



THE

GENERAL

ELECTRIC

COMPANY

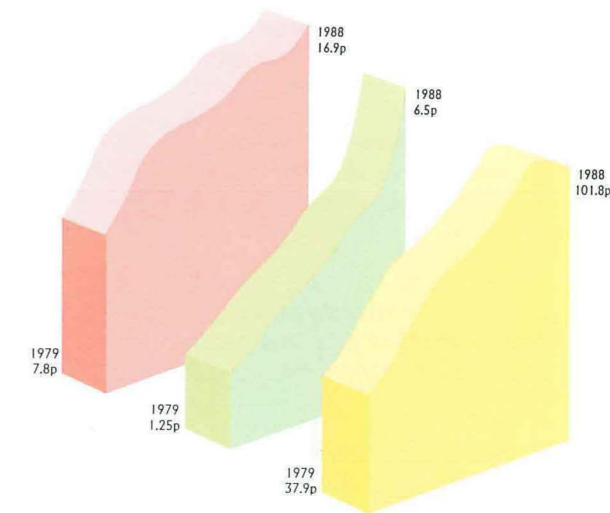
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REPORT &

ACCOUNTS

1988

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1987 £ million		1988 £ million
5,939	Total Turnover	6,178
5,247	Sales to customers outside the group	5,553
1,291	Exports from the United Kingdom	1,232
668	Profit on ordinary activities before taxation	708
420	Profits on ordinary activities after taxation and minority interests	451

pence		pence
15.8	Earnings per share	16.9
5.3	Dividends per share	6.5
108.6	Net assets per share	101.8

£ million		£ million
6,050	Order book at year end	5,912

The year under review has been one of considerable activity. We have made good progress in absorbing the businesses acquired recently and strengthened further our operating units where there are expansion opportunities. And we have taken appropriate action in those businesses where prospects are less encouraging.

We continue to look for suitable opportunities to acquire businesses, to enter into collaborative arrangements and generally to promote the long-term growth of our operations.

The merger of our interests with those of The Plessey Company in GEC Plessey Telecommunications Limited brought about a major reconstruction in the U.K. telecommunications manufacturing industry. This move has been widely welcomed, not least by the customers involved.

On the other hand, it proved impossible to effect the intended merger between our Picker medical systems business and that of Philips because terms could not be agreed to reflect adequately the value of our shareholders' interest.

During the year, Hotpoint started production of dishwashers at Llandudno in North Wales, and output has already doubled. Hotpoint together with the newly acquired Creda business constitutes the most important U.K. manufacturer in the white goods sector.

Since 31st March, 1988, Videojet Systems International, our ink jet printing subsidiary in Chicago, has acquired Cheshire, a manufacturer of complementary office products in the United States and Europe.

The Company has enjoyed further outstanding successes in winning important contracts. GEC Turbine Generators was awarded the order for a coal-fired power station in Yue Yang (China); it was also selected by the Central Electricity Generating Board to supply the 600 MW turbine generator sets and associated equipment for the Sizewell "B" nuclear power station, and has won the competition for the order to supply the 900 MW turbine generators for the Fawley "B" coal-fired station.

GEC Transportation Projects developed and built in record time for British Rail the prototype Class 91 "Electra" locomotive for operation on the East Coast Line and

received a large order for an extension to the Docklands Light Railway.

Marconi Defence Systems won important orders from the Royal Air Force for the advanced ZEUS electronic warfare system, and from the United States and the Middle East for weapons and avionics systems.

Paxman Diesels secured a major contract for engines from the United States Coastguard.

GEC Hong Kong obtained a notable order from Kumagai Gumi of Japan in connection with the Eastern Harbour Crossing Tunnel.

And many other similar examples could be cited where the Company has made major advances in international markets in sales and in new products.

GEC's community and employee activities include direct and indirect support for charitable organisations and voluntary agencies. Donations and other forms of help are primarily directed to organisations in the localities of our operating units, but support is also given to national and international bodies with particular emphasis on education, training, health and social services. Working with the Manpower Services Commission and similar bodies, the Company is involved in training schemes for the unemployed.

I believe that shareholders will welcome the increase in dividend proposed for the year 1987/88. Since the removal of dividend restraint in 1978, dividends have increased by 700 per cent, from 0.81p to 6.50p a share, whilst during that period earnings per share, now at a record, have trebled.

The General Electric Company is prepared for the 1990's as an industrial group of world class, and I am confident that the combination of enterprise and wisdom which our management has displayed over the years and which has enabled the Group to attain its pre-eminent position in U.K. industry, will continue to safeguard the best interests of our shareholders and employees.



The Rt. Hon. Lord Prior PC



Major Chuck Killberg USAF took this spectacular picture looking through the GEC Avionics holographic head-up display whilst manoeuvring his F-16 fighter in mountainous territory.

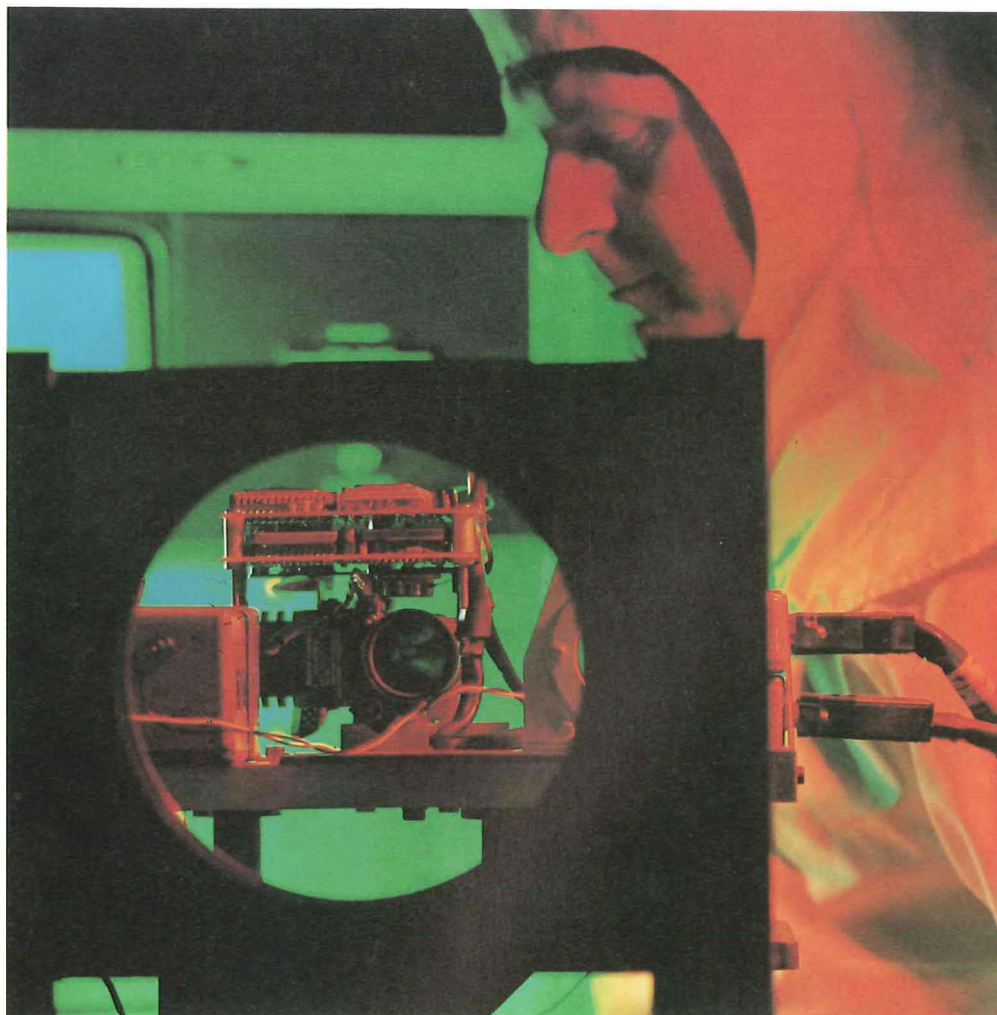
GEC Avionics and GEC Sensors achieved higher sales and profits. At home, GEC Avionics made progress on developing new generations of equipment, such as the digital map system for the Harrier GR5, the laser inertial navigation system for the Warrior land observation vehicle, the British Army's "Phoenix" remotely piloted vehicle system, and on tactical and acoustic systems for both the Royal Navy and the advanced Indian Sea King naval helicopter. GEC Sensors' order book now covers almost 3 years' sales.

Further successes were achieved overseas, particularly in the United States, where the defence electronics market has been serviced both from our North American bases and the United Kingdom. GEC Avionics delivered large numbers of standard air data computer systems for the U.S. Air Force and the U.S. Navy, and display and flight control equipment for F16 aircraft. Following earlier successful trials of advanced night attack systems, GEC Sensors' forward-looking infra red

equipment has been selected for the U.S. Marine Corps' AV8B Harrier aircraft and the advanced update of the U.S. Navy's A6E Intruder.

On land, Marconi Command and Control Systems won its first order for the digital fire control system for the U.S. light tank, Stingray. Salford Electrical Instruments increased turnover and profits due to substantial sales of radiation dosimeter lockets to the U.S. Army.

GEC now figures among the major North American defence contractors, having established the U.S. domestic base essential for supplying this market. The acquisition last year of Lear Astronics Corp. coincided with the winning of the contract for the advanced tactical fighter YF22A flight control system, for which GEC Avionics is the major sub-contract partner. Lear Astronics made substantial deliveries of its F16 fly-by-wire flight computer, and progressed development of



GEC Sensors supplies a CCD camera system for the guidance of the Javelin shoulder launched ground to air missile. The photograph shows the equipment on test at GEC Sensors, Basildon.

new fly-by-wire systems for the McDonnell Douglas F15E Strike Eagle, the General Dynamics F111 update, the Saab J39 Gripen and other important programmes.

GEC Avionics Inc. continued to manufacture support hardware and spares for the F16 programme and new head-up displays for specialised applications. A development contract for the carbon dioxide laser range finder for the U.S. Army main battle tank was won from General Dynamics Land Systems. Cincinnati Electronics Corporation's sales and profits were adversely affected by difficulties with development programmes; the order book, however, reached record levels.

Canadian Marconi Company made its first sale of microwave landing systems (MLS) ground equipment to the U.S. commercial market, and received an order from the U.S. Air Force to develop and supply airborne MLS receivers, initially for the C-130 transport aircraft. Orders rose by 60 per cent and included VHF Omni-Range navigation systems for civilian air traffic control for the Canadian Government, and VHF Omni-Test systems for the U.S. Federal Aviation Administration. Profits were sharply reduced due to a seven-week strike at the principal factory in Montreal, and to a lesser extent, to the weak U.S. dollar.

Among other North American interests, EEV Inc. achieved record sales and profits. Sales of hydrogen thyratrons, UHF TV klystrons and magnetrons were up, and orders rose by 11 per cent. Circuit Technology Inc. had a much better year, although the U.S. market for military hybrids softened markedly in the last quarter. Cuts in government funding have delayed the U.S. Navy's high frequency anti-jam programme, on which Marconi Communication Systems is working with Rockwell International. Early development work continues, and it is still possible that a revised programme will follow.

Elsewhere, the first low-level air defence radars for Turkey, Oman's first Martello 3-dimensional radar systems and South Korea's first S1800 ship-borne radars contributed to peak exports of £70 million for Marconi Radar Systems. The results were adversely affected by rationalisation costs, and orders were reduced by delays in export requirements for NATO Martello and Seawolf tracker radars.



Major advances were made on a variety of European projects. Marconi Defence Systems increased sales and profits and is pursuing orders for the new radars and the electronic warfare systems for the European Fighter Aircraft; preparatory work continued on this project with the other European partners. The Foxhunter Radar was accepted into operational service with the Royal Air Force and a fixed price contract further to enhance its performance to cope with the evolution of future threats was received. The company is also collaborating with Messerschmidt Bölkow Blohm of Germany on an anti-radar drone to meet Royal Air Force and German Air Force requirements, based on the ALARM anti-radar missile seeker now in production for the Royal Air Force. Close links in guidance systems are being forged with Matra of France, in which GEC made a strategic investment during the year. The SCOT satellite communications system was ordered by the Federal German Navy. The ZEUS integrated defensive aids system, developed for the Royal Air Force, went

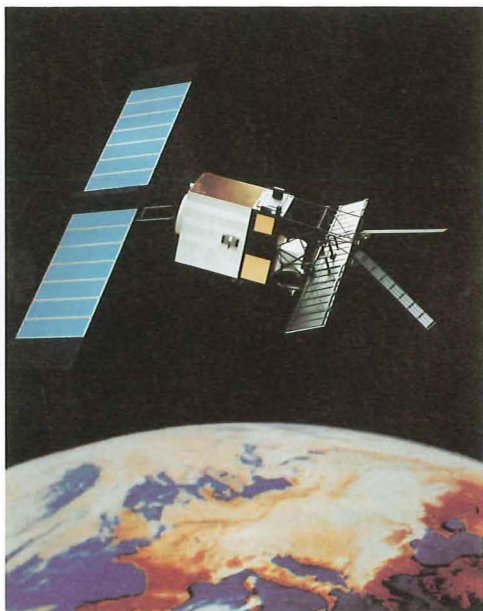
The Marksman anti-aircraft turret, equipped with radar and twin 35mm cannon, has been developed for export by Marconi Command and Control Systems. It will fit virtually any main battle tank and has undergone arduous climatic trials overseas.

into full production during the year and its recent evaluation has further enhanced its export potential. The Secure Radio Division doubled its order intake for the Scimitar Combat Net Radio. In Italy, profits at Marconi Italiana again improved as orders and sales increased by 28 per cent and 15 per cent, respectively, with important contracts obtained for the Italian Army's CATRIN tactical communications network and for switching exchanges.

Marconi Space Systems is playing a vigorous part in Europe's space programme. Eutelsat, the European regional telecommunications satellite operator, exercised an option to purchase a fourth payload for its second generation spacecraft, whilst the European Space Agency selected the company to lead development of a new mobile communications payload, Aramis, based on phased array techniques. Several other important contracts were completed, and there was substantial activity on Europe's first space-based radar, ERS-1, for wind, wave and sea-ice observation.

Major contracts under way at Yarrow Shipbuilders include two Type 23 frigates. However, the Royal Navy's programme for Type 23 frigates continued to slip, resulting in

Third generation image intensifiers are used to amplify night sky radiation and, when incorporated in an optical system, provide the user with night vision capability. Image intensifier tubes are found in rifle sights and pilots' goggles. The gallium arsenide (third generation) intensifier improves efficiency. Picture below shows gallium arsenide production at EEV, Chelmsford.



ERS-1, the European remote sensing satellite. Marconi Space Systems is supplying the important synthetic aperture radar which is on board the satellite. The radar produces high quality pictures over oceans and coastal regions and will be used to monitor the environment and assist in the management of the earth's resources.

a shortage of orders for Yarrow in the year. Sales were little changed. The first of the Batch III Type 22 frigates was well received by the Navy on delivery in February.

Delays in placing orders for production of Spearfish torpedoes, and for the Advanced Sea Mines programme, adversely affected Marconi Underwater Systems. Sales and profits declined as Spearfish development neared successful completion. Stingray production proceeded on schedule, with over 700 weapons delivered, whilst an advanced processor-controlled naval ground mine (Stonefish) and new underwater communications equipment were introduced. The company expanded further into commercial markets with the acquisition in March, 1988 of the Aberdeen-based offshore services company, UDI Group.

Strong growth in sales, orders and profits at Easams reflected increased activity arising from the mid-life update for the Tornado aircraft, development of new Tornado variants and strong naval business. The company is to implement the LANDSCAPE project for the Ministry of Defence, which also placed a £100 million order for the

Army's air defence command information system. Investment in advanced software technology is now providing rapid growth in turnkey software sales.

Marconi Command and Control Systems has three major contracts in hand for the Ministry of Defence: the BATES battlefield control system, where the first tranche of equipment is in production; the BLINDFIRE radar for RAPIER 2000, where satisfactory trial models have been delivered; and the 909 SEA DART radar - major modifications for its modernisation have been proven and first kits supplied. Advanced fuses for the Army's full width attack land mine are being delivered and a cheaper version, designed for retrofit to older-type mines, held by most overseas countries is available. Marconi Command and Control Systems also won a major competitive contract for the supply of chemical agent monitors for the Army. Despite higher sales, the company's profits fell on lower exports, adverse exchange rates and difficulties with the Television project for Singapore. However, this system is now installed and operating, and is a world leader, providing videotex to full television standards.

Despite cutbacks in defence expenditure and the adverse effect of exchange rates, English Electric Valve Company achieved record sales and improved profits. Sales of UHF klystrons for television transmission grew, particularly in the United States, while advances in design and manufacturing techniques of ultra-broad-band travelling wave tubes resulted in significant sales to U.S. and European manufacturers of airborne equipment. Major expansion occurred in third generation image intensifiers and high power thyatrons.



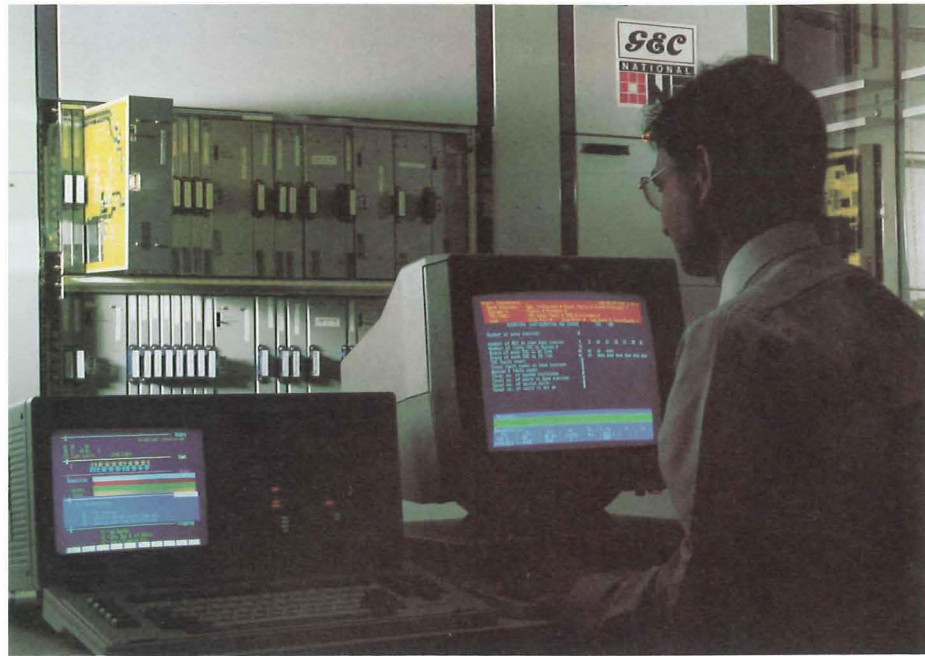
MIDATA 590 automatic test equipment from Marconi Instruments is used by computer, telecommunications and defence manufacturers for testing complex printed circuit boards.



Other GEC component manufacturers achieved mixed results. Lower sales, falling prices and higher site costs forced M-O Valve Company to cease production. Marconi Electronic Devices had a difficult year in the rapidly changing field of semiconductor components. Research and development on radiation-hard silicon technology was concentrated at the factory to ensure rapid transfer to production, and the marketing of this technology to the major space and defence markets has been intensified. GEC Ceramics' sales rose as export sales doubled, and profits and orders increased.

Marconi Instruments increased its share of world test and measurement markets but severe depression of these markets and the weak U.S. dollar held back sales and profit to a level similar to the previous year. Exports rose by 10 per cent to a new record and major project activities included final deliveries of the full mission simulator for the maritime reconnaissance aircraft.

Two Starvision screens made by EEV, Chelmsford were used at the Olympic Winter Games in Calgary. They provided for visitors high quality, full colour pictures of all events in the Olympic stadium and the giant ski jump.



One of the traffic area switching centres for "NATIONAL ONE", GEC's new national private mobile radio network installed in Britain.

The merger of the worldwide telecommunications businesses of GEC and Plessey was successfully concluded during the year, and GEC Plessey Telecommunications (GPT) commenced trading on 1st April, 1988. Ownership is shared equally by the two parent companies. GPT represents a powerful new international force in telecommunications.

Sales by GEC Telecommunications' Switching Division of System X telephone exchanges fell during the year because of delays in British Telecom's ordering programme and lower prices. Operating efficiencies were improved, and order intake was again rising by the end of the year. Over 1,300 System X exchanges are now in service with British Telecom, Mercury Communications, Hull Telephones, Jersey, Guernsey, Cable and Wireless and the London Stock Exchange.

System X's flexibility to meet evolving customer needs has generated new business as software upgrades are carried out on working exchanges to meet changing network requirements. GEC has invested heavily in developing system enhancements, particularly in the areas of network management, flexible local access and intelligent network data bases. In collaboration with Plessey, overseas orders from Colombia and China were obtained. The latter country also took its first deliveries of the rural digital exchange, UXD5, during a year which saw increased demand for this GEC product.

The I420 Dataphone provides simultaneous and independent ISDN voice and data communications and is primarily a desk top terminal for the electronic office. It operates at the international standard of 144 kbit/s.

Higher sales and margins were achieved in the United Kingdom by Network Systems Division. European markets are becoming accessible in advance of liberalisation and deregulation; for example, automatic cross connect equipment was sold to Sweden, Switzerland, France, Norway and Italy during the year. The doubling of orders for optical fibre and microwave radio systems from the Middle East, Africa and South America marks a continuing upward trend. Sales of video conferencing equipment continue to expand worldwide, whilst the first order for intelligent multiplexers has been won from British Telecom for its Kilostream service.

Private Systems Division improved orders, sales and profits. Shipments increased of SL PABX's to GEC Reliance and British Telecom, as did those of Monarch to British Telecom and Lyric to Telecom New Zealand. Major orders for the Royal Air Force's Uniter project were won during the year, and deliveries began of the military version of the SL PABX. Contracts were also won for secure Army networks. The small SLX, designed to extend this PABX family downwards to around 100 extension lines, was launched in November, 1987, while several new automatic call distribution systems, also launched during the year, were delivered to major U.K. customers. A new range of featurephones for use with Lyric and SL PABXs has been developed by Private Systems in conjunction with Telephone Division, whose product plans for 1988/89 include a new digital key system, a second generation 900 MHz cordless telephone and a Telepoint system.



Investment in digital technology will reduce the Division's reliance on simple telephones, where competition from cheap imports contributed to losses during the year.

GEC Reliance achieved another year of higher sales mainly due to the SL PABX; future growth will come from new products such as Worklink, a unique computer-based staff and time management system, from a comprehensive range of hotel communication systems, and from the new automatic system for distributing calls. There are plans for expansion into data communications and into mobile communications, with radio paging and mobile radio.

Low prices for optical fibre cables were the main cause of the failure of Telephone Cables to achieve budgeted profits, although delays on a major contract in Bangladesh were another factor. An appreciable growth in the sales of copper conductor cables was assisted by an expansion of the cable installation activity which doubled its sales in the year. A totally non-metallic optical fibre cable, TRANSLITE, has been developed for installation on electricity pylons without interfering with power transmission lines.

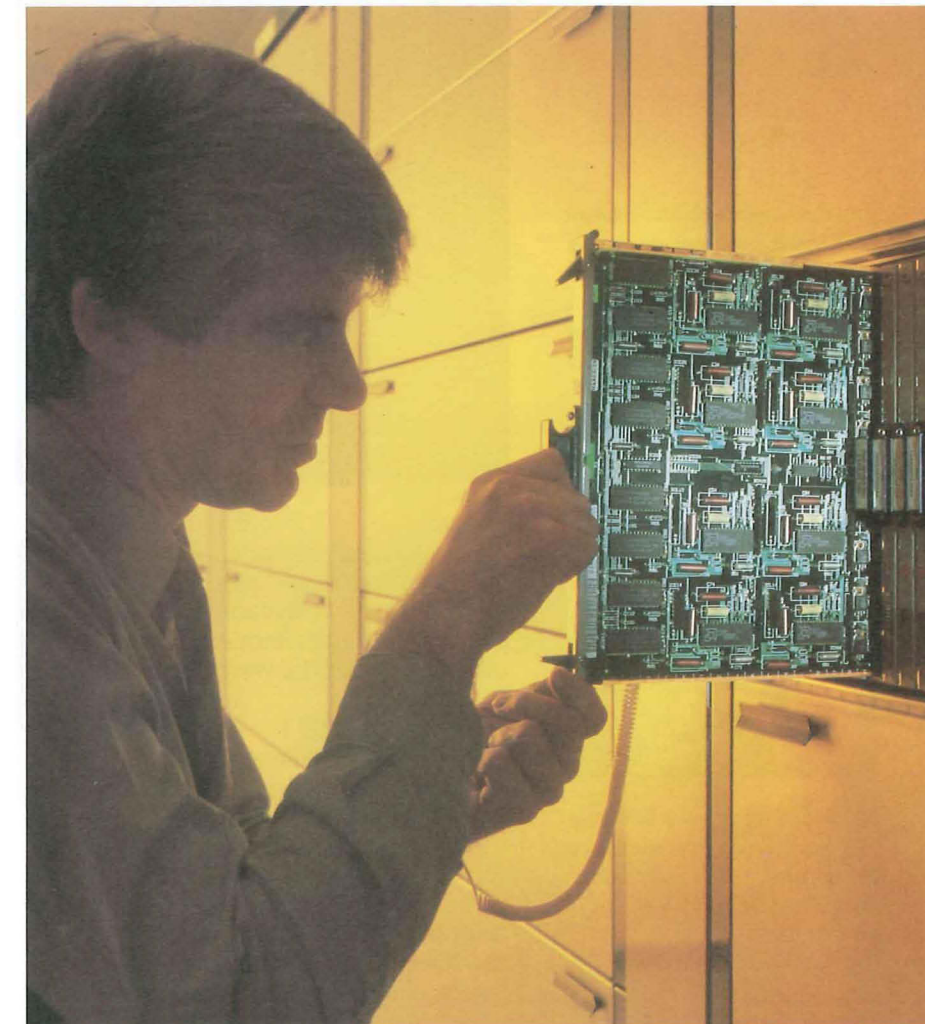
The world's major post and telecommunications networks are key customers for GEC Computers; all but two of the 18 major PTT's have bought videotex value added networks from GEC Computers and from Micro Scope, which was acquired in June, 1987. This acquisition will strengthen GPT's position in data communications, where it is now well placed to exploit markets for international value added networks, wide-area networks and secure computing. The year also saw GEC Computers' first deliveries to the Royal Air Force's Uniter packet switch data network, which will be one of the largest in Europe.

In respect of the businesses not transferred to GPT, the year saw the launch of 'GEC National One', the company's private mobile radio network, offering an interconnect service in the South East and Midlands. National One is the first of the new Band III networks to provide such a service to the Department of Trade and Industry full standard. The network will be extended during 1988 and its capability will be enhanced by the introduction early in 1989 of a new time-shared mobile data service. Management responsibility was transferred to Marconi Communication Systems at the end of the year.

A.B. Dick Company obtained higher sales and profits as new products and the weak U.S. dollar continued to fuel growth in export markets for its reprographic equipment. Innovations include an A2 press capable of higher quality output, a microprocessor-controlled automated duplicator and a continuous dampener for use in quality printing. Initial demand for a new high-speed copier introduced during the year exceeded supply. A high-speed duplicator with 25,000 impressions per hour and a high quality printing press will be distributed under a new agreement, and will open up new markets for the company.

Worldwide sales improved further at Videojet, whose important position in the U.S. market for industrial coding and graphics imaging again advanced. Sales rose by almost 30 per cent with a commensurate gain in profits. Scriptomatic traded profitably and new label affixer products were introduced.

System X is one of the most advanced telephone exchange systems in the world. This digital system will meet the needs of exchange networks until well into the next century.



GEC Electrical Projects' Airport Division designs, supplies, installs and commissions complete airfield lighting systems.



GEC Electrical Projects' Metals Division was the principal contractor for the electrical and automation systems for the modernisation of the BSC hot strip steel mill, Port Talbot.

This group's activities included the acquisition in the United States of Gilbarco Inc., the world's leading manufacturer of petrol dispensing equipment, with subsidiaries in Australia, Brazil, Canada, West Germany and the United Kingdom.

Gilbarco made record profits last year, expanding in all major market sectors. It did well with multi-product dispensers in the United States, Canada and Australia, and was able to boost exports by reducing costs, helped by the weak U.S. dollar. Gilbarco now takes in the U.K. businesses of PM Services and Avery Hardoll, whose range of industrial meters and fuelling equipment will be promoted through the Gilbarco international

sales network. New Gilbarco products, such as equipment to meet the growing trends towards fuel blending and integrated retail automation/management systems for service stations and convenience stores, will help to maintain the company's market lead.

Avery continued to introduce new products at the rate of two a month, whilst increasing orders, sales and profits, and adding 30 per cent to exports. Avery's European position was considerably strengthened through GEC's acquisition in July, 1987 of a 30.6 per cent share in Berkel, the Dutch weighing machine company. Avery has an exclusive contract to develop, produce and supply all Berkel's weighing products.

Avery continues to expand its activities in both retail and industrial systems. In retailing, the range of intelligent scales has been enlarged by new products combining the functions of scale and cash register, which can be networked together to provide an integrated total store management system. The Sentinel range of electronic point of sale products also made good progress.

On the industrial side, new platform scales, counting scales, indicators and printers, and software products reinforced the company's strong position. Further growth is expected from the enlarged range of high accuracy balance products marketed under the Oertling name. Avery's service activities have been extended to include the servicing of other manufacturers' products such as ticket vending and money-counting equipment and microcomputers - the company is now an authorised IBM service dealer.

GEC Card Technology, a new Avery division set up to exploit GEC's advances in the technology of the "smart card" (a complete microcomputer in a credit card format), achieved an order from Midland Bank for Britain's first major trial of smart cards for financial transactions. Avery is pursuing opportunities for applications such as highly secure access to computer systems and premises, identity tags, pre-paid tokens for electricity meters, medical records, transportation, telephone cards and military uses.

GEC Meters raised sales by 40 per cent, with a higher order book and improved profits, mainly because of increased demand for its electronic products, in which investment is being stepped up. The introduction of a card-operated electronic prepayment meter brought large orders from several Area Electricity Boards. New versions of the Radio Teleswitch tariff switching system (which is also selling well) and of the Credit Controller are to be launched shortly.

New products to be launched this year by GEC Measurements include an electronic low impedance busbar protection scheme, a digital current differential relay suitable for an optical fibre link and a digital recorder to measure and record power system disturbance. Sales from the Stafford Division declined due to low export orders for protective relays during the early part of the year. The position improved later and order input exceeded the previous year. The Leicester-based operation

was reorganised into two divisions - Information Systems and Power Systems. The former will exploit the wide range of opportunities in telecontrols, notably in electricity, water, gas and oil distribution. The latter will concentrate on instrumentation and control for turbine generators and safety systems for nuclear power stations.

A new range of microregulator controllers for both AC and DC drives aided the continued expansion of the variable speed drives business at GEC Industrial Controls, Kidsgrove. Overall, GEC Industrial Controls made lower profits due to lack of orders at the Rugby Division, some contract losses, and rationalisation costs. Orders worth £15 million were received recently to design programmable logic controllers based on GEM 80 technology for production in a major industrial complex in Yerevan, U.S.S.R.

In the United States, although GEC Automation Projects Inc. reported a small loss from lower sales, orders for GEM 80 have now penetrated beyond the automotive industry into security systems and the steel industry. GEM 80 is also among the products planned for introduction at the English Electric Company of India, where the Relays and Control Panel Divisions have substantial order books.

Slower than expected sales of the automated guided vehicle, developed with Caterpillar of the United States and launched last

Intelligent bar code printing scales installed at Tesco's new superstore in Solihull. These Avery scales can be networked together to cover stock control, price control, usage analysis and product profitability for over 2000 individual products.



Avery Denison increased orders, sales and profits with improved performance in testing equipment and balancing machines. The company has been restructured to focus on its core testing machine activities. The liquid filling activities have been transferred to Driver Southall, where despite lower sales and profits, the year ended with a strong order book. A new multi-head computer weigher, capable of packing up to 200 bags a minute of small packages such as confectionery and food, was well received. The Automation Projects Division at GEC Australia completed projects in mining, metals, railway signals and power systems.

At Satchwell Control Systems, sales and orders advanced after a slow start in the U.K. market, where building management systems have shown the best growth.

GEC joined forces in 1987 with CGEE Alstom of France to create GEC Power Instrumentation and Control. It won its first order in November for the design and supply of an integrated system for centralised operation of the Sizewell B nuclear power station, and is well placed to support GEC's power station export activities.

Orders improved during the year at GEC Traffic Automation, but extra costs incurred in overcoming technical problems resulted in a loss; the business is expected to return to profit this year. GEC Mechanical Handling's loss on lower sales reflected over-capacity in the industry and relocation costs from its two previous sites to the GEC facility at Whetstone.

GEC Software improved its sales by 40 per cent in the year. GENOS, its integrated project management environment product, has been well received by defence and engineering companies throughout Europe and the United States.

year, were among the factors restraining profits at GEC Electrical Projects. The Comparm painting robot won further orders from the U.S.S.R. and is to be manufactured under an agreement with the Frunze Works at Sumi. In the United States, orders have been won for hot strip mill automation systems for LTV and Rouge Steel, following the successful performance at the Llanwern and Port Talbot plants of British Steel, and at the BHP steel plant commissioned in 1988.

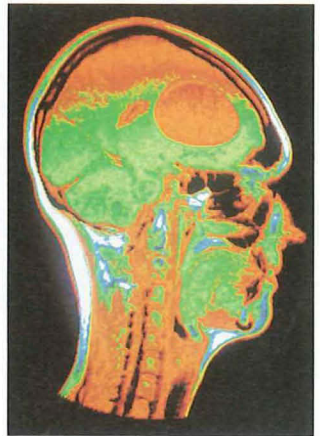
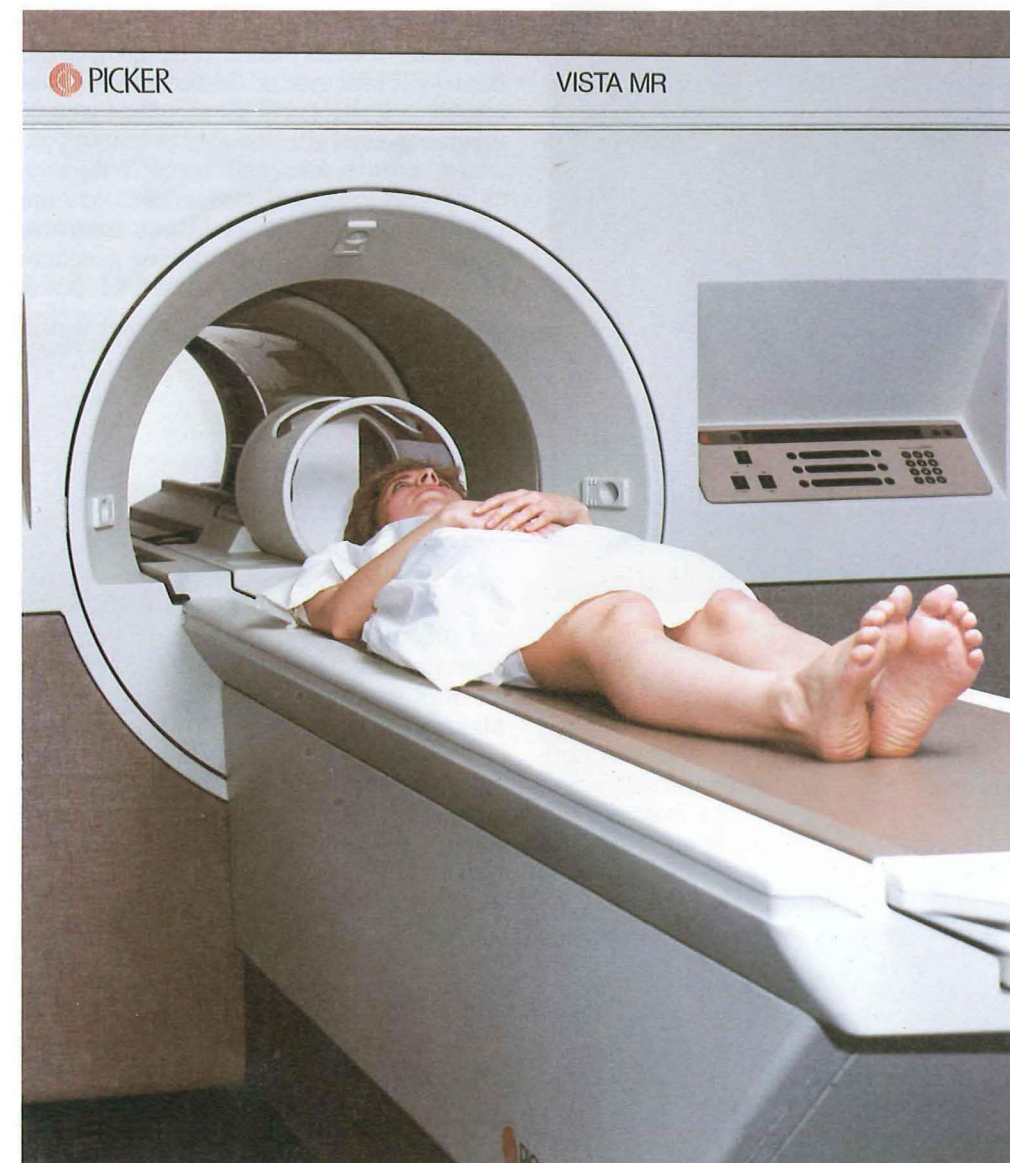
The Robotics Division of GEC Electrical Projects has won a number of prestigious orders to supply GEC Comparm paint spraying robots to Soviet industry.

Picker International Inc. continued to develop its business in Magnetic Resonance Imaging (MRI) and Computed Tomography (CT). Its 1,000th CT scanner was delivered, and the company reinforced its position at the top end of the market with the 1200 Expert CT scanner. Further expansion took the Picker installed MRI base to 160 units, and the company introduced an active-shield magnet option which substantially reduces stray magnetic fields and siting costs.

During the year delivery was completed of 304 MMX mobile X-ray systems to the U.S. military forces, and a pre-production U.S.\$10 million contract was won for a military field X-ray system. The West German military has purchased 80 transportable X-ray sys-

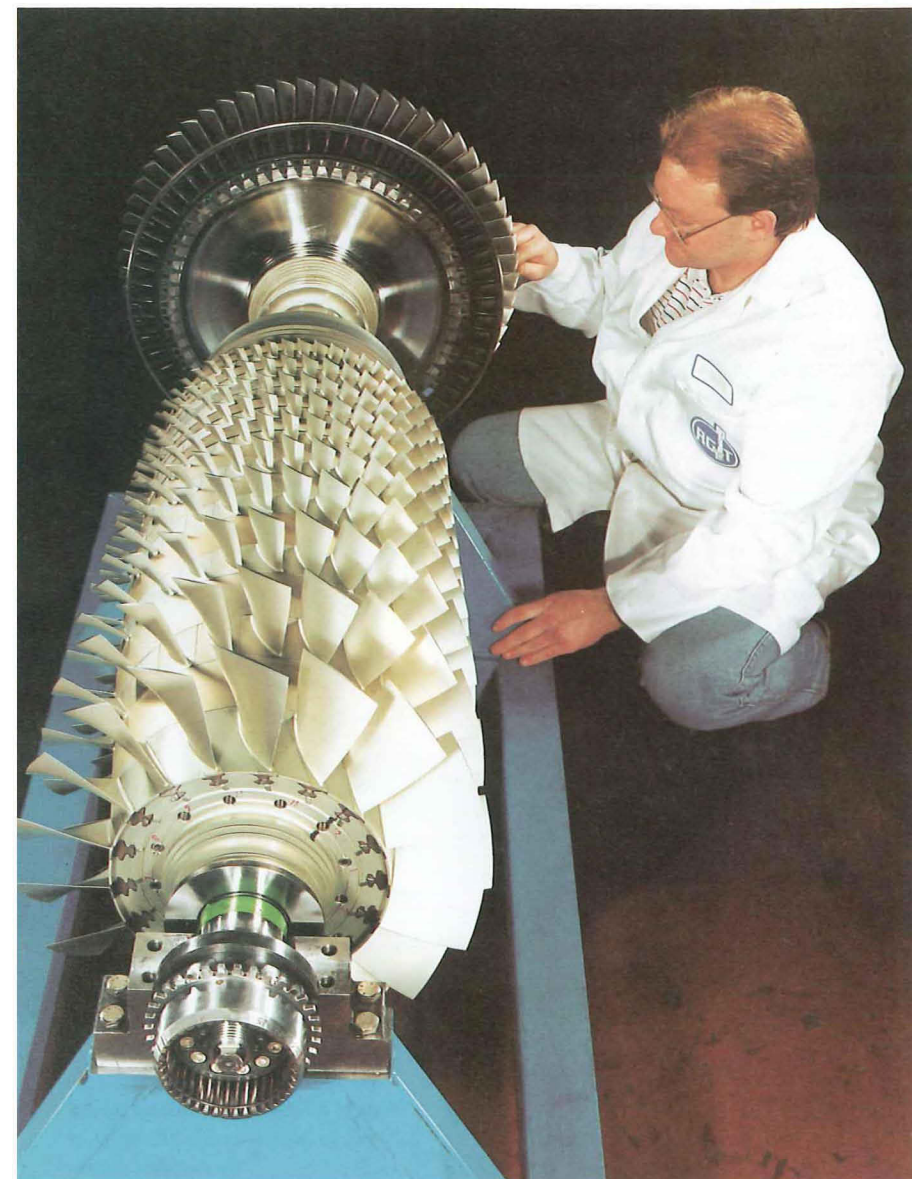
tems. Picker's new Centrix X-ray system offers a high-throughput, cost-effective radiographic system to clinics and physicians.

Amongst other new products, the company also introduced the SureView mammography system. In the United Kingdom, Picker initiated, developed and put into clinical trial the SureView mammography stand, the only British-designed and manufactured product available for the National Health Service breast cancer screening programme. In the ultrasound field, the company introduced the Artis 3200 product, which enables operators to choose from among four imaging technologies in one system. More new products will be introduced this year, primarily in the CT and MRI ranges.



This image, obtained on a Picker VISTA magnetic resonance imaging system, shows a 10mm slice through the skull clearly indicating a cystic brain tumour. The image was derived using magnetic resonance to obtain a signal from the tissues in the brain.

A patient being positioned in the Picker VISTA 2055HP high field magnetic resonance imaging and spectroscopy system.



The rotor assembly of the new Ruston 4MW Typhoon gas turbine. Advanced technology in the new ten stage wide-chord transonic compressor and in the supersonic two stage turbine achieves outstanding fuel efficiency.

This group's companies, led by GEC Turbine Generators, consolidated their position as Britain's leading suppliers of power generation equipment, and a major participant on the world scene. Sales were sustained at a high level, mainly for export, and orders showed a further advance. The strong revival of the U.K. market after many years of minimal business for the industry is a development of obvious importance to GEC. In June, 1988, the Central Electricity Generating Board awarded the company the contract for the coal-fired Fawley "B" turbine generators. The company thus won the first competitive orders for the turbine generators of a non-nuclear station since 1974, having already won the

order for the turbine generators for the first U.K. P.W.R. station at Sizewell.

GEC has started detailed design of the two 600MW turbine generators for the Sizewell station, and manufacture will start in the current year. The first 660MW unit supplied for the Torness nuclear power station in Scotland has been completed on schedule. Design and manufacture of the two 900MW turbine generators for Daya Bay, in China, continued during the year; the first deliveries to this site, for which GEC is supplying much other equipment, have been made.

Still in China, a complete coal-fired power station at Yue Yang in Hunan Province has been ordered from GEC, requiring initially two turbine generator units each of 360MW, the first to be delivered and commissioned only 34 months from the date of order. The year also included the commissioning of the third 677.5MW unit at Castle Peak B power station in Hong Kong, six months ahead of programme.

The company responded to the CEGB's invitation to carry out extensive design work on a 900MW turbine generator for a new generation of coal-fired power stations, and GEC developed a new low pressure cylinder whose final stage turbine blades are among the longest in the world for 3,000 rpm turbines.

In South Africa, deliveries have commenced for the first of six 660MW units for the Majuba power station and the fourth 600MW unit for the Tutuka power station has been commissioned. In India, a complete power station is being supplied at Korba for the Bharat Aluminium Company on a very short programme, and the first 500MW unit for the Rihand power station ran at the end of March.

The orders won by GEC Turbine Generators, which is now increasingly supplying complete power stations, result in substantial business for other Group companies involved in electricity generation.

GEC Energy Systems' sales and profits rose in the year, but order intake fell as available nuclear power station business declined, somewhat offset by the growing reprocessing and defence business. Successful completion of the active waste cementation plant at Dounreay should lead to further contracts for safe storage of nuclear waste.

GEC has gained an important position in providing on-site power to a wide range of industrial users, with considerable export success. Ruston Gas Turbines, which spearheads this drive in world markets, concluded two important agreements with General Electric of America during the year. The first extends current work on industrial power turbines, and brought to the United Kingdom a £50 million order, with sales starting in 1989. The second provides for participation in the development and manufacture of a new family of small aero engines. Over the next few years, £20 million will be spent on product and market development, with production starting in 1990.

The offshore market continues to provide major orders. The Tornado machine was ordered by Shell and BP for their Kittiwake and Gyda platforms in the North Sea, while Hydrocarbons Great Britain ordered two 32,000 hp compressor sets for the Morecambe Bay gas field. The two 23,000 kW generating sets for Shell's Tern platform, weighing 260 tonnes apiece, were the largest packages ever despatched from the Lincoln works, whilst British Gas took delivery of a 20,000 hp compressor set for Huntingdon.

The high level of demand took the



Works assembly of the stator for a standard large generator.

order book to a record total at the year-end. Sales were maintained at the previous year's level, but heavy investment in accelerated product and market development reduced profits. At Ruston Gas Turbines Inc., profits improved despite lower sales in adverse market conditions. Orders were won for cogeneration plants for the food-processing and chemical industries.

Diesel engines' successes included sales of the high-speed, lighter weight Paxman diesels into defence-related markets, mostly for the U.K. frigate and minehunter programmes, although a substantial follow-on order for the U.S. Coast Guard Service was another feature of a year in which Paxman's sales and profits recovered strongly. Profits also rose at Ruston Diesels as it improved its order book, especially in the Middle East. The Moteurs Baudouin business was sold. Markets for the work-boat and fishing boat engines supplied by Kelvin Diesels were thin for most of the year but Kelvin's order book finished the year strongly. The weak Canadian dollar contributed to a poor year for diesels in Canada. Napier Turbochargers saw sales and profits adversely affected by lower demand from most diesel engine makers and deferment of overseas projects.



One of four plug unit handling machines designed and built by GEC Energy Systems for use in advanced gas-cooled reactor power stations.

Rationalisation continued in this sector whilst new products and technologies were introduced. GEC Switchgear made a small profit after rationalisation costs. The two formerly separate transmission and distribution companies are now merged, enabling resources to be used more effectively in Manchester (distribution switchgear) and Stafford (high voltage transmission switchgear). Major investment in both locations will introduce advanced manufacturing technology to improve efficiency and reduce product lead times. U.K. demand for high voltage equipment remained flat, but overseas orders showed a marked increase and there was an encouraging upturn in demand for medium voltage distribution equipment.

Reorganisation at GEC Installation Equipment resulted in increased profits on slightly higher sales. The company is now in a good position to expand home and export sales and to benefit from an upturn in demand. The transfer of the distribution transformer operations of GEC Transformers from Broadstairs to Stafford was completed. Demand for traction transformers was strong in the wake of British Rail's electrification programme. Vacuum Interrupters suffered from exchange rate movements which reduced profits on broadly unchanged sales; a new range of lower cost interrupters was well received.

At Vynckier in Belgium, sustained investment in automated production and product development led to higher profits. The company acquired a controlling interest in the low voltage equipment division of Unelec Alstom of France, whose products (including air circuit breakers, moulded case circuit breakers and miniature circuit breakers) complement the Vynckier product range.

GEC Transmission and Distribution Projects has several innovative programmes under way. Orders were secured for equipment based on newly developed water-cooled thyristor technology, for a 150MW high voltage DC converter station for Alberta Power in Canada, and for a Static Var compensator in the United Kingdom, the first of several needed by the Central Electricity Generating Board to reinforce and improve control of its transmission network. Newly developed electronic products are also meeting the demanding needs of British Rail's InterCity network, and will replace equipment on other rolling stock.

Sales of DC power distribution systems

for traction made a major contribution to GEC Transmission and Distribution Projects' results, with a large order for the London Docklands Light Railway Extension and two for Hong Kong.

AEI Cables experienced higher sales in its Power Cables Division and for rubber and plastic cables, and profits improved. The Area Electricity Boards ordered more cable and distribution products, especially in the two months after the autumn storm in the South East of England. The Gravesend plant for optical fibre submarine cable was commissioned early in the year, and supplied a 45 km length cable to British Telecom for installation between Scotland and Northern Ireland. In better market conditions, major contracts for general wiring cables were won from the shipbuilding and offshore oil sectors.

GEC Traction is strongly placed in the competition for locomotive equipment orders associated with the Channel Tunnel. There will also be opportunities in connection with further investment to be made for the London Underground system and British Rail Network South East. Profits improved and order intake included repeats from British Rail, the Docklands Light Railway, the Seoul Metro and the Hong Kong Mass Transit Railway. An order from Italy resulted from collaboration with Ansaldo. With AC drive systems increasingly demanded for the world's railways, a large part of development spending will be applied to that technology. For DC chopper drives, the company applies gate turn-off thyristors and microprocessors.

Orders from the Hong Kong Mass Transit Railway and Ansaldo, together with the Kowloon Canton Railway, were won by GEC Transportation Projects. Orders doubled over the previous year, and sales increased. The first of 31 Class 91 high-speed locomotives for British Rail was completed on time, and the first Class 319 electric multiple units and Class 90 locomotives successfully entered service. The company will be seeking to supply the Channel Tunnel with both shuttle trains to operate across the fixed link and the very high-speed trains that will run between London, Paris and Brussels; it leads the consortium of U.K. companies that has formed joint ventures with French and Belgian partners to offer a single high-speed design.

Advanced new products brought in important overseas orders for GEC-General Signal; order intake doubled and profits



A GEC Class 91 "Electra" locomotive built for British Rail's InterCity service. The first of the 140-mile per hour locomotives is due to enter service between London and Leeds in October 1989.

increased. Demand is expanding for computerised signalling management and reporting systems on a turnkey basis. The company won major orders for Moscow, where the control centre will continuously manage movements of over 500 trains, and for Delhi, where 600 trains will be involved. Other orders came from Australia, Botswana, British Rail and the London Underground for fail-safe signalling systems employing the new solid state interlocking technology proven in service with British Rail.

At GEC Large Machines, profits and orders improved; sales remained static, with margins in the U.K. market depressed by surplus capacity. The units comprising the former GEC Small Machines have been regrouped in GEC Electromotors where profits and sales rose. Woods of Colchester introduced a new range of high temperature fans for fire and smoke spill applications. Sales and profits increased, export demand recovered and home orders advanced. The Express Lift Company's sales were static, and profits came under pressure as a consequence of substantial cost overruns, but orders in hand rose by 20 per cent, including orders from London's Docklands and major export successes in the Pacific Basin. At GEC Reinforced Plastics, sales were lower but order intake increased.

The Nightstor electric boiler business of GEC Engineering (Accrington) was expanded by the acquisition of Electricaire and their 160 model for large domestic and small commercial applications was introduced. The outlook for heating products and for sub-contract work is encouraging after a year when profits were better, with sales to the aerospace sector rising by 40 per cent and work for the nuclear industry contributing strongly to the order book.

Many of the U.K. activities in this sector are reflected in GEC's overseas companies. Despite the adverse effects of the severe drought, there were higher sales and profits in India at both GEC India and the English Electric India's Fusegear and Switchgear Division. New product introductions benefited the results in India and also had a favourable effect in GEC Australia, where the Industrial Product Division performed well despite reduced demand in some traditional product areas. At GEC New Zealand, a higher level of switchgear sales was accompanied by renewal of the product range, and progress was made with a new locally designed range of AC drives.



Hotpoint's styling and colour options are designed to meet today's consumer demands for co-ordinated kitchens.

Hotpoint achieved record sales and profits against strong competition from imports. Hotpoint now leads the U.K. market in washing machines, tumble dryers and dishwashers, in both volume and value. Hotpoint also leads in sales value, though not yet in units sold, in refrigerators.

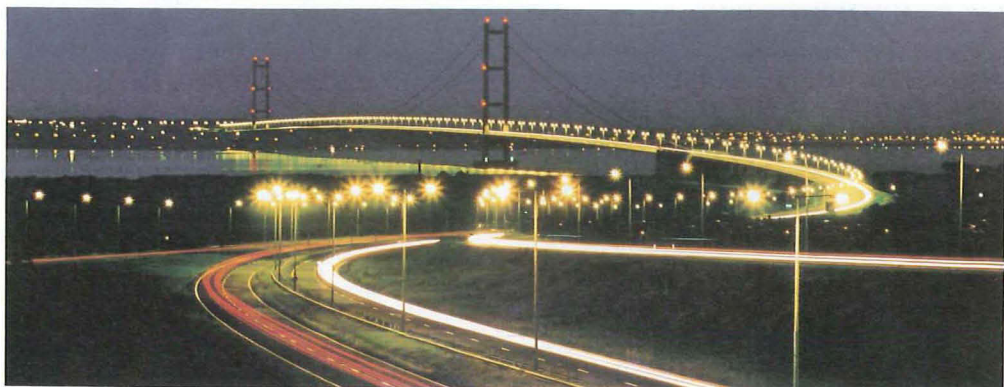
The company's strong market position extends across every product group. There was a 50 per cent increase in volume in built-in cooking devices. Dishwasher sales advanced by 60 per cent with the addition of new products, and output doubled in only six months from start-up at the Llandudno plant in North Wales. Exports rose by almost 50 per cent and are expected to show further expansion this year. Technological innovation has been a vital factor in the widening of Hotpoint's markets. During the year, a microprocessor-based tumble dryer was introduced to complement the award-winning Micro Profile washing machine.

Creda, acquired in June, 1987, recorded satisfactory results, with rising sales and profits. Major investment was put in hand to raise productivity and enhance capacity at the Blythe Bridge site. Over 40 new products

were launched during the year, including a range of small tumble dryers and washing machines, two washer dryers, major replacements of free-standing cookers, the first British microwave combination built-in oven (Circulaire), and a new induction ceramic hob. Sales of built-in cookers, tumble dryers and the new washer/dryer rose strongly, whilst demand for electrical heating products increased despite the mild winter. Volume growth of storage heaters and a further rise of market share in built-in cookers are expected in the current year.

Redring Electric's new products included towel rails, showers and Sunstore, a night storage heater for industrial and commercial users; larger, pressurised water heaters are among the introductions for the current year. Among new products from Cannon Industries, the inset 'Live Fire', with its coal effect, quickly became the leader in the market for high-efficiency decorative fires, whilst the Canterbury slide-in cooker and new versions of the successful Double Oven Deluxe won increased market share. GEC-Xpelair introduced a remote humidity sensor and an infra-red hand-held fan controller. Sales and profits of Redring, Cannon and GEC-Xpelair all rose with buoyant consumer spending. The telephone sales activity of GEC (Radio and Television) has now been transferred to GPT.

Reorganisation and reduction in manufacturing costs were the keys to progress in lighting, where OSRAM-GEC is jointly owned with OSRAM GmbH of Germany. The partnership continues to develop with the exchange of products and technology; sales have responded in most areas, notably in street lighting. Profits were marginally lower than the previous year's level due to the high cost of reorganization, but reductions in manufacturing costs and new capital investment will enhance prospects.



The Humber Bridge has the largest single span of any bridge in the world. GEC (Street Lighting) has relit the bridge with 198 new, highly efficient lanterns, resulting in improved lighting levels and much reduced running costs.



OSRAM-GEC's new Opus EL lamp. Picture reveals the control mechanism of this new fluorescent lamp which can be used to replace a tungsten lamp without the need for a special fitting. The new lamp uses less electricity and lasts longer than today's popular electric light bulbs.

Walsall Conduits again achieved record sales and profits, taking advantage of a buoyant U.K. building and construction industry. Three additional branches are planned for this year, bringing the total branch coverage in the United Kingdom to forty-six. GEC Distributors (Ireland) also achieved record sales and profits with high sales of Hotpoint domestic appliances the dominant feature.

In the United States, English Electric Corporation has been reorganized and some activities are being separated to be more closely aligned with the main product groups.

GEC Australia's Lighting and Wholesale Division performed well and is being expanded. Investment has been made to improve efficiency in lighting equipment manufacturing and further to upgrade product quality.

GEC New Zealand's Wholesale and Building Services Divisions benefited from a buoyant commercial building sector, which helped to counter otherwise depressed demand.

GEC Bangladesh maintained sales and profits despite difficult conditions.

GEC Canada made a loss, with the weak Canadian dollar badly affecting the landed cost of U.K. imports. By the end of the year, order intake improved, benefiting particularly from a large contract from Alberta for a water-cooled, back-to-back DC transmission link.

GEC Hong Kong managed a marginal improvement in performance. The order book is good, with contracts for some 70 per cent of the electrical and mechanical package for the new Eastern Harbour Crossing Tunnel.

GEC Singapore's better results reflected the improved state of the economy. The outlook remains positive. GEC Zambia and GEC Zimbabwe's profits increased, despite the continuing severe shortage of foreign exchange.



Creda's new "living" electric fire. The elements are protected by ceramic panels which also promote the more efficient distribution of heat.

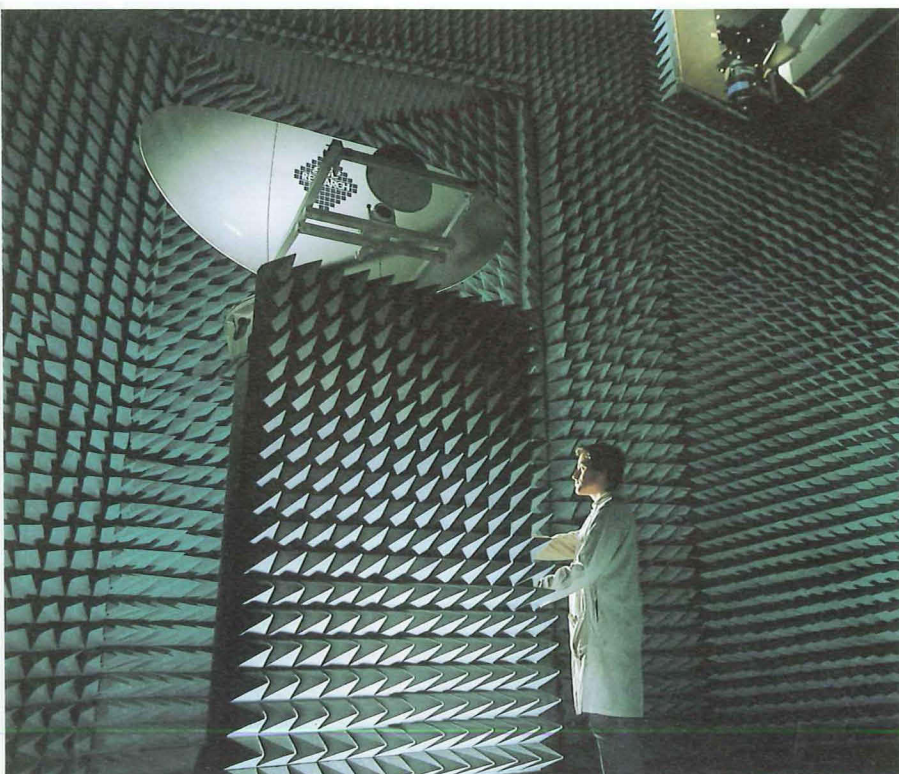
The Group's research laboratories continued to provide GEC companies with access to a range of new technologies. Total spending on research and development across the Group was £670 million.

An area of future strategic importance to the Group, where work was undertaken during the year, is "warm" superconductors. Superconductivity offers exciting technological and commercial possibilities for many applications in electronics and electrical engineering.

Field emission is another strategic area in which work started during the year. Better understanding of the underlying surface physics has coincided with the availability of semiconductor process technology able to create very small feature sizes down to one micron. The programme is intended both to improve the performance of current devices and to yield novel "micro valves," which will enable electronic systems to function in harsher environments.

Targeted exploitation of research encompassed both liquid crystal displays (LCDs) in which clarity, angle of view and resolution are much improved, and void-free composite insulation, used to create high-

A new antenna test chamber at the GEC-Marconi Research Centre, Chelmsford. The facility allows large antennae to be tested, irrespective of the weather, with accurate and consistent results.



performance structural tension members in solid state converters for HVDC equipment. Other projects which made good progress in 1987/88 include analogue integrated circuits for implementation in both silicon and gallium arsenide technology; integrated optics devices, which are being evaluated in areas such as radar signal processing; optical switching and routing for telecommunications; and bogie dynamics, which have been simulated and analysed for the British Rail Class 91 locomotives through more sophisticated design software.

The laboratories are currently researching into the analysis, synthesis and use of a wide variety of materials used in GEC products. Particular emphasis is being placed on semiconductor material and device physics on III-V and II-VI compounds, and the new device concepts emerging from the study of super lattices, in which materials are grown atomic layer by atomic layer. Liquid crystal materials are being studied for display applications, and in optical data storage and switching. Work is being carried out on non-linear optics materials, computer-generated holograms and electro-optic devices.

Systems research undertaken by the laboratories continues to support defence, space and commercial projects, with applications in telecommunications, radio, radar, satellite-based remote sensing and underwater activities. Work was also undertaken in computer science and software engineering in support of electronic, electrical, thermal, mechanical and optical design, in artificial intelligence, and in the area of man-machine interface, which covers the study of perception, speech processing and computer vision.

The National Nuclear Corporation (NNC) continues to support the Central Electricity Generating Board in the design, safety and procurement activities for the first U.K. pressurised water reactor being built at Sizewell. NNC is also, in association with Westinghouse of the United States, assisting in the provision of nuclear island components. The commissioning programme for the Heysham 2 and Torness advanced gas-cooled reactors is proceeding. The first reactor at Torness started up in March, 1988 and generating power was synchronised to the grid in June, 1988. Heysham 2 is due to supply the grid during the summer, with the second reactors at both stations raising power later in the year.

Avery India increased orders and sales and more than doubled sales of electronic weighing equipment produced at its new factory in Faridabad. The first weighing-in-motion system was successfully installed and commissioned. Production of the Avery A100 electronic range of retail scales started during the year. The joint company formed with Schenck of Germany in 1986 to manufacture dynamic balancing machines and vibration monitoring equipment completed its first year, and the first indigenously manufactured wheel balancing machines were well received. Prospects are generally good.

Maatschappij Van Berkel's Patent NV (Berkel), a Dutch public company, became an associated company of GEC in July, 1987 when GEC acquired a 30.6 per cent shareholding, with an option to purchase a majority. Berkel has subsidiary operating companies in Europe, North and Central America, Australia, South Africa and the United Kingdom, and sells and services retail and industrial weighing equipment and slicing machines. Following GEC's participation, Berkel ceased manufacture and research and development as part of a restructuring plan. The weighing products are to be supplied by Avery under an exclusive contract. Berkel traded at a loss during the year, but is forecasting improved results in 1988/89 as the benefits of the reorganisation are realised, and as new products and technology from Avery are introduced.

Cable Makers Australia produced good results in its mainstream cables activity, but was adversely affected by depressed consumer demand for foam bedding products.



The first 660MW turbine generator installed in the Torness power station in Scotland. It began to generate electricity this year.

GEC South Africa improved on last year's performance, but the results were still seriously depressed by problems in manufacturing traction equipment. Corrective steps are being taken in the distribution transformer division and the rest of the business is producing better results. The company's subsidiary ATC and its associate, Telephone Manufacturers of South Africa, both suffered the effects of a cut-back in orders from the South African Post Office for telephone cable and main exchange equipment. ATC was able to increase sales to other customers; Telephone Manufacturers achieved higher sales of telephone hand sets, and cut costs.

GEC Malaysia had a poor year. Improvement in the national economy and cost reductions achieved by the company give hope of better prospects.

PROFITS AND DIVIDENDS

1. The profit of the year on ordinary activities after taxation and minority interests amounted to £450.8 million, and after extraordinary items, to £444.9 million.

The directors recommend a final dividend of 4.7p per Ordinary Share which, together with the interim dividend of 1.8p already paid, makes a total of 6.5p per Ordinary Share (1987 5.3p) for the year, at a cost of £173.4 million. Subject to the approval of the Annual General Meeting, the final dividend will be paid on 1st October, 1988 to the shareholders registered at the close of business on 11th August, 1988.

The retained profit of £271.5 million is carried to reserves.

REVIEW OF THE GROUP

2. An analysis of turnover and profit of the Company and its subsidiaries is shown on pages 28 and 29. A commentary on the activities of the Group is given on pages 3 to 21, including information on research and development on page 20.

The Company and its subsidiaries are principally engaged in the manufacture of electronic, electrical and power generation apparatus and systems.

Sales to customers outside the Group amounted to £5,553 million and the order book at the year end was £5,912 million. Turnover, including intra-group sales, amounted to £5,915 million of which 45 per cent was to customers outside the United Kingdom. Exports from the United Kingdom amounted to £1,232 million.

Profits from trading rose by 14 per cent over the previous year, of which 6 per cent was attributable to acquisitions. Notably better results were returned by GEC Avionics, Marconi Communication, Defence and Space Systems, the Switching and Private System divisions of Telecommunications, Turbine Generators, Paxman Diesels, Large Machines, Vynckier and Hotpoint, but there were less satisfactory results from Marconi Radar, the Telephone division of Telecommunications, Electrical Projects, Industrial Controls, Mechanical Handling, and Express Lift. Canadian Marconi was adversely affected by a seven-week strike.

At rates of exchange current at 31st March, 1987, profits before tax for the year ended 31st March, 1988 would have been higher by £22 million, turnover by £250 million, and orders out-

standing by £147 million.

£490 million spent on acquisitions during the year, and lower interest rates, accounted for the reduction in income receivable from loans, deposits and investments.

The incidence of company sponsored research and development amounted to £20 million more than in the previous year.

STRUCTURE OF THE GROUP

3. Changes in the structure of the Group during the year ended 31st March, 1988, other than those reported last year or of a minor nature, were as follows:

Acquisitions

- (a) in August, 1987 the Company's United States subsidiary holding company, GEC Inc., acquired Gilbarco Inc., a leading U.S. manufacturer and supplier of fuel dispensing equipment and related products and services for the motor vehicle fuel retailing industry;
- (b) in September, 1987 GEC Inc. acquired Lear Astronics Corp. and Developmental Sciences Corp., leading U.S. companies in the design, development and manufacture of advanced flight control systems and of remotely piloted vehicles;
- (c) in January, 1988 Vynckier NV, Belgium, acquired a controlling interest in GEC-Unelec S.A., which manufactures low voltage electrical equipment;
- (d) in January, 1988 the Company acquired a 40 per cent equity interest in The Summit Group, plc, a property and financial services company; and
- (e) in March, 1988 The Marconi Company Ltd. acquired UDI Group Ltd. which makes sonar equipment and provides underwater television and communications, trenching, cable laying and survey services.

Disposals

- (a) in December, 1987 Société des Moteurs Baudouin SA, France was sold;
- (b) in February, 1988 Norsk Marconi A/S was sold; and
- (c) the businesses carried on by The M-O Valve Company Ltd. were sold, closed or transferred within the GEC Group.

Merger

in March, 1988 the greater part of the Company's telecommunications interests were merged with those of The Plessey Company plc in an equally owned joint company, GEC Plessey Telecommunications Holdings Ltd.

Since 31st March, 1988 there have been the following changes in the structure of the Group:

- (a) the acquisition from The Rank Organisation plc in April, 1988 of the military sighting and thermal imaging businesses of Rank Pullin Controls and Rank Taylor Hobson; and
- (b) the acquisition in May, 1988 by Videojet Systems International, Inc. of the Cheshire Division of Xerox Corporation, a U.S. manufacturer of office products such as address-card listers, labellers, folder inserters and document binding machines.

In February, 1988 the negotiations referred to in last year's Report with N.V. Philips' Gloeilampenfabrieken to merge the companies' respective medical systems activities were terminated.

CHARITABLE AND POLITICAL DONATIONS

4. Charitable donations in the United Kingdom amounted to £264,632. A donation of £50,000 was made to the Conservative Party.

EMPLOYEES

5. Managers of operating units are encouraged to keep employees informed about their own businesses as well as the GEC Group as a whole. They are also required to ensure that employees are involved with problem-solving and to give opportunities to employees to participate in their unit's activities. To this end, video techniques, briefing sessions, and joint consultative councils play an important part. "Topic", the GEC newspaper, is circulated throughout the Group and many units have their own house journals.

At national level, the Company management meets recognised Trades Unions through the National Joint Consultative Council.

Much attention is devoted in GEC to training and continuing education. During the year, GEC Avery received the Manpower Services Commission's National Training Award with a special patron's award. Circulation of "GEC Training News" disseminates helpful training advice throughout the Company. During the year, GEC has provided training for some 52,000 UK employees, including 3,700 graduates and student apprentices, 3,500 craft and technician apprentices and 2,300 employees in Youth Training Schemes. The Company has also provided places for a further 1,680 young people with work experience. The national shortage of certain technical skills continues to be a matter of concern. The Company is strongly supportive of all effective measures to increase opportu-

nities for young people to qualify in mathematics, physics and technology oriented subjects.

More than 19,000 employees participate in the Company's Savings-Related Share Option Scheme and nearly 14,000 in the Managers' Share Option Schemes.

Improvements have been made recently to the Company's pension plan, taking account of amendments in legislation; a video cassette and descriptive literature have been published to make employees aware of the choices available to them.

The Company's policy is to give all employees equal opportunities to develop their talents irrespective of race, colour or sex. The Company seeks to encourage employees to develop the aspects of creativity and satisfaction in their careers, as well as to enhance the quality of performance at work. Jobs are provided for disabled people as 22 "Fit for Work" awards demonstrate. The Company runs an entirely confidential alcoholism prevention service for its employees. Health and Safety standards are constantly reviewed, and every effort is made to ensure best practice throughout the Group, in line with contemporary knowledge and available expertise.

A copy of the Company's report to the Department of Trade and Industry concerning its employees in South Africa is available on request from the Company Secretary.

DIRECTORS

6. The present members of the Board are shown on page 41.

Lord Nelson retired from the Board at the conclusion of the last Annual General Meeting, and Messrs. J. E. Pateman, P-A. Weiller and R. G. Reynolds (following his appointment as Managing Director of GEC Plessey Telecommunications Ltd.) retired from the Board on 12th April, 1988.

Dr. I. G. MacBean and the Hon. Simon Weinstock were appointed to the Board on 30th December, 1987, and Prof. E. T. Hall and Mr. F. Ross Johnson on 12th April, 1988.

Dr. I. G. MacBean joined the Company in 1956 as a development engineer, and held various senior technical and general management positions in the Marconi Group until his appointment as Managing Director of The Marconi Company Ltd. in 1985. He is now Supervisory Managing Director of the GEC-Marconi group. The Hon. Simon Weinstock joined the Company in 1983 as Commercial Manager, having

previously been nine years in management posts in S. G. Warburg & Co. Ltd. As Commercial Manager and subsequently an Associate Director of the Company he has been involved in acquisitions, joint ventures, investments and special projects, and is also responsible for the operation of a group of GEC units. Prof. E. T. Hall, a fellow of Worcester College, Oxford, has been Director of a specialised Research Laboratory at Oxford University since 1954. He holds or has held public positions of responsibility in the worlds of art and science. Prof. Hall was awarded the CBE in the Queen's Birthday Honours List. Mr. F. Ross Johnson is President and Chief Executive Officer, Chairman of the Executive Committee and Director of RJR Nabisco, Inc., and a director of American Express Company, Power Corporation of Canada and other companies.

Dr. I. G. MacBean, Hon. Simon Weinstock, Prof. E. T. Hall and Mr. F. Ross Johnson, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

Lord Prior, Mr. R. H. Grierson, Mr. D. Powell and Mr. A. J. Rogers retire by rotation and, being eligible, offer themselves for re-election.

Lord Prior was appointed a director and Chairman of the Company following the Annual General Meeting in September, 1984. He was a Member of Parliament from 1959 until 1987, and had a distinguished career in politics, having served in Government as Minister for Agriculture, Fisheries and Food, Lord President of the Council and Leader of The House of Commons, Secretary of State for Employment and Secretary of State for Northern Ireland. He is a director of Barclays Bank PLC, United Biscuits (Holdings) PLC and J. Sainsbury PLC. Mr. R. H. Grierson is a former director of S. G. Warburg & Co. Ltd., and now serves as a director on the boards of Chrysler Corporation, RJR Nabisco, W.R. Grace and other public companies. He is a non-executive director of the Company and was first appointed to the Board as Vice Chairman in 1968. He retired in 1973 on taking up the appointment of Director General for Industry and Technology in the Commission of the European Communities, rejoining the Board in 1974. Mr. Grierson was re-appointed Vice Chairman of the Company in 1983. Mr. D. Powell joined the Company in 1963 and has been a member of the Board since 1978. He is now Chairman and Chief Executive Officer of A. B. Dick Company and also supervises certain of the Company's other activities in the United States. Mr. A. J. Rogers, the Finance Director, is a chartered accountant, and has held various financial posi-

tions within the Group since 1963. He joined the headquarters staff in 1973 and became Group Comptroller; he was appointed to the Board in 1985.

In addition to Mr. R. H. Grierson, Prof. E. T. Hall and Mr. F. Ross Johnson, the other non-executive directors of the Company are Lord Catto, Mr. S. Z. de Ferranti and Sir William Rees-Mogg. Lord Catto, a member of the Board since 1959, has been a merchant banker with Morgan Grenfell since 1948, and is now President of Morgan Grenfell Group plc. He is also Chairman of Yule Catto & Co. plc and the UK branch of the Australian Mutual Provident Society. He is a director of News Corporation Ltd., News International plc, and Times Newspaper Holdings Ltd. Mr. S. Z. de Ferranti has been a director of the Company since 1982 having previously been the Chairman and Managing Director of Ferranti plc. Sir William Rees-Mogg, a director of the Company since 1981, has had important responsibilities in public affairs, broadcasting and investment; a former editor of The Times and former Vice Chairman of the Board of Governors of the BBC, he is Chairman of the Broadcasting Standards Council and Chairman of the Arts Council, and a director of a number of companies. Sir William was named a life peer in the Queen's Birthday Honours List.

Mr. D. H. Roberts relinquished the title of Joint Deputy Managing Director (Technical) in June, 1988 following the announcement of his impending appointment as Provost of University College, London, with effect from April, 1989; Mr. Roberts will remain as a director of the Company.

None of the directors is or was materially interested in any contract of significance in relation to the Company's business subsisting during or at the end of the year.

The directors' interests in the shares and debentures of the Company and its subsidiaries are shown in Note 18 to the Accounts.

SUBSTANTIAL HOLDERS OF SHARE CAPITAL

7. The Prudential Corporation p.l.c. has notified the Company that the Prudential Corporation Group are holders of 190,367,587 Ordinary Shares of 5p each in the Company, being approximately 7.14 per cent of the issued share capital as at 31st March, 1988. So far as the directors are aware, no other person holds a substantial part of the issued share capital of the Company.

CLOSE COMPANY PROVISIONS

8. The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company.

SHARE OPTION SCHEMES

9. In February, 1988 further options were granted under the GEC Employee Savings-Related Share Option Scheme to 7,187 employees in respect of 10,437,360 Ordinary Shares of 5p each at a subscription price of 150p per share, and under the GEC Managers' 1984 Option Scheme to 3,868 managers in respect of 7,414,425 Ordinary Shares of 5p each at a subscription price of 158p per share. Details of the options outstanding at 31st March, 1988 are given in Note 18 to the Accounts on Page 37.

AUTHORITY FOR COMPANY TO PURCHASE ITS OWN SHARES

10. At the last Annual General Meeting, shareholders replaced the Company's previous authority with a new authority to make market purchases on The Stock Exchange of up to an aggregate of 250 million Ordinary Shares of 5p each at not more than 350p and not less than 5p per share, and this new authority expires on 3rd March, 1989.

Under previous authorities the Company had purchased 79,604,067 of its shares in the two years ended 31st March, 1986, representing approximately 3 per cent of the Company's issued share capital; no further purchases have been made during the two years ended 31st March, 1988.

The directors consider that further purchases by the Company of its Ordinary Shares for cancellation may be advantageous to shareholders through the resultant increased earnings per share. Accordingly, they believe that the existing authority should be renewed and extended for a period of 18 months from the date of the forthcoming Annual General Meeting. In order to increase the potential benefit to shareholders it is proposed that the authority be varied so as to permit the acquisition of up to 400 million Ordinary Shares of 5p each (representing approximately 14.9 per cent of the Company's issued share capital) in place of the 250 million previously authorised. Accordingly, Resolution Number 12 in the Notice of Meeting will be proposed at the forthcoming Annual General Meeting.

AUTHORITY TO ALLOT SHARES

11. At the 1986 Annual General Meeting, shareholders gave the directors general authority

under section 80 of the Companies Act 1985 to allot shares in the Company to the extent of the unissued share capital of the Company. That authority does not expire until 1991.

The power given to directors at the last Annual General Meeting to allot shares for cash otherwise than in accordance with statutory pre-emption rights expires on the date of the forthcoming Annual General Meeting. Since circumstances could arise in which it would be in the best interests of the Company to issue shares for cash otherwise than to existing shareholders, the directors will seek at the forthcoming Annual General Meeting under Resolution Number 13, set out in the Notice of the Meeting, power for one year to allot shares for cash otherwise than in accordance with statutory pre-emption rights, either by way of rights issues up to the whole amount of the unissued share capital of the Company, or otherwise up to an aggregate nominal amount of £3,325,000, which is equivalent to 2.5 per cent of the present issued share capital of the Company.

There is no present intention of making such an issue. The circumstances in which the power might be used include the raising of funds in international markets, the financing of acquisitions, or the obtaining of listings on Stock Exchanges outside the United Kingdom.

ARTICLES OF ASSOCIATION

12. Article 84 of the Company's Articles of Association provides that directors are entitled to receive aggregate fees at a rate not exceeding £50,000 per annum or such higher rate as the Company by Ordinary Resolution may from time to time determine; under Article 85 directors may be paid remuneration for services outside the scope of the ordinary duties of a director. Executive directors do not receive fees. The Company now has six non-executive directors, and it is proposed that the limitation in the aggregate of £50,000 be raised to £100,000. To effect this change Resolution number 14 in the Notice of Meeting will be proposed at the Annual General Meeting.

By Order of the Board
The General Electric Company, p.l.c.
J.H. Chaplin, Secretary
1 Stanhope Gate, London W1A 1EH
29th June, 1988.

FOR THE YEAR ENDED 31ST MARCH, 1988

	Note	1988 £ million	1987 £ million
Turnover			
Sales to customers outside the Group		5,553	5,247
Intra-Group sales		362	384
Share of sales of associated companies		263	308
Total Turnover	1	6,178	5,939
Profit on ordinary activities before taxation	1 & 2	708.0	668.4
Taxation on profit on ordinary activities	3	247.1	235.9
Profit on ordinary activities after taxation		460.9	432.5
Minority interests	4	10.1	12.2
Profit on ordinary activities attributable to the shareholders		450.8	420.3
Extraordinary items	5	5.9Dr	14.7Cr
Profit for the financial year		444.9	435.0
Dividends	6	173.4	141.3
Retained profit for the financial year		271.5	293.7
Earnings per share	7	16.9p	15.8p
Movement on profit and loss account reserve			
At 1st April		2,748.0	2,467.6
Retained profit for the financial year		271.5	293.7
Goodwill arising on acquisitions	18	357.2Dr	.9Dr
Exchange differences on translation of net assets at 1st April		96.8Dr	12.4Dr
		2,565.5	2,748.0

See note 18 for movement on other Reserves

31ST MARCH, 1988

	Note	GROUP		COMPANY	
		1988 £ million	1987 £ million	1988 £ million	1987 £ million
Fixed Assets					
Tangible assets	8	824.6	828.1	60.0	121.3
Investments - shares in Group companies	9			926.9	816.1
- other	10	415.2	109.1	375.9	9.6
		1,239.8	937.2	1,362.8	947.0
Current Assets					
Stocks and contracts in progress	11	1,251.7	1,335.2	45.7	139.0
Debtors	12	1,348.4	1,433.6	517.3	394.4
Investments	13	392.3	403.3	105.3	143.2
Cash		1,122.8	1,414.4	671.9	777.1
		4,115.2	4,586.5	1,340.2	1,453.7
Current Liabilities: amounts falling due within one year					
Debenture loans	14	3.2	3.0	.7	.7
Creditors	15	1,950.7	1,832.8	1,324.2	1,075.1
Net Current Assets		2,161.3	2,750.7	15.3	377.9
Total Assets less Current Liabilities		3,401.1	3,687.9	1,378.1	1,324.9
Liabilities: amounts falling due after one year					
Debenture loans	14	48.2	44.1	10.2	6.3
Creditors	15	147.1	207.7	-	-
Provisions for liabilities and charges	16	409.6	453.7	68.1	77.8
		2,796.2	2,982.4	1,299.8	1,240.8
Capital and Reserves					
Called up share capital		133.4	133.3	133.4	133.3
Capital redemption reserve		4.0	4.0	4.0	4.0
Share premium account		12.3	9.3	12.3	9.3
Profit and loss account		2,565.5	2,748.0	1,150.1	1,094.2
Shareholders' interest	18	2,715.2	2,894.6	1,299.8	1,240.8
Minority interests		81.0	87.8		
		2,796.2	2,982.4	1,299.8	1,240.8

Approved by the Board of Directors on 29th June, 1988.

PRIOR
WEINSTOCK | Directors

1. Principal activities, profit contributions and markets

Employees	
1988	1987
thousands	thousands
55	58
19	20
17	16
6	6
13	13
27	28
13	10
4	4
3	5
157	160

ANALYSIS OF RESULTS BY CLASSES OF BUSINESS

	Profit		Turnover	
	1988 £ million	1987 £ million	1988 £ million	1987 £ million
Electronic Systems and Components	209.1	174.1 *	2,137	1,996
Telecommunications and Business Systems	102.1	95.4	732	762
Automation and Control	45.7	45.4	551	461
Medical Equipment	20.7	26.0	367	398
Power Generation	56.3	50.3	524	569
Electrical Equipment	58.3	49.5	734	718
Consumer Products	60.2	34.6	582	387
Distribution and Trading	11.9	12.4	192	202
Other activities	3.6Dr	4.1	96	138
	560.7	491.8 *	5,915	5,631
Income receivable, less interest payable, from loans, deposits and investments	132.0	162.5		
Associated Companies	15.3	14.1	263	308
	708.0	668.4	6,178	5,939

Note

*After deduction of costs of £24 million in connection with the Mission Systems Avionics for the AEW Nimrod aircraft, treated as an exceptional item.

ANALYSIS OF TURNOVER BY CLASSES OF BUSINESS

	To customers in the United Kingdom		To customers Overseas		Exports from the United Kingdom	
	1988 £ million	1987 £ million	1988 £ million	1987 £ million	1988 £ million	1987 £ million
Electronic Systems and Components	1,228	1,139	909	857	572	530
Telecommunications and Business Systems	466	489	266	273	41	38
Automation and Control	267	251	284	210	119	130
Medical Equipment	18	17	349	381	24	18
Power Generation	210	165	314	404	301	376
Electrical Equipment	397	360	337	358	129	157
Consumer Products	543	363	39	24	39	24
Distribution and Trading	71	64	121	138	1	1
Other activities	71	86	25	52	6	17
	3,271	2,934	2,644	2,697	1,232	1,291

ANALYSIS OF TURNOVER BY TERRITORY OF DESTINATION

	1988		1987	
	£ million	£ million	£ million	£ million
United Kingdom	3,271	2,934		
Europe	734	654	356	317
The Americas	941	914	257	230
Australasia	249	222	47	42
Asia	550	722	417	538
Africa	170	185	155	164
	5,915	5,631	1,232	1,291

ANALYSIS OF PROFIT AND TURNOVER BY TERRITORY OF ORIGIN

	Profit		Turnover	
	1988 £ million	1987 £ million	1988 £ million	1987 £ million
United Kingdom	426.9	364.2	4,449	4,176
Europe	51.4	47.7	398	392
The Americas	55.9	56.7	758	757
Australasia	13.8	10.3	191	174
Asia	10.0	10.4	109	122
Africa	2.7	2.5	10	10
	560.7	491.8	5,915	5,631

1. Principal activities, profit contributions and markets

Continued

2. Profit on ordinary activities before taxation

	1988 £ million	1987 £ million
Sales to customers outside the Group	5,552.5	5,247.3
Own work capitalised	28.5	27.3
Other operating income	41.1	36.4
	<u>5,622.1</u>	<u>5,311.0</u>
Decrease/Increase in stocks of finished goods and work in progress	43.4	164.9Cr
Raw materials and consumables	2,002.9	2,068.6
Staff costs (note 19)	1,846.3	1,768.3
Depreciation	219.5	213.0
Cost of hire of plant	20.9	21.3
Auditors' remuneration	3.8	3.5
Other external and operating charges	924.6	909.4
	<u>5,061.4</u>	<u>4,819.2</u>
Profit from Group operations (note 1)	560.7	491.8
Share of profits less losses of associated companies*	15.3	14.1
Income from other fixed asset investments (£628,000 from unlisted investments, 1987 £973,000)	3.9	1.5
Income receivable from current asset investments and cash		
Loans and deposits	111.6	131.3
Investments (£3.4 million from unlisted investments, 1987 £5.8 million)	28.6	34.1
Finance leases	7.8	10.4
	<u>148.0</u>	<u>175.8</u>
Interest payable on:		
Bank overdrafts	16.3	11.1
Loan capital wholly repayable within 5 years	2.2	2.3
Loan capital wholly or partly repayable after 5 years	1.4	1.4
	<u>128.1</u>	<u>161.0</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	<u>708.0</u>	<u>668.4</u>
<i>Note</i>		
*Share of profits less losses of associated companies:		
Attributable to the Group's interest	15.3	14.1
Less taxation	6.1	6.1
	<u>9.2</u>	<u>8.0</u>
Extraordinary items, less taxation	.6Dr	6.6Cr
	<u>8.6</u>	<u>14.6</u>
Paid in dividends (£260,000 from listed companies, 1987 £406,000)	3.8	3.8
Retained by associated companies	4.8	10.8

United Kingdom taxation

	1988 £ million	1987 £ million
Corporation tax 35% (1987 35%)	221.4	197.3
Double taxation relief	5.9Cr	9.3Cr
Over provisions of previous years	1.4Cr	.2Cr
Deferred taxation	30.0Cr	23.1Cr
Associated companies	1.9	1.2
	<u>186.0</u>	<u>165.9</u>
Overseas taxation		
Current	58.0	64.6
Under/over provisions of previous years	1.6	3.2Cr
Deferred taxation	2.7Cr	3.7
Associated companies	4.2	4.9
	<u>61.1</u>	<u>70.0</u>
	<u>247.1</u>	<u>235.9</u>

Represents the share of the profits less losses on ordinary activities after taxation attributable to the interests of shareholders in subsidiaries which are not wholly owned by the Company or its subsidiaries.

	1988 £ million	1987 £ million
Fixed asset investment deficits/surpluses	6.0Dr	3.8Cr
Profits less losses on sale of land and buildings	—	11.8Cr
Surpluses on redemption of loan capital	.1Cr	.2Cr
	<u>5.9Dr</u>	<u>15.8Cr</u>
Less taxation	—	1.1Dr
	<u>5.9Dr</u>	<u>14.7Cr</u>

	1988 £ million	1987 £ million
Interim 1.8p per share (1987 1.5p)	48.0	40.0
Final proposed 4.7p per share (1987 3.8p)	125.4	101.3
	<u>173.4</u>	<u>141.3</u>

Calculated by reference to a weighted average of 2,667,780,968 ordinary shares (1987 2,666,430,170 ordinary shares) in issue during the year and on earnings of £450.8 million (1987 £420.3 million).

3. Taxation on profit on ordinary activities

4. Minority interests

5. Extraordinary items

6. Dividends

7. Earnings per share

8. Tangible fixed assets

	Freehold property £ million	Leasehold Long £ million	Leasehold Short £ million	Plant and machinery £ million	Fixtures, fittings, tools and equipment £ million	Payments on account and assets under construction £ million	Total £ million
GROUP							
Cost at 1st April, 1987	306.4	43.0	14.1	1,043.9	387.4	36.9	1,831.7
Exchange rate adjustment	14.9	.1	1.4	19.9	14.5	.8	51.6
Additions at cost	17.7	5.7	3.6	148.3	97.5	Net 5.8	278.6
Additions from acquisitions	37.5	3.0	.5	23.7	17.0	3.5	85.2
Disposals at cost	9.0	-	.1	41.3	49.7	.5	100.6
Transferred to an associated company	17.9	2.0	.1	156.6	37.6	11.5	225.7
Cost at 31st March, 1988	319.8	49.6	16.6	998.1	400.1	33.4	1,817.6
Depreciation at 1st April, 1987	100.9	12.6	7.5	665.4	217.2		1,003.6
Exchange rate adjustment	4.0	-	.8	12.7	8.9		26.4
Charged to profit and loss account	12.0	1.8	1.0	127.1	77.6		219.5
On disposals	2.1	-	-	34.8	44.5		81.4
Transferred to an associated company	4.9	1.4	.1	100.8	15.1		122.3
Depreciation at 31st March, 1988	101.9	13.0	7.6	644.2	226.3		993.0
Net book value at 31st March, 1988	217.9	36.6	9.0	353.9	173.8	33.4	824.6
Net book value at 31st March, 1987	205.5	30.4	6.6	378.5	170.2	36.9	828.1
COMPANY							
Cost at 1st April, 1987	25.4	.5	.1	146.7	46.2	16.5	235.4
Additions at cost	3.9	.9	-	22.2	9.5	Net 9.8	26.7
Disposals at cost	1.8	-	-	11.5	5.5	1.3	20.1
Transferred to an associated company	12.7	.1	-	78.1	23.1	2.4	116.4
Cost at 31st March, 1988	14.8	1.3	.1	79.3	27.1	3.0	125.6
Depreciation at 1st April, 1987	6.4	.1	.1	88.4	19.1		114.1
Charged to profit and loss account	.7	-	-	19.7	7.6		28.0
On disposals	.2	-	-	5.6	3.5		9.3
Transferred to an associated company	3.3	-	-	53.5	10.4		67.2
Depreciation at 31st March, 1988	3.6	.1	.1	49.0	12.8		65.6
Net book value at 31st March, 1988	11.2	1.2	-	30.3	14.3	3.0	60.0
Net book value at 31st March, 1987	19.0	.4	-	58.3	27.1	16.5	121.3

Depreciation rates:

Freehold buildings - 2% to 4% per annum

Leasehold property - over period of lease or 50 years for long leases

Plant, machinery, fixtures, fittings, tools and equipment - on average, in excess of 10% per annum

	GROUP		COMPANY	
	1988 £ million	1987 £ million	1988 £ million	1987 £ million
Capital expenditure				
Commitments contracted at 31st March	69.4	59.6	4.9	7.9
Authorised but not committed at 31st March	61.1	88.6	4.2	5.2

9. Fixed asset investments - shares in Group companies

	At cost £ million	Provisions £ million	Net book value £ million
At 1st April, 1987	832.1	16.0	816.1
Additions	120.7		120.7
Disposals	22.3		22.3
Provisions made in the year		.8	.8
Provisions made in prior years written back		13.2	13.2
At 31st March, 1988	930.5	3.6	926.9

10. Fixed asset investments - other

	Associated companies* Shares Cost less amounts written off £ million			Share of post acquisition reserves £ million		Loans £ million		Other investments Cost Provisions £ million £ million		Total £ million
	£ million	£ million	£ million	£ million	£ million	£ million	£ million			
GROUP										
At 1st April, 1987	16.0	57.0	8.1	29.5	1.5					109.1
Exchange rate adjustment	.4	6.2	1.1	.8	-					8.5
Additions	221.9		25.7	68.3	1.5					314.4
Disposals, repayments and revaluations	-	.3	-	4.3	-					4.6
Profits less losses retained by associated companies			4.8							4.8
At 31st March, 1988	237.5	55.3	32.7	92.7	3.0					415.2
COMPANY										
At 1st April, 1987	7.8	1.1	.1	3.5	.7					9.6
Additions	312.8	-	15.0	39.5	1.0					366.3
At 31st March, 1988	320.6	1.1	15.1	43.0	1.7					375.9

Note

*The principal associated companies are shown on page 44

Market values:
The market values of listed investments compared with amounts included above are as follows:

	GROUP		COMPANY	
	1988 £ million	1987 £ million	1988 £ million	1987 £ million
Associated companies listed overseas				
Cost	.6	.6	-	-
Share of post acquisition reserves	2.9	2.9		
Market values	3.5	3.5		
Other investments listed in the United Kingdom				
Cost	9.7	.8	8.7	-
Market values	9.8	.9	8.7	-
Other investments listed overseas				
Cost	66.2	12.6	30.4	-
Market values	61.3	14.2	27.9	-

No provision is made for any taxation which might arise if investments were to be realised at the values stated

11. Stocks and contracts in progress

	GROUP		COMPANY	
	1988 £ million	1987 £ million	1988 £ million	1987 £ million
Raw materials and bought-out components	222.1	246.7	13.1	39.7
Work in progress	422.0	486.0	18.4	63.0
Payments on account	105.0Cr	111.4Cr	.9Cr	.9Cr
Long-term contract work in progress	866.3	900.2	29.2	34.8
Payments on account	517.3Cr	551.1Cr	16.4Cr	14.1Cr
Finished goods	363.6	364.8	2.3	16.5
	<u>1,251.7</u>	<u>1,335.2</u>	<u>45.7</u>	<u>139.0</u>

12. Debtors

	GROUP		COMPANY	
	1988 £ million	1987 £ million	1988 £ million	1987 £ million
Amounts falling due within one year				
Trade debtors	1,111.6	1,173.9	52.4	186.0
Amounts owed by Group companies			427.6	138.2
Amounts owed by associated companies	23.6	21.1	4.4	4.6
Other debtors	67.1	53.7	13.3	5.8
Prepayments and accrued income	80.5	89.8	18.4	36.3
	<u>1,282.8</u>	<u>1,338.5</u>	<u>516.1</u>	<u>370.9</u>
Amounts falling due after one year				
Trade debtors	41.7	85.4	1.2	23.2
Amounts owed by associated companies	-	.4	-	.3
Other debtors	22.9	9.2	-	-
Prepayments and accrued income	1.0	.1	-	-
	<u>65.6</u>	<u>95.1</u>	<u>1.2</u>	<u>23.5</u>
	<u>1,348.4</u>	<u>1,433.6</u>	<u>517.3</u>	<u>394.4</u>

13. Current asset investments

	GROUP		COMPANY	
	1988 £ million	1987 £ million	1988 £ million	1987 £ million
Short-dated securities at market value*				
Listed in the United Kingdom	14.4	85.2	12.3	83.0
Listed overseas	174.8	137.2	-	-
Other investments at lower of cost and market value†				
Listed in the United Kingdom	56.3	-	37.0	-
Listed overseas	53.5	-	53.5	-
Unlisted	2.5	60.2	2.5	60.2
Finance leases receivable ~	90.8	120.7	-	-
	<u>392.3</u>	<u>403.3</u>	<u>105.3</u>	<u>143.2</u>
Note				
*at cost: listed in the United Kingdom	14.1	84.9	12.0	82.8
listed overseas	173.7	136.5	-	-
† market value: listed in the United Kingdom	57.4	-	37.0	-
listed overseas	53.6	-	53.6	-
unlisted	2.5	60.2	2.5	60.2
~ receivable after one year	82.4	110.8	-	-

14. Debenture loans

	GROUP		COMPANY	
	1988 £ million	1987 £ million	1988 £ million	1987 £ million
Repayable at par wholly within five years				
Secured against assets (average rate 6.8%)	18.4	21.1	.1	.1
Unsecured (average rate 7.2%)	13.7	4.4	10.8	1.9
	<u>32.1</u>	<u>25.5</u>	<u>10.9</u>	<u>2.0</u>
Repayable at par partly or wholly after five years mainly by instalments				
Secured against assets (average rate 7.1%)	15.2	9.9	-	-
Unsecured (average rate 2.6%)	4.1	11.7	-	5.0
	<u>19.3</u>	<u>21.6</u>	<u>-</u>	<u>5.0</u>
	<u>51.4</u>	<u>47.1</u>	<u>10.9</u>	<u>7.0</u>
Repayable				
In one year or less				
Secured	1.6	1.3	-	-
Unsecured	1.6	1.7	.7	.7
	<u>3.2</u>	<u>3.0</u>	<u>.7</u>	<u>.7</u>
Between one and five years				
Secured	24.4	24.0	.1	.1
Unsecured	12.8	4.9	10.1	1.2
In more than five years				
Secured	7.6	5.7	-	-
Unsecured	3.4	9.5	-	5.0
	<u>48.2</u>	<u>44.1</u>	<u>10.2</u>	<u>6.3</u>
	<u>51.4</u>	<u>47.1</u>	<u>10.9</u>	<u>7.0</u>

15. Creditors

	GROUP		COMPANY	
	1988 £ million	1987 £ million	1988 £ million	1987 £ million
Amounts falling due within one year				
Bank loans and overdrafts*	111.4	81.8	20.6	.5
Payments received on account	367.5	326.6	12.2	27.7
Trade creditors	634.2	684.6	22.7	67.1
Amounts owed to Group companies			984.7	706.7
Amounts owed to associated companies	26.9	25.3	10.9	15.1
Taxation on profit	283.8	209.3	78.8	90.5
Other taxation and social security	109.2	107.5	37.1	39.4
Other creditors	81.7	77.5	21.1	7.8
Accruals and deferred income	210.6	218.9	10.7	19.0
Proposed dividend	125.4	101.3	125.4	101.3
	<u>1,950.7</u>	<u>1,832.8</u>	<u>1,324.2</u>	<u>1,075.1</u>
Amounts falling due after one year				
Bank loans*	20.3	6.3	-	-
Payments received on account	83.4	78.4	-	-
Trade creditors	4.3	5.6	-	-
Taxation on profit	2.5	96.7	-	-
Other creditors, accruals and deferred income	36.6	20.7	-	-
	<u>147.1</u>	<u>207.7</u>	<u>-</u>	<u>-</u>

Note
*Bank loans and overdrafts include £83.7 million (1987 £84.8 million) in overseas subsidiaries of which £5.6 million (1987 £8.2 million) was secured either by guarantees or against assets.

16. Provisions for liabilities and charges

	Deferred Taxation £ million	Other Provisions £ million	Total £ million
GROUP			
At 1st April, 1987	178.2	275.5	453.7
Exchange rate adjustment	.1	7.2Dr	7.1Dr
Additions/disposals	6.5Dr	29.2	22.7
Transferred to an associated company	16.3Dr	7.5Dr	23.8Dr
Charged/released to profit and loss account	34.1Dr	73.5	39.4
Utilised during the year	-	75.3Dr	75.3Dr
At 31st March, 1988	<u>121.4</u>	<u>288.2</u>	<u>409.6</u>
COMPANY			
At 1st April, 1987	32.5	45.3	77.8
Additions	-	11.5	11.5
Transferred to an associated company	7.3Dr	5.3Dr	12.6Dr
Charged/released to profit and loss account	9.8Dr	8.2	1.6Dr
Utilised during the year	-	7.0Dr	7.0Dr
At 31st March, 1988	<u>15.4</u>	<u>52.7</u>	<u>68.1</u>

Note

The Group's deferred taxation provision at 31st March, 1988 includes £142.8 million (1987 £180.4 million) for accelerated capital allowances - Company £13.6 million (1987 £27.8 million). No provision is made for any taxation which might arise if reserves of overseas subsidiaries were distributed.

17. Contingent liabilities

	GROUP		COMPANY	
	1988 £ million	1987 £ million	1988 £ million	1987 £ million
Guarantees	4.1	4.8	1.4	.9
Bills discounted	4.1	6.1	.6	1.4
Other	18.5	15.0	.2	.2
	<u>26.7</u>	<u>25.9</u>	<u>2.2</u>	<u>2.5</u>

SHARE CAPITAL

	£	
Fully paid ordinary shares of 5p each		
Shares issued at 1st April, 1987	2,666,662,593	133,333,130
Shares issued under GEC Employee Savings-Related Share Option Scheme	81,176	4,058
Shares issued under GEC Managers' Share Option Scheme	1,490,500	74,525
Shares issued at 31st March, 1988	<u>2,668,234,269</u>	<u>133,411,713</u>
Unissued ordinary shares		41,588,287
Authorised		<u>175,000,000</u>
SHARE PREMIUM ACCOUNT		
At 1st April, 1987		9,316,222
Added in the year		2,972,714
At 31st March, 1988		<u>12,288,936</u>

PROFIT AND LOSS ACCOUNT

	GROUP		COMPANY	
	1988 £ million	1987 £ million	1988 £ million	1987 £ million
At 1st April	2,748.0	2,467.6	1,094.2	1,007.0
Deducted/added in the year	182.5Dr	280.4	55.9	87.2
At 31st March	<u>2,565.5</u>	<u>2,748.0</u>	<u>1,150.1</u>	<u>1,094.2</u>

Note

1. At 31st March, 1988 options had been granted and were still outstanding in respect of the Company's ordinary shares of 5p under the Company's option schemes:

	Number of shares	Amount of shares £ million	Subscription price	Date normally exercisable
The GEC Employee Savings-Related Share Option Scheme	32,556,039	1.6	150-195p	1988-1993
The GEC Managers' Share Option Scheme	20,573,750	1.0	190-204p	1988-1991
The GEC Managers' 1984 Share Option Scheme	45,632,525	2.3	158-224p	1988-1998

2. £54.9 million (1987 £57.0 million) of the Group's balance on profit and loss account is not available for distribution at 31st March, 1988, being the Group's share of general reserves held by associated companies.

3. Goodwill arising on acquisitions includes £102.5 million in respect of Creda, £100.7 million Lear Astronics, £63.0 million Gilbarco and £80.0 million associated companies.

4. The Company, pursuant to Section 228 of the Companies Act 1985, is not presenting its own profit and loss account in addition to the consolidated profit and loss account on page 26. £229.3 million (1987 £228.5 million) of the Group's profit for the year has been dealt with in the accounts of the Company.

5. The directors' interests as defined by the Companies Act 1985 (which includes trustee holdings and family interests incorporating holdings of infant children) in shares and debentures of the Company and its subsidiaries are as follows:

18. Shareholders' interest

Continued

(i) ORDINARY SHARES	At 31st March, 1988		At 1st April, 1987	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
M R Bates	25,000	-	25,000	-
Sir Kenneth Bond	420,145	15,308,065	420,145	15,308,065
Lord Catto	440,000	-	542,700	-
R J Davidson	10,000	-	-	10,000
S Z de Ferranti	19,200	-	19,200	-
R H Grierson	232,525	-	262,525	-
M Lester	110,000	15,995,735*†	10,000	1,495,735*
I G MacBean	13,895	-	13,895‡	-
Hon. Mrs Sara Morrison	10,500	-	10,500	-
J E Pateman	10,810	-	10,810	-
D Powell	145,000	-	145,000	-
The Rt. Hon. Lord Prior	30,000	-	20,000	-
Sir William Rees-Mogg	10,000	17,245	10,000	17,245
R G Reynolds	10,000	-	10,000	-
D H Roberts	10,000	14,020	10,000	14,020
A J Rogers	61,405	-	61,405	-
P-A Weiller	10,500	-	10,500	-
Lord Weinstock	8,801,470	1,000,000*	13,401,470	1,000,000*
Hon. Simon Weinstock	31,350,235*†	1,443,565	26,850,235*‡	1,443,565
R J Williams	10,000	-	10,000	-

Note

* of these holdings, 1,000,000 were held jointly by Mr M Lester, Lord Weinstock and Hon. Simon Weinstock.

† of these holdings, 5,500,000 were held jointly by Mr M Lester and Hon. Simon Weinstock.

‡ on his appointment as a director the beneficial interest of Hon. Simon Weinstock was 31,350,235, and of Dr I G MacBean was 13,895 ordinary shares.

Since 31st March, 1988 the beneficial interest of Mr M R Bates has increased by 68 shares.

(ii) OPTIONS

Options in respect of ordinary shares of the Company:

(a) The GEC Employee Savings-Related Share Option Scheme

	At 31st March, 1988	At 1st April, 1987 (or subsequently on appointment)
M R Bates	6,297	3,897
R J Davidson	6,297	3,897
M Lester	4,228	4,228
I G MacBean	3,954	3,954
Hon. Mrs Sara Morrison	6,514	4,114
J E Pateman	2,000	2,000
D Powell	3,897	3,897
R G Reynolds	4,800	-
D H Roberts	3,794	3,794
A J Rogers	6,297	3,897

(b) The GEC Managers' Share Option Scheme and The GEC Managers' 1984 Share Option Scheme

	At 31st March, 1988	At 1st April, 1987 (or subsequently on appointment)
M R Bates	350,000	350,000
R J Davidson	250,000	250,000
M Lester	250,000	250,000
I G MacBean	200,000	200,000
Hon. Mrs Sara Morrison	115,000	115,000
J E Pateman	150,000	150,000
D Powell	200,000	200,000
The Rt. Hon. Lord Prior	150,000	150,000
R G Reynolds	200,000	200,000
D H Roberts	250,000	250,000
A J Rogers	145,000	145,000
Hon. Simon Weinstock	100,000	100,000
R J Williams	250,000	250,000

(iii) None of the directors as at 31st March, 1988 was interested in shares, or debentures, of any of the Company's subsidiaries with the exception of Mr R J Williams who has a beneficial interest in 500 Common Shares in Canadian Marconi Company (500 Common Shares at 1st April, 1987).

19. Directors and employees

	1988	1987
(a) Average number of employees working in the United Kingdom	118,458	122,328
Gross remuneration	£1,219.1 million	£1,154.2 million
State social security costs	£121.2 million	£115.0 million
Other pension costs	£34.0 million	£35.8 million
(b) Average number of employees working overseas	38,804	37,251
Gross remuneration	£409.4 million	£402.5 million
State social security costs	£57.9 million	£56.2 million
Other pension costs	£4.7 million	£4.6 million
(c) Total average number of employees	157,262	159,579
Gross remuneration	£1,628.5 million	£1,556.7 million
State social security costs	£179.1 million	£171.2 million
Other pension costs	£38.7 million	£40.4 million
Staff costs	£1,846.3 million	£1,768.3 million
	1988	1987
(d) Directors' emoluments including pension contributions		
Fees	£20,000	£22,000
Management	£2,155,000	£1,791,000
Pension payment on behalf of a former director	-	£24,000
(e) Emoluments of the Chairman	£97,000	£81,000
Emoluments of the highest paid director	£235,000	£221,000
Emoluments of the United Kingdom directors and employees	Directors	Employees exceeding £30,000
	1988	1987
Not more than £5,000	1	4
£5,001-£10,000	3	1
£10,001-£15,000	1	1
£20,001-£25,000	1	1
£25,001-£30,000	1	-
£30,001-£35,000	-	-
£35,001-£40,000	1	-
£40,001-£45,000	1	1
£45,001-£50,000	-	1
£50,001-£55,000	-	-
£55,001-£60,000	-	1
£60,001-£65,000	-	3
£65,001-£70,000	1	11
£70,001-£75,000	-	1
£75,001-£80,000	-	2
£80,001-£85,000	-	6
£85,001-£90,000	-	3
£90,001-£95,000	-	1
£95,001-£100,000	1	1
£100,001-£105,000	-	2
£105,001-£110,000	1	-
£110,001-£115,000	-	1
£120,001-£125,000	1	-
£125,001-£130,000	-	2
£130,001-£135,000	-	1
£135,001-£140,000	1	-
£140,001-£145,000	1	-
£145,001-£150,000	1	-
£150,001-£155,000	-	1
£155,001-£160,000	1	-
£165,001-£170,000	1	-
£175,001-£180,000	-	1
£185,001-£190,000	1	-
£220,001-£225,000	-	1
£230,001-£235,000	1	-

FOR THE YEAR ENDED 31ST MARCH, 1988

	1988 £ million	1987 £ million
Profit on ordinary activities before taxation	708.0	668.4
Adjustments not involving the movement of funds		
Depreciation	219.5	213.0
Currency translation adjustments	36.2Dr	.7Dr
Increase in provisions	9.8	22.3
Undistributed profit of associated companies and changes in minority interests	15.2Dr	14.0Dr
	<u>177.9</u>	<u>220.6</u>
	885.9	889.0
Funds from other sources		
Sales of interests in subsidiaries	3.7	11.1
Sales of fixed assets	17.3	23.0
Increase/decrease in loan capital	6.3	15.2Dr
Increase in trade and other creditors	23.2	59.0
Increase/decrease in payments on account of contracts	45.9	2.0Dr
Decrease/increase in inventory	2.9	76.0Dr
Issues of ordinary shares	3.1	.5
	<u>102.4</u>	<u>.4</u>
	988.3	889.4
Application		
Purchases of subsidiary companies	436.0	1.0
Purchases of associated companies	54.6	-
Increase/decrease in loans to associated companies	1.9	1.0Cr
Purchases, less sales, of fixed asset investments	63.2	12.0
Purchases of fixed assets	278.6	251.4
Taxes paid in the year	281.6	213.1
Dividends paid in the year	149.3	117.3
Increase in debtors	69.3	92.9
	<u>1,334.5</u>	<u>686.7</u>
Decrease/increase in net balances with bankers and current asset investments	<u>346.2Dr</u>	<u>202.7</u>
<i>Notes</i>		
(a) Purchases of subsidiary companies		
Goodwill	277.2	.4Cr
Tangible fixed assets	85.2	.7
Inventory	81.1	.8
Deferred taxation	3.8	-
Debtors	85.4	1.6
	<u>532.7</u>	<u>2.7</u>
Creditors and provisions	95.9Cr	1.5Cr
Minority interests	.8Cr	.2Cr
	<u>436.0</u>	<u>1.0</u>
(b) Purchases of associated companies		
In addition to cash consideration of £54.6 million, the following net assets were provided:		
Tangible fixed assets	103.4	
Inventory	114.2	
Debtors	193.0	
	<u>410.6</u>	
Creditors and provisions	133.6Cr	
Minority interests	6.2Cr	
	<u>270.8</u>	

Directors

The Rt. Hon. Lord Prior, PC *Chairman*
M. R. Bates *Deputy Managing Director*
Sir Kenneth Bond *Vice Chairman*
Lord Catto†
R. J. Davidson
S. Z. de Ferranti†
R. H. Grierson† *Vice Chairman*
Prof. E. T. Hall, CBE†
F. Ross Johnson†
M. Lester
Dr. I. G. MacBean, CBE
Sir William Rees-Mogg†
Hon. Mrs Sara Morrison
D. Powell
D. H. Roberts, CBE
A. J. Rogers
Lord Weinstock *Managing Director*
Hon. Simon Weinstock
R. J. Williams

† Non-executive Directors

Secretary and Registered Office

J. H. Chaplin, 1 Stanhope Gate,
London W1A 1EH

Registrar and Transfer Office

Coppenhall, Stafford ST18 9BN
Tel: Stafford (0785) 51446

Auditors

Touche Ross & Co., Hill House,
1 Little New Street, London EC4A 3TR

UK Board of Management

Lord Weinstock *Chairman*
M. R. Bates *Deputy Chairman*
K. A. Bray, OBE* *Gas Turbines and Diesel Engines*
J. B. Cronin* *Steam Turbines and Traction*
R. J. Davidson *Steam Turbines and Traction*
J. D. Gadd* *Power Systems*
Dr. C. S. Gaskell, CBE *Electronic Instruments*
P. J. Gillibrand *Press and Publicity*
P. G. Higgins* *Overseas Operations*
K. H. Hodgkinson *Avery Group*
M. Jay *Electronic Devices*
O. S. Johnson* *Wire and Cables*
M. Lester *Legal*
A. J. Lippitt, CB* *Export Promotion*
Dr. I. G. MacBean, CBE *Electronics*
Hon. Mrs Sara Morrison *Employee Relations*
D. H. Roberts, CBE *Research*
A. J. Rogers *Finance*
J. E. Samson *Consumer Goods*
G. H. Trollope* *Industrial Relations*
Hon. Simon Weinstock *Commercial Affairs*
R. J. Williams *Automation and Control*

*Associate Directors

The English Electric Company, Ltd.*
Associated Electrical Industries Ltd.*
The Marconi Company Ltd.
GEC-Elliott Automation Ltd.

Electronic Systems and Components

Systems

GEC-Marconi Ltd. *Dr. I. G. MacBean†*
W. H. Alexander
P. A. Hearne
GEC Avionics Ltd. *R. W. Howard*
GEC Avionics Inc., USA *W. Broyles*
Lear Astronics Corp., USA *L. A. LaCotti*
GEC Sensors Ltd. *W. R. Paterson*
Marconi Communication Systems Ltd. *A. J. Glasgow*
The Marconi International Marine Co. Ltd. *G. G. Hill*

Marconi Defence Systems Ltd. *D. J. Fletcher*
Marconi Space Systems Ltd. *W. R. Wignall*
Marconi Command and Control Systems Ltd. *K. P. Robinson*
Marconi Radar Systems Ltd. *D. A. H. Chenery*
Easams Ltd. *A. H. Cairns*
Marconi Underwater Systems Ltd. *A. A. Bodnar*
Yarrow Shipbuilders Ltd.* *R. W. S. Easton*
Marconi Instruments Ltd. *Dr. C. S. Gaskell*
GEC-Marconi Research Centre, Baddow *Dr. J. C. Williams*
Canadian Marconi Company (51.6% Ordinary) *P. E. Wheatley*
Cincinnati Electronics Corporation, USA *D. G. Dwyre*
Marconi Italiana SpA, Italy *Dr. R. Piccini*
GEC Australia Ltd. (Electronics Group) *R. G. Elliot*

Components

GEC Electronic Devices Ltd.* *M. Jay*
Marconi Electronic Devices Ltd. *A. J. Sadler*
Circuit Technology Inc., USA *B. D. Hunts*
English Electric Valve Co. Ltd. *M. P. Mandl*
EEV Inc., USA *P. Plurien*
EEV Canada Ltd. *D. Clissold*
GEC Autonics Ltd. *B. E. Bensley*
Salford Electrical Instruments Ltd.* *A. Pollock*
Salplex Ltd. (60% Ordinary)* *W. G. Wagstaff*
GEC Ceramics Ltd. *Dr. R. M. Henson*

Telecommunications and Business Systems

GEC Telecommunications Ltd.* *R. G. Reynolds*
GEC Reliance Ltd.*
GEC Computers Ltd.
Micro Scope plc
Telephone Cables Ltd. (74.5% Ordinary)
GEC Optical Fibres Ltd.
GEC (New Zealand) Ltd.* (Telecommunications Division)
GEC Australia Ltd. (Telecommunications Division)
(NOTE: On 31st March, 1988 the above companies were transferred to GEC Plessey Telecommunications Holdings Ltd, an associated company).
A. B. Dick Company, USA *D. Powell†*
Videojet Systems International Inc., USA *H. Bode*
Scriptomatic Inc., USA *T. O. Moseley*

Automation and Control

GEC Electrical Projects Ltd.* *J. A. Davies*
GEC Industrial Controls Ltd.* *D. W. Prowse*
GEC Automation Projects Inc., USA *T. M. Pidgeon*
GEC Software Ltd. *D. Alway*
W. & T. Avery Ltd. *K. H. Hodgkinson*
Avery-Denison Ltd. *N. Young*
Driver Southall Ltd. *B. Bullock*
Avery Australia Ltd. *P. Roach*
Avery New Zealand Ltd. *C. F. Stewart*
South African Scale Co. (Pty) Ltd. *P. van Heyningen*
Gilbarco Inc., USA *W. B. Korb*
Avery-Hardoll Ltd. *J. M. Duncan*
PM Services Ltd. *I. J. Macmichael*
GEC Measurements Ltd.* *M. A. Hughes*
GEC Meters Ltd.
Satchwell Control Systems Ltd. *C. Smyth*
GEC Mechanical Handling Ltd. *M. R. Melling*
GEC Traffic Automation Ltd. *M. J. H. Chandler*
GEC Marine & Industrial Gears Ltd. *Dr. P. N. Jackson*
GEC Australia Ltd. *R. G. Elliot*
(Automation Projects and Construction Divisions)
The English Electric Company of India Ltd. *A. K. Khosla*
(66.7% Ordinary)
(Relays and Control Panels Divisions)
GEC Composants SA, France *P. Becker*

Medical Equipment

Picker International Inc., USA *J. N. Williams*
Picker International Ltd. *A. W. L. Mandy*

Power Generation

GEC Turbine Generators Ltd. *R. J. Davidson†*
GEC Energy Systems Ltd. *J. D. Mowat*
Ruston Gas Turbines Ltd. *K. A. Bray*
Ruston Gas Turbines Inc., USA *J. F. Paull*
Napier Turbochargers Ltd. *A. J. H. Richardson*
GEC Diesels Ltd. *Dr. H. J. Perkins*
Kelvin Diesels Ltd. *A. Whitehead*
Paxman Diesels Ltd. *W. L. Pavry*
Ruston Diesels Ltd. *J. M. MacKinnon*
Engineering Research Centre, Whetstone *N. R. Otter*
Engineering Research Centre, Stafford *J. Loughhead*
GEC Canada Ltd. (Diesels Division) *A. Mills*
GEC Australia Ltd. (Diesels Division) *R. G. Elliot*
GEC (New Zealand) Ltd.* *J. R. Butterfield*
(Diesels and Power Division)

Electrical Equipment

Power Distribution Group *J. D. Gadd*
GEC Switchgear Ltd. *A. J. Baxter*
GEC Transmission and Distribution Projects Ltd. *K. J. Ralls*
Vacuum Interrupters Ltd. *R. Ellis*
GEC Installation Equipment Ltd. *A. R. Grant*
Vynckier NV, Belgium *M. Steyaert*
GEC Transformers Ltd. *J. V. Grant*
The Micanite & Insulators Company Ltd. *C. J. Salt*
The General Electric Company of India Ltd.*
(66.7% Ordinary) *A. K. Khosla*
The English Electric Company of India Ltd.
(66.7% Ordinary) *A. K. Khosla*
(Fusegear and Switchgear Division)
GEC Australia Ltd. *R. G. Elliot*
(Heavy Engineering and Industrial Products Divisions)
Wire & Cables Group *O. S. Johnson*
AEI Cables Ltd.
Power Cables *L. M. Sloman*
Rubber and Plastic Cables *K. Bennett*
F. D. Sims Ltd. *H. Stevenson*
Kent Electric Wire Ltd. *A. J. Taylor*
Rodco Ltd. (60% Ordinary) *I. Stuttard*
Vactite Ltd. *A. G. Hickey*
GEC Transportation Projects Ltd. *B. McCann*
GEC Traction Ltd. *K. Applebee*
GEC-General Signal Ltd. (50% Ordinary) *M. L. Boden*
GEC Large Machines Ltd. *D. R. Edwards*
GEC Electromotors Ltd. *G. S. Mackie*
The Express Lift Co. Ltd.* *K. G. A. Gamble*
Woods of Colchester Ltd.* *D. J. Priest*
GEC Engineering (Accrington) Ltd. *M. F. Price*
GEC Reinforced Plastics Ltd. *R. Wolfendale*
GEC Foundries Ltd. *E. Booth*
A. G. Hackney & Co. Ltd. *N. L. Wright*
GEC (New Zealand) Ltd.* *J. R. Butterfield*
(Industrial Machines and Power Engineering Divisions)

Consumer Products

Hotpoint Ltd. *J. E. Samson*
Creda Ltd. *P. Walker*
Redring Electric Ltd. *M. R. Johnson*
Cannon Industries Ltd. *D. Scahill*
GEC-Xpelair Ltd.* *D. J. Blythe*
OSRAM-GEC Ltd.* (51% Ordinary) *P. R. Sansom*

Distribution and Trading

Walsall Conduits Ltd. *D. Wilson*
GEC Distributors (Ireland) Ltd. *W. P. Browne*
The English Electric Corporation, USA *P. Jancek*
GEC Australia Ltd. *R. G. Elliot*
(Lighting and Wholesale Division)
GEC (New Zealand) Ltd.* *J. R. Butterfield*
(Wholesale and Building Services Divisions)
The General Electric Company of Bangladesh Ltd.*
(60% Ordinary) *M. S. Haque*
GEC Canada Ltd. (Industrial Divisions) *A. Mills*
The General Electric Company of Hong Kong Ltd.* *J. Chiu*
The General Electric Company of Singapore Private Ltd.* *S. K. Chan*
GEC Zambia Ltd.* *C. M. Meek*
GEC Zimbabwe (Pvt) Ltd.* *C. M. Meek*

Research

Research *Dr. C. Hilsum*
Hirst Research Centre, Wembley *Dr. S. L. Cundy*

†Directors of The General Electric Company, p.l.c.

1. The General Electric Company, p.l.c. (GEC) (and/or a subsidiary or subsidiaries in aggregate) owns 100 per cent of each class of the issued shares of the subsidiaries except where a smaller proportion and the class is indicated. Shares in companies marked with an asterisk (*) are owned directly by GEC, and in companies not so marked are owned by a subsidiary or subsidiaries of GEC.

2. Companies are incorporated and registered and operate in Great Britain, or, in the case of overseas companies, in the country indicated. The General Electric Company of Hong Kong Ltd. is registered in England.

3. The list of subsidiaries includes management companies and those which had a material effect on the consolidated results to 31st March, 1988.

	Class of Shares	ISSUED SHARE CAPITAL Number	Proportion of Shares held %	GEC Group Equity Interest %
United Kingdom				
National Nuclear Corporation Ltd.	Ordinary Shares of £10,000 each	1,000	30.0	30.0
GEC Plessey Telecommunications Holdings Ltd. (as from 31st March, 1988)	'G' Ordinary Shares of £1 each 'P' Ordinary Shares of £1 each	100,000,000 100,000,000	100.0 —	50.0
The Summit Group plc	Ordinary Shares of £1 Deferred Shares of £1	125,000 62,500	40.0 40.0	40.0
Overseas				
Avery India Ltd.	Ordinary Shares of Rs10 each	4,200,000	39.9	39.9
Cable Makers Australia Pty Ltd.	'A' Ordinary of A\$1 each 'B' Ordinary of A\$1 each 'C' Ordinary of A\$1 each 'D' Ordinary of A\$1 each	4,460,880 2,416,542 2,314,840 2,047,738	— — 100.0 89.1	36.8
GEC South Africa (Pty) Ltd.	Ordinary Shares of R2 7% Cumulative Preference	1,755,016 120,000	50.0 50.0	50.0
The General Electric Company of Malaysia Sdn. Bhd.	Ordinary Shares of M\$10 each	825,000	30.0	30.0
Maatschappij van Berkel's Patent NV, Holland	Ordinary Shares of Dfl 15 Priority Shares of Dfl 15	4,354,259 200	30.6 —	30.6

Companies are incorporated and registered and operate in Great Britain, or, in the case of overseas companies, in the country indicated.

To the members of The General Electric Company, p.l.c.

We have audited the financial statements on pages 26 to 46 in accordance with approved Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group at 31st March, 1988 and of the profit and source and application of funds of the Group for the year then ended and comply with the Companies Act 1985.

Touche Ross & Co.,
Hill House,
1 Little New Street,
London EC4A 3TR.
Chartered Accountants

29th June, 1988

The more important GEC Group accounting policies are summarised below to facilitate the interpretation of the financial statements and are in addition to the policies explained in the notes to the accounts. The financial statements consolidate the accounts of The General Electric Company, p.l.c. and all of its subsidiaries. All accounts are made up to 31st March. Comparative figures have been restated to reflect minor changes in presentation.

a. Turnover. Turnover, excluding V.A.T., comprises sales to outside customers, arms-length intra-Group sales and the Group's percentage interest in sales of associated companies. The Group records transactions as sales when the delivery of products or performance of services takes place in accordance with the terms of sale.

b. Currency translation. Non-sterling profits, losses and net assets are translated at year-end rates of exchange. Reserves are adjusted to include the difference arising on translation at the beginning of the year. Profits and losses on overseas trading are included in profit on ordinary activities before taxation.

c. Tangible fixed assets. Property, plant, machinery, fixtures, fittings, tools and equipment are recorded at historic cost less Government grants and depreciated on a straightline basis over their estimated useful lives. Freehold land does not bear depreciation where the original cost of purchase was separately identified.

d. Goodwill. Purchased goodwill is written off directly against reserves.

e. Research and development. Expenditure incurred in the year is charged against profit unless specifically chargeable to and recoverable from customers under agreed contract terms.

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

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

h. Investments. Investments in associated companies are stated at the amount of the Group's share of net assets at 31st March derived from audited or management accounts made up to that date. Profit before taxation includes the Group's share of the earnings of associated companies. Other fixed asset investments and the Company's investment in shares in Group companies are stated at cost less provision for permanent diminution in value. Current asset investments are stated at the lower of cost and net realisable value except short dated listed securities which are stated at market value.

i. Finance leases. Finance lease receivables are stated at future rentals receivable less attributable future finance income. Net leasing income is taken to profit in proportion to the funds invested in the assets and includes amounts in respect of tax credits which arise from the declining corporation tax rates contained in the Finance Act 1984, grossed up at the average rate of corporation tax applicable to the period of each lease.

j. Provisions for liabilities and charges. Provisions for liabilities are charged against profits. These mainly comprise expected cost of maintenance under guarantees and other work in respect of products delivered and invoiced, and losses on contract work in progress.

k. Pension schemes. Based on recommendations by independent actuaries, the rate of employee and Company contributions to United Kingdom and overseas pension funds are intended, in respect of each year, to provide sufficient funds to meet future benefits relating to that year's service. It is the policy of the Company to avoid the creation of deficits relating to past service. Contributions, the Company's share of which is charged against profits for the year, are held in trustee-administered funds independent of the Company's finances.

	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Sales	5,553	5,247	5,253	5,222	4,800	4,626	4,190	3,462	3,006	2,501
Profit before taxation	708	668	701	725	671	670	584	476	416	378
Earnings per share*	16.9p	15.8p	16.0p	14.9p	14.2p	14.2p	13.0p	10.9p	9.1p	7.8p
Ordinary dividends per share	173	141	115	107	95	82	70	56	45	34
	6.50p	5.30p	4.30p	4.00p	3.45p	3.00p	2.55p	2.05p	1.65p	1.25p
Profit retained	272	294	338	308	316	312	292	272	209	219
*Excludes extraordinary items										
Fixed assets	825	828	809	764	697	672	611	552	480	351
Investments	415	109	91	105	126	242	225	194	187	179
Inventories	1,252	1,335	1,275	1,265	1,129	1,098	1,055	944	795	621
Debtors	1,349	1,434	1,353	1,258	1,163	1,047	913	873	748	569
Net cash and short term investments	1,383	1,730	1,527	1,414	1,559	1,319	1,041	661	599	730
	5,224	5,436	5,055	4,806	4,674	4,378	3,845	3,224	2,809	2,450
Liabilities	2,376	2,406	2,292	2,263	2,215	1,946	1,705	1,419	1,225	1,027
	2,848	3,030	2,763	2,543	2,459	2,432	2,140	1,805	1,584	1,423
Financed by:										
Shareholders' interest	2,715	2,895	2,614	2,389	2,239	2,098	1,793	1,441	1,188	1,039
Loan capital	52	47	68	75	166	262	286	313	350	345
Minority interests	81	88	81	79	54	72	61	51	46	39
	2,848	3,030	2,763	2,543	2,459	2,432	2,140	1,805	1,584	1,423
Net assets per share	101.8p	108.6p	98.0p	89.4p	81.5p	76.5p	65.4p	52.5p	43.3p	37.9p

Note

- There was a capital repayment to shareholders in November, 1982 amounting to £82 million.
- £167 million of shareholders' funds was utilised in purchasing for cancellation 79,604,067 ordinary 5p shares of the Company during the two years ended 31st March, 1986.

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the 88th ANNUAL GENERAL MEETING of THE GENERAL ELECTRIC COMPANY, p.l.c. will be held at the Ballroom, The Dorchester, Park Lane, London W1A 2HJ on Friday 9th September, 1988 at 12 noon for the following purposes:

ORDINARY BUSINESS

1. to receive and consider the Accounts and Balance Sheet and the Reports of directors and auditors thereon, for the year ended 31st March, 1988;
2. to declare a final ordinary dividend; (*Resolution 1*)
3. to appoint directors in place of those retiring by rotation or otherwise; (*Resolutions 2-9*)
4. to appoint auditors; (*Resolution 10*)
5. to authorise the directors to fix the remuneration of the auditors; (*Resolution 11*)

SPECIAL BUSINESS

6. to consider and, if thought fit, to pass the following Resolution which will be proposed as an Ordinary Resolution:

"THAT the authority conferred on the Company by a Resolution passed at the Annual General Meeting of the Company held on 4th September, 1987 to make market purchases (within the meaning of section 163(3) of the Companies Act 1985) on The Stock Exchange of Ordinary Shares of 5p each in its capital be

- (i) varied with effect from the date of this Resolution, such that the number of Ordinary Shares of 5p each which may be acquired pursuant to the said authority is up to an aggregate of 400 million Ordinary Shares (including all such Ordinary Shares acquired by market purchase after 4th September, 1987 and before the date of this Resolution), and
- (ii) renewed and extended with effect from the present expiry date of 3rd March, 1989 so as to expire on 8th March, 1990 (except in relation to the purchase of shares the contract for which was concluded before such date and which might be executed wholly or partly after such date) but otherwise on the same terms specified in such Resolution, namely, that the price which may be paid for such Ordinary Shares is not more than 350p per share and not less than 5p per share (in each case exclusive of expenses);" (*Resolution 12*)

7. to consider and, if thought fit, to pass the following Resolution which will be proposed as a Special Resolution:

"THAT the directors be and they are hereby empowered pursuant to section 95 of the Companies Act 1985, to allot equity securities (within the meaning of section 94 of that Act) pursuant to the authority conferred by Resolution 2 passed at the Annual General Meeting of the Company held on 29th August, 1986 as if sub-section 89(1) of that Act did not apply to any

such allotment, provided that this power shall be limited to:

- (i) the allotment of equity securities in connection with any rights issue in favour of Ordinary shareholders on the register of members at such record date or dates as the directors may determine for the purpose of the issue where the equity securities respectively attributable to the interests of all Ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of Ordinary Shares held by them at any such record date or dates so determined provided that the directors may make such arrangements in respect of overseas shareholders and in respect of fractional entitlements as they consider necessary or convenient; and
- (ii) the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal amount of £3,325,000;

and shall expire on the date of the next Annual General Meeting of the Company after the date of passing of this Resolution, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement notwithstanding that this power has expired"; (*Resolution 13*)

and

8. to consider, and, if thought fit, to pass the following Resolution which will be proposed as an Ordinary Resolution:

"THAT the maximum aggregate rate of remuneration by way of fees to which the directors shall be entitled pursuant to Article 84 of the Company's Articles of Association be and is hereby increased from £50,000 per annum to £100,000 per annum". (*Resolution 14*).

By Order of the Board
The General Electric Company, p.l.c.
J. H. Chaplin, Secretary
28th July, 1988
1 Stanhope Gate, London W1A 1EH

1. The Report and Accounts are sent to all shareholders, loan stockholders and option holders of the Company but shareholders only are entitled to attend or vote at the above meeting.
2. A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member.
3. Subject to approval of the meeting, the dividend on the Ordinary Shares will be payable on 1st October, 1988 to the holders of those shares as registered at the close of business on 11th August, 1988.
4. There are no contracts of service which are required to be made available for inspection at the meeting.
5. An explanation of the Special Business is given in the Directors' Report on page 25.
6. Access to the Ballroom, The Dorchester, is through a separate entrance in Park Lane and not through the main hotel entrance.

