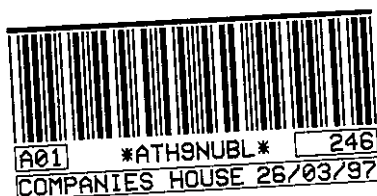




NORTEL PROPERTIES LIMITED

Report and Financial Statements

31 December 1996



**Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3TR**

REPORT AND FINANCIAL STATEMENTS 1996

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DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 1996.

PRINCIPAL ACTIVITY AND FUTURE PROSPECTS

The principal activity of the Company was the holding, management and administration of certain properties rented to its immediate parent and fellow subsidiary companies. As at 31 December 1995 the Company sold all its assets and liabilities to its immediate parent, Nortel Limited, at net carrying value. The company has not traded during the year ended 31 December 1996.

PROFITS AND DIVIDENDS

The Company made neither profit nor loss in the year ended 31 December 1996 (1995 - loss £2,367,000). The directors do not propose to pay a dividend (1995 - £nil).

DIRECTORS

The following served as directors of the Company during the year .

I G Dawson	(resigned 11 October 1996)
B Harris	
M J Thompson	(resigned 30 November 1996)
D J E Roberts	(appointed 11 October 1996)
S C Pusey	(appointed 11 October 1996)

DIRECTORS' INTERESTS

The directors in office at 31 December 1996 held no declarable interests in the Company or any group company.

AUDITORS

Pursuant to Section 250 of Companies Act 1985, a special resolution to dispense with the need to appoint auditors will be proposed at the Annual General Meeting.

Approved by the Board of Directors on 18th March 1997
Signed on behalf of the Board

D J E Roberts

D J E Roberts
Director

Registered Office:
Maidenhead Office Park
Westacott Way
Maidenhead
Berkshire
SL6 3QH

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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;
- prepare the financial statements on a 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. 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.

Approved by the Board of Directors
and signed on behalf of the Board

DJE Roberts

DJE ROBERTS
Director



Chartered Accountants

Deloitte & Touche
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1 Little New Street
London EC4A 3TR

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AUDITORS' REPORT TO THE MEMBERS OF NORTEL PROPERTIES LIMITED

We have audited the financial statements on pages 4 to 8 which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 2 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 Company's circumstances, 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 the Company's affairs as at 31 December 1996 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte + Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
Hill House
1 Little New Street
London EC4A 3TR

24th March 1997

PROFIT AND LOSS ACCOUNT
Year ended 31 December 1996

	Note	1996 £'000	1995 £'000
TURNOVER	1	-	10,210
Cost of sales		-	(12,112)
Gross loss		-	(1,902)
Other operating income	2	-	25
OPERATING LOSS		-	(1,877)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	3	-	(1,877)
Tax charge on loss on ordinary activities	5	-	(490)
LOSS FOR THE FINANCIAL YEAR		-	(2,367)

All the results relate to discontinued activities.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Year ended 31 December 1996

	1996	1995
	£'000	£'000
Loss for the financial year	-	(2,367)
Realisation of revaluation reserve	-	20,800
	<hr/>	<hr/>
Total recognised gains relating to the year	-	18,433
	<hr/>	<hr/>

BALANCE SHEET
31 December 1996

	Note	1996 £'000	1995 £'000
CURRENT ASSETS			
Debtors	6	30,898	30,898
NET ASSETS		30,898	30,898
CAPITAL AND RESERVES			
Called up share capital	7	-	-
Profit and loss account		30,898	30,898
EQUITY SHAREHOLDERS' FUNDS		30,898	30,898

These financial statements were approved by the Board of Directors on 18 March 1997.

Signed on behalf of the Board of Directors

D J E Roberts

D J E Roberts

Director

NOTES TO THE ACCOUNTS
Year ended 31 December 1996

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared on the historical cost basis of accounting, modified by the revaluation of freehold land.

Turnover

Turnover represents the gross amount of rents receivable for the year from group companies.

Taxation

Taxation is based on profit for the year.

Deferred taxation is provided using the liability method. Where, in the opinion of the directors, a liability is likely to arise in the future, a provision is made.

Cash flow statement

A cash flow statement has not been included in the financial statements. The group financial statements of Nortel Limited show a consolidated cash flow statement in accordance with Financial Reporting Standard Number 1.

2. OTHER OPERATING INCOME

	1996 £'000	1995 £'000
Provisions for write downs no longer required	-	25
	-	25

Administrative expenses are borne in part by the parent company. Auditors' remuneration is borne by the parent company.

3. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation is stated after the following charges:

	1996 £'000	1995 £'000
Depreciation		
- owned tangible fixed assets	-	1,896
Rentals under operating leases		
- other assets	-	527

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Directors' emoluments for the year were £nil (1995 - £nil). The Company had no employees during the year.

NOTES TO THE ACCOUNTS
Year ended 31 December 1996

5. TAX CHARGE ON LOSS ON ORDINARY ACTIVITIES

	1996 £'000	1995 £'000
Deferred taxation	-	127
Adjustment in respect of prior years - deferred taxation	-	(617)
	<u>-</u>	<u>(490)</u>

No corporation tax has been provided on the result for the year as the company did not trade. Tax losses in 1995 were surrendered to another group company for which no payment was received.

6. DEBTORS

	1996 £'000	1995 £'000
Amounts owed by parent company	30,898	30,898
	<u>30,898</u>	<u>30,898</u>

7. CALLED UP SHARE CAPITAL

	1996 £	1995 £
Authorised, allotted and fully paid: 100 ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>

8. ULTIMATE PARENT 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 BCE Inc, a company incorporated in Canada. The parent undertaking of the smallest such group is Nortel Limited, a company registered in England and Wales. Copies of the group financial statements of BCE Inc are available from 1000 Rue de La Gauchetière Ouest, Bureau 3700, Montreal, Quebec, Canada. Copies of the group financial statements of Nortel Limited are available from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.