

TO ALL KNOWN CREDITORS

9 February 2012

Ref: MLP/7E/CH/DM/HR/DW/LO3548

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Dear Sirs

Nortel Networks UK Limited (In Administration) (“the Company”)

**High Court of Justice of England and Wales, Chancery Division, Companies Court
Case number 536 of 2009**

We write, in accordance with Rule 2.47 of The Insolvency Rules 1986, to provide creditors with a sixth report on the progress of the Administration (the “**Report**”). This Report covers the period from 14 July 2011 to 13 January 2012 and should be read in conjunction with the Joint Administrators’ previous reports dated 13 August 2009, 13 February 2010, 12 August 2010, 11 February 2011 and 12 August 2011, as well as the Joint Administrators’ Statement of Proposals dated 23 February 2009. Additional copies of this Report, and the previous reports referred to, can be made available on request or can be obtained at the following address:

www.nortel.com/corporate/adminprogreports.html

The Company entered administration (the “**Administration**”) on 14 January 2009 when AR Bloom, AM Hudson, SJ Harris and CJW Hill of Ernst & Young LLP, 1 More London Place, London SE1 2AF, were appointed to act as joint administrators (the “**Joint Administrators**”) by an order (the “**Order**”) of the High Court of Justice of England and Wales (the “**Court**”), following an application made by the Company’s directors.

This was part of a wider restructuring of the Nortel group of companies. Nortel Networks Corporation (“**NNC**”), the ultimate parent company of the Nortel group, Nortel Networks Limited (“**NNL**”) and certain of its other Canadian subsidiaries filed an application for creditor protection under the Companies’ Creditors Arrangement Act (“**CCAA**”) in Canada to facilitate a comprehensive business and financial restructuring under the CCAA. Nortel Networks Inc (“**NNI**”), Nortel Networks Capital Corporation and a number of other US Nortel group companies filed petitions in the United States under Chapter 11 of the US Bankruptcy Code.

On the same day that the Company entered administration, the Court, following applications made by the directors of each company, made administration orders in respect of 18 other Nortel group companies based in the Europe, Middle East and Africa region ("**EMEA**"). Article 3 of the EC Regulation on Insolvency Proceedings 1346/2000 (the "**EC Regulation**"), states that the court of the EC member state in which the centre of main interests ("**COMI**") of a company is situated has jurisdiction to open main insolvency proceedings in respect of that company. In the case of the 19 EMEA group companies (the "**EMEA Companies**"), the Court was satisfied that their COMI was in England and as such it had jurisdiction to open main insolvency proceedings, namely administration, in respect of each company. Details of the 19 companies are provided at Appendix 1.

The Nortel group of companies (the "**Group**") reports in US dollars ("**US\$**"), and accordingly all amounts referred to in this report are in US\$ unless otherwise stated.

Please refer to the disclaimer at the end of the principal section of this report.

1. Executive Summary of Progress of the Administration

Purpose of the Administration

The Joint Administrators continued to trade the Company's businesses with a view to achieving either a rescue of the Company as a going concern or a better result for the Company's creditors as a whole than would be likely if the Company were wound up. In 2009, it became clear that, owing to the financial and market pressures facing the Nortel businesses, the sale of all businesses would be necessary and a rescue of the Company as a going concern would not be possible.

The Joint Administrators considered that the decision to continue to trade, even at a carefully monitored loss, in order to achieve going concern values for the businesses and business assets, and to avoid contingent claims, would be to the benefit of creditors as a whole. This decision is justified by the realisations achieved (subject to a final apportionment of those proceeds to the Company) and contingent claims avoided.

Sale of Businesses and Assets

The Group principally operated in four business segments: Enterprise Solutions ("**Enterprise**"); Metro Ethernet Networks ("**MEN**"); Carrier Networks, which comprises Global System for Mobile Communications ("**GSM**"), Carrier VoIP Application Solutions ("**CVAS**") and the Multi Service Switch business ("**MSS**"); and Code Division Multiple Access ("**CDMA**").

The disposal of all core global businesses and the principal assets of the Group was completed in 2011. Following these global sales, the Group has very few assets left to realise. The aggregate gross sale proceeds of the global disposals, including the gross sale proceeds from the sale of the residual Intellectual Property, totals approximately \$7.5 billion (before transaction costs, adjustments and escrow balances) and in accordance with the agreed basis for the global disposals, this amount remains in escrow pending allocation within the Group (as further explained below).

Since our last report, the EMEA transitional services agreements ("**TSA**"), which were set up to provide ongoing support to the purchasers of the businesses to enable them to integrate each business with their own, have now completed and all support functions have been fully transferred. The EMEA Companies will fully recover their respective direct costs in providing these services.

Next Steps

The Joint Administrators, having completed the principal trading phase of the Administration, remain focused on winding down the Company's affairs and resolving outstanding issues with the other Group companies.

The key remaining issues for the Company are to deal with the resolution of intra-Group issues, such as purchase price allocation of the sale proceeds amongst the Group ("**PPA**"), intercompany claims, including claims brought by the Company and other EMEA companies against the Canadian and US estates, the winding-up of the affairs of the Company's subsidiary companies in EMEA, including the return of surplus assets to the Company and the

development of an appropriate process to agree creditors' claims and distribute available funds to them.

In addition to the above, the key remaining issue for certain of the Company's subsidiary companies in EMEA is the Financial Support Direction ("**FSD**") claims asserted by the UK Pensions Regulator ("**TPR**").

Further information is contained in the sections that follow.

2. Business Disposal Strategy

The Joint Administrators have completed the disposal of the businesses. The Joint Administrators consider that this will achieve a better return for creditors of the Company than would otherwise have been possible, owing to likely higher levels of realisations, the preservation of jobs through the transfer of employees to new entities and the orderly transfer of contracts to purchasers.

All sales of the major businesses were dealt with on a global basis in conjunction with the rest of the Group. The disposals, excluding the GSM transaction, followed a stalking horse auction process under Section 363 of the US Bankruptcy Code. The Joint Administrators were actively involved in these auction processes and in setting the auction parameters subsequently approved by the US and Canadian Courts.

Please see the Joint Administrators' previous reports for further details. The proceeds of sale, which now stand at almost US\$7.5 billion (before transaction costs, adjustments and escrow balances) remain in escrow for distribution once the PPA has been agreed between the Group.

Post Completion Transitional Services

Since our last report, the TSAs which were required to provide ongoing support to the purchasers of the businesses to enable them to integrate each business with their own, have completed and all support functions have been fully transferred. The EMEA Companies will fully recover their respective direct costs in providing these services.

Transactions and Disposals - Main Developments

CVAS

The sale of the CVAS business was completed to Genband for a headline consideration of US\$282 million, less balance sheet and other adjustments then estimated to be approximately US\$100 million.

After completion, a dispute arose around working capital adjustments. A US\$34 million escrow account was established pending resolution of this dispute. The dispute was argued in the US and Canadian Courts and was settled following a mediation, whereby it was agreed that Genband should be paid US\$24.9 million.

3. Trading and Operational Overview

The Joint Administrators concluded that continued trading of the businesses, pending sales as going concerns, was in the best interests of the Company's creditors.

The Joint Administrators continued to trade at a closely monitored loss in the short term in order to maximise the value of potential business and asset sales and to reduce the value of termination claims and other contingent liabilities which may be brought against the Company in the future. The Joint Administrators consider that the potential realisation values from selling the Company's various businesses as going concerns will result in a better return to creditors than if the businesses ceased to trade and the assets of the Company were sold on a break-up basis.

The Joint Administrators are confident that the successful completion of the sales of the Group's major global businesses will, once the PPA has been completed, result in the receipt of sales proceeds and other benefits which will be in significant excess of realisations made if the Company had ceased trading. In addition, the completion of these sales has resulted in the transition of employment contracts, certain supply/ purchase arrangements and most customer contracts to the respective purchasers. This has facilitated the orderly winding down of the Company's operations.

The headline trading results of the Company for the period from 1 January 2009 to 30 June 2011, when the Group ceased trading, are set out in the following table.

Headline Financial Information (US GAAP)	US\$ (m)			
	2009	2010	Q1 2011	Q2 2011
Turnover	694.87	140.12	9.63	0.08
Trading Profit/ (Loss)	(46.54)	(9.71)	(2.49)	0.25
Net Profit/ (Loss)	(71.65)	(29.83)	(16.41)	13.93

Real Estate

The Company continues to occupy the office at Maidenhead on a short term lease entered into in 2010 and extended at the end of December 2011. This property is held for the Company's continuing employees and is now due to terminate at the end of 2012.

The Company vacated the Harlow premises which the Company also occupied on a short term lease on 16 January 2012. Continuing employees relocated to home working.

Employees

Through the various business sales, the Joint Administrators have succeeded in transferring 1,180 employment contracts to the purchasers of the businesses.

Employee numbers as at 13 January 2012	
Employees at appointment	1,915
Transferred with business sales	(1,180)
Resignations and other leavers	(236)
Redundancies	(442)
Employees continuing as at 13 January 2012	57

The remaining employees are retained by the Joint Administrators to assist with the winding up of the Company and the other EMEA Companies.

4. Receipts and Payments Account

Attached at Appendix 2 is the Joint Administrators' receipts and payments ("R & P") account for the Administration to date and for the period from 14 July 2011 to 13 January 2012 in respect of the Company in the UK and the Saudi Arabia branch. The R&P for the six month period shows total receipts of US\$20,770,172, and payments of US\$39,468,836. A trading overview is included in Section 3.

The Company in the UK and the Saudi Arabia branch together held cash in various currencies equivalent to US\$346 million at 13 January 2012.

The R & P account is a statement of cash received and cash paid out, and does not reflect estimated future receipts or payments, including proceeds from the sales of businesses held in escrow pending allocation amongst the Group.

There has been a significant reduction in the receipts and payments activity during the reporting period. This reflects the cessation of trading and the winding-down position of the Company.

Further detailed notes are provided at Appendix 2.

5. Joint Administrators' Remuneration and Disbursements

It is the responsibility of the Committee to approve the Joint Administrators' fees.

During the period from 4 June 2011 to 9 December 2011 the Joint Administrators incurred time costs of GB£5,987,402 and transaction time costs totalling GB£788,976 in respect of the same period.

An analysis of the time spent is at Appendix 3, which includes a statement of the Joint Administrators' policy in relation to charging time and disbursements.

The Joint Administrators are continuing to ensure that only costs relating directly to the Company are billed to the Company. In respect of workstreams that are undertaken for the benefit of all the EMEA Companies, we continue to ensure that a proportionate and reasonable allocation of time billed for this type of work is apportioned and absorbed by the other EMEA Companies.

As a result, the Company will receive recharges from the EMEA Companies amounting to GB£2,289,353 for work carried out in the period from 4 June 2011 to 9 December 2011. Please see Appendix 4 for further details.

Payments to Other Professionals

The Joint Administrators continue to engage the following professional advisors to assist them in the Administration. These professionals work on a time cost basis and internal review processes are undertaken to assess their invoices. During the period from 14 July 2011 to 13 January 2012 the following has been paid:

Herbert Smith LLP – GB£7,944,478 (Legal Advisors)

Local Counsel – US\$3,732,656 (Legal Advisors)

6. Future Conduct of the Administration

Purchase Price Allocation – The Business Disposals

The task of apportioning the \$7.5 billion sale proceeds (before transaction costs, adjustments and escrow balances) from the co-ordinated business sales amongst the selling companies in the various jurisdictions is complex. The parties initially attempted to agree a global protocol but as a result of the parties being unable to finalise the outstanding issues, the protocol negotiations were suspended and the parties attempted to resolve PPA consensually, first through multi-party discussions and then through mediation.

To date the parties have undertaken two consensual mediations to attempt to reach a resolution to the PPA and claims issues.

Following an unsuccessful resolution to the second mediation, on 25 April 2011, the US Debtors and the Canadian Debtors filed joint motions in the US Court in Delaware and Canadian Court in Ontario respectively requesting a joint order of the two Courts to impose a form of the protocol on the parties for resolving any disputes concerning the PPA (the "**Joint Motions**"). The Joint Administrators opposed the Joint Motions.

The US and Canadian Courts have reserved their judgments in respect of the Joint Motions and have in the meantime ordered the parties to participate in a third mediation before Ontario Chief Justice Warren Winkler. This mediation was originally due to commence in September 2011, but as a consequence of further motions filed by the US Debtor in Delaware (the "**Dispositive Motions**"), the US Court ordered that the mediation before Chief Justice Winkler be delayed until the Delaware Court has issued its decision on the Dispositive Motions. The Dispositive Motions, which the Joint Administrators opposed, sought an order that certain claims filed against the US Debtor be dismissed on legal grounds alone. The hearing of the Dispositive Motions occurred on 14 October 2011 and Judge Gross reserved his decision.

It is not yet clear when the third mediation will take place, but it is not expected to commence before March 2012.

North American Claims Processes

The Joint Administrators have filed certain claims on behalf of the Company and other EMEA companies in jurisdictions where a bar date has been imposed, including claims against both the Canadian and US entities.

At present, it is unclear what value will ultimately be received in respect of these claims through any consensual, arbitration or litigation process.

Distributions to Creditors

The Joint Administrators continue to invite submissions of claim forms as part of the informal claims process, which commenced in July 2010.

Pending resolution of the PPA discussions and proceedings referred to above, it will not be possible to make a distribution to the creditors of the Company or to say when a formal creditor

claims process can be commenced. However, the Joint Administrators continue to explore all possible avenues to resolve the issues, accelerate a distribution to creditors and minimise the expenses of the Administration.

Before PPA receipts from the business disposal escrow accounts (which the Joint Administrators are confident will reflect the value of the businesses sold) and the receipt of intra-Group dividends, the Joint Administrators anticipate that there will be, absent any unforeseen liabilities arising, in the region of US\$339 million available to distribute to the creditors of the Company.

The Joint Administrators are, however, still neither able to confirm the quantum of the pre-appointment creditor claims nor the likely return for individual creditors or classes of creditor. These will be determined for the most part by the following key factors:

- a. Continued analysis of the claims notified to the Joint Administrators in the informal claims process and the outcome of a subsequent formal proof of debt procedure.
- b. The impact of any FSD on any subsidiary company of the Company.
- c. Finalisation of quantum of certain complex liabilities and claims.
- d. Finalisation of ranking of creditor claims which will be determined as part of the distribution process.
- e. The outcome of the PPA process.

The Company also has a branch in Saudi Arabia which has now ceased trading and has entered a local liquidation process. For further information, please refer to the Joint Administrators' previous six month progress reports.

The Joint Administrators will continue to update the Committee as appropriate of any key issues and their resolution.

Exit Strategy

The Joint Administrators applied to Court in December 2011 and obtained a further extension of the Administration of each of the EMEA Companies to allow for the completion of an orderly wind down process and the resolution of issues with other group companies, such as those detailed above. The Administration is now extended to 13 January 2014.

The Joint Administrators continue to explore the most appropriate exit route from the Administration for the Company and the other EMEA companies in Administration; that is to say the method by which creditors' claims are agreed, funds are distributed to creditors and the Company's affairs generally brought to a conclusion.

The Joint Administrators will be required to carry out statutory obligations such as formalising the calling of proofs of debt, obtaining creditor agreements, finalising all asset disposals, dealing with all sale proceeds and inter-company claims, agreeing all other creditor claims and establishing the mechanics of distributing funds.

In all of the above scenarios, the distribution process used will be subject to timing implications, cost, the size of entity under review, relevant currencies, local law provisions on claims and local processes of other Group entities in relation to intra group dividends, in addition to UK legislation.

The appropriate process of agreeing claims and distributing surplus funds to creditors has not yet been determined. However, the process could be done within the Administration (with the Court's approval), or within a follow-on company voluntary arrangement or liquidation process. The appropriate process will be determined based on what is most beneficial for the Company and its creditors.

7. Other Matters

The Committee

The committee of creditors was formed at the creditors' meeting held on 11 March 2009. The Joint Administrators continue to provide detailed information to the members of the Committee as the Administration progresses and matters evolve (including an analysis of their time costs for approval). The Joint Administrators will continue to keep the Committee apprised of developments.

The Prescribed Part

Section 176A of the Insolvency Act 1986 does not apply to this Administration as there is no qualifying floating charge security, and as such there is no Prescribed Part to be set aside for non-preferential creditors.

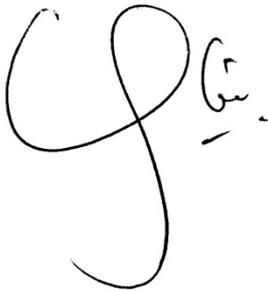
French Employee Claims

A number of former employees of Nortel Networks SA have filed claims in the French Tribunal. The claims have been raised against a number of Nortel entities as the employees have claimed co-employment rights for damages for unfair dismissal and an alleged breach of the obligation of priority hiring against the buyers of the various businesses.

These claims are being defended. A subsequent hearing has been scheduled for June 2012, deferred from October 2011.

The Joint Administrators will report to creditors again in six months' time.

Yours faithfully
for Nortel Networks UK Limited (In Administration)



C Hill
Joint Administrator

Enc: Company information
Joint Administrators' Receipts and Payments Account
Summary of Joint Administrators' Time Costs
Joint Administrators' Policy on Fees and Disbursements
Form 2.24B Administrators' Progress Report

For the Companies listed below, The Institute of Chartered Accountants in England and Wales in the UK authorises A R Bloom, S J Harris and C J W Hill to act as Insolvency Practitioners under section 390(2)(a) of the Insolvency Act 1986 and the Association of Chartered Certified Accountants in the UK authorises A M Hudson to act as an Insolvency Practitioner under section 390(2)(a) of the Insolvency Act 1986.

The affairs, business and property of the Companies are being managed by the Joint Administrators, A R Bloom, S J Harris, A M Hudson and C J W Hill who act as agents of the Companies only and without personal liability.

The Companies are Nortel Networks UK Limited; Nortel Networks S.A.; Nortel GmbH; Nortel Networks France S.A.S.; Nortel Networks N.V.; Nortel Networks S.p.A.; Nortel Networks B.V.; Nortel Networks Polska Sp z.o.o.; Nortel Networks Hispania, S.A.; Nortel Networks (Austria) GmbH; Nortel Networks s.r.o.; Nortel Networks Engineering Service Kft; Nortel Networks Portugal S.A.; Nortel Networks Slovensko s.r.o.; Nortel Networks Oy; Nortel Networks Romania SRL; Nortel Networks AB; Nortel Networks International Finance & Holding B.V.

The affairs, business and property of Nortel Networks (Ireland) Limited are being managed by the Joint Administrators, A R Bloom and D M Hughes, who act as agents of Nortel Networks (Ireland) Limited only and without personal liability.

Nortel Networks S.A. was placed into French liquidation judiciaire on 28 May 2009. The business and assets of the company that are situated in France are now under the control of la liquidateur judiciaire.

We advise that this report is provided pursuant to our appointments as Joint Administrators of the Company. It is provided solely for the purpose of informing creditors of certain aspects of the current status of the Administration. As this report is only an interim indication of the overall position of the Company, and not a valuation of the current or future value of any particular item of debt, and is liable to change, it should not be relied upon as an indication of the final return to creditors and, in particular, neither we nor the Company shall have any responsibility to any person who relies on our report for the purpose of trading in debt of the Company.

Appendix 1

Nortel Networks UK Limited (In Administration)

Company Information

Registered number:	3937799
Company name:	Nortel Networks UK Limited
Registered office address	Fleming House, 71 King Street, Maidenhead, SL6 1DU
Previous names:	Nortel Networks Holdings Limited Nortel Networks Holdings plc

Details of the Administrators and of their appointment

Administrators:	AR Bloom, AM Hudson, SJ Harris and CJW Hill of Ernst & Young LLP, 1 More London Place, London, SE1 2AF
Date of appointment:	14 January 2009
By whom appointed:	The appointment was made by the High Court of Justice, Chancery Division, Companies Court on the application of the Company's directors.
Court reference:	High Court of Justice, Chancery Division, Companies Court - case 536 of 2009
Division of the Administrators' responsibility:	Any of the functions to be performed or powers exercisable by the administrators may be carried out/exercised by any one of them acting alone or by any or all of them acting jointly.

Statement Concerning the EC Regulation on Insolvency Proceedings 2000

The EC Council Regulation on Insolvency Proceedings 2000 applies to this administration and the proceedings are main proceedings. This means that this administration is conducted according to English insolvency legislation and is not governed by the insolvency law of any other European Union Member State.

Share Capital

Class	Authorised		Issued & Fully paid	
	Number	£	Number	£
Ordinary	1,468,100,001	1,468,100,001	1,468,100,001	1,468,100,001

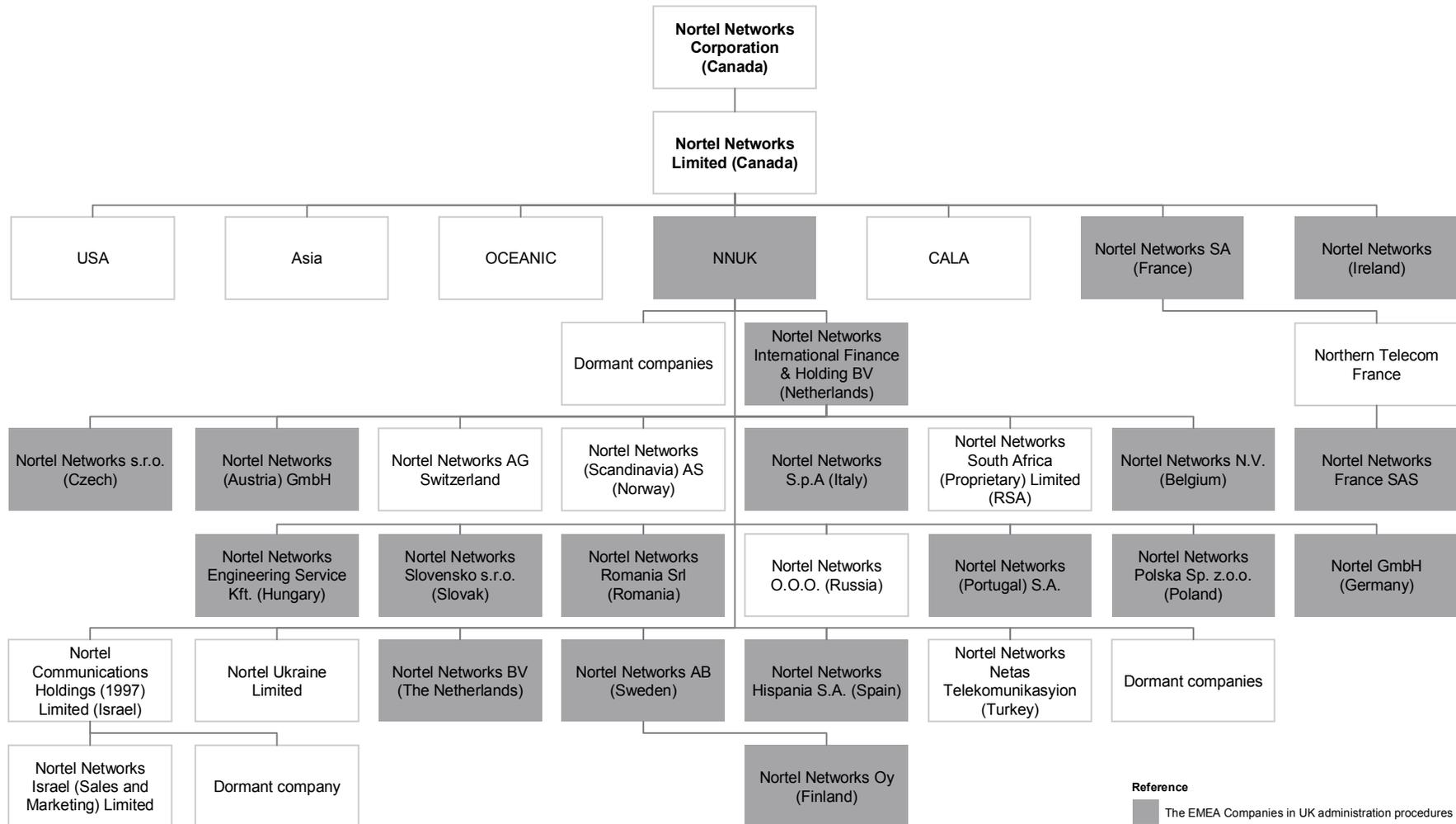
Shareholder

Nortel Networks Limited - 100%

Directors (current and for the last three years) and company secretary (current)

Name	Director or secretary	Date appointed	Date resigned	Current shareholding
Christian Waida	Director	17/12/2004	08/12/2008	-
Sharon Rolston	Director	01/04/2006	30/09/2010	-
Simon Freemantle	Director	31/03/2007	-	-
David Quane	Director	30/09/2010	-	-
Brenda Dandridge	Secretary	01/12/2010	-	-

Summary of Nortel Group Structure



The EMEA Companies in English administration proceedings:

<i>Legal Entity</i>	<i>Country of Incorporation</i>
Nortel Networks UK Limited	England
Nortel Networks S.A.	France
Nortel Networks France S.A.S.	France
Nortel Networks (Ireland) Limited	Ireland
Nortel GmbH	Germany
Nortel Networks Oy	Finland
Nortel Networks Romania SRL	Romania
Nortel Networks AB	Sweden
Nortel Networks N.V.	Belgium
Nortel Networks S.p.A.	Italy
Nortel Networks B.V.	Netherlands
Nortel Networks International Finance & Holding B.V.	Netherlands
Nortel Networks Polska Sp. z.o.o.	Poland
Nortel Networks (Austria) GmbH	Austria
Nortel Networks s.r.o.	Czech Republic
Nortel Networks Engineering Service Kft	Hungary
Nortel Networks Portugal, S.A.	Portugal
Nortel Networks Hispania S.A.	Spain
Nortel Networks Slovensko s.r.o.	Slovakia

Appendix 2

Nortel Networks UK Limited (In Administration)

Joint Administrators' Abstract of Receipts and Payments from 14 January 2009 to 13 January 2012

Currency: USD	Period 14 January 2009 to 13 July 2011	Period 14 July 2011 to 13 January 2012	Total to 13 January 2012
Opening balance	338,622,958		338,622,958
Receipts			
Trading:			
- Post-appointment sales	393,212,998	142,790	393,355,788
- Post-appointment Intercompany	380,556,535	26,026,672	406,583,208
- Pre-liquidation distribution from NN Saudi	2,900,000	-	2,900,000
- TSA Receipts	64,307,896	2,141,438	66,449,334
- Asset sales	5,468,814	-	5,468,814
- Property Income	3,639,222	124,583	3,763,805
- Other receipts	1,913,289	2,151,409	4,064,698
- Overpayment refunds	987,910	49,828	1,037,738
Other:			
- Pre-appointment sales	101,313,854	215,092	101,528,946
- Pre-appointment intercompany - Asia Pacific entities	14,307,188	-	14,307,188
- FX Translation movement	32,125,706	(11,359,173)	20,766,533
- Bank interest	4,434,325	1,277,514	5,711,839
- Pre-appointment intercompany - Nortel Networks Israel	308,492	-	308,492
	<u>1,005,476,229</u>	<u>20,770,154</u>	<u>1,026,246,382</u>
Payments			
Trading:			
- Accounts payable - Inventory related	(451,230,275)	(205,895)	(451,436,170)
- Payroll, employee benefits, and payroll taxes	(213,052,920)	(7,099,582)	(220,152,502)
- Property costs	(50,603,754)	(1,763,996)	(52,367,751)
- Other taxes	(23,196,703)	3,273,621	(19,923,082)
- Other payments	(23,525,791)	(1,469,675)	(24,995,466)
- Pension contributions	(11,432,000)	(324,262)	(11,756,262)
- Utilities	(12,766,185)	(437,564)	(13,203,749)
- Trade payables	(10,532,622)	-	(10,532,622)
- Contractors	(4,468,528)	(37,582)	(4,506,110)
Other:			
- Legal fees	(90,883,270)	(16,285,111)	(107,168,380)
- Joint Administrators' fees and disbursements	(68,133,278)	(13,982,942)	(82,116,220)
- Other professional services costs	(13,951,556)	(1,088,732)	(15,040,288)
- Restructuring costs	(3,441,542)	-	(3,441,542)
- FX Translation movement on FX transactions within the entity	(1,857,784)	14,469	(1,843,315)
- Bank charges and interest	(1,120,342)	(61,586)	(1,181,928)
- Capital Expenditure	(180,407)	-	(180,407)
	<u>(980,376,957)</u>	<u>(39,468,836)</u>	<u>(1,019,845,793)</u>
Closing balance	<u>363,722,230</u>		<u>345,023,547</u>
Account reconciliations:			
Current accounts	51,124,693		3,699,640
Local deposit accounts	957,206		-
Administration deposit accounts	311,640,330		341,323,908
	<u>363,722,230</u>		<u>345,023,547</u>

Nortel Networks UK Limited (In Administration)

Joint Administrators' Abstract of Receipts and Payments from 14 January 2009 to 13 January 2012

Currency: GBP	Period 14 January 2009 to 13 July 2011	Period 14 July 2011 to 13 January 2012	Total to 13 January 2012
Opening balance	236,900,621		236,900,621
<u>Receipts</u>			
<i>Trading:</i>			
- Post-appointment sales	251,393,050	90,972	251,484,022
- Post-appointment intercompany	247,072,824	16,567,716	263,640,540
- Pre-liquidation distribution from NN Saudi	1,908,194	-	1,908,194
- TSA Receipts	41,959,647	1,363,092	43,322,739
- Asset sales	3,598,898	-	3,598,898
- Property Income	2,340,892	79,302	2,420,194
- Other receipts	1,241,339	1,369,452	2,610,791
- Overpayment refunds	628,733	31,698	660,431
<i>Other:</i>			
- Pre-appointment sales	64,799,359	136,639	64,935,998
- Pre-appointment intercompany - Asia Pacific entities	9,217,676	-	9,217,676
- Bank interest	2,862,880	813,142	3,676,022
- Pre-appointment intercompany - Nortel Networks Israel	203,011	-	203,011
	627,226,502	20,452,013	647,678,516
<u>Payments</u>			
<i>Trading:</i>			
- Accounts payable - Inventory related	(290,513,341)	(131,046)	(290,644,387)
- Payroll, employee benefits, and payroll taxes	(137,007,574)	(4,519,149)	(141,526,723)
- Property costs	(32,658,978)	(1,122,836)	(33,781,815)
- Other Taxes	(14,857,116)	2,083,777	(12,773,339)
- Other payments	(15,082,655)	(935,503)	(16,018,157)
- Pension contributions	(7,346,144)	(206,405)	(7,552,549)
- Utilities	(8,251,430)	(278,528)	(8,529,957)
- Trade payables	(6,726,163)	-	(6,726,163)
- Contractors	(2,869,036)	(23,871)	(2,892,906)
<i>Other:</i>			
- Legal fees	(58,766,180)	(10,366,034)	(69,132,213)
- Joint Administrators' fees and disbursements	(44,034,464)	(8,900,664)	(52,935,128)
- Other professional services costs	(9,021,102)	(692,995)	(9,714,096)
- Restructuring costs	(2,236,018)	-	(2,236,018)
- FX Translation movement	(5,184,035)	549,932	(4,634,103)
- FX Translation movement on FX transactions within the entity	(1,136,427)	9,161	(1,127,265)
- Bank charges and interest	(724,515)	(39,201)	(763,716)
- Capital expenditure	(115,282)	-	(115,282)
	(636,530,458)	(24,573,360)	(661,103,818)
Closing balance	227,596,665		223,475,319
Account reconciliations:			
Current accounts	31,990,923		2,396,295
Local deposit accounts	598,965		-
Administration deposit accounts	195,006,778		221,079,024
	227,596,665		223,475,319

Receipts and payments comments

There has been a significant reduction in the receipts and payments activity during the interim period against prior periods. This is representative of the wind down position of the business.

Notes to R & P

Note 1

Account balances have all been reported in a local currency, GBP, in addition to a common currency across all entities, USD.

Opening balances have been converted using January 2009 month end spot rates and closing balances converted using December 2011 month end spot rates which have been provided by the Company. This approach is in line with the Company's internal reporting procedures.

Transactions that have taken place through the accounts over the course of the reporting period (14 July 2011 to 13 January 2012) have been converted at average spot rates over this period, which have been sourced from the foreign exchange website Oanda.

Consequently, foreign exchange movements have occurred in the period as a result of fluctuations in currency conversion rates. These are translation movements only and do not reflect an actual receipt or payment.

Note 2

The numbers used to prepare the receipts and payments summary have been provided by the Company and are unaudited. Material items have been reviewed for accuracy and reasonableness.

Note 3

The amounts reported are inclusive of sales tax where applicable.

Note 4

All amounts referred to below are in USD unless stated otherwise.

RECEIPTS

There was cash on appointment held in GBP, Euro, USD and CAD accounts which totalled \$338.6 million.

Receipts since 13 July 2011 total US\$35.4 million (net of FX translation). This primarily relates to intercompany receipts, Transitional Service Agreement receipts, other receipts and other taxes.

Post appointment intercompany receipts

Intercompany receipts received since 13 July 2011 total US\$26.0 million.

The Company was a net receiver during the reporting period through the Nortel group's monthly netting process. Intercompany receipts were primarily collected other non-EMEA entities (net US\$17.6 million), Nortel Networks B.V. (net US\$3.5 million) and Nortel Networks Hispania, S.A. (net US\$2.3 million).

Transitional Service Agreement ("TSA") receipts

The TSA receipts since 13 July 2011 total US\$2.1 million. This represents the reimbursement of costs incurred on behalf of the purchasers under the terms of the respective TSAs.

Other receipts

Other receipts collected since 13 July 2011 total US\$2.2 million. This relates primarily to funds paid from the CVAS escrow account in lieu of retention invoices issued by Nortel Networks UK to Genband Inc. (US\$1.2 million) and the reimbursement of EMEA's share of historical fees paid to "Global IP" associated with recent IP auction (US\$0.9 million).

Other taxes

Other taxes since 13 July 2011 total US\$3.3 million and relate to the return of excess funds paid out as sales tax.

Foreign exchange translation movement

The total FX translation movement to 13 January 2012 is a result of the depreciation of the GBP against the USD. The interim FX translation movement does not represent a true monetary loss.

PAYMENTS

Total payments made since 13 July 2011 total US\$42.8 million. This primarily relates to payroll related costs, legal fees and Joint Administrators' fees.

Payroll

Payroll costs since 13 July 2011 total \$7.1 million and include net pay in addition to employee expenses, employee benefits and payroll taxes.

Legal fees

Legal fees since 13 July 2011 total \$16.3 million (including VAT). This relates predominantly to fees paid to Herbert Smith LLP.

Joint Administrators' fees

Joint Administrators' fees paid since 13 July 2011 are \$14.0 million (including VAT). These costs relate to fees and disbursement incurred in the course of the administration.

Nortel Networks UK Limited (In Administration) – Saudi Arabia Branch

Joint Administrators' Abstract of Receipts and Payments from 14 January 2009 to 13 January 2012

Currency: USD	Period 14 January 2009 to 13 July 2011	Period 14 July 2011 to 13 January 2012	Total to 13 January 2012
Opening balance	2,554,345		2,554,345
<u>Receipts</u>			
<i>Trading:</i>			
- Other receipts	1,068	-	1,068
<i>Other:</i>			
- Pre-appointment sales	1,884,240	-	1,884,240
- FX Translation movement	1,939	18	1,957
- Intercompany	393,119	-	393,119
- Bank interest	34,176	-	34,176
	<u>2,314,541</u>	<u>18</u>	<u>2,314,559</u>
<u>Payments</u>			
<i>Trading:</i>			
- Trade payables	(402,325)	-	(402,325)
- Payroll, employee benefits, and payroll taxes	(199,476)	-	(199,476)
- Other taxes	(244,054)	-	(244,054)
- Other professional services costs	(140,873)	-	(140,873)
- Other payments	(118,007)	-	(118,007)
- Property costs	(92,478)	-	(92,478)
- Utilities	(71,790)	-	(71,790)
- Contractors	(29,343)	-	(29,343)
<i>Other:</i>			
- Bank charges and interest	(950)	-	(950)
- Pre-liquidation distribution - NN UK	(2,900,000)	-	(2,900,000)
- FX Translation movement on FX transactions within the entity	(507)	-	(507)
	<u>(4,199,803)</u>	<u>-</u>	<u>(4,199,803)</u>
Closing balance	<u><u>669,083</u></u>		<u><u>669,101</u></u>
Account reconciliations:			
Current accounts	668,906		668,924
Administration deposit accounts	177		177
	<u><u>669,083</u></u>		<u><u>669,101</u></u>

Nortel Networks UK Limited (In Administration) – Saudi Arabia Branch

Joint Administrators' Abstract of Receipts and Payments from 14 January 2009 to 13 January 2012

Currency: SAR	Period 14 January 2009 to 13 July 2011	Period 14 July 2011 to 13 January 2012	Total to 13 January 2012
Opening balance	9,585,178		9,585,178
Receipts			
<i>Trading:</i>			
- Other receipts	4,000	-	4,000
<i>Other:</i>			
- Pre-appointments sales	7,065,584	-	7,065,584
- FX Translation movement	275	(0)	275
- Intercompany	1,484,482	-	1,484,482
- Bank interest	128,127	-	128,127
	<u>8,682,468</u>	<u>(0)</u>	<u>8,682,468</u>
Payments			
<i>Trading:</i>			
- Trade payables	(1,507,187)	-	(1,507,187)
- Payroll, employee benefits, and payroll taxes	(747,342)	-	(747,342)
- Other taxes	(914,855)	-	(914,855)
- Other professional services costs	(527,590)	-	(527,590)
- Other payments	(441,952)	-	(441,952)
- Property costs	(346,380)	-	(346,380)
- Utilities	(268,911)	-	(268,911)
- Contractors	(109,931)	-	(109,931)
<i>Other:</i>			
- Pre-liquidation distribution - NN UK	(10,857,763)	-	(10,857,763)
- FX Translation movement on FX transactions within the entity	(32,978)	-	(32,978)
- Bank charges and interest	(3,563)	-	(3,563)
	<u>(15,758,452)</u>	<u>-</u>	<u>(15,758,452)</u>
Closing balance	<u><u>2,509,194</u></u>		<u><u>2,509,194</u></u>
Account reconciliations:			
Current accounts	2,508,531		2,508,531
Administration deposit accounts	663		663
	<u><u>2,509,194</u></u>		<u><u>2,509,194</u></u>

Receipts and payments comments

There has been a significant reduction in the receipts and payments activity during the interim period against prior periods, this is representative of the wind down position of the business.

Notes to R & P

Note 1

Account balances have all been reported in a local currency, SAR, in addition to a common currency across all entities, USD.

Opening balances have been converted using January 2009 month end spot rates and closing balances converted using December 2011 month end spot rates which have been provided by the Company. This approach is in line with the Company's internal reporting procedures.

Transactions that have taken place through the accounts over the course of the reporting period (14 July 2011 to 13 January 2012) have been converted at average spot rates over this period, which have been sourced from the foreign exchange website Oanda.

Consequently, foreign exchange movements have occurred in the period as a result of fluctuations in currency conversion rates. These are translation movements only and do not reflect an actual receipt or payment.

Note 2

The numbers used to prepare the receipts and payments summary have been provided by the Company and are unaudited. Material items have been reviewed for accuracy and reasonableness.

Note 3

The amounts reported are inclusive of sales tax where applicable.

Note 4

All amounts referred to below are in USD unless stated otherwise.

RECEIPTS

On appointment \$2.6 million in cash was held in local SAR and USD accounts.

There have been no receipts since 13 July 2011. The minor change in the balance is due to FX.

Foreign exchange translation movement

The total FX translation movement to 13 January 2012 is a result of the depreciation of the USD against the SAR. As such the interim FX translation movement does not represent a true monetary gain.

PAYMENTS

There were no payments made within the period from 14 July 2011 to 13 January 2012.

Appendix 3

Nortel Networks UK Limited (In Administration)

Summary of Joint Administrators' time costs in respect of the period from 4 June 2011 to 9 December 2011 (GBP)
Excluding core M&A transaction time

Activity	Rank							Total sum of hours	Average hourly rate	Time costs for period	Time costs for the Administration to date
	Partner / Executive Director	Director	Assistant Director	Manager	Executive	Analyst					
Branches & equity interests	6.00	2.00	14.20	2.00	-	16.40	40.60	407.99	16,564.50	558,445.42	
Administration application and planning	-	-	-	-	-	-	-	-	-	172,741.40	
Briefing EMEA	-	-	18.30	-	-	-	18.30	490.00	8,967.00	211,988.37	
Canada / USA	25.70	-	1.00	-	-	-	26.70	673.03	17,970.00	993,955.00	
Case management	8.70	2.00	51.00	14.60	496.40	479.70	1,052.40	73.78	77,646.50	1,187,290.70	
Creditors	42.80	18.60	54.80	173.80	158.30	432.30	880.60	267.25	235,336.00	2,043,756.00	
Creditors' Committee	18.70	-	16.00	-	45.80	5.20	85.70	388.94	33,332.50	493,593.00	
Customers	-	-	-	-	0.50	-	0.50	265.00	132.50	1,446,515.50	
Debtors	3.50	-	-	-	-	-	3.50	670.00	2,345.00	1,053,096.00	
Employees	46.20	-	193.50	-	19.00	0.80	259.50	395.43	102,615.00	2,209,687.50	
Exit Strategy	215.00	40.20	404.40	4.70	407.10	20.70	1,092.10	441.86	482,558.50	1,869,972.00	
Finance, Accounting & Administration	33.50	1.30	184.10	634.40	644.10	970.70	2,468.10	269.55	665,272.50	6,948,609.00	
Finance: Trad&Account&Admin	71.00	13.00	21.50	167.00	306.40	632.70	1,211.60	248.86	301,517.50	301,517.50	
Intellectual Property Portfolio	137.20	-	36.00	-	-	-	173.20	651.29	112,804.00	691,826.00	
Intra Group & Netting	-	-	0.70	-	29.00	3.30	33.00	260.27	8,589.00	125,870.00	
Investigations	-	-	-	-	-	-	-	-	-	425,104.00	
IT	64.10	0.80	920.50	1,930.00	2,320.00	-	5,235.40	344.84	1,805,358.00	4,339,395.00	
Legal	16.20	-	1.00	-	138.10	11.90	167.20	296.86	49,634.50	436,557.47	
Liaising Directors	45.10	8.50	19.70	-	-	-	73.30	627.15	45,970.00	379,500.00	
Non COMI Countries	-	-	-	-	-	-	-	-	-	1,124.55	
Outcome for Creditors	-	-	4.00	-	16.20	-	20.20	309.55	6,253.00	47,218.50	
Pension Defence	2.00	1.50	28.90	91.60	72.00	2.00	198.00	347.54	68,812.00	68,812.00	
Pensions	24.30	-	0.50	-	14.40	-	39.20	517.91	20,302.00	206,382.50	
PPA, Claims & Strategy	258.70	75.10	317.00	420.70	317.20	317.50	1,706.20	399.58	681,755.00	681,755.00	
PPF EY fees reporting	-	11.00	-	-	-	-	11.00	570.00	6,270.00	6,270.00	
PPF HS fees reporting	-	7.00	-	-	-	10.00	17.00	334.71	5,690.00	5,690.00	
PPF reporting	70.30	111.10	172.30	198.00	671.70	498.80	1,722.20	291.63	502,244.50	1,470,881.00	
PR / Media	-	-	-	-	-	-	-	-	-	57,645.50	
Property	58.80	30.50	20.40	-	326.90	31.40	468.00	339.20	158,743.50	1,242,347.00	
Report to Creditors	-	-	-	-	-	-	-	-	-	1,744.33	
Retention of title	-	-	-	-	-	-	-	-	-	3,545.00	
Sale and M&A	-	-	-	-	-	-	-	-	-	885.29	
Stabilisation	-	-	-	-	-	-	-	-	-	143,116.00	
Statutory	16.60	2.00	39.50	-	113.50	174.60	346.20	260.09	90,041.50	1,312,607.00	
Strategy	66.80	-	3.50	0.70	1.50	-	72.50	675.15	48,948.50	946,196.50	
Suppliers	-	-	2.20	28.90	10.30	1.80	43.20	260.78	11,265.50	2,687,444.92	
Trading	-	-	14.50	-	-	-	14.50	490.00	7,105.00	2,767,214.50	
Trading: Cash flow / Forecast	-	-	-	-	-	-	-	-	-	1,519.79	
Transfer Pricing	9.00	-	157.00	-	33.80	-	199.80	582.15	116,313.00	1,713,192.00	
Treasury / Banks	3.50	-	-	0.60	-	-	4.10	612.20	2,510.00	329,287.16	
UK Tax / VAT advisory and compliance	48.00	57.40	63.40	183.80	127.10	177.40	657.10	448.23	294,535.00	2,339,660.35	
Grand Total	1,291.70	382.00	2,759.90	3,850.80	6,269.30	3,787.20	18,340.90	326.45	5,987,401.50	41,923,958.76	
Average hourly rate	689.52	639.80	495.19	365.38	239.95	151.65					
Time costs for the period	890,649.50	244,404.00	1,366,687.50	1,407,020.50	1,504,321.00	574,319.00					
Time costs for the Administration to date	5,806,559.29	2,826,867.34	10,954,648.44	10,962,668.25	7,603,986.28	3,769,229.17					

Administration fee analysis (GBP)

Summary of total core M&A transactions time costs for all EMEA filed entities in respect of the period from 4 June 2011 to 9 December 2011

Activity	Partner / Executive Director	Rank					Total hours	Average hourly rate	Time costs for the period	Time costs for the Administration to date
		Director	Assistant Director	Manager	Executive	Analyst				
M&A / Transitional Services			31.0	241.0			272.0	395.5	101,950.00	8,089,195.50
Purchase Price Allocation	288.3	30.8	207.3	594.5	990.4	220.5	2,331.8	464.2	837,843.00	5,322,664.50
M&A / Equinox	19.0	10.5	1.0		2.6		33.1	681.7	22,851.00	4,461,965.00
M&A / Netas							-	-	-	2,243,424.21
M&A Snow	37.0	15.0					52.0	747.8	37,005.00	1,651,655.00
M&A / GSM	45.0	9.0	16.0				70.0	666.3	45,530.00	1,527,496.00
M&A / Carrier	64.0	23.0					87.0	769.7	61,520.00	1,240,432.00
M&A / Passport	20.6	2.0			2.5		25.1	618.2	16,197.00	1,103,701.00
Sale and M&A	-	-	-	-	-	-	-	-	-	563,375.00
M&A Iceberg	121.0	102.6	186.0	32.5			442.1	-	274,773.50	274,773.50
Other Assets	58.5		179.0	192.0		19.7	449.2	414.5	200,899.89	566,650.46
M&A / Velocity						37.0	37.0	-	6,290.00	103,720.00
Grand Total	653.4	192.9	620.3	1,060.0	995.5	277.2	3,799.3	463.88	1,604,859.39	27,149,052.17
Average hourly rate	689.91	790.00	490.21	364.57	265.23	170.00				
Time costs for the period	450,789.50	152,391.00	304,077.00	386,440.89	264,037.00	47,124.00				
Time costs for the Administration to date	4,454,387.69	4,709,583.91	7,922,747.08	5,854,344.89	3,640,067.81	567,920.79				

Total time costs for the Administration in respect of the period from 4 June 2011 to 9 December 2011

Total Time costs for the administration during the period 04/06/2011 to 09/12/2011	GB£
Administration time costs excluding transactions for the period	5,987,401.50
Reallocation of time costs removed from NNUK to be borne by EMEA entities	(2,289,353.01)
Transaction time costs for the period	788,976.48
Total Time costs for the period 04/06/2011 to 09/12/2011	4,487,024.97

Note

Time costs in respect of transactions for the period from 4 June 2011 to 9 December 2011 have been apportioned on a provisional basis, having regard to the nature of the work done and the extent of progress made in respect of some, but not all, core M&A transactions. The allocation is provisional and will change as the transactions progress and the outcome of the PPA is clear.

Please note the Joint Administrators have only apportioned core M&A transaction time costs in respect of those transactions that have made sufficient progress. Therefore further core M&A transaction time costs will be apportioned in due course to the Company, and reapportioned as the outcome of the PPA process becomes clear.

Nortel Networks UK Limited (In Administration)

Office Holders' Charging Policy for Fees

The statutory provisions relating to remuneration are set out in Rule 2.106 of the Rules. Further information is given in the Association of Business Recovery Professionals' publication "*A Creditors' Guide to Administrators' Fees*", a copy of which may be accessed from the web site of the Insolvency Practitioners Association at <http://www.insolvency-practitioners.org.uk> (follow 'Regulation and Guidance' then 'Creditors' Guides to Fees'), or is available in hard copy upon written request to the Administrators.

The creditors have determined that the Administrators' remuneration should be fixed on the basis of time properly spent by the Administrators and their staff in attending to matters arising in the Administration.

The Administrators have engaged managers and other staff to work on the cases. The work required is delegated to the most appropriate level of staff taking account of the nature of the work and the individual's experience. Additional assistance is provided by accounting and treasury executives dealing with the Company's bank accounts and statutory compliance diaries, secretaries providing typing and other support services and filing clerks. Work carried out by all staff is subject to the overall supervision of the Administrators.

All time spent by staff working directly on case-related matters is charged to a separate time code established for each case. Each member of staff has a specific hourly rate, which is subject to change over time. The average hourly rate for each category of staff over the period is shown in Appendix 2, as are the current hourly rates used. The current hourly rates may be higher than the average rates, if hourly rates have increased over the period covered by this report.

Office Holders' Charging Policy for Disbursements

Statement of Insolvency Practice No. 9 ("**SIP 9**") published by R3 (The Association of Business Recovery Professionals) divides disbursements into two categories.

Category 1 disbursements comprise payments made by the office holders' firm, which comprise specific expenditure relating to the administration of the insolvent's affairs and referable to payment to an independent third party. These disbursements can be paid from the insolvent's assets without approval from the Committee. In line with SIP 9, it is our policy to disclose such disbursements drawn but not to seek approval for their payment.

Category 2 disbursements comprise payments made by the office holders' firm which include elements of shared or overhead costs. Such disbursements are subject to approval from Creditors' Committee as if they were remuneration. It is our policy, in line with SIP 9, to seek approval for this category of disbursement before they are drawn.

Appendix 4

Nortel Networks UK Limited (In Administration)

Apportionment

The workstreams identified for reapportionment along with the apportionment basis used and the effect are summarised in the table below:

Workstreams	Basis for Apportionment	Apportionment rate Applicable to NNUK
Finance, Accounting & Administration Trading Exit	Gross assets per Directors Statement of Affairs for all EMEA companies	49.33%
Customers Debtors	Trade receivables per Directors Statement of Affairs for all EMEA companies	30.99%
Outcome for Creditors Creditors	Unsecured creditors (exc. Interco. Debts, pensions & employee claims) per Directors Statement of Affairs. for all EMEA companies.	62.93%
Exit IT costs	Rates used by the Group prior to the Company going into Administration	45.74%
Strategy Canada / USA Transfer Pricing Intellectual Property	Same rate used for M & A cost apportionment	46.17%

NNUK will receive recharges from the EMEA companies amounting to GB£2,289,353 for work carried out in the period from 4 June 2011 to 9 December 2011.

Please refer to the Joint Administrators' six month progress report dated 11 February 2011 for further information regarding the apportionment.

The Insolvency Act 1986

Administrator's progress report**2.24B**

Name of Company Nortel Networks UK Limited	Company number 3937799
In the High Court of Justice of England and Wales, Chancery Division, Companies Court	Court case number 536 of 2009

We AR Bloom, CJW Hill, SJ Harris and AM HudsonErnst & Young LLP, 1 More London Place, London, SE1 2AF

administrators of the above company attach a progress report for the period

From

to

14 July 201113 January 2012

Signed



Joint Administrator

Dated

9 February 2012**Contact Details:**

You do not have to give any contact information in the box opposite but if you do, it will help Companies House to contact you if there is a query on the form. The contact information that you give will be visible to searchers of the public record

David Wright	
Ernst & Young LLP, 1 More London Place, London, SE1 2AF	
	Tel: +44 (0) 20 795 17957
DX Number:	DX Exchange:

Companies House receipt date barcode

When you have completed and signed this form please send it to the Registrar of Companies at:

Companies House, Crown Way, Cardiff, CF14 3UZ**DX 33050 Cardiff**