

NORTEL PROPERTIES LIMITED

Report and Financial Statements

31 December 1995

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



REPORT AND FINANCIAL STATEMENTS 1995

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DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 1995.

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 related revaluation reserve of £20,800,000 was transferred to the profit and loss reserve. The directors anticipate the Company will remain dormant for the foreseeable future.

PROFITS AND DIVIDENDS

The Company's loss for the year ended 31 December 1995 was £2,367,000 (1994 - profit £2,212,000). The directors do not propose to pay a dividend (1994 - £nil).

FIXED ASSETS

Information relating to changes in fixed assets is given in note 8 to the accounts.

DIRECTORS

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

I G Dawson
B Harris
M J Thompson

DIRECTORS' INTERESTS

The directors in office at 31 December 1995 held no declarable interests in the Company or any group company.

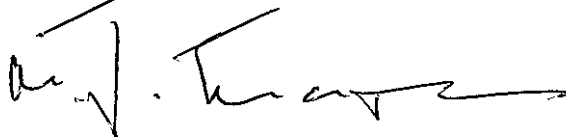
DIRECTORS' AND OFFICERS' INSURANCE

During the financial year, insurance was maintained covering directors and officers of the Company against liabilities in relation to the Company.

AUDITORS

On 1 February 1996 our auditors changed the name under which they practise to Deloitte & Touche and, accordingly, have signed their report in their new name. A resolution for the reappointment of Deloitte & Touche as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

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



M.J. THOMPSON

Director

Registered Office:
Stafferton Way
Maidenhead
Berkshire
SL6 1AY

13th May, 1996

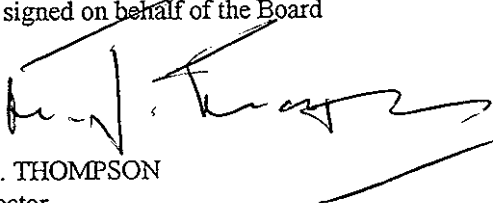
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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



M.J. THOMPSON
Director

13th May, 1996

AUDITORS' REPORT TO THE MEMBERS OF NORTEL PROPERTIES LIMITED

We have audited the financial statements on pages 4 to 12 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 1995 and of its loss 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

16 May 1996

PROFIT AND LOSS ACCOUNT

Year ended 31 December 1995

	Note	Discontinued Operations 1995 £'000	Discontinued Operations 1994 £'000
TURNOVER	1	10,210	11,551
Cost of sales		(12,112)	(9,059)
Gross (loss)/profit		(1,902)	2,492
Provision for write down of asset value	2	-	(5,918)
Other operating income	3	25	168
OPERATING LOSS		(1,877)	(3,258)
Profit on disposal of fixed assets		-	3,801
Interest income	4	-	2
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	(1,877)	545
Tax (charge)/credit on (loss)/profit on ordinary activities	7	(490)	1,667
(LOSS)/PROFIT TRANSFERRED (FROM)/TO RESERVES	13	(2,367)	2,212

A statement of movements on reserves for the current and preceding year is in note 13 to the accounts.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 31 December 1995

	1995 £'000	1994 £'000
(Loss)/profit for the financial year	(2,367)	2,212
Realisation of revaluation reserve	20,800	-
Total recognised gains relating to the year	<u>18,433</u>	<u>2,212</u>

BALANCE SHEET
31 December 1995

	Note	1995 £'000	1994 £'000
FIXED ASSETS			
Tangible assets	8	-	59,644
CURRENT ASSETS			
Debtors	9	30,898	17,871
CREDITORS: amounts falling due within one year	10	-	(41,640)
NET CURRENT ASSETS/(LIABILITIES)		30,898	(23,769)
TOTAL ASSETS LESS CURRENT LIABILITIES		30,898	35,875
CREDITORS: amounts falling due after more than one year	10	-	(1,640)
PROVISIONS FOR LIABILITIES AND CHARGES	11	-	(970)
NET ASSETS		30,898	33,265
CAPITAL AND RESERVES			
Called up share capital	12	-	-
Revaluation reserve	13	-	20,800
Profit and loss account	13	30,898	12,465
EQUITY SHAREHOLDERS' FUNDS		30,898	33,265

These financial statements were approved by the Board of Directors on 13th May, 1996

Signed on behalf of the Board of Directors


M.J. THOMPSON Director

NOTES TO THE ACCOUNTS
Year ended 31 December 1995

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.

Tangible fixed assets

Properties are stated at cost, net of accumulated depreciation.

Depreciation is provided primarily on the straight line basis over the following periods:

Freehold buildings	- 33 years
Leasehold buildings	- the shorter of 33 years and the life of the lease

Freehold land is stated at its open market value in current and permitted use, and is not depreciated.

Leasing

The Company enters into operating and finance leases as lessee and into operating leases as lessor.

Assets held as lessee under finance leases are included in fixed assets at cost less depreciation and the obligations relating to these leases are included in creditors. The interest content of the rental obligation is charged to profit and loss account. Rents due under operating leases are charged to profit and loss account over the lease term. Rentals receivable as lessor under operating leases are included in turnover for the year.

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. PROVISION FOR WRITE DOWN OF ASSET VALUE

In 1994 the Company wrote down the carrying value of a freehold property by £5,918,000 as a result of a permanent diminution in value.

NOTES TO THE ACCOUNTS
Year ended 31 December 1995

3. NET OPERATING INCOME

	1995 £'000	1994 £'000
Provisions for write downs no longer required	25	168
	<u>25</u>	<u>168</u>

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

4. INTEREST INCOME

	1995 £'000	1994 £'000
Other	-	2
	<u>-</u>	<u>2</u>

5. (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

(Loss)/profit on ordinary activities before taxation is stated after the following charges:

	1995 £'000	1994 £'000
Depreciation		
- owned tangible fixed assets	1,896	1,792
Rentals under operating leases		
- other assets	527	484
	<u>527</u>	<u>484</u>

6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Directors' emoluments for the period were nil (1994 - nil). The Company had no employees during the year.

7. TAX (CHARGE)/CREDIT ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	1995 £'000	1994 £'000
Deferred taxation	127	8
Adjustment in respect of prior years - deferred taxation	(617)	1,659
	<u>(490)</u>	<u>1,667</u>

No corporation tax has been provided on the result for the year as the current year's tax loss will be surrendered to another group company for which no payment will be received.

NOTES TO THE ACCOUNTS
Year ended 31 December 1995

8. TANGIBLE FIXED ASSETS

	Construction in progress £'000	Freehold £'000	Long leasehold £'000	Short leasehold £'000	Total £'000
COST/VALUATION					
At 1 January 1995	17	92,652	2,925	8,288	103,882
Reclassifications	-	-	(2,925)	2,925	-
Additions	-	127	-	166	293
Disposals	(9)	(1,440)	-	-	(1,449)
Transfer to parent company	(8)	(91,339)	-	(11,379)	(102,726)
At 31 December 1995	-	-	-	-	-
DEPRECIATION					
At 1 January 1995	-	42,463	155	1,620	44,238
Reclassifications	-	-	(155)	155	-
Charge for the year	-	746	-	1,150	1,896
Disposals	-	(1,352)	-	-	(1,352)
Transfers to parent company	-	(41,857)	-	(2,925)	(44,782)
At 31 December 1995	-	-	-	-	-
NET BOOK VALUE					
At 31 December 1995	-	-	-	-	-
At 31 December 1994	17	50,189	2,770	6,668	59,644

NOTES TO THE ACCOUNTS

Year ended 31 December 1995

8. TANGIBLE FIXED ASSETS (continued)

Long leaseholds held under finance leases are included in the above at nil value (1994 - £nil), having been fully depreciated.

Included in freehold is land valued during 1991 at open market value on the basis of existing and permitted use at £29,100,000 by L Lintott and Associates, Chartered Surveyors. The surplus over cost of £20,800,000 was transferred to the revaluation reserve, and in 1995, the surplus was transferred to the profit and loss reserve. There has been no depreciation recorded in the profit and loss account related to the revalued land in the year. (1994 - £nil).

9. DEBTORS

	1995 £'000	1994 £'000
Trade debtors	-	218
Amounts owed by parent company	30,898	17,511
Prepayments and deferred charges	-	142
	<u>30,898</u>	<u>17,871</u>

10. CREDITORS

	1995 £'000	1994 £'000
AMOUNTS FALLING DUE WITHIN ONE YEAR:		
Trade creditors	-	28
Amounts owed to parent and fellow subsidiaries	-	40,717
Accruals and deferred income	-	895
	<u>-</u>	<u>41,640</u>
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
Accruals and deferred income	-	1,640
	<u>-</u>	<u>1,640</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1995

11. PROVISIONS FOR LIABILITIES AND CHARGES

	1995 £'000	1994 £'000
Comprising:		
Deferred taxation	-	870
Other provisions	-	100
	<u>-</u>	<u>970</u>

The movement in provisions was as follows:

	Deferred tax £'000	Other provisions £'000	Total £'000
At 1 January 1995	870	100	970
Credited to profit and loss account	(127)	(100)	(227)
Adjustment in respect of prior period	617	-	617
Transferred to parent company	(1,360)	-	(1,360)
	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 1995	-	-	-

Deferred taxation has been provided as follows. There are no unprovided liabilities.

	Provided	
	1995 £'000	1994 £'000
Capital allowances in excess of depreciation	-	1,282
Other	-	(412)
	<u>-</u>	<u>870</u>

NOTES TO THE ACCOUNTS

Year ended 31 December 1995

12. CALLED UP SHARE CAPITAL

	1995 £	1994 £
Authorised, allotted and fully paid: 100 ordinary shares of £1 each	100	100

13. RESERVES

	Revaluation Reserve £'000	Profit and loss account £'000
At 1 January 1995	20,800	12,465
Retained loss for the year	-	(2,367)
Realisation of reserve on disposal	(20,800)	20,800
At 31 December 1995	-	30,898

14. CAPITAL COMMITMENTS

	1995 £	1994 £
Contracted but not provided for in the accounts	-	1,546

15. OPERATING LEASES

The company has no future commitments under operating leases.

16. 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.