

**THE G.E.C.1972 PLAN
(COMPRISING THE GEC PLAN AND SELECTED BENEFIT SCHEME)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 5 APRIL 2007**

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Pension Schemes Registry number: 101206410

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Members who wish to enquire about their benefits should address such queries to Xafinity Paymaster in the first instance.

For details of advisers, please see page 26.

Report of the Chairman of SPT

Introduction

For those of you who are regular readers of the annual report of the G.E.C. 1972 Plan, you should notice a difference in the layout this year. What we have tried to do is to condense the report whilst providing additional detail in later sections.

Those later sections include the administration of the Plan, the investment strategy and performance, the financial statements and accompanying notes and a compliance section covering other disclosures that have to be made to members each year.

Bid for telent plc

On 25 September 2007, an announcement was made by Co-Investment No 5 LP Incorporated (“CILP”) (advised by Pension Corporation LLP) and telent plc of a recommended cash offer for telent plc. On 19 October the Pensions Regulator (tPR), at the request of SPT, ordered the appointment of three additional Independent Trustees (ITs) to the Plan, with exclusive powers for 6 months. SPT had approached tPR to express its concerns surrounding the offer, particularly in view of the imminence of the first closing date for the recommended cash offer by CILP. Further details surrounding the offer and the communication from SPT and the ITs can be found on the website (www.telentpensions.co.uk).

SPT has been authorised to sign the Report & Accounts on its own behalf and that of the ITs. References in this document to the Board refer to SPT and not to the ITs, whilst the term Trustees refers to all of the trustees of the Plan including the ITs.

SPT Board

Since the last year-end and following the sale of the bulk of Marconi’s business to Ericsson three of the Company Nominated Directors – Richard Kendall, Rob Green and Natalie Wignall – and one Member Nominated Director – Andy Barker - have resigned as a consequence of their ceasing employment with telent.

Dennis Badman, Managing Director of Telco Services division and Kevin Smith, Assistant Company Secretary of telent plc (telent) were appointed to the Board. Kevin Smith subsequently resigned when he was promoted to Company Secretary of telent and Doug McWilliams, an economist and non-executive director of telent, has been appointed.

During the year the Board considered its size, structure and composition and concluded that a smaller Board, consisting of nine members - three nominated by telent, three independent and three drawn from the membership (ideally with each category of member being represented) - would be more efficient. In addition the Board considered and discussed with telent and the Pension Consultative Committee (PCC) procedures for electing Member Nominated Directors (MNDs). These procedures were approved at a meeting of the Board in February 2007 with details of the nomination procedure for those to be drawn from the membership being included in a circular issued to members in June 2007.

In addition to the changes in the Board membership and in accordance with a desire to promote better governance, the Board has established a new Committee structure to manage the Plan. In addition to the Investment Committee, which already existed, a Strategic Review Committee, an Audit Committee and an Administration Committee have been established and details of the membership of each committee are given on page 28.

Further details regarding the Directors of SPT are given on page 27.

Change in administrator

During the year, following a competitive tendering process, SPT and telent appointed Xafinity Paymaster to administer the Plan. The administration team previously employed by telent transferred to Xafinity Paymaster on 1 February 2007 and continue to administer the Plan. SPT and telent took this step in order to enhance the efficiency and effectiveness of administration.

Investment strategy

During the year the Board, having been advised by the Investment Committee, continued to implement the Plan's new investment strategy, outlined in last year's report. The aim of the strategy is to deliver a level of return which will enable benefits to be paid when they fall due, while closely managing risk. This has resulted in considerable changes to asset allocations and management arrangements. Further details are given in the report from the Chairman of the Investment Committee on page 5.

The fund, pension increases and credited interest

In assessing the Plan, the funding level (the relative value of the fund and its liabilities (the amount needed to pay benefits in full)) is more important than the absolute size of the fund.

Two key measures used to assess the funding level are IAS19 and the basis adopted by SPT in October 2005. The latter is an updated valuation basis from that used for the 5 April 2005 valuation, which was developed during the discussions surrounding the Ericsson transaction and is more conservative, in that it takes less advance credit for future investment returns and assumes greater increases in life expectancy. IAS19 is the basis used to value the Plan in telent's accounts and also determines whether funds are to be released to the Plan from the Escrow (see below). The funding level on both bases remained stable at around 100% on an IAS19 basis and 94% on the SPT basis. The investment strategy described in the Investment Committee report is designed to achieve full funding (including the Escrow) on the SPT basis by 2021.

The actual funds of the Plan decreased during the year by £194.5 million to £2,536.5 million. It should be noted however that there was a similar decrease in the value of liabilities, hence the stable funding position described above. The major elements of the reduction in funds were:-

- The transfer of £71.9 million paid in respect of those telent employees whose employment ceased with telent and who subsequently chose to transfer their benefits in the Plan to the Ericsson Marconi Pension Plan and
- Payment of members' benefits.

These reductions in the assets extinguished a similar amount of liabilities.

Plan pensions at 1 May 2006 were increased by 2.4% in accordance with the Rules of the Plan and credited interest was awarded at the minimum rate of 2.5% for the Plan year commencing 6 April 2006. The pension increase at 1 May 2007 was 4.2% and the credited interest for the year commencing 6 April 2007 was again awarded at the minimum rate.

As a consequence of its overall strategy of ensuring that benefits are paid when they fall due while minimising risk, SPT views a declaration of credited interest in excess of the minimum of 2.5% as being unlikely in the foreseeable future. During the Summer, SPT therefore consulted with members regarding a proposal to transfer funds in the Selected Benefit Scheme (SBS) to an external provider where they would be expected to generate higher returns. After taking into account the comments made by affected members, SPT determined that such a transfer was likely to be in members' interests and SBS balances will be transferred to an external provider by the end of March 2008.

The Escrow account

A description of the Escrow account is given in Note 11 to the Financial Statements. SPT has considered telent's results for the year ending 31 March 2007. The IAS19 valuation results relating to the Plan and included in telent's accounts showed no deficit, so there was no requirement for any funds to be paid from the Escrow to the Plan at 31 March 2007. SPT will continue to monitor the position going forward.

After agreement between SPT and telent regarding investment strategy, the Escrow has now been fully invested in sterling corporate bond funds. As such it forms part of the overall strategy for matching liabilities of the Plan.

Trust Deed and Rules

As a result of the changes in pension provision introduced primarily by the Finance Act 2004 and the Pensions Act 2004 it has been necessary to amend the Trust Deed and Rules of the Plan. A consolidated deed incorporating all the changes made up to June 2007 is shortly to be approved by the Board of SPT and will be executed by both SPT and telent. Copies of the consolidated deed will be available on request to the Secretary or to the administrator (see page 2).



VA Webster – Director
pp Chris Holden
Chairman

5 November 2007

Report of the Investment Committee

Membership

The Board established the Investment Committee in 2002 when it replaced the Investment Advisory Committee. The Committee reports on its work to the Board each quarter.

The standing membership of the Committee from the Board is Chris Holden, Doug McWilliams, Pat Moloney and The Law Debenture Pension Trust Corporation p.l.c. (represented by David Felder) together with co-opted members Peter Harris (who acts as Chairman) and Nick Fitzpatrick. Biographies of the members of the Committee are shown on pages 27 and 28. Simon Lee of telent provides secretarial services.

Investment Strategy

Following the sale of the majority of Marconi's equipment and overseas services businesses to Ericsson and the establishment of telent, £185 million was paid into the Plan as a one off contribution and £490 million placed in an Escrow account held by telent for the benefit of the Plan.

At the same time the Board set a broad funding target of having sufficient assets (including the Escrow (see the Report of the Chairman of SPT) to be able to remove substantially all of the investment risk from the Plan by 2021. This would mean having sufficient assets to be able to fully invest the Plan in low risk assets (i.e. high quality bonds) at that time, whilst retaining allowances for significant further improvements in life expectancy. The Committee developed the investment strategy including both Plan assets and the Escrow. Agreement has been reached with telent which has resulted in the Escrow being invested in accordance with this strategy. Consequently in this report, commentary on the investment strategy includes both Plan and Escrow assets, but the value of the Escrow is shown separately in assets listings.

At the start of the year the value of the fund plus the Escrow was around 95% of what would have been required for immediate achievement of this target. Consequently, to reach this level of funding it will be necessary in the interim to invest some of the fund in higher risk assets in order to generate higher returns. Given the relative sizes of the Plan and telent, however, the Board and the Investment Committee must also be confident that there cannot be a major reduction in funding level in any one year.

Over the last year, the Investment Committee has been engaged in implementing a new investment strategy, which has the target of generating a rate of return slightly higher than that required just to achieve the funding target.

In order to fulfil these aims of generating sufficient return, controlling variation in year on year returns and keeping the risk of losing money on the investments to an acceptable level, the main elements of the strategy are:-

- protecting circa 80% of the Plan's liabilities from the risk associated with changes in inflation and interest rates using a combination of assets (referred to as matching assets), such as bonds and interest rate and inflation swaps, whose value changes in response to changing interest rates and inflation in a way which matches movements in liabilities,
- achieving a modest, low risk return, in excess of that generated by Government bonds, from the Matching Assets by investing mainly in high quality corporate bonds and.
- investing the remaining 20% of assets in a diversified range of assets which should produce higher returns (referred to as Return Seeking Assets).

The risk associated with changing inflation and interest rates arises because today's value of the Plan's liabilities increases if inflation increases and/or long term interest rates fall, and vice versa.

Changes in the value of the Return Seeking Assets, will not necessarily match changes in the value of the Plan's liabilities. However, it is expected that these assets will, over the longer term, produce higher returns than the Matching Assets and it is therefore appropriate to invest a limited proportion of the fund in this way. The Return Seeking Assets have been invested in a number of ways (beyond equities and property) in order to reduce the risk of a fall in value in any one of them.

Investment allocations

The table below shows the change in asset allocations during the year which are the result of implementing this strategy:

	5 April 2007		5 April 2006	
	£ million	%	£ million	%
UK Fixed Interest Gilts	248.8	8	651.6	20
UK Corporate Bonds	1,304.6	43	503.4	16
Overseas Bonds	51.9	2	28.8	1
UK Index Linked Gilts	116.1	4	707.8	22
UK Corporate Index Linked Bonds	42.8	1	45.3	1
Overseas Index Linked Bonds	0.0	0	16.2	1
Cash, Swaps & Other	95.6	3	273.1	8
Total Matching Assets	1,859.8	61	2,226.2	69
UK Equities	102.7	3	197.8	6
Global (Ex UK) equities	113.1	4	193.5	6
UK Property	116.5	4	113.5	4
Secured Loans	111.5	3	0.0	0
Fund of Hedge Funds	119.2	4	0.0	0
Global Tactical Asset Allocation Fund	113.7	4	0.0	0
Total Return Seeking Assets	676.7	22	504.8	16
Total Plan Assets	2,536.5	83	2,731.0	85
Escrow Assets *	514.4	17	490.4	15
Total	3,050.9	100	3,221.4	100

* The Escrow has been invested in Sterling Corporate Bond Funds and when considered as part of the Matching Assets, brings the total thereof to 78%.

Results of interim actuarial valuation as at 5 April 2007

In developing and implementing the investment strategy, the Committee considers (on behalf of the Board) the funding position of the Plan (i.e. the relative values of assets and liabilities and changes thereto).

The Scheme Actuary provides annual interim valuations of the current funding position of the Plan, against the objective, described above, of substantially reducing risk in the Plan by 2021, with the results as at 5 April 2007 being shown below. It should be noted that:-

1. this valuation, which is carried out on a cautious basis and which adds the Escrow to Plan assets places a significantly higher value on both assets and liabilities than the IAS19 valuation referred to in the Report of the Chairman of SPT and
2. the investment strategy is, as detailed above, designed to correct this shortfall by 2021.

	5 April 2007	5 April 2006
	£million	£million
Total liabilities	3,198	3,343
Plan assets at market value	2,492	2,684
Escrow	514	490
Total Assets	3,006 *	3,174
Surplus (deficit)	(192)	(169)
Funding level	94%	95%

Principal economic assumptions

	%	%
Discount rate	4.86	4.48
Price inflation	3.20	3.00
Pension increases	3.20	3.00
Pay growth	3.20	3.00
Credited interest	2.50	2.50

* This figure differs from the £3,050.8 million shown above as it excludes the AVC and SBS (which together amount to £43.9 million) with the remaining £1.0 million being accounted for by roundings.

Based on the interim actuarial valuation, assets and liabilities both fell by over £140 million; a large part of this decline results from the transfer of £71.9 million in respect of members transferred to the newly created Ericsson Marconi Pension Plan whilst the remainder is explained, to a large extent, by the payment of benefits in the year.

During the year, the Plan's funding level fell by approximately 1% (after taking the Escrow into account) due to a number of factors, principally the impact of the major asset transitions undertaken during the year and an increase in interest rates in the latter part of the year which was not entirely matched by returns from the Matching Assets.

Investment performance

The Committee continually monitors performance and reports to the Board each quarter. The performance has been within the range judged by the Board to be allowable. As part of its normal cycle of activities it will be undertaking a full review of the strategy in the latter part of 2007.

Mellon Analytical Solutions Limited independently measures Plan investment performance from data prepared by the Custodian. This is incorporated into a quarterly report to the Investment Committee which covers both past and future anticipated performance.

A consequence of this new form of measurement is that returns are now calculated for the Plan year to 31 March. Previous performance measures were for the year to the 31 December preceding the Plan year end. Returns to 31 March for each of the last five years have been recalculated and are shown below but it should be borne in mind that they are not readily comparable as they report on very different investment strategies.

Annualised performance to 31 March 2007	Plan	Benchmark
	%	%
One year	2.1	2.1
Three years	8.1	8.1
Five years	7.0	6.8

Role of the Investment Consultant

The Board has appointed Watson Wyatt Limited as Investment Consultant to advise on matters of investment strategy, manager selection and performance monitoring.

Movements since 5 April 2007

As part of the ongoing development of the investment strategy, there have been two developments since the end of the year:-

- £121 million has been disinvested from the Global (Ex UK) Equity portfolio managed by Fidelity Investment Management and £95 million invested in a different type of equity portfolio (managed by Edinburgh Partners) called Global Long Term only, which the Committee believes better supports the overall investment strategy and
- £60 million has been invested in the Barclays Global Investment Diversified Credit Fund. The purpose of this investment is to contribute to the overall target of generating rates of return, from the Matching Assets, equivalent to those available from high quality corporate bonds.

Pete Harris

Chairman of the Investment Committee

13 September 2007

Report of the Administration Committee

Constitution, membership and terms of reference

The Board established the Administration Committee in February 2007. Each quarter the Committee reports to the Board on its activity.

The standing membership of the Committee is Dennis Badman, John Leaney and Vic Webster (Chairman) (Directors' details are shown on page 27). Xafinity Paymaster provides secretarial services. The Committee has powers to co-opt additional members, if it sees fit (for example, if specialist knowledge in a particular field is required), and in certain circumstances (such as where a very urgent decision is needed) any three members of the Board can act as the Committee. Safeguards exist to ensure that in such circumstances decisions are taken on a consistent basis.

One of the main duties of the Committee is to review the reports produced by Xafinity Paymaster, address any problems that may have arisen in relation to the administration and ensure that service levels set down in the contract are maintained. In addition, the Committee determines death benefits and ill health retirement awards, reviews complaints and is an integral part of the Internal Disputes Resolution Procedure. There are many other areas where the Committee has responsibility on an ad hoc basis, such as monitoring the implementation of bulk transfers and changes in Plan rules, together with any other administration matter referred to it by the Board.

Although the Committee has only operated since February 2007, the report covers those matters that relate to administration that have occurred during the Plan year and relevant events since the year end.

Benefit improvements

The pension increase applied at 1 May 2006 is included in note 3 to the Financial Statements.

On 1 May 2007 a pension increase of 4.2% was awarded to most Plan pensions in payment, attaching contingent pensions and deferred pensions. The increase applied proportionately to those who had been retired or had left service in the preceding twelve months. The increase was applied in accordance with Plan rules and is equivalent to the change in the General Index of Retail Prices (RPI) between January 2006 and January 2007. Credited interest for the year commencing 6 April 2007 was again awarded at the minimum rate of 2.5%. The award reflects the funding position of the Plan and, as there is little likelihood that such awards will be at a higher rate in future, the Board determined to consult with SBS members about the possibility of transferring their SBS balances to an alternative form of investment. The consultation exercise is ongoing and results are expected to be considered at the September Board meeting *.

There have been no other changes to benefits in the year.

Ericsson transfer

One of the major items of expenditure this year has been the transfer of assets and liabilities to the Ericsson Marconi Pension Plan. This transfer related to those members who had transferred their employment to Ericsson following the sale of their businesses by Marconi (now telent). Transfer terms were offered to 1,354 members and 889 opted to transfer all or part of their benefits. Consequently £71.9 million was transferred to the Ericsson Marconi Pension Plan to enable it to provide the promised benefits.

There is likely to be another transfer, on the same terms, relating to up to a further 25 members, who were originally facing redundancy from Ericsson but who have now been offered permanent employment. Should the proposed transfer progress, details will be given in next year's report.

* See the Report of the Chairman of SPT for results of the consultation exercise.

Discretionary decisions

There are a number of areas – notably determining to whom death benefits should be awarded – where the Committee makes decisions concerning individual member's benefits. The Committee would urge all members whose dependents may become entitled to a death benefit, to complete (or review) their nomination form (P7). Form P7 gives guidance to the Committee as to whom the member would wish benefits to be paid in the event of his or her death. Form P7 can be obtained from the telent Pensions Office website www.telentpensions.co.uk or from the administrator (see page 2).

Communications with members

Circulars were issued to members in September 2006 and June 2007 to keep members informed of developments in the Plan. The 2006 circular covered a number of subjects including the demutualization of Standard Life, an update on the financial health of the Plan, and articles on the investment strategy being pursued by the Board and an explanation of the valuation of pension schemes and buy out funding. The most recent circular dealt with three important matters relating to the administration of the Plan – the selection of Member Nominated Directors (MNDs), the appointment of Xafinity Paymaster and the consultation exercise for the SBS exercise mentioned above.

Under new regulations resulting from the Pensions Act 2004, the arrangements for selecting MNDs that were introduced under the Pensions Act 1995 had to be withdrawn and new arrangements put in place. The new arrangements were only required to involve active members and pensioners in payment but, due to the profile of the membership of the Plan where almost 40% of members have deferred benefits, the Board determined that deferred pensioners should also be included. Consequently, arrangements were put in place to allow nominations to the Pensions Consultative Committee (see page 29), and potentially subsequent appointment to the Board, to be made. This process is ongoing and MNDs will be elected by the end of September with results being posted on the Pensions Office website and included in next year's report *.

The second important matter that was determined during the year was the appointment of Xafinity Paymaster to administer the Plan. The Board and telent made this decision after careful consideration of all factors affecting administration of Plan benefits. The driving factors for both the Board and telent were the needs to ensure service levels to members were maintained whilst, at the same time, ensuring the service was provided at an acceptable level of cost. It became apparent over the months leading up to the decision to consider outsourcing the administration, that the telent Pensions Office (tPO) would need to reduce its staffing levels if it was to continue to be operated internally, due to the reduction in the size of telent. This steady reduction in work for tPO was further emphasised when telent decided to close the Plan to new employees appointed after 1 April 2007. This loss of staff would have potentially impacted on service levels as expertise would have been lost and it is likely that further reductions in staffing levels would have occurred in future. The Board established an ad hoc committee involving not only SPT, but other trustees whose funds were administered by tPO in Stafford and the administration function was put out to competitive tender.

After detailed negotiations with a number of potential suppliers, Xafinity Paymaster was chosen to provide administration services to the Plan. Xafinity Paymaster has taken over the employment contracts of the tPO staff employed to administer the Plan and it has plans to grow the Stafford office by introducing new clients. The involvement of Xafinity Paymaster will secure the Stafford office and the contract includes safeguards to ensure that the level of services provided to SPT and to telent are maintained, which include continuing to utilise the staff transferred to Xafinity Paymaster on administering the Plan. We believe that the outsourcing of the function will be beneficial to all concerned and look forward to a long relationship with the new administrator.

Vic Webster

Chairman of the Administration Committee

13 September 2007

* As a result of the bid for telent explained in the Report of the Chairman of SPT, the Pension Consultative Committee (see page 29) has elected the three existing MNDs to serve on the Board for a period of twelve months from October 2007.

Audit Committee and the Strategic Review Committee

In addition to the Administration and Investment Committees, the Board has established two other committees.

The Audit Committee's membership consists of the independent members of the Board (but excluding the Chairman of the Board) together with a Company Nominated Director and a Member Nominated Director. The standing membership of the Committee is Law Debenture Pension Trust Corporation plc (during the period under review Eddie Thomas represented Law Debenture) *, Jon Chaplin, John Leaney and Mike Surrey (details of the Directors are shown on page 27). During the period under review, Eddie Thomas acted as Chairman of the Committee. Xafinity Paymaster provides secretarial services. The Committee has powers to co-opt additional members, if it sees fit (for example, if specialist knowledge in a particular field was required).

The Audit Committee's responsibilities include, but are not limited to:

- reviewing the draft Financial Statements and the accounting policies applied,
- reviewing the financial controls operated by the Board,
- reviewing the work of both the external auditors and internal auditors appointed by telent or Xafinity Paymaster and
- dealing with any complaints relating to financial accounting or financial control matters.

After each of its meetings the Chairman of the Audit Committee reports to the Board on its activity.

The Strategic Review Committee's membership consists of the independent members of the Board together with a Company Nominated Director and a Member Nominated Director. The standing membership of the Committee is Law Debenture Pension Trust Corporation plc (during the period under review Eddie Thomas represented Law Debenture)*, Chris Holden, Jon Chaplin, Pat Moloney and Mike Surrey (details of the Directors are shown on page 27). Chris Holden acts as Chairman of the Committee and Xafinity Paymaster provides secretarial services. The Committee has powers to co-opt additional members, if it sees fit (for example, if specialist knowledge in a particular field was required).

The Strategic Review Committee's responsibilities include, but are not limited to:

- responding to strategic issues raised by telent,
- reviewing the covenant of telent with particular regard to the Escrow and the telent commitment to pay the administration expenses and Pensions Protection Fund levies,
- maintaining awareness of matters likely to affect telent and legislative changes likely to affect the Plan and
- engaging with the Scheme Actuary regarding the periodic valuations of the Plan.

At each meeting of the Board, the Chairman of the Strategic Review Committee reports to the Board on its activity.

* Following the appointment of Law Debenture Pension Trust Corporation plc as one of the ITs, Eddie Thomas has stepped down as the person nominated to attend SPT meetings, in order that he can act as the Law Debenture Pension Trust Corporation plc nominee to the ITs. David Felder, who acted as the alternate to Eddie Thomas, now attends SPT meetings as the Law Debenture Pension Trust Corporation plc nominee.

Statement of SPT's responsibilities for the Financial Statements

SPT is responsible for preparing the Annual Report including the Financial Statements, which are prepared in accordance with United Kingdom Generally Accepted Accounting Principles (UK GAAP). Pension scheme regulations require SPT to make available to Plan members, beneficiaries and certain other parties, Financial Statements for each Plan year which:

- show a true and fair view, of the financial transactions of the Plan during the Plan year and of the amount and disposition at the end of the Plan year 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, including a statement whether the accounts have been 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 agreed suitable accounting policies, to be applied consistently, making estimates and judgements on a reasonable and prudent basis.

SPT is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions payable to the Plan by or on behalf of the employer and the active members of the Plan and the dates on or before which such contributions are to be paid. SPT is also responsible under pensions legislation for keeping records in respect of contributions received in respect of any active member of the Plan and for procuring that contributions are made in accordance with the schedule of contributions in force at the time.

SPT has a general responsibility for ensuring that adequate accounting records are kept and for taking steps as are reasonably open to it to safeguard the assets of the Plan and to prevent and detect fraud and other irregularities, including the maintenance of appropriate internal controls.

The Financial Statements of the Plan for the year ended 5 April 2007 are set out on pages 16 to 25.

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 Plan”)

Effective date of valuation: 5 April 2005

1. Security of prospective rights

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

Description of contributions

By members: 3% of Pensionable Earnings.

By the employer:

- a. 8.35% of Pensionable earnings, from 5 April 2006 plus
 - b. An additional contribution of £185m to be paid into the Plan by the year ending April 2006, plus
 - c. A further contribution of £490m to be paid into an Escrow account, plus
 - d. Additional contributions equal to the PPF levies charged to the Plan, due not later than one month after the Plan pays the levies
 - e. Additional contributions in respect of expenses related to the administration of the Plan
- Subject to review at future actuarial valuations.

2. Summary of the methods and assumptions used

The contribution rate for future accruing benefits has been assessed as that to meet the cost of benefits accruing in the year following the valuation date, allowing for projected increases in Pensionable Pay, using the long term assumptions below.

The assets necessary to meet these benefit payments have been calculated allowing for the assumed returns available on the market value of the Plan’s assets at the valuation date. Any imbalance may be corrected by adjusting the contributions otherwise payable.

The main long-term financial assumptions used are as follows:

	<i>Nominal</i>
	<i>% pa</i>
Price inflation	2.8
Earnings increases	4.3
	Plus age related scale
Pension increases (non GMPs)	2.8
Discount rate after retirement	4.9
Discount rate prior retirement	7.3
Credited interest	2.5

The valuation method is known as the “Projected Unit Method”.

Further details of the methods and assumptions used are set out in my actuarial valuation report addressed to the Trustee dated 3 April 2006.

Graham Mitchell
Scheme Actuary
Fellow of the Institute of Actuaries
Watson Wyatt Limited
 3 April 2006

3 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 signed on 5 June 2006 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 Limited
6 June 2006**

**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 to the Trustees of the G.E.C 1972 Plan ("the Plan")

We have audited the financial statements of the Plan for the year ended 5 April 2007, which comprise the fund account, net assets statement and the related notes 1 to 11. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Trustees, 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 Trustees 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 Trustees as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of Trustees and auditors

As described in the statement of SPT's responsibilities for the Financial Statements, SPT is responsible for the preparation of the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for making available certain information about the Plan in an annual report.

Our responsibility is to audit the Financial Statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Financial Statements show a true and fair view in accordance with the relevant financial reporting framework and contain the information specified in the schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. We also report if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law is not disclosed.

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 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 International Standards on Auditing (UK and Ireland) 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 SPT 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the financial transactions of the Plan during the year ended 5 April 2007 and the amount and disposition of its assets and of its liabilities as at that date, other than the liabilities to pay pensions and benefits after the Plan year end; and
- the Financial Statements 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.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors,
Birmingham, United Kingdom

Date: 5 November 2007

Neither an audit nor a review provides assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the trustees but no control procedures can provide absolute assurance in this area.

Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

Independent auditors' statement about contributions to the Trustees of the G.E.C. 1972 Plan ("the Plan")

We have examined the summary of contributions to the Plan for the year ended 5 April 2007 which is shown in Note 2 to the Financial Statements.

This statement is made solely to the Trustees, as a body, in accordance with regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our work has been undertaken so that we might state to the Trustees those matters we are required to state to them 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 Trustees as a body for our work, for this statement, or for the opinion we have formed.

Respective responsibilities of SPT and auditors

As described in the statement of SPT's responsibilities for the Financial Statements, SPT is responsible 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 Plan by or on behalf of the employer and the active members of the Plan. SPT has a general responsibility for procuring that contributions are made to the Plan in accordance with the relevant schedule of contributions.

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

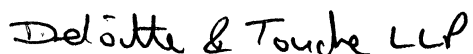
We read the other information contained in the annual report for the above year as described in the contents section and consider whether it is consistent with the summary of contributions. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary of contributions.

Basis of statement about contributions

We planned and performed our work so as to obtain 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 schedules of contributions. For this purpose the work that we carried out included examination, on a test basis, of evidence relevant to the amounts of contributions paid to the Plan and the timing of those payments under the schedules of contributions. Our statement about contributions is required to refer to those breaches of the schedules of contributions which come to our attention in the course of our work.

Statement about contributions under the Plan

In our opinion contributions payable to the Plan during the period from 6 April 2006 to 5 June 2006 as set out in the summary of contributions have in all material respects been paid in accordance with the schedule of contributions certified by the actuary on 19 March 2003 and for the period 6 June 2006 to 5 April 2007 as set out in the summary of contributions have in all material respects been paid at least in accordance with the schedule of contributions certified by the actuary on 6 June 2006.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Birmingham, United Kingdom

Date: 5 November 2007

Neither an audit nor a review provides assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the trustees but no control procedures can provide absolute assurance in this area.

Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

Financial Statements

Fund Account for the year ended 5 April 2007

	Note	Year to 5 April 2007 £ million	Year to 5 April 2006 £ million
Contributions			
To The GEC Plan			
<i>Special by employer</i>	2	0.0	185.0
<i>Due under the Schedules of Contributions</i>	2	4.9	11.7
Additional Voluntary Contributions	2	<u>0.8</u>	<u>3.7</u>
		5.7	200.4
Less			
Benefits payable	3	153.7	156.4
Transfer values paid	4	74.3	3.4
Administration expenses	5	<u>0.1</u>	<u>3.6</u>
		228.1	163.4
Net (withdrawals) / additions arising from transactions with members and employers		<u>(222.4)</u>	<u>37.0</u>
<i>Net (withdrawals) / additions arising from transactions with members and employers excluding the employer's special contribution and bulk transfers out</i>			
As above		(222.4)	37.0
Employer's special contribution		0.0	(185.0)
Bulk transfer out		<u>71.9</u>	<u>0.0</u>
Excluding the employer's special contribution and bulk transfers out		(150.5)	(148.0)
Net (withdrawals) / additions arising from transactions with members and employers		(222.4)	37.0
Returns on investments			
Investment income	6	112.4	102.2
Realised loss on a swap contract	6	(19.5)	0.0
Unrealised gains and losses on swap contracts	6	(52.4)	(4.1)
Investment management expenses	7	(9.3)	(5.6)
Change in market value of investments	8	<u>(3.3)</u>	<u>213.2</u>
Net returns on investments		<u>27.9</u>	<u>305.7</u>
Net (decrease) / increase during the year		(194.5)	342.7
Net assets at the beginning of the year		<u>2,731.0</u>	<u>2,388.3</u>
Net assets at the end of the year		<u>2,536.5</u>	<u>2,731.0</u>

Net Assets Statement

	Note	At 5 April 2007 £ million	At 5 April 2006 £ million
ASSETS DESIGNATED TO MEMBERS	8		
BlackRock unit linked investments		11.2	11.3
Standard Life With Profits fund		<u>3.9</u>	<u>3.6</u>
		15.1	14.9
ASSETS NOT DESIGNATED TO MEMBERS	8		
Investments			
Fixed interest securities			
UK		1,591.1	1,150.9
Overseas		<u>51.9</u>	<u>28.8</u>
		1,643.0	1,179.7
Index-linked securities			
UK		68.7	753.1
Overseas		<u>0.0</u>	<u>16.2</u>
		68.7	769.3
Pooled investment vehicles		344.4	0.0
Equities			
UK		102.7	197.8
Overseas		<u>113.1</u>	<u>193.5</u>
		215.8	391.3
Property		116.5	113.5
Insurance policies		0.6	0.7
Short term deposits			
Sterling		105.6	229.8
Foreign currencies		<u>4.9</u>	<u>5.6</u>
		110.5	235.4
Net current assets / (liabilities) relating to investments	9	<u>26.0</u>	<u>22.7</u>
Total investments		2,540.6	2,727.5
Net current assets / (liabilities) relating to members and employers	9	(4.1)	3.5
Net assets at end of the year		<u><u>2,536.5</u></u>	<u><u>2,731.0</u></u>

The notes on page 18 to 25 form part of the Financial Statements.

Approved by Stanhope Pension Trust Limited on 5 November 2007 and signed on its behalf.

V A. Webster

Director

P. Molone

Director

Notes to the financial statements

1 Accounting policies

(a) Basis of preparation

The Financial Statements relate to the G.E.C. 1972 Plan, which comprises the GEC Plan (the Plan) and the Selected Benefit Scheme (SBS).

The Financial Statements 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 Financial Statements 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 Actuarial Statement on page 12 and the Financial Statements should be read in conjunction with this statement.

(b) Fund Account

Items are accounted for on an accruals basis, except for individual transfers out, which are accounted for at the date of transfer.

- Both realised and unrealised gains or losses on swaps are shown separately in the fund account. They are also separately listed in Note 9 (relating to investment income) on the basis that such swaps are entered into by the Plan to protect the amounts of future benefit payments and produce an income stream that matches such payments.
- 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. Exchange gains and losses are also included.

(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 2007,
- Unlisted securities at valuations as at 31 March 2007 provided by the Plan's investment managers,
- Properties are included at their 31 March 2007 values. All properties were revalued at 31 March 2007 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. In previous years the value of property was included as at 31 December preceding the Plan year end, suitably adjusted for any sales and purchases in that period,
- Swaps are valued as at 5 April 2007 on a marked-to-market basis agreed with the swap counterparties by M&G Investment Management Limited who have been appointed as the execution agent and collateral manager by SPT,
- Pooled investment vehicles (which include the unit trusts and with-profit policies designated to members) at values as at 5 April 2007 provided by the respective fund administrator and signed off by the fund investment manager on bases that reflect the valuation of the underlying assets held by the pooled vehicle,
- Insurance policies are valued as at 5 April 2007, using principles consistent with the actuarial statement on page 12 and
- Overseas asset and liability values are translated into sterling at the rates of exchange ruling as at 5 April 2007.

2 Contributions

(a) To The GEC Plan

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

Employers contributed to The GEC Plan at a rate of 8.35% of members' earnings (2006 8.2%) and, where applicable, also made contributions to augment members' benefits. The schedules of contributions required employers to contribute 8.2% of members' earnings for the period from 6 April 2006 to 5 June 2006 and 8.35% from 6 June 2006 to 5 April 2007.

(b) Additional Voluntary Contributions

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

BlackRock 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 additional voluntary contributions but, where applicable, may do so to augment members' benefits.

(c) The following table details the contributions made during the year:

	2007	2006
	£ million	£ million
The GEC Plan		
Members' normal	1.3	3.1
Employers' normal	3.6	8.6
Total payable in accordance with the Schedules of Contributions	4.9	11.7
Employers' special contribution towards deficit	0.0	185.0
Total	4.9	196.7
Additional Voluntary Contributions		
Members' SBS	0.3	0.9
Standard Life	0.1	0.2
BlackRock	0.2	0.4
Employers' Augmentations of members' benefits	0.2	2.2
Total	0.8	3.7
Total contributions	5.7	200.4

In addition to the above, telent also paid the costs of the administration in the year to 5 April 2007, which included the cost of levies paid to the Pensions Regulator and the Pension Protection Fund (see Note 5).

3 Benefits payable

	The GEC Plan £ million	2007 SBS/AVC £ million	Total £ million	2006 Total £ million
Pensions	137.9	0.0	137.9	136.8
Cash sums on retirement	10.6	3.0	13.6	14.1
Capital payments on death	0.3	0.0	0.3	0.3
Purchase of annuities with external providers				
from SBS	0.0	1.0	1.0	3.9
from Standard Life AVCs	0.0	0.0	0.0	0.2
from BlackRock AVCs	0.0	0.1	0.1	0.5
Refunds of members' contributions with credited interest				
on death	0.6	0.1	0.7	0.5
on leaving service	0.0	0.1	0.1	0.1
	149.4	4.3	153.7	156.4

Benefits take account of improvements effective during the year; most pensions were increased by 2.4% on 1 May 2006.

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 2007 amounted to less than £10,000 (2006 £0.7 million). As this amount is an intra fund transfer it is excluded from the face of the Financial Statements. The facility to purchase GEC Plan annuities is available only to the minority of members where the capital value of their SBS or AVC balances is small.

4 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 the Plan benefits to which they were entitled. The bulk exercise referred to below is that made to the Ericsson Marconi Pension Plan referred to in the Administration Committee Report. There were no discretionary benefits included in the transfer values paid.

	The GEC Plan £ million	2007 SBS/AVC £ million	Total £ million	2006 Total £ million
Personal pension providers	1.6	0.2	1.8	1.5
Other employers' schemes				
Individuals	0.5	0.1	0.6	1.9
Bulk exercises	66.3	5.6	71.9	0.0
	68.4	5.9	74.3	3.4

Transfers to either Standard Life or BlackRock of internal SBS balances were made on behalf of members who made such a request and amounted to £1.6 million in the year ended 5 April 2007 (2006 £4.1 million). As this amount is an intra fund transfer it is excluded from the face of the accounts.

5 Administration expenses

	2007 £ million	2006 £ million
telent Pensions Office	0.0	2.0
Actuarial, investment consultancy, audit and legal fees	0.1	0.7
Pension Protection Fund levy	0.0	0.9
	0.1	3.6

The situation regarding expenses and levies has altered since the date of the Statement of the Scheme Actuary shown on page 12. These are now paid direct by telent, rather than the Plan being reimbursed. telent paid £3.5 million in the year to 5 April 2007; the figures exclude any amounts expended in relation to the pensions aspects of corporate activity by telent.

6 Investment income

	2007 £ million	2006 £ million
Fixed interest securities		
UK	68.7	52.0
Overseas	2.0	1.4
Index-linked securities		
UK	10.9	12.0
Overseas	0.0	0.1
Equities		
UK	3.8	10.6
Overseas	3.2	6.2
	<u>88.6</u>	<u>82.3</u>
Property	6.9	7.7
Short-term deposits	<u>16.9</u>	<u>12.2</u>
	112.4	102.2
Realised loss on a swap contract	(19.5)	0.0
Unrealised gains and losses on swap contracts	(52.4)	(4.1)
	<u>40.5</u>	<u>98.1</u>

The figures in the above table are net of irrecoverable withholding tax, which amounted to £0.8 million (2006 £1.6 million).

7 Investment management expenses

	2007 £ million	2006 £ million
Investment management	7.3	3.4
Property management	1.5	1.8
Custody	0.5	0.4
	<u>9.3</u>	<u>5.6</u>

Fees charged by the investment managers are calculated as a percentage of the market value of the investments managed and, in some cases, are linked to performance compared with market indicators.

Property management fees are based on the valuation of assets managed, with additional charges made for specific additional services and for irrecoverable expenses associated with empty, or partially empty, properties.

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.

8 Investments

(a) Movements of net assets during the year ended 5 April 2007

	Market values at 5 April 2006 £ million	Bulk transfers out £ million	Purchases at cost £ million	Sales proceeds £ million	Unrealised losses and gains on swaps £ million	Net investment £ million	Change in market value of investments £ million	Market values at 5 April 2007 £ million
Assets designated to members								
BlackRock unit linked investments	11.3	(2.2)	1.6	(0.4)	0.0	1.2	0.9	11.2
Standard Life With Profits fund	3.6	(0.6)	0.9	(0.2)	0.0	0.7	0.2	3.9
Assets not designated to members								
Fixed interest securities								
UK	1,150.9	(25.2)	4,505.3	(4,011.4)	37.7	531.6	(66.2)	1,591.1
Overseas	28.8	0.0	170.3	(146.1)	0.0	24.2	(1.1)	51.9
Index-linked securities								
UK	753.1	0.0	1,347.2	(1,961.2)	(90.1)	(704.1)	19.7	68.7
Overseas	16.2	0.0	0.0	(15.7)	0.0	(15.7)	(0.5)	0.0
Pooled investment vehicles	0.0	0.0	329.5	0.0	0.0	329.5	14.9	344.4
Equities								
UK	197.8	(36.2)	148.8	(214.8)	0.0	(66.0)	7.1	102.7
Overseas	193.5	0.0	194.9	(274.3)	0.0	(79.4)	(1.0)	113.1
Freehold and leasehold property	113.5	0.0	0.0	(16.4)	0.0	(16.4)	19.4	116.5
Insurance policies	0.7	0.0	0.0	(0.1)	0.0	(0.1)	0.0	0.6
			6,698.5	(6,640.6)	(52.4)			
Sterling short term deposits	229.8	0.0				(124.2)	0.0	105.6
Foreign currencies short term deposits	5.6	0.0				(4.0)	3.3	4.9
Net current assets / (liabilities)								
relating to investments	22.7	0.0				3.3	0.0	26.0
relating to members and employers	3.5	(7.7)				0.1	0.0	(4.1)
	2,731.0	(71.9)				(119.3)	(3.3)	2,536.5

Since 6 April 2002, members have had an opportunity to pay additional voluntary contributions to external providers, Standard Life or to BlackRock, rather than to SBS. In the above table "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 the internal SBS are pooled with the assets of The GEC Plan and a separate account is maintained for each member. Members receive credited interest on their individual internal SBS balance each month. The combined assets of The GEC Plan and the internal SBS are shown in the above table under "Assets not designated to members". The value of members' separate account balances within the internal SBS at 5 April 2007 was £28.6 million (5 April 2006 £36.1 million).

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

	At 5 April 2007 £ million	At 5 April 2006 £ million
Anglo Irish Bank	15.1	0.0
Landesbank Baden-Württemberg	15.1	0.0
Raiffeisen Zentral Bank	14.9	0.0
Deutsche Bank	14.5	0.0
Standard Life AAA Sterling Liquidity Fund*	13.3	205.0
IIB Bank	7.3	0.0
KBC Bank	6.3	0.0
Mellon Bank	6.2	6.5
Goldman Sachs Sterling Liquid Reserve Fund*	3.8	0.0
Bank Of America	3.6	0.0
HSBC Bank plc	3.0	18.3
Monte Dei Paschi di Siena	2.5	0.0
	105.6	229.8

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

* The deposits shown for Standard Life and Goldman Sachs are investments in pooled investment vehicles, although the actual form of this investment is shares in these vehicles. They are shown as sterling deposits as they are designed to allow sterling deposits to be made or withdrawn in a similar manner to a call account.

- (c) Foreign currencies comprised:

	At 5 April 2007 £ million	At 5 April 2006 £ million
Euro	2.6	0.0
US Dollar	2.4	0.0
Japanese Yen	0.3	5.5
Forward contracts	0.1	(1.3)
Other minor holdings of currencies	(0.5)	1.4
	4.9	5.6

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

- (d) There were no investments in the shares of participating employers at either year-end, but an amount of £0.7 million was outstanding from telent as at 5 April 2007 (2006 £7.9 million). This amount was related to repayment of administration expenses paid by the Plan and was repaid in full by the end of April 2007.
- (e) There were no calls payable on quoted or unquoted securities and no contingent underwriting liabilities at either year-end.

- (f) At 5 April 2007, £32,755,000 nominal of UK Treasury 1.25% Index-Linked 2055 with a market value of £35,629,843 was pledged as collateral in respect of the Plan's interest rate and inflation swaps.
- (g) The market value of holdings in pooled investment vehicles amounted to £372.7 million, split as follows:

	2007	2006
	£ million	£ million
Operated by companies registered in:		
United Kingdom	124.9	11.3
Ireland	128.6	205.0
Cayman Islands	119.2	0.0
	372.7	216.3
The pooled investment vehicles are shown in the Net Assets Statement as:		
Assets designated to members (see Note 8 (a))	11.2	11.3
Sterling Short Terms Deposits (see Note 8 (b))	17.1	205.0
Pooled Investment Vehicles	344.4	0.0
	372.7	216.3

The large increase in the value of pooled investment vehicles is due to the Plan utilising such vehicles to gain access to Return Seeking Asset classes.

- (h) The Plan held no stocks that individually comprised more than 5% of the net assets of the Plan as at 5 April 2007. The following was reported at the previous year end:

	At 5 April 2006	
	£ million	% of Plan assets
UK Treasury 2.5% Index-linked 2011	258.9	9.5
UK Treasury 2.0% Index-linked 2035	231.4	8.5
Standard Life Sterling Liquidity Fund	205.0	7.5
UK Treasury 6.0% 2028	167.1	6.1

9 Net current assets / (liabilities)

- (a) Investment related

	2007	2006
	£ million	£ million
Debtors		
Investments sold	73.2	341.5
Investment income	30.9	23.9
Other	0.1	0.1
	<u>104.2</u>	<u>365.5</u>
Cash		
Current account balances	0.5	0.6
Creditors		
Investments purchased	(76.4)	(341.7)
Investment management expenses	(1.9)	(1.5)
Other	(0.4)	(0.2)
	<u>(78.7)</u>	<u>(343.4)</u>
	<u>26.0</u>	<u>22.7</u>

(b) Employer and member related

		2007	2006
		£ million	£ million
Debtors	telent	0.7	7.9
	Other	0.2	0.2
		<u>0.9</u>	<u>8.1</u>
Cash	Current account balances	(0.3)	(0.3)
Creditors	PAYE	(2.0)	(2.0)
	Transfers to other pension schemes	(2.5)	(0.4)
	Benefits	(0.2)	(1.1)
	Administration expenses	(0.0)	(0.8)
		<u>(4.7)</u>	<u>(4.3)</u>
		<u>(4.1)</u>	<u>3.5</u>

10 Taxation

The Plan is a registered scheme under the provisions of the Finance Act 2004.

11 Contingent Asset

An Escrow account was established by telent in March 2006 to protect the Plan from any future deterioration in the funding of the Plan. The Escrow account belongs to telent and is shown on the telent balance sheet.

Under the legally binding terms governing the Escrow account, funds can only be moved to the order of Trustees and will become payable to the Plan should there be a deficit in the Plan at a future valuation undertaken on the IAS19 basis. IAS19 is an international accounting standard that applies to telent. Funds can only be released to telent if either surplus funds remain after benefits have been secured through buyout with an insurance company, or if the total of the plans assets and the Escrow exceed 105% of the amount necessary to secure such a buyout.

The value of the Escrow account at 5 April 2007 is £514.4 million (2006 £490.4 million). The contingent asset is not included in the fund value of £2,536.5 million.

12 Post balance sheet events

On 25 September 2007, an announcement was made by Co-Investment No 5 LP Incorporated ("CILP") (advised by Pension Corporation LLP) and telent plc of a recommended cash offer for telent plc. On 19 October 2007, the Pensions Regulator (tPR), at the request of SPT, ordered the appointment of three additional Independent Trustees (ITs) to the Plan, with exclusive powers for 6 months.

SPT had approached tPR to express its concerns surrounding the offer, particularly in view of the imminence of the first closing date for the recommended cash offer by CILP.

Further details surrounding the offer and the communication from SPT and the ITs can be found on the website (www.telentpensions.co.uk).

SPT has been authorised to sign the Report & Accounts on its own behalf and that of the ITs.

Compliance statement

Constitution of the G.E.C. 1972 Plan

The G.E.C. 1972 Plan (the Plan), comprising The GEC Plan and Selected Benefit Scheme (SBS), is a pension arrangement in the UK for certain employees of telent and its subsidiary and associated companies. Most employees of telent who were employed prior to 1 April 2007 are eligible to apply for membership. New employees after 1 April 2007 are generally not eligible to join the Plan. Members of the Plan are not contracted-out of the State Second Pension.

The Plan was established with effect from 6 April 1973 and is constituted under a definitive deed dated 4 March 1982, as amended. During the period covered by this report, Stanhope Pension Trust Limited (SPT), was responsible for the administration of Plan benefits and investment of the fund of the Plan. Details of the Directors of SPT are shown on page 27.

On 25 September 2007, an announcement was made by Co-Investment No 5 LP Incorporated ("CILP") (advised by Pension Corporation LLP) and telent plc of a recommended cash offer for telent plc. On 19 October the Pensions Regulator (tPR), at the request of SPT, ordered the appointment of three additional Independent Trustees (ITs) to the Plan, with exclusive powers for 6 months. SPT had approached tPR to express its concerns surrounding the offer, particularly in view of the imminence of the first closing date for the recommended cash offer by CILP. Further details surrounding the offer and the communication from SPT and the ITs can be found on the website. The ITs have retained the same advisers as were appointed by SPT and have also appointed Lovells as additional legal advisers to the ITs alone..

<p>Advisers relating to investments:</p> <p>Investment managers <i>(As at 5 April 2007)</i> Axa Investment Managers UK Limited Blackstone Alternative Assets Management LP Fidelity Pensions Management Limited Goldman Sachs Asset Management International Limited LaSalle Investment Management Limited BlackRock Investment Management (UK) Limited * M&G Investment Management Limited Morley Fund Management Limited Rogge Global Partners plc Standard Life Investments Limited</p> <p>* Previously Merrill Lynch Investment Managers Limited</p> <p>As part of the ongoing development of the investment strategy, Edinburgh Partners Limited were appointed during July 2007 and the mandate with Fidelity Pensions Management Limited was terminated.</p> <p>External AVC providers Standard Life Assurance Company BlackRock Pensions Limited</p> <p>Custodians for investments ABN AMRO Mellon Global Securities Services BV</p> <p>Investment Consultant Watson Wyatt Limited</p> <p>Performance Consultant Mellon Analytical Solutions</p>	<p>Other advisers:</p> <p>Scheme Actuary Graham Mitchell Watson Wyatt Limited</p> <p>Solicitors Eversheds LLP Sacker & Partners LLP Lovells LLP (ITs only)</p> <p>Medical adviser E. J. Albright, M.B., Ch.B.</p> <p>Auditors Deloitte & Touche LLP</p> <p>Bankers HSBC Bank plc Lloyds TSB Bank plc</p> <p>Administrator Xafinity Paymaster The Hollies Newport Road Stafford ST16 1BY</p>
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Directors of SPT

D A Badman

Appointed to the Board in May 2006. Dennis Badman joined GEC in 1992 and has since held a number of management positions across the Defence and Telecommunications divisions. Following a period outside Marconi, working for a US telecommunications business, Dennis re-joined Marconi in 2004. He was appointed as Managing Director of Telco Services in December 2005 and a Director of telent Communications Limited in March 2006.

J H Chaplin

Appointed to the Board in April 1980. Jon Chaplin, a barrister, was Company Secretary of GEC from April 1980 until he retired in April 1991. He is a pensioner of The GEC Plan. He also currently acts as an independent trustee of other occupational pension schemes.

C C Holden (Chairman)

Appointed to the Board and elected Chairman in June 2005. 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.

J R Leaney

Appointed to the Board in April 2004. John Leaney joined Plessey in 1973 and is a home-based field engineer. He has been a member of the Pension Consultative Committee (PCC – see page 29 for details) for a number of years.

D F McWilliams

Appointed to the Board in January 2007. Doug McWilliams is Chief Executive of cebr, one of the UK's leading specialist economics consultancies. He has advised numerous organisations including clients in the technology sector, the transport industry, property and construction sector, financial services and the public sector. He also acts as an adviser to a number of pension schemes. He was recruited as a non-executive director by Marconi following its corporate restructuring in 2003.

P Moloney

Appointed to the Board in November 2003. 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.

M F Surrey

Appointed to the Board in June 2001. Mike Surrey is Business Development Director of telent, he was part of the team involved in the formation of telent and led the transition of the former in house services organisation to an independent services company serving the telecoms sector. He qualified as a Chartered Accountant in 1991 and joined GEC in 1992 and has worked in various finance positions within GEC and Marconi. He was the Group Financial Controller during the restructuring that occurred in May 2003. After the restructuring, he was appointed Head of Business Operations for Marconi Communications responsible for the Northern Europe services organisation and the supply chain.

V A Webster

Appointed to the Board in 1997. 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.

Law Debenture Pension Trust Corporation p.l.c.¹

Appointed to the Board in July 2005. Law Debenture Pension Trust Corporation p.l.c. is a publicly quoted company specialising in acting as an independent pension trustee and has wide experience of the issues that defined benefit schemes face. It acts for over 200 schemes with assets in excess of £80 billion. Law Debenture has nominated Eddie Thomas as the person who will normally attend Board meetings, with David Felder as the alternate. Eddie is a director of Law Debenture in charge of the firm's pension scheme trusteeship activity. He is an Actuary, an Associate of the Chartered Insurance Institute, and an Associate of the Pensions Management Institute. He has been appointed Deputy Chairman of SPT. David Felder's biography appears on the next page.

¹ Following the appointment of Law Debenture Pension Trust Corporation plc as one of the ITs, Eddie Thomas has stepped down as the person nominated to attend SPT meetings, in order that he can act as the Law Debenture Pension Trust Corporation plc nominee to the ITs. David Felder now attends SPT meetings as the Law Debenture Pension Trust Corporation plc nominee; David's biography is shown on page 28.

Membership of Board Committees

Administration Committee	Vic Webster (Chairman) Dennis Badman John Leaney
Audit Committee	Eddie Thomas (Chairman) (representing Law Debenture ¹) Jon Chaplin John Leaney Mike Surrey ¹ See footnote 1 on page 27.
Investment Committee	Peter Harris (Chairman) ² David Felder (representing Law Debenture) Nick Fitzpatrick ² Chris Holden Doug McWilliams Pat Moloney ² External to the SPT Board - see below
Strategic Review Committee	Chris Holden (Chairman) Jon Chaplin Pat Moloney Mike Surrey Eddie Thomas (representing Law Debenture *)

Investment Committee members

In addition to Chris Holden, Doug McWilliams and Pat Moloney whose biographies appear on page 27, the following are also members of the Investment Committee:-

N Fitzpatrick

Nick Fitzpatrick was formerly head of Global Investment Consulting at Hewitt. In 1986 he joined Bacon & Woodrow, which became part of Hewitt in 2001. During that time he was involved in developing the investment consulting business internationally, as well as working for many major pension schemes. Before becoming a consultant, he spent ten years as the in-house investment manager for the British Rail Pension Fund, having previously worked for Abbey Life and Friends Provident. He was appointed to the Investment Committee with effect from April 2006.

P G Harris (Chairman)

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 telent group, both in engineering and in HR. In his current role he is responsible for telent's pension arrangements. Until June 2005, he was a member of the SPT Board and has served on the Investment Committee since June 2003.

Law Debenture Pension Trust Corporation p.l.c. (represented by David Felder)

David Felder normally attends the Investment Committee on behalf of Law Debenture. He 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 to 1998. 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 in 2002 and works in a group that covers pension fund clients in the manufacturing and financial sectors.

Other useful information

Pension Consultative Committee

The Pension Consultative Committee (PCC) is a committee of Plan members which meets periodically:-

- to consult with telent on matters relating to telent pension schemes,
- to assist the Xafinity Paymaster, SPT and telent 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 and
- to nominate representatives for appointment by telent as Directors of SPT. Each representative must be a member 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 Pat Moloney, John Leaney and Vic Webster. Vic is a pensioner of the Plan, Pat is a deferred pensioner and John is a contributing member.

Contributors may contact any PCC representative at their employing site and any member may contact PCC representatives or the Chairman or Secretary of the PCC via Pensions Office at the following address:-

telent Pensions Office
The Hollies
Newport Road
STAFFORD
ST16 1BY

Or via email at: pcc.chairman@telentpensions.co.uk or pcc.secretary@telentpensions.co.uk

The Pension Tracing Service

The DWP's Pension Tracing Service exists to assist members of occupational pension schemes 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 (TPAS) can be contacted at 11 Belgrave Road, London, SW1V 1RB and is available to assist members and beneficiaries with difficulties which may arise and any pensions query which they may have
- 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 Xafinity Paymaster or SPT.

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 and
- apply for injunctions to prevent the misuse and misappropriation of scheme assets and apply for restitution where necessary.

The professional advisers, SPT and the ITs 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 Plan are not being carried out. The Pensions Regulator can be contacted at:-

Napier House
Trafalgar Place
Brighton
BN1 4DW

Internal disputes resolution procedure

A disputes resolution procedure has been agreed by SPT 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 SPT at the address given on page 2.

Statement of Investment Principles

A Statement of Investment Principles has been produced by SPT, copies of which are available on request to the Secretary of SPT at the address given on page 2.

Financial Statistics - Five years to 5 April 2007

Fund Account	2007	2006	2005	2004	2003
	£ million	£ million	£ million	£ million	£ million
Transactions involving members and employers					
Additions to the Fund					
Contributions					
Members' to The GEC Plan	1.3	3.1	3.6	3.7	6.1
Employers' to The GEC Plan	3.6	193.6	9.9	10.3	24.8
Internally invested AVCs - SBS	0.5	3.1	1.3	3.3	8.5
Externally invested AVCs	0.3	0.6	0.7	0.7	0.8
Transfer values - Individual	0.0	0.0	0.4	0.0	0.0
Receipts from life office	0.0	0.0	0.0	0.3	0.0
Total	5.7	200.4	15.9	18.3	40.2
Withdrawals from the Fund					
Benefits paid	153.7	156.4	144.4	147.6	167.1
Transfer values - Individual	2.4	3.4	2.0	5.5	4.8
- Bulk	71.9	0.0	0.0	10.9	115.6
Administration expenses	0.1	3.6	2.7	2.4	2.5
Total	(228.1)	(163.4)	(149.1)	(166.4)	(290.0)
Returns on investments					
Investment income	112.4	102.2	91.8	96.4	104.8
Realised and unrealised gains and losses on swaps	(71.9)	(4.1)	0.0	0.0	0.0
Investment management expenses	(9.3)	(5.6)	(6.7)	(5.3)	(4.6)
Changes in market value of investments	(3.3)	213.2	110.9	150.3	(113.4)
Net returns on investments	27.9	305.7	196.0	241.4	(13.2)
Net (decrease) increase in the Fund	(194.5)	342.7	62.8	93.3	(263.0)
Fund at the beginning of the year	2,731.0	2,388.3	2,325.5	2,232.2	2,495.2
Fund at the end of the year	2,536.5	2,731.0	2,388.3	2,325.5	2,232.2
Distribution of net assets of the fund					
	%	%	%	%	%
Assets designated to members	0.6	0.5	0.4	0.3	0.2
Assets not designated to members					
Fixed interest					
UK	62.7	42.1	36.1	38.4	41.1
Overseas	2.0	1.1	3.2	3.2	4.5
Index-linked					
UK	2.7	27.6	22.4	23.0	28.9
Overseas	0.0	0.6	0.4	0.0	0.0
Pooled investment vehicles	13.6	0.0	0.0	0.0	0.0
Equities					
UK	4.0	7.2	16.1	14.4	12.2
Overseas	4.5	7.1	14.1	13.5	11.1
Property	4.6	4.2	4.7	4.4	4.8
Short-term deposits	4.4	8.6	1.9	2.0	1.2
Other	0.9	1.0	0.7	0.8	(4.0)
	100.0	100.0	100.0	100.0	100.0

Financial Statistics - Investments

Summary of securities by market value**As at 5 April 2007**
£ million**As at 5 April 2006**
£ million**Fixed interest**

British Government securities

0-5 years

19.3

37.7

5-15 years

81.4

239.0

Over 15 years

148.1

374.9

248.8

651.6

UK Corporate issuers

0-5 years

196.4

56.3

5-15 years

413.3

117.1

Over 15 years

694.9

330.0

1,304.6

503.4

Swaps

37.7

(4.1)

Overseas

51.9

28.8

1,643.0**1,179.7****Index-linked**

British Government securities

0-5 years

0.0

0.0

5-15 years

0.0

352.1

Over 15 years

116.1

355.7

116.1

707.8

UK Corporate issuers

0-5 years

11.3

11.2

5-15 years

12.6

19.1

Over 15 years

18.9

15.0

42.8

45.3

Swaps

(90.2)

0.0

Overseas

0.0

16.2

68.7**769.3****Pooled investment vehicles not designated to members****344.4****0.0****Equities**

United Kingdom

102.7

197.8

Europe

51.9

86.6

The Americas

28.0

58.4

Pacific Basin

33.2

48.5

215.8**391.3****Total Securities****2,271.9****2,340.3**

Property

116.5

113.5

Sterling Short Term Deposits

105.6

229.8

Other *

42.5

47.4

264.6**390.7****2,536.5****2,731.0**

* Other includes foreign short term deposits, insurance policies, assets designated to members and net current assets and liabilities

Membership statistics – Year to 5 April

	2007	2006	2005	2004	2003
The GEC Plan contributors (see note)					
At beginning of the year	1,168	3,200	3,250	4,103	11,748
New members	123	135	153	108	236
Members leaving service with the following benefits:					
Retirement	(27)	(180)	(28)	(101)	(679)
Refund of contributions	(15)	(33)	(11)	(40)	(288)
Death in service benefits	(0)	(1)	0	(7)	(8)
Transfer value or deferred pension	(123)	(1,953)	(164)	(813)	(6,906)
	(165)	(2,167)	(203)	(961)	(7,881)
At end of the year	1,126	1,168	3,200	3,250	4,103
AVC contributors (includes internal and external)					
At beginning of the year	426	1,779	1,899	2,128	3,414
New members	5	270	76	102	919
Transfers to other pension schemes	0	(419)	(1)	(28)	(1,079)
Members leaving service or ceasing to contribute	(61)	(1,204)	(195)	(303)	(1,126)
At end of the year	370	426	1,779	1,899	2,128
Pensioners (see note)					
At beginning of the year	37,011	37,538	38,474	39,128	38,794
New pensioners (including spouses' pensions coming into payment)	1,394	1,182	1,088	1,157	2,193
Deaths	(1,719)	(1,709)	(2,024)	(1,811)	(1,859)
At end of the year	36,686	37,011	37,538	38,474	39,128
Deferred pensioners (see note)					
At end of the year	21,843	24,683	28,056	30,697	32,534

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 telent 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.

Age distribution of members of the G.E.C. 1972 Plan at 5 April

	2007	2006	2005	2004	2003
Contributors	%	%	%	%	%
under 21	0.6	0.3	0.0	0.1	0.1
21 to 30	7.8	8.2	10.3	12.6	15.2
31 to 40	26.6	29.3	32.8	33.7	32.9
41 to 50	34.6	33.9	36.1	35.3	33.2
51 to 60	27.6	26.4	19.6	17.6	17.5
61 to 64	2.8	1.9	1.2	0.7	1.1
	100.0	100.0	100.0	100.0	100.0
Deferred pensioners	%	%	%	%	%
21 to 30	1.7	2.6	2.3	2.8	3.2
31 to 40	17.8	19.3	16.4	16.6	16.3
41 to 50	33.0	31.9	27.2	25.7	23.9
51 to 60	31.0	30.3	33.4	34.2	35.4
61 to 70	16.5	15.9	20.7	20.7	21.2
	100.0	100.0	100.0	100.0	100.0
Pensioners	%	%	%	%	%
under 50	0.4	0.4	0.4	0.4	0.5
50 to 60	8.6	9.0	9.5	10.4	11.0
61 to 70	28.1	28.6	29.2	29.7	30.2
71 to 80	35.8	36.2	36.2	36.1	36.0
81 to 90	23.3	22.2	21.5	20.5	19.5
91 and over	3.8	3.6	3.2	2.9	2.8
	100.0	100.0	100.0	100.0	100.0
Other Statistics	Years	Years	Years	Years	Years
Average age					
Contributing members	45.0	44.5	42.9	42.1	41.6
Pensioners	74.4	74.1	73.9	73.5	73.2
Average Plan pensionable service					
Contributing members	9.0	8.9	9.1	8.3	7.7