

M 2003 PLC
Form 8-K
September 07, 2004

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

**FORM 8-K
CURRENT REPORT**
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report September 7, 2004

M (2003) PLC
(Exact name of registrant as specified in its charter)

<u>England and Wales</u>	<u>33-12430</u>	<u>xxx</u>
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

New Century Park, PO Box 53,
Coventry, CV3 1HJ

(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code:

(Former name or former address, if changed since last report)

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Item No. 2.02

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: September 7, 2004

M (2003) PLC

By: /s/ R A Robinson

Name: R A Robinson

Title: Director

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Registration No. 3846429

M (2003) plc

Report and Financial Statements
for the year ended 31 March 2004

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Directors report

The directors present their report and the financial statements of the Company for the year ended 31 March 2004.

1 Name

The name of the Company changed from Marconi plc to M (2003) plc on 21 October 2003.

2 Activities and prospects

In respect of the period from 1 April 2003 until 19 May 2003, the Company was the ultimate holding company for the Marconi Group; which designs and supplies telecommunications equipment and provides related services.

The Company ceased to be the ultimate holding company of the Marconi Group on 19 May 2003 when the schemes of arrangement of Marconi Corporation plc and the Company, pursuant to Section 425 of the Companies Act 1985, became effective. Trading in the Company's shares on the London Stock Exchange ceased on 16 May 2003 and the Company's shares were subsequently delisted.

Since 19 May 2003, neither the Company nor its remaining subsidiaries have operated or controlled any business activities.

Pursuant to the Company's scheme of arrangement (the Scheme), the remaining assets of the Company will be distributed over time to its creditors, following which it is intended that the Company will be liquidated or dissolved. There will be no circumstances in which any value will be returned to shareholders under the terms of the Scheme.

This report and the financial statements are being produced and distributed to shareholders to comply with the requirements of the Companies Act 1985, which continue to apply irrespective of the Scheme.

3 Results and dividends

The profit on ordinary activities after taxation during the year was £2,555 million (2003: loss £801 million). Under the terms of the Scheme, no dividend is payable. An exceptional profit on the disposal of businesses of £2,582 million resulted from the Scheme.

4 Directors and Scheme supervisors

The membership of the Board during the year was:

Mr M K Atkinson	(resigned 19 May 2003)
Mr D C Bonham	(resigned 19 May 2003)
Mr J F Devaney	(resigned 19 May 2003)
Mr M J Donovan	(resigned 4 August 2003)
Mr C C Holden	(resigned 25 September 2003)
Mr W K Koepf	(resigned 19 May 2003)
Mr M W J Parton	(resigned 4 August 2003)
Mr R A Robinson	(appointed 25 September 2003)

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Mr C J Shaw (appointed 4 August 2003)
Mr J J White (appointed 4 August 2003)

On 19 May 2003, Mr R Heis and Mr P W Wallace, both of KPMG LLP, 8 Salisbury Square, London EC4Y 8BB, were appointed initial supervisors pursuant to the Scheme.

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The interests of the directors in the share capital of the Company are shown below.

Ordinary shares:

Director	On appointment	Acquired	Disposed	At 31 March 2004
R A Robinson	11,442	nil	nil	11,442
C J Shaw	nil	nil	nil	nil
J J White	nil	nil	nil	nil

R A Robinson had the following interests in share options as a result of his previous employment within the Marconi Group, there are no circumstances under which any value will be attributable to these share options:

Plan	On appointment	Granted	Exercised	Lapsed	At 31 March 2004
The Marconi Launch Plan	1,000	nil	nil	nil	1,000
The Marconi Long Term Incentive Plan	15,164	nil	nil	nil	15,164
Total	16,164	nil	nil	nil	16,164

6 Payment of creditors

In its previous role as the ultimate holding company of the Marconi Group, the Company had no revenue and no trade creditors. It is not, therefore, possible to provide statistics for the Company as required by the Companies Act 1985.

7 Employees

Since 19 May 2003 the Company has had no employees.

From 1 April 2003 until 19 May 2003, individual employees and their representatives were kept informed of current business issues through briefing groups, training seminars and professional networks as well as through more formal consultative procedures.

Full and fair consideration was given to applications for employment from people with disabilities having regard to their aptitudes and abilities; special arrangements were made to support the continued employment of those who became disabled. Wherever practical, access, facilities and training programmes were made available allowing people with disabilities to participate at work to the best of their ability.

8 Annual General Meeting

Notice of the 2004 Annual General Meeting is given on page 32.

9 Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the reappointment of Deloitte & Touche LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board

K D Smith

Company Secretary

Registered Office:
8 Salisbury Square
London EC4Y 8BB

30 July 2004

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Statement of directors responsibilities

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

select suitable accounting policies and then apply them consistently;

make judgements and estimates that are reasonable and prudent;

state whether applicable accounting standards have been followed; and

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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Independent auditors' report to the members of M (2003) plc

We have audited the financial statements of M (2003) plc for the year ended 31 March 2004 which comprise the profit and loss account, the balance sheets, the cash flow statement, the statement of total recognised gains and losses, the reconciliation of movements in shareholders' interests, the statement of accounting policies, the reconciliation of net cash flow movements in net monetary funds and the related notes 1 to 26. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of directors' responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. They are also responsible for the preparation of the other information contained in the annual report. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company and other members of the Group is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2004 and of the profit of the Group for the year then ended; and

the financial statements have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Birmingham

30 July 2004

Table of Contents**Consolidated profit and loss account**

For the year ended 31 March

	<u>Note</u>	<u>2004 £ million</u>	<u>2003 £ million</u>
Turnover			
Group Discontinued operations	3	<u>168</u>	<u>2,002</u>
Operating loss			
<i>Group operating loss</i> Discontinued operations			
Excluding goodwill amortisation and exceptional items		(38)	(308)
Goodwill amortisation		(13)	(104)
Operating exceptional items	5a	<u>(2)</u>	<u>(326)</u>
	4	(53)	(738)
<i>Share of operating loss of joint ventures</i>			
Excluding goodwill amortisation and exceptional items			(8)
Operating exceptional items	5a		<u>(32)</u>
			<u>(40)</u>
		<u>(53)</u>	<u>(778)</u>
Group and joint venture operating loss before goodwill amortisation and exceptional items	3	<u>(38)</u>	<u>(316)</u>
<i>Share of operating loss of associates</i>			
Excluding goodwill amortisation and exceptional items			(27)
Goodwill amortisation			(10)
Goodwill impairment			(27)
Operating exceptional items	5b		<u>(25)</u>
			<u>(89)</u>
Total operating loss Discontinued operations	3	(53)	(867)
<i>Non-operating exceptional items</i> Discontinued operations			
Gain/(loss) on disposal of businesses	5c	2,582	(5)

Gain on disposal of fixed assets and investments	5c		26
Merger/demerger items	5c		123
Group share of associates non-operating exceptional items	5c		(3)
		<u> </u>	<u> </u>
		2,582	141
Amounts written off investments	5d		(40)
Net interest receivable/(payable)	6	6	(214)
Net finance income/(expenditure)	7	21	(6)
Profit/(loss) on ordinary activities before taxation			
Excluding goodwill amortisation and exceptional items		(11)	(563)
Goodwill amortisation and exceptional items		2,567	(423)
		<u> </u>	<u> </u>
	3	2,556	(986)
Tax (charge)/credit on profit/(loss) on ordinary activities			
Excluding tax on goodwill amortisation and exceptional items		(1)	107
Tax on goodwill amortisation and exceptional items			78
		<u> </u>	<u> </u>
	8a	(1)	185
Profit/(loss) on ordinary activities after taxation		2,555	(801)
Equity minority interests	9		(1)
		<u> </u>	<u> </u>
Profit/(loss) on ordinary activities attributable to the equity shareholders and retained profit/(loss) for the financial year		2,555	(802)
		<u> </u>	<u> </u>

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As at 31 March

	Note	Group		Company	
		2004 £ million	2003 £ million	2004 £ million	2003 £ million
Fixed assets					
Goodwill	12		597		
Tangible assets	13		243		
Investments:	14				
Joint ventures					
Share of gross assets			17		
Share of gross liabilities			(14)		
			3		
Associates			44		
Other investments			16		
Shares in Group companies					7
			63		7
			903		7
Current assets					
Stocks and contracts in progress	15		234		
Debtors: amounts falling due within one year	16		581		
Debtors: amounts falling due after more than one year	16		32		
Cash at bank and in hand	17	9	1,161	9	3
		9	2,008	9	3
Creditors: amounts falling due within one year	18		(4,743)		(163)
		9	(2,735)	9	(160)
Net current assets/(liabilities)					
Total assets less current liabilities			(1,832)		(153)
Creditors: amounts falling due after more than one year	18		(46)		

year					
Provisions for liabilities and charges	20	(9)	(309)	(9)	(9)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net (liabilities)/assets before retirement benefit surpluses and deficits			(2,187)		(162)
Retirement benefit scheme deficits	25		(353)		
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net (liabilities)/assets after retirement benefit surpluses and deficits			(2,540)		(162)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Capital and reserves					
Called up share capital	21	140	140	140	140
Share premium account	21	506	506	506	506
Capital reserve	21		375		
Profit and loss account	21	(646)	(3,564)	(646)	(808)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
Equity shareholders' interests			(2,543)		(162)
Equity minority interests			3		
		<u> </u>	<u> </u>	<u> </u>	<u> </u>
			(2,540)		(162)
		<u> </u>	<u> </u>	<u> </u>	<u> </u>

These accounts were approved by the Board of Directors on 30 July 2004

Signed on behalf of the Board of Directors

R A Robinson
Director

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For the year ended 31 March

	Note	2004 £ million	2003 £ million
	<u> </u>	<u> </u>	<u> </u>
Net cash inflow from operating activities before exceptional items	22a	39	8
Exceptional cash flows from operating activities	5e	(55)	(343)
		<u> </u>	<u> </u>
Net cash outflow from operating activities after exceptional items			
Discontinued operations		(16)	(335)
Returns on investments and servicing of finance	22b	3	(136)
Tax (paid)/repaid	22c	(1)	31
Capital expenditure and financial investment	22d	(5)	(30)
Acquisitions and disposals	22e	(568)	433
		<u> </u>	<u> </u>
Cash outflow before use of liquid resources and financing		(587)	(37)
Net cash inflow/(outflow) from management of liquid resources	22f	14	(161)
Cash element of scheme consideration		(333)	
Net cash outflow from financing	22g	(1)	(64)
		<u> </u>	<u> </u>
Decrease in cash and net bank balances repayable on demand		(907)	(262)
		<u> </u>	<u> </u>

Reconciliation of net cash flow to movements in net monetary funds

For the year ended 31 March

	Note	2004 £ million	2003 £ million
	<u> </u>	<u> </u>	<u> </u>
Decrease in cash and net bank balances repayable on demand		(907)	(262)
Net cash (inflow)/outflow from management of liquid resources		(14)	161
Net cash outflow from changes in debt and lease financing		1	64
		<u> </u>	<u> </u>
Change in net monetary debt resulting from cash flows		(920)	(37)
Net funds/(debt) disposed/(acquired) with subsidiaries		(173)	24
Other non-cash changes		3,918	(84)

Effect of foreign exchange rate changes		<u>10</u>	<u>136</u>
Movement in net monetary debt in the year		2,835	39
Net monetary debt at 1 April	23	<u>(2,826)</u>	<u>(2,865)</u>
Net monetary debt at the end of the year	23	<u>9</u>	<u>(2,826)</u>

Table of Contents**Consolidated statement of total recognised gains and losses**

For the year ended 31 March

	2004 £ million	2003 £ million
	<u> </u>	<u> </u>
<i>Profit/(loss) on ordinary activities attributable to the shareholders</i>		
Group	2,555	(707)
Share of joint ventures		(40)
Share of associates		(55)
	<u> </u>	<u> </u>
	2,555	(802)
Exchange differences on translation: Group	(12)	122
<i>Actuarial loss recognised on retirement benefit schemes</i>		
Difference between the expected and actual return on scheme assets		(178)
Experience gains on scheme liabilities		7
Changes in assumptions underlying the present value of scheme liabilities losses		(98)
	<u> </u>	<u> </u>
		(269)
	<u> </u>	<u> </u>
Total recognised gains and losses	2,543	(949)
	<u> </u>	<u> </u>

Reconciliation of movements in equity shareholders' interests

For the year ended 31 March

	2004 £ million	2003 £ million
	<u> </u>	<u> </u>
Total recognised gains and losses	2,543	(949)
Release of provision in respect of shares to be issued		(45)
Group share of associates' shares to be issued		3
Issues of ordinary shares		6
	<u> </u>	<u> </u>
Total movement in the year	2,543	(985)
Equity shareholders' interests at 1 April	(2,543)	(1,558)

Equity shareholders interests at the end of year

_____	_____
_____	(2,543)
_____	_____

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Notes to the accounts

1 Restructuring

In respect of the year ended 31 March 2003 and until 19 May 2003, the Company was the ultimate holding company for the Marconi Group. Under the schemes of arrangement of Marconi Corporation plc and the Company, pursuant to Section 425 of the Companies Act 1985 which became effective on 19 May 2003, Marconi Corporation plc issued new share capital and cancelled the old shares held by the Company. Therefore the Company ceased to be the ultimate holding company of the Marconi Group on 19 May 2003 and all activities have therefore been disclosed as discontinued. Trading in the Company's shares on the London Stock Exchange ceased on 16 May 2003 and the Company's shares were subsequently delisted.

On 19 May 2003 the Company, as a result of the shares it held in Marconi Corporation plc being cancelled, divested fully of its interests in the Marconi Group for nil proceeds. This resulted in a gain of £3,386 million on the transfer of ownership of the Marconi Group being equivalent to its consolidated net liabilities. On the same date, the scheme of arrangement of Marconi Corporation plc came into effect resulting in an £804 million receivable from the Marconi Group being waived by the Company and its subsidiary undertakings.

Pursuant to the Company's Scheme, the remaining assets of the Company will be distributed over time to its creditors, following which it is intended that the Company will be liquidated or dissolved. There will be no circumstances in which any value will be returned to shareholders under the terms of the Company's Scheme.

Consequently, the Group after 19 May 2003 consists of the Company and its non trading and dormant subsidiaries Ancrane, M Ansty Limited, M Nominees Limited, Photonika Limited and Yeslink Unlimited.

2 Accounting policies

The financial statements have been prepared in accordance with accounting standards applicable in the UK.

The more important Group accounting policies are summarised below to facilitate the interpretation of the financial statements.

Accounting convention

The financial statements are prepared under the historical cost convention, as modified by the valuation of listed current and fixed asset investments.

Basis of consolidation

The financial statements consolidate the accounts of the Company and all of its subsidiary undertakings (Group companies or subsidiaries). All inter-company balances and transactions have been eliminated upon consolidation.

Turnover

Turnover excludes VAT and comprises sales to outside customers. Revenue from product sales of hardware and software is recognised when persuasive evidence of an arrangement exists, delivery has occurred or service has been rendered, customer acceptance has occurred, the Group's price to the buyer is fixed or determinable, and collectability

is reasonably assured. Revenue from services is recognised at the time of performance and acceptance by the customer.

Revenue from multiple element contracts is allocated based on the fair value of each individual element.

Revenue on long-term contracts is recognised under the percentage-of-completion method of accounting and is calculated based on the ratio of costs incurred to date compared with the total expected costs for that contract.

Currency translation

Transactions denominated in foreign currencies are translated into the functional currency at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account with the exception of certain gains and losses arising under hedging transactions as described below.

Profits and losses of overseas subsidiaries, joint ventures and associates and cash flows of overseas subsidiaries are translated at the average rates of exchange during the year. Non-sterling net assets are translated at year end rates of exchange. Key rates used are as follows:

<u>Average rates</u>	<u>Year-end rates</u>
<u>2004</u>	