

Company Registration No. 855361

**MARCONI DEFENCE OVERSEAS
LIMITED**

Report and Financial Statements

31 March 2003



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MARCONI DEFENCE OVERSEAS LIMITED

REPORT AND FINANCIAL STATEMENTS 2003

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MARCONI DEFENCE OVERSEAS LIMITED

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 March 2003.

PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

The Company did not trade during the year and did not trade during the previous year. The Directors do not anticipate that the Company will resume trading in the foreseeable future.

RESULTS AND DIVIDENDS

The Company has made neither a profit nor a loss during the year (2002: £nil).

The Directors do not recommend the payment of a dividend (2002: £nil).

DIRECTORS

The Directors holding office since 1 April 2002 are listed below:

D G Byron	(resigned 8 August 2002)
C G Donaldson	(appointed 8 August 2002)
L G Jones	(resigned 8 August 2002)
J Long	(appointed 8 August 2002, resigned 21 November 2002)
P F Robinson	(resigned 8 August 2002)
K D Smith	(appointed 25 March 2003)

DIRECTORS' INTERESTS

According to the Register kept by the Company under Section 325 of the Companies Act 1985, none of the Directors holding office at the end of the year had any disclosable interests in the shares of the Company, the Company's ultimate holding company as at 31 March 2003, Marconi plc (now M (2003) plc) or its subsidiaries, other than those given below:

Ordinary Shares of 5p each, fully paid of Marconi plc

	Ordinary Shares of 5p each, fully paid	
	31 March 2003	1 April 2002
C G Donaldson	1,337	1,337

POST BALANCE SHEET EVENTS

On 19 May 2003, the Company's ultimate holding company, Marconi plc (now M (2003) plc) and intermediate holding company, Marconi Corporation plc, entered into schemes of arrangement ('the Restructuring'). The Restructuring resulted in £4.8 billion of Marconi Corporation debt being waived in return for £340 million of cash, £756 million of new debt and ownership of 99.5% of the Marconi Corporation plc group. Consequently, Marconi Corporation plc is now the ultimate holding company of the Company.

MARCONI DEFENCE OVERSEAS LIMITED

DIRECTORS' REPORT (continued)

AUDITORS

On 1 August 2003 Deloitte & Touche transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. The Company has elected to dispense with the obligation to appoint auditors annually and, accordingly, Deloitte & Touche LLP shall be deemed to be re-appointed as auditors for a further term under the provisions of section 386(2) of the Companies Act 1985.

By order of the Board



C G Donaldson

Director

Date 28 January 2004

Registered Office:

New Century Park

PO Box 53

Coventry

CV3 1HJ

MARCONI DEFENCE OVERSEAS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the Directors 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 of the Company for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business,

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control and safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MARCONI DEFENCE OVERSEAS LIMITED

We have audited the financial statements of Marconi Defence Overseas Limited for the year ended 31 March 2003 which comprise the balance sheet and the related notes 1 to 10. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As described in the statement of Directors' responsibilities, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed.

We read the Directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

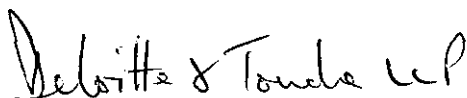
Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by 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 as at 31 March 2003 and of the result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
Birmingham

28/1/04

MARCONI DEFENCE OVERSEAS LIMITED


BALANCE SHEET As at 31 March 2003

	Note	2003 £'000	2002 £'000
CURRENT ASSETS			
Debtors:			
Amounts due from ultimate parent company		90	-
Cash at bank and in hand		-	90
CREDITORS: amounts falling due within one year	3	(30)	(30)
NET ASSETS		<u>60</u>	<u>60</u>
CAPITAL AND RESERVES			
Called up share capital	4	-	-
Profit and loss account	5	60	60
EQUITY SHAREHOLDERS' FUNDS		<u>60</u>	<u>60</u>

The Company did not trade during the current or proceeding periods and has made neither a profit nor loss, nor any other recognised gain or loss.

The financial statements were approved by the Board of Directors on 23 JANUARY 2004

Signed on behalf of the Board of Directors



C G Donaldson
Director

MARCONI DEFENCE OVERSEAS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

1. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom. The primary accounting policy, which has been applied consistently, is set out below.

Basis of accounting

The financial statements have been prepared under the historical cost convention.

2. DIRECTORS, EMPLOYEES AND AUDITORS

The Company has no employees (2002: nil) and the Directors received no emoluments for their services to the Company (2002: £nil). The auditors' remuneration was paid by another group company in both the current and prior years.

3. CREDITORS

	2003 £'000	2002 £'000
Amounts falling due within one year		
Amount owed to immediate parent undertaking	30	30

4. CALLED UP SHARE CAPITAL

	2003	2002
Authorised:		
100 ordinary shares of £1 each	100	100
Allotted, called up and fully paid:		
2 ordinary shares of £1 each	2	2

5. PROFIT AND LOSS ACCOUNT

	£'000
At 1 April 2002 and 31 March 2003	60

6. CONTINGENT LIABILITIES

Under a Group registration the Company is jointly and severally liable for any Value Added Tax owing by other Marconi Group companies at 31 March 2003.

7. CASH FLOW STATEMENT

The Company is a wholly owned subsidiary of Marconi Communications Limited, which is a subsidiary of Marconi Corporation plc, in whose consolidated financial statements, which are publicly available, the Company is included. The Company is therefore exempt from the requirement to prepare a cash flow statement under Financial Reporting Standard 1 (Revised).

8. RELATED PARTY DISCLOSURES

The Company is a wholly owned subsidiary of Marconi Communications Limited, which is a subsidiary of Marconi Corporation plc. Advantage has been taken of the exemption permitted by FRS 8 not to disclose transactions with entities that are part of the Marconi group or investees of the group qualifying as related parties. Balances with these entities are disclosed in note 3 and on the balance sheet of these financial statements.

MARCONI DEFENCE OVERSEAS LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2003

9. PARENT UNDERTAKING

The Company's immediate parent undertaking is Marconi Communications Limited and its ultimate parent undertaking and controlling company is Marconi Corporation plc.

The Marconi group is the only group of which the Company is a member for which group accounts are prepared.

Copies of the financial statements of Marconi Corporation plc are available from the Secretary at New Century Park, P O Box 53, Coventry, CV3 1HJ.

10. POST BALANCE SHEET EVENTS

On 19 May 2003, the Company's ultimate holding company, Marconi plc (now M (2003) plc) and intermediate holding company, Marconi Corporation plc, entered into schemes of arrangement ('the Restructuring'). The Restructuring resulted in £4.8 billion of Marconi Corporation debt being waived in return for £340 million of cash, £756 million of new debt and ownership of 99.5% of the Marconi Corporation plc group. Consequently, Marconi Corporation plc is now the ultimate holding company of the Company.