THE GEC PLAN AND SELECTED BENEFIT SCHEME

REPORT AND ACCOUNTS **2005**

Contents

Trustee, Administration, Managers and Advisers

Trustee

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

Directors

A J Barker
J H Chaplin
R H Green
C C Holden *(Chairman)*
R S Kendall
J R Leaney
P Moloney
M F Surrey
V A Webster
N E Wignall
The Law Debenture Pension Trust Corporation p.l.c.

Secretary

G Allen

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 Limited

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
(Watson Wyatt Limited from 1 August 2005)

Solicitors

Eversheds LLP
Sacker & Partners LLP

Pensions administration

Marconi Pensions Office
The Hollies
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Pension Schemes Registry number

101206410

Report of the Trustee

Constitution

The G.E.C. 1972 Plan (the Plan), comprising The GEC Plan and Selected Benefit Scheme (SBS), is the principal pension arrangement in the UK for employees of 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 16.

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 (S2P) (which replaced the State Earnings-Related Pension Scheme (SERPS)).

Announcement by Marconi

On 25 October 2005, Marconi announced that it had entered into an agreement to sell a major part of its business to Telefon AB Ericsson (Ericsson). The proposed deal is subject to the agreement of Marconi's shareholders and, if approved, Marconi will remain the Principal Employer of the Plan although it will be renamed telent plc.

SPT has been in discussion with Marconi over recent months regarding both the funding position of the Plan and Marconi's strategic review, the outcome of which was the 25 October announcement. SPT's prime objective in those discussions was to ensure as far as possible that the Plan is funded in such a way as to enable members' benefits to continue to be paid as they fall due.

Throughout the discussions, SPT has taken independent professional advice from the Scheme Actuary, from Sacker & Partners and from Kroll Talbot Hughes, a specialist corporate financial adviser.

The results of those discussions have been positive for the Plan. On completion of the corporate deal, Marconi will make an immediate payment of £185 million into the Plan, which is sufficient to cover the whole of the on-going deficit of the Plan indicated by the preliminary results of the actuarial valuation as at 5 April 2005 that is currently being undertaken. A further sum of £490 million will be set aside by Marconi under an escrow arrangement and invested in a similar manner to the assets of the Plan as a contingency against any future deterioration in the funding position of the Plan. The funds in the escrow arrangement will be held separately and securely by a nominee until such time as they are needed by SPT or can be safely returned to Marconi. As these funds will not be paid to the Plan for some time, SPT has used appropriate financial instruments to safeguard the value of the expected payments.

The advice that SPT received from its professional advisers is that this arrangement will greatly increase the security of the Plan funding and should ensure that the Plan is able to meet in full its liabilities as they fall due. This position will be kept under close review as the circumstances of the Plan change over time. Throughout the process, SPT has also been in close contact with The Pensions Regulator, which has also provided clearance to Marconi for the arrangements that have been made.

Further information to members will be made available at the time of the November circular to the shareholders. Telent plc will continue to make contributions to the Plan relating to the future service of its employees who are members of the Plan in the usual way and the future rate of contributions will be set when the actuarial valuation as at 5 April 2005 is finalised.

Report of the Trustee

The fund

The fund of the Plan increased during the year ended 5 April 2005 by £62.8 million to £2,388.3 million.

The fund account shows net withdrawals for the year arising from transactions with members and employers of £133.2 million. The major changes compared to last year were the reduction in the employers' augmentations into SBS and the lower amounts of benefits and transfers that were paid from the Plan.

The reduction in the amount paid by the employer reflects the more stable environment in the year ended 5 April 2005 when there were fewer employees leaving Marconi under redundancy terms that included an augmentation of their benefits in the Plan.

The amount of benefits paid to members has also shown a decline compared to previous years. This situation occurs despite an increase in the amount paid out in pensions as the fewer number of leavers has resulted in lower levels of cash lump sums and other benefits. The increase in the amount paid as pensions is explained by the effect of the pension increase awarded under the Rules (although this was tempered by a reduction in the actual numbers of pensioners paid, as more pensioners died in the year compared to the number added to the payroll).

The reduction in transfer values paid from the Plan is almost entirely explained by the almost total absence this year of any bulk transfers (such transfers occur as a result of corporate actions undertaken by the participating employers).

For the third successive year, investment performance was positive as markets continued to climb from the low levels seen previously. As well as performing well in absolute terms, Plan investment performance relative to its customised benchmark was also good. Investment performance is measured over calendar years and more information relating to the year to 31 December 2004 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 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.

A formal actuarial valuation of the Plan as at 5 April 2005 is currently being undertaken. The valuation has to be completed by 5 April 2006 and the results will be circulated to members as soon as possible after the Actuary's report is issued. Full details will be included in next year's report.

A revised statement from the Actuary in terms of the Disclosure Regulations is shown on page 17. The statement is qualified by the Actuary, based on the preliminary results of the actuarial valuation, as he does not believe that the current level of contributions being paid by Marconi is sufficient to meet the cost of benefits currently being accrued. Marconi is currently contributing to the Plan at the rate of 8.2% of pensionable salaries, which is the rate set after the actuarial valuation as at 5 April 2002.

As a consequence of the corporate deal outlined above it is likely that the 5 April 2005 actuarial valuation will be finalised and future contribution rates agreed during the first quarter of 2006. If the deal completes as currently proposed, the Directors of SPT and Watson Wyatt do not envisage any difficulties in agreeing an appropriate Schedule of Contributions with telent plc.

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 including co-opted specialists, who are formally appointed to the IC by the Board. Under the terms of reference of the IC, one of its members may be a representative of Marconi.

Damian Reid, who was a co-opted member of the IC, resigned following his decision to leave the employment of Marconi. The Board recently decided that it would appoint a bond specialist and David Felder of the Law Debenture Pension Trust Corporation p.l.c. (LDPTC) has been appointed. Marconi nominated Salim Alam, its head of Taxation and Treasury, as its representative on the IC and he was duly appointed by the Board on 27 October 2005. A biography of each of the members of the IC appears on page 37.

An Investment Consultant appointed by SPT reports to the IC and provides advice in a number of specialist areas including the terms of appointment of investment managers and the monitoring of investment performance.

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.

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.

As a consequence of the failure of Marconi to win any part of the BT 21CN contract and the subsequent potential weakening of its covenant, as indicated by the market's revaluation of its share price during April 2005, a series of meetings of the IC and the Board of SPT were called in April and May. The purpose of the meetings was to consider whether it would be appropriate to change the investment strategy of the Plan in view of the Marconi share price change and the forthcoming actuarial valuation. Although the final results of the actuarial valuation were not available, publication of Marconi's FRS17 figures showed that the Plan was in deficit on the FRS 17 basis.

After taking these factors into account, a recommendation was made by the IC that the Board should consider taking the more defensive strategy of reducing equity exposure. Consequently, it was agreed to take action to protect the Plan from any unexpected falls in the equity markets, which was achieved by the use of equity and gilt futures contracts. The foreign currency exposure relating to the overseas equities covered by these futures contracts was also hedged. The futures contracts protected around a third of the equity funds held by the Plan. As a result of the Marconi announcement outlined above, SPT has taken further steps to protect the Plan's assets.

As a result of the manner in which these changes were to be implemented the investment distribution was outside the terms of the SIP for a period and it was therefore necessary to make some minor amendments to the SIP relating to the permissible spread of investments. A copy of the revised SIP is available from SPT.

Report of the Trustee

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).

Investment managers and portfolios	5 April 2005		5 April 2004	
	£m	%	£m	%
Capital International Limited				
Global equities	211.2	9	203.2	9
Fidelity Pensions Management				
Global equities	219.2	9	199.1	9
M & G Investment Management				
International bonds	538.1	23	552.2	24
Morley Fund Management Limited				
International bonds	964.2	40	975.4	42
Merrill Lynch Investment Managers Limited				
UK equities	298.8	13	258.3	11
LaSalle Investment Management Limited				
Property	112.4	5	103.9	4
Merrill Lynch Pensions Limited (MLPL) and Standard Life Assurance Company (SLAC)				
External AVC funds	9.0	-	7.9	-
Total externally managed assets	2,352.9	99	2,300.0	99
SPT				
Short-term deposits	*39.3*	*1*	*18.4*	*1*
Other	*(3.9)*	*-*	*7.1*	*-*
Total	35.4	1	25.5	1
Total assets	2,388.3	100	2,325.5	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.

Investment performance to 31 December 2004

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 Mellon Analytical Services Limited.

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 year ended 31 December 2004.

Category of investment	**Distribution 31 December 2004**	
	Plan	**Benchmark Spread Mean shown**
	%	**%**
Fixed interest		
UK	38.0}	41
Overseas	1.3}	
Index-linked	24.4	24
UK equities	15.9	15
Overseas equities	13.7	15
Property	4.9	5
Cash & net current assets	1.8	0
Total	**100.0**	**100**

	Annualised return % per annum			
	One Year	**Three Years**	**Five Years**	**Ten Years**
Plan	9.9	6.6	4.0	10.0
Customised benchmark	9.0	6.2	1.9	N/A

The customised benchmark is not shown for the ten year period, as it is less than ten years since the performance of the Plan has been subject to the customised benchmark.

2004 saw a strong positive performance by the Plan's investments with all the Plan's managers outperforming their respective benchmarks with the exception of Capital. Property in particular performed extremely well, returning 23.7% for the year.

Both of the Plan's bond managers, Morley and Prudential M&G, made good returns, with each outperforming their benchmark by 0.5%. A large proportion of the outperformance was attributable to allocations of overseas bonds, although an underweight position in UK gilts detracted from Morley's performance whilst an underweight position in index linked stock had a similar effect for Prudential. The strong property returns were driven by the performance of the larger retail properties in the portfolio with several producing total returns in excess of 35%.

Taking a longer view, over the three years to 31 December 2004 the Plan achieved a return of 6.6% per annum against the customised benchmark return of 6.2% per annum. All three of the managers that have been in place for the three-year period outperformed their respective benchmarks.

Administration and investment management expenses

Expenses relating to administration and investment management activities are borne by the Plan and are analysed in notes 7 and 9 to the accounts. For the year to 5 April 2005 total expenses amounted to £9.4 million (2004 £7.7 million). The large increase is due in part to the number of property transactions that have been undertaken in the year.

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

Year ended 5 April	Total membership	MPO expenses £ million	Cost per member £	MPO expenses as %age of Plan assets
2001	88,677	3.9	43.98	0.15
2002	85,468	3.3	38.61	0.13
2003	75,765	2.1	27.72	0.09
2004	72,421	1.8	24.85	0.08
2005	68,794	2.2	31.98	0.09

Work on the replacement of the pensions administration system, which commenced in late 1999 and was largely completed by 2003, is reflected in the lower costs that were payable in the 2003 and 2004 years.

The latest years' figures reflect an increase in both the absolute cost of MPO and in the cost per member. This reflects both the reductions in the membership (leading to higher fixed costs spread over a smaller membership) and a lower level of income being generated by MPO. In the main such income arises from charges made to participating employers who are not members of the Marconi group. Such work is driven by corporate sales or purchases and, as can be seen from the number of bulk transfers undertaken, such activity has been at a lower level than in previous years.

Although the figures are interesting, they should be treated with some caution, as they are not strictly comparable because of the absolute change in member numbers, the split of the membership into the various categories and the fluctuations in asset values.

Membership

Category of member	At 5 April 2005	At 5 April 2004
Contributor to The GEC Plan	**3,200**	**3,250**
Contributor to SBS		
- Internal	*785*	*917*
- SLAC	*467*	*486*
- MLPL	*527*	*496*
Total	**1,779**	**1,899**
Pensioner	**37,538**	**38,474**
Deferred pensioner	**28,056**	**30,697**

Numbers of members in each category declined during the year. The number of members contributing to the GEC Plan and to the SBS was more stable than in previous years but reflect the decline in the number of people employed by Marconi and its subsidiary companies.

The decline in pensioner numbers reflects fewer pensions being established than those that have ceased as a result of pensioner deaths.

During the year, 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 secured under the Plan is a very small fixed amount per annum and the member is offered the opportunity to accept a single lump sum payment. The work is continuing and it is expected that there will be a substantial decline in deferred pensioners during the year to 5 April 2006.

Further statistics regarding the membership of the Plan are given on pages 34 and 35.

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 3.2%, which corresponds with the increase in the RPI over the twelve-month period to January 2005, was applied to most pensions with effect from 1 May 2005. Proportionate increases were awarded to pensions that became deferred or commenced payment after 1 May 2004. 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 %
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
2000	2.0	2.0	2005	3.2	3.2

The average rate of increase awarded to a Plan pension that commenced payment on 1 May 1995 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' GEC Plan contributions and to members' SBS balances, where these are held internally. 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 2005, 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 2.5%, and for those who were members in the period 6 April 2002 to 5 April 2003 the terminal bonus was 1%, making a total of 5% and 3.5% respectively for those members.

At a meeting in March 2005, SPT considered whether the terminal bonuses that 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 2005. In the light of market volatility and the expected funding position of the Plan, SPT decided that this was not possible.

For the year commencing 6 April 2005, SPT has again been prudent in setting a credited interest rate of 2.5% for the year. SPT also decided to withdraw the terminal bonus that had applied previously. SPT recognised that this change 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 2005, any benefit calculated using credited interest on contributions made prior to 5 April 2005 will not be less than it would have been had it been paid on 5 April 2005. This concession also applies to members who decide to transfer their internal SBS balance to an external provider before 6 April 2006.

Credited interest (continued)

Rates of credited interest declared by SPT in the ten years since 6 April 1995 (excluding the effects of terminal bonuses that applied in some years) are set out below:

Plan year to 5 April	Rate of credited interest %	Plan year to 5 April	Rate of credited Interest %
1997	11.0	2002	2.5
1998	11.0	2003	2.5
1999	11.0	2004	2.5
2000	9.5	2005	2.5
2001	9.0	2006	2.5

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 2006 would be 6.3% per annum. It should be noted, however, that the declarations of credited interest in the earlier years were significantly higher than in the later years and than those that 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 2006 (but not after that date) they may be entitled to some or all of the terminal bonuses explained above. Such members can contact MPO for more information about the investment choices and, if they wish, 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). In the year to 5 April 2005 transfers in respect of one individual were allowed due to the particular nature of the benefits payable.

Pensions

The aggregate amount of pensions paid in the year ended 5 April 2005 has increased when compared to the previous year but at a lower rate than the annual increase awarded on 1 May 2004. This was a result of the changes in this category of membership, with 100% more pensions being ceased as a result of deaths of pensioners, when compared to the number of new pensions being established.

The average pension in payment was £3,602 per annum at 5 April 2005 (2004 £3,544 per annum), an increase of 1.6%. The average amount of pension paid to new pensioners was £2,535 per annum (2004 £3,199 per annum). The reduction in the average amount of new pensions is because there have been many more deaths than new pensions established and, due to the lower number of retirements a larger proportion of these new pensions have been payable to the spouse, which tend to be for lower amounts than those pensions established for members at retirement.

In considering the pension amounts it must be noted that in addition to a pension, most members would have taken part of their benefits as a capital sum at retirement.

At the end of the year, the average age of pensioners was 73.9 years (2004 73.5 years).

Benefits (continued)

Individual transfer values paid from the Plan

On leaving pensionable service, a member may choose to have the value of the deferred benefits secured under the Plan 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 £2.0 million in the year to 5 April 2005 (2004 £4.1 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 or can be printed from the website www.marconi-pensions.co.uk. 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; 9 retiring employees or dependants used the service during the year (2004 13).

Disposals of businesses by employers

Last year's report contained details of a bulk transfer relating to members of the Plan who were formerly employed in the Information Technology areas of Marconi's business. During the year under review, a further 5 members of the Plan employed in the Information Technology areas of Marconi's business transferred employment to CSC and were offered the opportunity to transfer their benefits in the Plan to their new employer's pension scheme, the Computer Sciences Corporation Limited Pension Scheme. An amount of £30,391 relating to the four members who chose to transfer their benefits is included in the accounts.

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 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 web site. Each member, pensioner and deferred pensioner was sent a copy of a leaflet, "Pensions Update" in April 2005, 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 2005 report and accounts will be distributed to those who have requested a copy and will again be available via the web site, www.marconi-pensions.co.uk.

Communications (continued)

Contributing members of the Plan are encouraged to obtain information concerning the Plan direct from their HR departments. However, should they wish to contact SPT, or 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 and it has been decided to extend the coverage of the surveys during the current year to a sample of the whole membership.

There were of course some critical comments 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.

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.

In November 2004 the Auditing Practices Board issued a revised Practice Note 15 (PN15) which introduced revised formats for the audit report and auditors’ statement about contributions. Previously there was a single audit report, whereas under PN15 a report on the audit and a statement about contributions are required. The report and statement from the auditor appear on pages 19 and 20 respectively.

Finance Act 2004 and Pensions Act 2004

Two Acts of Parliament received Royal Assent during the year that will have a significant impact upon pension provision within the UK.

Finance Act 2004

That part of the Finance Act 2004 that relates to pensions is commonly referred to as "tax simplification". Its main effect is to replace the eight different tax regimes that currently cover pension provision with a single regime and most changes that it introduces will come into force with effect from 6 April 2006.

The current situation is that tax approved occupational pension schemes, such as the Plan, have to apply Inland Revenue limits to contributions a member makes, the rate at which benefits may accrue and the amount of earnings that may be used to calculate maximum benefits. To a large extent these limits are swept away with effect from 6 April 2006 when two new allowances – the Lifetime Allowance (LTA) and the Annual Allowance (AA) – are introduced.

On the same date, tax approved pension schemes become "registered schemes". The administrator of a registered scheme will apply a test at the date benefits are put into payment, to ensure that the capital value of a member's benefits from all such registered schemes does not exceed the LTA. If it were to do so, the administrator must deduct tax on the excess amount above the LTA (known as the recovery charge). The LTA has been set at an initial level of £1.5 million and will increase each year until it reaches £1.8 million in 2010. As the multiplier to be used to determine the value of each £1 per annum of pension is 20 for pensions coming into payment after 5 April 2006, the recovery charge will not apply until a member's initial pension amount (from all registered schemes) exceeds £75,000 per annum (ie £1.5 million ÷ 20).

In addition to the LTA, administrators will also be obliged to apply the AA. The AA is designed to ensure that benefits cannot be enhanced disproportionately in the last years of a member's working life. It applies to the contributions that can be made to a scheme in any one year or, in the case of a defined benefit scheme, the capital value of the benefits accrued in that year. In the first year of the new regime, the amount is £215,000 (or 100% of a member's earnings, if lower). Any contribution or accrual above the AA will be subject to a tax charge of 40%.

As can be seen from the preceding two paragraphs it is unlikely that there will be many members whose position will be affected by the new regime, which is not unexpected, as the existing Inland Revenue limits affect relatively few members. The changes introduced by the Finance Act 2004 are designed to further simplify the taxation of pensions in the UK.

There are likely to be some administrative changes introduced for all members and where this is the case, full communication will be made prior to the changes occurring.

Pensions Act 2004

The Pensions Act 2004 is arguably the most important piece of pensions legislation since the enactment of the Pensions Act 1995.

The 2004 Act covers four major areas:

- The Pensions Regulator
- The Pension Protection Fund
- The Statutory Funding Objective
- The standard of care and composition of trustee boards.

The changes introduced by the 2004 Act are complex and amend some provisions of earlier Pensions Acts as well as improving protection of members' pension rights in defined benefit schemes such as the Plan. Some of the changes introduced by the Pensions Act 2004 will override the rules of the Plan but others may require amendments to be made. Whatever the case may be, members will be kept informed periodically.

Finance Act 2004 and Pensions Act 2004 (continued)

The Pensions Regulator

The Pensions Regulator (TPR) was established with effect from 6 April 2005 and took over all the functions of the Occupational Pensions Regulatory Authority. In addition, TPR has been granted additional powers to protect members' benefits, to reduce calls on the Pension Protection Fund (PPF) and to promote and improve good scheme administration.

It is intended that TPR will adopt a more proactive approach than its predecessor by:

- Collecting detailed information about all schemes
- Focussing attention on higher risk situations
- Reducing the regulatory burden for well run schemes
- Exercising new powers where members' benefits are adjudged to be at risk
- Issuing codes of practice.

Like its predecessor, TPR will rely upon "whistleblowers" to report breaches of the law. People who are required to "whistleblow" from 6 April 2005 include trustees, employers and professional advisers and a code of practice was issued in April setting out a system for reporting breaches. Trustees were required to establish internal procedures to meet the new "whistleblowing" responsibilities and SPT has put such procedures in place. In addition, new regulations came into force in April which require trustees and employers to notify TPR of specified events that may potentially lead to schemes entering the PPF.

TPR's powers to protect members' benefits include provisions enabling it to issue improvement notices and third party notices compelling schemes to take action to remedy identified problems, freeze a scheme whilst it investigates matters of concern further and make orders requiring assets to be restored to pension schemes. There are also "moral hazard" clauses contained in the Pensions Act 2004 that give wide ranging powers to TPR to make orders and issue notices against employers or others to ensure, so far as is possible, that sponsors of defined benefit schemes cannot walk away from their responsibilities to the scheme. Marconi and Ericsson have obtained TPR clearance, under these provisions, to the proposals announced on 25 October 2005 (see page 3).

The Pension Protection Fund

The aim of the PPF is to provide increased protection for members of defined benefit schemes by paying compensation where the sponsoring employer becomes insolvent and the pension scheme is underfunded. When a scheme enters the PPF compensation is limited to 100% of the pension in payment for members who are aged over the normal pension age (or who are in receipt of an ill-health pension) and to 90% for those who are below the normal pension age. This latter category is also subject to an overall cap of £25,000 per annum at age 65 (or less at lower commencement ages). The PPF liability caps increases to pensions in payment at 2.5% per annum and excludes increases on pensions attributable to service prior to 1 April 1997.

The PPF is run by a Board appointed by the Secretary of State for Pensions which raises money for the PPF by the imposition of a levy on other defined benefit pension schemes. In the first year, the levy will be based on the number of scheme members and the size of scheme liabilities. It is expected that the scheme levy relating to the Plan in the first year will be almost £1 million. In second and subsequent years, a new levy will apply which will comprise a scheme-based levy and a risk-based levy. It is expected that the risk-based levy will account for 80% of the amount required and the levy for the PPF is additional to that required to fund the TPR.

The Statutory Funding Objective

The Statutory Funding Objective (SFO) will replace the Minimum Funding Requirement (MFR). The SFO differs from the MFR in that it does not set out a statutory common funding measure. Instead the SFO is intended to take account of the particular circumstances of the scheme as a framework for setting funding strategy and detail.

In order to put the SFO in place, SPT will have to obtain advice from the Scheme Actuary and secure the agreement of Marconi to a strategy for funding pension commitments and for making up any shortfall. A joint working group, comprising representatives of both the Board of SPT and the management of Marconi, has been established to work through the issues to assist in developing and issuing the SFO. The SFO will include details of the funding principles, the recovery plan for funding any scheme deficit and the Schedule of Contributions.

Finance Act 2004 and Pensions Act 2004 (continued)

The standard of care and composition of trustee boards

Under the provisions of the Pensions Act 2004, trustees are required to have "knowledge and understanding" of

- the law relating to pensions and trusts,
- the principles relating to funding and investment and
- any other issues that may be set out in regulations made under the Act and,
- to be "conversant with" the scheme documents.

The degree of knowledge and understanding should be appropriate for the purpose of enabling an individual trustee (or director of a corporate trustee) to exercise his function as a trustee.

Whilst it will not be necessary for trustees to hold formal qualifications, it will be necessary for them to be able to demonstrate that they have received appropriate training. Training has always been provided to the Board of SPT through information disseminated at Board meetings periodically. In order to enhance compliance, however, the Board, through MPO, has introduced a formal training regime involving MPO, the Scheme Actuary and the legal adviser.

Trust Deed and Rules

A Deed of Variation to alter the Rules of the Plan so as to incorporate the benefit restrictions under the Finance Act 1989 as scheme specific restrictions has been agreed. Without this change to the Rules, the simplification measures introduced by the Finance Act 2004 would have led to a potential increase in Plan liabilities at 5 April 2006. There will also need to be further Deeds of Variation to relax some of the restrictions (for example on payment of cash lump sums) as permitted by the new legislation. Members will be kept informed of such changes at the appropriate time.

Further regulations made under the Finance Act 2004 and Pensions Act 2004 are likely to introduce changes to pensions provision that will require amendment of the Trust Deed and Rules. 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 37.

Report of the Trustee

Trustee Board

The following changes have been made in the composition of the Board since 5 April 2004:

Appointments

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. (See also Resignations below)

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

Mr A J Barker on 6 April 2005. Andy Barker is an SDH System Design Manager based in Beeston, and is a member of the PCC.

Mr C C Holden on 16 June 2005. Chris Holden is a Chartered Accountant and acted as Group Financial Controller for Marconi. He was elected Chairman of SPT by its Directors on 21 June 2005.

The Law Debenture Pension Trust Corporation p.l.c. (LDPTC) on 28 July 2005. LDPTC was appointed at the request of the Board as a replacement for Peter Harris, to bring independent specialist pensions expertise to the Board. It has nominated Eddie Thomas as the person who will normally attend SPT Board meetings. The alternate nominated by LDPTC is David Felder who is also a member of the IC.

Resignations

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.

Mr M V Elliott on 19 May 2005. Mick Elliott, a Director since May 2000, resigned consequent upon him being replaced as a nominee of the PCC, having previously ceased employment with Marconi.

Mr P G Harris on 14 June 2005. Peter Harris, a Director since June 2003 resigned after considering his position in the light of the Pensions Act 2004 and having discussed the position with the professional advisers. He resigned to avoid potential conflicts of interest that could have arisen as a result of his dual roles as a Director of SPT and as Marconi's Head of Pensions. Pete will remain available to advise the Board in his role as Marconi's Head of Pensions and it is intended he will attend Board meetings at the invitation of the Chairman.

Mr C G Lewin on 17 June 2005 having been a Director and Chairman of SPT since June 2004.

The Board would like to express its thanks to the Directors who have resigned and to welcome the new Directors. Further information about the current members of the Board is given on page 36.

In the period since the last report, there has also been a change of Company Secretary. David Lee resigned on 7 October 2005 to enable him to concentrate on working within the project team in MPO delivering the administration changes necessary as a result of the Finance and Pensions Acts and was replaced by Graham Allen.

CC Holden

Chairman
3 November 2005

Statement 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 unlikely 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.

   The impact of a combination of investment performance and increases in experienced levels of longevity over the period since the previous valuation is such that the contribution rates quoted (which were set at that valuation) are no longer expected to be adequate to provide for benefits in the usual course of events. Contribution rates are being reviewed as at 5 April 2005 in the course of the current actuarial valuation.

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.

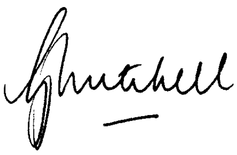
   The liabilities referred to in this Statement relate to the benefits which are expected to become payable under the normal operation of the scheme. They take account of future benefit accruals and include appropriate allowance for future increases in salaries and credited interest.

   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.



Graham Mitchell
Fellow of the Institute of Actuaries
Partner
Watson Wyatt LLP
July 2005

Three Brindleyplace
Birmingham
B1 2LN

Actuarial Certificate

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 6th and 12th 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
19 March 2003

Three Brindleyplace
Birmingham
B1 2LN

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 2005 which comprise the fund account, net assets statement and the related notes 1 to 13. 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 regulation 3 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 work has been undertaken so that we might state to the Trustee those matters we are required to state to it in an auditors' report 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 work, for this report, or for the opinion 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.

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 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

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.

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 2005, 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 and Registered Auditors
Birmingham

4 November 2005

Independent Auditors' Statement & Contributions

Independent Auditors' Statement about Contributions, made under Regulation 4 of The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, to the trustee G.E.C. 1972 Plan ("the Plan").

We have examined the summary of contributions payable under the schedule of contributions to the Plan in respect of the Plan year ended 5 April 2005 which is set out in note 2 to the accounts.

This statement is made solely to the Plan Trustee in accordance with the Pensions Act 1995 and Regulations made thereunder. Our work has been undertaken so that we might state to the Plan Trustee those matters we are required to state to it in an auditors' 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 Plan Trustee for our work, for this statement, or for the opinions we have formed.

Respective responsibilities of Trustee and auditors

As described in the Trustee's report, the Plan Trustee is responsible, under the Pensions Act 1995, for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions which sets out the rates and due dates of certain contributions payable towards the scheme by or on behalf of the employer and the active members of the Plan. The Trustee has a general responsibility for procuring that contributions are made to the Plan in accordance with the schedule of contributions.

It is our responsibility to provide a statement about contributions paid to the Plan under the schedule of contributions and to report our opinion to you.

We read the Trustee's report and other information in the annual report and consider whether it is consistent with the summary of contributions. We consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the summary of contributions.

Basis of statement about contributions

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to give reasonable assurance that contributions reported in the summary of contributions have been paid in accordance with the relevant requirements. For this purpose, the work that we carried out included examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Plan and the timing of those payments under the schedule of contributions. Our statement about contributions is required to refer to those breaches of the schedule which come to our attention in the course of our work.

Statement about contributions payable under the schedule

In our opinion contributions for the Plan year ended 5 April 2005 as reported in the summary of contributions in note 2 to the accounts and payable under the schedule have been paid in accordance with the schedule of contributions certified by the actuary on 19 March 2003.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Birmingham

4 November 2005

Fund Account

for the year ended 5 April 2005

	Note	Year to 5 April 2005 £ million		Year to 5 April 2004 £ million (Restated - note 1)	
Contributions					
To The GEC Plan	2				
Members'		**3.6**		3.7	
Employers'		**9.9**		10.3	
			13.5		14.0
To the Selected Benefit Scheme	2				
Internally invested		**1.3**		3.3	
Externally invested		**0.7**		0.7	
			2.0		4.0
Transfer values received	3		**0.4**		0.0
Claims from life office	4		**0.0**		0.3
Total			***15.9***		*18.3*
Benefits paid	5		**144.4**		147.6
Transfer values paid	6		**2.0**		15.0
Administration expenses	7		**2.7**		2.4
Total			**149.1**		165.0
Net withdrawals arising from transactions with members and employers			***(133.2)***		*(146.7)*
Returns on investments					
Investment income	8	**91.8**		96.4	
Investment management expenses	9	**(6.7)**		(5.3)	
Changes in market values of investments	10	**110.9**		148.9	
Net returns on investments			***196.0***		*240.0*
Net increase during the year			***62.8***		*93.3*
Net assets at the beginning of the year			**2,325.5**		2,232.2
Net assets at the end of the year			**2,388.3**		**2,325.5**

Net Assets Statement

at 5 April 2005

	Note	Year to 5 April 2005 £ million		Year to 5 April 2004 £ million (Restated - note 1)	
ASSETS DESIGNATED TO MEMBERS	10				
MLPL unit linked investments		**5.8**		5.1	
SLAC With Profits fund		**3.2**		2.8	
			9.0		7.9
ASSETS NOT DESIGNATED TO MEMBERS	10				
Fixed interest securities					
UK		**861.2**		894.2	
Overseas		**84.3**		73.4	
			945.5		967.6
Index-linked securities					
UK			**535.3**		535.0
Equities					
UK		**384.7**		335.5	
Overseas		**337.6**		313.7	
			722.3		649.2
Property			**112.8**		101.2
Insurance policies			**1.0**		1.1
Short term deposits					
Sterling		**44.0**		42.9	
Foreign currencies		**2.0**		2.5	
			46.0		45.4
Net current assets / (liabilities) relating to investments	11		**19.7**		21.7
Total investments			***2,391.6***		*2,329.1*
Fixed assets			**0.1**		0.1
Net current assets / (liabilities) relating to members and employers	11		**(3.4)**		(3.7)
Net assets at end of the year			**2,388.3**		2,325.5

The notes on pages 23 to 30 form part of these accounts.

Approved by Stanhope Pension Trust Limited on 3 November 2005

CC Holden **Chairman**

James T. Chaplin **Director**

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 17 and the accounts should be read in conjunction with this statement.

(b) *Fund Account*

Items are accounted for 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.

Restated items

The accounting policy in relation to transfers made from the internally invested SBS to either SLAC or MLIM has been altered this year. In previous years, such transfers were shown as a benefit payment and ultimately had an equal and opposite effect on the change in the market value of the SLAC with-profits policy or MLIM units, respectively. As this item is an intrafund transfer, it should be excluded from the face of the accounts and this has been done with effect from this year. This change in policy has necessitated a restatement of certain items shown in the Fund Account for the year ended 5 April 2004 as follows:

	Original amount £ million	Adjustment £ million	Restated amount £ million
Transfer values paid	(16.4)	1.4	(15.0)
Changes in market values of investments	150.3	(1.4)	148.9

In last year's accounts, contributions made by the employer to the SBS to augment members' benefits were incorrectly shown as contributions to The GEC Plan. An adjustment has been made to rectify this error and has necessitated a restatement of the following items in the Fund Account:

	Original amount £ million	Adjustment £ million	Restated amount £ million
Employer's contributions to The GEC Plan	11.4	(1.1)	10.3
Contributions to SBS - Internal	2.2	1.1	3.3

There was no impact on the increase in the fund.

1 Accounting policies (continued)

(c) Net Assets Statement

Investments are valued on the bases shown below:

- Securities listed on UK and overseas stock exchanges at closing prices as at 5 April 2005.
- Unlisted securities, at valuations provided by the Plan's investment managers.
- All properties were revalued at 31 December 2004 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. SPT is satisfied that there are no significant differences between the market values at 31 December 2004 and at 5 April 2005.
- Unit trusts, at closing prices provided by the managers.
- Insurance policies, consistent with the actuarial statement on page 17.
- Overseas investment values are translated into sterling at the rates of exchange ruling as at 5 April 2005.

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

Restated items

The disclosure of net current assets and liabilities has been altered this year in respect of the analysis of these items. In previous years, the net assets and liabilities were shown as a single line on the net assets statement whereas from this year the net current assets and liabilities have been split between those relating to investment transactions and those relating to transactions involving members and employers. This change has resulted in a need to split the net current assets and liabilities figure included as at 5 April 2004 in last year's net assets statement. The following table shows the original figure split into its constituent parts:

Original figure as at 5 April 2004	£18.0 million
Restated - relating to investment transactions	£21.7 million
- relating to transactions involving members and employers	£(3.7) million

There was no impact on the net assets of the Plan.

2 Contributions

(a) To The GEC Plan

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

Employers contributed at a rate of 8.2% of members' earnings (2004 8.2%) and, where applicable, also made contributions to augment members' benefits.

(b) To the Selected Benefit Scheme

Members can also make additional voluntary contributions at varying amounts specified by them, subject to the limits imposed by legislation. Additional voluntary contributions are used to provide retirement benefits or death in service benefits. Contributions for retirement benefits are held internally or are held externally by Merrill Lynch or Standard Life. The death in service arrangement is insured through Eagle Star.

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. The Eagle Star policy is no longer available to new entrants or to existing members who are not currently contributing to this arrangement.

Employers do not normally contribute to SBS but, where applicable, may do so to augment members' benefits.

2 Contributions (continued)

The following table details the contributions made during the year:

		2005 £ million	2004 £ million (Restated – Note 1)
The GEC Plan			
Employers'	Normal	**9.9**	10.2
	Augmentations of members' benefits	**0.0**	0.1
Members'	Normal	**3.6**	3.7
Total payable in accordance with the Schedule of Contributions		**13.5**	14.0
SBS			
Employers'	Augmentations of members' benefits	**0.1**	1.8
Members'	Internal	**1.2**	1.5
	Standard Life Assurance Company	**0.3**	0.3
	Merrill Lynch Pensions Limited	**0.4**	0.4
Total		**2.0**	4.0

3 Transfer values received

As a general rule, SPT does not accept individual transfers into the Plan. There are particular circumstances, however, when it is possible and appropriate to do so and there has been one such occurrence in the current year.

4 Claims from life office

This relates to claims paid following the deaths of members who were entitled to life cover under SBS. There were no such claims in the year.

5 Benefits paid

	2005			2004
	The GEC Plan £ million	**SBS £ million**	**Total £ million**	Total £ million
Pensions	**134.7**	**0.0**	**134.7**	133.9
Cash sums on retirement	**6.4**	**0.3**	**6.7**	10.2
Capital payments on death	**0.4**	**0.0**	**0.4**	1.0
Purchase of annuities with external providers (see footnote)				
from SBS	**0.0**	**1.6**	**1.6**	1.8
from SLAC	**0.0**	**0.1**	**0.1**	0.1
from MLPL	**0.0**	**0.3**	**0.3**	0.1
Refunds of members' contributions with credited interest				
on death	**0.5**	**0.0**	**0.5**	0.4
on leaving service	**0.0**	**0.1**	**0.1**	0.1
	142.0	**2.4**	**144.4**	147.6

Benefits take account of improvements effective during the year; most pensions in payment, deferred pensions and contingent pensions were increased by 2.6% on 1 May 2004.

Transfers of assets from the internally invested SBS and from the external AVC providers to purchase pensions in The GEC Plan for members retiring in the year ended 5 April 2005 amounted to £0.3 million (2004 £2.7 million). As this amount is an intra fund transfer it is excluded from the face of the accounts. The facility to purchase GEC Plan annuities is only available to the minority of members where the capital value of their AVC balance is small.

6 Transfer values paid

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.

In some cases, these represented bulk transfers that were a result of arrangements agreed between SPT and the trustees of the receiving schemes following disposals of businesses by the participating employers.

	2005			2004
	The GEC Plan	**SBS**	**Total**	Total
	£ million	**£ million**	**£ million**	£ million
Individual transfers				
Personal pension providers	**0.7**	**0.2**	**0.9**	2.9
Other employers' schemes	**1.1**	**0.0**	**1.1**	1.2
	1.8	**0.2**	**2.0**	4.1
Bulk transfers				
Computer Sciences Corporation Limited Pension Scheme (see note)	**-**	**-**	**-**	1.6
Others	**0.0**	**0.0**	**0.0**	9.3
	-	**-**	**-**	10.9
	1.8	**0.2**	**2.0**	15.0

In the year to 5 April 2005 a bulk transfer of £30,391 was paid to the trustee of the Computer Sciences Corporation Limited Pension Scheme in respect of the four members referred to in the report of the trustee.

Transfers of SBS balances held internally to either SLAC or MLIM were made on behalf of members who made such a request and amounted to £0.6 million in the year ended 5 April 2005 (2004 £1.4 million). As this amount is an intra fund transfer it is excluded from the face of the accounts.

7 Administration expenses

	2005	2004
	£ million	£ million
Marconi Pensions Office	**2.2**	1.8
Actuarial, investment consultancy, audit and legal fees	**0.5**	0.6
	2.7	*2.4*

8 Investment income

	2005	2004
	£ million	£ million
Fixed interest securities		
UK	**48.6**	52.4
Overseas	**3.1**	3.9
Index-linked securities		
UK	**13.5**	15.3
Overseas	**0.0**	0.4
Equities		
UK	**10.0**	9.6
Overseas	**6.3**	5.3
	81.5	86.9
Property	**7.9**	8.5
Short-term deposits	**2.4**	1.0
	91.8	96.4

The figures in the above table are net of irrecoverable withholding tax which, In the year ended 5 April 2005, amounted to £0.9 million. The comparative figure for 2004 is not available

9 Investment management expenses

	2005 £ million	2004 £ million
Investment management	**3.7**	3.4
Custody	**0.4**	0.4
Property management	**2.6**	1.5
	6.7	5.3

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 management fees are based on the valuation of assets managed, with additional charges made for specific additional services and for irrecoverable expenses on empty properties. There has been a large increase in property expenses this year due in part to the number of transactions undertaken.

10 Investments

a) Movements of net assets during the year ended 5 April 2005

	Market values at 5 April 2004 (Restated See Note 1) £ million	Purchases at cost £ million	Sales proceeds £ million	Net investment £ million	Changes in market values of investments £ million	**Market values at 5 April 2005 £ million**
Assets designated to members						
MLPL unit linked investments	5.1	0.9	(0.7)	0.2	0.5	**5.8**
SLAC With Profits fund	2.8	0.4	(0.1)	0.3	0.1	**3.2**
Assets not designated to members						
Fixed interest						
UK	894.2	3,043.8	(3,091.8)	(48.0)	15.0	**861.2**
Overseas	73.4	414.7	(411.6)	3.1	7.8	**84.3**
Index-linked						
UK	535.0	549.9	(565.0)	(15.1)	15.4	**535.3**
Overseas	0.0	16.7	(17.2)	(0.5)	0.5	**0.0**
Equities						
UK	335.5	128.8	(120.4)	8.4	40.8	**384.7**
Overseas	313.7	196.8	(183.9)	12.9	11.0	**337.6**
Property	101.2	14.3	(23.6)	(9.3)	20.9	**112.8**
Insurance policies	1.1	0.0	(0.1)	(0.1)	0.0	**1.0**
		4,366.3	(4,414.4)			
Short term deposits						
Sterling	42.9			1.1	0.0	**44.0**
Foreign currencies	2.5			0.6	(1.1)	**2.0**
Net current assets / (liabilities) - investments	21.7			(2.0)	0.0	**19.7**
Total investments	*2,329.1*			*(48.4)*	*110.9*	***2,391.6***
Fixed assets	0.1			0.0	0.0	**0.1**
Net current assets / (liabilities) - members and employers	(3.7)			0.3	0.0	**(3.4)**
	2,325.5			**(48.1)**	**110.9**	**2,388.3**

10 Investments (continued)

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 2005 was £39.7 million (5 April 2004 £41.1 million).

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

	At 5 April 2005 £ million	At 5 April 2004 £ million
HBOS	**20.0**	10.0
HSBC plc	**11.0**	12.0
Abbey National plc	**10.0**	4.7
Boston Safe Deposit Company Limited	**2.5**	4.4
RBC London	**0.5**	3.8
Svenska Handelsbank	**0.0**	5.2
Barclays	**0.0**	2.8
	44.0	42.9

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

(c) Foreign currencies comprised:

	At 5 April 2005 £ million	At 5 April 2004 £ million
Forward contracts	**0.9**	2.1
Swiss Francs	**0.5**	0.0
Singapore Dollars	**0.3**	0.0
Australian Dollars	**0.1**	0.0
US Dollars	**0.1**	0.3
Euro	**0.1**	0.0
Other	**0.0**	0.1
	2.0	2.5

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 either year-end.

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

(f) The market value of holdings in pooled investment vehicles amounted to £5.8 million (2004 £5.1 million), all of which were operated by companies registered within the UK.

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

	At 5 April 2005		At 5 April 2004	
	£ million	**% of Plan assets**	£ million	% of Plan assets
UK Treasury 2.5% Index-linked 2011	**189.3**	**7.9**	171.6	7.4
UK Treasury 4.75% 2020	**121.8**	**5.1**	-	-
UK Treasury 2.5% Index-linked 2013	**-**	**-**	131.5	5.7
UK Treasury 2.5% Index-linked 2009	**-**	**-**	126.8	5.5

11 Net current assets / (liabilities)

	At 5 April 2005		At 5 April 2004	
	£ million		£ million	
a) Investment related				
Debtors				
Investments sold	**43.2**		31.7	
Investment income	**20.9**		22.5	
Other	**0.4**		0.6	
		64.5		54.8
Bank current account balances		**0.5**		0.0
Creditors				
Investments purchased	**(43.7)**		(31.7)	
Investment management expenses	**(1.2)**		(1.1)	
Other	**(0.4)**		(0.3)	
		(45.3)		(33.1)
		19.7		21.7
b) Employer and member related				
Debtors	**0.1**		0.2	
Creditors				
PAYE	**(1.9)**		(1.9)	
Administration expenses	**(0.6)**		(0.8)	
Transfers to other pension schemes	**(0.4)**		(0.9)	
Benefits	**(0.5)**		(0.3)	
Other	**(0.1)**		0.0	
		(3.5)		(3.9)
		(3.4)		(3.7)

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.

13 Post year end events

During the course of April and May 2005 a series of meetings of the Investment Committee and the Board of SPT were held to consider whether it would be appropriate to change the investment strategy of the Plan in view of the fall in the Marconi share price during April 2005 and the actuarial valuation that is currently being undertaken as at 5 April 2005. Although the formal results of the valuation were not available at that time, the actuary had indicated that it was likely that the scheme would be in deficit on an ongoing basis and publication of Marconi's FRS17 figures supported this view.

After taking these factors into account, a recommendation was made by the IC that the Board should consider taking a more defensive investment strategy. In accordance with the SIP, the Board consulted with Marconi, which agreed that the proposed action was prudent. Consequently, it was agreed that equity and gilt futures contracts should be used to protect the fund from any unexpected falls in the equity markets and that the foreign currency exposure should also be hedged. Subsequently, futures contracts were entered into to protect around a third of the equity funds held by the Plan and fully hedged the foreign currency exposure.

On 25 October 2005, Marconi announced that it had entered into an agreement to sell a major part of its business to Telefon AB Ericsson (Ericsson). The proposed deal is subject to the agreement of Marconi's shareholders and, if approved, Marconi will remain the Principal Employer in the Plan although it will be renamed telent plc.

SPT has been in discussion with Marconi over recent months regarding both the funding position of the Plan and Marconi's strategic review, the outcome of which was the 25 October announcement. SPT's prime objective in those discussions was to ensure as far as possible that the Plan is funded in such a way as to enable members' benefits to continue to be paid as they fall due.

Subsequent to the announcement by Marconi detailed above, SPT has entered into a series of appropriate financial instruments primarily to preserve the value of the £675 million to be set aside for the benefit of the Plan. In the event that the corporate transaction does not proceed, these financial instruments will provide a further measure of inflation protection to the Plan's existing investment portfolio.

Financial Statistics

Five years to 5 April 2005

Fund Account	**2005**	2004	2003	2002	2001
	£ million	£ million	£ million	£ million	£ million
Transactions involving members and employers					
Additions to the Fund					
Contributions					
Members' to The GEC Plan	**3.6**	3.7	6.1	12.0	13.0
Employers' to The GEC Plan	**9.9**	10.3	24.8	26.4	28.9
Internally invested AVCs - SBS	**1.3**	3.3	8.5	12.0	8.7
Externally invested AVCs	**0.7**	0.7	0.8	0.0	0.0
Transfer values - Individual	**0.4**	0.0	0.0	0.0	0.1
Receipts from life office	**0.0**	0.3	0.0	0.0	0.0
Total	**15.9**	**18.3**	**40.2**	**50.4**	**50.7**
Withdrawals from the Fund					
Benefits paid	**144.4**	147.6	167.1	162.6	133.5
Transfer values - Individual	**2.0**	5.5	4.8	8.5	3.6
- Bulk	**0.0**	10.9	115.6	62.6	2,681.1
Administration expenses	**2.7**	2.4	2.5	4.1	4.3
Premiums to life office	**0.0**	0.0	0.0	0.1	0.1
Total	**(149.1)**	**(166.4)**	**(290.0)**	**(237.9)**	**(2,822.6)**
Returns on investments					
Investment income	**91.8**	96.4	104.8	84.5	105.9
Investment management expenses	**(6.7)**	(5.3)	(4.6)	(4.3)	(4.4)
Changes in market value of investments	**110.9**	150.3	(113.4)	(76.4)	(59.4)
Net returns on investments	**196.0**	**241.4**	**(13.2)**	**3.8**	**42.1**
Net increase (decrease) in the Fund	**62.8**	**93.3**	**(263.0)**	**(183.7)**	**(2,729.8)**
Fund at the beginning of the year	**2,325.5**	2,232.2	2,495.2	2,678.9	5,408.7
Fund at the end of the year	**2,388.3**	**2,325.5**	**2,232.2**	**2,495.2**	**2,678.9**
Distribution of net assets of the fund	**%**	%	%	%	%
Assets designated to members	**0.4**	0.3	0.2	0.0	0.0
Assets not designated to members					
Fixed interest					
UK	**36.1**	38.4	41.1	42.2	24.5
Overseas	**3.5**	3.2	4.5	3.5	2.3
Index-linked					
UK	**22.4**	23.0	28.9	16.1	8.3
Overseas	**0.0**	0.0	0.0	3.5	4.1
Equities					
UK	**16.1**	14.4	12.2	15.8	43.2
Overseas	**14.2**	13.5	11.1	11.1	12.1
Property	**4.7**	4.4	4.8	4.4	5.7
Insurance policies	**-**	-	0.1	0.1	0.1
Short-term deposits	**1.9**	2.0	1.2	3.5	4.0
Other	**0.7**	0.8	(4.1)	(0.2)	(4.3)
	100.0	100.0	100.0	100.0	100.0
	%	%	%	%	%
Investment performance for year to previous 31 December	**9.9**	9.7	0.6	- 4.2	4.7

Financial Statistics

Largest equity holdings at 5 April 2005

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

	£ million	% of UK equities
Vodafone Group	33.4	8.7
Royal Bank of Scotland	21.4	5.6
BP Group	19.4	5.0
HBOS	19.0	4.9
HSBC Holdings	15.2	4.0
GlaxoSmithKline	12.0	3.1
AstraZeneca	11.7	3.0
Barclays	10.0	2.6
Reuters	9.6	2.5
BAT	9.5	2.5
Cairn Energy	9.1	2.4
Tullow Oil	9.0	2.3
Standard Chartered	8.6	2.2
MAN	8.5	2.2
BG Group	8.5	2.2
Anglo American	7.8	2.0
Xstrata	6.3	1.6
Regus Group	6.3	1.6
O2	6.2	1.6
3i Group	6.2	1.6

Total market value of the UK equities was £384.7 million.

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

		£ million	% of overseas equities
Royal Dutch Petroleum	Netherlands	8.2	2.4
Novartis	Switzerland	5.5	1.6
KPN	Netherlands	4.2	1.2
Sanofi-Aventis	France	3.7	1.1
Nestle	Switzerland	3.7	1.1
Total	Switzerland	3.6	1.1
E.ON	France	3.3	1.0
Credit Suisse Group	Switzerland	3.3	1.0
Banco Santander	Spain	3.1	0.9
Exxon Mobil	USA	3.0	0.9

Total market value of the overseas equities was £337.6 million.

Financial Statistics

Summary of securities by market value

	At 5 April 2005 £ million		At 5 April 2004 £ million	
Fixed interest				
UK 0-5 years	**150.4**		131.4	
5-15 years	**254.2**		254.5	
Over 15 years	**456.6**		508.3	
Overseas	**84.3**		73.4	
		945.5		**967.6**
Index-linked				
UK 0-5 years	**90.6**		11.0	
5-15 years	**371.2**		469.7	
Over 15 years	**73.5**		54.3	
		535.3		**535.0**
UK Equities				
Resources	**76.1**		62.6	
Basic Industries	**9.2**		12.3	
General Industrials	**3.9**		6.7	
Non-Cyclical Consumer Goods	**37.6**		38.7	
Cyclical Services	**72.6**		64.6	
Non-Cyclical Services	**47.8**		39.6	
Utilities	**8.5**		12.1	
Information Technology	**3.3**		2.0	
Financials	**125.7**		96.9	
		384.7		**335.5**
Overseas Equities				
Europe				
Belgium	**2.4**		2.0	
Denmark	**2.0**		3.8	
Eire	**1.9**		1.4	
Finland	**4.4**		5.7	
France	**27.8**		24.7	
Germany	**26.7**		22.3	
Greece	**1.7**		2.4	
Italy	**6.9**		6.3	
Netherlands	**34.0**		32.0	
Norway	**2.0**		3.0	
Portugal	**0.7**		1.1	
Spain	**9.7**		9.5	
Sweden	**6.3**		4.1	
Switzerland	**24.7**		22.6	
Other	**1.0**	**152.2**	1.3	142.2
The Americas				
Bermuda	**2.8**		1.4	
Canada	**3.8**		2.0	
USA	**91.1**		85.9	
Other	**1.2**	**98.9**	0.9	90.2
Pacific Basin				
Australia	**19.1**		15.9	
China	**0.2**		0.2	
Hong Kong	**6.5**		7.2	
Japan	**54.1**		52.9	
New Zealand	**0.7**		1.2	
Singapore	**3.7**		3.9	
South Korea	**2.2**	**86.5**	0.0	81.3
		337.6		**313.7**
Total Securities		**2,203.1**		**2,151.8**

The above table excludes assets designated to members.

Membership Statistics

Five years to 5 April 2005	**2005**	2004	2003	2002	2001
The GEC Plan contributors (See note)					
At beginning of the year	**3,250**	4,103	11,748	15,703	30,805
New members	**153**	108	236	967	2,358
Members leaving service with the following benefits:					
Retirement	**(28)**	(101)	(679)	(1,215)	(472)
Refund of contributions	**(11)**	(40)	(288)	(542)	(235)
Death in service benefits	**0**	(7)	(8)	(12)	(8)
Transfer value or deferred pension	**(164)**	(813)	(6,906)	(3,153)	(16,745)
	(203)	(961)	(7,881)	(4,922)	(17,460)
At end of the year	**3,200**	3,250	4,103	11,748	15,703
AVC contributors (includes internal and external)					
At beginning of the year	**1,899**	2,128	3,414	5,275	11,632
New members	**76**	102	919	29	724
Transfers to other pension schemes	**(1)**	(28)	(1,079)	(567)	(5,670)
Members leaving service or ceasing to contribute	**(195)**	(303)	(1,126)	(1,323)	(1,411)
At end of the year	**1,779**	1,899	2,128	3,414	5,275
Pensioners (See note)					
At beginning of the year	**38,474**	39,128	38,794	38,392	72,191
New pensioners (including spouses' pensions coming into payment)	**1,088**	1,157	2,193	2,544	1,709
Transfers to other pension schemes	**0**	0	0	(209)	(33,874)
Deaths	**(2,024)**	(1,811)	(1,859)	(1,933)	(1,634)
At end of the year	**37,538**	38,474	39,128	38,794	38,392
Deferred pensioners (See note)					
At end of the year	**28,056**	30,697	32,534	34,926	34,582

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). Where this is the case, members are counted once in each category.

Membership Statistics

	2005	2004	2003	2002	2001
Age distribution of contributors to The GEC Plan at end of year	**%**	%	%	%	%
under 21	**0.0**	0.1	0.1	0.2	0.4
21 to 30	**10.3**	12.6	15.2	12.1	14.5
31 to 40	**32.8**	33.7	32.9	29.0	28.3
41 to 50	**36.1**	35.3	33.2	31.7	29.7
51 to 60	**19.6**	17.6	17.5	24.1	24.2
61 to 64	**1.2**	0.7	1.1	2.9	2.9
	100.0	100.0	100.0	100.0	100.0
Age distribution of new contributors to The GEC Plan	**%**	%	%	%	%
under 21	**0.6**	1.9	1.3	1.1	2.1
21 to 30	**31.4**	28.7	36.2	30.0	38.7
31 to 40	**39.2**	35.2	39.1	39.1	32.2
41 to 50	**24.2**	25.0	18.3	21.5	19.1
51 to 60	**4.6**	8.3	5.1	7.8	7.6
61 to 64	**0.0**	0.9	0.0	0.5	0.3
	100.0	100.0	100.0	100.0	100.0
Age distribution of contributors to SBS at end of year	**%**	%	%	%	%
under 31	**3.9**	4.9	5.4	4.4	7.1
31 to 40	**25.0**	30.0	27.1	22.2	22.3
41 to 50	**42.3**	41.5	39.5	33.9	31.7
51 to 60	**26.5**	22.7	26.1	34.9	34.9
61 to 64	**2.3**	0.9	1.9	4.6	4.0
	100.0	100.0	100.0	100.0	100.0
Age distribution of new pensioners	**%**	%	%	%	%
under 50	**0.3**	0.5	1.1	1.1	1.2
50 to 54	**0.4**	15.0	18.8	13.1	11.6
55 to 59	**10.0**	13.9	28.2	26.4	18.1
60 to 64	**10.6**	17.6	21.6	25.1	25.3
65 to 69	**15.8**	21.7	14.4	17.9	22.0
70 and over	**62.9**	31.3	15.9	16.4	21.8
	100.0	100.0	100.0	100.0	100.0
Other Statistics	**Years**	Years	Years	Years	Years
Average age					
Contributing members	**42.9**	42.1	41.6	43.6	43.1
Pensioners (see below)	**73.9**	73.5	73.2	73.7	73.3
Average Plan pensionable service					
Contributing members	**9.1**	8.3	7.7	8.0	7.5

The average age of pensioners for the year 2001 was calculated as at 1 May; in other years the data is provided as at 5 April.

Directors

A J Barker
Aged 47. Andy Barker joined Plessey in 1977 and is a System Design Manager at Marconi's Beeston site. He became a PCC member in 2003 and was appointed to the Board in April 2005.

J H Chaplin
Aged 69. Jon Chaplin, a barrister, was Company Secretary of GEC from April 1980 until he retired in April 1991. He was appointed to the 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.

R H Green
Aged 37. 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 Board in November 2002.

C C Holden (Chairman)
Aged 56. Chris Holden, a Chartered Accountant, was Marconi's Finance Director during the financial restructuring that occurred in May 2003. Following the completion of the restructuring, he stepped down from the role of Finance Director and became Group Financial Controller. He ceased to be employed by Marconi on 30 June 2005. Prior to appointment by Marconi he was an Audit partner with Arthur Andersen for 22 years. He was appointed to the Board in June 2005.

R S Kendall
Aged 49. 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 Head of Product Marketing. He was appointed to the Board in November 2002.

J R Leaney
Aged 55. 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 Board in April 2004.

P Moloney *
Aged 45. Pat Moloney joined Plessey in 1983 and was a Senior Technologist at Marconi's Liverpool site until September 2005. He is now a deferred pensioner of the Plan. He has been a member of the PCC since 1999 and he was appointed to the Board in November 2003.

M F Surrey *
Aged 38. 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 Board in June 2001.

V A Webster *
Aged 60. Prior to his retirement, Vic Webster had over 30 years' experience as a senior technologist at Marconi Networks MVS Group in Liverpool. He became a PCC member in 1991, serving as the Secretary of the West PCC from 1992 to 1997. He was appointed to the Board in 1997.

N E Wignall
Aged 35. 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 Board in July 2004.

Law Debenture Pension Trust Corporation p.l.c.
Law Debenture Pension Trust Corporation p.l.c. (LDPTC) is a publicly quoted company specialising in acting as independent pension trustee. LDPTC has wide experience of the issues that defined benefit schemes face and acts for over 200 schemes with assets in excess of £55 billion. LDPTC has nominated Eddie Thomas as the person who will normally attend SPT Board meetings.

Eddie Thomas (aged 59) is a director of LDPTC and in charge of the firm's pension scheme trusteeship activity. He studied maths at Cambridge and is an Actuary, an Associate of the Chartered Insurance Institute and an Associate of the Pensions Management Institute. He was the Chief Executive and Finance Director of a national charity before joining LDPTC in December 2002. Prior to that, for 20 years he was a partner of consulting actuaries, Bacon & Woodrow where he was responsible for wide ranging advice to pension clients in the public and private sectors. His clients included companies, public bodies, trade unions, housing associations, charities and individuals.

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

Investment Committee
& Pension Consultative Committee

Investment Committee

S S Alam

Aged 46 . Salim Alam qualified as an Inland Revenue Inspector of Taxes. He joined GEC in February 1998 as Head of Taxation. In 2002 he was appointed Treasurer in addition to Head of Tax and in 2004 he also assumed responsibility for Investor Relations and Planning. Prior to joining Marconi he worked for the Inland Revenue, ICI and AstraZeneca. He was appointed to the Investment Committee as Marconi's representative on 27 October 2005.

C G Clarke

Aged 61. Christopher Clarke 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.

D Felder

Aged 50. David Felder studied economics in the UK and USA and is a Fellow of the Securities and Investment Institute. He began his career as a fund manager at the merchant bank, Morgan Grenfell (now part of Aberdeen Asset Management) specialising in fixed income. He then joined Kleinwort Benson (now part of Allianz) in 1988 and was Head of Fixed Income from 1992-98. Clients included pension funds, local authorities and insurance companies. More recently he was Head of Investments for Daiwa SB Investments in London (a joint venture between two Japanese financial organisations). David joined Law Debenture Pension Trust Corporation p.l.c. in 2002 and works in a group that covers pension fund clients in the manufacturing and financial sectors.

P G Harris (Chairman)

Aged 42. 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. Until June 2005, he was a member of the SPT Board and has served on the Investment Committee since 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 Andy Barker, Pat Moloney, John Leaney and Vic Webster. Vic is a pensioner of the Plan, Pat is a deferred pensioner and Andy 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 or pcc.secretary@marconi-pensions.co.uk

Other Information

The Registrar

The DWP's Pension Tracing Service exists to assist members of occupational pension shcemes to trace benefits, where members have lost touch with the administrator of such schemes. It can be contacted at:

Pension Tracing Service
The Pension Service
Whitley Road
Newcastle Upon Tyne NE98 1BA

The Pensions Advisory Service and the Pensions Ombudsman

In accordance with the Occupational Pensions Schemes (Disclosure of Information) Regulations 1996, as amended, members are advised that:

- the Pensions Advisory Service can be contacted at 11 Belgrave Road, London, SW1V 1RB and is available to assist members and beneficiaries with difficulties which may arise;
- the Pensions Ombudsman can be contacted at 11 Belgrave Road, London, SW1V 1RB and may investigate and determine any complaint or dispute or fact of law which the member has failed to resolve with Stanhope Pension Trust Limited or Marconi Pensions Office.

The Pensions Regulator

The Pensions Regulator regulates company pension schemes and enforces the law as it relates to them. It has wide-ranging powers which include powers to:

- suspend, disqualify and remove a trustee, or director of a trustee company, for consistently not carrying out their duties;
- wind up schemes where necessary;
- apply for injunctions to prevent the misuse and misappropriation of scheme assets and apply for restitution where necessary.

The professional advisers and the Trustee each have a statutory duty to make an immediate written report to The Pensions Regulator if they believe that legal duties concerned with the running of the Scheme are not being carried out. The Pension Regulator can be contacted at:

Napier House
Trafalgar Place
Brighton BN1 4DW

Internal disputes resolution procedure

A disputes resolution procedure has been agreed by Stanhope Pension Trust Limited to resolve any queries raised by beneficiaries or potential beneficiaries of the Plan and details of this can be obtained by writing to the Secretary of Stanhope Pension Trust Limited at the address given on page 2.

Contact for further information

Members requests for information about their benefits under the Plan or for a copy of Plan documentation should be made to the Secretary of Stanhope Pension Trust Limited at the address given on page 2.

Notes

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