

TO ALL KNOWN CREDITORS

19 July 2019

Ref: BMM/NJC/DMH

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Dear Sirs

Nortel Networks (Ireland) Limited (in Administration and subject to a Company Voluntary Arrangement (“CVA”)) (the “Company”)

In the High Court of Justice, Business and Property Courts of England & Wales, Companies and Insolvency List (ChD) No. 541 of 2009 / CR-2009-000047.

Incorporated in Ireland with registered number 40287. The Company's registered address is Mervue Business Park, Mervue, Galway, Ireland.

Joint Supervisors' Annual CVA Progress Report

I write to provide you with the Joint Supervisors' annual progress report (“Annual Report”), which includes details of the progress of the CVA of the Company. This Annual Report covers the 12 month period from 2 June 2018 to 1 June 2019 and should be read in conjunction with the CVA Proposal dated 28 April 2017. The Company is also in Administration and this Annual Report should be read in conjunction with the Joint Administrators' previous reports, the Joint Administrators' Statement of Proposals dated 23 February 2009 and interim update dated 15 November 2016 as well as the most recent Administration progress report dated 6 February 2019.

Additional copies of this Annual Report, and the previous reports referred to, can be made available on request or can be obtained at the following address www.emeanortel.com.

Capitalised terms used in this Annual Report shall have the same meaning as set out in Annex 1 (*Definitions and Interpretation*) of the CVA.

Brief Background

On 28 April 2017, the Joint Administrators issued the Proposal for a CVA. A CVA is a legal process often used to facilitate distributions to creditors in complex situations. The CVA also provided a platform to resolve, in an equitable way, the threat of the Financial Support Directives (“FSD”) that had been brought by the UK Pension Regulator (the “Regulator”) against the Company and certain other EMEA entities in the Nortel group.

In summary the proposed CVA sought to:

- Resolve the FSD claim which could have otherwise significantly diluted and/or delayed returns to creditors;
- Provide a mechanism for the Joint Administrators as Joint Supervisors to determine creditor claims and distribute funds as quickly as possible; and
- Impose a bar date, being 5 October 2017 (“the Bar Date”) by which pre-appointment claims against the Company were to be submitted to the Joint Supervisors, allowing distributions to occur in a timely manner.

On 2 June 2017, meetings of both the Company’s creditors and member were held to vote on the Proposal. The Proposal was approved by both the Company’s creditors and members and the Effective Date occurred on 5 June 2017.

The CVA is being supervised by the Joint Supervisors, being A R Bloom and D M Hughes, who act as agents of the Company and without personal liability.

Claim adjudication and distributions to creditors

In accordance with the Terms of the CVA, the Joint Supervisors adjudicated the CVA Claims received in advance of the Bar Date. The total value of claims submitted was £2,235,315,513.61 (including a significant contingent claim submitted by the Regulator), of which £61,903,655.13 has now been admitted for payment and £2,173,411,858.48 has been rejected. Please note that there is a small number of CVA Claims relating to the remaining employees of the Company which are yet to be finalised and adjudicated by the Joint Supervisors.

In March 2018, the Joint Administrators determined the amount of cash available to be paid to the Joint Supervisors to facilitate a first interim distribution to creditors. Subsequently, on 16 March 2018, the Joint Supervisors gave notice of the making of a first interim distribution of 90p in the pound to creditors with Allowed Claims.

On 17 August 2018, the Joint Supervisors declared and paid a second interim distribution of 10p in the pound to creditors with Allowed Claims.

Subsequently, on 21 March 2019, the Joint Supervisors declared and paid a third interim distribution in respect of Allowed Claims of 16.6p in the pound in respect of Commercial Interest due in accordance with the terms of the CVA (on a pro-rata basis by reference to the value of the Allowed Claim from 14 January 2009 at a rate of 5.2%).

In the fullness of time it is anticipated that the Joint Supervisors may be in a position to pay an additional element of post-petition Commercial Interest on these Allowed Claims (at a rate of 5.2% per annum as per the Terms of the CVA) in 2019.

Outstanding work and exit strategy for the CVA

There are three key outstanding matters which need to be resolved prior to the termination of the CVA.

Firstly, there is a potential tax refund due to the Company in respect of an overpayment of corporation tax already paid in relation to the purchase price allocation proceeds (relating to the sale of the global

businesses and associated assets). The Joint Administrators and Joint Supervisors continue to liaise with the Irish Tax Authority to clarify the position and to seek a refund in this regard. It is anticipated that this issue may be resolved before the end of this year.

Secondly, and as mentioned above, there are a small number of unquantified employee claims which have been submitted into the estate which the Joint Supervisors will resolve as the Company progresses towards a local closure process. We anticipate that these claims will be adjudicated before the end of 2019.

Lastly, and following the resolution of the above, the Joint Supervisors anticipate making a further distribution in respect of Commercial Interest on Allowed Claims in 2019.

Following the resolution of the above matters, the purpose of the CVA is likely to be met, and the Joint Supervisors should then be in a position to terminate the CVA in short order, in accordance with the Terms of the Proposal for the CVA.

Once the CVA is terminated, we will provide a final CVA report to creditors covering the period to termination.

Nominees' and Joint Supervisors' time costs

The period from which the decision was made to propose a CVA to creditors until the CVA was approved by creditors represents the period where the Joint Administrators acted as the Nominees. This period, together with the period since the approval of the CVA, shall be referred to as the "CVA period" in this section.

The Nominees' costs are those costs incurred by the Nominees during the period leading up to the approval of the CVA.

The Joint Supervisors' time costs are those time costs incurred following the approval of the CVA by the creditors on 2 June 2017.

The Nominees and Joint Supervisors of the CVA have incurred time charged directly to the entity "Direct Time Costs" of £23,812.00 and £495,169.02 respectively in the CVA period to 1 June 2019, totalling £518,981.02.

In addition, during the CVA period, the Joint Supervisors have apportioned between certain Nortel EMEA entities (which are also in a CVA process or shortly will be) certain central time costs for workstreams undertaken for the benefit of the Nortel EMEA entities ("General Time Costs"). During the CVA period to 1 June 2019, £189,654.82 of Nominees' General Time Costs and £10,484.63 of Joint Supervisors' General Time Costs were allocated to the Company in respect of these apportionments.

The Nominees' and Joint Supervisors' total time costs, including both Direct and General Time Costs, for the period to 1 June 2019 are £719,120.47.

The Joint Supervisors continue to draw 80% of these fees on a regular basis as per clause 30.7.2 of the CVA proposal. The Joint Supervisors will seek the approval of the CVA Creditors' Committee or the English Court for their time costs as per the Terms of the CVA, in due course.

A summary of the time costs incurred for the CVA period to 1 June 2019 are appended to this Annual Report for creditors' information (see Appendix 1).

Remuneration of the Joint Supervisors is governed by the terms of the CVA. Further information is given in the Association of Business Recovery Professionals' publication 'A creditors' guide to insolvency practitioners' fees under voluntary arrangements' a copy of which may be accessed from the web site of the Institute of Chartered Accountants in England and Wales at <https://www.icaew.com/en/technical/insolvency/creditors-guides> or is available in hard copy upon written request to me.

Receipts and Payments

Attached at Appendix 2 is the Joint Supervisors' receipts and payments ("R & P") account for the CVA period to 1 June 2019 in respect of the Company.

As at 1 June 2019, the Company held cash of £261,982.58. in the Joint Supervisors' bank accounts.

Further detailed notes in respect of the R & P account for the period to 1 June 2019 are provided at Appendix 2.

The Joint Administrators and the Joint Supervisors will continue to update creditors as matters progress over the coming months, particularly in relation to further distribution of monies to creditors.

We should like to take this opportunity to thank creditors of the Company for their continued support during the Administration and CVA of the Company.

Yours faithfully
For and on behalf of Nortel Networks (Ireland) Limited



D M Hughes
Joint Supervisor

In respect of the Company, The Institute of Chartered Accountants in England and Wales in the UK authorises A R Bloom to act as an Insolvency Practitioner under section 390(2)(a) of the Insolvency Act 1986 and the Association of Chartered Certified Accountants in the UK authorises D M Hughes to act as an Insolvency Practitioner under section 390(2)(a) of the Insolvency Act 1986.

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 (Ireland) Limited is also subject to a Company Voluntary Arrangement. The Joint Supervisors are A R Bloom and D M Hughes who act as agents of Nortel Networks (Ireland) Limited without personal liability.

The Joint Administrators and Joint Supervisors may collect, use, transfer, store or otherwise process (collectively, "Process") information that can be linked to specific individuals ("Personal Data"). They may Process Personal Data in various jurisdictions in accordance with applicable law and professional regulations including (without limitation) the Data Protection Act 2018. For further details, please refer to the Data Privacy Policy at <https://cva.emeanortel.com>.

The Joint Administrators may act as data controllers of personal data as defined by the General Data Protection Regulation 2016/679, depending upon the specific processing activities undertaken. Ernst & Young LLP and/or the Companies may act as a data processor on the instructions of the Joint Administrators. Personal data will be kept secure and processed only for matters relating to the Joint Administrator's appointment. The Office Holder Data Privacy Notice can be found at <https://www.ey.com/uk/officeholderprivacy>.

Appendix 1

Nortel Networks (Ireland) Limited

(In Administration and subject to a Company Voluntary Arrangement ("CVA"))

Joint Supervisors' Abstract of fees for the period to 1 June 2019

Summary of total time costs incurred for the period

Time costs for the CVA period to 1 June 2019	£
Total Nominees' direct time costs	23,812.00
Total Nominees' general time costs	189,654.82
Total Joint Supervisors' direct time costs	495,169.02
Total Joint Supervisors' general time costs	10,484.63
Total time costs for the CVA period to 1 June 2019	719,120.47
Time costs approved to date (to 1 June 2018)	
Nominees' direct time costs approved to date (to 1 June 2018)	(23,812.00)
Nominees' general time costs approved to date (to 1 June 2018)	(189,654.82)
Joint Supervisors' direct time costs approved to date (to 1 June 2018)	(356,807.47)
Joint Supervisors' general time costs approved to date (to 1 June 2018)	(9,491.04)
Total time costs approved to date (to 1 June 2018)	(579,765.33)
Total time costs for approval	139,355.14

Nominees' Direct time cost for the period

Activity	Hours					Total sum of hours	Average hourly rate (£)	Time costs for Period to 01 June 2019 (£)
	Director / Executive Director	Assistant Director	Manager	Executive / Assistant Executive	Analyst			
Nominees' direct time	3.3	25.5	1.0	8.1	20.4	58.3	408.44	23,812.00
Grand Total	3.3	25.5	1.0	8.1	20.4	58.3		23,812.00
Average hourly rate (£)	770.00	565.00	415.00	305.00	195.00			
Time costs for the Period (£)	2,541.00	14,407.50	415.00	2,470.50	3,978.00			

Joint Supervisors' Direct time cost for the period

Activity	Hours					Total sum of hours	Average hourly rate (£)	Time costs for the Period to 01 June 2019 (£)
	Director / Executive Director	Assistant Director	Manager	Executive / Assistant Executive	Analyst			
Creditor claim adjudication	-	406.3	3.1	-	4.0	413.4	493.92	204,184.65
Distribution	4.7	129.3	62.2	45.4	55.0	296.6	375.57	111,394.75
Creditor correspondence	-	100.6	3.8	-	5.3	109.7	451.79	49,561.49
Estimated Outcome Statement	-	100.1	2.0	5.0	-	107.1	441.03	47,233.89
Corporation tax	-	44.7	8.0	-	1.1	53.8	500.25	26,913.50
Finance, accounting and administration	-	36.3	2.7	16.0	6.7	61.7	418.07	25,795.12
Fees and time costs	-	19.2	-	0.8	4.5	24.5	447.22	10,956.97
Legal	-	11.3	-	-	-	11.3	526.21	5,946.19
Nominees' time	-	1.7	4.0	-	6.0	11.7	313.38	3,666.50
Statutory	-	-	0.2	-	16.0	16.2	198.52	3,216.00
Creditors' Committee	-	3.7	-	4.0	-	7.7	408.83	3,148.01
Annual progress report	0.4	2.5	1.0	4.0	-	7.9	376.77	2,976.45
VAT	-	-	-	-	0.9	0.9	195.00	175.50
Grand Total	5.1	855.7	87.0	75.2	99.5	1,122.5		495,169.02
Average hourly rate (£)	770.08	486.00	414.59	281.63	182.17			
Total time costs for Period (£)	3,927.40	415,867.86	36,069.60	21,178.50	18,125.66			

Nominees' General time cost for the period - Reallocated

Activity	Hours						Total sum of hours	Average hourly rate (£)	Total time costs for Period to 01 June 2019 (£)	Company cost percentage allocation	Time costs for the Company for the Period to 01 June 2019 (£)
	Partner	Director / Executive Director	Assistant Director	Manager	Executive / Assistant Executive	Analyst					
Total Nominees' general time	3.1	397.9	528.5	531.4	6.5	172.5	1,639.9	526.40	863,244.50	21.97%	189,654.82
Average hourly rate (£)	805.00	770.00	565.00	415.00	305.00	192.75					
Time costs for the Period (£)	2,495.50	306,383.00	298,602.50	220,531.00	1,982.50	33,250.00					

Joint Supervisors' General time cost for the period - Reallocated

Activity	Hours					Total sum of hours	Average hourly rate (£)	Total time costs for the period to 01 June 2019 (£)	Company cost percentage allocation	Time costs for the Company for the period to 01 June 2019 (£)
	Director / Executive Director	Assistant Director	Manager	Executive / Assistant Executive	Analyst					
Supervisors' general time	18.5	25.2	9.5	38.4	21.0	112.6	423.82	47,722.50	21.97%	10,484.63
Grand Total	18.50	25.20	9.50	38.4	21.0	112.6		47,722.50		10,484.63
Average hourly rate (£)	770.00	565.00	415.00	291.72	195.00					
Total time costs for Period (£)	14,245.00	14,238.00	3,942.50	11,202.00	4,095.00					

Appendix 2

Nortel Networks (Ireland) Limited

(In Administration and subject to a Company Voluntary Arrangement (“CVA”))

Joint Supervisors’ Abstract of Receipts and Payments from 2 June 2018 to 1 June 2019

Nortel Networks (Ireland) Limited (in Administration and subject to a Company Voluntary Arrangement) Supervisors’ receipts and payments account for the period 2 June 2017 to 1 June 2019					
Currency: GBP	Period 2 June 2017 to 1 June 2018:	Period 2 June 2018 to 1 June 2019:	Total to 1 June 2019	Notes	
Opening balance	-	191,833	-		
<u>Receipts</u>					
- Transfer from Administrators	55,865,138	11,502,871	67,368,009		1
	<u>55,865,138</u>	<u>11,502,871</u>	<u>67,368,009</u>		
<u>Payments</u>					
- Distribution to creditors	(55,289,580)	(10,753,870)	(66,043,450)		2
- Joint Supervisors’ fees and disbursements	(382,946)	(303,139)	(686,085)		
- Bank charges and interest	(780)	(1,346)	(2,126)		
- Legal fee recharges	-	(380,073)	(380,073)		
	<u>(55,673,306)</u>	<u>(11,438,428)</u>	<u>(67,111,734)</u>		
Closing balance	<u>191,833</u>	<u>256,276</u>	<u>256,276</u>		
Account reconciliations:					
- Unpresented Cheques	62,130	5,707	5,707		3
Supervisor’s Accounts	<u>253,963</u>	<u>261,983</u>	<u>261,982.58</u>		

Notes to R&P

Note 1

The amounts reported are inclusive of sales tax where applicable.

Note 2

Distribution to creditors represents the 100p in the pound distribution to Admitted Claims plus 16.6p in the pound of Commercial Interest due in accordance with the terms of the CVA. The amount above is net of tax and employee deductions. An amount of £706,791 has been paid from the Joint Administrators’ bank account in respect of tax and employee deductions.

Note 3

Unpresented cheques represent distributions made to creditors by cheque that have not yet been cashed.