

APPENDIX 2.1
(referred to in paragraphs 2.10, 2.38 and 2.58)

Financial information for GEC, Siemens and Plessey

1. Table 1 summarises GEC's balance sheet as at 31 March for each of the last nine financial years.

TABLE 1 GEC: summarised balance sheets, year ended 31 March

	<i>£ million</i>								
	1980	1981	1982	1983	1984	1985	1986	1987	1988
Tangible fixed assets	480	552	611	672	697	764	809	828	825
Investments	187	194	225	243	126	105	91	109	415
Stock, contracts in progress and debtors less liabilities (other than borrowing)	<u>476</u>	<u>574</u>	<u>552</u>	<u>518</u>	<u>549</u>	<u>760</u>	<u>844</u>	<u>894</u>	<u>717</u>
Capital employed	1,143	1,320	1,388	1,433	1,372	1,629	1,744	1,831	1,957
Cash and marketable securities	599	661	1,041	1,319	1,559	1,414	1,527	1,730	1,383
Borrowings	(350)	(313)	(286)	(263)	(166)	(75)	(62)	(47)	(52)
Customers' deposits	<u>N/A</u>	<u>N/A</u>	<u>(64)</u>	<u>(67)</u>	<u>(26)</u>	<u>(40)</u>	<u>(59)</u>	<u>(78)</u>	<u>(83)</u>
Net tangible assets	<u>1,392</u>	<u>1,668</u>	<u>2,079</u>	<u>2,422</u>	<u>2,739</u>	<u>2,928</u>	<u>3,150</u>	<u>3,436</u>	<u>3,205</u>
Capital and reserves	1,188	1,441	1,793	2,098	2,239	2,389	2,614	2,895	2,715
Minority interests	46	52	61	72	54	79	81	88	81
Provisions	<u>158</u>	<u>175</u>	<u>225</u>	<u>252</u>	<u>446</u>	<u>460</u>	<u>455</u>	<u>453</u>	<u>409</u>
Total	1,392	1,668	2,079	2,422	2,739	2,928	3,150	3,436	3,205

Source: MMC based on GEC's published accounts.

Note: Gearing (borrowing and customers' deposits net of cash/capital, reserves and minority interests) is negative.

N/A = not available.

2. Table 2 summarises GEC's historical cost profit and loss accounts for each of the last nine financial years.

TABLE 2 GEC: summarised profit and loss accounts, year ended 31 March

	<i>£ million</i>								
	1980	1981	1982	1983	1984	1985	1986	1987	1988
Turnover	3,006	3,462	4,190	4,626	4,800	5,222	5,253	5,247	5,553
Operating profit	360	381	431	462	501	529	508*	492*	561
Associated companies	27	31	40	36	29	20	11	14	15
Investment income and interest (net)	<u>29</u>	<u>64</u>	<u>113</u>	<u>172</u>	<u>141</u>	<u>176</u>	<u>182</u>	<u>162</u>	<u>132</u>
Profit on ordinary activities before taxation	416	476	584	670	671	725	701	668	708
Taxation on profit on ordinary activities	(156)	(172)	(219)	(270)	(268)	(299)	(265)	(236)	(247)
Minority interests	(9)	(5)	(7)	(12)	(13)	(19)	(8)	(12)	(10)
Extraordinary items	4	29	4	6	21	8	25	15	(6)
Dividends	<u>(46)</u>	<u>(56)</u>	<u>(70)</u>	<u>(82)</u>	<u>(95)</u>	<u>(107)</u>	<u>(115)</u>	<u>(141)</u>	<u>(173)</u>
Profit retained	<u>209</u>	<u>272</u>	<u>292</u>	<u>312</u>	<u>316</u>	<u>308</u>	<u>338</u>	<u>294</u>	<u>272</u>
Operating profit as a percentage of turnover	12.0	11.0	10.3	10.0	10.4	10.1	9.7	9.4	10.1

Source: MMC based on GEC's published accounts.

*After deducting exceptional losses of £4 million in 1986 and £24 million in 1987.

3. Table 3 shows a number of historical cost financial statistics which illustrate GEC's overall financial position and performance for the past nine years.

TABLE 3 GEC: historical cost financial statistics, year ended 31 March

	1980	1981	1982	1983	1984	1985	1986	1987	1988
Average capital employed in the business* (£m)	986	1,231	1,354	1,410	1,403	1,500	1,686	1,787	1,894
Profit before finance charge and income from other investments** (£m)	387	412	471	498	529	549	519	506	576
Return on average capital employed (%)	39.2	33.5	34.8	35.3	37.7	36.6	30.8	28.3	30.4
Average shareholders' funds and minority interests (£m)	1,303	1,530	1,874	2,251	2,581	2,834	3,039	3,293	3,321
Profit on ordinary activities before tax (£m)	416	476	584	670	671	725	701	668	708
Return on average shareholders' funds and minority interests (%)	31.9	31.1	1.2	29.8	26.0	25.6	23.1	20.3	21.3
Earnings per ordinary share*** (pence)	9.1	10.9	13.0	14.2	14.2	14.9	16.0	15.8	16.9

Source: MMC based on GEC's published accounts.

*The figures for capital employed and shareholders' funds and minority interests including provisions are simple averages of the amounts at the beginning and the end of each financial year (see Table 1).

**Finance charge and income from other investments represents income receivable from current asset investments and cash on deposit, loan, listed investments and finance leases, less interest payable on bank overdrafts and loan capital.

***Excludes extraordinary items.

4. GEC's tangible fixed assets as at 31 March 1988 are shown in Table 4 and a summary of GEC's source and application of funds for the last five financial years in Table 5.

TABLE 4 GEC: tangible fixed assets at 31 March 1988

	<i>£ million</i>		
	<i>At cost</i>	<i>Depreciation</i>	<i>Net book value</i>
Land and buildings:			
Freehold	320	102	218
Long leasehold	50	13	37
Short leasehold	<u>17</u>	<u>8</u>	<u>9</u>
	387	123	264
Plant and machinery	998	644	354
Fixtures, fittings, tools and equipment	400	226	174
Payments on account and assets under construction	<u>33</u>	<u>-</u>	<u>33</u>
	1,818	993	825

Source: GEC.

Note: All tangible fixed assets are recorded at historical cost less Government grants, and depreciated on a straight line basis over their estimated useful lives. Freehold land does not bear depreciation where the original cost of purchases was separately identified.

TABLE 5 GEC: source and application of funds, year ended 31 March

	<i>£ million</i>				
	1984	1985	1986	1987	1988
Funds generated from operations	834	878	863	889	886
Funds from other sources:					
Sales of assets	14	14	11	23	17
Sale less purchases of investments	122	30	27	(1)	(59)
Issue of ordinary shares	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3</u>
	<u>970</u>	<u>922</u>	<u>901</u>	<u>911</u>	<u>847</u>
Application of funds:					
Purchase of fixed assets	226	252	250	251	279
Purchase of own shares and advance corporation tax	-	195	14	-	-
Tax paid	258	281	262	213	281
Dividends paid	86	99	108	117	149
Reduction/(increase) in loan capital	93	91	12	15	(6)
Purchase of subsidiaries	-	-	45	1	436
Purchase of associated companies	-	-	-	-	55
Loans to associated companies	<u>-1</u>	<u>-7</u>	<u>(22)</u>	<u>(1)</u>	<u>-2</u>
	<u>664</u>	<u>925</u>	<u>669</u>	<u>596</u>	<u>1,196</u>
Increase/(decrease) in working capital:					
Stock	57	130	31	76	(3)
Debtors	81	89	116	93	69
Creditors	(106)	(47)	(24)	(59)	(23)
Payment on account of contracts	34	(30)	(4)	2	(46)
Net liquid funds	<u>240</u>	<u>(145)</u>	<u>113</u>	<u>203</u>	<u>(346)</u>
	306	(3)	232	315	(349)

Source: GEC Annual Report and Accounts.

5. Table 6 shows summarised balance sheets for Siemens.

TABLE 6 Siemens: summarised balance sheets,* year ended 30 September

	<i>DM million</i>					
	1983	1984	1985	1986	1987	1988
Tangible fixed assets	7,983	8,429	10,122	12,372	13,419	13,599
Investments	958	1,088	1,435	1,609	1,922	2,341
Stock, contracts in progress and debtors less liabilities (other than borrowings)	<u>9,563</u>	<u>12,217</u>	<u>13,455</u>	<u>13,896</u>	<u>7,219</u>	<u>10,125</u>
Capital employed	18,504	21,734	25,012	27,877	22,560	26,065
Cash and marketable securities	16,488	19,387	20,445	21,730	23,050	23,968
Borrowings	(3,373)	(3,267)	(3,269)	(4,155)	(3,526)	(3,904)
Customers' deposits long-term**	<u>(3,375)</u>	<u>(5,380)</u>	<u>(4,428)</u>	<u>(5,632)</u>	<u>-</u>	<u>-</u>
Net assets	<u>28,244</u>	<u>32,474</u>	<u>37,760</u>	<u>39,820</u>	<u>42,084</u>	<u>46,129</u>
Capital and reserves	18,086	20,049	28,285	29,690	31,386	34,685
Minority interests	665	649	683	791	773	779
Provisions	<u>9,493</u>	<u>11,776</u>	<u>8,792</u>	<u>9,339</u>	<u>9,925</u>	<u>10,665</u>
	28,244	32,474	37,760	39,820	42,084	46,129

Source: MMC based on Siemens' published accounts.

*Accounts are prepared in accordance with the requirements of German accounting principles as provided by the Commercial Code and converted to a format customary in the United Kingdom. However, assets and capital ratios are not fully comparable.

**From 1987 customers' deposits are fully deducted from stocks and contracts in progress and these figures are not readily available.

Notes:

- Gearing (borrowings and customers' deposits net of cash/capital, reserves and minority interests) is negative.
- The company considers it impractical to list figures for comparison prior to 1983.

6. Table 7 summarises Siemens' historical cost profit and loss accounts for each of the last six years.

TABLE 7 Siemens: summarised profit and loss accounts,* year to 30 September

	<i>DM million</i>					
	1983	1984	1985	1986	1987	1988
Turnover	39,471	45,819	54,616	47,023	51,431	59,374
Operating profit	593	864	1,536	810	997	1,218
Investment income and interest (net)	1,009	1,458	1,920	1,893	1,601	1,857
Profit on ordinary activities before taxation	1,602	2,322	3,456	2,703	2,598	3,075
Taxation on profit on ordinary activities	(800)	(1,256)	(1,928)	(1,229)	(1,323)	(1,456)
Minority interests	(59)	(17)	(26)	(19)	(58)	(74)
Extraordinary item**	-	-	-	-	-	(228)
Dividends	(351)	(442)	(573)	(576)	(535)	(538)
Profit retained	392	607	929	879	682	779
Operating profit as a percentage of turnover	1.5	1.9	2.8	1.7	1.9	2.0

Source: MMC based on Siemens data.

*Accounts are prepared in accordance with the requirements of German accounting principles as provided by the Commercial Code and converted to a format customary in the United Kingdom. However, the breakdown of earnings and the level of earnings are not fully comparable with United Kingdom companies.

**Write down of United States investments net of tax.

7. Table 8 shows a number of historical cost financial statistics which illustrate Siemens' overall financial position and performance for the past five years.

TABLE 8 Siemens: historical cost financial statistics, year ended 30 September 1988

	1984	1985	1986	1987	1988
Average capital employed in the business (DM million)	20,119	23,373	26,444	25,218	24,312
Profit before finance charge and income from other investments (DM million)	864	1,536	810	997	1,218
Return on average capital employed (%)	4.3	6.6	3.1	4.0	5.0
Average shareholders' funds and minority interests including provisions* (DM million)	30,359	35,117	38,790	40,952	44,106
Profit on ordinary activities before tax (DM million)	2,322	3,456	2,703	2,598	3,075
Return on average shareholders' funds and minority interests including provisions (%)	7.6	9.8	7.0	6.3	7.0
Earnings per ordinary share** (DM)	34.70	47.50	42.00	34.00	40.00

Source: MMC based on Siemens data.

*The figures for capital employed and shareholders' funds and minority interests including provisions are simple averages of the amounts at the beginning and the end of each year (see Table 6).

**Calculated in accordance with the principles used by the German Financial Analysts Institute (DVFA).

Note: Accounts are prepared in accordance with the requirements of the German Financial Accounting Directives Act (see note to Table 2.5).

8. Siemens' tangible fixed assets as at 30 September 1988 are shown in Table 9 and a summary of Siemens' source and application of funds for the last five financial years is at Table 10.

TABLE 9 Siemens: tangible fixed assets at 30 September 1988
DM million

	<i>At cost</i>	<i>Depreciation</i>	<i>Net book value</i>
Land and buildings	9,058	2,961	6,097
Plant and machinery	10,212	7,474	2,738
Fixtures, fittings, tools and equipment	10,889	7,953	2,936
Equipment leased to customers	3,093	2,107	986
Payments on account and assets under construction	<u>842</u>	<u>-</u>	<u>842</u>
	34,094	20,495	13,599

Source: Siemens' published accounts.

Note: All tangible fixed assets are recorded at historical cost less Government grants; in Germany the 'own production cost' element is calculated in line with tax valuation laws. The company uses the declining balance method of depreciation for movable assets at the highest rates permissible under the tax laws and changes over to the straight line method as soon as the latter leads to higher depreciation. Freehold land does not bear depreciation where original cost is separately identified.

TABLE 10 Siemens: source and application of funds, financial year ended 30 September

	<i>DM million</i>				
	<i>1984</i>	<i>1985</i>	<i>1986</i>	<i>1987</i>	<i>1988</i>
Funds generated from operations	5,956	6,856	6,317	5,538	6,812
Funds from other sources (net)	538	789	25	432	1,778
Issue of ordinary shares	<u>244</u>	<u>696</u>	<u>841</u>	<u>277</u>	<u>114</u>
	6,738	8,341	7,183	6,247	8,704
Application of funds:					
Purchase of fixed assets and investments	2,421	4,162	4,824	5,313	5,210
Reduction/(increase) in loan capital	106	(2)	(567)	629	(378)
Purchase of subsidiaries	<u>-</u>	<u>-</u>	<u>1,328</u>	<u>-</u>	<u>-</u>
	2,527	4,160	5,585	5,942	4,832
Increase/(decrease) in working capital:					
Stock	2,254	(1,632)	4,259	(409)	(3,610)
Debtors	1,190	1,175	(1,870)	226	1,113
Creditors	(2,168)	3,584	(2,141)	(832)	5,451
Net liquid funds	2,935	1,054	1,350	1,320	918
	4,211	4,181	1,598	305	3,872

Source: Siemens' Annual Report and Accounts.

9. Table 11 summarises Plessey's balance sheet as at end March for each of the last nine financial years.

TABLE 11 Plessey: summarised balance sheets, year end March

£ million

	1980	1981	1982	1983	1984	1985	1986	1987	1988
Tangible fixed assets	133	141	143	172	212	284	282	292	239
Investments	12	12	11	19	29	21	15	14	321
Stock, contracts in progress and debtors less liabilities (other than borrowing)	175	173	71	64	76	163	130	120	(89)
Capital employed	320	326	225	255	317	468	427	426	471
Cash and marketable securities	21	62	238	271	325	220	275	306	279
Borrowings*	(62)	(54)	(56)	(57)	(74)	(107)	(82)	(37)	(59)
Customers' deposits	N/A	N/A	N/A	N/A	(15)	(5)	(3)	(2)	(12)
Net tangible assets	279	334	407	469	553	576	617	693	679
Capital and reserves	248	298	360	408	490	525	524	597	623
Minority interests	7	7	8	10	11	9	5	6	5
Provisions**	24	29	39	51	52	42	88	90	51
	279	334	407	469	553	576	617	693	679
Gearing (borrowing and customers' deposits net of cash/capital, reserves and minority interests) (%)	16.1	(2.6)	(49.5)	(51.2)	(47.1)	(20.2)	(35.9)	(44.3)	(33.1)

Source: MMC based on Plessey's published accounts.

*Borrowing figures do not include the amounts due on capitalised finance lease obligations which have been included in liabilities.

**The company accounts for deferred tax by making full provision for fixed asset timing differences. Since 1986 the company has recognised deferred taxation assets only where their recovery without replacement by equivalent items can be predicted; on an equivalent basis, the total of provisions in 1985 would have been £93 million.

N/A = not available.

10. Table 12 summarises Plessey's historical cost profit and loss accounts for each of the last nine financial years.

TABLE 12 Plessey: summarised profit and loss accounts, year end March

£ million

	1980	1981	1982	1983	1984	1985	1986	1987	1988
Turnover	751.0	844.5	985.2	1,119.7	1,252.3	1,415.7	1,461.1	1,429.7	1,300.9
Operating profit	66.3	86.0	100.1	119.0	146.3	143.3	162.5	166.2	148.6
Associated companies	3.5	3.1	4.4	6.7	6.5	7.1	1.8	2.2	6.9
Investment income and interest (net)	(9.7)	(4.6)	6.9	20.7	23.3	13.2	5.9	15.8	16.6
Profit on ordinary activities before taxation	60.1	84.5	111.4	146.4	176.1	163.6	170.2	184.2	172.1
Taxation on profit on ordinary activities	(19.0)	(29.0)	(38.5)	(60.5)	(61.4)	(70.4)	(69.8)	(62.7)	(52.0)
Minority interests	(1.5)	(1.6)	(2.0)	(3.0)	(2.7)	0.3	(0.9)	(1.7)	(1.4)
Extraordinary items	(4.7)	(1.5)	2.9	(1.4)	(2.7)	(2.6)	(7.5)	(3.5)	12.4
Dividends	(16.5)	(18.5)	(21.0)	(24.5)	(27.8)	(32.2)	(37.2)	(42.8)	(49.4)
Profit retained	18.4	33.9	52.8	57.0	81.5	58.7	54.8	73.5	81.7
Operating profit as a percentage of turnover	8.8	10.2	10.2	10.6	11.7	10.1	11.1	11.6	11.4

Source: MMC based on Plessey's published accounts.

11. Table 13 shows a number of historical cost financial statistics which illustrate Plessey's overall financial position and performance for the past nine years.

TABLE 13 Plessey: historical cost financial statistics, year end March

	1980	1981	1982	1983	1984	1985	1986	1987	1988
Average capital employed* in the business (£m)	316.5	323.0	275.5	240.0	286.0	392.5	447.5	426.5	448.5
Profit before finance charge and income from other investments** (£m)	69.8	89.1	104.5	125.7	152.8	150.4	164.3	168.4	155.5
Return on average capital employed (%)	22.0	27.6	37.9	52.4	53.4	38.3	36.7	39.5	34.7
Average shareholders' funds, minority interests and provisions* (£m)	269.5	306.5	370.5	438.0	511.0	564.5	568.5	627.0	686.0
Profit on ordinary activities before tax (£m)	60.1	84.5	111.4	146.4	176.1	163.6	170.2	184.2	172.1
Return on average shareholders' funds, minority interests and provisions (%)	22.3	27.6	30.1	33.4	34.5	29.0	29.9	29.4	25.1
Earnings per ordinary share*** (pence)	5.6	7.5	9.8	11.3	15.3	12.7	13.5	16.2	16.0

Source: MMC based on Plessey's published accounts.

*The figures for capital employed and shareholders' funds and minority interests including provisions are simple averages of the amounts at the beginning and the end of each year (see Table 11).

**Finance charge and income from other investments represents income receivable from listed and other investments, less interest payable on bank loans and overdrafts and capitalised finance leases.

***Excludes extraordinary items.

12. Plessey's tangible fixed assets as at 1 April 1988 are shown in Table 14 and a summary of Plessey's source and application of funds for the last five financial years is in Table 15.

TABLE 14 Plessey: tangible fixed assets at 1 April 1988

	<i>£ million</i>		
	<i>At cost</i>	<i>Depreciation</i>	<i>Net book value</i>
Land and buildings:			
Freehold	61.9	9.6	52.3
Long leasehold	24.4	2.0	22.4
Short leasehold	<u>1.5</u>	<u>0.3</u>	<u>1.2</u>
	87.8	11.9	75.9
Plant and machinery	125.7	54.5	71.2
Tools and equipment	156.6	86.9	69.7
Payments on account and assets under construction	<u>22.6</u>	<u>-</u>	<u>22.6</u>
	392.7	153.3	239.4

Source: Plessey.

Note: All tangible fixed assets other than freehold and long-term leaseholds (which are periodically revalued) are recorded at historical cost less Government grants. Depreciation is mainly on a straight line basis over their estimated useful lives.

TABLE 15 Plessey: source and application of funds, financial year end March

£ million

	1984	1985	1986	1987	1988
Funds generated from operations	208.1	218.1	246.5	262.8	234.3
Funds from other sources:					
Sale of assets	5.2	2.7	7.8	7.7	8.4
Issue of shares (m)	2.7	1.9	0.7	2.6	2.6
Extraordinary items	-	-	(4.0)	(3.5)	(3.1)
	<u>216.0</u>	<u>222.7</u>	<u>251.0</u>	<u>269.6</u>	<u>242.2</u>
Application of funds:					
Purchase of fixed assets	79.9	111.5	85.1	77.2	69.5
Tax paid	47.0	84.8	45.5	55.6	55.0
Dividends paid	24.1	28.0	32.2	37.2	60.5
Reduction/(increase) in loan capital	2.2	(8.0)	17.6	8.8	4.8
Acquisition/(disposal) of businesses	(3.9)	27.9	2.7	(0.3)	75.6
Currency retranslation	(0.4)	(10.3)	(14.3)	(7.0)	(18.6)
	<u>148.9</u>	<u>254.5</u>	<u>168.8</u>	<u>171.5</u>	<u>246.8</u>
Increase/(decrease) in working capital:					
Stock	20.5	23.5	0.4	(21.3)	14.8
Debtors	38.0	151.6	7.1	32.0	83.3
Creditors	(38.0)	(102.5)	(23.0)	(1.5)	(64.9)
Provisions	(11.9)	26.5	35.2	21.1	15.5
Net liquid funds	<u>34.7</u>	<u>(130.9)</u>	<u>62.5</u>	<u>67.8</u>	<u>(53.3)</u>
	67.1	(31.8)	82.2	98.1	(4.6)

Source: Plessey Annual Report and Accounts.