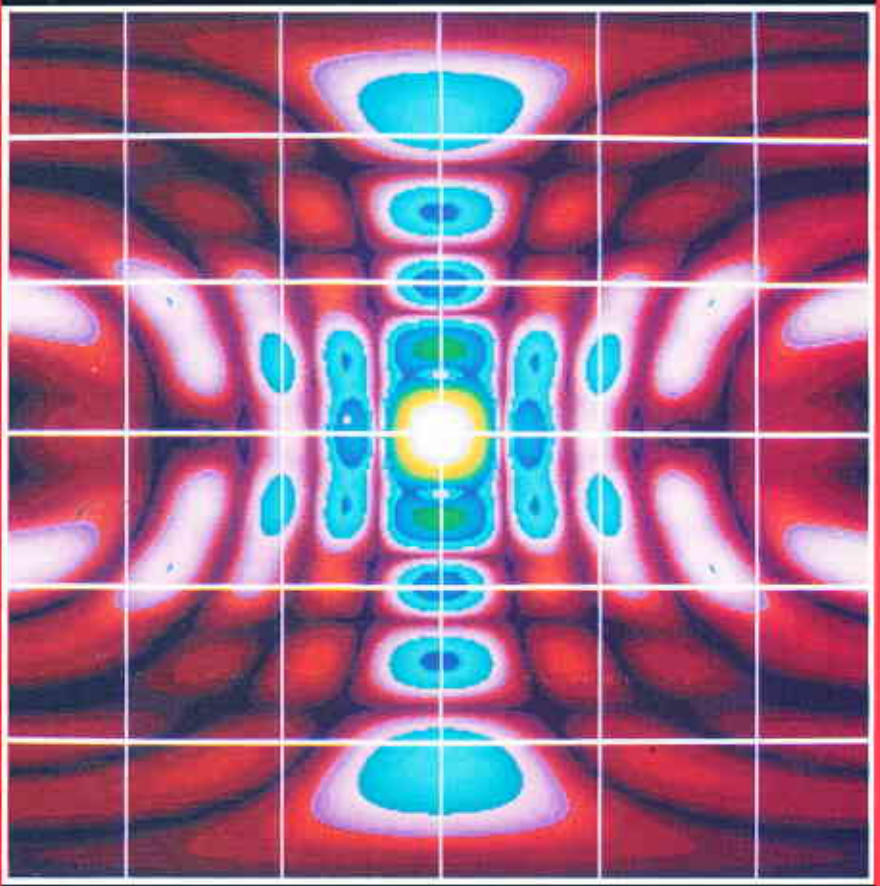
GEC

The General Electric Company plc



Report and Accounts 1984/1985

GEC

HIGHLIGHTS

HOW 1985 COMPARED WITH 1984	1985		1984	
	Sales £m	Profit £m	Sales £m	Profit £m
Electronic Systems and Components	1,861	235	1,578	197
Telecommunications and Business Systems	746	81	735	93
Automation and Control	463	48	436	52
Medical Equipment	472	29	435	24
Power Generation	655	55	623	52
Electrical Equipment	815	42	750	49
Consumer Products	300	27	279	23
Distribution and Trading	227	14	197	14
	5,539	531	5,033	504
Total Profits made before tax		725		671

Average number of Employees	165,593	170,865
Their Employment Costs	£1,672m	£1,584m
Number of Shareholders	173,859	177,267
Cost of their Dividends	£107m	£95m
Dividend per Share	4.00p	3.45p

CONTENTS

Cover: Patterns produced by a computer during research into signal radiation from a radar antenna

CHAIRMAN'S STATEMENT

GEC is a great British manufacturing company. It is one of the United Kingdom's largest exporters of manufactured goods—a total of £1,233 million in 1984/85. It has many subsidiaries overseas, with sales of £1,590 million to customers outside the United Kingdom. These complement the export effort of the UK units throughout the world. So it is appropriate that in my first year as Chairman I should spend much time in visiting our many establishments at home and overseas, and in seeking to promote export business on which the prosperity of our Company and nation heavily depend.

Our shareholders may be interested to hear the views of someone who has spent much of his career in Parliament and Government, and is now obtaining an insight into how it looks from manufacturing industry's side. I should like to preface my remarks by telling you that next year, 1986, is our Centenary Year. We shall mark the occasion in a number of ways to give due recognition to the outstanding and growing importance of the rôle which GEC plays in the life of the United Kingdom and beyond. It is no exaggeration to say that GEC is a great national asset as one of the world's leaders in the electrical industry.

Looking back over the century, it seems that market conditions have not changed fundamentally. Leaving aside the upheavals of the war years, the problems of overcapacity, fluctuating demand and the uncertainty of foreign competition have remained with us. Yet all the time research and development have led to the creation of exciting new products which have opened up new fields of business or revolutionised existing ones. GEC's success over this period has as much to do with its flair for finding opportunities in the market place as it has for controlling its operations in an efficient manner.

We can point to a number of successes affecting a whole range of things in day-to-day life. For the consumer, Hotpoint has become a major force in

Rt. Hon. James Prior, MP

washing machines and other domestic equipment. For the shop and for industry, Avery continues to introduce new electronic weighing and measuring machines; this company has found a new lease of life since coming into GEC ownership. For the business user, GEC Reliance launched the SLX, a new version of the UK's most sophisticated private telephone exchange, together with a range of complementary office systems. In transportation, we have received the order for the new Dockland light railway; and the revolutionary Maglev system is in operation at the Birmingham Exhibition Centre. In medical technology, Picker International has developed promising imaging systems, in particular magnetic resonance, receiving acclaim from the medical profession worldwide. In the defence field, Marconi has obtained the first export orders for intelligent torpedoes. In power generation, following the Indian power station order negotiations are continuing with China for the turbine generators for the Guangdong nuclear power station.

We are making a major contribution to the new 2,000MW HVDC submarine cable link between the UK and France. In solid state technology, new and important products have been developed which will be key to future electronic applications in railways, radar, satellite communications and other communications equipment.

For industry to be successful it must have the support of its home customers and its own Government. This your Company has generally enjoyed, although not always on the scale of our overseas competitors. It has become something of a national pastime, perhaps unwittingly aided at times by the media, to decry British industry and from sheer prejudice to assert the superiority of others. The fact is that buying British is not just a matter of protection; it is part of an individual's contribution to the overall wellbeing of his country. How much more important is that contribution when it comes to the purchasing policy of Government, public authorities and national monopolies.

Government support has become of crucial importance in the winning of large overseas capital projects particularly in the developing countries. Obtaining these contracts is invariably conditional on producing an attractive financial package often mixing aid together with normal ECGD finance. In this area UK manufacturing industry does not enjoy the same advantages as its foreign rivals. In the 1983 aid programmes to underdeveloped countries, the amount attributed to the United Kingdom was $1,605 million, to the United States $7,992 million, to Japan $3,761 million, to West Germany $3,176 million and to France $3,815 million; and other countries spend their aid more productively than the UK, which in the main provides it in the form of a 100 per cent grant. In the absence of effective international regulation in this field, British firms have been prejudiced in their efforts to sell abroad by the relatively low level of our Government's support, and just as important, the slowness of reaching decisions within Whitehall. It is important that British manufacturing

CHAIRMAN'S STATEMENT

industry as a whole should be supported on broadly the same scale as its competitors.

It is GEC's policy to continue to invest in the expansion and updating of its businesses, even though the current economic climate is not noticeably encouraging to investment in manufacturing industry. We are becoming accustomed to volatile exchange rates and constant changes in fiscal and industrial policy, but there are new challenges to be met. British Telecom, for example, has shown that the power of a monopoly purchaser can operate without regard to the interest of British manufacturing or British technological development. To have excluded the domestic suppliers from quoting for, let alone supplying, a part of the UK requirements for telephone exchanges, undermines the credibility of British manufacturers as competitors in foreign markets and at the same time denies them access to a substantial part of the home market, all of which is needed to underpin the investment and development expenditure necessary to support export efforts. It is impossible to imagine any of our foreign competitors being so disadvantaged by their own people.

At the same time, the subsidy by British taxpayers of inward investment by foreign firms has become an established plank of British economic policy. Even if there are some short term benefits, and this is by no means clear, there can be little doubt that subsidising foreign competitors of British companies to build in this country what will certainly be mere assembly units will, in the long term be to the detriment of British manufacturing industry.

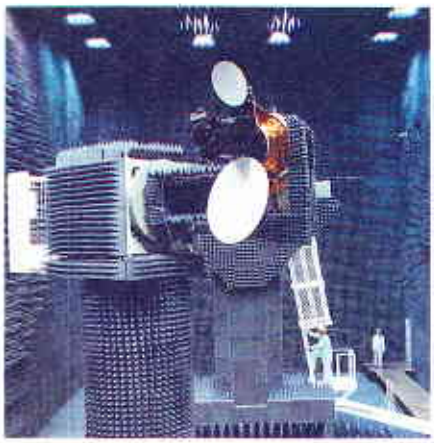
As it enters upon its second hundred years, GEC is a vital organisation, full of ability and confidence, with its employees dedicated to bettering the performance of the businesses which make up the Group. Large amounts of money are being spent in keeping GEC in the forefront of the technologies of its businesses. Last year alone we spent about £620 million on research and development and some £253 million on capital expenditure for up-dating our production resources. We employ 166,000 people. Their skills demand an ample level of training and, just as important, retraining. Currently we give formal training to about 50,000 men and women annually, including 1,800 sponsored students and 5,500 technician and craft apprentices. Last year we engaged 1,500 new graduates, and made about 2,500 places available under the Youth Training Scheme.

As the pace of industrial change quickens, new technologies make inceasing demands on management and financial resources. Your Company has the strength to meet those demands, and has given ample demonstration of its ability to pursue a consistent policy. These qualities, taken together with sound market judgment, will enable your Company to continue to play a major rôle in the nation's industrial affairs.

Rt. Hon. James Prior, MP

ELECTRONIC SYSTEMS AND COMPONENTS

Most businesses increased their turnover. GEC Avionics, the Marconi companies in Canada and Italy made the most substantial advances and, together with Marconi's Underwater Systems and Communication Systems, contributed most to the increase in profits. Marconi's Secure Radio and Radar Systems made less profit than in the previous year. Order books generally increased, but that of Canadian Marconi declined.



Antennae for satellites being tested in Marconi's Space Systems' antenna test range, Portsmouth.

PERFORMANCE	1985	1984
Turnover	£1,861m	£1,578m
including Exports from UK	£ 411m	£ 411m
Profits	£ 235m	£ 197m
Order Book at year end	£2,670m	£2,458m

GEC Avionics Ltd. (formerly called Marconi Avionics Ltd.), increased sales by some 16 per cent. Outstanding orders at the year end were 13 per cent higher than a year earlier. The rise in sales was mostly due to AI radar for the Tornado and the Nimrod AEW radar. GEC Avionics' pre-eminence in head-up displays was recognised by the Queen's Award for Technological Achievement; deliveries of these devices for the General Dynamics F16 aircraft continued at a high level during the year. Considerable progress was made with infra-red thermal imaging equipment; further orders were received in the UK and there are good prospects in the United States. The first major order was received from the MOD for the development and production of a remotely piloted surveillance vehicle known as PHOENIX. GEC Avionics will be acting as prime contractor for this programme, the value of which is some £80 million. These developing areas of business have high export potential and provide additional impetus to an already substantial success overseas.

The rate of progress on the development of the complex Nimrod Airborne Early Warning system has been slower than originally envisaged, but development improvements being made on the two test aircraft flying at Woodford will enable the operational standards of the Royal Air Force to be achieved. The first production aircraft is flying at RAF Waddington, and two further production aircraft are expected to be delivered this year. A performance standard compatible with the requirements of many export customers has already been demonstrated, and several overseas manufacturers and operators are showing considerable interest in the system, which will be substantially cheaper than its AWACS competitor; in this connection an agreement has been made since the year end with the American company, Lockheed, to fit GEC Avionics' radar equipment in their C130 aircraft to create a cost-effective AEW system.

Orders of the United States subsidiary, GEC Avionics Inc., were down, but the introduction of new types of head-up display systems is expected to bring higher sales during the current year.

Marconi Command and Control Systems Ltd. Sales were higher than last year. The Frimley unit received the Queen's Award for Export for the second year running, with exports at 60 per cent of sales, including Blindfire radars for the Rapier missile, artillery and tank fire control equipment and thermal imaging night sights. Development of the new artillery command and control system (BATES) and the updated version of the Blindfire radar for the Rapier missile is well advanced. Excellent progress has been made on the development of the new MARKSMAN anti-aircraft turret designed to fit all the main battle tanks now in service around the world, with successful firings against airborne targets just two years after the start of the project. The exceptionally high level of export deliveries is not expected to be maintained in the current year, but with major new systems becoming available the upward trend will be resumed.

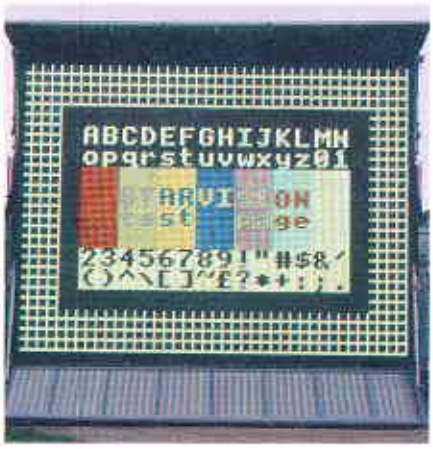
Marconi Defence Systems Ltd. achieved a 13 per cent increase in sales, and a 24 per cent increase in the outstanding order book at the year end. In the Guided Weapons Division, deliveries of radar guided seekers for Sea Skua, Skyflash and Sea Dart missiles were on schedule. The new Sea Eagle missile seeker reached the full delivery rate, and next year will include the first export sales. Live firing of Sea Eagle against a Royal Navy target was successful. The major development project for the Alarm anti-radar missile is to programme, with delivery of the first flight standard seeker on schedule. Prospects for overseas orders and for exploitation in other anti-radar weapons are good. Large investments have been made to demonstrate a millimetric seeker for anti-armour submunitions, which will form the basis for a new family of weapons in the next few years. The Division is planning the European production of the American AMRAAM air-to-air missile. In the Electronic Warfare Division, Skyshadow continued in full production and enabled Tornado to beat allcomers in a recent competition held in the United States. The radar homing and warning receiver, also for Tornado, commenced production deliveries following successful trials. Development of the Zeus jammer for the Harrier is now well advanced, with further orders likely in the near future. A new range of warning and jamming equipment is being developed, and initial orders indicate growing future business. In Satellite Communications Division, large production orders for enhanced SCOT shipborne satellite communication terminals were received from the British and Dutch Navies. Advanced satellite subsystems for SKYNET 4 and ESA's large business satellite were delivered. New developments are in progress in extra high frequency bands for the next generation of satellite communications and surveillance.

ELECTRONIC SYSTEMS AND COMPONENTS

Marconi Secure Radio Systems Ltd. had a difficult year reorganising itself to meet falling demand whilst at the same time putting several new products into manufacture. Important export orders included the frequency hopping radio SCIMITAR V, the handheld digital secure radio system MINSTREL and the mobile area communications system CLAYMORE, all new products. MOD contracts were secured for an advanced ship-to-shore automatic telegraph system and for frequency hopping modems for satellite communications.

Marconi Space Systems Ltd.'s activities were concentrated on the engineering model payload of the SKYNET IV military satellite and on the payload for the MARECS B2 maritime communications satellite, which was successfully launched from French Guiana on the first ARIANE 3 in November, 1984. The MARECS B2 satellite communications were fully checked out on 1st January, 1985 and have since provided faultless service over the Pacific. Sales in the current year will more than double, and will include the communications payloads for the first two SKYNET IV satellites, the engineering model communications payload of the OLYMPUS European communications satellite, and flight subsystems for the weather satellite METEOSAT. Orders have been won for the full development of an active microwave instrument for the first European ocean surveillance satellite (ERS 1), and a follow on order for the third SKYNET satellite.

Marconi Underwater Systems Ltd. achieved higher sales and consolidated its leadership in underwater technology in Europe. The Spearfish heavyweight torpedo is reaching the final stages of development and initial proving trials from a submarine have been successful. Notable improvements in the performance of the Mk 24 Tigerfish heavyweight torpedo have been secured since the company assumed management reponsibility for the system on behalf of the MOD. Export orders for the Sting Ray lightweight torpedo and the Stonefish mine were won, and further export orders for torpedoes, mines and sonar are in prospect. The quantity production order for Sting Ray for the Royal Navy and Royal Air Force is under negotiation.



Starvision is a large colour display screen developed for sports stadia and racecourses. It can be used both as a scoreboard and to show pictures of replays and interviews at events, such as soccer matches.

Marconi Radar Systems Ltd. increased sales by 21 per cent and order intake by 45 per cent. The first radars for the SEAWOLF missile system were installed in the frigate HMS Brave. Additional development has commenced of a new generation of phased array radar for naval missile guidance. Following last year's successful demonstration of the new vessel traffic system, the first orders have been received. A substantial order for MARTELLO radar equipment is expected to become effective during the current year. Further orders have been received for air traffic control radars for the East Midlands Airport, and, in conjunction with Spanish industry, for eight major airfields in Spain. The first sale of MESSENGER secondary surveillance radar equipment was made to the UK Civil Aviation Authority. A large European order was obtained during the year for a new integrated air defence system. A new division was established to undertake development of products involving advanced software, and won its first order, a radar simulator for the Finnish Air Force.

Marconi Communications Systems Ltd. Sales were higher than last year, with major communications and broadcasting projects commissioned throughout the world. Orders received increased by 50 per cent over last year, with the export content more than doubled. Major successes were in the United States, the People's Republic of China, the United Arab Emirates and Australia, whilst the intake at home included the biggest single order ever placed by the Home Office for Mobile Radio systems, valued at £11 million.

Marconi Instruments Ltd. Orders rose by more than 30 per cent and sales by 27 per cent. The Instrument Division launched several major new products including a microwave counter, a low cost portable signal generator and a unique mobile radio test set which will become a market leader in the rapidly expanding measurement field; a new factory is being built at Stevenage. Progress was made with the recently acquired Computer Aided Engineering Division, which moved into a new building at Ferndown. New products launched during the year included the Microquad printed circuit board design system and the Quadrant 11 mechanical design system. The commercial Automatic Test Equipment Division introduced three new functional test systems and made several major enhancements to its in-circuit tester for direct linking into a computer aided design system. The Scottish operation received a second order from the SSEB for an advanced simulation and trainer system for the nuclear power station at Torness; major orders for advanced electronic warfare test systems were received. Germany was the best export market with a 70 per cent increase in sales, but the United States showed only 10 per cent growth reflecting the downturn in the market there for test equipment. During the year, 300 new jobs were created and further expansion of overseas business is planned.

Easams Ltd.'s activities in military system studies continue to grow, particularly in techniques for the analysis of command systems and decision making. Orders were received for military vehicle engineering studies, for a new army air-defence command information system for operation of ground-to-air missiles, and for colour graphics displays for civil control systems. Work on the Tornado aircraft project remains at a high level, with continued development of the avionic system for the fighter version and the supply of ground and aircrew trainers. Work has also started on mid-life improvements for the Tornado strike version.

GEC McMichael Ltd. Extensive management changes arrested the

ELECTRONIC SYSTEMS AND COMPONENTS

deterioration in performance. Sales of broadcast and video equipment, satellite communications terminals and military electronics were maintained, but order intake was lower. New products now available include a transportable earth terminal, incorporating the only high efficiency antenna able to meet American and European regulations, a new range of high resolution monochrome monitors and an enhanced varispeed telecine.

The Marconi International Marine Company Ltd.'s business improved despite the continued world shipping recession; there are now signs that sea trade is improving. Changing market conditions and requirements of new legislation led to a 40 per cent increase in development expenditure.

Marconi Electronic Devices Ltd. maintained the rapid growth of the last two years with 30 per cent increase in turnover. Investment in new development and facilities to manufacture and test electronic components and subsystems of ever growing complexity remained at a very high level. Higher sales of electronic components were achieved in the United States, particularly for power devices.

Successful performance trials of Salplex multiplexing systems have created international interest among automobile manufacturers. Commitment to instal the system on production vehicles in the late 1980s is being actively pursued in the UK, Europe and the Americas, and plans have been laid to accommodate the rapid rise in production volumes which is expected to ensue.

Circuit Technology Inc.'s results showed a substantial decline as a result of the high costs involved in the rapid expansion of facilities and inefficiencies in start-up working. Order intake remains good.

GEC Australia Ltd.'s Marconi Division commissioned a new design and manufacturing facility at Silverwater. Plans are already in hand for an extension to support the growing volume of business in trunk network equipment.

Canadian Marconi Company's results again reached record levels, with sales increasing by more than 20 per cent over the previous year, of which approximately half were in exports of military communications equipment ordered by the United States Army and other export customers during the previous year. New orders were not available on this scale, and the current year is likely to show a marked reduction in sales and earnings. Important progress was made in the development and acquisition of new product technology to re-establish an expansionary regime. The first demonstrations were made of airborne microwave landing system receivers and of the global positioning system Navstar receivers for satellite based navigation. A licence was obtained from Hazeltine Corporation for the production and sale of ground-based equipment for microwave landing systems, and agreement was reached to acquire the navigation systems operations of Philips Electronics Inc. of Toronto covering the manufacture and marketing of instrument landing systems.

Minnow, a remotely controlled vehicle developed by Marconi Underwater Systems for the new generation of mine countermeasures vessels. Small but powerful, it investigates underwater contacts by TV, sonar and camera destroying mines it locates by placing charges.

Marconi Italiana SpA.'s sales were nearly doubled, and order intake, of which 40 per cent was for export, was 42 per cent higher than for the previous year. Further orders were received from the Malaysian Telecommunications Authorities for pulse code modulation telephone multiplex equipment and satisfactory volume was received from EEC countries for civil and military communications equipment. Prospects for the current year are good.

Cincinnati Electronics Corporation improved on the previous year's results, but operated well below its expected level of profits, despite a continued drive in the United States to bring new HF and UHF communication products to the market. International sales of existing products were slow. New activities included the development of "packet technology" and the marketing of the Marconi S511 radar for small airports. The Aerospace Division successfully completed the cadmium sulphide detector technology transfer for the Stinger Port missile, and orders were received for receiver/decoders on several major programmes, including the space shuttle, MX and Minuteman missiles. There are reasonable prospects for growth.

Norsk Marconi A/S incurred a loss, although sales were similar to the previous year; falling marine and offshore sales had to be replaced by other business on unsatisfactory terms. The order position has since improved; prospects for the current year are better for sales to Norwegian Telecoms and to the Military authorities, as well as for instrument landing systems in the UK. The new NFIS digital flight inspection equipment should increase activity in the Navaids field and make a major contribution to future sales and profit.

English Electric Valve Company Ltd. slightly increased sales and ended the year with an order book seven per cent up on last year. Export orders increased by 19 per cent. Home commercial business was also strong, but UK Government orders were 27 per cent down due to cutbacks and deferments of MOD requirements. The first "Starvision" video display board was sold to an Italian company for installation at the A.C. Milan football stadium. There were higher sales of the Fire Service camera, which achieved nationwide publicity when it saved life following the Putney gas explosion, and of magnetrons and travelling wave tubes. Sales prospects are improved by the successful development of a third generation image intensifier, and by the new

ELECTRONIC SYSTEMS AND COMPONENTS

charge coupled devices and CCD cameras.

The M-O Valve Company Ltd. had a difficult year. Manufacture of reed relays for telephone exchanges ceased and the demand for valves declined sharply. But sales of surge arresters, cathode ray tubes and microwave devices increased, and orders are being received for hybrid integrated circuit packages, a new product line.

EEV Inc., USA, and EEV Canada Ltd. continued to increase their market shares in the field of thyratrons for laser switching, VHF tetrodes for broadcast transmitters and travelling wave tubes for military and communications applications. But demand for leddicon TV camera pick-up tubes weakened.

Salford Electrical Instruments Ltd. had a better year with increased orders, sales and margins. The range of natural gamma electronic equipment for the mining industry was expanded with a "long hold" drill prospecting control device to supplement existing systems for bunker level monitoring and control, coal shearer guidance and health monitoring. "In car" aerials are now installed in five models of motor cars and interest in the device is being shown by other high volume car manufacturers in the United States and Europe. The US Government purchased a test quantity of personal radiation dosimeters, for which it has a requirement for two million units over the next five years.

GEC Ceramics Ltd. was formed during the year to exploit opportunities for sales of ceramic products developed at the Stafford Laboratory of the Central Research Group. Manufacturing facilities are being extended to meet a growing demand for ceramics, glass ceramics and the technical glasses which are increasingly applied in electronics, avionics and general engineering. New products include metallised substrates, infra-red transmitting substrates and lenses, and ferrite/ferro-electric filter devices.

TELECOMMUNICATIONS AND BUSINESS SYSTEMS

Increased turnover and profits from AB Dick, Videojet and the Private Systems division of Telecommunications were more than offset by reductions in the Exchange and Transmission groups and losses at GEC Computers. There were no exceptional changes in turnover or orders outstanding other than a further decline in the order book of the Transmission Group.

GEC Telecommunications Ltd. The Telephone Switching Group's results were adversely affected by lower throughput and extra costs arising from the change-over from electro-mechanical to digital systems. Supply of modern digital telephone exchanges (System X and UXD5) to British Telecom and other network operators has now completely supplanted the older electro-mechanical and reed-relay type equipment, manufacture of which is being phased out. Substantial investment in manufacturing facilities for advanced electronic systems has been made in the factories in Coventry and Kirkcaldy which are both now in large-scale production of System X. At the year-end, nine GEC System X exchanges had been handed over to British Telecom, and a further 141 exchanges were in the process of being installed and commissioned. The first exported System X exchange was brought into service during the year in St. Vincent and contracts for Jersey, Hull and Guernsey are in progress. British Telecom have also taken delivery of 41 out of a programme of 180 UXD5 rural exchanges. The first exported UXD5 was recently brought into service in the Solomon Islands; export orders have now been received from four countries for this exchange.

Pole mounted digital radio equipment made by GEC Telecommunications which meets the needs for voice and data links across cities.

PERFORMANCE	1985	1984
Turnover	£746m	£735m
including Exports from UK	£ 32m	£ 41m
Profits	£ 81m	£ 93m
Order Book at year end	£495m	£510m

The Transmission Group maintained its position as the UK's leading supplier of transmission equipment. The availability of technically advanced products such as digital radio equipment, optical fibre systems and multiplex equipment for British Telecom and other UK customers has enabled this Division to increase export orders. Typical export orders were optical fibre systems for China, Pakistan and Qatar, microwave radio systems for Cyprus, France, Malawi, Nigeria and Thailand and multiplex equipment for Cameroon, Germany, Hong Kong and the United Arab Emirates. Orders were received from British Telecom for Kilostream equipment and for 8 Mbit/s optical fibre systems for their junction network.

Private Systems Division's large PABXs are sold by British Telecom (as BTeX) and by GEC Reliance Ltd. (as the SLX). These exchanges gained an increased share of a buoyant UK

TELECOMMUNICATIONS AND BUSINESS SYSTEMS

market for PABXs; sales doubled during the year, and further growth is expected. In the small PABX sector, the Division remained the leading home supplier of Monarch and also achieved exports to more than 20 countries. Considerable growth in the export market is expected; it will be needed to offset declining demand at home.

Defence Systems Division, as prime contractor for project UNITER, is installing the fixed telecommunication network for the Royal Air Force. Having developed an advanced systems planning facility to deal with such networks, the Division is now able to bid for the requirements of other branches of the Armed Services.

Telephone Division's main products are the IXT telephone and a full range of key-systems for the small business user. The Division had an unsatisfactory year due to the failure of the expected call-off programme for BT to materialise; the results were also adversely affected by the entry into the UK of many new imported products. Yet order intake from abroad rose by 70 per cent, mainly from the Middle and Far East. Particularly encouraging were orders received from China; negotiations for a joint venture to manufacture telephones there are at an advanced stage.

AEI Telecommunications (Canada) Ltd.'s results benefited from large sales of key phone sets and exports to the United States and Pakistan of automatic number identification equipment. A new locally designed emergency reporting system is being introduced.

GEC Reliance Ltd. was able to expand its activities in the security and specialist communications fields. Order input improved at a much faster rate than sales, so higher sales are expected in the current year. Orders for large PABX systems more than doubled, including a contract for the installation and maintenance of the UK's largest private digital network. The introduction of new smaller models also contributed to the better order intake. Further new telecommunications products are due for launch in the near future. In office automation, the first British system to be approved for connection to the new Teletex service was introduced, together with a range of

GEC's Datacom, an executive workstation combining voice and data communications.

communicating word processors and office workstations. Sales of security and communication systems continued to expand, particularly into specialist markets such as hotels and nursing homes. Marketing of information technology systems for the Group is now concentrated in GEC Reliance Ltd., and plans are being developed for expansion.

GEC Computers Ltd.'s sales of military equipment continued at a steady rate, but could not compensate for poor commercial sales and the higher starting up costs associated with the Series 63 Computer. The outcome was a substantial net loss. Changes have been made in management and organisation.

Telephone Cables Ltd. produced better results from a higher sales volume. The market for copper telephone cables declined but there was a four-fold increase in demand for optical fibre cables. A new facility was established for the manufacture of optical fibre cable tails complete with connectors, and other production facilities for optical fibre cables were streamlined to reduce costs and to allow for further expansion. Major orders were obtained from Botswana for a turnkey telecommunications cable project and from China for telephone cable. Avon County Council were supplied with a turnkey fibre optic motorway TV surveillance system.

GEC Optical Fibres Ltd.'s sales increased three-fold in volume but falling prices held back profitability. Development continues at a high rate to introduce new constructions of fibre and further production economies.

A.B. Dick Company, USA, halted the run of bad results of recent years. Continued concentration on its core business, offset printing and duplicating, increased the volume of equipment sales. Operating costs were reduced. New marketing efforts, mainly on multi-colour applications, were directed towards commercial and in-plant users. The KNOWLEDGE WORKER, an interactive desktop microcomputer, was satisfactorily launched, and the expanding product line now has the ability to cluster up to 128 multi-tasking workstations; digital voice processing and telephony capabilities will soon be added. M-PATH, an exclusive user-friendly control software package, has been well received and is being further enhanced to provide more capability and flexibility. Updatable microfiche had a good year and file conversion services are now being offered to machine users.

Videojet Systems International, USA, continued to grow in both automated identification and the graphic arts markets for non-impact product coding and addressing equipment. With the introduction of MAXUM, a new large character ink jet coder, in addition to its new laser coders, Videojet is the most complete source of coding equipment in the world. A large order was received to provide coders to the United States Postal Service over a four year period. Sales of graphic arts equipment remained high for the addressing and personalisation of direct mail and publications, particularly the multi-line variable information printer and the Videojet Mailer. New products are on the way to expand market penetration.

Scriptomatic Inc. continued to be adversely affected by inability to respond to changing technology and incurred losses. A thorough reorganisation was carried out of the European subsidiaries, and operating costs were reduced in the United States. New computer related products introduced towards the end of the year should help in the current year.

Parnall & Sons Ltd. continued to make progress. The contract at Terminal 4, Heathrow, is progressing satisfactorily. Substantial orders for refurbishment were obtained from British Home Stores and the Victoria Wine Company. New models of office furniture have been introduced into the Tansad range.

AUTOMATION AND CONTROL

Industrial Controls, Measurements and Composants produced the highest increases in turnover. The profit performances of the businesses were mixed, with Measurements showing the greatest improvement and the Projects and Industrial Products Divisions in Australia, Avery-Hardoll and Meters the largest declines.

The control room of a coil plate mill in a large steel works. GEC was responsible for the complete automation system.

PERFORMANCE	1985	1984
Turnover	£463m	£436m
including Exports from UK	£109m	£120m
Profits	£ 48m	£ 52m
Order Book at year end	£312m	£313m

GEC Electrical Projects Ltd. maintained its rate of investment in new developments associated with factory automation systems and building engineering services. Major orders secured included modernisation and extension of Colombo Airport, Sri Lanka, and power and dynamic ship positioning systems for the single well oil production system (SWOPS) to be built by Harland and Wolff for British Petroleum. GEC Electrical Projects Ltd. was appointed by the Alvey Directorate as Manager of the "Design to Product" Demonstrator Project for the application of artificial intelligence to automated design and manufacture. A collaboration agreement was made between British Aerospace and the Factory Automation Systems Technology (FAST) Division for development of a suite of manufacturing software for use in flexible manufacturing systems. A hotel room management and security system, GUESTKEY, was acquired. The Building Engineering Services Technology (BEST) Division was set up to provide high technology building services and integrated management systems for new buildings and major refurbishment projects. A unit has been established in Pittsburgh to seek opportunities for selling automation systems in the United States, concentrating initially on the metals, food and paper industries, but extending later into other industries and hotels. GEC Robot Systems Ltd. added assembly machines to the existing spraying and welding robots, and continued with the development of vision and tactile devices for the expansion of its product line.

GEC Industrial Controls Ltd. Sales of electronic products continued to grow rapidly. GEM 80, the microprocessor based control system, was enhanced by the addition of new facilities and improvements. Increased sales are being sought in Europe, North America and Australia; the automotive industry continues to offer the greatest potential. The axis and spindle drive developments for machine tools are now being exported to France and Switzerland, with further potential sales in Italy and Germany. The range of ac drives has been extended. Further progress was made during the year in commissioning the flexible manufacturing system for electronic products at the Kidsgrove factory in association with the FAST Division of GEC Electrical Projects Ltd.

GEC Automation Projects, Inc., USA, increased its order intake by 30 per cent, successfully completing two major installations for the food and automotive industries using the GEM 80 microprocessor based control system. Sales growth will be needed in the current year to recover the higher field selling expenses being incurred in search of expansion.

GEC Mechanical Handling Ltd.'s sales and margins declined, partly due to a lower level of business from the National Coal Board as a result of the miners' strike. Order intake however, improved and included process plant for a fertilizer project in Egypt, handling equipment for the Trident missile, and a power station in India. Trials were successfully completed in the North Sea on a unique system supplied to Mobil Exploration Norway Inc. capable under emergency conditions of evacuating from an oil platform to a rescue ship up to 200 people in 75 minutes.

GEC Traffic Automation Ltd.'s sales were poor, but orders improved substantially and included a major traffic control contract for Hong Kong. A substantial order for apparatus required for the Dartford tunnel was obtained following the acquisition of a toll collection business. Opportunities are being pursued in Europe for sales of the card operated parking meter system.

GEC Marine and Industrial Gears Ltd.'s results were less satisfactory than the previous year, due to the deferment of key projects at home and abroad, but a substantial increase in order intake towards the end of the year improved the outlook. Facilities have now been established for the manufacture of traction gears to broaden the product base.

W. & T. Avery Ltd. increased orders and sales with the continuing up-grading and broadening of its product range. Capital investment in advanced electronic manufacturing and test equipment brought down unit manufacturing costs and enhanced product quality, which in turn improved the company's competitive strength despite lower selling prices. Export orders continued to grow, with major expansion in the retail trade of Europe and the United States, and for industrial users in the Middle East. New products were introduced at the rate of two per month, including a new range of industrial and analytical balances from the Oertling Division, sales of which are expected to grow rapidly during the current year, and the new ENTERPRISE retail scale, a market leader because of its advanced specification and capability to interface with electronic point of sale systems. Newly developed

AUTOMATION AND CONTROL

microcomputer systems provide management and control reports for the retailer. Avery's health/kitchen scale is selling well through UK department stores, and in Europe, South East Asia, Canada and the United States. In the industrial sector, a range of microcomputer controlled systems was launched with applications for weighbridges, abattoirs and pharmaceutical plants. The demand for weighing control and data collection systems is growing rapidly, and an Industrial Systems Division has been formed to take advantage of this opportunity.

Overseas, Avery Australia Ltd. and Avery New Zealand Ltd. benefited from the flow of new products of W. & T. Avery Ltd., although South African Scale Co (Pty) Ltd., which also achieved better results, was adversely affected by the weakness of the rand.

Avery-Denison Ltd. achieved improved results despite delays in introducing new products and a decline in orders for liquid filling equipment.

Driver Southall Ltd. had a good year with record sales of conveyor systems and computer weighing equipment to the snackfood industry. The acquisition of the ALITE range of powder filling equipment will broaden the product range and provide opportunities for expansion.

Avery-Hardoll Ltd. had a poor year with lower orders for petrol dispensers in the UK and severely curtailed demand in Nigeria due to shortage of foreign currency. Management problems have now been resolved. Sales of aviation fuelling equipment and bulkmeters picked up sharply in the last quarter, and new products due in the near future should improve prospects.

PM Services Ltd., (formerly Pump Maintenance Ltd.), was reorganised to improve and extend its services to cover new microprocessor controlled garage forecourt systems, including fuel dispensing pumps and associated electronic point-of-sale equipment.

GEC Measurements Ltd. achieved improved results in its Stafford and Leicester Divisions from the introduction of new products. A growing range of the new MIDOS relays helped the Stafford Division expand sales to existing markets and

Manchester International Airport for which GEC designed and supplied the systems for the complete airfield lighting, monitoring and control.

to penetrate new territories. MIDOS will be strengthened in 1985 by the new transformer protection and automatic reclosing relays which, together with a new distance relay, QUADRAMHO, are expected to take a large share of world markets. The Leicester Division obtained the first major order for its new Telecontrol T1000 and T2000 outstation equipment which, together with the associated energy management software developed in conjunction with Durham University, is the chosen route to more export orders. Agreement was reached with the CEGB for the installation of the world's first microprocessor based steam turbine governor.

GEC Meters Ltd. did less well than in the previous year due to reduced total demand in the UK and low margins. Productivity was raised through heavy capital expenditure and the positive response of a motivated workforce. New orders for energy management products increased substantially and a first contract was secured for RADIO TELESWITCH, a radio controlled load management device for electricity supply utilities. Order intake improved during the year, and the order book stood at a record high at the year end.

GEC Moulded Plastics Division's results continued to improve, in spite of industrial relations problems at the start of the year. Capital investment has been increased to broaden manufacturing capability and improve competitiveness.

Satchwell Control Systems Ltd.'s performance declined in the year due to reduced systems sales in the UK and lower margins achieved on completion of some contracts. The introduction of new microprocessor based products and improved penetration of export markets increased order intake in the second half of the year.

Satchwell Sunvic Ltd. yielded improved results following a poor performance in the previous year. The move from the Motherwell factory to modern premises in Uddingston was completed. The company was sold in June, 1985 to Pegler-Hattersley whose compatible product range puts it in a good position to develop the business through its distribution network.

GEC Australia Ltd.'s Project and Industrial Products Divisions suffered from lower activity, and profit was further reduced by provisions made in respect of a large project in Western Australia, the outcome of which is uncertain. Management in both Divisions has been strengthened, and a separate Building Services section has been created to pursue increasingly specialised customer requirements. The Automation and Control Division also experienced a sharp drop in profit as a result of the changed trading conditions and consequent price reductions for professional video equipment.

The English Electric Company of India Ltd.'s Relays and Control Panels Division experienced its first setback for many years. Although market shares were maintained, reductions in the business available from the State Electricity Boards, together with additional competition, did not permit the recovery of higher costs. The first three sets of the PERM 200 event logger made at Madras works were delivered to the National Thermal Power Corporation. Other new products, including disturbance recorders, are due for early release.

GEC Composants SA, France, maintained its profits. The costs of reorganising the newly absorbed Woods ventilation business in France were compensated by continuing improvements in the offset printing activity and by gains in export sales of standard products.

MEDICAL EQUIPMENT

PERFORMANCE	1985	1984
Turnover	£472m	£435m
Profit	£ 29m	£ 24m
Order Book at year end	£154m	£140m

Picker International Inc., USA, continued to progress despite mounting pressure for the reduction of health care expenditure. Earlier and improved diagnosis of disease is a primary element in reducing health care costs, but health care industry officials are obliged to seek cheaper products, although less effective, because of limitations on capital budgets. Picker has therefore intensified efforts to improve product performance at lower cost. In the important field of Computerised Tomography (C-T) scanning, patient throughput was increased 30 per cent and image quality was improved, whilst costs and selling prices were reduced by 24 per cent. A new range of vascular imaging equipment, now the fastest growing segment in the X-ray market because of its importance in the diagnosis and treatment of heart disease, was introduced.

Magnetic Resonance (MR), the newest imaging technology, is gaining rapid acceptance as a means of obtaining diagnostic data without ionizing radiation. A clinical Science Centre was established at the Picker headquarters in Cleveland to develop MR user applications and increase market penetration. A mobile trailer system was also developed to provide this new technology on a cost-effective, time-sharing basis to smaller hospitals. In the UK, Picker received The Queen's Award for Technological Achievement for the development of MR scanners.

A $17 million research and development contract was awarded to Picker by the US Army to develop speciality imaging systems for use during combat. Prototypes will be delivered in late 1985. Dedicated imaging systems for the military offer important future business opportunities.

As part of the intensification of activities in international markets, Picker has experienced growth in sales of high technology products in the UK and Germany. A joint venture company with Fuji Electric Co. Ltd. and Toray Industries Inc. was established in Japan to increase participation in the large Asia/Pacific market; in the first year of operation, the joint company secured more orders for cryogenic MR systems in Japan than any competitor. Picker is widely recognised for the quality of its service organisation, and service revenues, representing 15 per cent of total sales, increased by a fifth over the previous year. Sales in the Health Care Products Division decreased following the decision to reduce marginal business and to promote sales of higher margin accessories and disposables.

POWER GENERATION

Orders received in Turbine Generators were higher than in the previous year, but insufficient to cover its record turnover, so that the order book at the year end declined.

The profits for the year were again adversely affected by costs associated with the run-down of the GEC Gas Turbine activities at Whetstone. The diesel businesses as a whole were more profitable, but Ruston Diesels' profits declined due to lower margins and redundancy costs.

PERFORMANCE	1985	1984
Turnover	£ 655m	£ 623m
including Exports from UK	£ 367m	£ 359m
Profits	£ 55m	£ 52m
Order Book at year end	£1,347m	£1,468m

GEC Turbine Generators Ltd.'s sales, of which 72 per cent were for export, reached the highest level yet recorded. In Hong Kong, Castle Peak "A" power station was completed ahead of schedule and all four 350 MW units are giving satisfactory service. The first 677 MW unit for the Castle Peak "B" power station is planned for commissioning in November, 1985, four months ahead of programme. Despite the continuing lack of world demand for power generation plant, an order valued at £130 million was won for the Bharat Aluminium Company's smelter at Korba in Madhya Pradesh, India; good progress has already been made in the execution of this contract. The intensive sales efforts made in China are looked to for substantial orders in 1985. Confirmation is expected of the order for the two 625 MW turbine generators for the CEGB's Sizewell "B" power station.

GEC Energy Systems Ltd. was heavily engaged in commissioning the Hartlepool and Heysham AGR power stations which entered service during the year. New contract work is in hand to provide additional facilities to enhance power station availability and operational flexibility. Good progress was maintained on the AGR stations at Heysham II and Torness. Demand for refurbishing work for the older nuclear power stations continues to grow. Substantial contracts were won from British Nuclear Fuels Ltd. in active nuclear waste management for Sellafield, and from the United Kingdom Atomic Energy Authority for Dounreay, another potential growth area.

GEC Gas Turbines Ltd.'s Whetstone factory closure was announced in 1984, as the facilities could not be supported by the level of foreseeable demand. Work on existing contracts is being completed at Whetstone, and for the future, the activity is being amalgamated with that of Ruston Gas Turbines Ltd. at Lincoln. The costs

POWER GENERATION

involved in this concentration of resources, together with inventory write-offs and contract provisions, seriously affected the year's results and a loss was recorded. However, Ruston Gas Turbines Ltd. is already handling the GEC Gas Turbines Ltd. product range and has begun development work to update the retained models. Rustons is also working closely with the recently formed joint venture company, GEC Rolls-Royce (Power Generation) Ltd., which specialises in gas turbine power generation for units above 10 MW.

Ruston Gas Turbines Ltd. encountered more difficult market conditions than in the previous year but achieved similar sales. In the absence of major projects, more widely spread smaller contracts had to be secured; the number of sales territories was increased to 53 by sales for China, Burma and Sudan. The new 8500 hp Tornado has already been sold in eight countries. Heavy expenditure on product development continued to improve the fuel efficiency of existing engines and to extend the horsepower range. Modifications to the Lincoln facilities to accommodate large engine production, including the transfer from Whetstone, will be completed during 1985. The expanded capacity in Lincoln, together with new and enhanced products, will, with the use of less resources, enable the achievement of more efficient coverage of a greater range of engine power and applications.

Napier Turbochargers Ltd. increased sales and was able to expand the customer base, mainly in export markets, through the new high efficiency machines. Further substantial investment has been made in product and process technology in order to maintain the pace of development demanded by the world's leading manufacturers of fuel efficient diesel engines.

Ruston Diesels Ltd. maintained sales volume, but margins were much lower. The results were also adversely affected by increased development spend, and by redundancy costs associated with

The Ruston TB5000 gas turbine provides reliable power to drive pumps, compressors or electrical generators and incorporates many improved technology components.

Power turbine stator blades are manufactured from heat resisting, nickel-based superalloys and can be seen in this picture of the turbine stator assembly. The Ruston TB5000 produces 5000 bhp at 8000 rpm.

the reduction in capacity because of reduced demand for railway traction and marine engines. During the year, 10.5 MW of generation plant for the new Falkland Islands airport was successfully commissioned ahead of programme. Ten engines of the newly developed RK270 range were delivered, including spark-fired gas engines to the United States, for which worldwide demand is expected from the oil and gas industry.

Paxman Diesels Ltd. achieved improved results. The contract for the supply of Valenta engines for the Royal Navy's Type 22 frigates, was completed in the year with the delivery of 20 engines. Several defence contracts were received, including an order from the United States for 45 engines for new coastguard patrol craft. The first set of diesel engines for the Royal Navy's Type 23 frigates will be delivered in the coming year, and marks Paxman's continuing link with the Royal Navy through this new generation of ships. In order to broaden the product base more rapidly, Paxman has considerably increased development expenditure on new engines and on uprating existing engines. Regulateurs Europa continues to introduce new products with improved technology and has increased sales of engine controls to overseas customers.

Dorman Diesels Ltd.'s results were worse than last year and suffered particularly from lower volume of orders from some overseas territories. The introduction of new models in the last quarter opened up new markets for Dorman.

Kelvin Diesels Ltd. recovered from the bad results of recent years. A new 650 hp engine was successfully launched and further new models will be added during the current year.

GEC Diesels Inc., Canada, produced a better result, but the order book declined. In addition to diesel power plant packaging, small air cooled engines are now being assembled at the Toronto plant. A major contract was obtained for machinery for the mid-life refit of the Canadian Coast Guard vessel Narwhal, including a complete twin screw Ruston powered diesel propulsion system, bow thrusters and auxiliary generation systems with Baudouin engines, all controlled and monitored with GEM 80 programmable controllers.

Société des Moteurs Baudouin SA, France, improved its performance. New military business brought increased volume. Investment in modern manufacturing systems raised the level of competitiveness and assisted sales of more diesel engines for generating sets in France and elsewhere. It is expected that the new high performance products becoming available in 1985 will lead to further progress in military applications.

Ruston Gas Turbines Inc. increased its sales and improved productivity in the United States factories, resulting in higher profits. Several orders were received for the Tornado gas turbine and for other larger engines now added to the product range, some for the growing co-generation market.

GEC Diesels Australia Ltd. experienced a difficult year until the last quarter when increased orders were received from the mining and natural gas sectors. New models from Dorman and Ruston, particularly gas engines, are making a favourable impression, especially for power generation and gas pipeline compression.

ELECTRICAL EQUIPMENT

Transmission and Distribution Projects and Transportation Projects made the largest contributions to increased turnover, but these two units, with Traction and High Voltage Switchgear, accounted for most of the reduction in the order book at the year end. The results were most seriously affected by losses amounting to £13 million in High Voltage and Distribution Switchgear attributable to lower margins, inventory and contract provisions, as well as redundancy and other costs associated with the remedial measures being taken. Profits improved in most other businesses.

GEC High Voltage Switchgear Ltd. suffered a major downturn in orders and encountered difficulties in the completion of certain contracts. This led to a substantial loss on trading to which were added heavy charges for the reorganisation and redundancy required to restore competitiveness and viability. Sweeping management changes were necessary and were made, although only after undue delays. On the positive side, projects were completed for the supply of 132 kV switchgear in Saudi Arabia and Oman, and the 400 kV switchgear sections of the CEGB cross channel link project at Sellindge, Kent. New orders were received from Pakistan, Malaysia and, for the first time, from the People's Republic of China. Development of new and more efficient designs of circuit breakers at 72.5 kV, 132 kV and 275 kV and a novel design of 132 kV gas insulated switchgear are far advanced.

GEC Distribution Switchgear Ltd. made heavy losses. Output declined and the factory management failed to establish efficient output of new products. Management changes are being made to rectify these deficiencies and to re-establish satisfactory performance. The design of a new ring main vacuum unit for operation up to 24 kV was completed to fill an important gap in the product range. An improving order book indicates better prospects for the current year.

GEC is the managing contractor for two of the lines of the Seoul Metro in Korea. The picture shows one of the 67 six car trains.

PERFORMANCE	1985	1984
Turnover	£815m	£750m
including Exports from UK	£277m	£239m
Profits	£ 42m	£ 49m
Order Book at year end	£577m	£717m

GEC Transmission and Distribution Projects Ltd. was inevitably affected by the problems of its sister units in the electrical distribution group but managed all the same to increase sales and profit. Demand for transportation equipment in the United States continues to be buoyant and orders were received in connection with mass transit systems in New York, Boston and Chicago. The TRANSDRIVE inverters selected for the 1985 Queen's Award for Technological Achievement were successfully commissioned for both the Maglev people mover system in Birmingham and a light railway system in Scarborough, Canada. Progress is being maintained on the 2000 MW high voltage dc cross channel link between the UK and France, with the first 1000 MW capability due to be commissioned later this year. Although markets generally remain difficult, more sales opportunities are emerging in the traditional areas of electrical transmission and distribution systems and industrial power supplies.

GEC Installation Equipment Ltd. was also not free of managerial problems, but was able to complete a two-year programme of modernisation and re-equipment of the fusegear and switchboard production facilities in Liverpool. New products are being brought in for control and protection in electrical installations. With its new facilities, a freshened product range and other changes, this business has scope to make progress in the future.

Vynckier NV of Belgium improved its sales and profitability largely due to increased exports. Its reputation for high quality in the design and production of plastic mouldings was again recognised in the award by IBM for the second year of the "Suppliers Excellence Certificate". The new VP switchboard system launched in Europe was well received by customers. Sales of the V-LINE range of DIN rail mounted miniature circuit breakers are growing at an encouraging rate.

GEC Distribution Transformers Ltd. maintained sales and orders at the previous year's level, and increased demand for environmentally safe transformers brought better margins. Major installations at Heysham nuclear plant to meet seismic standards and "dry" cast resin transformers at the Bank of England were completed. Following on the original work carried out at the Hirst Research Centre, the first amorphous metal-cored transformer in the UK was manufactured and supplied to the Eastern Electricity Board.

GEC Power Transformers Ltd. again raised its level of sales. Home deliveries included transformers for the CEGB Drax power station and the cross channel link (including Europe's largest 400 kV 3 phase series reactor) for Sellindge and Ninfield, and also special rectifier equipment for UKAEA at Culham. Increased exports included units for China Light and Power's Castle Peak "B" power station in Hong Kong and deliveries to Brazil, Mexico, Tanzania and Zimbabwe. Home orders received included two 1000 MVAr reactors for SoSEB, transmission and system transformers for CEGB and Area Boards, and units for MOD, British Rail and the steel industry. Overseas orders included units for India, Taiwan and South Africa. Further investment in new plant and training, and other improvements in the Stafford manufacturing facilities led to higher quality standards, lower manufacturing costs and better performance. These trends are expected to continue in the current year.

ELECTRICAL EQUIPMENT

The Micanite & Insulators Company Ltd. produced unsatisfactory results. Sales were poor following lower demand for high voltage insulation products. However, the order book increased towards the year end making for a brighter outlook for the current year.

The General Electric Company of India Ltd., with more stable industrial relations, was able to make some recovery from the previous year, but reduced demand from the State Electricity Boards adversely affected margins for transformers and switchgear. Following the successful transfer of technology from the UK, orders were secured for the first time for 33 kV vacuum breakers and for locomotive and trackside vacuum breakers. The results of Motors Division improved, and the first 6.6 kV motor was produced during the year. The successful Furnaces Division introduced a higher tonnage induction melting furnace.

The English Electric Company of India Ltd.'s Fusegear and Switchgear Division increased its market shares in conditions of generally lower demand which eroded margins. Impetus is being maintained by the expansion of the new product activities, particularly in the locally designed moulded case circuit breakers, the range of which was extended up to 800 amps during the year.

GEC Australia Ltd.'s Heavy Engineering Division suffered severely from the strike in the Queensland electricity supply industry, so that sales were well down. But substantial orders were received for transformers, traction motors and switchgear for the electrification of the railways in central Queensland.

AEI Cables Ltd. did better in both the power and general wiring cables sectors despite less business from the National Coal Board. The range of cable compounds has been widened to embrace new types with greater fire retardant properties which produce only low levels of toxic gases and much less smoke emission in the event of fire.

GEC-Henley Ltd. had a poor year; demand from overseas customers was low. Costs have been reduced by administrative restructuring.

Kent Electric Wire Ltd. and **F. D. Sims Ltd.** maintained an improved performance with sales in export markets increasing by a third. Copper strip is now being fabricated to reduce costs and to give a rapid response to customers' requirements.

Rodco Ltd. raised both its level of quality and delivery performance, although the year was marred by industrial disruption.

Vactite Ltd. achieved a better trading performance, but the results were affected by factory reorganisation planned to give efficient future operation.

GEC Traction Ltd.'s sales were only just over half the volume of the previous year, but profitability improved with a major restructuring of manufacturing capacity. Exports continued to account for over 80 per cent of sales. New electric multiple unit (EMU) stock for Seoul, Dublin and Recife was successfully commissioned and entered service in the year. Order intake was lower than in the previous year, but included important orders for 50 new chopper locomotives for South Africa, EMUs for Taiwan, a prototype unit for London Regional Transport and extensions to a contract for EMUs in Melbourne. Progress in engineering development led to the successful completion of tests of advanced technologies in traction propulsion drives which are now being offered in new products.

GEC Transportation Projects Ltd. recorded high sales overseas. In Brazil, phase one of the Recife suburban railway modernisation was completed and major shipments of equipment were made for the main freight Steel Railway electrification project. Good progress was maintained on the Seoul Metro contract in South Korea where vehicles entered service on the first two lines. Several important new orders were received, including one from South African Transport Services for 50 microprocessor controlled main line electric freight locomotives. In the UK, the Maglev project at Birmingham Airport commenced passenger service, and the Docklands Light Railway contract was won in a joint venture with Mowlems; this will provide an advanced driverless automatic light rail system which can be demonstrated to overseas customers for what is seen as an important growth area.

GEC-General Signal Ltd. increased sales by 25 per cent, due mainly to higher exports. Profitability was held back by higher expenditure on development engineering of new systems for electronic rail traffic control and solid state signalling. This additional development effort, however, facilitated the winning of contracts from British Rail for Inverness and East Anglia; the new technology concerned provides a sound basis for the future. Export orders currently in hand represent two thirds of the forward work load.

GEC Large Machines Ltd.'s results improved, and further benefit can be expected from action taken to reduce costs. Good progress continues to be made in commissioning the generators for the Victoria dam hydro electric project in Sri Lanka.

GEC Small Machines Ltd. maintained growth in sales and orders despite a substantial loss through the failure of a major UK customer. In addition to increasing UK market share, the business also increased exports, in particular to Europe and North America. New types of motor are under development in conjunction with GEC Industrial Controls Ltd.

The Express Lift Company Ltd. again returned higher profits and sales. Continuing investment in design and manufacturing techniques resulted in further new products, including the first hydraulic lift completely designed and manufactured by Express Lift, and a system for remote monitoring of lift performance. Orders for 48 hydraulic units were obtained in the year, and the first monitoring system will be commissioned in central London in June, 1985, linking 12 lifts in six buildings to the client's control centre. Manufacture commenced on the UK's first outdoor wallclimbers, 12 of which are to be installed on the Lloyds of London site. Important contracts obtained in the UK included London Docklands Railway (28 lifts), and Vickers Shipbuilding, Barrow-in-Furness (9 lifts). Overseas, notable orders included Shahzan Tower, Malaysia (12 high speed lifts), New Zealand Stock Exchange (4 lifts), Hong Kong Housing Authority (16 lifts), and initial orders for 8 lifts in the People's Republic of China.

ELECTRICAL EQUIPMENT

Woods of Colchester Ltd. achieved a marked improvement in results despite the slow pace of recovery in the civil engineering and construction industries. The newer products provided the basis for growth, with air handling systems, roof units and variable pitch-in-motion fans all doing well. A new "mixed flow" model was introduced with potential for increased business in the traditional fan market. Over half of the total orders were for export, with notable expansion in the United States and Italy where delivery was completed of a major order for motorway tunnel fans.

Keith Blackman Ltd.'s results for the year were again unsatisfactory. Unprofitable activities have been discontinued and the business has been incorporated into Woods of Colchester to improve the utilisation of resources and provide a base for recovery and growth.

GEC Engineering (Accrington) Ltd. continued to improve sales and profit. The 64 nuclear pressure vessels for Heysham and Hartlepool power stations were successfully completed. New work was won for steel floating pontoons to replace Falkland Islands losses; further orders are expected from MOD and overseas. 500 GEC Nightstor 100 and 60 central heating units were installed; a 250 kWh unit is under development for wider application.

GEC Reinforced Plastics Ltd. maintained the progress of recent years. The order book is satisfactory and there are good prospects of new work for defence applications. The supply of components for the hvdc cross channel link will be completed on schedule during 1985.

GEC Foundries Ltd. The continuing low level of demand for castings for diesel engines led to the sale of the Hill Top foundry after the year end. For general engineering castings, however, demand improved with an increasing share of tractor component business.

A. G. Hackney & Company Ltd. made further progress, increasing sales and margins, although the pattern of demand was much less evenly spread across the product range than in recent years. The new ceramic door furniture made a useful contribution.

L. H. Marthinusen (Pvt.) Ltd., Zimbabwe, encountered a lower demand for repair services. The position is expected to improve as the economy picks up following the end of the drought.

GEC (New Zealand) Ltd. expanded its telecommunications business with the continued build-up of private systems, adding the SL-1 PABX circuit packs to the CDSS-1 system introduced in the previous year. This more than offset the downturn in business in switchgear and electric machines as New Zealand's large energy saving programme nears completion.

CONSUMER PRODUCTS

Hotpoint and GEC-Xpelair again produced record turnover and profits, but Radio and Television results deteriorated further as a result of debt and inventory provisions.

PERFORMANCE	1985	1984
Turnover	£300m	£279m
including Exports from UK	£ 21m	£ 24m
Profits	£ 27m	£ 23m
Order Book at year end	£ 21m	£ 19m

Hotpoint Ltd. again increased sales and profits in favourable market conditions. Hotpoint now leads the UK market in washing machine and tumble dryer products, and has become the second largest supplier of refrigerators. The first ever UK designed and produced combined washer/dryer with a built-in condenser system was launched. All refrigeration products were restyled during the year.

GEC (Radio & Television) Ltd. incurred further losses whilst restructuring the business. The product range was streamlined, and with a leaner organisation to support, there is some prospect of improvement.

GEC-Xpelair Ltd. again increased sales and profits. The product development programme and improved manufacturing plant resulted in more efficient operation. A new range of ceiling sweep fans was successfully introduced.

Redring Electric Ltd. was able to raise margins through higher sales activity. Product development is now oriented towards goods used by electrical contractors through the electrical distributive trade, and to supplying the requirements of appliance manufacturers for heating elements.

Cannon Industries Ltd. completed the move into its new production facility. Loss of manufacturing efficiency during the move and consequent technical difficulties reduced profits. A new range of lidded cookers was introduced.

Osram (GEC) Ltd.'s factory reorganisations were slower than expected to yield benefits, and turnover was down on the previous year. There were higher sales overseas of lamps and fittings, especially in the United States, Australia and the Far East, and major street lighting contracts were won in Saudi Arabia and Malaysia.

DISTRIBUTION AND TRADING

Whilst Walsall Conduits improved its turnover and profits, the results of some of the Overseas Companies were affected adversely by the fall in value of their local currencies in relation to Sterling.

Walsall Conduits Ltd. again achieved record sales in generally static market conditions in the building and construction industry.

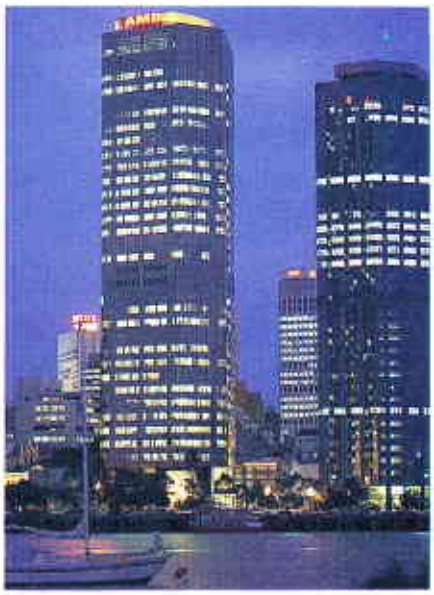
GEC Distributors (Ireland) Ltd.'s results improved in difficult economic conditions.

The English Electric Corporation, USA. Selling efforts were further intensified and the value of orders received was more than double the level of the previous year. Major contracts for rectifier substation projects were won from New York City Transit authority and Long Island Railroad. Encouraging progress was made in gaining acceptance by major utilities of GEC Measurements Ltd.'s products.

GEC Australia Ltd.'s Lighting and Wholesale Division materially improved its profits, despite growing pressure on margins.

GEC (New Zealand) Ltd.'s Wholesale and Consumer Products Division had a year of good growth assisted by the opening of branches at several new locations.

The General Electric Company of Bangladesh Ltd. received its largest ever order for distribution transformers, which helped it achieve record results. The successful negotiation of an order for supply and installation of a 60 MW gas turbine, in association with GEC Gas Turbines Ltd., provides continuity of project work. A new factory in Chittagong was commissioned; the existing factory is being redeveloped and new products introduced.



All the lighting fittings for the new AMP office tower in Brisbane, Australia were supplied by GEC. Many of the fittings were specially designed in the company's development laboratories in New South Wales, working closely with the manufacturing plant in Melbourne.

PERFORMANCE	1985	1984
Turnover	£227m	£197m
Profit	£ 14m	£ 14m

GEC Canada Ltd. achieved its best-ever performance with sales of motors and fuses reaching record levels. The first half of a large contract for power conditioning units for Metro Canada was completed with continuing productivity gains. Important breakthroughs in the automobile and other industries rewarded the substantial investment made in marketing GEC Industrial Controls Ltd.'s GEM 80 microprocessor.

The General Electric Company of Hong Kong Ltd. achieved a better result, and is benefiting from the recovery of confidence following the signing of the Sino-British accord on the future of Hong Kong. Prospects for growth are good, with the opening up of markets in the People's Republic of China.

The General Electric Company of Malaysia Sdn. Bhd. fell well short of the performance of the previous year. There was a sharp cutback in Government expenditure and few new major Government business opportunities. The first phase of the Videotex contract (Prestel) was completed. Major switchgear contracts were secured, which will include local assembly. Local shareholders are to be brought into the company, in accordance with the Government's economic policy; this will reduce the company's shareholding to 30 per cent, but will strengthen GEC's qualifications to participate in Malaysia's infrastructure development projects.

The General Electric Company of Singapore Pte. Ltd. achieved better results. The Government's aggressive "open door" policy has attracted many new foreign entrants, and trading became less active with the recession in the property market. The highlight of the year was the award, in association with Marconi Projects Ltd., of a major contract for the design, supply and installation of a Teleview system to the Telecommunications Authority.

GEC Zambia Ltd. suffered again from lack of import licences and Zambia's acute shortages of foreign exchange. Although turnover was maintained, the results were adversely affected by further exchange losses due to the weakening kwacha. No early improvement in the economy is foreseen.

GEC Zimbabwe (Pvt.) Ltd. experienced less favourable trading conditions in another year of drought; there were fewer licences, and less foreign exchange was available for imports of electrical equipment.

ASSOCIATED COMPANIES

The figures given show the GEC share calculated by reference to the GEC interest in the equity of the Associated Companies.

National Nuclear Corporation Ltd. The advanced gas cooled reactor (AGR) power stations being constructed for the CEGB (Heysham Stage 2) and SSEB (Torness) are approaching combined engineering tests. Both stations are on programme, and power raising is planned for 1987. Work continued on the proposed pressurised water reactor for Sizewell; a joint project management team has been established with the CEGB. European collaboration has been discussed on the fast breeder reactor and agreements proposed on levels of participation. The results for the year were affected by provisions for redundancy and relocation costs which will arise on closure of the Whestone site.

Ruston-Bucyrus Ltd. was profitable in the year on a reduced scale of operations. Since the year-end, the Company has sold its shareholding to the majority shareholder, Becor Western Inc., and the outstanding litigation has been settled.

The Lamp Component companies were adversely affected by the miners' strike, but the availability of fuels alternative to coking gas reduced the overall consequences. Contracts were signed for the sale of specialist machinery and know-how for component manufacture in China and India.

GEC Rolls-Royce (Power Generation) Ltd. was formed in June, 1984 as a joint venture between the Company and Rolls-Royce Ltd. Based at Whetstone, the joint venture combines the activities of the shareholders in gas turbine power

Work is proceeding at Heysham nuclear power station Stage Two. The National Nuclear Corporation is playing a major rôle in its construction for the Central Electricity Generating Board.

PERFORMANCE	1985	1984
Turnover	£343m	£395m
Profits	£19m	£26m

generation units rated at 10 MW and above. Tendering has been concentrated on new business worldwide; wherever possible, work has been transferred from the shareholders' previous contracts. Projects in Bangladesh, Sudan, UK and the United States are in progress and new orders for the new company's own account are expected in the current year.

Cable Makers Australia Pty Ltd. had a better year in which improved demand arising from increased home building outweighed the diminished sales for resource development.

GEC South Africa (Pty) Ltd. An improved first half was followed by a drastic deterioration in business conditions. The adverse effects were most felt in those divisions largely dependent on Government spending, which has been subject to severe cuts in the face of South Africa's worst economic recession for over 50 years. Apart from the cost reductions made necessary by this situation, the company has reorganised its activities to promote greater market penetration.

Telephone Manufacturers of South Africa (Pty) Ltd. Sales were increased over last year despite the general downturn in the South African economy and the economic restraints imposed on the Post Office by the South African Government. The introduction of modern electronic products proceeded satisfactorily.

A.T.C. (Pty) Ltd. made further progess and remained the sole supplier of optical fibre cables to the South African Post Office. The factory opened in April, 1985 for the manufacture of optical glass fibres provides the first such facility in South Africa and is designed to supply the total demand for the Union.

Winding Wires (Pty) Ltd. was adversely affected by the downturn in the South African economy.

Avery India Ltd. had a good year with record orders and sales. New electronic weighing products are being introduced, and the new load cell and electronic instrumentation manufacturing facility is planned to be in production by September, 1985.

Genelec Ltd., India, had another year of growth, particularly in its Projects Division. Government spending on the installation of power generation equipment has not been subject to the same constraints as those applied to electrical distribution equipment.

Avery Nigeria Ltd. had a difficult year. Sales were well down due to tight import restrictions, but this was partially offset by an increase in the service business which was expanded to handle generating sets. Local manufacture will begin in the current year of weighing machines, petrol pumps and electricity meters.

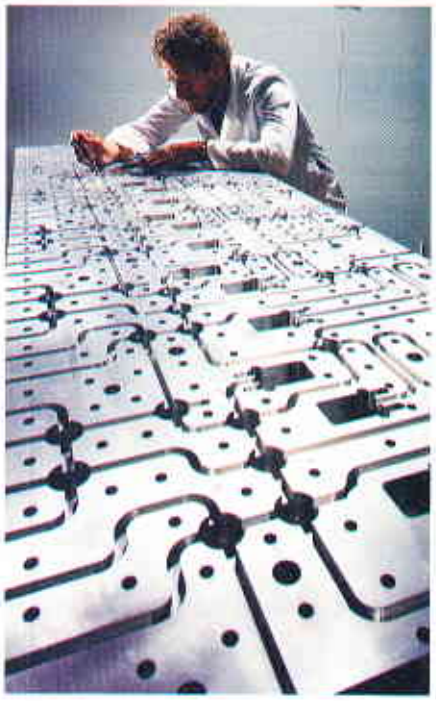
RESEARCH AND DEVELOPMENT

The Company expended £620 million in the year in support of the work of some 18,000 graduate scientists and engineers. The results of this considerable technical effort are to be seen across the product activities of the Company, covering highly sophisticated defence systems equipment, a mobile magnetic resonance imaging (MRI) system for medical diagnostics, the use of new materials to produce vandal-proof insulators for high voltage electrical installations, bringing the System X public telephone system into production, right through to the introduction of an improved design of door handle on fridge/freezer products.

This report does not attempt to cover the scope of the current research programme but deals with the range of technology necessary to embrace the dynamic relationship between a long-term commitment to multi-disciplinary research and the shorter term drive to provide today and tomorrow with better products and services to our customers.

Microelectronics The design, production and application of silicon integrated circuits (SICs) is at the heart of much of the Company's future business. An improved SIC manufacturing process using complementary metal-oxide-silicon transistors (CMOS) with dimensions down to 3 microns is already in use compared to 30 microns only a decade or so ago. Technology which provides devices of smaller dimensions leads directly to benefits at the system level in terms of lower costs, higher performance and greater reliability. Marconi Electronic Devices Ltd. is working on silicon technology in the 1 to 3 micron range, and research effort extends even below the 1 micron level.

CMOS-SOS technology, in which a thin film of silicon is grown on a sapphire slice, offers advantages for special, usually military, system applications. With our current silicon technology, SICs containing approximately 100,000 transistors can be made, but the design costs of chips of such complexity is high; in order to reduce them, our designers are being provided with improved tools based on individual engineer



An integrated switching matrix for a satellite earth station.

work stations with access to super-mini computers" and mainframes. An example of a product of this technique is the new "IXT" telephone where the re-dial facility is on the same chip as the speech-handling functions. This device has already won important export orders.

Compound Semiconductors The use of gallium arsenide, one of the "III-V" compounds, as a semiconductor has made possible devices for such uses as light emitting diodes, lasers, infra-red and magnetic field detectors and very high performance electronics. Integrated circuit amplifiers of gallium arsenide of the complexity of silicon devices of the mid-1960s can operate at frequencies 1,000 times higher, opening up many new applications in communications and radar. Similarly, it is possible to make circuits to operate at higher temperatures and faster switching speeds in digital applications, thus complementing the mainstream dominance of silicon technology.

These same III-V materials are essential to progress in optical fibre-based communications, providing the essential sources and detectors of light (or near infra-red) impulses which can be transmitted for tens of kilometres down optical cables without frequent repeater stations.

This optical communications technology is increasingly important in long distance ground based telecommunications, served by GEC Telecommunications Ltd., Telephone Cables Ltd., and GEC Optical Fibres Ltd.

Optoelectronics The most obvious use of optoelectronics is in display devices such as the cathode ray tube. From this have developed new products such as the EEV "Starvision", the giant screen television measuring 8 by 5 metres and consisting of over 60,000 red, green and blue points of light, penetrated by nearly 8,000 electron tubes of a novel type.

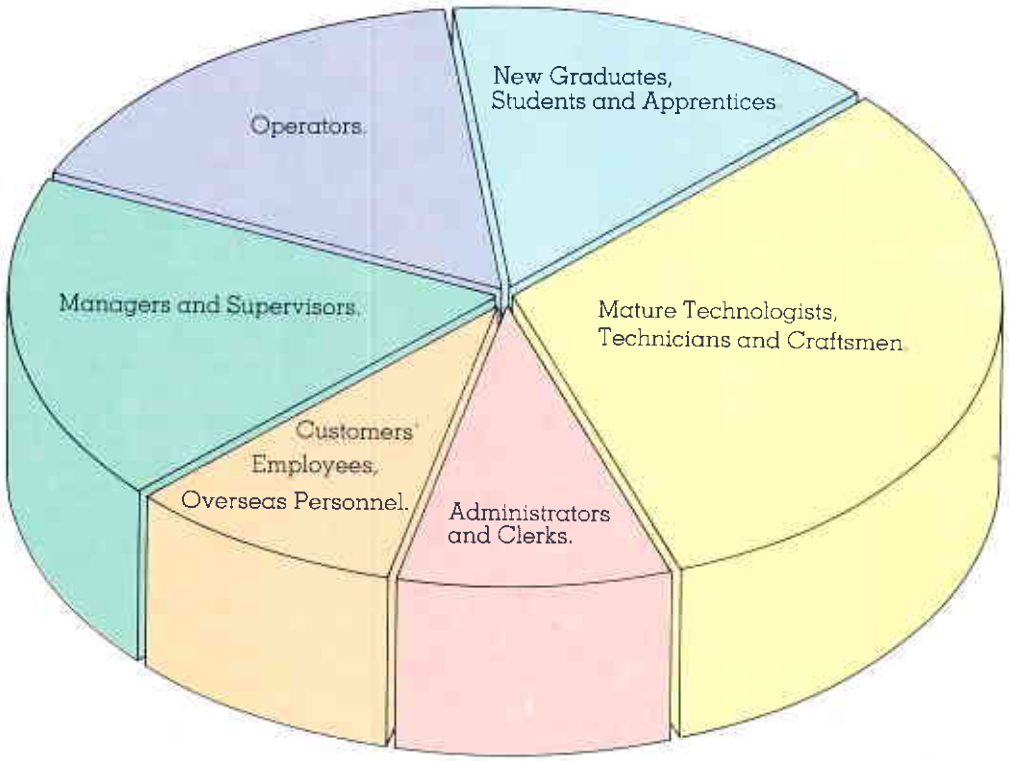
At the other extreme, small, rugged, high brightness LED displays are operated in such demanding conditions as aircraft cockpit instrumentation. The display technology common to digital watches and pocket calculators is based on liquid crystal devices (LCDs). These do not in general emit light, but simply modify light which is reflected from their surfaces or transmitted through them. They can thus operate at very low power levels; hence their importance in portable products to minimise battery drain.

C^3 Systems These are designed to simulate the human brain, and have major diverse applications such as defence systems, highway safety and, in the case of GEC Meters Ltd., the Radio Teleswitch which provides a system of control for electricity power load and tariff, using the BBC 200 kHz long wave channel.

These systems are designed to sense external situations, communicate the raw or partially processed information to the brain, make decisions based on a combination of understanding that situation and prior knowledge, and then to initiate the appropriate action. Research is carried out to improve sensors (optical, infra-red, microwave, acoustic, pressure, etc.), the process of understanding in speech and image processing technology, and in artificial intelligence and software engineering.

TRAINING

The Company gives formal training to approximately 50,000 men and women. Most fall into the following categories:



GEC employs some 16,000 qualified scientists and technologists. Many of its 5,000 managers have a technical background, and most of the Managing Directors of the operating companies are also qualified scientists or engineers. Approximately 34,000 employees can be described as Technicians, Technician Engineers and Craftsmen.

GEC has world recognition for the high standards of its technical work-related training. It has taken a leading rôle in setting up the new Information Technology Skills Agency and its separate businesses are encouraged to foster links with local schools and colleges of further education. Several GEC managers participate in the work of the Secondary Examinations Council, the Board for Pre-vocational Education (CPVE), the Technical and Vocational Initiative (TVEI) and Information Technology Consultancy Units.

The Company maintains very close links with Universities and Polytechnics. Eight of its employees are visiting professors and others also teach undergraduates. GEC sponsors several chairs and readerships and provides access to specialist equipment.

Special efforts continue to recruit and train more women. The Company is supporting "Women in Science and Engineering" and has published a booklet entitled "Women in Research".

There are other examples of GEC's determination to enhance the standards of its work people:

- The Marconi College trains about 1,000 people each year.
- Around 1,500 new graduates are recruited annually.
- GEC sponsors over 7,000 students and apprentices.
- Around 11,000 technologists and technicians are also being retrained to help alleviate skill shortages in areas where the most technological advances are being made and many courses are being provided to keep the skills of these people abreast of the new demands placed on them.

Technological changes are also having an effect on management, supervisory, operator and administrative training programmes.

Leadership courses have been introduced, including some designed specifically for the increasing number of women being promoted by the Company.

GEC's College of Management at Dunchurch trains about 3,000 employees annually and runs a business game in which over 1,400 GEC employees have recently participated.

Other examples are secretaries being taught to use word processors and maintenance craftsmen being kept abreast of the latest electronic developments in their fields.

As well as offering training to customers' staff and overseas employees, GEC participates in secondments from and to Government Departments and Agencies and provides 2,500 places for the Government's Youth Training Scheme.

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the 85th ANNUAL GENERAL MEETING of THE GENERAL ELECTRIC COMPANY, p.l.c. will be held at The Institution of Electrical Engineers, Savoy Place, London WC2 on Friday 13th September 1985 at 12 noon for the purpose of transacting

1. The Ordinary Business of an Annual General Meeting, as set out in Article 56 of the Company's Articles of Association, namely the declaration of dividends, the consideration of the Accounts and Balance Sheet and Reports of the Directors and Auditors and other documents required to be annexed to the Balance Sheet, the appointment of Directors in the place of those retiring by rotation or otherwise and the appointment of and the fixing of the remuneration of the Auditors, and
2. Special Business when the Resolution concerning renewal of the Company's authority to purchase its own shares set out in paragraph 11 of the Directors' Report on page 23 will be proposed as an Ordinary Resolution.

By Order of the Board
The General Electric Company, p.l.c.
J. H. Chaplin, Secretary
8th August 1985
1 Stanhope Gate, London W1A 1EH

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1. 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.
2. The Report and Accounts are sent to all shareholders and loan stockholders of the Company but holders of loan stock only are not entitled to attend or vote at the above meeting.
3. Subject to approval of the meeting, the dividend on the Ordinary Shares will be payable on 1st October 1985 to the holders of those shares as registered at the close of business on 15th August 1985.
4. There are no contracts of service which are required to be made available for inspection at the meeting.

DIRECTORS' REPORT

Profits and dividends

1 The profit of the year on ordinary activities after taxation and minority interests amounted to £406.8 million, and after extraordinary items, £414.8 million.

The directors recommend a final dividend of 2.65p per Ordinary Share which, together with the interim dividend of 1.35p already paid, makes a total of 4.00p per Ordinary Share (1984 3.45p) for the year, at a cost of £107.3 million. Subject to the approval of the Annual General Meeting, the final dividend will be paid on 1st October, 1985 to the shareholders registered at the close of business on 15th August, 1985.

Review of the Group

2 A summary, analysed under classes of business and markets, of the turnover and profit before taxation of the Company and its subsidiaries is given on page 26. A Review on pages 5 to 20 includes a commentary on the affairs of the businesses of the Group. Included in the Review are references to the development of new products; page 19 gives further information about Research and Development activities.

The Company and its subsidiaries are mainly engaged in the manufacture of electrical and electronic apparatus. Of the total turnover of the Company and its home and overseas subsidiaries, 51 per cent consisted of sales outside the United Kingdom. Exports from the United Kingdom totalled £1,233 million and export orders received in the year amounted to £1,164 million.

There were satisfactory increases in trading profit from many of the businesses in the United Kingdom, but the overall results were marred by poorer performances of some of the others, in particular, the Exchange and Transmission Groups of Telecommunications, the High Voltage and Distribution Switchgear businesses, the Secure Radio and Radar Companies of Marconi and GEC Computers. Substantial reorganisation costs were incurred and were charged against the profits of ordinary activities of the year, in accordance with the Company's usual practice. The resulting profit from United Kingdom trading was slightly less than the previous year, but this shortfall was more than offset by increased profits from overseas, of which the Marconi companies in Canada and Italy, the A.B. Dick Company and Picker International Inc. improved the most.

The Company has adequate funds to cover future expansion of its existing businesses, suitable acquisitions and the increasing costs of investment in research and development required to maintain the flow of new products.

Structure of the Group

3 Changes in the structure of the Group during the year ended 31st March, 1985 other than those reported last year or of a minor nature, were as follows:

a the Company's equity interest in Picker International Inc. ("Picker") increased from 80 per cent to 87 per cent following a rights issue and changes made in Picker's capital structure;

b the establishment of GEC Rolls-Royce (Power Generation) Limited, a joint venture with Rolls-Royce Limited to supply gas turbine driven power generation equipment above 10MW;

c the disposal by a subsidiary of its 50 per cent interest in Telephone Manufacturers of South Africa (Pty) Limited, to the Company's associated company GEC South Africa (Pty) Limited;

d the disposal of GEC Claudgen Limited.

There have been the following changes in the structure of the Group since 31st March, 1985:

a the disposal of Satchwell Sunvic Limited;

b the disposal by a subsidiary of its minority interest in Ruston Bucyrus Limited; and

c the acquisition of Yarrow Shipbuilders Limited.

Nationalisation of British Aircraft Corporation

4 As reported last year, the application by The English Electric Company, Limited and Vickers PLC claiming further compensation for the nationalisation of British Aircraft Corporation has been referred to the European Court of Human Rights. In June, 1985 the Court held a hearing on this claim and its decision is awaited.

Charitable and political donations

5 Charitable donations in the United Kingdom amounted to £213,000. No contributions for political purposes were made.

Employees

6 The Company reports to employees on Group activities and results, and the Report and Accounts are readily available. Management of the divisions and subsidiaries of the Company also inform employees regularly about the businesses in which they work and invite their comment. Management is committed to encouraging the quality and effectiveness of employees' involvement and participation at their places of work, and arrangements exist for consultation with employees and their representatives.

The Employee Savings-Related Share Option Scheme for employees with more than 5 years service now has over 23,000 participants. The Managers' Option Schemes, including the recently introduced scheme approved under the 1984 Finance Act, have over 15,000 participants. Details of options granted and outstanding are given in paragraph 10 of this Report and in Note 17 to the Accounts.

GEC maintains its strong commitment to training, and further details are included in the Review of Operations. All practicable efforts are made to encourage and assist the employment, recruitment, training and career development of disabled people, and to retain, and where necessary retrain, those who become disabled. The Company also uses expertise available through specialist agencies. GEC's subsidiaries have received ten awards for excellent performance in the employment of disabled people since the Manpower Services Commission "Fit For Work" scheme started.

The Company seeks to ensure that attitudes and prejudices in respect of race and sex do not hinder employees in getting jobs, promotion and training. Consequently, the number of women managers has increased by 50 per cent over the last four years, and the number of women technologists has doubled over the same period.

Directors

7 The present members of the Board are shown on page 39.

The Rt. Hon. James Prior, MP was appointed a director and Chairman of the Company following the Annual General Meeting in September, 1984. Mr Prior has been a Member of Parliament since 1959, and has had a distinguished career in politics, having served in Government as Minister of Agriculture, Fisheries and Food, Lord President of the Council and Leader of the House of Commons, Secretary of

DIRECTORS' REPORT

State for Employment, and Secretary of State for Northern Ireland. He is also a director of other important companies.

Sir Kenneth Bond remains a director of the Company following his retirement as Deputy Managing Director, and has been appointed a Vice Chairman. Mr. M. R. Bates has been appointed Deputy Managing Director.

Mr. A. S. Walsh and Mr. A. J. Rogers were appointed to the Board since the last Annual General Meeting. Mr. Walsh joined the GEC Applied Electronics Laboratory in 1951. After a number of appointments in the Group's electronics businesses, he became Managing Director of Marconi Space & Defence Systems Limited when it was formed, and is now Managing Director of The Marconi Company Limited. Mr. A. J. Rogers, a Chartered Accountant, has held various financial positions within the Group since joining in 1963. He joined the headquarters staff in 1973 and for the last four years has been Group Comptroller. Mr. Rogers is now Finance Director.

Mr. Prior, Mr. Walsh and Mr. Rogers, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

Mr. R. H. Grierson, Mr. D. Powell, Mr. P-A. Weiller and Sir Alan Veale retire by rotation and, being eligible, offer themselves for re-election. Mr. R. H. Grierson, a merchant banker and non-executive director of the Company, was appointed to the Board in 1968. He retired in 1973 on taking up the appointment of Director-General of Industry and Technology in the Commission of the European Community, rejoining the Board in 1974. Mr. Grierson was appointed a Vice Chairman of the Company in 1983. Mr. D. Powell who joined the Company in 1963 has been a member of the Board since 1978. He is now Chairman and Chief Executive Officer of A.B. Dick Company, USA. Sir Alan Veale joined Metropolitan Vickers in 1937 as a student apprentice in mechanical engineering, and was appointed to the Board in 1973. He was Managing Director of the GEC Power Engineering Group from 1970 to 1985. Mr. P-A. Weiller has been a non-executive director since 1981, and is a French industrialist with manufacturing and business experience in several European countries.

Save as disclosed in Note 18 to the Accounts, none of the directors has a beneficial interest, other than in the ordinary course of business in any contract to which the Company or a subsidiary was a party.

The directors' interests in the shares and debentures of the Company and its subsidiaries are shown in Note 17 to the Accounts.

Substantial holders of share capital

8 The Prudential Corporation p.l.c. has notified the Company that the Prudential Corporation Group are holders of 186,718,898 Ordinary Shares of 5p each in the Company, being approximately 6.99 per cent of the issued share capital as at 31st March, 1985. 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

9 The close company provisions of the Income and Corporation Taxes Act 1970 do not apply to the Company.

Share option schemes

10 In February, 1985 further options were granted under the GEC Employee Savings-Related Share Option Scheme to 3,840 employees in respect of 3,870,060 Ordinary Shares of 5p at a subscription price of 195p each. Further options were also granted in November, 1984 and February, 1985 under the GEC Managers' 1984 Share Option Scheme to 12,035 managers in respect of 26,804,100 Ordinary Shares of 5p each at subscription prices of 224p and 210p respectively.

Authority for Company to purchase its own shares

11 At the last Annual General Meeting, shareholders sanctioned the requisite alteration to the Articles of Association of the Company to enable the Company to purchase its own shares, and authorised the Company 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 300p and not less than 5p per share.

Pursuant to this authority the Company has purchased during the year 73,254,067 Ordinary Shares having a nominal value of £3,662,703 (representing 2.67 per cent of the Company's issued share capital as at 31st March, 1984) for an aggregate consideration of £156,484,159 on which advance corporation tax of £38,566,919 was paid prior to 31st March, 1985 and £26,750,893 subsequent to that date. The Company considers that the purchase of these shares will be beneficial to shareholders generally, leading in the future to increased earnings per share of those remaining.

The authority given by shareholders at the 1984 Annual General Meeting for the Company to purchase its own shares expires on 13th March, 1986. The directors believe that it is in the Company's best interests for that authority to be renewed at the forthcoming Annual General Meeting for a period ending 18 months after the date of the Meeting. Accordingly, the following resolution will be proposed as Special Business at the forthcoming Annual General Meeting as an Ordinary Resolution:

"THAT the authority conferred on the Company by Resolution 4 passed at the Annual General Meeting of the Company held on 14th September, 1984 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 renewed and extended with effect from the present expiry date of 13th March, 1986 so as to expire on 12th March, 1987 (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:

(i) the number of Ordinary Shares of 5p each which may be acquired pursuant to the said authority is up to an aggregate of 250 million Ordinary Shares (including all such Ordinary Shares acquired by market purchase before the date of this Resolution); and

(ii) the price which may be paid for such Ordinary Shares is not more than 300p per share and not less than 5p per share (in each case exclusive of expenses)."

By Order of the Board
The General Electric Company, p.l.c.
J. H. Chaplin, Secretary
1 Stanhope Gate, London W1A 1EH
2nd July, 1985

NOTE By 8th July, 1985, no notification had been received of the creation by any person of a substantial interest or change in a substantial interest in the share capital of the Company.

ACCOUNTS

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31st March 1985

	Note	1985 £ million	1984 £ million
TURNOVER			
Sales to customers outside the Group		**5,222**	4,800
Inter-Group sales		**401**	329
Share of sales of associated companies		**353**	471
Total Turnover	1	**5,976**	5,600
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1 & 2	**724.6**	670.5
Taxation on profit on ordinary activities	3	**298.5**	268.2
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		**426.1**	402.3
Minority Interests	4	**19.3**	12.8
PROFIT ON ORDINARY ACTIVITIES ATTRIBUTABLE TO THE COMPANY		**406.8**	389.5
Extraordinary Items	5	**8.0**	21.1
PROFIT FOR THE FINANCIAL YEAR		**414.8**	410.6
Dividends	6	**107.3**	94.7
RETAINED PROFIT FOR THE FINANCIAL YEAR		**307.5**	315.9
EARNINGS PER SHARE	7		
On ordinary activities attributable to the Company		**14.9p**	14.2p
On profit for the financial year		**15.2p**	15.0p

MOVEMENT ON PROFIT AND LOSS ACCOUNT RESERVE

As at 1st April		1,919.2
Goodwill arising in 1969 on consolidation written off		*169.7Dr*
As at 1st April restated	**2,093.2**	1,749.5
Retained profit for the financial year	**307.5**	315.9
Goodwill written off on acquisitions made in the year	***1.0Dr***	*2.4Dr*
Deferred taxation reserve released	**—**	208.5
Taxation provisions created to recognise changes in bases of assessment to corporation tax	**—**	*173.0Dr*
Exchange differences on translation of net assets at 1st April	**.1**	*5.3Dr*
Purchase of ordinary shares of the Company	***156.5Dr***	—
	2,243.3	2,093.2

See note 17 for movement on other Reserves

ACCOUNTS

BALANCE SHEETS
31st March 1985

	Note	GROUP 1985 £ million	GROUP 1984 £ million	COMPANY 1985 £ million	COMPANY 1984 £ million
Fixed Assets					
Tangible assets	8	**764.4**	696.8	**105.3**	88.6
Investments – shares in Group companies	9	**—**	—	**774.9**	770.3
– other	10	**104.6**	126.2	**17.2**	17.5
		869.0	823.0	**897.4**	876.4
Current Assets					
Stocks and contracts in progress	11	**1,265.1**	1,129.4	**180.7**	143.4
Debtors	12	**1,258.0**	1,163.0	**282.3**	300.4
Investments	13	**535.3**	443.4	**324.1**	300.0
Cash at bank and in hand		**919.6**	1,169.8	**512.1**	593.7
		3,978.0	3,905.6	**1,299.2**	1,337.5
Current Liabilities: amounts falling due within one year					
Debenture loans	14	**10.1**	48.5	**—**	38.3
Creditors	15	**1,672.4**	1,676.2	**1,056.4**	938.4
Net Current Assets		**2,295.5**	2,180.9	**242.8**	360.8
Total Assets less Current Liabilities		**3,164.5**	3,003.9	**1,140.2**	1,237.2
Liabilities: amounts falling due after one year					
Debenture loans	14	**64.8**	117.6	**7.1**	50.7
Creditors	15	**171.3**	147.0	**2.2**	2.1
Provisions for liabilities and charges	16	**459.9**	446.1	**95.7**	96.6
		2,468.5	2,293.2	**1,035.2**	1,087.8
Capital and Reserves					
Called up share capital		**133.6**	137.3	**133.6**	137.3
Capital redemption reserve		**3.7**	—	**3.7**	—
Share premium account		**8.8**	8.8	**8.8**	8.8
Profit and loss account		**2,243.3**	2,093.2	**889.1**	941.7
Shareholders' Interest	17	**2,389.4**	2,239.3	**1,035.2**	1,087.8
Minority Interests	4	**79.1**	53.9	**—**	—
		2,468.5	2,293.2	**1,035.2**	1,087.8

Approved by the Board of Directors on 2nd July, 1985.

JAMES PRIOR
WEINSTOCK } Directors

NOTES TO THE ACCOUNTS

1 PRINCIPAL ACTIVITIES, PROFIT CONTRIBUTIONS AND MARKETS

The Group's worldwide results are shown under classes of business and comparative figures have been restated where necessary.

Employee numbers in thousands 1985	Employee numbers in thousands 1984		Profit before Tax 1985 £ million	Profit before Tax 1984 £ million	Turnover 1985 £ million	Turnover 1984 £ million
55	53	Electronic Systems & Components	**234.6**	196.9	**1,861**	1,578
24	26	Telecommunications & Business Systems	**80.6**	92.9	**746**	735
17	16	Automation & Control	**48.0**	51.9	**463**	436
6	7	Medical Equipment	**29.3**	24.1	**472**	435
16	17	Power Generation	**55.6**	51.7	**655**	623
30	33	Electrical Equipment	**42.0**	48.9	**815**	750
10	10	Consumer Products	**26.7**	23.4	**300**	279
4	4	Distribution & Trading	**13.7**	14.2	**227**	197
162	166		**530.5**	504.0	**5,539**	5,033
		Associated companies	**18.8**	26.2	**343**	395
		Activities sold				
1	2	Subsidiaries	**.3**	*.9Dr*	**19**	46
		Associated companies	**1.1**	2.0	**10**	76
3	3	Other activities and items	***1.9Dr***	*1.9Dr*	**65**	50
		Income receivable, less interest payable, from loans, deposits and investments, including revaluation adjustments	**175.8***	141.1*	—	—
166	171		**724.6**	670.5	**5,976**	5,600

Note
*Includes revaluation adjustments of the Company's holdings of foreign currencies of £15.8 million credit (1984 £14.1 million credit).

Analysis of turnover by activity	To customers in the United Kingdom 1985 £ million	To customers in the United Kingdom 1984 £ million	To customers Overseas 1985 £ million	To customers Overseas 1984 £ million	Exports from the United Kingdom 1985 £ million	Exports from the United Kingdom 1984 £ million
Electronic Systems & Components	**1,080**	885	**781**	693	**411**	411
Telecommunications & Business Systems	**437**	433	**309**	302	**32**	41
Automation & Control	**228**	196	**235**	240	**109**	120
Medical Equipment	**19**	16	**453**	419	**14**	11
Power Generation	**232**	230	**423**	393	**367**	359
Electrical Equipment	**384**	358	**431**	392	**277**	239
Consumer Products	**279**	255	**21**	24	**21**	24
Distribution & Trading	**57**	47	**170**	150	**2**	3
	2,716	2,420	**2,823**	2,613	**1,233**	1,208

Territorial analysis	Profit 1985 £ million	Profit 1984 £ million	Overseas customers Turnover 1985 £ million	Overseas customers Turnover 1984 £ million	1985 £ million	1984 £ million
United Kingdom	**377.4**	387.3				
Europe	**34.8**	21.6	**509**	499	**291**	292
The Americas	**91.0**	61.1	**1,141**	967	**222**	178
Australasia	**10.6**	15.0	**229**	247	**54**	48
Asia	**14.8**	16.5	**707**	594	**474**	429
Africa	**1.9**	2.5	**237**	306	**192**	261
	530.5	504.0	**2,823**	2,613	**1,233**	1,208

NOTES TO THE ACCOUNTS

2 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	1985 £ million	1984 £ million
Sales to customers outside the Group	**5,222.4**	4,800.3
Increase in stocks of finished goods and work in progress	**78.6**	82.1
Own work capitalised	**17.9**	15.8
Other operating income	**32.3**	36.5
	5,351.2	4,934.7
Raw materials and consumables	**1,943.5**	1,773.5
Staff costs (note 18)	**1,672.0**	1,583.6
Depreciation	**178.7**	155.4
Cost of hire of plant	**22.9**	18.5
Auditors' remuneration	**3.4**	3.3
Other external and operating charges	**1,001.8**	899.2
	4,822.3	4,433.5
Profit from Group operations	**528.9**	501.2
Share of profits less losses of associated companies*	**19.9**	28.2
Income from other fixed asset investments (£154,000 from unlisted investments, 1984 £250,000)	**.2**	7.3
Income receivable from current asset investments		
Loans and Deposits	**143.3**	126.5
Listed investments	**31.2**	21.0
Finance leases	**6.4**	—
Floating Rate Capital Notes	**1.2**	3.1
Revaluation adjustments of the Company's holdings of foreign currencies	**15.8**	14.1
	197.9	164.7
Interest payable on:		
Bank overdrafts	***10.6***	*7.1*
Floating Rate Capital Notes	***4.7***	*9.1*
Loan capital wholly repayable within 5 years	***2.6***	*10.1*
Loan capital wholly or partly repayable after 5 years	***4.4***	*4.6*
	175.6	133.8
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	**724.6**	670.5

Note

*Share of profits less losses of associated companies:		
Attributable to the Group's interest	**19.9**	28.2
Less taxation	**8.0**	9.8
	11.9	18.4
Paid in dividends (£356,000 from listed companies, 1984 £313,000)	**11.4**	12.0
Retained by associated companies	**0.5**	6.4

NOTES TO THE ACCOUNTS

3 TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	1985 £ million	1984 £ million
Corporation tax 45% (1984 50%)	**203.5**	178.6
Deferred taxation	**37.3**	29.8
Double taxation relief	***16.0Cr***	*8.6Cr*
	224.8	199.8
Overseas taxation	**71.4**	59.8
Over provisions of previous years	***5.7Cr***	*1.2Cr*
	290.5	258.4
Associated companies		
Corporation tax	**.4**	.5
Overseas taxation	**7.6**	9.3
	298.5	268.2

4 MINORITY INTERESTS

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.

5 EXTRAORDINARY ITEMS

	1985 £ million	1984 £ million
Fixed asset investment surpluses less deficits	**9.5**	27.8
Profits less losses on sale of land and buildings	**2.1**	2.8
Surpluses on redemption of loan capital	**.6**	—
	12.2	30.6
Taxation	***4.2Dr***	*19.9Dr*
Taxation provision no longer required	**—**	10.4
	8.0	21.1

6 DIVIDENDS

	1985 £ million	1984 £ million
Interim 1.35p per share (1984 1.15p)	**36.5**	31.6
Final proposed 2.65p per share (1984 2.30p)	**70.8**	63.1
	107.3	94.7

7 EARNINGS PER SHARE

Calculated by reference to an average of 2,733,579,530 ordinary shares in issue during the year.

8 TANGIBLE FIXED ASSETS

	Freehold property £ million	Leasehold property Long £ million	Leasehold property Short £ million	Plant & machinery £ million	Fixtures, fittings, tools & equipment £ million	Payments on account & assets under construction £ million	Total £ million
GROUP							
Cost at 1st April 1984	235.2	36.1	14.1	733.4	273.5	41.6	1,333.9
Exchange rate adjustment	3.9	—	1.0	7.7	5.4	.5	18.5
Additions at cost	35.8	5.8	2.0	136.5	84.5	Net *12.0*	252.6
Disposals at cost	*4.5*	*.4*	*.4*	*35.5*	*40.3*	—	*81.1*
Cost at 31st March 1985	270.4	41.5	16.7	842.1	323.1	30.1	1,523.9
Depreciation at 1st April 1984	73.1	7.7	6.0	417.1	133.2		637.1
Exchange rate adjustment	1.6	—	.4	4.4	3.5		9.9
Charged to profit & loss account	9.8	1.7	1.4	101.4	64.4		178.7
On disposals	*1.2*	—	*.3*	*29.8*	*34.9*		*66.2*
Depreciation at 31st March 1985	83.3	9.4	7.5	493.1	166.2		759.5
Net book value at 31st March 1985	**187.1**	**32.1**	**9.2**	**349.0**	**156.9**	**30.1**	**764.4**
Net book value at 31st March 1984	162.1	28.4	8.1	316.3	140.3	41.6	696.8
COMPANY							
Cost at 1st April 1984	16.7	.7	.4	98.0	32.6	9.4	157.8
Additions at cost	4.1	—	—	30.4	11.1	Net *1.0*	44.6
Disposals at cost	*.3*	*.3*	—	*3.3*	*6.2*	—	*10.1*
Cost at 31st March 1985	20.5	.4	.4	125.1	37.5	8.4	192.3
Depreciation at 1st April 1984	5.7	.1	.3	50.2	12.9		69.2
Charged to profit & loss account	1.1	—	—	18.2	7.3		26.6
On disposals	—	—	—	*3.0*	*5.8*		*8.8*
Depreciation at 31st March 1985	6.8	.1	.3	65.4	14.4		87.0
Net book value at 31st March 1985	**13.7**	**.3**	**.1**	**59.7**	**23.1**	**8.4**	**105.3**
Net book value at 31st March 1984	11.0	.6	.1	47.8	19.7	9.4	88.6

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—in excess of 10% per annum, average

	GROUP		COMPANY	
	1985 £ million	1984 £ million	**1985 £ million**	1984 £million
Capital expenditure				
Commitments contracted at 31st March	**73.3**	54.5	**16.2**	10.4
Authorised but not committed at 31st March	**58.1**	62.6	**8.6**	7.9

NOTES TO THE ACCOUNTS

9 FIXED ASSET INVESTMENTS—SHARES IN GROUP COMPANIES

	At cost £ million	Provisions £ million	Net book value £ million
At 1st April 1984	794.9	24.6	770.3
Additions	3.1		3.1
Disposals	.6		.6
Provisions made in the year		5.7	5.7
Provisions made in prior years written back		7.8	7.8
At 31st March 1985	**797.4**	**22.5**	**774.9**

10 FIXED ASSET INVESTMENTS—OTHER

	Associated companies*			Other investments		
	Shares & loans					
	Cost £ million	Provisions £ million	Share of post acquisition reserves £ million	Cost £ million	Provisions £ million	Total £ million
GROUP						
At 1st April 1984	34.9	2.6	83.9	10.9	.9	126.2
Exchange rate adjustment	1.4	—	13.4	1.0	—	15.8
Additions	8.8	—		1.6	.3	10.1
Disposals, repayments & revaluations	5.3	.5	6.7	2.7	.5	13.7
Reclassifications	1.3	—	.7	2.1	—	2.7
Profits less losses retained by associated companies		.3	.8			.5
At 31st March 1985	**35.7**	**2.4**	**65.3**	**6.7**	**.7**	**104.6**
COMPANY						
At 1st April 1984	18.0	2.0		1.9	.4	17.5
Additions	1.0	.3		—	—	.7
Disposals & repayments	.3	.3		1.3	.3	1.0
Reclassifications	.1	—		.1	—	—
At 31st March 1985	**18.8**	**2.0**		**.5**	**.1**	**17.2**

Note
*The principal associated companies are shown on page 42.

Market values

The market values of investments listed on recognised stock exchanges compared with amounts included above are as follows:

GROUP	**1985 £ million**	1984 £ million
Associated companies		
Cost	**.6**	.6
Share of post acquisition reserves	**3.0**	2.5
	3.6	3.1
Market values	**8.8**	7.1
Other investments		
Cost	**2.1**	7.9
Market values	**3.7**	8.5

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

NOTES TO THE ACCOUNTS

11 STOCKS AND CONTRACTS IN PROGRESS

	GROUP		COMPANY	
	1985 £ million	1984 £ million	**1985 £ million**	1984 £ million
Raw materials and bought-out components	**245.4**	216.4	**53.5**	36.3
Work in progress	**481.9**	405.3	**95.2**	72.1
Payments on account	***89.9Cr***	*59.0Cr*	***3.6Cr***	*5.8Cr*
Long-term contract work in progress	**740.1**	750.3	**30.5**	31.1
Payments on account	***463.0Cr***	*505.7Cr*	***19.1Cr***	*15.8Cr*
Finished Goods	**350.6**	322.1	**24.2**	25.5
	1,265.1	1,129.4	**180.7**	143.4

12 DEBTORS

	GROUP		COMPANY	
	1985 £ million	1984 £ million	**1985 £ million**	1984 £ million
Amounts falling due within one year				
Trade debtors	**1,026.0**	902.9	**144.3**	111.4
Amounts owed by Group companies	**—**	—	**88.9**	63.9
Amounts owed by associated companies	**14.1**	19.5	**3.6**	4.2
Other debtors	**92.7**	96.2	**5.5**	57.1
Prepayments and accrued income	**68.8**	90.3	**37.1**	62.0
	1,201.6	1,108.9	**279.4**	298.6
Amounts falling due after one year				
Trade debtors	**51.2**	49.2	**2.6**	1.4
Amounts owed by associated companies	**2.2**	1.0	**.3**	.3
Other debtors	**3.0**	3.5	**—**	.1
Prepayments and accrued income	**—**	.4	**—**	—
	56.4	54.1	**2.9**	1.8
	1,258.0	1,163.0	**282.3**	300.4

13 CURRENT ASSET INVESTMENTS

	GROUP		COMPANY	
	1985 £ million	1984 £ million	**1985 £ million**	1984 £ million
Securities, mainly short-dated, at market price*	**327.7**	290.7	**324.1**	287.1
GEC Floating Rate Capital Notes held by subsidiaries	**—**	23.0	**—**	—
Other investments at lower of cost and market value	**96.2**	86.9	**—**	12.9
Finance leases receivable†	**111.4**	42.8	**—**	—
	535.3	443.4	**324.1**	300.0
Notes				
*at cost	**317.6**	282.7	**314.5**	279.6
†receivable after one year	**108.8**	42.3		

NOTES TO THE ACCOUNTS

14 DEBENTURE LOANS

	GROUP		COMPANY	
	1985 £ million	1984 £ million	**1985 £ million**	1984 £ million
Repayable at par wholly within five years				
Secured against assets (average rate 6.7%)	**10.2**	10.2	**.2**	.2
Unsecured				
Capital Notes 1986	**—**	66.6	**—**	66.6
Other (average rate 8.1%)	**9.7**	32.4	**.7**	16.0
	19.9	109.2	**.9**	82.8
Repayable at par partly or wholly after five years mainly by instalments				
Secured against assets (average rate 6.8%)	**30.9**	33.3	**—**	—
Unsecured (average rate 8.9%)	**24.1**	23.6	**6.2**	6.2
	55.0	56.9	**6.2**	6.2
	74.9	166.1	**7.1**	89.0
Debenture loans are repayable as follows:				
In one year or less				
Secured	**3.3**	5.2	**—**	—
Unsecured	**6.8**	43.3	**—**	38.3
	10.1	48.5	**—**	38.3
Between one and five years	**26.3**	76.2	**.9**	44.4
In more than five years	**38.5**	41.4	**6.2**	6.3
	64.8	117.6	**7.1**	50.7
Secured	**37.8**	38.3	**.2**	.2
Unsecured	**27.0**	79.3	**6.9**	50.5

15 CREDITORS

	GROUP		COMPANY	
	1985 £ million	1984 £ million	**1985 £ million**	1984 £ million
Amounts falling due within one year				
Bank loans and overdrafts	**40.8**	54.1	**—**	—
Payments received on account	**367.6**	351.0	**54.0**	35.5
Trade creditors	**632.9**	593.0	**67.8**	57.4
Amounts owed to Group companies	**—**	—	**756.8**	618.1
Amounts owed to associated companies	**18.3**	17.5	**4.3**	3.5
Taxation on profit	**168.5**	240.8	**48.0**	88.7
Other taxation and social security	**88.3**	99.0	**29.8**	43.9
Other creditors	**108.9**	79.8	**9.1**	8.7
Accruals and deferred income	**176.3**	177.9	**15.8**	19.5
Proposed dividend	**70.8**	63.1	**70.8**	63.1
	1,672.4	1,676.2	**1,056.4**	938.4
Amounts falling due after one year				
Payments received on account	**39.6**	26.0	**—**	—
Trade creditors	**19.5**	25.4	**—**	.1
Taxation on profit	**102.3**	86.2	**—**	—
Other creditors, accruals and deferred income	**9.9**	9.4	**2.2**	2.0
	171.3	147.0	**2.2**	2.1

Bank overdrafts include £38.4 million (1984 £48.6 million) in overseas subsidiaries of which £4.0 million (1984 £2.9 million) was secured either by guarantees or against assets.

NOTES TO THE ACCOUNTS

16 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred Taxation £ million	Other Provisions £ million	Total £ million
GROUP			
At 1st April 1984	181.5	264.6	446.1
Exchange rate adjustment	*.8*	2.3	1.5
Disposals	*.9*	—	*.9*
Charged during the year	32.6	83.5	116.1
Utilised during the year	*11.7*	*91.2*	*102.9*
At 31st March 1985	**200.7**	**259.2**	**459.9**
COMPANY			
At 1st April 1984	48.5	48.1	96.6
Utilised during the year	—	*5.8*	*5.8*
Charged during the year	*5.9*	10.8	4.9
At 31st March 1985	**42.6**	**53.1**	**95.7**

The Group's deferred taxation provision includes £209 million for accelerated capital allowances (Company £31 million) and does not include £4 million in respect of deferred gains which is not likely to become payable in the foreseeable future.

17 SHAREHOLDERS' INTEREST

		£
SHARE CAPITAL		
Fully paid ordinary shares of 5p each		
Shares issued at 1st April 1984	2,745,991,451	137,299,573
Shares issued under GEC Employee Savings-Related Share Option Scheme	9,849	492
Shares issued under GEC Managers' Share Option Scheme	3,400	170
	2,746,004,700	137,300,235
Shares purchased for cancellation during the year	73,254,067	3,662,703
Shares issued at 31st March 1985	**2,672,750,633**	**133,637,532**
Unissued ordinary shares		41,362,468
Authorised		**175,000,000**
CAPITAL REDEMPTION RESERVE		
At 1st April 1984		—
Arising from cancellation of shares purchased during the year		3,662,703
At 31st March 1985		**3,662,703**
SHARE PREMIUM ACCOUNT		
At 1st April 1984		8,792,259
Added in the year		25,423
At 31st March 1985		**8,817,682**

	GROUP		COMPANY	
	1985 £ million	1984 £ million	**1985 £ million**	1984 £ million
PROFIT AND LOSS ACCOUNT				
At 1st April (restated)	**2,093.2**	1,749.5	**941.7**	776.1
Added–deducted–in the year	**150.1**	343.7	***52.6Dr***	165.6
At 31st March	**2,243.3**	2,093.2	**889.1**	941.7

NOTES TO THE ACCOUNTS

17 SHAREHOLDERS' INTEREST continued

Notes:

1 At 31st March 1985 options had been granted and were still outstanding in respect of the Company's ordinary shares of 5p under the Company's share option schemes:

	Number of shares	Amount of shares £ million	Subscription price	Date normally exercisable
The GEC Employee Savings-Related Share Option Scheme	25,443,250	1.3	175–195p	1988–1990
The GEC Managers' Share Option Scheme	28,298,500	1.4	190–204p	1986–1991
The GEC Managers' 1984 Share Option Scheme	26,804,100	1.3	210–224p	1987–1995

2 £65.3 million (1984 £83.9 million) of the Group's balance on profit and loss account is not available for distribution at 31st March 1985, being the Group's share of general reserves held by associated companies.

3 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 24. £211.2 million (1984 £260.3 million) of the Group's profit for the year has been dealt with in the accounts of the Company.

4 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:

(i) ORDINARY SHARES

	At 31st March 1985		At 1st April 1984 (or subsequently on appointment)	
	Beneficial	**Non-beneficial**	Beneficial	Non-beneficial
M R Bates	**25,000**	**—**	25,000	—
Sir Kenneth Bond	**460,145**	**15,385,725**	460,145	15,854,055*
Lord Catto	**542,700**	**—**	582,700	—
S Z de Ferranti	**19,200**	**—**	71,700	—
R H Grierson	**322,525**	**23,180**	322,525	23,180
M Lester	**10,000**	**905,045**	10,000	660,235*
Hon Mrs Sara Morrison	**10,500**	**—**	10,500	—
Lord Nelson of Stafford	**122,023**	**—**	122,023	—
D Powell	**145,000**	**—**	145,000	—
J Prior	**10,000**	**—**	—	—
Sir William Rees-Mogg	**17,770**	**18,110**	17,770	18,110
Lord Richardson	**10,000**	**—**	10,000	—
D H Roberts	**10,000**	**—**	10,000	—
Sir Alan Veale	**65,000**	**—**	67,975	—
A S Walsh	**8,400**	**1,600**	6,400	—
P-A Weiller	**10,500**	**—**	10,500	—
Lord Weinstock	**13,401,470**	**—**	13,647,205	—

*Of these holdings 250,000 were held jointly.
Since 31st March 1985 the non-beneficial interests of Mr R H Grierson have ceased.

(ii) FLOATING RATE UNSECURED CAPITAL NOTES 1986

	At 31st March 1985		At 1st April 1984	
	Beneficial	**Non-beneficial**	Beneficial	Non-beneficial
	£	**£**	£	£
Sir Kenneth Bond	**—**	**—**	—	724,600
M Lester	**—**	**—**	—	9,300
Sir William Rees-Mogg	**—**	**—**	—	800
Lord Weinstock	**—**	**—**	250,700	—

The outstanding Floating Rate Unsecured Capital Notes 1986 were redeemed on 28th February 1985.

NOTES TO THE ACCOUNTS

17 SHAREHOLDERS' INTEREST continued

(iii) OPTIONS IN RESPECT OF ORDINARY SHARES OF THE COMPANY

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

	At 31st March 1985	At 1st April 1984 (or subsequently on appointment)
M R Bates	**3,897**	2,000
Hon Mrs Sara Morrison	**2,000**	2,000
D Powell	**3,897**	2,000
D H Roberts	**3,794**	—
Sir Alan Veale	**2,000**	2,000
A S Walsh	**3,897**	2,000

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

M R Bates	**200,000**	150,000
M Lester	**115,000**	75,000
Hon Mrs Sara Morrison	**75,000**	50,000
D Powell	**50,000**	25,000
J Prior	**50,000**	—
D H Roberts	**115,000**	75,000
Sir Alan Veale	**75,000**	75,000
A S Walsh	**200,000**	200,000

(iv) OTHER INTERESTS

None of the directors as at 31st March 1985 was interested in shares or debentures of any of the Company's subsidiaries with the exception of Lord Nelson of Stafford who had a non-beneficial interest in £4,480 7% Debenture Stock 1986/91 of The English Electric Company, Limited (1984 £4,480); since 31st March 1985 this interest has ceased.

18 DIRECTORS AND EMPLOYEES

	1985	1984
(a) Average number of employees working in the United Kingdom	**127,460**	131,752
Aggregate gross remuneration	**£1,033.3 million**	£991.8 million
State social security costs	**£107.5 million**	£108.9 million
Other pension costs	**£33.7 million**	£32.6 million
(b) Average number of employees working Overseas	**38,133**	39,113
Aggregate gross remuneration	**£437.9 million**	£396.1 million
State social security costs	**£51.6 million**	£45.2 million
Other pension costs	**£8.0 million**	£9.0 million
(c) Total average number of employees	**165,593**	170,865
Gross remuneration	**£1,471.2 million**	£1,387.9 million
State social security costs	**£159.1 million**	£154.1 million
Other pension costs	**£41.7 million**	£41.6 million
Staff costs	**£1,672.0 million**	£1,583.6 million

NOTES TO THE ACCOUNTS

18 DIRECTORS AND EMPLOYEES continued

	1985	1984
(d) Directors' emoluments including pension contributions		
Fees	**£25,000**	£16,000
Management	**£1,090,000**	£946,000
Payments to former directors	**£3,000**	£3,000
(e) Emoluments of the Chairmen		
Lord Carrington to 31st May 1984	**£10,000**	£61,000
Rt. Hon. James Prior, MP from 17th September 1984	**£33,000**	
Emoluments of the highest paid director	**£136,000**	£116,000

Emoluments of the United Kingdom directors and employees

	Directors		Employees exceeding £30,000	
	1985	1984	**1985**	1984
Not more than £5,000	**5**	4		
£5,001- £10,000	**1**	—		
£10,001- £15,000	**2**	1		
£15,001- £20,000	**—**	1		
£20,001- £25,000	**—**	3		
£30,001- £35,000	**1**	—	**71**	48
£35,001- £40,000	**—**	1	**34**	20
£40,001- £45,000	**2**	1	**22**	16
£45,001- £50,000	**2**	—	**16**	12
£50,001- £55,000	**—**	—	**7**	6
£55,001- £60,000	**—**	—	**4**	4
£60,001- £65,000	**—**	1	**3**	4
£65,001- £70,000	**—**	—	**3**	3
£70,001- £75,000	**1**	1	**4**	1
£75,001- £80,000	**1**	—	**2**	1
£80,001- £85,000	**—**	—	**1**	—
£85,001- £90,000	**—**	1	**1**	—
£90,001- £95,000	**—**	—	**1**	—
£95,001-£100,000	**—**	2	**—**	1
£100,001-£105,000	**2**	—	**—**	—
£115,001-£120,000	**1**	1	**—**	1
£135,001-£140,000	**1**	—	**—**	—

(f) Loans to a director

The Company made interest-free bridging loans to Mr. A. S. Walsh, in connection with the purchase of a house, of £70,000 and £25,000 on 12th April and 6th July 1984 respectively, both of which were repaid on 1st August 1984, and loans totalling £120,000 on 26th June and 9th July 1984 of which at 31st March 1985, £116,559 remained outstanding. The outstanding loans, made prior to Mr. Walsh joining the Board, are secured by a second charge, and are repayable by 30th June 1994 by instalments; they bear interest at 7½% per annum.

19 CONTINGENT LIABILITIES

	GROUP		COMPANY	
	1985 £ million	1984 £ million	**1985 £ million**	1984 £ million
Guarantees	**19.6**	15.6	**4.2**	5.9
Bills discounted	**15.4**	22.9	**2.7**	3.5
Uncalled share capital	**.4**	.4	**.1**	.1
Other	**34.7**	24.8	**.2**	.2
	70.1	63.7	**7.2**	9.7

GEC

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 31 MARCH 1985

		1985 £ million		1984 £ million
Profit on ordinary activities before taxation		**724.6**		670.5
Adjustments not involving the movement of funds				
Depreciation	**178.7**		155.4	
Currency translation adjustments	**1.2**		*2.5Dr*	
Decrease–1984 increase–in provisions	***18.0 Dr***		29.8	
Undistributed profit of associated companies and changes in minority interests	***8.3 Dr***		*19.4Dr*	
		153.6		163.3
Funds generated from operations		**878.2**		833.8
Funds from other sources				
Sales of fixed assets	**13.5**		14.4	
Sales less purchases of fixed asset investments	**30.3**		121.5	
Increase in trade and other creditors	**46.9**		106.3	
Increase–1984 decrease–in payments on account of contracts	**30.2**		*33.8Cr*	
		120.9		208.4
		999.1		1,042.2
Application				
Purchases of fixed assets	***252.6***		*226.1*	
Purchase of Ordinary shares of the Company including outgoings of advance corporation tax of £38.6 million	***195.1***		—	
Taxes paid in the year	***281.2***		*257.6*	
Reduction in loan capital	***90.6***		*92.5*	
Dividends paid in the year	***99.6***		*86.5*	
Increase in loans to associated companies	***6.6***		*1.0*	
Increase in debtors	***88.6***		*81.2*	
Increase in inventory	***129.8***		*57.3*	
		1,144.1		*802.2*
Decrease – 1984 increase – in bank deposits, current asset investments and net balances with bankers		***145.0***		240.0

ACCOUNTING POLICIES

The more important GEC Group accounting policies are summarised below to assist readers in 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 the write-off to reserves of goodwill arising in 1969 on consolidation and minor changes in presentation.

a. Turnover. Turnover, excluding V.A.T., comprises sales to outside customers, arms-length inter-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 in the United Kingdom is calculated at the rate of corporation tax expected to arise in the year of assessment; non-sterling liabilities are at the relevant rates ruling in the countries concerned.

h. Investments. Investments in associated companies, in which the Group's interest is 50 per cent or less of the equity capital, are stated as the amount of the Group's share of net assets less provisions 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. Investments are stated at the lower of cost or net realisable value except for certain current asset investments which are stated at quoted market values.

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. Provisions for liabilities, the amount of which cannot be determined with reasonable accuracy, arising in the ordinary course of business, are charged against profits. These include expected cost of maintenance under guarantees and other work in respect of products delivered and invoiced, and possible losses on contract work in progress. Provisions for liabilities where the amounts can be accurately determined are included as creditors.

k. Pension schemes. Based on recommendations by independent actuaries, the rates 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. The main scheme in the United Kingdom, the GEC Plan, has a salary limit and is contracted-in to the State second-tier pension scheme.

AUDITORS' REPORT

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

We have audited the financial statements on pages 24 to 41 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 1985 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

2nd July 1985

GEC
THE GENERAL ELECTRIC COMPANY, p.l.c.

DIRECTORS

The Right Hon. James Prior, MP	Chairman
M. R. Bates	Deputy Managing Director
Sir Kenneth Bond	Vice Chairman
Lord Catto†	
S. Z. de Ferranti†	
R. H. Grierson†	Vice Chairman
M. Lester	
Sir William Rees-Mogg†	
Hon. Mrs. Sara Morrison	
Lord Nelson of Stafford	
D. Powell	
Lord Richardson of Duntisbourne, KG, PC, MBE, TD†	
D. H. Roberts, CBE	
A. J. Rogers	
Sir Alan Veale	
A. S. Walsh, CBE	
P-A. Weiller†	
Lord Weinstock	Managing Director

†Non-executive directors

UK BOARD OF MANAGEMENT

Lord Weinstock	Chairman
M. R. Bates	Deputy Chairman
K. A. Bray, OBE*	Gas Turbines & Diesel Engines
Sir George Cooper, GCB, MC	Management Development
R. J. Davidson*	Steam Turbines & Traction
J. D. Gadd*	Electrical Equipment
Dr. C. S. Gaskell	Electronic Instruments
P. Gillibrand	Press & Publicity
P. G. Higgins*	Overseas Operations
K. H. Hodgkinson	Avery Group
C. P. Jansen*	Automation & Motors
O. S. Johnson*	Wire & Cables
M. Lester	Legal
A. J. Lippitt, CB*	Export Promotion
Dr. I. G. MacBean	Marconi Group
Hon. Mrs. Sara Morrison	Public Relations
J. E. Pateman, CBE*	Avionics
P. P. Ralph*	Corporate Finance
R. G. Reynolds*	Telecommunications
D. H. Roberts, CBE	Research
A. J. Rogers	Finance
J. E. Samson	Consumer Goods
J. N. Scott*	Contracts
E. J. Sims*	Corporate Sales
G. H. Trollope*	Industrial Relations
A. S. Walsh, CBE	Electronics
S. A. Weinstock*	Commercial Affairs

*Associate Directors

Secretary & 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

PRINCIPAL SUBSIDIARY COMPANIES

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

ELECTRONIC SYSTEMS AND COMPONENTS

GEC Avionics Ltd	J. E. Pateman‡
GEC Avionics Inc, USA	H. D. F. Eagles
The Marconi Company Ltd	A. S. Walsh†‡
	Dr. I. G. MacBean‡
Marconi Command and Control Systems Ltd	K. P. Robinson
Marconi Defence Systems Ltd	D. J. Fletcher
Marconi Secure Radio Systems Ltd	H. A. J. Sturge
Marconi Space Systems Ltd	A. J. Glasgow
Marconi Underwater Systems Ltd	D. Evans
Marconi Radar Systems Ltd	K. A. Chittenden
Marconi Communication Systems Ltd	R. K. Robertson
Marconi Instruments Ltd	Dr. C. S. Gaskell‡
Easams Ltd	D. J. Harris
GEC McMichael Ltd	Dr. M Crabtree
The Marconi International Marine Co Ltd	G. G. Hill
Marconi Electronic Devices Ltd	A. J. Sadler
Circuit Technology Inc, USA	J. Fishel
Salplex Ltd (60% Ordinary)	J. M. de Costa
GEC Australia Ltd (Marconi Division)	R. G. Elliot
Canadian Marconi Company (51.6% Ordinary)	P. E. Wheatley
Marconi Italiana SpA, Italy	Dr. R. Piccini
Cincinnati Electronics Corporation, USA	S. M. Thomas
Norsk Marconi A/S, Norway	T. W. Bratlie
English Electric Valve Co Ltd	M. P. Mandl
EEV, Inc, USA	P. Plurien
EEV Canada Ltd	D. Clissold
The M-O Valve Co Ltd*	Dr. B. Vyse
Salford Electrical Instruments Ltd*	D. R. Swinnerton
GEC Ceramics Ltd	Dr. R. M. Henson

TELECOMMUNICATIONS AND BUSINESS SYSTEMS

GEC Telecommunications Ltd*	R. G. Reynolds‡
Telephone Switching Group	A. J. Snoad
Transmission Group	P. R. Keller
Private Systems Division	B. A. Meade
Telephone Division	R. S. Lucas
AEI Telecommunications (Canada) Ltd	K. R. Yates
GEC Reliance Ltd*	C. D. James
GEC Computers Ltd	P. Rayner
Telephone Cables Ltd (74.5% Ordinary)	M. J. Spoor
GEC Optical Fibres Ltd	Dr. S. L. Cundy
A.B. Dick Company, USA	D. Powell†
Videojet Systems International, USA	H. Bode
Scriptomatic Inc, USA	H. Talanian
Parnall & Sons Ltd	J. H. Bloor

AUTOMATION AND CONTROL

GEC Electrical Projects Ltd*	C. P. Jansen‡
GEC Industrial Control Ltd*	D. W. Prowse
GEC Automation Projects, Inc, USA	R. P. Ryan
GEC Mechanical Handling Ltd	D. T. Howell
GEC Traffic Automation Ltd	P. Gogerly
GEC Marine and Industrial Gears Ltd	J. M. B. Cumming
W. & T. Avery Ltd	K. H. Hodgkinson‡
Avery-Denison Ltd	D. Sinclair
Driver Southall Ltd	J. Shinton
Avery Australia Ltd	A. C. Matthews
Avery New Zealand Ltd	C. F. Stewart
South African Scale Co (Pty) Ltd	P. van Heyningen
Avery-Hardoll Ltd	J. M. Duncan
PM Services Ltd	I. J. Macmichael
GEC Measurements Ltd*	M. A. Hughes
GEC Meters Ltd*	R. Harpum
Satchwell Control Systems Ltd	A. R. Collister
GEC Australia Ltd (Automation and Control, Project, and Industrial Products Divisions)	R. G. Elliot
The English Electric Company of India Ltd (66.7% Ordinary) (Relays and Control Panels Division)	A. K. Khosla
GEC Composants SA, France	J. Lorvin

MEDICAL EQUIPMENT

Picker International Inc, USA (87.6% Ordinary) J. N. Williams
Picker International Ltd (87.6% Ordinary) Dr. B. Minton

PRINCIPAL SUBSIDIARY COMPANIES

POWER GENERATION

GEC Turbine Generators Ltd	R. J. Davidson‡
GEC Energy Systems Ltd	J. D. Mowat
GEC-Ruston Gas Turbines Ltd	K. A. Bray‡
Napier Turbochargers Ltd	Dr. H. J. Perkins
Ruston Diesels Ltd	J. M. MacKinnon
Paxman Diesels Ltd	J. G. Fryer
Dorman Diesels Ltd	W. F. Beswick
Kelvin Diesels Ltd	W. Mitchell
GEC Diesels Inc, Canada	J. H. Edlund
Société des Moteurs Baudouin SA, France (99.6% Ordinary)	D. W. Heyning
Ruston Gas Turbines Inc, USA	J. F. Paull
GEC Diesels Australia Ltd	M. M. Tannahill

ELECTRICAL EQUIPMENT

Power Distribution Group	J. D. Gadd‡
GEC High Voltage Switchgear Ltd	D. N. Scahill
GEC Distribution Switchgear Ltd	
GEC Transmission and Distribution Projects Ltd	J. A. Carter
GEC Installation Equipment Ltd	N. Scoular
Vynckier NV, Belgium	M. Steyaert
GEC Distribution Transformers Ltd	J. F. Savage
GEC Power Transformers Ltd	J. V. Grant
The Micanite & Insulators Company Ltd	C. J. Salt
The General Electric Company of India Ltd* (66.7% Ordinary)	Dr. R. S. Mamak
The English Electric Company of India Ltd (66.7% Ordinary) (Fusegear and Switchgear Division)	A. K. Khosla
GEC Australia Ltd (Heavy Engineering Division)	R. G. Elliot
Wire & Cables Group	O. S. Johnson‡
AEI Cables Ltd	
Rubber and Plastic Cables	K. McCann
Power Cables	L. M. Sloman
GEC-Henley Ltd	
F. D. Sims Ltd	H. Stevenson
Kent Electric Wire Ltd	A. J. Taylor
Rodco Ltd (60% Ordinary)	I. Stuttard
Vactite Ltd	R. Swingler
GEC Traction Ltd	K. Applebee
GEC Transportation Projects Ltd	B. McCann
GEC-General Signal Ltd (50% Ordinary)	M. L. Boden
GEC Large Machines Ltd	K. M. Bush
GEC Small Machines Ltd	R. W. Powell
The Express Lift Co Ltd*	M. L. Dove
Woods of Colchester Ltd*	D. J. Priest
Keith Blackman Ltd*	
GEC Engineering (Accrington) Ltd	N. Rose
GEC Reinforced Plastics Ltd	N. Gray
GEC Foundries Ltd	E. Booth
A. G. Hackney & Co. Ltd	N. L. Wright
L. H. Marthinusen (Pvt) Ltd, Zimbabwe	C. M. Meek
GEC (New Zealand) Ltd* (Industrial Machines and Controls, Power and Electrical Switchgear Divisions)	D. J. McMillan

CONSUMER PRODUCTS

Hotpoint Ltd	J. E. Samson‡
GEC (Radio & Television) Ltd	Dr. W. J. I. Johnston
GEC-Xpelair Ltd*	D. J. Blythe
Redring Electric Ltd	M. R. Johnson
Cannon Industries Ltd	W. J. Jenrick
Osram (GEC) Ltd*	P. R. Sansom

DISTRIBUTION AND TRADING

Walsall Conduits Ltd	D. Wilson
GEC Distributors (Ireland) Ltd	W. P. Browne
The English Electric Corporation, USA	M. E. Birnbaum
GEC Australia Ltd (Lighting and Wholesale Divisions)	R. G. Elliot
GEC (New Zealand) Ltd* (Wholesale and Consumer Products Division)	D. J. McMillan
The General Electric Company of Bangladesh Ltd* (60% Ordinary)	M. S. Haque
GEC Canada Ltd	R. D. Merer
The General Electric Company of Hong Kong Ltd*	J. Chiu
The General Electric Company of Malaysia Sdn Bhd*	J. P. Hoare
The General Electric Company of Singapore Private Ltd*	S. K. Chan
GEC Zambia Ltd*	H. L. I. Evans
GEC Zimbabwe (Pvt) Ltd*	C. M. Meek

†Directors of The General Electric Company, p.l.c.
‡Members of the UK Board of Management

1. The General Electric Company, p.l.c. (GEC) (and/or a subsidiary or subsidiaries in aggregate) owns 100% 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. Subsidiaries are incorporated and registered in Great Britain except where indicated otherwise, either by the country named in the company title or separately. 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 1985.

PRINCIPAL INVESTMENTS

ASSOCIATED COMPANIES

	Percentage held
United Kingdom	
National Nuclear Corporation Ltd	30
Glass Bulbs Ltd	50
Lamp Caps Ltd	50
Lamp Metals Ltd	50
Cryselco Ltd	50
Stearn Electric Co Ltd	50
GEC Rolls-Royce (Power Generation) Ltd	50

	Percentage held
Overseas	
Cable Makers Australia Pty Ltd	36.8
GEC South Africa (Pty) Ltd	50
Telephone Manufacturers of South Africa (Pty) Ltd	25
A.T.C. (Pty) Ltd—South Africa	22.3
Winding Wires (Pty) Ltd—South Africa	50
Electric Lamp Manufacturers of South Africa (Pty) Ltd	39.5
Electric Lamp Manufacturers (Australia) Pty Ltd	35
Avery India Ltd	39.9
Genelec Ltd—India	22
Avery Nigeria Ltd	40

Companies are incorporated and registered in Great Britain except where indicated otherwise either by the country named in the company title or separately

INFLATION ACCOUNTING

1 The directors of the Company consider that the Company's liquid resources are sufficient to meet any foreseeable additional requirement for finance which might arise as a result of inflation; furthermore, it is their policy to take all practicable steps to offset the effect of inflationary increases in costs.

2 The following statistics are provided for information:

(a) After adjusting in accordance with S.S.A.P. 16 for a cost of sales adjustment of £33 million (1984 £26 million) and additional depreciation of £60 million (1984 £56 million) in respect of the Group and its associated companies, the profit before taxation amounts to £632 million (1984 £589 million). This compares with the profit before taxation on a historic cost basis of £725 million (1984 £671 million).

(b) The proposed total dividend for the year ended 31st March 1985 is 4.00p per share, and this compares as follows with the dividend paid in the four previous years adjusted by changes in the retail price index and for the share split from 25p to 5p shares.

Year to 31 March	Dividend Per 5p Share p	Dividend Adjusted by retail price index p	Dividend cover On historic accounts basis	Dividend cover On CCA basis
1985	4.00	4.00	3.8	3.0
1984	3.45	3.66	4.1	3.3
1983	3.00	3.35	4.7	3.5
1982	2.55	2.98	5.1	3.6
1981	2.05	2.64	5.3	3.5

STATISTICAL INFORMATION 1976/1985

YEAR ENDED 31 MARCH

	1985 £m	1984 £m	1983 £m	1982 £m	1981 £m	1980 £m	1979 £m	1978 £m	1977 £m	1976 £m
TURNOVER	**5,976**	5,600	5,551	4,949	4,129	3,554	2,941	2,699	2,590	2,214
PROFIT BEFORE TAXATION	**725**	671	670	584	476	416	378	325	278	207
PER SHARE (after Minority Interests)	**25p**	24p	24p	21p	17p	15p	13p	12p	10p	7p
ORDINARY DIVIDENDS	**107**	95	82	70	56	45	34	22	20	18
PER SHARE*	**5.7p**	4.9p	4.3p	3.6p	2.9p	2.4p	1.8p	1.2p	1.1p	1.0p
PROFIT RETAINED†	300	295	306	288	243	205	204	133	111	81
FIXED ASSETS	**764**	697	672	611	552	480	351	318	280	262
INVESTMENTS	**105**	126	242	225	194	187	179	85	87	98
INVENTORIES	**1,265**	1,129	1,098	1,055	944	795	621	589	548	498
DEBTORS	**1,258**	1,163	1,047	913	873	748	569	526	480	417
NET CASH	**1,414**	1,559	1,319	1,041	661	599	730	617	470	231
	4,806	4,674	4,378	3,845	3,224	2,809	2,450	2,135	1,865	1,506
LIABILITIES	**2,263**	2,215	1,946	1,705	1,419	1,225	1,027	938	831	608
NET ASSETS	**2,543**	2,459	2,432	2,140	1,805	1,584	1,423	1,197	1,034	898
FINANCED BY:										
Ordinary Shareholders' Interest	**2,389**	2,239	2,098	1,793	1,441	1,188	1,039	858	695	737
Loan Capital	**75**	166	262	286	313	350	345	300	301	128
Minority Interests	**79**	54	72	61	51	46	39	39	38	33
	2,543	2,459	2,432	2,140	1,805	1,584	1,423	1,197	1,034	898

*Dividend per share is given as the gross equivalent of dividends paid and proposed.
†Profit retained excludes extraordinary debits and credits.

There were capital repayments to shareholders in March 1977 and November 1982 amounting in total to £260 million and during the year ended 31st March 1985 £156 million of shareholders' funds was utilised in purchasing for cancellation 73,254,067 ordinary 5p shares of the Company.

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