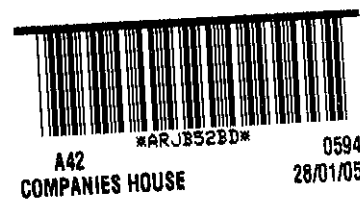


Company No: 710790

NORTEL NETWORKS PROPERTIES LIMITED
DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2003



NORTEL NETWORKS PROPERTIES LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2003

The directors submit their annual report and accounts for the year ended 31 December, 2003.

PRINCIPAL ACTIVITY AND RESULTS

The Company has not traded during the year ended 31 December 2003. There has been no income or expenditure and therefore no change in the Company's position has arisen. Any expenses have been met by the Company's parent company, Nortel Networks UK Limited.

Subsequent to the year end the Company declared a dividend to its parent, Nortel Networks UK Limited, in the amount of £30,898,225. This was executed on 26 March 2004.

DIRECTORS

The following served as directors of the Company during the year:-

I J Morgan (resigned 30th April 2004)
Gareth Pugh
Gordon Davies (resigned 17 January 2003)
DS Gill (appointed 17 January 2003)

DIRECTORS' INTERESTS

The directors held no declarable interests in any Group company at 31 December 2003.

POST BALANCE SHEET EVENTS

In July 2003, Nortel Networks Corporation, the ultimate parent of the Company, announced that it was initiating a comprehensive review of its assets and liabilities. The outcome of that review was a restatement of Nortel Networks Corporation's consolidated financial statements for the first and second quarter of 2003 and fiscal years 2002, 2001 and 2000 in accordance with generally accepted accounting principles in the US.

POST BALANCE SHEET EVENTS continued

The Nortel Networks Corporation Audit Committee is undertaking an independent review of the circumstances leading to the restatement of the consolidated financial statements. On 28 April 2004, Nortel Networks Corporation publicly announced an additional restatement of their consolidated financial statements for each fiscal quarter of 2003 and for earlier periods including 2002 and 2001. On 11 January 2005, Nortel Networks Corporation completed this restatement and the filing of its audited financial statements for the year 2003 prepared in accordance with United States and Canadian generally accepted accounting principles, and related Annual Report on Form 10-K and corresponding Canadian filings.

The Directors have considered the impact on the financial statements of the Nortel Networks Properties Limited and confirm that they are not aware of any restatements that would impact the reported financial position of this Company.

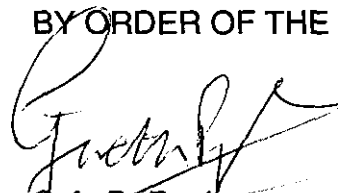
AUDITORS

For the year ended 31 December 2003 the company was entitled to exemption under section 249aa(1) of the Companies Act 1985.

Registered Office:

Maidenhead Office Park
Westacott Way
Maidenhead
Berkshire
SL6 3QH

BY ORDER OF THE BOARD



G.A.D. Pugh
Director

Date: 24th January 2005

NORTEL NETWORKS PROPERTIES LIMITED**BALANCE SHEET at 31 December 2003**

	Note	2003 £	2002 £
CURRENT ASSETS			
Debtors - Amounts owed by fellow subsidiary undertakings		30,898,325	30,898,325
		<hr/>	<hr/>
NET ASSETS		30,898,325	30,898,325
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	2	100	100
Profit and loss account		30,898,225	30,898,225
		<hr/>	<hr/>
TOTAL CAPITAL EMPLOYED		30,898,325	30,898,325
		<hr/>	<hr/>

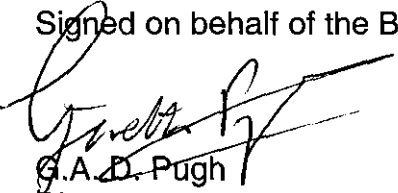
For the year ended 31 December 2003 the company was entitled to exemption under section 249aa(1) of the Companies Act 1985.

No members have required the company to obtain an audit of its accounts for the year in question in accordance with Section 249b(2).

The director's acknowledge their responsibility for: (i) ensuring the company keeps accounting records which comply with section 221; and (ii) preparing accounts which give a true and fair view of the state of affairs of the company as at the end of its financial year, and of its profit and loss for the financial year in accordance with section 226, and which otherwise comply with the requirements of the Companies Act relating to accounts, so far as applicable to the company.

These financial statements were approved by the Board of Directors on 24th January 2005.

Signed on behalf of the Board of Directors


G.A.D. Pugh
Director

The accompanying notes are an integral part of this balance sheet.

NORTEL NETWORKS PROPERTIES LIMITED

NOTES TO THE ACCOUNTS
for the year ended 31 December 2003

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards. The particular accounting policy, which has been applied consistently, is set out below.

Basis of Accounting:

The financial statements have been prepared in accordance with the historical cost basis of accounting.

2. CALLED UP SHARE CAPITAL

The authorised share capital consists of 100 Ordinary shares of £1 each, which are allotted and fully paid.

3. ULTIMATE HOLDING COMPANY

The Company's ultimate parent company and the parent undertaking of the largest group which includes the Company and for which group accounts are prepared is Nortel Networks Corporation, a company registered in Canada. The parent undertaking of the smallest such group is Nortel Networks UK Limited, a company registered in England. Copies of the group financial statements of Nortel Networks Corporation are available from Nortel Networks, One Brunswick Square, Atrium Suite 100, Saint John, New Brunswick, E2L 4VL, Canada. Copies of the group financial statements of Nortel Networks UK Limited are available from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.