

4 Benefits paid

	2004			2003
	The GEC Plan £ million	SBS £ million	Total £ million	Total £ million
Pensions	133.9	0.0	133.9	129.4
Cash sums on retirement	10.2	0.0	10.2	35.4
Capital payments on death	0.9	0.1	1.0	1.1
Purchase of annuities with external providers (see footnote)				
from SBS	0.0	1.8	1.8	0.0
from SLAC	0.0	0.1	0.1	0.0
from MLPL	0.0	0.1	0.1	0.0
Refunds of members' contributions with credited interest				
on death	0.4	0.0	0.4	0.7
on leaving service	0.1	0.0	0.1	0.5
	<u>145.5</u>	<u>2.1</u>	<u>147.6</u>	<u>167.1</u>

Benefits take account of improvements effective during the year; most pensions in payment, deferred pensions and contingent pensions were increased by 2.9% on 1 May 2003.

Transfers of assets from SBS (or from the external AVC providers) to purchase pensions in The GEC Plan for members retiring in the year ended 5 April 2004 amounted to £2.7 million (2003 £20.9 million). As this amount is an intra fund transfer it is excluded from the face of the accounts. This facility to purchase GEC Plan annuities was withdrawn during the year by SPT except for a minority of members where the capital value of their AVC balance is small.

Notes to the Accounts

5 Transfer values paid

- (a) Individual transfer values comprise amounts that were paid to personal pension providers and to other employers' pension schemes at the request of members who had left pensionable service, in lieu of benefits to which they were entitled.

	2004			2003
	The GEC Plan £ million	SBS £ million	Total £ million	Total £ million
Personal pension providers	2.5	1.8	4.3	3.2
Other employers' schemes	0.9	0.3	1.2	1.6
	<u>3.4</u>	<u>2.1</u>	<u>5.5</u>	<u>4.8</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:

	2004			2003
	The GEC Plan £ million	SBS £ million	Total £ million	Total £ million
Merloni Domestic Appliances Limited Pension Scheme	8.9	(0.1)	8.8	112.5
CSC Computer Sciences Ltd Pension Scheme	1.5	0.1	1.6	0.0
BT Pension Scheme	0.3	0.0	0.3	0.0
Jabil Circuit Pension Plan	0.2	0.0	0.2	(0.6)
Woods Air Movement Pension Plan	0.0	0.0	0.0	3.8
ITNET Flexible Pension Scheme	0.0	0.0	0.0	(0.1)
	<u>10.9</u>	<u>0.0</u>	<u>10.9</u>	<u>115.6</u>

6 Administration expenses

	2004 £ million	2003 £ million
Marconi Pensions Office	1.8	2.1
Actuarial, audit and legal fees	0.6	0.4
	<u>2.4</u>	<u>2.5</u>

Notes to the Accounts

7 Investment income

	2004 £ million	2003 £ million
Fixed interest securities		
UK	52.4	60.4
Overseas	3.9	1.4
Index-linked securities		
UK	15.3	14.0
Overseas	0.4	1.6
Equities		
UK	9.6	9.5
Overseas	5.3	5.0
	<hr/>	<hr/>
	86.9	91.9
Property	8.5	11.0
Short-term deposits	1.0	1.9
	<hr/>	<hr/>
	96.4	104.8
	<hr/> <hr/>	<hr/> <hr/>

8 Investment management expenses

	2004 £ million	2003 £ million
Investment management	3.4	3.5
Custody	0.4	0.3
Property management	1.5	0.8
	<hr/>	<hr/>
	5.3	4.6
	<hr/> <hr/>	<hr/> <hr/>

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.

Until 1 July 2003, three providers managed properties as agents on behalf of SPT. Fees were related to the amount of rental income on the properties they managed with additional fees for items such as rent reviews, lease renewals and irrecoverable expenses on empty properties. From July 2003, LaSalle Investment Management Limited was appointed the sole discretionary property manager and charge a fee based on the valuation of assets managed, with additional charges made for specific additional services and for irrecoverable expenses on empty properties. In the period since their appointment, and in accordance with SPT's instructions, the property portfolio has been restructured resulting in higher fees than may have been expected in a normal year.

Notes to the Accounts

9 Investments

a) Movements of net assets during the year ended 5 April 2004

	Market values at 5 April 2003 (Note 1) £ million	Transfers of assets in specie £ million	Purchases at cost £ million	Sales proceeds £ million	Net investment £ million	Changes in market values of investments £ million	Market values at 5 April 2004 £ million
Assets designated to members							
MLPL unit linked investments	3.1	0.0	0.4	(0.2)	0.2	1.8	5.1
SLAC With Profits fund	1.9	0.0	0.3	(0.3)	0.0	0.9	2.8
Assets not designated to members							
<i>Fixed interest</i>							
UK	918.5	(44.3)	2,616.3	(2,580.0)	(8.0)	(16.3)	894.2
Overseas	100.8	(29.8)	368.7	(365.0)	(26.1)	(1.3)	73.4
<i>Index-linked</i>							
UK	646.2	0.0	1,073.5	(1,200.0)	(126.5)	15.3	535.0
Overseas	0.0	0.0	85.5	(86.4)	(0.9)	0.9	0.0
<i>Equities</i>							
UK	271.7	(14.3)	186.3	(178.5)	(6.5)	70.3	335.5
Overseas	247.8	(7.1)	212.4	(213.6)	(8.3)	74.2	313.7
<i>Freehold and leasehold property</i>							
	107.6	0.0	8.9	(19.6)	(10.7)	4.3	101.2
<i>Insurance policies</i>							
	1.2	0.0	0.0	0.0	0.0	(0.1)	1.1
		(95.5)	4,552.3	(4,643.6)			
Sterling short term deposits							
	23.8				19.1	0.0	42.9
Foreign currencies							
	2.0				0.2	0.3	2.5
Total investments	2,324.6				(167.5)	150.3	2,307.4
Fixed assets							
	0.1				0.0	0.0	0.1
Net current assets (liabilities)							
	(92.5)				110.5	0.0	18.0
	2,232.2				(57.0)	150.3	2,325.5

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 the above table the "Assets designated to members" represents the investments purchased with such contributions. Such investments are purchased by the external provider and allocated to each member's account as appropriate.

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 by MPO for each member. Members receive credited interest on their individual SBS balance each month. The combined assets of The GEC Plan and SBS are shown in the above table under "Assets not designated to members". The value of members' separate account balances within SBS at 5 April 2004 was £41.1 million (5 April 2003 £43.1 million).

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

	At 5 April 2004 £ million	At 5 April 2003 £ million
HSBC plc	12.0	11.0
HBOS	10.0	0.0
Svenska Handelsbank	5.2	0.0
Abbey National plc	4.7	5.0
Boston Safe Deposit Company Limited	4.4	3.0
RBC London	3.8	0.0
Barclays	2.8	1.5
Dresdner Bank plc	0.0	3.3
	<u>42.9</u>	<u>23.8</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 2004 £ million	At 5 April 2003 £ million
Forward contracts	2.1	(0.7)
US dollar	0.3	0.4
Other	0.1	1.6
Japanese Yen	0.0	0.7
	<u>2.5</u>	<u>2.0</u>

The amounts shown for forward contracts represent aggregate unrealised profits based on year-end exchange rates on contracts to buy or sell foreign currencies that had settlement dates falling after the year-end.

- (d) There were no investments in participating employers at the either year-end.
- (e) There were no calls payable on quoted or unquoted securities and no contingent underwriting liabilities at the year-end (2003 Nil).
- (f) The market value of holdings in pooled investment vehicles amounted to £5.1 million (2003 £3.1 million), all of which were operated by companies registered within the UK.

Notes to the Accounts

9 Investments (continued)

(g) The Plan held the following stocks that individually comprised more than 5% of the net assets of the Plan.

	At 5 April 2004		At 5 April 2003	
	£ million	% of Plan assets	£ million	% of Plan assets
UK Treasury 2.5% Index-linked 2011	171.6	7.4	279.0	12.5
UK Treasury 2.5% Index-linked 2013	131.5	5.7	-	-
UK Treasury 2.5% Index-linked 2009	126.8	5.5	-	-

10 Net current assets (liabilities)

	2004 £ million	2003 £ million (note 1)
Debtors		
Investments sold	31.7	25.7
Investment income (includes accrued income)	22.5	28.1
Other	0.8	0.4
	<u>55.0</u>	<u>54.2</u>
Bank balances - current accounts overdrawn	0.0	(0.5)
Creditors		
Investments purchased	(31.7)	(24.4)
Administration and investment expenses	(1.9)	(2.1)
PAYE	(1.9)	(2.1)
Transfers to other pension schemes	(0.9)	(116.8)
Benefits	(0.3)	(0.7)
Other	(0.3)	(0.1)
	<u>(37.0)</u>	<u>(146.2)</u>
	<u>18.0</u>	<u>(92.5)</u>

11 Taxation

UK income tax

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

Financial Statistics

Five years to 5 April 2004

Fund account	2004 £ million	2003 £ million	2002 £ million	2001 £ million	2000 £ million
Transactions involving members and employers					
Additions to the Fund					
Contributions					
Members' to The GEC Plan	3.7	6.1	12.0	13.0	24.8
Employers' to The GEC Plan	11.4	24.8	26.4	28.9	54.7
Internally invested AVCs - SBS	2.2	8.5	12.0	8.7	17.0
Externally invested AVCs	0.7	0.8	0.0	0.0	0.0
Transfer values Individual	0.0	0.0	0.0	0.1	0.0
Bulk	0.0	0.0	0.0	0.0	0.1
Receipts from life office	0.3	0.0	0.0	0.0	0.1
Total	18.3	40.2	50.4	50.7	96.7
Withdrawals from the Fund					
Benefits paid	147.6	167.1	162.6	133.5	261.8
Transfer values Individual	5.5	4.8	8.5	3.6	6.0
Bulk	10.9	115.6	62.6	2,681.1	1,025.1
Administration expenses	2.4	2.5	4.1	4.3	6.5
Premiums to life office	0.0	0.0	0.1	0.1	0.2
Total	(166.4)	(290.0)	(237.9)	(2,822.6)	(1,299.6)
Returns on investments					
Investment income	96.4	104.8	84.5	105.9	192.1
Investment management expenses	(5.3)	(4.6)	(4.3)	(4.4)	(4.9)
Changes in market value of investments	150.3	(113.4)	(76.4)	(59.4)	359.6
Net returns on investments	241.4	(13.2)	3.8	42.1	546.8
Net increase/(decrease) in the Fund	93.3	(263.0)	(183.7)	(2,729.8)	(656.1)
Fund at the beginning of the year	2,232.2	2,495.2	2,678.9	5,408.7	6,064.8
Fund at the end of the year	2,325.5	2,232.2	2,495.2	2,678.9	5,408.7
Distribution of net assets of the fund	%	%	%	%	%
Assets designated to members	0.3	0.2	0.0	0.0	0.0
Assets not designated to members					
Fixed interest					
UK	38.4	41.1	42.2	24.5	23.5
Overseas	3.2	4.5	3.5	2.3	2.4
Index-linked					
UK	23.0	28.9	16.1	8.3	3.2
Overseas	0.0	0.0	3.5	4.1	5.2
Equities					
UK	14.4	12.2	15.8	43.2	43.8
Overseas	13.5	11.1	11.1	12.1	13.4
Property	4.4	4.8	4.4	5.7	4.0
Managed funds	0.0	0.0	0.0	0.0	0.5
Insurance policies	-	0.1	0.1	0.1	-
Short-term deposits	2.0	1.2	3.5	4.0	3.8
Other	0.8	(4.1)	(0.2)	(4.3)	0.2
	100.0	100.0	100.0	100.0	100.0
Investment performance for year to previous 31 December	%	%	%	%	%
	9.7	0.6	- 4.2	4.7	17.8

Financial Statistics

Largest equity holdings at 5 April 2004

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

	£ million	% of UK equities
Vodafone Group	28.5	8.5
Royal Bank of Scotland	20.0	6.0
BP Group	18.7	5.6
HSBC Holdings	15.7	4.7
HBOS	15.5	4.6
AstraZeneca	13.4	4.0
GlaxoSmithKline	12.9	3.8
Barclays	10.9	3.2
BG Group	10.6	3.2
Xstrata	9.5	2.8
Anglo American	8.3	2.5
BAT	8.1	2.4
MAN	7.2	2.1
Standard Chartered	7.1	2.1
Reuters	7.0	2.1
Berkeley	6.1	1.8
MMO2	6.0	1.8
British Sky Broadcasting	5.3	1.6
Punch Taverns	5.3	1.6
British Airways	5.2	1.5

Total market value of the UK equities was £335.5 million.

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

		£ million	% of overseas equities
Royal Dutch Petroleum	Netherlands	8.7	2.8
Novartis	Switzerland	4.4	1.4
Siemens	Germany	3.8	1.2
KPN	Netherlands	3.8	1.2
Unilever	Netherlands	3.4	1.1
Forest Labs	US	3.4	1.1
Philips Electronic	Netherlands	3.3	1.1
Vivendi	France	3.3	1.1
BNP Paribas	France	3.3	1.1
Nestle	Switzerland	3.2	1.0

Total market value of the overseas equities was £313.7 million.

Financial Statistics

Summary of securities by market value

	At 5 April 2004 £ million	At 5 April 2003 £ million
Fixed interest		
UK 0-5 years	131.4	128.1
5-15 years	254.5	265.6
Over 15 years	508.3	524.8
Overseas	73.4	100.8
	967.6	1,019.3
Index-linked		
UK 0-5 years	11.0	1.1
5-15 years	469.7	596.2
Over 15 years	54.3	48.9
	535.0	646.2
UK Equities		
Resources	62.6	50.7
Basic Industries	12.3	1.6
General Industrials	6.7	2.1
Cyclical Consumer Goods	0.0	0.2
Non-Cyclical Consumer Goods	38.7	65.6
Cyclical Services	64.6	35.0
Non-Cyclical Services	39.6	33.5
Utilities	12.1	8.2
Information Technology	2.0	0.8
Financials	96.9	74.0
	335.5	271.7
Overseas Equities		
<i>Europe</i>		
Belgium	2.0	0.0
Denmark	3.8	2.8
Eire	1.4	3.0
Finland	5.7	4.1
France	24.7	21.3
Germany	22.3	15.3
Greece	2.4	0.0
Italy	6.3	6.8
Netherlands	32.0	20.1
Norway	3.0	2.0
Portugal	1.1	0.0
Spain	9.5	7.1
Sweden	4.1	3.5
Switzerland	22.6	21.0
Other	1.3	3.0
	142.2	110.0
<i>The Americas</i>		
Bermuda	1.4	0.0
Canada	2.0	2.4
USA	85.9	75.3
Other	0.9	0.0
	90.2	77.7
<i>Pacific Basin</i>		
Australia	15.9	12.3
China	0.2	0.2
Hong Kong	7.2	6.5
Japan	52.9	37.4
New Zealand	1.2	0.7
Singapore	3.9	3.0
	81.3	60.1
	313.7	247.8
Total securities	2,151.8	2,185.0

The above table excludes investments designated to members.

Membership Statistics

Five years to 5 April 2004	2004	2003	2002	2001	2000
The GEC Plan contributors (See note)					
At beginning of the year	4,103	11,748	15,703	30,805	43,638
New members	108	236	967	2,358	3,144
Members leaving service with the following benefits:					
Retirement	(101)	(679)	(1,215)	(472)	(1,392)
Refund of contributions	(40)	(288)	(542)	(235)	(231)
Death in service benefits	(7)	(8)	(12)	(8)	(25)
Transfer value or deferred pension	(813)	(6,906)	(3,153)	(16,745)	(14,329)
	(961)	(7,881)	(4,922)	(17,460)	(15,977)
At end of the year	<u>3,250</u>	<u>4,103</u>	<u>11,748</u>	<u>15,703</u>	<u>30,805</u>
AVC contributors (includes internal and external)					
At beginning of the year	2,128	3,414	5,275	11,632	17,012
New members	102	919	29	724	1,288
Transfers to other pension schemes	(28)	(1,079)	(567)	(5,670)	(4,937)
Members leaving service or ceasing to contribute	(303)	(1,126)	(1,323)	(1,411)	(1,731)
At end of the year	<u>1,899</u>	<u>2,128</u>	<u>3,414</u>	<u>5,275</u>	<u>11,632</u>
Pensioners (See note)					
At beginning of the year	39,128	38,794	38,392	72,191	78,279
New pensioners (including spouses' pensions coming into payment)	1,157	2,193	2,544	1,709	3,583
Transfers to other pension schemes	0	0	(209)	(33,874)	(6,358)
Deaths	(1,811)	(1,859)	(1,933)	(1,634)	(3,313)
At end of the year	<u>38,474</u>	<u>39,128</u>	<u>38,794</u>	<u>38,392</u>	<u>72,191</u>
Deferred pensioners (See note)					
At end of the year	<u>30,697</u>	<u>32,534</u>	<u>34,926</u>	<u>34,582</u>	<u>53,435</u>

Note

Members of The GEC Plan may have different categories of benefits concurrently (for example, 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).

Membership Statistics

	2004	2003	2002	2001	2000
Age distribution of contributors to The GEC Plan at end of year					
	%	%	%	%	%
under 21	0.1	0.1	0.2	0.4	0.3
21 to 30	12.6	15.2	12.1	14.5	12.0
31 to 40	33.7	32.9	29.0	28.3	27.0
41 to 50	35.3	33.2	31.7	29.7	31.0
51 to 60	17.6	17.5	24.1	24.2	26.2
61 to 64	0.7	1.1	2.9	2.9	3.5
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Age distribution of new contributors to The GEC Plan					
	%	%	%	%	%
under 21	1.9	1.3	1.1	2.1	2.0
21 to 30	28.7	36.2	30.0	38.7	34.9
31 to 40	35.2	39.1	39.1	32.2	33.8
41 to 50	25.0	18.3	21.5	19.1	21.2
51 to 60	8.3	5.1	7.8	7.6	7.7
61 to 64	0.9	0.0	0.5	0.3	0.4
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Age distribution of contributors to SBS at end of year					
	%	%	%	%	%
under 31	4.9	5.4	4.4	7.1	6.0
31 to 40	30.0	27.1	22.2	22.3	21.6
41 to 50	41.5	39.5	33.9	31.7	31.7
51 to 60	22.7	26.1	34.9	34.9	35.9
61 to 64	0.9	1.9	4.6	4.0	4.8
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Age distribution of new pensioners					
	%	%	%	%	%
under 50	0.5	1.1	1.1	1.2	0.8
50 to 54	15.0	18.8	13.1	11.6	12.9
55 to 59	13.9	28.2	26.4	18.1	22.3
60 to 64	17.6	21.6	25.1	25.3	26.4
65 to 69	21.7	14.4	17.9	22.0	37.6 ^{*1}
70 and over	31.3	15.9	16.4	21.8	
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Other Statistics	Years	Years	Years	Years	Years
<i>Average age</i>					
Contributing members	42.1	41.6	43.6	43.1	44.0
Pensioners	73.5	73.2	73.7	73.3 ^{*2}	72.7 ^{*2}
<i>Average Plan pensionable service</i>					
Contributing members	8.3	7.7	8.0	7.5	7.8

^{*1} The split is not available in this year as the statistics were not collated in this manner.

^{*2} 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.

Directors

J H Chaplin

Aged 68. 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 59. 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 36. Rob Green, a chartered accountant, joined Marconi Communications Limited in 1999 and has held various finance positions in the London and Coventry sites since that date. He is currently Finance Director for Northern Europe. He was appointed to the SPT Board in November 2002.

P G Harris *

Aged 41. 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 48. 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.

J R Leaney

Aged 54. John Leaney joined Plessey in 1973 and is a home-based field engineer. He has been a member of the PCC for a number of years and was appointed to the SPT Board in April 2004.

C G Lewin

Aged 63. Chris Lewin was the Head of UK Pensions at Unilever from May 1998 until December 2003 and was formerly in charge of pensions at Guinness, Associated Newspapers and British Rail. He has also worked for London Transport and Equity and Law Life Assurance Society, where he qualified as an actuary. He was named "Professional Pensions" Pensions Manager of the Year 2003 – a personal award for specific achievement in advancing the interests of members of occupational pensions provision – and has also published articles on pensions and related matters. He was appointed to the SPT Board in June 2004 and was elected as Chairman of the Board at its meeting in the same month. He also acts as Chairman of the Investment Committee.

P Moloney *

Aged 44. Pat Moloney joined Plessey in 1983 and is a Senior Technologist at Marconi's Liverpool site. He has been a member of the PCC since 1999 and he was appointed to the SPT Board in Nov 2003.

M F Surrey

Aged 37. Mike Surrey, a chartered accountant who joined GPT in 1992, has worked in various Finance positions in GEC and Marconi. In January 2004 he was appointed Head of Business Operations for Marconi Communications Limited. He was appointed to the SPT Board in June 2001.

V A Webster*

Aged 59. 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.

N E Wignall

Aged 34. Natalie Wignall, a barrister, was called to the bar in 1992. Natalie joined Marconi in 1993 and has held various legal positions since that date. She is now General Counsel, Europe. She was appointed to the SPT Board in July 2004.

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

Investment Committee

C G Clarke

Christopher Clarke, aged 60, 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 Rensburg plc (previously 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 30. He was appointed to the Investment Committee on 25 June 2003.

C G Lewin

Chris Lewin is Chairman of both SPT and the Investment Committee. His details are shown on page 30.

D H Reid

Damian Reid, aged 42, was appointed Marconi's Programme Director for BT's 21st Century Network in June 2004 having previously served as Chief Strategy Officer of Marconi (2001 to 2004) and as Senior Vice President, Corporate Finance of Marconi (1998 to 2001). 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.

Pension Consultative Committee

The Pension Consultative Committee (PCC) is elected by Plan members every four years and meets periodically:

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

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, Pat Moloney, John Leaney and Vic Webster. Mick and Vic are pensioners of the Plan whilst Pat and John are contributing members.

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 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

