

ARROW LIMITED

**REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2000**



ARROW LIMITED
DIRECTORS' REPORT

The Directors present their report and the financial statements of the Company for the year ended 31 March 2000.

1. ACTIVITIES AND FUTURE PROSPECTS

The Company is an investment holding company. The Company has not made any new investments in the year. The Company will continue to act as an investment holding company for the foreseeable future.

2. RESULTS AND DIVIDENDS

The Company made neither profit nor loss during the year (1999 - £nil). The Directors do not recommend the payment of a dividend (1999 - £nil).

3. DIRECTORS AND THEIR INTERESTS

(a) The membership of the Board during the year was:

Mr R K Miller (resigned 1 September 1999)
Miss J C Polley
Mrs C B Wheatley

Mr N C Porter was appointed as a Director of the Company on 15 December 2000 and Mrs C B Wheatley resigned on 15 December 2000.

(b) As of 28 November 1999 the ultimate parent company became Marconi plc ("Marconi"). Prior to this date the ultimate parent company was The General Electric Company, p.l.c. ("GEC"). According to the Register kept by the Company under Section 325 of the Companies Act 1985, the interests of those Directors holding office at the end of the year in the shares of the Company, the Company's ultimate parent company, Marconi or its subsidiaries were as follows:

Ordinary shares of 5p each, fully paid

	At 31.03.2000*	At 01.04.1999+
Miss J C Polley	5,773	5,724

+Interests in ordinary shares of GEC

*Interests in ordinary shares of Marconi

In accordance with the terms of the reconstruction of GEC, ordinary shares of 5 pence each were issued by Marconi, credited as fully paid to the former holders of GEC ordinary shares of 5 pence each on the register at the close of business on 26 November 1999, on the basis of one ordinary share of 5 pence each in Marconi for one ordinary share of 5 pence each in GEC.

Table A shows the interests of the Directors in options over ordinary shares of 5 pence each in GEC under the GEC Employee 1992 Savings-Related Share Option Scheme, the GEC Phantom Option Scheme and the GEC 1997 Executive Share Option Scheme for the period 1 April 1999 to 28 November 1999.

ARROW LIMITED
DIRECTORS' REPORT (CONTINUED)

3. DIRECTORS AND THEIR INTERESTS (CONTINUED)

All options granted by GEC became exercisable immediately prior to the listing of Marconi. The Directors were given the opportunity to exchange their GEC options for Marconi options on a value-for-value basis and for those Directors who elected to exchange, details are shown in the opening column of Table B. In addition, Table B shows the interests of the Directors in options over ordinary shares of 5 pence each in Marconi under the Marconi 1999 Stock Option Plan, the Marconi UK Sharesave Plan and the Marconi Launch Share Plan for the period 29 November 1999 to 31 March 2000.

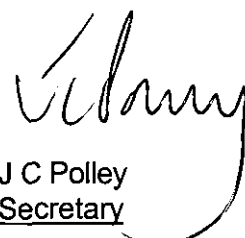
TABLE A

	At 01.04.1999	Granted during the period	Exercised during the period	Lapsed during the period	At 28.11.1999
	No.	No.	No.	No.	No.
Miss J C Polley	18,274	-	-	-	18,274
Mrs C B Wheatley	9,900	-	-	-	9,900

TABLE B

	At 29.11.1999	Granted during the period	Exercised during the period	Lapsed during the period	At 31.03.2000
	No.	No.	No.	No.	No.
Miss J C Polley	22,579	18,214	-	-	40,793
Mrs C B Wheatley	12,223	14,259	-	-	26,482

By Order of the Board



J C Polley
Secretary

Registered Office
One Bruton Street
London
W1J 6AQ

Dated: 20 December 2000

ARROW LIMITED**ACCOUNTS****BALANCE SHEET**

as at 31 March 2000

	Note	2000 £	1999 £
FIXED ASSETS			
Shares in subsidiary undertaking	3	150	150
		<u>150</u>	<u>150</u>
CURRENT ASSETS			
Debtors	4	1,000,041	1,009,721
Cash at bank		9,530	-
CURRENT LIABILITIES : amounts falling due within one year	5	(346)	(494)
NET CURRENT ASSETS		<u>1,009,225</u>	<u>1,009,227</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,009,375</u>	<u>1,009,377</u>
SHARE CAPITAL AND RESERVES			
Called up share capital		50,000	50,000
(Authorised, allotted and fully paid 50,000 ordinary shares of £1 each)			
Profit and loss account		959,375	959,377
EQUITY SHAREHOLDERS' FUNDS		<u>1,009,375</u>	<u>1,009,377</u>

The Company has not traded and has made neither profit or loss during the current or preceding financial period nor has made any other recognised gain or loss. Consequently no profit or loss account or statement of total recognised gains and losses has been prepared.

These accounts were approved by the Board of Directors on 20 December 2000.

Signed on behalf of the Board of Directors



N C Porter
Director

ARROW LIMITED

ACCOUNTS

NOTES TO THE ACCOUNTS

1 DIRECTORS, EMPLOYEES AND AUDITORS

The Directors are employed and remunerated by other companies in the Marconi Group. They do not receive any remuneration specifically for their services as Directors of the Company (1999 £nil). The Company had no employees during the year (1999 nil). The Auditors' remuneration was £nil in both the current and preceding financial years.

2 ULTIMATE PARENT COMPANY

The Company's ultimate parent and controlling company is Marconi plc ("Marconi"). The immediate parent company is Associated Electrical Industries Limited. The Marconi Group is the only group of which the Company is a member for which group accounts are prepared. Copies of the group accounts are available from the Secretary at One Bruton Street, London W1J 6AQ.

3 SHARES IN SUBSIDIARY UNDERTAKING

The Company has the following wholly owned subsidiary undertaking, valued at cost less provision for impairment:

Ferranti Naval Systems Limited (formerly GEC Automotive Electronics Limited)	Cost £	Provision £	NBV £
As at 31 March 2000 and 1 April 1999	225,100	224,950	150

The subsidiary undertaking is non-trading. As the Company is itself a wholly-owned subsidiary of another company incorporated in Great Britain, no group accounts have been prepared; therefore, these accounts portray the Company as an individual undertaking. In the opinion of the Directors, the value of the Company's investment in its subsidiary undertaking is not less than the amount at which it is stated in the Balance Sheet.

ARROW LIMITED**ACCOUNTS****NOTES TO THE ACCOUNTS****4 DEBTORS**

	2000 £	1999 £
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	-	533,942
Amounts owed by parent company	1,000,035	475,779
Other debtors	6	-
	<u>1,000,041</u>	<u>1,009,721</u>

5 CREDITORS

	2000 £	1999 £
Amounts falling due within one year:		
Bank overdraft	-	148
Amounts owed to ultimate parent company	150	-
Amounts owed to subsidiary undertaking	-	346
Other creditors	196	-
	<u>346</u>	<u>494</u>

ACCOUNTING POLICIES**(1) Accounting convention**

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

As the Company is itself a wholly owned subsidiary of another company incorporated in Great Britain, no Group accounts have been prepared; therefore these accounts portray the Company as an individual undertaking.

(2) FRS8: related party disclosures

Pursuant to the exemption granted by Financial Reporting Standard 8 'Related Party Disclosures', transactions with other subsidiary undertakings within the Marconi Group have not been disclosed in the financial statements.

AUDITORS' REPORT TO THE MEMBERS OF ARROW LIMITED

We have audited the financial statements on pages 3 to 5 which have been prepared under the accounting policies set out on page 5.

Respective responsibilities of Directors and Auditors

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year and to state whether the accounts have been prepared in accordance with applicable accounting standards. They are also required to select appropriate accounting policies and then apply them consistently and make judgements and estimates that are reasonable and prudent. They are also required to prepare the accounts on the going concern basis unless it is inappropriate to do so.

The Directors are responsible for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

It is our responsibility as Auditors to form an independent opinion, based on our audit, on the financial statements, which are required to be prepared in accordance with the applicable United Kingdom laws and accounting standards and to report our opinion to you.

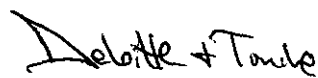
Basis of opinion

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 the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company'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 information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 March 2000 and of its result for the year to 31 March 2000 and have been properly prepared in accordance with the Companies Act 1985.


21 December 2000 DELOITTE & TOUCHE
Chartered Accountants and Registered Auditors
Hill House
1 Little New Street
London EC4A 3TR