

TO ALL FORMER KNOWN CREDITORS

12 December 2019

Ref: MLP/5W/SJH/BT/LO7024

Telephone: +44 (0) 207 951 6160

Email: [cva@emeanortel.com](mailto:cva@emeanortel.com)

Dear Sirs

**Nortel Networks Slovensko s.r.o (in Administration and formerly 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. 551 of 2009 / CR-2009-000044.

Incorporated in Slovak Republic with registered number 35716428. The Company's registered address is Sv. Cyrila a Metoda 2, 92101 Piest'any, Slovak Republic.

**Joint Supervisors' Final CVA Progress Report**

I write to provide you with the Joint Supervisors' final progress report (“Final Report”), which includes details of the outcome of the CVA of the Company. This Final Report covers the period from 26 May 2019 to 15 November 2019, being the date the CVA was terminated, and should be read in conjunction with the CVA Proposal dated 5 April 2017, the annual CVA progress report dated 25 July 2018 and the latest annual CVA report dated 19 June 2019. The Company is also in Administration and this Final 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 13 August 2019.

Additional copies of this Final Report, and the previous reports referred to, can be made available on request or can be obtained at the following address [www.emeanortel.com](http://www.emeanortel.com).

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

**Brief Background**

On 5 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 1 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 26 May 2017, meetings of both the Company’s creditors and members 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 1 June 2017.

The CVA was being supervised by the Joint Supervisors, being A R Bloom, S J Harris, A M Hudson and J Hewitt-Schembri who acted as agents of the Company and without personal liability.

It is noted J Hewitt-Schembri formally resigned from her position as Joint Supervisor of the Company on 17 July 2019 on account of leaving EY and her resignation became effective 14 August 2019.

### **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 £2,148,471,050.30 (including a significant contingent claim submitted by the UK Pensions Regulator), of which £1,399,490.07 was admitted for payment and £2,147,071,560.23 was rejected.

In December 2017, in consultation with the Joint Supervisors, 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 5 December 2017, the Joint Supervisors gave notice of the making of a first interim distribution of 95p in the £ to creditors with non-subordinated Allowed CVA Claims.

On 10 September 2019, the Joint Supervisors gave notice of the making of a second and final distribution of the remaining 5p in the £ in respect of non-subordinated Allowed CVA Claims. The distribution was paid by the Joint Supervisors on 15 October 2019. There were insufficient assets to pay Commercial Interest or the CCAA Subordinated Debt which amounted to £1,210,622.77.

Given that non-subordinated, unsecured creditors with Allowed CVA Claims have been paid in full and there are no further assets available for distribution to creditors, it has been determined that the CVA has been successfully completed and should be terminated.

### **CVA Termination**

Following payment of the final distribution on 15 October 2019, the CVA Supervisors were in a position to terminate the CVA on the basis that they were satisfied that:

- CVA Claims had been adjudicated and admitted in whole or in part as Allowed Claims or rejected;
- There were no CVA Claims that were Disputed Claims;
- On making the final Distribution, all Allowed CVA Claims (excluding the CCAA Subordinated Debt) had been paid in full;
- Following the making of the final Distribution, the CVA had achieved its main objectives; and
- Following the termination of the CVA, it would be possible for the Joint Administrators to seek discharge from office and ultimately the dissolution of the Company in accordance with Slovakian law.

Notwithstanding the aforementioned, following the final distribution, the Joint Supervisors were aware that seven creditors, who were distributed to by cheque, had not cashed their cheques. These cheques

totalled £123.86 in value. The implication of this was that, absent a modification of the CVA, the CVA would be required to continue for a period of one year from the issue of the uncashed cheques. Only after the expiry of this period could the funds be returned to the Joint Administrators and the CVA be terminated.

Given this, the Joint Supervisors determined, that it was in the best interests of the CVA Creditors and expedient to modify the CVA to the effect that if there were any cheques uncashed at the time when the CVA was terminated, the Company would transfer the value of those cheques to Nortel Networks UK Limited (in Administration) (“NNUK”) and that NNUK would hold these funds for the benefit of the beneficiaries of these cheques for a period of one year from the date of the final distribution, at which time any unclaimed funds will be donated to a registered charity.

A copy of the CVA modification can be located on the Nortel website [www.emeanortel.com](http://www.emeanortel.com).

The CVA was terminated on 15 November 2019 and in accordance with the CVA modification, an amount of £123.86 was transferred to NNUK in respect of such uncashed cheques.

### **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 represented 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 26 May 2017.

The Nominees and Joint Supervisors of the CVA have incurred time costs directly charged to this entity (“Direct Time Costs”) of £12,131.00 and £104,451.45, respectively, in the CVA period to 15 November 2019, totalling £116,582.45.

In addition, during the CVA period, the Joint Supervisors have apportioned between certain Nortel EMEA entities certain central time costs for workstreams undertaken for the benefit of the Nortel EMEA entities (“General Time Costs”). During the CVA period to 15 November 2019, £516.53 of Nominees’ General Time Costs and £30.05 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 15 November 2019 are £117,129.03.

In accordance with the clause 30.6 of the Terms of the CVA, the creditors of the Company previously approved certain of these time costs for the period to 14 June 2019, totalling £82,910.06. There is an outstanding balance of time costs to be approved of £34,218.97 for the period to 15 November 2019. The Joint Supervisors will seek approval of the English Court for their time costs as appropriate, in due course.

A summary of the time costs incurred for the CVA period to 15 November 2019 are appended to this Final 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

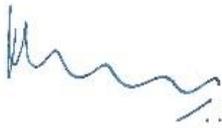
Attached at Appendix 2 is the Joint Supervisors' receipts and payments ("R & P") account for the CVA period to 15 November 2019 in respect of the Company.

As at 15 November 2019, the Company held nil cash in the Joint Supervisors' bank accounts.

Further detailed notes in respect of the R & P account for the period to 15 November 2019 are provided at Appendix 2.

We should like to take this opportunity to thank the former creditors of the Company and the members of the Creditors' Committees for their support during the CVA of the Company.

Yours faithfully



S J Harris

Formerly Joint Supervisor of the Company Voluntary Arrangement of Nortel Networks Slovensko s.r.o

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

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

*The Company was also subject to a Company Voluntary Arrangement. The Joint Supervisors were A R Bloom, S J Harris and A M Hudson who acted as agents of the CVA Company and 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.*

*The Joint Administrators and Joint Supervisors 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 and Joint Supervisors. Personal data will be kept secure and processed only for matters relating to the Joint Administrators' and Joint Supervisors' appointment. The Office Holder Data Privacy Notice can be found at [www.ey.com/uk/officeholderprivacy](http://www.ey.com/uk/officeholderprivacy).*

## Appendix 1

### Nortel Networks Slovensko s.r.o (In Administration and formerly subject to a CVA)

#### Joint Supervisors' Abstract of fees for the period to 15 November 2019

##### Summary of total time costs incurred for the period

Time costs for the CVA period to 15 November 2019	£
Joint Nominees' direct time costs	12,131.00
Joint Nominees' general CVA planning time costs	516.53
Joint Supervisors' direct time costs	104,451.45
Joint Supervisors' general CVA time costs	30.05
<b>Total time costs for the CVA period to 15 November 2019</b>	<b>117,129.03</b>
Nominees' direct time costs approved to date (to 14 June 2019)	(12,131.00)
Nominees' general time costs approved to date (to 14 June 2019)	(516.53)
Joint Supervisors' direct time costs approved to date (to 14 June 2019)	(70,232.48)
Joint Supervisors' general time costs approved to date (to 14 June 2019)	(30.05)
<b>Total time costs approved for the CVA period to 14 June 2019</b>	<b>(82,910.06)</b>
<b>Total time costs for approval</b>	<b>34,218.97</b>

##### Nominees' Direct time cost for the period

Activity	Hours					Total sum of hours	Average hourly rate (£)	Time costs for period to 15 November 2019 (£)
	Director / Executive Director	Assistant Director	Manager	Executive / Assistant Executive	Analyst			
Nominees' direct time	2.3	5.3	4.0	0.6	28.4	40.6	298.79	12,131.00
<b>Grand Total</b>	<b>2.3</b>	<b>5.3</b>	<b>4.0</b>	<b>0.6</b>	<b>28.4</b>	<b>40.6</b>		<b>12,131.00</b>
Average hourly rate (£)	770.00	565.00	415.00	305.00	194.45			
Time costs for the period to 15 November 2019 (£)	1,771.00	2,994.50	1,660.00	183.00	5,522.50			

## Joint Supervisors' Direct time cost for the period

Activity	Hours					Total sum of hours	Average hourly rate (£)	Time costs for the period to 15 November 2019 (£)
	Director / Executive Director	Assistant Director	Manager	Executive / Assistant Executive	Analyst			
Corporation tax	-	-	60.6	58.0	33.3	151.9	211.92	32,190.59
Creditor claim adjudication	-	4.4	14.7	-	13.5	32.6	344.14	11,219.00
Fees and time costs	-	3.6	8.6	28.5	17.4	58.1	250.52	14,555.07
Distribution	8.1	1.1	23.6	3.5	2.3	38.6	470.67	18,167.90
Annual progress report	0.5	1.5	1.4	4.0	15.5	22.9	154.69	3,542.44
Nominees' time	-	1.0	-	0.7	8.6	10.3	224.85	2,316.00
Creditor correspondence	-	-	3.5	10.5	6.7	20.7	221.46	4,584.27
Finance, accounting and administration	-	-	4.5	10.2	9.4	24.1	244.73	5,897.88
Creditors' Committee	-	-	6.3	1.3	0.8	8.4	377.12	3,167.80
VAT	-	-	-	-	1.4	1.4	195.00	273.00
Statutory	2.5	-	3.0	-	10.5	16.0	326.09	5,217.50
Legal	-	-	8.0	-	-	8.0	415.00	3,320.00
<b>Grand Total</b>	<b>11.1</b>	<b>11.6</b>	<b>134.2</b>	<b>116.7</b>	<b>119.4</b>	<b>393.0</b>		<b>104,451.45</b>
Average hourly rate (£)	770.05	564.87	364.83	207.65	135.33			
Time costs for the period to 15 November 2019 (£)	8,547.50	6,552.50	48,959.85	24,232.95	16,158.65			

## Nominees' General time cost for the period

Activity	Hours						Total sum of hours	Average hourly rate (£)	Total time costs for period to 15 November 2019 (£)	Company cost percentage allocation	Time costs for the Company for the period to 15 November 2019 (£)
	Partner	Director / Executive Director	Assistant Director	Manager	Executive / Assistant Executive	Analyst					
Total Nominees' general time	3.1	397.9	526.5	531.4	6.5	166.2	1,631.6	527.63	860,886.00	0.06%	516.53
Average hourly rate (£)	805.00	770.00	565.00	415.00	305.00	192.67					
Time costs for the period to 15 November 2019 (£)	2,495.50	306,383.00	297,472.50	220,531.00	1,982.50	32,021.50					

## Joint Supervisors' General time cost for the period

Activity	Hours					Total sum of hours	Average hourly rate (£)	Total time costs for the period to 15 November 2019 (£)	Company cost percentage allocation	Time costs for the Company for the period to 15 November 2019 (£)
	Director / Executive Director	Assistant Director	Manager	Executive / Assistant Executive	Analyst					
Supervisors' general time	18.5	27.2	9.5	38.4	27.3	120.9	414.23	50,081.00	0.06%	30.05
<b>Grand Total</b>	<b>18.50</b>	<b>27.20</b>	<b>9.50</b>	<b>38.4</b>	<b>27.3</b>	<b>120.9</b>		<b>50,081.00</b>		<b>30.05</b>
Average hourly rate (£)	770.00	565.00	415.00	291.72	195.00	-				
Time costs for the period to 15 November 2019 (£)	14,245.00	15,368.00	3,942.50	11,202.00	5,323.50					

## Appendix 2

### Nortel Networks Slovensko s.r.o (In Administration and formerly subject to a CVA)

#### Joint Supervisors' Abstract of Receipts and Payments from 26 May 2017 to 15 November 2019

Currency: GBP	Notes	Period 26 May 2017 to 25 May 2019	Period 26 May 2019 to 15 November 2019	Total to 15 November 2019
Opening balance		-	32	-
<b>Receipts</b>				
- Transfer from Administrators		261,329	39,376	300,705
- Unclaimed Distributions	1	-	4,199	4,199
		<u>261,329</u>	<u>43,575</u>	<u>304,904</u>
<b>Payments</b>				
- Distribution to creditors	2	(179,432)	(7,731)	(187,163)
- Joint Supervisors' fees and disbursements		(46,953)	(29,671)	(76,625)
- Legal fee recharges	3	(34,849)	(192)	(35,041)
- Bank charges and interest		(62)	(100)	(161)
- Transfer to Nortel Networks UK Limited	4	-	(124)	(124)
- Transfer to Administrators	5	-	(5,790)	(5,790)
		<u>(261,296)</u>	<u>(43,607)</u>	<u>(304,904)</u>
Closing balance		<u>32</u>	<u>0</u>	<u>0</u>
<b>Account reconciliations:</b>				
- Unpresented Cheques	6	4,199	-	-
Joint Supervisors' Accounts		<u>4,231</u>	<u>0</u>	<u>0</u>

#### Notes to R&P

##### Note 1

Unclaimed distributions relate to a number of uncashed cheques for which a period of over 12 months has passed since the date of issuance of the cheque and as such, the entitlement to these distributions have been waived by the creditors in line with clause 24 of the CVA Proposal.

##### Note 2

Distribution to creditors represents the 100p in the £ distribution to Allowed CVA Claims that are not Subordinated Claims.

##### Note 3

Recharges relate to legal fees which are billed to the shareholder (Nortel Networks International Finance & Holding BV (In Liquidation)) and allocated to each entity respective of work completed in the period.

##### Note 4

Amounts transferred to NNUK are in respect of unpresented cheques from the last distribution made to creditors on 15 October 2019, in line with the Terms of the CVA modification as detailed in the body of this report.

##### Note 5

The transfer to the Administrators reflects surplus funds which were transferred from the Joint Supervisors' bank account back to the administration bank account immediately prior to the

termination of the CVA.

**Note 6**

Unpresented cheques represents distributions made to creditors by cheque that had not yet cashed their cheques during the period in consideration.