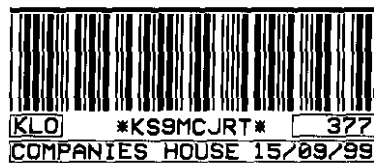


Registration No. 444860

MARCONI (PROJECTS) LIMITED
(formerly GEC-MARCONI (PROJECTS) LIMITED)

Report and Financial Statements

For the year ended 31 March 1999



MARCONI (PROJECTS) LIMITED
(formerly GEC-MARCONI (PROJECTS) LIMITED)

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MARCONI (PROJECTS) LIMITED
(formerly GEC-Marconi (Projects) Limited)

Report of the Directors

The Directors present their report and the audited accounts of the Company for the year ended the 31st March, 1999.

Results

The loss for the year after taxation amounted to £ 1,053,000. The Directors do not recommend the payment of a dividend.

Principal Activity and Review of the Company

The principal activity of the Company is the management and co-ordination of major projects which use the expertise and products of other Marconi Electronic Systems Limited Group Companies. During the year activity has been concentrated on the management of defence contracts awarded by the Governments of Brunei and Malaysia. The Company is also involved in marketing support for prime contractorship and defence systems capability for new business opportunities in the ASEAN region.

The name of the Company was changed to Marconi (Projects) Limited by Special Resolution passed on the 28th October, 1998 and the Certificate of Incorporation on Change of Name was issued by Companies House on the 11th November, 1998.

On the 19th January, 1999 The General Electric Company, p.l.c (GEC) and British Aerospace plc (BAe) announced that they had reached agreement on the principal terms of a proposed reconstruction which will involve the separation from GEC of Marconi Electronic Systems Limited and its merger with BAe. On 27th April, 1999 the parties announced that they had entered into a definitive agreement which sets out the detailed terms and conditions of the proposed separation and merger.

Directors

The present members of the Board, Messrs. J. St. J. Fothergill and I. S. Muir, are the only persons who have been Directors of the Company during the financial year.

According to the Register kept by the Company in accordance with Section 325 of the Companies Act 1985 the Directors had no interests in the shares of The General Electric Company p.l.c. or its subsidiaries other than those shown below:-

IN THE GENERAL ELECTRIC COMPANY, p.l.c.

At 1st April, 1998	Options granted during the year	Options exercised during the year year	At 31st March, 1999
_____	_____	_____	_____

Ordinary Shares of 5p each, fully paid

J. St.J. Fothergill	2,531	8,977
I. S. Muir	5,831	6,570

Options in respect of Ordinary Shares of 5p each

- i) Under the terms of The GEC Managers' 1984 Share Option Scheme the following Options were outstanding:-

J. St. J. Fothergill	11,500	-----	11,500	-----
----------------------	--------	-------	--------	-------

No Options were granted under the above Scheme to the Directors during the year. Normally the Options are exercisable during the years 1999 to 2004 at subscription prices of 226p and 328p per share.

- ii) Under the terms of The GEC Employee 1992 Savings-Related Share Option Scheme the following Options were outstanding:-

J. St.J. Fothergill	5,747	-----	-----	5,747
I. S. Muir	3,291	-----	-----	3,291

No Options were granted to or exercised by the Directors during the year under the above Scheme. Normally the Options are exercisable within six months of the 1st April, 1999, 2001, 2002 and 2003 at subscription prices between 251p and 334p per share.

- iii) Under the terms of The GEC 1997 Executive Share Option Scheme the following Options were outstanding:-

J. St.J. Fothergill	14,652	16,842	-----	31,494
I. S. Muir	7,326	-----	-----	7,326

Normally the Options are exercisable during the years 2000 to 2008 at subscription prices of 409.5p and 475p per share subject to the satisfaction of relevant performance conditions.

Payment of Creditors

The Companies Act 1985, as amended, requires the Company to make a statement of its policy and practice on the payment of creditors.

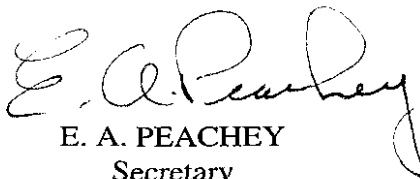
It is and will continue to be the policy of the Company to negotiate with suppliers so as to obtain the best available terms taking account of quality, delivery, price and period of settlement and, having agreed those terms, to abide by them.

The total amount of trade creditors falling due within one year at 31st March, 1999, excluding amounts owed to companies in the GEC Group, represents 31 days worth as a proportion of the total amount invoiced by suppliers during the year ended on that date.

Year 2000

The Company's internal system, operations, products, key suppliers and customers, have been assessed for Year 2000 readiness by other GEC group companies and programmes have been instituted to mitigate the risks associated with the Year 2000 date computation and to ensure that business continuity is maintained.

By Order of the Board


E. A. PEACHEY
Secretary

Registered Office:
The Grove
Warren Lane,
Stanmore
Middlesex
HA7 4LY

3 11 1999

AUDITORS' REPORT
to the members of Marconi (Projects) Limited

We have audited the financial statements on pages 5 to 14 which have been prepared under the accounting policies set out on pages 13 and 14.

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 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.

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 and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
Hill House
1 Little New Street
London EC4A 3TR

3 September 1999

MARCONI (PROJECTS) LIMITED
(formerly GEC-MARCONI (PROJECTS) LIMITED)

PROFIT AND LOSS ACCOUNT

for the year ended 31 March 1999

	Note	1999 £'000	1998 £'000
Turnover		<u>6,061</u>	<u>15,213</u>
Operating loss	1	(1,506)	(4,444)
Income/(Expenditure) from loans, deposits and investments	2	17	(2)
Loss on ordinary activities before taxation		<u>(1,489)</u>	<u>(4,446)</u>
Taxation credits on loss on ordinary activities	3	<u>436</u>	<u>1,338</u>
Loss on ordinary activities after taxation		<u>(1,053)</u>	<u>(3,108)</u>
Retained loss for the financial year		<u><u>(1,053)</u></u>	<u><u>(3,108)</u></u>

**MOVEMENT ON PROFIT AND LOSS
ACCOUNT RESERVE**

At 1 April	5,529	8,637
Retained loss for the financial year	(1,053)	(3,108)
At 31 March	<u><u>4,476</u></u>	<u><u>5,529</u></u>

There were no recognised gains or losses, in either the current or preceding years, other than those reported above. The above results relate entirely to the continuing activities of the Company. There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above, and their historical cost equivalents.


MARCONI (PROJECTS) LIMITED
(formerly GEC-MARCONI (PROJECTS) LIMITED)

BALANCE SHEET

31 March 1999

	Note	1999 £'000	1998 £'000
Fixed assets			
Tangible assets	4	<u>70</u>	<u>133</u>
Current assets			
Stocks and contracts in progress	5	74,805	67,645
Debtors	6	31,821	30,175
Cash at bank and in hand		<u>11</u>	<u>557</u>
		106,637	98,377
Creditors: amounts falling due within one year	7	<u>(49,608)</u>	<u>(19,386)</u>
Net current assets		57,029	78,991
Total assets less current liabilities		<u>57,099</u>	<u>79,124</u>
Creditors: amounts falling due after more than one year	7	(52,623)	(73,595)
		<u>4,476</u>	<u>5,529</u>
Capital and reserves			
Called up share capital	8	-	-
Profit and loss account		4,476	5,529
Equity shareholders' funds		<u>4,476</u>	<u>5,529</u>

Approved by the Board of Directors on

30 July 1999 

Director

MARCONI (PROJECTS) LIMITED
(formerly GEC-MARCONI (PROJECTS) LIMITED)

NOTES TO THE ACCOUNTS

Year ended 31 March 1999

1. OPERATING LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	1999 £'000	1998 £'000
Sales	6,061	15,213
Increase in stocks of finished goods and work in progress	75,375	96,010
Raw materials and consumables	(58,671)	(81,844)
Staff costs (Note 9)	(754)	(890)
Depreciation	(53)	(68)
Cost of hire of other assets	(33)	(4)
Other external and operating charges	(23,426)	(32,854)
Auditors' remuneration	(5)	(7)
Operating loss and loss on ordinary activities before taxation	<u>(1,506)</u>	<u>(4,444)</u>

Sales by destination are split Malaysia £5,809,000 and Brunei £252,000 (1998: Malaysia £15,213,000) and relate to the company's principal activity.

2. INCOME/(EXPENDITURE) FROM LOANS, DEPOSITS AND INVESTMENTS

	1999 £'000	1998 £'000
Interest received /(payable)	<u>17</u>	<u>(2)</u>

3. TAXATION CREDITS ON LOSS ON ORDINARY ACTIVITIES

	1999 £'000	1998 £'000
United Kingdom taxation		
Corporation tax 31% (1998 31%)	(444)	(1,337)
Deferred taxation at 30% (1998 31%)	(6)	(2)
	<u>(450)</u>	<u>(1,339)</u>
Adjustments for under provision in prior years	14	1
	<u>(436)</u>	<u>(1,338)</u>

NOTES TO THE ACCOUNTS (Continued)

Year ended 31 March 1999

4. TANGIBLE FIXED ASSETS

	Fixtures, fittings, tools and motor vehicles £'000
Cost at 1 April 1998	234
Additions	3
Disposals	(48)
Cost at 31 March 1999	<u>189</u>
Accumulated depreciation at 1 April 1998	101
Charged to profit and loss account	53
On disposals	(35)
Depreciation at 31 March 1999	<u>119</u>
Net book value at 31 March 1999	<u><u>70</u></u>
Net book value at 31 March 1998	<u><u>133</u></u>

The total depreciation charge for the year has been allocated as follows:

	1999 £'000	1998 £'000
Operating costs – owned assets	<u>53</u>	<u>68</u>

5. STOCK AND CONTRACTS IN PROGRESS

	1999 £'000	1998 £'000
Long-term contract work in progress	177,128	101,753
Payments on accounts	(102,323)	(34,108)
	<u>74,805</u>	<u>67,645</u>

MARCONI (PROJECTS) LIMITED
(formerly GEC-MARCONI (PROJECTS) LIMITED)

NOTES TO THE ACCOUNTS (Continued)

Year ended 31 March 1999

6. DEBTORS

	1999	1998
	£'000	£'000
Amounts falling due within one year:		
Trade Debtors	4,616	-
Amounts recoverable on contracts	6,454	-
Amounts owed by holding and fellow subsidiary companies	18,942	20,747
Other debtors	-	1
Corporation tax recoverable	1,788	2,933
Other taxation and social security	1	4
Prepayments and accrued income	20	36
	<u>31,821</u>	<u>23,721</u>
Amounts falling due after more than one year:		
Amounts recoverable on contracts	-	6,454
	<u>31,821</u>	<u>30,175</u>

7. CREDITORS

	1999	1998
	£'000	£'000
Amounts falling due within one year:		
Bank overdraft	13,291	-
Payments received on account	26,473	6,373
Trade creditors	6,574	3,674
Amounts owed to holding and fellow subsidiary companies	2,807	351
Accruals and deferred income	463	8,988
	<u>49,608</u>	<u>19,386</u>
	1999	1998
	£'000	£'000
Amounts falling due after more than one year:		
Payments received in advance	52,623	73,595

MARCONI (PROJECTS) LIMITED
(formerly GEC-MARCONI (PROJECTS) LIMITED)

NOTES TO THE ACCOUNTS (Continued)

Year ended 31 March 1999

8. CALLED UP SHARE CAPITAL

	Authorised £	Issued £
Share Capital		
At 1 April 1998 and 31 March 1999		
100 shares of £1 each, called up, allotted and fully paid	100	100

9. DIRECTORS AND EMPLOYEES

	1999 No.	1998 No.
Average number of employees working overseas	5	5
Total average number of employees	15	21

	1999 £'000	1998 £'000
Gross remuneration of employees working overseas	142	134
State social security costs	1	6
Other pension costs	6	11
Total remuneration	658	760
State and social security costs	58	83
Other pension costs	38	47
Directors' Emoluments included above	157	135

Directors' emoluments are shown above.

Details relating to Directors' Share Options are contained within the Directors' Report.

Retirement benefits were accruing to the two Directors under a defined benefit scheme at 31st March 1999 (1998: 2).

10. CONTINGENT LIABILITIES

Guarantees

Under a group registration the Company is jointly and severally liable for any Value Added Tax owing by other GEC Group Companies at 31 March 1999.

MARCONI (PROJECTS) LIMITED
(formerly GEC-MARCONI (PROJECTS) LIMITED)

NOTES TO THE ACCOUNTS (Continued)

Year ended 31 March 1999

11. FINANCIAL COMMITMENTS

	1999	1998
	£'000	£'000
Capital expenditure		
Commitments contracted at 31 March	67	-
	<u>1999</u>	<u>1998</u>
	<u>£'000</u>	<u>£'000</u>
Amounts payable under operating leases which fall due in the next financial year:		
Other items expiring:		
Within one year	2	16
	<u>2</u>	<u>16</u>

12. DEFERRED TAXATION

	Amount recoverable		Total potential asset	
	/(provided)		/(liability)	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Brought forward	1	(1)	1	(1)
Transfer to profit and loss account	6	2	6	2
Carried forward	<u>7</u>	<u>1</u>	<u>7</u>	<u>1</u>

Deferred tax and potential deferred tax assets above relate to timing differences between depreciation and tax allowances.

13. ULTIMATE PARENT UNDERTAKING

The Company's ultimate parent company and controlling entity is The General Electric Company, p.l.c. ("GEC"), which is registered in England and Wales. The GEC group is the only group of which the Company is a member for which group accounts are prepared. Copies of the accounts of GEC are available from The Secretary, One Bruton Street, London W1X 8AQ.

Pursuant to the exemption granted by Financial Reporting Standard 8 "Related Party Disclosures", transactions with other undertakings within, and related parties of, the GEC group have not been disclosed in these financial statements.

NOTES TO THE ACCOUNTS (Continued)

Year ended 31 March 1999

14. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	1999	1998
	£'000	£'000
Loss for the financial year	(1,053)	(3,108)
Opening equity shareholders' funds	5,529	8,637
Closing equity shareholders' funds	<u>4,476</u>	<u>5,529</u>

15. PENSIONS

The Company is a subsidiary of The General Electric Company, p.l.c. ("GEC") and all its employees who are members of a pension plan are members of the GEC Plan ("the Plan"), the principal pension of the GEC Group. The Plan is funded and is of the "defined benefit" type. Particulars of the most recent actuarial valuation will be disclosed in the report and accounts of GEC for the year ended 31 March 1999.

The pensions cost charge of the Company in respect of employees who are members of the Plan consists of employers' contributions payable which are similar across the Group as a whole as a percentage of pensionable earnings. Based on the advice of the Scheme Actuary, the Company contribution to the Plan in the year under review amounted to £38,000 (1998 £47,000) calculated as 6.6 per cent of members' pensionable pay (1998 6 per cent).

NOTES TO THE ACCOUNTS (Continued)

Year ended 31 March 1999

16. ACCOUNTING POLICIES

The accounts have been prepared on the historical cost basis in accordance with applicable accounting standards in the United Kingdom. The Company is a wholly owned subsidiary of The General Electric Company, p.l.c. ("GEC"); consequently the Company is exempt under the terms of Financial Reporting Standard 1 (Revised 1996) from the requirement to publish its own cash flow statement.

The more important accounting policies, which have been consistently applied, are summarised below to facilitate the interpretation of the financial statements and are in addition to the policies explained in the notes to the accounts.

a. Turnover

The Company records transactions as turnover when title passes to customers or when there is a contractual right to invoice. Turnover is exclusive of VAT.

b. Tangible fixed assets

Plant, machinery, fixtures, fittings, tools and equipment are recorded at historic cost and depreciated on a straight-line basis over their estimated useful lives.

The following rates of depreciation are used:

Fixtures and fittings	25%
Motor Vehicles	25%
Tools and equipment	25%

c. Taxation

Taxation on profit on ordinary activities is that which has been paid or becomes payable in respect of the profits of the year. Deferred taxation is provided on all timing differences which are expected to reverse in the future at the rate of tax which is anticipated will apply in the year of assessment.

d. Leased assets

Operating lease payments are charged to the profit and loss account as incurred.

NOTES TO THE ACCOUNTS (Continued)

Year ended 31 March 1999

16. ACCOUNTING POLICIES (Continued)

e. Stock and contracts in progress

Stock and contracts in progress are valued at the lower of cost, inclusive of appropriate overheads, and estimated net realisable value. Provisions are made for any losses incurred. Profit on long-term contracts in progress is taken when a sale is recorded on part-delivery of products or part-performance of services, provided that the outcome of the contract can be assessed with reasonable certainty. Advance payments received from customers are shown as creditors until there is a right of set-off against the value of work carried out, any excess being included with payments received in advance.

f. Pensions and other post retirement benefits

The expected costs of providing pensions and other post retirement benefits, as calculated periodically by independent actuaries, is charged to the profit and loss account so as to spread the cost over the expected average remaining service lives of current employees.

g. Currency translation

Non-sterling net assets are translated at year-end rates of exchange. All other exchange gains and losses are included in profit on ordinary activities before taxation.