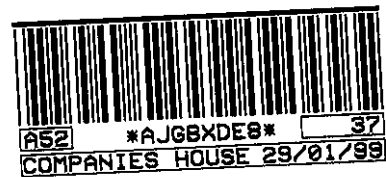


Registration No. 771516

MARCONI ELECTRONICS OVERSEAS LIMITED
(formerly GEC-Marconi Electronics Overseas Limited)

REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 1998



MARCONI ELECTRONICS OVERSEAS LIMITED

(formerly GEC-Marconi Electronics Overseas Limited)

Report of the Directors

The Directors present their report and the audited accounts of the Company for the year ended 31st March, 1998.

Results

The Profit for the year after taxation amounted to £1,125. The Directors do not recommend the payment of a dividend.

Principal activity

The principal activity of the Company is the supply and installation of microwave video distribution and urban traffic control systems.

Review of the Company

Sales in the year related to the microwave video distribution system contracts in Hong Kong and Germany. The Company received an order for such a system from Qatar in April last year and is pursuing other contracts for this product world-wide.

The name of the Company was changed to Marconi Electronics Overseas 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.

Directors

The present members of the Board, Messrs. E. A. Peachey and I. G. King, 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 disclosable 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.

<u>At 1st April, 1997</u>	<u>Options granted during the year</u>	<u>Options exercised during the year</u>	<u>At 31st March, 1998</u>
<u>Ordinary Shares of 5p each, fully paid</u>			
E. A. Peachey	36		3,834

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:-

E. A. Peachey	20,000	20,000
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No options were granted to or exercised by the Directors during the year under the above Scheme. Normally the Options are exercisable during the years 1998 to 2004 at a subscription price of 328p per share.

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

E. A. Peachey	10,448	544	3,700	7,292
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Normally the Options are exercisable within six months of the 1st April, 1998, 1999, 2000, 2001, 2002 and 2003 at subscription prices between 219p and 317p per share.

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.

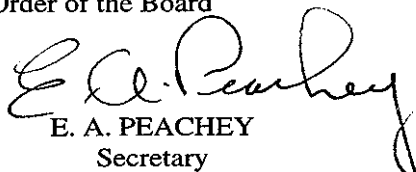
It is and will continue to be the policy of the Company to negotiate with suppliers so as to obtain the best available terms taking account of quality, delivery, price and period of settlement and, having agreed those terms, to abide by them.

The total amount of trade creditors falling due within one year at 31 March 1998, excluding amounts owed to companies in the GEC Group is nil.

Year 2000

Disclosures with regard to UITF 20 Year 2000 Issues: Accounting and disclosures can be found in the accounts of the parent company.

By Order of the Board


E. A. PEACHEY
Secretary

Registered Office:

The Grove, Warren Lane
Stanmore, Middlesex HA7 4LY

10 JAN 1999

AUDITORS' REPORT

TO THE MEMBERS OF MARCONI ELECTRONICS OVERSEAS LIMITED
(formerly GEC-Marconi Electronics Overseas Limited)

We have audited the financial statements on pages 4 to 8 which have been prepared under the accounting policies set out on page 8.

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.

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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand
COOPERS & LYBRAND
Chartered Accountants and
Registered Auditors
1 Embankment Place
London WC2N 6NN

26 January 1999

ACCOUNTS

PROFIT AND LOSS ACCOUNT for the year ended 31 March 1998

	Note	1998 £000	1997 £000
TURNOVER	1	<u>239</u>	<u>94</u>
OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITY BEFORE TAXATION	1	1	1
Taxation on profit on ordinary activities		<u>-</u>	<u>-</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR		<u>1</u>	<u>1</u>
MOVEMENT ON PROFIT AND LOSS ACCOUNT RESERVE			
At 1 April		(28)	(29)
Retained profit for the financial year		<u>1</u>	<u>1</u>
At 31 March		<u>(27)</u>	<u>(28)</u>

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

ACCOUNTS

BALANCE SHEET

31 March 1998

	Note	1998 £000	1997 £000
Current Assets			
Debtors	2	66	66
Current Liabilities: amounts falling due within one year			
Creditors	3	(93)	(94)
		<hr/>	<hr/>
		(27)	(28)
		<hr/>	<hr/>
Capital and Reserves			
Called up share capital	4	-	-
Profit and loss account		(27)	(28)
		<hr/>	<hr/>
Equity Shareholders' Funds	8	(27)	(28)
		<hr/>	<hr/>

Approved by the Board of Directors on 15 May 1998


 Director

NOTES TO THE ACCOUNTS

1. OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1998 £000	1997 £000
Turnover	239	94
Auditors remuneration	(1)	(1)
Other external and operating charges	(237)	(92)
	<hr/>	<hr/>
OPERATING PROFIT AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1	1

2. DEBTORS

	1998 £000	1997 £000
Amounts falling due within one year		
Trade debtors	66	13
Amounts owed by group undertakings	-	53
	<hr/>	<hr/>
	66	66

3. CREDITORS

	1998 £000	1997 £000
Amounts falling due within one year		
Payments received on account	-	45
Trade creditors	1	1
Amounts owed to group undertakings	91	48
Bank overdraft	1	-
	<hr/>	<hr/>
	93	94

NOTES TO THE ACCOUNTS - continued

4. SHAREHOLDERS' INTEREST

Share Capital

At 1 April 1997 and 31 March 1998

Ordinary Shares of £1 each fully paid,

£

Authorised

100

Issued

100

5. DIRECTORS AND EMPLOYEES

The Directors are full time executives of other Group companies. They do not receive any remuneration for their services as Directors of the Company and it is not practicable to allocate their emoluments for other services.

6. CONTINGENT LIABILITIES

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 1998.

7. PARENT UNDERTAKINGS

The Company's parent company 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.

8. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £000	1997 £000
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	1	1
NET INCREASE TO SHAREHOLDERS' FUNDS	1	1
SHAREHOLDERS' FUNDS AS AT 1 APRIL	(28)	(29)
SHAREHOLDERS' FUNDS AS AT 31 MARCH	(27)	(28)

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.** Turnover, excluding VAT, comprises sales to customers outside the GEC Group and arms-length inter-GEC Group sales. The Company records transactions as sales when the delivery of products or performance of services takes place in accordance with the terms of sale.
- b. **Stocks and contracts in progress.** Stocks 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 or expected to be incurred on uncompleted contracts. 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 prepayments on account of contracts until there is a right of set-off against the value of work undertaken. Progress payments received are deducted from the value of work carried out, any excess being included within prepayments on account of contracts.
- 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.