

MARCONI (DGP2) LIMITED
REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2002



MARCONI (DGP2) LIMITED

DIRECTORS' REPORT

The Directors present their report and the financial statements of the Company for the year ended 31 March 2002.

1. ACTIVITIES AND REVIEW OF THE BUSINESS

The Company is an investment holding company and the Directors anticipate that the Company will carry on this activity for the foreseeable future.

2. RESULTS AND DIVIDENDS

During the year the Company made a loss after taxation of \$1,937,292,000 (2001: profit \$1,688,000). The Directors do not recommend the payment of a dividend (2001: \$nil).

3. DIRECTORS

The membership of the Board during the year was:

Mr S Hare
Mr J C Mayo (resigned 6 July 2001)
Mr N C Porter
Mr R A Robinson

On 31 July 2002 Mr N C Porter resigned as a Director of the Company. On 19 November 2002 Mr C C Holden was appointed a Director of the Company and Mr S Hare resigned as a Director of the Company. On 1 May 2003 Mr K D Smith was appointed a Director of the Company. On 30 September 2003 Mr R A Robinson resigned as a Director of the Company.

4. DIRECTORS' INTERESTS

According to the Register kept by the Company under Section 325 of the Companies Act 1985, the interests of Directors holding office at the end of the year in the shares of the Company, the Company's ultimate holding company, Marconi plc or its subsidiaries, other than those of the Directors who were also Directors of Marconi plc or Marconi Corporation plc (a Marconi Group company) and whose interests in the shares of Marconi plc are disclosed in the Marconi plc or Marconi Corporation plc accounts, were as follows:

Marconi plc

(a) Ordinary shares of 5p each, fully paid

	At 31 March 2002	At 1 April 2001
R A Robinson	25,486	9,999

MARCONI (DGP2) LIMITED

Directors' Report

4. DIRECTORS' INTERESTS (CONTINUED)

- (b) Options over ordinary shares of 5p each under the Marconi 1999 Stock Option Plan, the 1997 Executive Share Option Scheme, the Marconi Launch Share Plan, the Managers' 1984 Share Option Scheme and the Marconi UK Sharesave Plan

	At 31 March 2002	Granted during the year	Exercised during the year	Lapsed during the year	At 1 April 2001
	No.	No.	No.	No.	No.
R A Robinson	209,278	-	8,497	3,136	220,911

5. AUDITORS

On 1 August 2003, Deloitte & Touche, the Company's auditors 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. A resolution to re-appoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

By Order of the Board



Director

Registered Office:
New Century Park
PO Box 53
Coventry
Warwickshire
CV3 1HJ

Dated: 21 October 2003

MARCONI (DGP2) LIMITED

ACCOUNTS

PROFIT AND LOSS ACCOUNT

for the year ended 31 March

	Note	2002 \$000	2001 \$000
OPERATING PROFIT - continuing activities		-	-
Income receivable from deposits		655	2,023
Dividend income		-	121,250
Amounts written off investments		(1,812,986)	-
Interest payable		(124,961)	(120,979)
		<hr/>	<hr/>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,937,292)	2,294
Tax on (loss)/profit on ordinary activities	1	-	(606)
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(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND (LOSS)/PROFIT FOR THE FINANCIAL YEAR TRANSFERRED (FROM) / TO RESERVES		(1,937,292)	1,688
		<hr/>	<hr/>

All amounts are in respect of continuing activities

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2002 \$000	2001 \$000
(Loss)/profit for the financial year	(1,937,292)	1,688
Foreign exchange translation differences	(17)	5,903
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Total recognised gains and losses relating to the year	(1,937,309)	7,591
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RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' (DEFICIT)/FUNDS

	2002 \$000	2001 \$000
Equity shareholders' funds at 1 April	1,053,181	874,642
(Loss)/profit for the financial year	(1,937,292)	1,688
Foreign exchange translation differences	(17)	5,903
Issue of shares	-	170,948
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Equity shareholders' (deficit)/funds at 31 March	(884,128)	1,053,181
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MARCONI (DGP2) LIMITED

A C C O U N T S

BALANCE SHEET

as at 31 March

	Note	2002 \$000	2001 \$000
FIXED ASSETS			
Investments - shares in Group undertaking	2	1,276,396	2,629,382
CURRENT ASSETS			
Debtors	3	20,490	4,803
Cash at bank and in hand		252	244
CREDITORS: Amounts falling due within one year	4	(12,266)	(12,248)
		8,476	(7,201)
NET CURRENT ASSETS/(LIABILITIES)			
TOTAL ASSETS LESS CURRENT LIABILITIES		1,284,872	2,622,181
CREDITORS: Amounts falling due after more than one year			
Amounts due to parent company		(2,169,000)	(1,569,000)
NET (LIABILITIES)/ASSETS		(884,128)	1,053,181
CAPITAL AND RESERVES			
Called up share capital	5	349	348
Share premium	5	962,086	960,532
Profit and loss account	5	(1,846,563)	92,301
EQUITY SHAREHOLDERS' (DEFICIT)/FUNDS		(884,128)	1,053,181

These accounts were approved by the Board of Directors on 21 October 2003

Signed on behalf of the Board of Directors



Director

MARCONI (DGP2) LIMITED

ACCOUNTS

NOTES TO THE ACCOUNTS

1 TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	2002 \$000	2001 \$000
United Kingdom taxation:		
Corporation tax at 30% (2001 30%)	-	(36,981)
Double taxation relief	-	36,375
Tax on profit on ordinary activities	-	(606)
Reconciliation of current taxation for the period	2002	2001
	\$000	\$000
(Loss)/profit before tax	(1,937,292)	2,294
Tax credit/(charge) on (loss)/profit at a statutory rate of 30% (2001 30%)	581,188	(688)
Non deductible fixed asset impairment, amortisation and other similar items	(543,896)	-
Tax losses and other deferred tax items not recognised in current tax	(37,292)	(36,293)
Double taxation relief	-	36,375
	-	(606)

Factors that may affect future tax charges

Deferred tax assets totalling \$49 million have not been recognised in respect of interest payable arising in 2002 and prior years as the Company is not sufficiently certain that it will be able to recover these assets within a relatively short period of time.

2 INVESTMENTS - SHARES IN SUBSIDIARY UNDERTAKING

	Cost \$000	Provision \$000	Net book value \$000
At 1 April 2001	2,629,382	-	2,629,382
Share repurchase by Marconi Inc	(140,000)	-	(140,000)
Additions	600,000	-	600,000
Provision in year	-	(1,812,986)	(1,812,986)
At 31 March 2002	3,089,382	(1,812,986)	1,276,396

In accordance with FRS 9 "Associates and Joint Ventures", the Company's investment in Bruton Street Partnership, a Delaware registered partnership, which is owned 50 per cent by the Company and 50 per cent by a fellow subsidiary undertaking, has been accounted for as a joint arrangement that is not an entity. Therefore, the Company's share of Bruton Street Partnership's 100% investment in a group undertaking, Marconi Inc.(formerly GEC Inc.), a company registered in Delaware, has been included in these accounts.

3 DEBTORS

	2002 \$000	2001 \$000
Amounts due from parent and subsidiary companies	20,047	4,801
Accrued interest	443	2
	20,490	4,803

MARCONI (DGP2) LIMITED

ACCOUNTS

NOTES TO THE ACCOUNTS - continued

4 CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002	2001
	\$000	\$000
Bank overdraft	10,643	10,626
Amounts owed to immediate parent company	995	995
Taxation	628	627
	12,266	12,248

5 EQUITY SHAREHOLDERS' FUNDS

Called up share capital	2002	2001
	\$000	\$000
Authorised:		
At 31 March (1,000,000 ordinary shares of £1 each)	1,424	1,422
Issued, called up and fully paid:		
At 1 April (245,000 ordinary shares of £1 each)	348	327
Issue of shares	-	57
Foreign exchange translation differences	1	(36)
At 31 March	349	348
Share premium	2002	2001
	\$000	\$000
At 1 April	960,532	886,062
Issue of shares	-	170,891
Foreign exchange translation differences	1,554	(96,421)
At 31 March	962,086	960,532

Shares were issued in the prior year for a consideration of £120,242,000.

Profit and loss account	2002	2001
	\$000	\$000
At 1 April	92,301	(11,746)
(Loss)/profit for the year	(1,937,292)	1,688
Foreign exchange translation differences	(1,572)	102,359
At 31 March	(1,846,563)	92,301

MARCONI (DGP2) LIMITED

ACCOUNTS

NOTES TO THE ACCOUNTS - continued

6 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 (2001 \$nil). The Company had no employees during the year (2001 none). The Auditors' remuneration was borne by another group company in both the current and preceding financial years.

7 ULTIMATE HOLDING COMPANY

The Company's immediate, ultimate parent and controlling company is Marconi Corporation plc ("Marconi").

The Marconi Corporation 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 Marconi Corporation plc, 338 Euston Road, London, NW1 3BT.

8 ACCOUNTING POLICIES

In addition to the accounting policies explained in the notes to the accounts the policies below are also given to assist in the interpretation of the figures.

(1) Accounting convention

The US dollar is the main currency in which the company's business is transacted and the company changed its reporting currency from sterling to US dollars with effect from 1st April 2001. For comparative purposes the prior year's sterling reported profit and loss account and balance sheet have been translated at a rate of \$1.4217/£)

The accounts are prepared under the historical cost convention and in accordance with applicable United Kingdom 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) FRS1(Revised): Cash Flow Statements

The Company was a wholly owned subsidiary undertaking of Marconi plc at the year end. As consolidated accounts, which include the cashflows of the company, were prepared by Marconi plc and these are publicly available, the Company is not required to present its own cash flow statement.

(3) Associates and Joint Ventures

Where the Company has entered into joint arrangements that are not entities as defined in FRS 9 "Associates and Joint Ventures", they have been accounted for by recognising the Company's share of the revenues, expenses, assets and liabilities of the joint arrangement in the accounts.

MARCONI (DGP2) LIMITED

ACCOUNTS

NOTES TO THE ACCOUNTS - continued

8 ACCOUNTING POLICIES (continued)

(4) Taxation

Taxation on profit on ordinary activities is that which has been paid or becomes payable in respect of profits for the year.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

(5) Investments

Fixed asset investments are stated at cost less provision for any impairment.

(6) 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 accounts.

(7) Foreign currencies

The functional currency of the company is United States dollars.

Monetary assets and liabilities in foreign currencies on the balance sheet are retranslated at rates ruling at the balance sheet date.

The translation differences are dealt with in the profit and loss account in the financial year in which they arise with the exception of those relating to liabilities covered by forward contracts and foreign currencies purchased to cover foreign currency commitments arising after the balance sheet date which are deferred and matched against those commitments when they mature.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MARCONI (DGP2) LIMITED

We have audited the financial statements of Marconi (DGP2) Limited for the year ended 31 March 2002 which comprise the profit and loss account, statement of total recognised gains and losses, reconciliation of movements in equity shareholders' (deficit)/funds, balance sheet and the related notes 1 to 8. 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

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 United Kingdom law and 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 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 safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.

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 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 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

DeWitte & Touche LLP
DELOITTE & TOUCHE LLP
Chartered Accountants and Registered Auditors
London

24th October 2003