

**THE G.E.C.1972 PLAN
(COMPRISING THE GEC PLAN AND SELECTED BENEFIT SCHEME)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 5 APRIL 2008**

Contents

Contents.....	2
Chairman’s report	3
Report of the Investment Committee.....	5
Report of the Administration Committee.....	8
Audit Committee and Strategic Review Committee.....	10
Statement of SPT’s responsibilities for the Financial Statements.....	11
Statement of the Scheme Actuary	12
Actuarial Certificate.....	13
Independent auditors’ report to the Trustee of the G.E.C 1972 Plan (“the Plan”).....	14
Independent auditors’ statement about contributions to the Trustee of the G.E.C. 1972 Plan (“the Plan”).....	15
Financial Statements	16
Notes to the Financial Statements.....	18
Compliance statement.....	28
Financial Statistics - Five years to 5 April 2008.....	33
Membership Statistics.....	34

Pension Schemes Registry number: 101206410

Scheme Administration

Xafinity Paymaster
telent Pensions Office
The Hollies
Newport Road
Stafford ST16 1BY
Telephone (01785) 785 400
Fax (01785) 785 401
website www.telentpensions.co.uk

Scheme trustees

During the year, the Pensions Regulator (tPR) appointed Bridge Trustees Limited, Burges Salmon Pension Trustees Limited and the Law Debenture Pension Trust Corporation plc as trustees of the Plan (collectively known as the Independent Trustees) to act alongside the original trustee, Stanhope Pension Trust Limited (SPT). Details of the circumstances leading to the appointment of the Independent Trustees and the changes in the governance structure that allowed their term of appointment to cease on 18 April 2008 are included in the Chairman’s report on page 3. On 20 June 2008, Burges Salmon Pension Trustees Limited was renamed Temple Trustees Limited.

On 19 April 2008, the trusteeship of the Plan reverted to SPT.

SPT can be contacted at its registered address, The Hollies, Newport Road, Stafford ST16 1BY. The Secretary of SPT is Graham Allen.

For details of advisers, please see page 28.

Chairman's report

Introduction

The new format for the Report and Financial Statements introduced last year was well received and is to be continued. Under this format we issue a condensed Chairman's Report with later sections covering particular aspects of the Trustees' management of the Plan in more detail.

The later sections include the Committee chairmen's reports on the administration, audit and the investment strategy and performance, together with reports and certificates from advisers, the Financial Statements and accompanying notes and a compliance section covering other disclosures that are required to be made to members each year. The reports from the Committee chairmen are the responsibility of, and have been approved by, the Board of SPT.

Bid for telent and subsequent events

On 25 September 2007, an announcement was made by Co-Investment No 5 LP Incorporated ("CILP"), advised by Pension Corporation LLP (PC) and telent plc (telent) of a recommended cash offer for telent. CILP was a special purpose vehicle established by PC to acquire telent and later in the report PC is used when referring to the acquisition. On 19 October the Pensions Regulator (tPR), at the instigation of SPT, ordered the appointment of three Independent Trustees to the Plan with exclusive powers for a period of six months. SPT initially approached tPR to express its concerns in view of the imminence of the first closing date for the recommended cash offer by PC. Whilst SPT was, and remains, neutral regarding the ownership structure of telent, it was concerned that the acquisition of telent, whose size is small in relation to the Plan, could have serious implications for the security and welfare of the members. On appointment, the Independent Trustees took a view that day-to-day administration should remain unchanged, as far as possible, and matters relating to members' benefits were delegated to SPT, whilst the Independent Trustees concentrated on the concerns surrounding the corporate transaction involving telent and retained responsibility for Plan investments.

telent was acquired by PC on 15 November 2007 and the Independent Trustees, with SPT alongside, entered into discussions with both parties. tPR was also closely involved. As a result of these discussions an agreement was reached which secured the independence of the Trustee of the Plan for the future.

Under that agreement, on 19 April 2008, the trusteeship reverted to SPT acting as sole trustee of the Plan (which was the position before 19 October 2007) but with the following important changes:

- (i) Of the nine directors of the Board of SPT, three independent directors will be required to be drawn from the register of independent trustees maintained by tPR, three will be nominated by telent, and three will (as before) be Member Nominated Directors (MNDs) selected through the Pension Consultative Committee (PCC) (see page 31);
- (ii) Initially, the three independent directors will be the same trustees as were appointed by tPR and any replacement or reselection will be determined by the independent directors.
- (iii) It will only be possible to change SPT as trustee if the independent directors agree;
- (iv) The Chairman of the Board must be chosen from among the independent directors.

At the first meeting of the Board after the governance agreement was put in place, Bridge Trustees Limited was elected to act as the Chairman of SPT. The person who will normally act as the Bridge Trustees Limited representative on the Board, and will therefore act as Chairman of the Board, will be Chris Holden. Chris Holden, as an individual, has been Chairman of the Board since June 2005.

tPR issued a formal report under section 89 of the Pensions Act 2004 which outlines the background to its involvement with the Plan, the issues that have arisen and how these issues will be addressed in the future. This gives further details of the SPT Board structure for the future as well as details of an agreed formal conflicts of interest protocol for the effective identification and management of conflicts of interest. The formal report can be found on tPR's website using the following link:

www.thepensionsregulator.gov.uk/pdf/Section89Telent.pdf

The new arrangements should be reassuring for all members of the Plan as they provide for a balanced Board of directors and ensure continuity and preserve the independence of SPT. Both SPT and telent now look forward to working constructively to plan a course for the future maintaining the interests of the Plan and its beneficiaries.

Plan funding level

In assessing the Plan, the funding level (the relative values of the fund assets and its liabilities) is more important than the absolute size of the fund. An actuarial valuation of the Plan is currently being undertaken as at 5 April 2007, which will provide more information on the funding level of the Plan and the results of that valuation will be made available to members as soon as possible.

The assets of the Plan decreased during the year by £55.5 million to £2,481.0 million. The major reason for the reduction in assets was the amount paid out to members as pensions and other benefits or as transfers to other pension schemes, which amounted to £159.1 million; such payments extinguish the same amount of liabilities. Also, investment returns were lower than expected due to the turmoil in world markets and the serious underperformance of the Goldman Sachs Global Tactical Asset Allocation fund. Further details of the performance of the Plan's investments and funding level are given in the Investment Committee report on page 5.

Pension increases, credited interest and the Selected Benefit Scheme (SBS)

Plan pensions at 1 May 2007 were increased by 4.2% in accordance with the Rules of the Plan and credited interest was awarded at the minimum rate of 2.5% for the Plan year commencing 6 April 2007. The pension increase at 1 May 2008 was 4.1% and credited interest for the year commencing 6 April 2008 was again awarded at the minimum rate.

As a consequence of its overall strategy of ensuring that benefits are paid when they fall due while minimising the risk to those benefit payments, the Board views a declaration of credited interest in excess of the minimum of 2.5% as being unlikely in the foreseeable future. Members were consulted during the Summer of 2007 regarding a proposal to transfer funds in the SBS to an external provider, where they would be expected to generate higher returns. Responses to the consultation were answered individually and were considered at a Board meeting in September 2007 when a decision was made to transfer the funds to the external provider. Consequently, compulsory transfers amounting to £28.7 million were made to Blackrock DC Cash Fund, with a further £0.2 million being transferred at member's request. No SBS funds remain invested internally.

The Escrow account

A description of the Escrow account is given in Note 13 to the Financial Statements.

The Board will consider telent's results for the year ending 31 March 2008 when they are available. At 31 March 2008, a valuation on the PPF basis showed a deficit of approximately £90 million. The terms of the Escrow agreement require that the amount of the deficit on the PPF basis shall be paid to the Plan from the Escrow as part of a funding plan to be agreed between SPT and telent. At the date of approval of the Report and Financial Statements, the terms of the funding plan have not yet been agreed with the telent and discussions are continuing.

After agreement between the Board and telent, the Escrow is fully invested in sterling corporate bond funds. As such it forms part of the overall investment strategy for the Plan and is taken into account by the Board when the funding position of the Plan is considered.

Stanhope Pension Trust Limited

Since the last report, three Directors have resigned from the Board and three have been appointed. Doug McWilliams resigned on 7 December 2007 as he felt unable fully to support the actions taken by the Board in relation to the corporate events involving telent. Chris Holden and Jon Chaplin resigned on 30 April 2008 as a consequence of the new governance arrangements that had been put in place. Also as a result of the new governance arrangements, Temple Trustees Limited (formerly Burges Salmon Pension Trustees Limited) and Bridge Trustees Limited were appointed to the Board on 11 April 2008. The third Independent Trustee appointed by tPR, the Law Debenture Pension Trust Corporation plc was already a Director of SPT, and did not need to be formally appointed. The new governance arrangements for the Board are explained above. In addition, Ross Reason was appointed to the Board on 3 June 2008 and is a Sponsor Director.

In February 2007, the Board agreed revised procedures for ensuring that members are able to nominate persons to serve on the PCC, and, via the PCC, to be appointed as MNDs. The procedure was used for the first time during the year and John Leaney, Pat Moloney and Vic Webster were each confirmed as MNDs.

The Board operates through a number of committees and details of committee membership are given on page 30. Further details regarding the Directors of SPT are given on page 29.

Trust Deed and Rules

As a result of the changes agreed following the negotiations undertaken by the Independent Trustees, it has been necessary to make a number of amendments to the Trust Deed and Rules of the Plan. A consolidated deed incorporating all the changes is shortly to be approved by SPT and will be executed by both SPT and telent. Copies of the consolidated deed will be available on request to the Secretary (see page 2).



**Chris Holden - Representative of Bridge Trustees Limited,
Chairman of Stanhope Pension Trust Limited
8 July 2008**

Report of the Investment Committee

Overview

During the year, progress towards the Board's funding targets did not occur as expected, however, the overall ability of the Plan to pay members' benefits when they fall due remained broadly stable.

The primary reason for this lack of progress was the turmoil in global financial markets with problems in the sub-prime mortgage market in the US leading to what has become known as the "credit crunch". The main consequences for the Plan were:-

- The investment in a global tactical asset allocation fund performed badly and was terminated.
- The market value of investments in corporate bonds fell.

Investment Strategy

The overall aim of the investment strategy is to be able to remove substantially all of the investment risk from the Plan by 2021. The yardstick used to measure this is an estimate of the amount of funds an insurance company would require to provide members' benefits. Reaching this target would mean having sufficient assets to be able to fully invest the Plan in low risk assets (ie high quality bonds) at that time, whilst retaining allowances for significant further improvements in life expectancy. The Committee developed the investment strategy including both Plan assets and the Escrow established following the Ericsson transaction. Consequently in this report, commentary on the investment strategy includes both Plan and Escrow assets, but the value of the Escrow is shown separately in the assets listings. The legal position of the Escrow is explained in note 13 to the Financial Statements.

As the value of the fund plus the Escrow is less than would be needed for immediate achievement of this target, it is necessary in the interim to invest some of the fund in higher risk assets in order to generate higher returns. Given the relative sizes of the Plan and telent, however, the Board and the Investment Committee must also be confident that there cannot be a major reduction in funding level in any one year.

The main elements of the strategy are:-

- Protecting circa 80% of the Plan's liabilities from the risk associated with changes in inflation and interest rates using a combination of assets (referred to as Matching Assets), such as bonds and interest rate and inflation swaps, whose value changes in response to changing interest rates and inflation in a way which matches movements in liabilities.
- Achieving a modest, low risk return, in excess of that generated by Government bonds, from the Matching Assets by investing mainly in high quality corporate bonds.
- Investing the remaining 20% of assets in a diversified range of assets which should produce higher returns (referred to as Return Seeking Assets).

The risk associated with changing inflation and interest rates arises because today's value of the Plan's liabilities increases if inflation increases and/or long term interest rates fall, and vice versa.

Changes in the value of the Return Seeking Assets, will not necessarily match changes in the value of the Plan's liabilities. However, it is expected that these assets will, over the longer term, produce higher returns than the Matching Assets and it is therefore considered appropriate to invest a limited proportion of the fund in this way. The Return Seeking Assets have been invested in a number of ways (beyond equities and property) in order to reduce the risk of a fall in value in any one of them.

Investment allocations and performance

The major asset reallocations during the year were:-

- £121 million has been disinvested from the Global (Ex UK) Equity portfolio managed by Fidelity Investment Management and £95 million has been invested in a different type of equity portfolio (managed by Edinburgh Partners Limited) called Global Long Term Long Only, which the Committee believes better supports the overall investment strategy.
- £60 million has been invested in the Barclays Global Investment Diversified Credit Fund. The purpose of this investment is to contribute to the overall target of generating rates of return, from the Matching Assets, equivalent to those available from high quality corporate bonds.

The crisis in credit markets during the year also impacted on asset values:-

- The way in which the Goldman Sachs Global Tactical Asset Allocation fund was invested at that time meant that it performed poorly in the turmoil in global markets. It lost around 50% of value, resulting in termination of the manager's mandate. The cash thus released has been used to pay members' benefits which has reduced the requirement to withdraw funds from other managers.
- When markets expectations of the interest which should be payable on corporate bonds for the level of risk taken increases, the value for which the existing bonds (on which returns are fixed) can be sold, decreases. This impacted on the value of our holdings in corporate bonds. However, such decreases in immediate value do not change the total amount of income obtained from a bond held to the end of its life. Also, if expectations of interest decrease in future, as is anticipated, the immediate value of existing corporate bonds will increase.
- There was also some underperformance in equity markets and downward revaluation of property.

The swaps provide protection against falling interest rates and rising inflation, both of which increase liabilities. As both of these happened during the year, the value of the swaps increased.

The table below shows the change in asset allocations during the year.

	5 April 2008		5 April 2007	
	£ million	%	£ million	%
UK Fixed Interest Gilts	216.6	7	248.8	8
UK Corporate Bonds	1,185.5	40	1,304.6	43
Overseas Bonds	102.0	3	51.9	2
UK Index Linked Gilts	86.7	3	116.1	4
UK Corporate Index Linked Bonds	44.9	2	42.8	1
Overseas Index Linked Bonds	2.9	0	0.0	0
Diversified Credit Fund	56.1	2	0.0	0
GS Global High Yield Portfolio	2.2	0	0.0	0
GS Global Emerging Markets Debt portfolio	1.3	0	0.0	0
Cash, Swaps & Other	282.5	9	95.6	3
Total Matching Assets	1,980.7	66	1,859.8	61
Fund of Hedge Funds	123.0	4	119.2	4
UK Equities	108.4	4	102.7	3
Secured Loans	104.8	4	111.5	3
UK Property	96.2	3	116.5	4
Global (Ex UK) equities	67.9	2	113.1	4
Global Tactical Asset Allocation Fund	0.0	0	113.7	4
Total Return Seeking Assets	500.3	17	676.7	22
Total Plan Assets	2,481.0	83	2,536.5	83
Escrow Assets *	504.7	17	514.4	17
Total	2,985.7	100	3,050.9	100

* The Escrow has been invested in Sterling Corporate Bond Funds and when considered as part of the Matching Assets, brings the total thereof to 83%.

The following table shows the movements in the fund during the year illustrating that the reduction in absolute value was primarily a result of benefit payments exceeding investment returns.

	£ million
Opening value of the Plan	2,536.5
Contributions received	5.9
Benefits paid	(155.0)
Transfer values and other payments	(5.4)
Returns on investments	99.0
Closing value of the Plan	2,481.0

Further detail of plan performance (return on investments) is provided by figures measured independently by BNY Mellon Asset Servicing – Performance and Analytics (previously Mellon Analytical Solutions Limited) from data prepared by the Custodian. Each manager is given a benchmark against which performance is measured. These can be either relative or absolute benchmarks depending on the nature of the manager's fund, how it fits into the overall strategy and the availability of suitable indices. Relative benchmarks are used to assess manager performance against the market. So, for example, the FTSE All Share index is the benchmark for the UK equity portfolio. Absolute benchmarks measure how the funds under management are growing in real terms; for example the property portfolio is measured against retail price inflation. The overall Plan benchmark is a composite of all the individual manager's benchmarks.

Annualised performance to 31 March 2008	Plan	Benchmark
	%	%
One year	3.68	9.16
Three years	6.29	8.38
Five years	7.82	8.83

The major contributors to underperformance against the benchmark were:

- The underperformance of the GTAA fund described above.
- The market value (as also described above) of bonds held by the Plan reducing by more than those which make up the relevant benchmark.
- As described above, the property portfolio is measured against the RPI. Whilst the property portfolio performed well in relative terms, the property market as a whole performed poorly leading to underperformance of the property portfolio against its benchmark.

Funding Position

In late 2007, the Independent Trustees initiated a formal valuation of the Plan with an effective date of 5 April 2007. The results of this valuation will be communicated to members when they become available during 2008.

The Investment Committee receives regular monthly updates giving the relative values of assets and liabilities. This, together with information about the likely returns from investments, the level of risk in the Plan, and the probability of achieving the 2021 target described above allow the Committee to assess the overall position of the Plan. The market turmoil described above meant that the value of assets relative to liabilities deteriorated during the year but also meant that greater investment returns can be expected, and this has led the Board to conclude that while expected progress towards our funding targets was not achieved, overall the ability of the Plan to pay members benefits when they fall due remained broadly stable.

Membership

The Board established the Investment Committee in 2002 when it replaced the Investment Advisory Committee. Following the appointment on 19 October 2007 of the Independent Trustees by tPR, the Committee was reconstituted as a committee of the Independent Trustees. When SPT resumed its role as sole trustee of the Plan on 19 April 2008, the Committee was once more constituted as a committee of the Board of SPT. During the period whilst the Independent Trustees were in place, the Committee reported on its work both to the SPT Board and to the Independent Trustees.

The current membership of the Committee from the SPT Board is Bridge Trustees Limited (represented by Chris Holden who acts as Committee Chairman), Pat Moloney, Ross Reason and The Law Debenture Pension Trust Corporation p.l.c. (represented by David Felder) together with two members from outside the Board - Peter Harris and Nick Fitzpatrick. During the year, Doug McWilliams ceased to be a member of the Committee on his resignation as a Director of SPT. A further change was that Chris Holden replaced Peter Harris as Chairman to avoid any potential conflicts of interest associated with Peter's role as telent's Head of Pensions.

Biographies of the members of the Committee are shown on pages 29 and 30. Simon Lee of telent provided secretarial services. In April 2008 Simon left telent to develop his career further and the Committee would like to thank him for his valuable contribution to the Plan over the last 13 years. Secretarial services are now provided by Sharonjit Clare of telent.

Role of the Investment Consultant and the custodian

The Board has appointed Watson Wyatt Limited as Investment Consultant to advise on matters of investment strategy, manager selection and performance monitoring. BNY Mellon Asset Servicing (previously ABN AMRO Mellon) continues to act as the global custodian for the Plan's assets and its performance is monitored by telent on behalf of SPT.



Chris Holden, Representative of Bridge Trustees Limited
Chairman of the Investment Committee
8 July 2008

Report of the Administration Committee

Constitution, membership and terms of reference

The Board established the Administration Committee in February 2007. Each quarter the Committee reports to the Board on its activity.

The standing membership of the Committee is Dennis Badman, John Leaney and Vic Webster (Chairman) (Directors' details are shown on page 29). Xafinity Paymaster provides secretarial services. The Committee has powers to co-opt additional members (for example, if specialist knowledge in a particular field is required). In exceptional circumstances (such as where a very urgent decision is needed) any three members of the SPT Board can act as the Committee. Safeguards exist to ensure that in such circumstances decisions are taken on a consistent basis.

One of the main duties of the Committee is to review the reports produced by Xafinity Paymaster, address any problems that may have arisen in relation to the administration and ensure that service levels set down in the contract are maintained. In addition, the Committee determines death benefits and ill health retirement awards, reviews complaints and is an integral part of the Internal Disputes Resolution Procedure. The Committee also has responsibility for items delegated to it on an ad hoc basis by the Board, such as monitoring the implementation of bulk transfers and reviewing proposed changes to Plan rules.

Benefit improvements

The pension increase applied at 1 May 2007 and included in the Financial Statements was 4.2%.

On 1 May 2008 a pension increase of 4.1% was awarded to most Plan pensions in payment, attaching contingent pensions and deferred pensions. The increase applied proportionately to those who had been retired or had left service in the preceding twelve months. The increase was applied in accordance with Plan rules and is equivalent to the change in the General Index of Retail Prices (RPI) between January 2007 and January 2008. Credited interest for the year commencing 6 April 2008 was again awarded at the minimum rate of 2.5%.

In the June 2007 Pensions Update, it was announced that SPT intended to transfer the remaining SBS balances to the BlackRock DC Cash Fund (unless members advised that they wished to transfer their benefits to a different fund) as it believed that such a transfer would be more beneficial for members than remaining invested with the assets of the GEC Plan. An important part of the process was consultation with the members concerned and SPT received a number of questions and comments from members. The results of the consultation were considered at a Board meeting in September 2007 and, as there were no responses from members which led to a revision of the Board's view that the transfer was in members' interests, the Board confirmed that the balances should be transferred. The exercise resulted in the compulsory transfer of funds amounting to £28.7 million together with a further £0.2 million being transferred as a result of member's requests. The exercise, involving the funds of 3,869 members, was completed on 16 November 2007. No SBS balances remain invested internally in the GEC Plan.

There have been no other changes to benefits in the year.

Ericsson transfer

As reported last year, a further transfer was made to the Ericsson Marconi Pension Plan relating to members who were originally facing redundancy from Ericsson but who were offered permanent employment. A further amount of £1.7 million is included in the Financial Statements relating to the additional 20 members who opted to transfer.

Discretionary decisions

There are a number of areas – notably determining to whom death benefits should be awarded – where the Committee makes decisions concerning individual member's benefits. The Committee would urge all members whose dependents may become entitled to a death benefit, to complete (or review) their nomination form (P7). Form P7 gives guidance to the Committee as to whom the member would wish benefits to be paid in the event of his or her death. Form P7 can be obtained from the telent Pensions Office website www.telentpensions.co.uk or from the administrator or Secretary (see page 2) or, for active members, from your site HR contact.

Communications with members

Since the last report, the dominant matter affecting the Plan has been the acquisition of telent by PC. As matters progressed a number of News bulletins were placed on the telent pensions' website (www.telentpensions.co.uk) and a Pensions Update was issued in February 2008. Following the successful conclusion of negotiations involving SPT, the Independent Trustees, tPR, telent and PC, a further Pensions Update was issued in June 2008 setting out the new arrangements.

In addition to news about the corporate transaction, the February 2008 circular also dealt with three other matters relating to the administration of the Plan – the election of the PCC (see page 31), commentary on the Report and Financial Statements for the year to 5 April 2007 and the results of the consultation exercise for the SBS transfer exercise. The commentary on the annual Report and Financial Statements was essentially a summary of last year's document and the SBS transfer has been commented on above.

Under the Code of Practice resulting from the Pensions Act 2004, the arrangements for selecting MNDs that were introduced under the Pensions Act 1995 had to be withdrawn and new arrangements put in place. The new arrangements were only required to involve active members and pensioners in payment but, due to the profile of the membership of the Plan, where almost 40% of members have deferred benefits, the Board determined that deferred pensioners should also be included. Consequently, arrangements were put in place to allow deferred member nominations to the PCC, and potentially subsequent appointment to the Board, to be made. The PCC was established without the need for an election in September 2007. Shortly before the new PCC held its first meeting, the Pension Corporation bid for telent was announced and the existing MNDs were elected to serve for a further period of 12 months. This arose from a request made by Chris Holden, Chairman of SPT, who was keen to retain the experience gained by the existing MNDs for any negotiations that may be required. All classes of members are represented by the MNDs (see page 29).

Administration of Plan benefits

The Committee has met on four occasions in the last year at which the performance of the Plan's administrator, Xafinity Paymaster, has been reviewed. There have been no substantial concerns related to the administration and the Committee has been pleased with the performance to date.



Vic Webster
Chairman of the Administration Committee
8 July 2008

Audit Committee and Strategic Review Committee

Audit Committee

The membership of the Committee is Law Debenture Pension Trust Corporation plc (represented by Eddie Thomas), Temple Trustees Limited (represented by Jon Chaplin), John Leaney and Mike Surrey (details of the Directors are shown on page 29). During the year and whilst the Independent Trustees were in place, Chris Holden was a member and Chairman of the Committee.

Eddie Thomas now acts as Chairman of the Committee and Xafinity Paymaster provides secretarial services. The Committee has powers to co-opt additional members, if it sees fit (for example, if specialist knowledge in a particular field was required).

The Audit Committee's responsibilities include, but are not limited to:

- Reviewing the draft Financial Statements and the accounting policies applied.
- Reviewing the financial controls operated by the Board.
- Reviewing the work of both the external auditors and internal auditors appointed by telent or Xafinity Paymaster.
- Dealing with any complaints relating to financial accounting or financial control matters.

After each of its meetings the Chairman of the Audit Committee reports to the Board on its activity.

The Committee has met on several occasions during the year, primarily to consider the preparation of the Reports and Financial Statements, but has also received reports from both telent and Xafinity Paymaster relating to proposed internal audits to be undertaken by those organisations on relevant parts of the Plan administration.



Eddie Thomas, Representative of Law Debenture Pension Trust Corporation plc
Chairman of the Audit Committee
8 July 2008

The Strategic Review Committee

The Strategic Review Committee's (SRC) membership consists of the independent directors of SPT together with a Sponsor Director and a Member Nominated Director. The standing membership of the Committee is Law Debenture Pension Trust Corporation plc (represented by Eddie Thomas), Bridge Trustees Limited (represented by Chris Holden), Temple Trustees Limited (represented by Jon Chaplin), Pat Moloney and Mike Surrey (details of the Directors are shown on page 29). Bridge Trustees Limited acts as Chairman of the Committee and Xafinity Paymaster provides secretarial services. The Committee has powers to co-opt additional members, if it sees fit (for example, if specialist knowledge in a particular field is required).

The SRC's responsibilities include, but are not limited to:

- Responding to strategic issues raised by telent.
- Reviewing the covenant of telent with particular regard to the Escrow and the telent commitment to pay the administration expenses and Pensions Protection Fund levies.
- Maintaining awareness of matters likely to affect telent and legislative changes likely to affect the Plan.
- Engaging with the Scheme Actuary regarding the periodic valuations of the Plan.

The SRC met on almost twenty occasions after the bid for telent was announced to consider the SPT response to the bid and to later developments. The Chairman of the SRC reported regularly to the Board to ensure that the members of the Board who were not excluded due to conflicts of interest were kept fully informed of developments and to ensure that the Board gave full approval at each important stage of the negotiations. At a meeting in April 2008, the Board delegated Bridge Trustees Limited (represented by Chris Holden) and Law Debenture Pension Trust Corporation plc (represented by Eddie Thomas) to meet with telent or Pension Corporation in relation to any proposals that may be put forward following the successful conclusion of the discussions relating to governance of the Plan. Such delegation is subject to there being timely reporting to either the SRC or the Board as appropriate.



Chris Holden, Representative of Bridge Trustees Limited
Chairman of the Strategic Review Committee
8 July 2008

Statement of SPT's responsibilities for the Financial Statements

SPT is responsible for preparing the Annual Report including the Financial Statements. Pension scheme regulations require SPT to make available to Plan members, beneficiaries and certain other parties, audited Financial Statements for each Plan year which:

- Show a true and fair view of the financial transactions of the Plan during the Plan year and of the amount and disposition at the end of the Plan year of the assets and liabilities, other than liabilities to pay pensions and benefits after the end of the Plan year, in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).
- Contain the information specified in the Schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the Financial Statements have been prepared in accordance with the Statement of Recommended Practice, "Financial Reports of Pension Schemes" (Revised May 2007).

SPT has supervised the preparation of the Financial Statements and has agreed suitable accounting policies, to be applied consistently, making any estimates and judgements on a prudent and reasonable basis.

SPT is also responsible for making available certain other information about the Plan in the form of an Annual Report.

SPT is responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates of contributions payable towards the Plan by or on behalf of the employer and the active members of the Plan and the dates on or before which such contributions are to be paid. SPT is also responsible for keeping records in respect of contributions received in respect of any active member of the Plan and for monitoring whether contributions are made to the Plan in accordance with the schedule of contributions. Where breaches of the schedule occur, SPT is required by the Pensions Acts 1995 and 2004 to consider making reports to tPR and the members.

SPT has a general responsibility for ensuring that adequate accounting records are kept and for taking steps as are reasonably open to it to safeguard the assets of the Plan and to prevent and detect fraud and other irregularities, including the maintenance of appropriate internal controls.

The Financial Statements of the Plan for the year ended 5 April 2008 are set out on pages 16 to 27.

Statement of the Scheme Actuary

Actuarial statement made for the purposes of regulation 30 of the Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996

Name of scheme: The G.E.C. 1972 Plan ("the Plan")

Effective date of valuation: 5 April 2005

1. Security of prospective rights

In my opinion, the resources of the Plan are likely in the normal course of events to meet in full the liabilities of the Plan as they fall due. In giving this opinion, I have assumed that the following amounts will be paid to the Plan:

Description of contributions

By members: 3% of Pensionable Earnings.

By the employer:

- a. 8.35% of Pensionable earnings, from 5 April 2006 plus
- b. An additional contribution of £185m to be paid into the Plan by the year ending April 2006, plus
- c. A further contribution of £490m to be paid into an Escrow account, plus
- d. Additional contributions equal to the PPF levies charged to the Plan, due not later than one month after the Plan pays the levies
- e. Additional contributions in respect of expenses related to the administration of the Plan

Subject to review at future actuarial valuations.

2. Summary of the methods and assumptions used

The contribution rate for future accruing benefits has been assessed as that to meet the cost of benefits accruing in the year following the valuation date, allowing for projected increases in Pensionable Pay, using the long term assumptions below.

The assets necessary to meet these benefit payments have been calculated allowing for the assumed returns available on the market value of the Plan's assets at the valuation date. Any imbalance may be corrected by adjusting the contributions otherwise payable.

The main long-term financial assumptions used are as follows:

	<i>Nominal % pa</i>
Price inflation	2.8
Earnings increases	4.3
	Plus age related scale
Pension increases (non GMPs)	2.8
Discount rate after retirement	4.9
Discount rate prior retirement	7.3
Credited interest	2.5

The valuation method is known as the "Projected Unit Method".

Further details of the methods and assumptions used are set out in my actuarial valuation report addressed to the Trustee dated 3 April 2006.

Graham Mitchell
Scheme Actuary
Fellow of the Institute of Actuaries
Watson Wyatt Limited
 3 April 2006

3 Brindleyplace
Birmingham
B1 2LN

Actuarial Certificate

Actuarial Certificate given for the purposes of section 58 of the Pensions Act 1995 (Certificate of Schedule of Contributions)

Name of Scheme : G.E.C. 1972 Plan

Adequacy of rates of contributions

- 1 I hereby certify that, in my opinion, the rates of the contributions payable in accordance with the schedule of contributions signed on 5 June 2006 are adequate for the purpose of securing that throughout the period it covers the scheme will meet the minimum funding requirement imposed by section 56 (1) of the Pensions Act 1995.
- 2 In forming this opinion I have complied with the requirements imposed by sections 56(3) and 58 of the Pensions Act 1995, the Occupational Pension Schemes (Minimum Funding Requirement and Actuarial Valuations) Regulations 1996 and the mandatory guidelines on minimum funding requirement (GN27), prepared and published by the Institute of Actuaries and the Faculty of Actuaries, and have made the assumptions prescribed by them.

Signed **G J Mitchell**

**Fellow of the Institute of Actuaries
Watson Wyatt Limited
6 June 2006**

**Three Brindleyplace
Birmingham
B1 2LN**

Note:

The certification of the adequacy of rates of contributions for the purpose of securing the meeting of the minimum funding requirement is not a certification of their adequacy for the purpose of securing the scheme's liabilities by the purchase of annuities, if the scheme were wound up.

Independent auditors' report to the Trustee of the G.E.C 1972 Plan ("the Plan")

We have audited the financial statements of the Plan for the year ended 5 April 2008, which comprise the fund account, net assets statement and the related notes 1 to 13. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Trustee, as a body, in accordance with regulation 3 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Trustee those matters we are required to state to it 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 Trustee as a body, for our audit work, for this report, or for the opinion we have formed.

Respective responsibilities of Trustee and auditors

As described in the statement of Trustee's responsibilities, the Trustee is responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for making available certain information about the Plan in an annual report.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements show a true and fair view in accordance with the relevant financial reporting framework and contain the information specified in the schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. We also report if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law is not disclosed.

We read the Trustee's report and the other information contained in the annual report for the above year as described in the contents section and consider whether it is consistent with the financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 Trustee in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Plan'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 the information in the financial statements.

Opinion

In our opinion:

- the financial statements show a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the financial transactions of the Plan during the year ended 5 April 2008 and the amount and disposition of its assets and of its liabilities as at that date, other than the liabilities to pay pensions and benefits after the Plan year end; and
- the financial statements contain the information specified in the schedule to the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996.

Deloitte & Touche LLP

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors,
Birmingham, United Kingdom

Date: 9 July 2008

Neither an audit nor a review provides assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the trustee but no control procedures can provide absolute assurance in this area.

Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

Independent auditors' statement about contributions to the Trustee of the G.E.C. 1972 Plan ("the Plan")

We have examined the summary of contributions to the Plan for the year ended 5 April 2008 which is shown in Note 3 to the Financial Statements.

This statement is made solely to the Trustee, as a body, in accordance with regulation 4 of the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996 made under the Pensions Act 1995. Our work has been undertaken so that we might state to the Trustee those matters we are required to state to them in an auditors' statement about contributions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustee as a body for our work, for this statement, or for the opinion we have formed.

Respective responsibilities of Trustee and auditors

As described in the statement of Trustee's responsibilities, the Plan's Trustee is responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions which sets out the rates and due dates of certain contributions payable towards the Plan by or on behalf of the employer and the active members of the Plan. The Trustee has a general responsibility for procuring that contributions are made to the Plan in accordance with the relevant schedule of contributions.

It is our responsibility to provide a statement about contributions paid under the relevant schedule of contributions and to report our opinion to you.

We read the other information contained in the annual report for the above year as described in the contents section and consider whether it is consistent with the summary of contributions. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary of contributions.

Basis of statement about contributions

We planned and performed our work so as to obtain the information and explanations which we considered necessary in order to give reasonable assurance that contributions reported in the summary of contributions have been paid in accordance with the schedule of contributions. For this purpose the work that we carried out included examination, on a test basis, of evidence relevant to the amounts of contributions paid to the Plan and the timing of those payments under the schedule of contributions. Our statement about contributions is required to refer to those breaches of the schedule of contributions which come to our attention in the course of our work.

Statement about contributions under the Plan

In our opinion contributions payable to the Plan during the year ended 5 April 2008 as set out in Note 3 to the Financial Statements have in all material respects been paid at least in accordance with the schedule of contributions certified by the actuary on 6 June 2006.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Birmingham, United Kingdom

Date: 9 July 2008

Neither an audit nor a review provides assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the trustee but no control procedures can provide absolute assurance in this area.

Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

Financial Statements

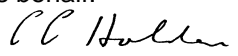
Fund Account for the year ended 5 April 2008

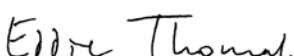
	Note	Year to 5 April 2008	At 5 April 2007 (Restated – see Note 2 a)
		£ million	£ million
Contributions	3	5.9	5.7
Less			
Benefits payable	4	155.0	153.7
Transfer values paid	5	4.1	74.3
Administration expenses	6	<u>1.3</u>	<u>0.1</u>
		160.4	228.1
Net withdrawals arising from transactions with members and employers		<u>(154.5)</u>	<u>(222.4)</u>
<i>Net withdrawals arising from transactions with members and employers excluding bulk transfers out</i>			
As above		(154.5)	(222.4)
Bulk transfers out		<u>1.7</u>	<u>71.9</u>
Excluding the bulk transfers out		<u>(152.8)</u>	<u>(150.5)</u>
Net withdrawals arising from transactions with members and employers		(154.5)	(222.4)
Returns on investments			
Investment income	7	123.5	112.4
Investment management expenses	8	(10.4)	(9.3)
Change in the value of investments	9	<u>(14.1)</u>	<u>(75.2)</u>
Net returns on investments		<u>99.0</u>	<u>27.9</u>
Net decrease during the year		(55.5)	(194.5)
Net assets at the beginning of the year		<u>2,536.5</u>	<u>2,731.0</u>
Net assets at the end of the year		<u>2,481.0</u>	<u>2,536.5</u>

Net Assets Statement	Note	At 5 April 2008 £ million	At 5 April 2007 (Restated – see Note 2 a) £ million
Investment Assets	9 & 10		
Additional Voluntary Contributions investments			
BlackRock unit linked investments		39.2	11.2
Standard Life With Profits fund		<u>4.0</u>	<u>3.9</u>
		43.2	15.1
Fixed interest securities			
UK		1,402.2	1,553.4
Overseas		<u>102.0</u>	<u>51.8</u>
		1,504.2	1,605.2
Index-linked securities			
UK		131.6	158.9
Overseas		<u>2.9</u>	<u>0.0</u>
		134.5	158.9
Pooled investment vehicles			
Fund of Hedge Funds		123.0	119.2
Secured Loans		104.8	111.5
Diversified Credit Fund		56.1	0.0
High Alpha Bonds		3.5	0.0
Global Tactical Asset Allocation		<u>0.0</u>	<u>113.7</u>
		287.4	344.4
Derivative Contracts		177.5	41.6
Equities			
UK		108.4	102.7
Overseas		<u>67.9</u>	<u>113.1</u>
		176.3	215.8
Properties		96.2	116.5
Insurance policies		0.6	0.6
Short term deposits			
Sterling		87.1	105.6
Foreign currencies		<u>4.6</u>	<u>4.9</u>
		91.7	110.5
Other Investment assets	11	69.1	104.7
Total Investment Assets		<u>2,588.2</u>	<u>2,713.3</u>
Investment Liabilities	9 & 10		
Derivative contracts		(53.1)	(94.0)
Other investment liabilities	11	<u>(42.8)</u>	<u>(78.7)</u>
Total Investment Liabilities		<u>(95.9)</u>	<u>(172.7)</u>
Total investments		2,484.8	2,540.6
Current assets	12	0.3	0.9
Current liabilities	12	<u>(4.1)</u>	<u>(5.0)</u>
Net assets at end of the year		<u>2,481.0</u>	<u>2,536.5</u>

The Financial Statements summarise the transactions of the Plan and deal with the net assets at the disposal of the Trustee. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Plan year. The actuarial position of the Plan, which does take account of such obligations, is dealt with in the Actuarial Statement on page 12 and the Financial Statements should be read in conjunction with this statement.

Approved by Stanhope Pension Trust Limited on 8 July 2008 and signed on its behalf.


 Chairman


 Director

Notes to the Financial Statements

1 Basis of Preparation

The Financial Statements relate to the G.E.C. 1972 Plan, which comprises the GEC Plan (the Plan) and the Selected Benefit Scheme (SBS).

The Financial Statements have been prepared in accordance with regulations made under section 41 (1) and (6) of the Pensions Act 1995 (The Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996). The Financial Statements have been prepared based on the guidelines set out in the Statement of Recommended Practice, Financial Reports of Pension Schemes (revised May 2007) and comply with those guidelines in all respects, except for a technical breach relating to the date investments are valued (see Note 2 (c)).

2 Accounting policies

(a) Changes in accounting policies

As a result of the revision of the Statement of Recommended Practice, Financial Reports of Pensions Schemes in May 2007 it has been necessary to make some changes to the accounting policies, as follows:

- i. Investments are now valued at bid prices, in accordance with the guidance issued in the Statement of Recommended Practice. Previously mid-market values were used. The opening values of the investments as at 5 April 2007 have been reviewed and, as changes between the valuations at mid-market and bid prices were immaterial it has been decided not to restate the opening values in relation to this change.
- ii. Disclosure of changes in the values of derivatives contracts is required in a different manner to that used in the year ended 5 April 2007. In that year the changes in the values of the derivative contracts were shown separately on the face of the Fund Account and they are now combined with the changes in the market values of investments. Consequently, certain of the figures relating to investments have been restated in the Fund Account.

	Original amount £ million	Adjustment £ million	Restated amount £ million
Realised loss on a swap contract	(19.5)	19.5	0.0
Unrealised Gains and Losses on swap contracts	(52.4)	52.4	0.0
Change in market value of investments	(3.3)	(71.9)	(75.2)
Total	(75.2)	0.0	(75.2)

- iii. The value of the derivative contracts was not separately disclosed. Derivative contracts are now split between assets and liabilities. Consequently, certain of the figures relating to investments have been restated in the Net Assets Statement and in Note 9 and 10.

	Original amount £ million	Adjustment £ million	Restated amount £ million
Fixed interest			
UK	1,591.1	(37.7)	1,553.4
Overseas	51.9	(0.1)	51.8
Index Linked			
UK	68.7	90.2	158.9
Derivative Contracts - assets	0.0	41.6	41.6
Derivative Contracts - liabilities	0.0	(94.0)	(94.0)
Total	1,711.7	0.0	1,711.7

- iv. The figures for investment income shown in Note 7 have been restated at their gross values with irrecoverable withholding tax now shown as a deduction. Previously the figures were included net of irrecoverable withholding tax.

	Original amount £ million	Adjustment £ million	Restated amount £ million
Investment income	112.4	0.8	113.2
Withholding tax	0.0	(0.8)	(0.8)
Total	112.4	0.0	112.4

- v. Current assets and liabilities are required to be disclosed in a different manner to that used in the year ended 5 April 2007. In that year, net amounts were shown on the face of the Net Assets Statement for the net current assets and liabilities relating to investments and the net current assets relating to members and employers. Current assets and current liabilities are now shown separately on the face of the Net Assets Statement. Consequently, the figures relating to current assets and current liabilities have been restated in the Net Assets Statement and in Notes 9 and 10.

	Original amount £ million	Adjustment £ million	Restated amount £ million
<i>Net current assets / (liabilities) relating to investments</i>	26.0	(26.0)	0.0
<i>Net current assets / (liabilities) relating to members and employers</i>	(4.1)	4.1	0.0
<i>Other investment assets</i>	0.0	104.7	104.7
<i>Other investment liabilities</i>	0.0	(78.7)	(78.7)
<i>Current assets</i>	0.0	0.9	0.9
<i>Current liabilities</i>	0.0	(5.0)	(5.0)
Total	21.9	0.0	21.9

(b) Fund Account

- Contributions, benefits payable, administration expenses, investment income and investment management expenses are accounted for on an accruals basis.
- Individual transfers out are accounted for at the date of transfer.
- Changes in the values of investments relate to increases and decreases arising from movements in the prices of investments including realised profits and losses arising during the year from disposals of investments. Exchange gains and losses are also included.

(c) Net Assets Statement

In earlier years, investments have been valued as at 5 April. For practical purposes in these Financial Statements, most investments are included at their values as at 31 March. The Trustee has reviewed the relevant data and is satisfied that the difference in market values between 31 March 2008 and 5 April 2008 is not material.

Investments are valued on the bases shown below:-

- Securities listed on UK and overseas stock exchanges at closing prices on 31 March.
- Unlisted securities at valuations as at 31 March provided by the Plan's investment managers.
- Properties are included at their 31 March 2008 values. All properties were revalued at 31 March 2008 by qualified professional valuers working for the company of DTZ Debenham Tie Leung, Chartered Surveyors, acting in the capacity of External Valuers. All such valuers are Chartered Surveyors, being members of the Royal Institution of Chartered Surveyors. All properties were revalued on the basis of Open Market Value and in accordance with the RICS Appraisal and Valuation Manual.
- Derivative contracts consist of futures, inflation swaps and interest rate swaps. Swaps are valued as at 31 March 2008 on a marked-to-market basis agreed with the swap counterparties by M&G Investment Management Limited who have been appointed as the execution agent and collateral manager by the Trustee. Futures are valued in a similar manner by the Custodian.
- Pooled investment vehicles (except the unit trusts and with-profit policies relating to additional voluntary contributions) at values as at 31 March 2008 provided by the respective fund administrator and signed off by the fund investment manager on bases that reflect the valuation of the underlying assets held by the pooled vehicle. Assets relating to additional voluntary contributions are shown at values as at 5 April 2008 provided by the respective fund administrator.
- Insurance policies are valued as at 5 April 2008, using principles consistent with the actuarial statement on page 12.
- Overseas asset and liability values are translated into sterling at the rates of exchange ruling as at 31 March 2008.

3 Contributions

(a) To The GEC Plan

Members contributed to The GEC Plan at a rate of 3% of earnings.

Employers contributed to The GEC Plan in accordance with the schedule of contributions at a rate of 8.35% of members' earnings (2007 8.35%) and, where applicable, also made contributions to augment members' benefits. In addition, telent paid the normal costs of administering the Plan, which are dealt with in Note 6 below.

(b) Additional Voluntary Contributions (AVCs)

Members can also make AVCs at varying amounts specified by them, subject to the limits imposed by the Plan rules and legislation. AVCs are used to provide retirement benefits or death in service benefits. During

the year the Trustee decided to close the facility that allowed AVCs to be held internally and pooled with the assets of the Plan and arranged for members' interest in the internal Selected Benefit Scheme to be transferred to either BlackRock or Standard Life. This decision was made after full consultation with affected members as, given the funding level of the Plan, the Trustee could not foresee a time when an award of more than the minimum rate of credited interest of 2.5% could be made and the Trustee believed that members' AVCs were more likely to achieve a higher rate of return when invested with the external providers.

AVCs paid to provide additional retirement benefits are invested by either BlackRock or Standard Life whilst the death in service arrangement is insured through Zurich Life. BlackRock provide a range of unit-linked investment funds whilst Standard Life provide a with-profits fund. The choice of external provider and investment strategy rests with the member. The Zurich Life policy is no longer available to new entrants or to existing members who are not currently contributing to the arrangement.

Employers do not normally contribute to the BlackRock or Standard Life funds but, where applicable, they may do so to augment members' benefits.

(c) The following table details the contributions made during the year:

		2008	2007
		£ million	£ million
The GEC Plan			
Members' normal		1.4	1.3
Employers' normal		3.7	3.6
Total required by the schedule of contributions		5.1	4.9
Additional Voluntary Contributions			
Members'	SBS	0.1	0.3
	Standard Life	0.1	0.1
	BlackRock	0.6	0.2
Employers'	Augmentations of members' benefits	0.0	0.2
Total		0.8	0.8
Total contributions		5.9	5.7

In addition to the above, telent also paid the normal costs of the administration in the year to 5 April 2008, which included the cost of levies paid to the Pensions Regulator and the Pension Protection Fund (see Note 6).

4 Benefits payable

	The GEC Plan	2008	Total	2007
	£ million	SBS/AVC	£ million	Total
		£ million		£ million
Pensions	141.2	0.0	141.2	137.9
Cash sums on retirement	9.3	2.5	11.8	13.6
Capital payments on death	0.4	0.0	0.4	0.3
Purchase of annuities with external providers	0.0	0.6	0.6	1.1
Refunds of members' contributions with credited interest on death or leaving service	0.5	0.1	0.6	0.8
Other benefit payments	0.4	0.0	0.4	0.0
	151.8	3.2	155.0	153.7

Benefits take account of improvements effective during the year; eligible pensions were increased by 4.2% on 1 May 2007.

5 Transfer values paid

Transfer values comprise amounts that were paid to personal pension providers and to other employers' pension schemes at the request of members who had left pensionable service, in lieu of the Plan benefits to which they were entitled. There were no discretionary benefits included in the transfer values paid.

	The GEC Plan £ million	2008 SBS/AVC £ million	Total £ million	2007 Total £ million
Personal pension providers	1.5	0.1	1.6	1.8
Other employers' schemes				
Individuals	0.8	0.0	0.8	0.6
Bulk exercises	1.6	0.1	1.7	71.9
	3.9	0.2	4.1	74.3

Transfers to either Standard Life or BlackRock of internal SBS balances were made on behalf of members who made such a request or as a result of the compulsory transfer referred to in report of the Administration Committee and amounted to £28.9 million in the year ended 5 April 2008 (2007 £1.6 million). As this amount is an intra fund transfer it is excluded from the face of the Financial Statements.

6 Administration expenses

In the year to 5 April 2008, telent paid the normal costs of administering the Plan as required by the schedule of contributions, which amounted to £3.8 million (2007 £3.5 million). Included in the £3.8 million is an amount of £0.6 million incurred by the Trustees relating to the corporate transaction involving telent (which is explained in the Chairman's report on page 3) and for which telent agreed it would be liable.

In addition, the Trustees took separate advice from their professional advisers relating to the corporate transaction and agreed with telent that such fees (together with those related to the Independent Trustees) would be funded from the Plan. Consequently an amount of £1.3 million (2007 £0.1 million) has been charged to the Plan in respect of administration expenses.

	2008 £ million	2007 £ million
Independent Trustees'	0.6	0.0
Legal	0.3	0.0
Actuarial	0.3	0.0
Other	0.1	0.1
	1.3	0.1

7 Investment income

	2008 £ million	2007 (Restated – see below) £ million
Fixed interest securities		
UK	86.7	68.7
Overseas	6.7	2.0
Index-linked securities		
UK	6.6	10.9
Overseas	0.1	0.0
Equities		
UK	11.6	4.2
Overseas	2.4	3.6
	<u>114.1</u>	<u>89.4</u>
Property	6.8	6.9
Short-term deposits	<u>3.3</u>	<u>16.9</u>
	124.2	113.2
Less irrecoverable withholding tax	(0.7)	(0.8)
	<u>123.5</u>	<u>112.4</u>

8 Investment management expenses

	2008 £ million	2007 £ million
Investment management	8.8	7.3
Property management	1.1	1.5
Custody	0.5	0.5
	<u>10.4</u>	<u>9.3</u>

Fees charged by the investment managers are calculated as a percentage of the value of the investments managed and, in some cases, are linked to performance compared with market indicators.

Property management fees are based on the valuation of assets managed, with additional charges made for specific additional services and for irrecoverable expenses associated with empty, or partially empty, properties.

Basic custody fees are calculated as a percentage of the value of the investments held by the custodian, with additional charges made for specific additional services.

9 Investments

(a) Movements of investments during the year ended 5 April 2008

	Values at 5 April 2007 (Restated – see Note 2 a)	Net investment			Change in the value of investments			Values at 5 April 2008
		Purchases at cost and derivative payments £ million	Sales proceeds and derivative receipts £ million	Total £ million	Realised profits and losses £ million	Unrealised profits and losses £ million	Total £ million	
Additional Voluntary Contributions Investments								
BlackRock unit linked investments	11.2	29.3	(1.6)	27.7	*	0.3	0.3	39.2
Standard Life With Profits fund	3.9	0.2	(0.8)	(0.6)	*	0.7	0.7	4.0
Other Investments								
<i>Fixed interest securities</i>								
UK	1,553.4	703.4	(752.0)	(48.6)	(22.0)	(80.6)	(102.6)	1,402.2
Overseas	51.8	108.5	(59.1)	49.4	0.2	0.6	0.8	102.0
<i>Index-linked securities</i>								
UK	158.9	6.1	(46.7)	(40.6)	2.7	10.6	13.3	131.6
Overseas	0.0	4.5	(2.3)	2.2	0.1	0.6	0.7	2.9
<i>Pooled investment vehicles</i>								
Fund of Hedge Funds	119.2	0.0	(1.6)	(1.6)	1.6	3.8	5.4	123.0
Secured Loans	111.5	7.2	(1.2)	6.0	1.2	(13.9)	(12.7)	104.8
Diversified Credit Fund	0.0	60.0	0.0	60.0	0.0	(3.9)	(3.9)	56.1
High Alpha Bonds	0.0	3.6	0.0	3.6	0.0	(0.1)	(0.1)	3.5
Global Tactical Asset Allocation	113.7	0.0	(54.5)	(54.5)	(59.2)	0.0	(59.2)	0.0
<i>Derivative Contracts</i>	(52.4)	79.2	(80.6)	(1.4)	1.8	176.4	178.2	124.4
<i>Equities</i>								
UK	102.7	69.0	(50.1)	18.9	6.1	(19.3)	(13.2)	108.4
Overseas	113.1	185.9	(227.6)	(41.7)	24.9	(28.4)	(3.5)	67.9
<i>Properties</i>	116.5	0.0	(5.5)	(5.5)	1.0	(15.8)	(14.8)	96.2
<i>Insurance policies</i>	0.6	0.0	(0.0)	0.0	0.1	(0.1)	0.0	0.6
<i>Sterling short term deposits</i>	105.6			(18.5)	0.0	0.0	0.0	87.1
<i>Foreign currencies</i>	4.9			3.2	*	(3.5)	(3.5)	4.6
<i>Other investment assets</i>	104.7			(35.6)	0.0	0.0	0.0	69.1
Investment liabilities	(78.7)			35.9	0.0	0.0	0.0	(42.8)
	2,540.6	1,256.9	(1,283.6)	(41.7)			(14.1)	2,484.8

Derivative contracts are split between assets and liabilities at each year end in Note 10 below.

The change in value of investments comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

* The split between realised and unrealised profits and losses is not available in these categories of investments.

- (b) Transactions costs are included in the cost of purchases and sales proceeds and include costs charged directly to the Plan such as fees, commissions and stamp duty. Transaction costs incurred during the year amounted to £0.6 million (2007 £0.4 million). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investment vehicles. The amount of indirect costs is not provided to the Plan.
- (c) Additional voluntary contributions made by members are held separately by the Trustee and are paid to either Standard Life or BlackRock, at the option of the members. In the case of Standard Life the contributions are invested in a with-profits fund whilst the BlackRock contributions are invested in unit trusts chosen by those members. Members receive individual statements each year relating to the additional voluntary contributions.
- (d) Sterling and foreign currency deposits were held with regulated institutions and are held on call or are fixed deposits. Two items recorded as sterling deposits are technically investments in pooled investment vehicles. As the actual form of the investment is shares in cash funds, they are shown as sterling deposits in the Net Assets Statement as they are designed to allow sterling deposits to be made or withdrawn in a similar manner to a call account. They are however included in note 9 g) below.
- (e) There were no investments in the shares of participating employers at either year-end, but an amount of £0.2 million was outstanding from telent as at 5 April 2008 (2006 £0.7 million). This amount is mainly related to VAT on fees related to the administration of the investment portfolios, which is paid initially from the Plan but which can be reclaimed by telent.
- (f) There were no calls payable on quoted or unquoted securities at either year-end.
Contingent underwriting liabilities amounted to £150,000 as at 5 April 2008 (2007 nil).
- (g) Pooled investment vehicles were operated by companies registered as follows:

	2008	2007
Operated by companies registered in:	£ million	£ million
United Kingdom	39.1	124.9
Ireland	188.8	128.6
Cayman Islands	123.0	119.2
Luxembourg	3.5	0.0
	354.4	372.7
The pooled investment vehicles are shown in the Net Assets Statement as:		
Additional Voluntary Contributions Investments	39.2	11.2
Sterling Short Terms Deposits (see Note 9 (d))	27.8	17.1
Pooled Investment Vehicles	287.4	344.4
	354.4	372.7

- (h) The Plan held no stocks that individually comprised more than 5% of the net assets of the Plan at either 5 April 2008 or 5 April 2007.

10 a) Analysis of investments

	As at 5 April 2008 £ million	As at 5 April 2007 £ million
Investment Assets		
AVC investments	43.2	15.1
Fixed interest		
British Government securities		
0-5 years	40.8	19.3
5-15 years	56.2	81.4
Over 15 years	119.6	148.1
	216.6	248.8
UK Corporate issuers		
0-5 years	175.1	196.4
5-15 years	368.3	413.3
Over 15 years	642.2	694.9
	1,185.6	1,304.6
Overseas		
Public Sector	27.3	12.5
Corporate	74.7	39.3
	102.0	51.8
	1,504.2	1,605.2
Index-linked		
United Kingdom		
Public Sector	86.7	116.1
Corporate	44.9	42.8
	131.6	158.9
Overseas	2.9	0.0
	134.5	158.9
Pooled investment vehicles		
Fund of Hedge Funds	123.0	119.2
Secured Loans Fund	104.8	111.5
Diversified Credit Fund	56.1	0.0
Other	3.5	0.0
Global Tactical Asset Allocation fund	0.0	113.7
	287.4	344.4
Derivative contracts		
Futures contracts	1.9	0.0
Inflation swaps	138.4	3.0
Interest rate swaps	37.2	38.6
	177.5	41.6
Equities (All quoted)		
United Kingdom	108.4	102.7
Overseas	67.9	113.1
	176.3	215.8
Property	96.2	116.5
Insurance policies	0.6	0.6
Short Term Deposits	91.7	110.5
Other investment assets	69.1	104.7
Investment liabilities		
Derivative contracts		
Futures contracts	(2.3)	0.0
Inflation swaps	(0.6)	(93.1)
Interest rate swaps	(50.2)	(0.9)
	(53.1)	(94.0)
Other investment liabilities	(42.8)	(78.7)
	2,484.8	2,540.6

Pooled investment vehicles shown above does not include those vehicles that relate to AVC investments or sterling deposits (see note 9 (g)).

(b) Futures Contracts as at 5 April 2008

A future is a derivative contract that guarantees a transaction at a future date, based on the performance of an underlying financial instruments or rate, such as a Gilt, a corporate bond or an interest rate.

<i>Type of contract</i>	<i>Expiration</i>	<i>Economic exposure value £ million</i>	<i>Market value £ million</i>
Assets			
Overseas Government fixed interest	June 2008	30.4	0.3
UK Gilts	June 2008	59.0	1.4
UK Interest rate	June 2008	5.9	0.0
Overseas Government index linked	June 2008	(20.3)	0.4
Total assets		75.0	2.1
Liabilities			
Overseas Government fixed interest	June 2008	40.6	(2.4)
		115.6	(0.3)

(c) Swaps as at 5 April 2008

A swap is a derivative contract in which two counterparties agree to exchange one stream of cash flows against another stream with the magnitude of the cash streams being based on the rate of inflation or interest. SPT's counterparties for swaps are Barclays Bank plc, Morgan Stanley and Co International and Royal Bank of Scotland plc or institutions of a similar standing.

<i>Type of contract</i>	<i>Expiration</i>	<i>Market value £ million</i>
Assets		
<i>Inflation Rate Swaps</i>	By 5 April 2013	10.5
	Between 6 April 2013 and 5 April 2018	10.2
	From 6 April 2018	117.6
<i>Interest Rate Swaps</i>	By 5 April 2013	3.2
	Between 6 April 2013 and 5 April 2018	7.5
	From 6 April 2018	26.5
		175.5
Liabilities		
<i>Inflation Rate Swaps</i>	By 5 April 2013	0.0
	Between 6 April 2013 and 5 April 2018	(0.6)
	From 6 April 2018	0.0
<i>Interest Rate Swaps</i>	By 5 April 2013	(5.2)
	Between 6 April 2013 and 5 April 2018	(27.5)
	From 6 April 2018	(17.5)
		(50.8)
Total swaps		124.7

(d) Other information relating to derivative contracts

The objective of entering into futures and swap transactions is to decrease risk in the Plan, by matching the assets that are already held in the Plan or the liabilities to pay future benefits as appropriate, without disturbing the underlying assets or liabilities. At the year end collateral totalling £124.9 million had been pledged by the counterparties; £123.0 million of this amount is pledged as bonds with the remainder being held as cash.

11 Other investments assets and investment liabilities

a) Other investment assets

	2008 £ million	2007 £ million
Debtors		
Investments sold	34.3	73.2
Investment income	34.8	30.9
Other	0.0	0.2
Bank balances		
Current account	0.0	0.4
	69.1	104.7

b) Investment liabilities

	2008 £ million	2007 £ million
Creditors		
Investments purchased	(38.5)	(76.4)
Deferred investment income	(1.5)	0.0
Investment management expenses	(1.7)	(1.9)
Other	(1.1)	(0.4)
	(42.8)	(78.7)

12 Current assets and liabilities

a) Current assets

	2008 £ million	2007 £ million
Debtors		
telent	0.2	0.7
Other	0.1	0.2
	0.3	0.9

The balance due from telent at the year end includes £11,700 (2007 £nil) for contributions due. These contributions were received after the year end in accordance with the schedule of contributions. The remaining balance represents reclaims of VAT originally paid by the Plan which can be reclaimed by telent and were paid to the Plan in accordance with normal commercial terms.

b) Current liabilities

	2008 £ million	2007 £ million
Creditors		
PAYE and other taxes	(2.4)	(2.0)
Administration expenses	(0.9)	(0.0)
Benefits	(0.6)	(0.2)
Transfers to other pensions schemes	(0.2)	(2.5)
Bank balances		
Current account	0.0	(0.3)
	(4.1)	(5.0)

13 Contingent asset

An Escrow account was established by telent in March 2006 to protect the Plan from any future deterioration in the funding of the Plan. The Escrow account belongs to telent and is shown on the telent balance sheet.

Under the legally binding terms governing the Escrow account, funds can only be moved to the order of SPT and will become payable to the Plan should there be a deficit in the Plan at a future valuation undertaken on either the IAS19 or PPF basis.

IAS19 is an international accounting standard that applies to telent. Funds can only be released to telent if either surplus funds remain after benefits have been secured through buyout with an insurance company, or if the total of Plan assets and the Escrow exceed 105% of the amount necessary to secure such a buyout.

The PPF basis is a method of assessing the liabilities to determine the PPF levy applicable to a particular scheme. A valuation at 31 March undertaken on this basis shows a deficit of approximately £90 million.

The terms of the Escrow agreement require that the amount of the PPF deficit shall be paid from the Escrow to the Plan as part of a funding plan to be agreed between SPT and telent. At the date of approval of these Financial Statements, the terms of the funding plan have not yet been agreed with telent and discussions are continuing.

During the year the Board and telent agreed the investment strategy that would be followed in respect of the Escrow, which is now fully invested in sterling corporate bond funds. As such it forms part of the overall strategy for matching liabilities of the Plan and is taken into account by the Board when the funding position of the Plan is considered

The value of the Escrow account at 5 April 2008 is £504.7 million (2007 £514.4 million). The contingent asset is not included in the fund value of £2,481.0 million.

Compliance statement

Constitution of the G.E.C. 1972 Plan

The G.E.C. 1972 Plan (the Plan), comprising The GEC Plan and Selected Benefit Scheme (SBS), is a pension arrangement in the UK for certain employees of telent Limited and its subsidiary and associated companies. Most employees of telent who were employed prior to 1 April 2007 are eligible to apply for membership. New employees after 1 April 2007 are generally not eligible to join the Plan. Members of the Plan are not contracted-out of the State Second Pension.

The Plan was established with effect from 6 April 1973 and is constituted under a definitive deed dated 4 March 1982, as amended. A corporate trustee, Stanhope Pension Trust Limited (SPT), is responsible for the administration of Plan benefits and investment of the fund of the Plan. The power of appointing and removing the Trustee is vested in telent under the terms of the Trust Deed and Rules. Although telent exercises these powers, they are restricted in order that the independence of the Trustee is guaranteed. The Board of SPT comprises three categories of Directors – Member Nominated Directors (MNDs), Sponsor Directors (SDs) and Independent Directors (IDs). Under the Articles of Association of SPT the MNDs are appointed in accordance with a procedure agreed by the Board and which complies with relevant legislation, SDs are appointed and can be removed by telent and IDs are appointed for a period of three years by the remaining IDs. Special provisions relate to the existing IDs regarding their retirement to ensure all IDs do not retire on the same day.

Taxation status

The Plan is a registered scheme under the provisions of the Finance Act 2004.

<p>Trustee Stanhope Pension Trust Limited The Hollies, Newport Road, Stafford ST16 1BY</p>	<p>Secretary Graham Allen</p>
<p>Details of the Directors of SPT are shown on page 29</p>	

<p>Advisers relating to investments:</p> <p>Investment managers Axa Investment Managers UK Limited Barclays Global Investors Limited Blackstone Alternative Assets Management LP Edinburgh Partners Limited Goldman Sachs Asset Management International Limited LaSalle Investment Management Limited BlackRock Investment Management (UK) Limited M&G Investment Management Limited Morley Fund Management Limited Rogge Global Partners plc Standard Life Pension Funds Limited Standard life Investments (Global Liquidity Funds) plc</p> <p>External AVC providers Standard Life Assurance Company BlackRock Pensions Limited</p> <p>Custodians for investments Bank of New York Mellon Asset Servicing BV (previously ABN AMRO Mellon Global Securities Services BV)</p> <p>Investment Consultant Watson Wyatt Limited</p> <p>Performance Consultant BNY Mellon Asset Servicing – Performance and Risk Analytics (previously Mellon Analytical Solutions)</p>	<p>Other advisers:</p> <p>Scheme Actuary Graham Mitchell Watson Wyatt Limited</p> <p>Solicitors * Sacker & Partners LLP Eversheds LLP Maclay, Murray & Spens LLP</p> <p>Medical adviser E. J. Albright, M.B., Ch.B.</p> <p>Auditors Deloitte & Touche LLP</p> <p>Bankers HSBC Bank plc Lloyds TSB Bank plc</p> <p>Administrator Xafinity Paymaster The Hollies Newport Road Stafford ST16 1BY</p> <p>* Sackers are the Scheme solicitors, with the other solicitors dealing with commercial property</p>
--	--

Directors of SPT

D A Badman

Appointed to the Board in May 2006. Dennis Badman joined GEC in 1992 and has since held a number of management positions across the Defence and Telecommunications divisions. Following a period outside Marconi, working for a US telecommunications business, Dennis re-joined Marconi in 2004. He was appointed as Managing Director of Telco Services in December 2005 and a Director of telent Communications Limited in March 2006.

Bridge Trustees Limited (*Chairman*) - Represented by C C Holden

Appointed to the Board in April 2008 following its 6 month appointment by the Pensions Regulator as an Independent Trustee, Bridge Trustees is an independent corporate trustee that has wide experience of undertaking pensions trustee work. Bridge Trustees is owned by Eversheds LLP, one of the largest firms of solicitors in the UK, and is regulated by The Solicitors Regulatory Authority. Bridge was elected Chairman in April 2008 and is normally represented at Board meetings by Chris Holden. Chris, a Chartered Accountant, was an Audit Partner with Arthur Andersen for 22 years before joining Marconi (now telent) as its Finance Director during the financial restructuring that occurred in May 2003. Following the completion of the restructuring, he stepped down from the role of Finance Director and became Group Financial Controller. He ceased to be employed by Marconi on 30 June 2005 when he was appointed to the SPT Board and he acted as Chairman until the new governance arrangements were agreed with telent. Under those new arrangements, he resigned as a Director in a personal capacity and now represents Bridge Trustees Limited and chairs the Board.

Temple Trustees Limited (formerly Burges Salmon Pension Trustees Limited) - Represented by J H Chaplin

Appointed to the Board in April 2008, Temple Trustees is an independent corporate trustee that has wide experience of undertaking trustee work. It is normally represented on the Board by Jon Chaplin. Jon, a barrister, was Company Secretary of GEC from April 1980 until he retired in April 1991. He was a member of the Board of SPT as an individual from 1980 until the new governance arrangements were agreed with telent. Under those new arrangements, he resigned as a Director in a personal capacity and now represents Temple Trustees on the Board. He is a pensioner of The GEC Plan and also acts as an independent trustee of other occupational pension schemes.

J R Leaney

Appointed to the Board in April 2004. John Leaney joined Plessey in 1973 and is a home-based field engineer. He has been a member of the Pension Consultative Committee (PCC – see page 31 for details) for more than ten years and is the nominee for the active members on the PCC.

P Moloney

Appointed to the Board in November 2003. Pat Moloney joined Plessey in 1983 and was a Senior Technologist at Marconi's Liverpool site until September 2005. He is now a deferred pensioner of the Plan. He has been a member of the PCC since 1999.

R G Reason

Appointed to the Board in June 2008. Ross Reason is a Sponsor Director who has extensive experience of equity investments, having been involved in a variety of roles with a number of investment firms since 1987. He now works as the Finance Bursar for Robinson College, Cambridge.

M F Surrey

Appointed to the Board in June 2001. Mike Surrey is Business Development Director of telent, he was part of the team involved in the formation of telent and led the transition of the former in house services organisation to an independent services company serving the telecoms sector. He qualified as a Chartered Accountant in 1991 and joined GEC in 1992 and has worked in various finance positions within GEC and Marconi. He was the Group Financial Controller during the restructuring that occurred in May 2003. After the restructuring, he was appointed Head of Business Operations for Marconi Communications responsible for the Northern Europe services organisation and the supply chain.

V A Webster

Appointed to the Board in 1997. Prior to his retirement, Vic Webster had over 30 years' experience as a senior technologist at Marconi Networks MVS Group in Liverpool. He became a PCC member in 1991, serving as the Secretary of the West PCC from 1992 to 1997.

Law Debenture Pension Trust Corporation p.l.c. – Represented by ES Thomas

Appointed to the Board in July 2005, Law Debenture is a publicly quoted company specialising in acting as an independent pension trustee and has wide experience of the issues that defined benefit schemes face. It acts for over 200 schemes with assets in excess of £80 billion. Law Debenture has nominated Eddie Thomas as the person who will normally attend Board meetings, with David Felder as the alternate. Eddie is a director of Law Debenture in charge of the firm's pension scheme trusteeship activity. He is an Actuary, an Associate of the Chartered Insurance Institute, and an Associate of the Pensions Management Institute. David Felder's biography appears on page 30.

Membership of Board Committees

Administration Committee	Vic Webster (<i>Chairman</i>) Dennis Badman John Leaney
Audit Committee	Law Debenture (<i>Chairman</i>) (Represented by Eddie Thomas) Temple Trustees Limited (Represented by Jon Chaplin) John Leaney Mike Surrey
Investment Committee	Bridge Trustees Limited (<i>Chairman</i>) (Represented by Chris Holden) Law Debenture (Represented by David Felder) Nick Fitzpatrick * Peter Harris * Pat Moloney Ross Reason * External to the SPT Board - see below
Strategic Committee	Review Bridge Trustees Limited (<i>Chairman</i>) (Represented by Chris Holden) Temple Trustees Limited (Represented by Jon Chaplin) Law Debenture (Represented by Eddie Thomas) Pat Moloney Mike Surrey

Investment Committee members

In addition to Chris Holden (representing Bridge Trustees), Pat Moloney and Ross Reason whose biographies appear on page 29, the following are also members of the Investment Committee:-

N Fitzpatrick

Nick Fitzpatrick was formerly head of Global Investment Consulting at Hewitt. In 1986 he joined Bacon & Woodrow, which became part of Hewitt in 2001. During that time he was involved in developing the investment consulting business internationally, as well as working for many major pension schemes. Before becoming a consultant, he spent ten years as the in-house investment manager for the British Rail Pension Fund, having previously worked for Abbey Life and Friends Provident. He was appointed to the Investment Committee with effect from April 2006.

P G Harris

Pete Harris, a member of the Chartered Institute of Personnel and Development, is a mathematician by training. He joined GEC in 1984 and has had a number of roles within the talent group, both in engineering and in HR. In his current role he is responsible for talent's pension arrangements. Until June 2005, he was a member of the SPT Board and has served on the Investment Committee since June 2003.

Law Debenture Pension Trust Corporation p.l.c. (represented by David Felder)

David Felder normally attends the Investment Committee on behalf of Law Debenture. He studied economics in the UK and USA and is a Fellow of the Securities and Investment Institute. He began his career as a fund manager at the merchant bank, Morgan Grenfell (now part of Aberdeen Asset Management) specialising in fixed income. He then joined Kleinwort Benson (now part of Allianz) in 1988 and was Head of Fixed Income from 1992 to 1998. Clients included pension funds, local authorities and insurance companies. More recently he was Head of Investments for Daiwa SB Investments in London (a joint venture between two Japanese financial organisations). David joined Law Debenture in 2002 and has been a member of the Investment Committee since July 2005.

Pension Consultative Committee

The Pension Consultative Committee (PCC) is a committee of Plan members which meets periodically

- To consult with telent on matters relating to telent pension schemes.
- To assist the Xafinity Paymaster, SPT and telent management in the communication of information to members.
- To represent the views of pension scheme members and employees as to matters relating to their interests.
- To nominate representatives for appointment by telent as Directors of SPT. Each representative must be a member of the Plan. The PCC review its nominations every four years.

During the Plan Year, and as a result of new legislative requirements, nominations for a new PCC were requested from members. Subsequently all twenty-nine nominees were appointed.

New Government legislation requires that, as a minimum, active members and pensioners in payment are involved in the selection process for Member Nominated Directors. The SPT Board, having considered the membership profile of the Plan and, in particular, the proportion of deferred pensioners extended the selection process to allow the deferred pensioners of the Plan to be involved.

The PCC is the vehicle by which Member Nominated Directors are elected to the Board of SPT and at its October 2007 meeting, a decision was made to nominate the existing Member Nominated Directors for election to the Board of SPT for a period of one year, following which new elections will take place. This decision was taken by the PCC following a request by the Chairman of SPT, who wished to retain the experience and knowledge of the three incumbent Member Nominated Directors (who each represent one of the three categories of the membership) throughout the discussions with PC relating to the acquisition of telent Limited.

The Constitution and Terms of Reference of the PCC will be reviewed and updated during the forthcoming twelve months.

The Chairman of the PCC is Peter Dronfield and the Secretary is Ken Buckley. The current members of the PCC who are also Directors of SPT are Pat Moloney, John Leaney and Vic Webster. Vic is a pensioner of the Plan, Pat is a deferred pensioner and John is a contributing member.

Contributors may contact any PCC representative at their employing site and any member may contact PCC representatives or the Chairman or Secretary of the PCC at the following address:-

telent Pensions Office
The Hollies
Newport Road
STAFFORD
ST16 1BY

Or via email at: pcc.chairman@telentpensions.co.uk or pcc.secretary@telentpensions.co.uk

The Pension Tracing Service

The DWP's Pension Tracing Service exists to assist members of occupational pension schemes to trace benefits, where members have lost touch with the administrator of such schemes. It can be contacted at

Pension Tracing Service
The Pension Service
Whitley Road
Newcastle Upon Tyne
NE98 1BA

The Pensions Advisory Service and the Pensions Ombudsman

In accordance with the Occupational Pensions Schemes (Disclosure of Information) Regulations 1996, as amended, members are advised that

- The Pensions Advisory Service (TPAS) can be contacted at 11 Belgrave Road, London, SW1V 1RB and is available to assist members and beneficiaries with difficulties which may arise.
- The Pensions Ombudsman can be contacted at 11 Belgrave Road, London, SW1V 1RB and may investigate and determine any complaint or dispute or fact of law which the member has failed to resolve with Xafinity Paymaster or SPT.

The Pensions Regulator

The Pensions Regulator regulates company pension schemes and enforces the law as it relates to them. It has wide-ranging powers, which include powers to:-

- suspend, disqualify and remove a trustee, or director of a trustee company, for consistently not carrying out their duties,
- wind up schemes where necessary and
- apply for injunctions to prevent the misuse and misappropriation of scheme assets and apply for restitution where necessary.

The professional advisers and SPT each have a statutory duty to make an immediate written report to the Pensions Regulator if they believe that legal duties concerned with the running of the Plan are not being carried out. The Pensions Regulator can be contacted at:-

Napier House
Trafalgar Place
Brighton
BN1 4DW

Internal disputes resolution procedure

A disputes resolution procedure has been agreed by SPT to resolve any queries raised by beneficiaries or potential beneficiaries of the Plan and details of this can be obtained by writing to the Secretary of SPT at the address given on page 2.

Statement of Investment Principles

A copy of the Statement of Investment Principles, which has been agreed by the Trustee, is available on request to the Secretary of SPT at the address given on page 2.

Financial Statistics - Five years to 5 April 2008

Fund Account	2008	2007	2006	2005	2004
		(Restated)			
	£ million	£ million	£ million	£ million	£ million
Transactions involving members and employers					
<i>Additions to the Fund</i>					
Contributions					
Members' to The GEC Plan	1.4	1.3	3.1	3.6	3.7
Employers' to The GEC Plan	3.7	3.6	193.6	9.9	10.3
AVCs invested in SBS	0.1	0.5	3.1	1.3	3.3
Externally invested AVCs	0.7	0.3	0.6	0.7	0.7
Transfer values - Individual	0.0	0.0	0.0	0.4	0.0
Receipts from life office	0.0	0.0	0.0	0.0	0.3
Total	5.9	5.7	200.4	15.9	18.3
<i>Withdrawals from the Fund</i>					
Benefits paid	155.0	153.7	156.4	144.4	147.6
Transfer values	4.1	74.3	3.4	2.0	16.4
Administration expenses	1.3	0.1	3.6	2.7	2.4
Total	(160.4)	(228.1)	(163.4)	(149.1)	(166.4)
Returns on investments					
Investment income	123.5	112.4	102.2	91.8	96.4
Investment management expenses	(10.4)	(9.3)	(5.6)	(6.7)	(5.3)
Changes in market value of investments	(14.1)	(75.2)	209.1	110.9	150.3
Net returns on investments	99.0	27.9	305.7	196.0	241.4
Net (decrease) increase in the Fund	(55.5)	(194.5)	342.7	62.8	93.3
Fund at the beginning of the year	2,536.5	2,731.0	2,388.3	2,325.5	2,232.2
Fund at the end of the year	2,481.0	2,536.5	2,731.0	2,388.3	2,325.5
Distribution of the fund	%	%	%	%	%
		(Restated)			
Investment assets					
AVC Investments	1.7	0.6	0.5	0.4	0.3
Fixed interest					
UK	56.5	61.2	42.1	36.1	38.4
Overseas	4.1	2.0	1.1	3.2	3.2
Index-linked					
UK	5.3	6.3	27.6	22.4	23.0
Overseas	0.1	0.0	0.6	0.4	0.0
Pooled investment vehicles	11.6	13.6	0.0	0.0	0.0
Derivative contracts	7.2	1.6	0.0	0.0	0.0
Equities					
UK	4.4	4.0	7.2	16.1	14.4
Overseas	2.7	4.5	7.1	14.1	13.5
Property	3.9	4.6	4.2	4.7	4.4
Short-term deposits	3.7	4.4	8.6	1.9	2.0
Other	2.8	4.2	0.0	0.0	0.0
Investment Liabilities					
Derivative contracts	(2.1)	(3.7)	0.0	0.0	0.0
Other	(1.7)	(3.1)	0.0	0.0	0.0
Current assets and liabilities	(0.2)	(0.2)	1.0	0.7	0.8
	100.0	100.0	100.0	100.0	100.0

In the table above figures for 2007 have been restated to reflect the changes required by the Statement Of Recommended Practice (SORP) (revised May 2007), as explained in Note 2 to the Financial Statements. The figures for 2004, 2005 and 2006 have not been restated.

Membership Statistics

Years to 5 April	2008	2007	2006	2005	2004
The GEC Plan contributors (see note)					
At beginning of the year	1,126	1,168	3,200	3,250	4,103
New members	32	123	135	153	108
Members leaving service with the following benefits:					
Retirement	(30)	(27)	(180)	(28)	(101)
Refund of contributions	(8)	(15)	(33)	(11)	(40)
Death in service benefits	(2)	(0)	(1)	0	(7)
Transfer value or deferred pension	(72)	(123)	(1,953)	(164)	(813)
	(112)	(165)	(2,167)	(203)	(961)
At end of the year	1,046	1,126	1,168	3,200	3,250
AVC contributors (includes internal and external)					
At beginning of the year	370	426	1,779	1,899	2,128
New members	35	5	270	76	102
Transfers to other pension schemes (Note 2)	0	0	(419)	(1)	(28)
Members leaving service or ceasing to contribute	(59)	(61)	(1,204)	(195)	(303)
At end of the year	346	370	426	1,779	1,899
Pensioners (see note)					
At beginning of the year	36,686	37,011	37,538	38,474	39,128
New pensioners (including spouses' pensions coming into payment)	1,156	1,394	1,182	1,088	1,157
Deaths (Note 3)	(1,564)	(1,719)	(1,709)	(2,024)	(1,811)
At end of the year	36,278	36,686	37,011	37,538	38,474
Deferred pensioners (see note)					
At end of the year	20,631	21,843	24,683	28,056	30,697

Note

- Members of The GEC Plan may have different categories of benefits concurrently (for example, a contributing member may have one or more deferred pensions arising from transfers from other pension schemes or from earlier periods of employment with a talent group company or may be in receipt of a pension from an earlier period of service). Where this is the case, members are counted once in each category.
- In the year 197 members who were making Additional Voluntary Contributions to the internal Selected Benefit Scheme were transferred to the external providers (BlackRock or Standard Life) as explained in the Administration Committee Chairman's report on page 8.
- Included in the 1,564 deaths reported for 2008 are 14 cases which have been suspended for more than a year and where the administrator's efforts to trace the pensioners have failed. In such cases, the pensioners are assumed to have died. The breakdown of the figures for earlier years is not available.

Age distribution of members of the G.E.C. 1972 Plan at 5 April

	2008	2007	2006	2005	2004
Contributors	%	%	%	%	%
under 21	0.9	0.6	0.3	0.0	0.1
21 to 30	8.3	7.8	8.2	10.3	12.6
31 to 40	26.2	26.6	29.3	32.8	33.7
41 to 50	34.8	34.6	33.9	36.1	35.3
51 to 60	27.7	27.6	26.4	19.6	17.6
61 to 64	2.1	2.8	1.9	1.2	0.7
	100.0	100.0	100.0	100.0	100.0
Deferred pensioners	%	%	%	%	%
21 to 30	1.8	1.7	2.6	2.3	2.8
31 to 40	18.8	17.8	19.3	16.4	16.6
41 to 50	34.5	33.0	31.9	27.2	25.7
51 to 60	31.7	31.0	30.3	33.4	34.2
61 to 70	13.2	16.5	15.9	20.7	20.7
	100.0	100.0	100.0	100.0	100.0
Pensioners	%	%	%	%	%
under 50	0.6	0.4	0.4	0.4	0.4
50 to 60	9.3	8.6	9.0	9.5	10.4
61 to 70	29.6	28.1	28.6	29.2	29.7
71 to 80	35.5	35.8	36.2	36.2	36.1
81 to 90	21.9	23.3	22.2	21.5	20.5
91 and over	3.1	3.8	3.6	3.2	2.9
	100.0	100.0	100.0	100.0	100.0
Other Statistics		Years	Years	Years	Years
Average age					
Contributing members	44.7	45.0	44.5	42.9	42.1
Pensioners	73.7	74.4	74.1	73.9	73.5
Average Plan pensionable service					
Contributing members	9.2	9.0	8.9	9.1	8.3