EXHIBIT H

BCE Nexxia Corporation
Demonstration of Financial Capability

As a company which is majority owned and controlled by Bell Canada Enterprises Inc. ("BCE"), the largest communications company in Canada, BCE Nexxia Corporation's financial information is incorporated in the consolidated financial statements of its parent company.[1] A copy of BCE's consolidated audited financial statements for the last two years is attached.

BCE is a leading integrated communications company which is publicly-traded on both the Toronto Stock Exchange and the New York Stock Exchange under the symbol (BCE). BCE currently owns numerous telecommunications companies, including Bell Canada, Bell Mobility, and Bell Nexxia. As indicated in the attached 2001 consolidated financial statements, BCE's consolidated revenue for the year was CAN$21.7 billon, and EBITDA was CAN$7.5 billion. For the fourth quarter of 2002, the company reported operating revenue of CAN$5.2 billion, and EBITDA of CAN$1.9 billion.

The attached financial documents demonstrate that BCE Nexxia Corporation clearly possesses the requisite financial capability to provide intrastate telecommunications services in this State.

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[1] *See* Consolidated Financial Statements – BCE Inc., 2001 Annual Report at p. 28 (entities that the Corporation has the ability to significantly influence are accounted for using the equity method).

Relevant Excerpts From 2001 Annual Report Bell Canada Enterprises

CONSOLIDATED STATEMENTS OF OPERATIONS

For the year ended December 31 ($ millions, except share amounts)	Notes	2001	2000
Operating revenues		21,711	17,432
Operating expenses		14,244	10,646
Amortization expense		4,691	3,631
Net benefit plans credit		(121)	(109)
Restructuring and other charges	(4)	1,177	–
Total operating expenses		19,991	14,168
Operating income		1,720	3,264
Other income (expense)	(5)	3,854	(189)
Earnings from continuing operations before the under-noted items		5,574	3,075
Interest expense – long-term debt		1,205	1,003
– other debt		362	258
Total interest expense		1,567	1,261
Earnings from continuing operations before income taxes and non-controlling interest		4,007	1,814
Income taxes	(6)	1,556	1,323
Non-controlling interest		32	179
Earnings from continuing operations		2,419	312
Discontinued operations	(7)	(1,896)	4,549
Net earnings		523	4,861
Dividends on preferred shares		(64)	(79)
Net earnings applicable to common shares		459	4,782
Net earnings per common share – basic	(8)		
Continuing operations		2.92	0.35
Net earnings		0.57	7.43
Net earnings per common share – diluted	(8)		
Continuing operations		2.89	0.32
Net earnings		0.56	7.04
Dividends per common share		1.20	1.24
Average number of common shares outstanding (millions)		807.9	670.0

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

For the year ended December 31 ($ millions)	Notes	2001	2000
Balance at beginning of year		1,521	7,894
Net earnings		523	4,861
Dividends – Preferred shares		(64)	(79)
– Common shares		(969)	(849)
– Distribution of Nortel Networks common shares	(7)	–	(10,114)
		(1,033)	(11,042)
Premium on redemption of common shares	(16)	(108)	(216)
Other		–	24
Balance at end of year		903	1,521

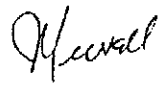
The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

At December 31 ($ millions)	Notes	2001	2000
ASSETS			
Current assets			
Cash and cash equivalents		569	260
Accounts receivable		4,118	4,344
Other current assets		1,213	2,096
Total current assets		5,900	6,700
Investments	(9)	1,106	1,648
Capital assets	(10)	26,599	22,301
Future income taxes	(6)	1,004	1,117
Other long-term assets	(11)	3,651	3,313
Goodwill and other intangible assets		16,075	16,304
Total assets		54,335	51,383
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		5,792	5,486
Income and other taxes payable		681	144
Debt due within one year	(11)	5,263	5,884
Total current liabilities		11,736	11,514
Long-term debt	(12)	14,861	14,044
Future income taxes	(6)	924	715
Other long-term liabilities	(11)	4,129	3,885
Total liabilities		31,650	30,158
Non-controlling interest	(14)	5,695	3,764
Commitments and contingencies	(19)		
SHAREHOLDERS' EQUITY			
Preferred shares	(15)	1,300	1,300
Common shareholders' equity	(16)		
Common shares		13,827	13,833
Contributed surplus		980	985
Retained earnings		903	1,521
Currency translation adjustment		(20)	(178)
Total common shareholders' equity		15,690	16,161
Total shareholders' equity		16,990	17,461
Total liabilities and shareholders' equity		54,335	51,383

The accompanying notes are an integral part of these consolidated financial statements.

On behalf of the Board of Directors:



(signed) J. Edward Newall, Director

(signed) Victor L. Young, Director

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended December 31 ($ millions)	2001	2000
Cash flows from operating activities		
Earnings from continuing operations	2,419	312
Adjustments to reconcile earnings from continuing operations to cash flows from operating activities:		
Amortization expense	4,691	3,631
Restructuring and other charges	963	–
Gains and losses on reduction of ownership in subsidiaries and joint ventures and on disposal of investments	(3,964)	77
Future income taxes	498	(139)
Other items	(508)	(93)
Changes in non-cash working capital components	546	(1,473)
	4,645	2,315
Cash flows from investing activities		
Capital expenditures	(7,396)	(4,118)
Investments	(1,165)	(4,674)
Divestitures	4,961	717
Other items	246	(209)
	(3,354)	(8,284)
Cash flows from financing activities		
Increase (decrease) in notes payable and bank advances	(2,098)	3,481
Issue of long-term debt	2,607	2,593
Repayment of long-term debt	(1,582)	(1,636)
Issue of common shares	71	36
Purchase of common shares for cancellation	(191)	(384)
Dividends paid on common and preferred shares	(1,033)	(928)
Issue of common shares, preferred shares, convertible debentures and equity-settled notes by subsidiaries to non-controlling interest	1,460	568
Redemption of preferred shares by subsidiaries	(471)	(295)
Dividends paid by subsidiaries to non-controlling interest	(385)	(260)
Other items	62	87
	(1,560)	3,262
Effect of exchange rate changes on cash and cash equivalents	7	(69)
Cash used in continuing operations	(262)	(2,776)
Cash provided by discontinued operations	571	641
Net increase (decrease) in cash and cash equivalents	309	(2,135)
Cash and cash equivalents at beginning of year	260	2,395
Cash and cash equivalents at end of year	569	260
Supplemental disclosure		
Interest paid on long-term debt	1,381	1,309
Income taxes paid	1,348	1,329
Cash restricted to collaterize short-term bank loans	233	–

The accompanying notes are an integral part of these consolidated financial statements.

All amounts are in millions of Canadian dollars except where otherwise noted.

1. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). Certain comparative figures in the consolidated financial statements have been reclassified to conform to the current year presentation. With respect to the financial statements of BCE Inc. (the Corporation), its subsidiaries, joint ventures and its investments in significantly influenced companies (collectively BCE), the significant differences between Canadian and United States GAAP are described and reconciled in Note 20.

CONSOLIDATION

The financial statements of entities which are controlled by the Corporation are consolidated; entities which are jointly controlled by the Corporation, referred to as joint ventures, are accounted for using the proportionate consolidation method; entities that the Corporation has the ability to significantly influence are accounted for using the equity method; and investments in other entities are accounted for using the cost method.

USE OF ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

REVENUE RECOGNITION

BCE recognizes operating revenues when earned, as services are rendered or as products are delivered to customers. More specifically:

- Subscriber revenue is recognized to the extent that the service has been made available to customers;
- Advertising revenue is recognized when advertisements are aired or printed and distributed;
- Revenues from sales of equipment are recognized as the equipment is delivered to customers;
- Fees for long distance and wireless services, and other fees, such as licence fees, hosting fees, network access fees, maintenance fees and standby fees are recognized as services are rendered or over the term of the contract; and
- Payments received in advance are deferred until services are rendered or products are delivered to customers.

CASH AND CASH EQUIVALENTS

All highly liquid investments with short-term maturities are classified as cash and cash equivalents.

SALE OF ACCOUNTS RECEIVABLE

Effective July 1, 2001, BCE adopted the new CICA Accounting Guideline 12, *Transfers of Receivables*, (AcG 12) which addresses the accounting requirements for the transfer and servicing of receivables. In accordance with the provisions of AcG 12, Bell Canada continued to account for its Receivables Purchase and Sale Agreement dated October 14, 1997, under the previous accounting guidance. On December 12, 2001, this agreement was terminated and replaced by a new agreement dated December 12, 2001, whereupon Bell Canada sold a co-ownership interest in a pool of present and future eligible accounts receivable to a securitization trust that issued securities to investors. The accounts receivable included in the pool are accounted for as a sale of accounts receivable as Bell Canada surrenders control over the transferred accounts receivable and receives the related proceeds from the trust, other than Bell Canada's beneficial interest in the sold accounts receivable. Losses or gains on these transactions are recognized as other expenses or income. Bell Canada determines fair value based on the present value of future expected cash flows using management's best estimates of key assumptions such as discount rates, weighted average life of accounts receivable and credit loss ratios. The accounts receivable are transferred on a fully-serviced basis. As a result, Bell Canada recognizes a servicing liability on the date of the transfer of accounts receivable to the trust and amortizes this liability to earnings over the expected life of the transferred accounts receivable.

CAPITAL ASSETS

Capital assets are carried at cost less accumulated amortization. Amortization of capital assets is generally computed using the straight-line method, with rates based on the estimated useful lives of the assets. In 2001, the composite amortization rate for plant was approximately 5.6% (6.8% in 2000). The expected useful lives of machinery and equipment are 2 to 20 years, buildings are 10 to 40 years. When depreciable capital assets are retired, the carrying value of such assets is charged to accumulated amortization.

TRANSLATION OF FOREIGN CURRENCIES

Self-sustaining foreign operations are those whose economic activities are largely independent of those of the parent company. For self-sustaining foreign operations, assets and liabilities are translated at exchange rates in effect at the balance sheet date. Revenues and expenses are translated at average exchange rates prevailing during the year. Resulting unrealized gains or losses are accumulated in and reported as a currency translation adjustment in shareholders' equity. On reduction of such investments or on the payment of dividends by a self-sustaining foreign operation, an appropriate portion of the currency translation adjustment is recognized in earnings.

Integrated foreign operations are financially or operationally dependent on the parent company. For integrated foreign operations, monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates prevailing during the year. Translation exchange gains and losses of integrated foreign subsidiaries are reflected in earnings.

Monetary assets and liabilities are translated at the rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates prevailing during the year. Unrealized translation gains and losses on assets and liabilities denominated in foreign currencies are reflected in earnings for the year, except for gains and losses on long-term monetary assets and liabilities, such as long-term debt, which are reported as deferred charges (credits) and amortized to earnings on a straight-line basis over the remaining lives of the related items.

Refer to Future accounting changes for amendments to the accounting policies for translation of foreign currencies effective January 1, 2002.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

DERIVATIVE FINANCIAL INSTRUMENTS

BCE uses a combination of derivative financial instruments to manage its interest and foreign exchange risk exposures. In addition, BCE uses a combination of derivative and non-derivative instruments to manage its Special Compensation Payments (SCPs) exposure (Notes 13 and 17). BCE does not trade derivative financial instruments for speculative purposes.

Gains and losses on forward contracts and cross currency swaps used to hedge foreign investments are deferred and reported as part of the currency translation adjustment in shareholders' equity. Gains and losses on forward contracts, cross currency swaps and foreign currency option contracts used to manage exposure to foreign exchange rates and forward contracts used to manage SCP exposure are recognized on the same basis as the gains and losses on the hedged item. Amounts receivable or payable under interest rate swaps are accrued and recorded as adjustments to interest expense. Gains and losses related to hedges of anticipated transactions are recognized in earnings or recorded as adjustments of carrying values when the hedged transaction occurs. Any premiums paid with respect to financial instrument contracts are deferred and expensed to earnings over the contract period.

GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill represents the excess, at the dates of acquisition, of the cost of investments over the fair value of the net identifiable assets acquired and is amortized on a straight-line basis, over its estimated useful life, up to a period of 40 years. Intangible assets are amortized on a straight-line basis over their useful lives, a period of 15 to 20 years for licenses. BCE assesses the impairment of goodwill and other intangible assets when events or changes in circumstances indicate that the carrying value may not be recoverable. A determination of impairment is then made based on estimates of undiscounted future cash flows and any impairment is charged to earnings. Total goodwill amortization charged to earnings from continuing operations amounted to $1,260 million in 2001 ($485 million in 2000). Refer to Future accounting changes for the accounting policies for goodwill and other intangible assets effective January 1, 2002. Goodwill resulting from business acquisitions on or after July 1, 2001 is not being amortized.

EMPLOYEE BENEFIT PLANS

The Corporation and most of its significant subsidiary companies maintain non-contributory defined benefit plans that provide for pensions for substantially all their employees based on length of service and rate of pay, as well as other retirement benefits such as certain health care and life insurance benefits on retirement and various disability plans, workers' compensation and medical benefits to former or inactive employees, their beneficiaries and covered dependants, after employment but before retirement, under specified circumstances.

BCE accrues its obligations under employee benefit plans and the related costs, net of plan assets. Pension costs and other retirement benefits earned by employees are actuarially determined using the projected benefit method pro-rated on service and based on management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs. Pension plan assets are valued at fair value, using a market-related value approach, which is also used in calculating the expected return on plan assets. Past service costs arising from plan amendments are amortized on a straight-line basis over the average remaining service period of the employees active at the date of amendment. The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation or the fair value of plan assets is amortized over the average remaining service period of active employees. When the restructuring of a benefit plan gives rise to both a curtailment and a settlement of obligations, the curtailment is accounted for prior to the settlement. A valuation is performed at least every three years to determine the actuarial present value of the accrued pension and other retirement benefits.

INCOME TAXES

BCE uses the liability method of accounting for income taxes. Future income taxes are provided for temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for tax purposes, computed based on rates and provisions of enacted and substantially enacted tax law.

SUBSCRIBER ACQUISITION COSTS

BCE subsidizes the cost of the Direct to Home (DTH) satellite hardware equipment sold to its customers. These subsidies are deferred and amortized over three years. In addition, wireless subscriber acquisition costs are deferred and amortized over the terms of the contracts, which normally do not exceed twenty-four months. All other subscriber acquisition costs are expensed as incurred.

STOCK-BASED COMPENSATION PLANS

The Corporation's stock-based compensation plans consist primarily of the Employees' Savings Plan (ESP) and the Long-Term Incentive (Stock Option) Programs, which, prior to 2000, may also have included SCPs, which are described in Note 17. No compensation expense is recognized for these plans when shares or stock options are issued to employees. Any consideration paid by employees on exercise of stock options or purchase of shares is credited to share capital. A compensation expense is recognized for the Corporation's portion of the contributions made under the ESP.

EARNINGS PER SHARE

Effective January 1, 2001, BCE adopted the revised recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook section 3500, *Earnings Per Share (EPS)*. The revised Handbook section requires the presentation of both basic and diluted EPS on the face of the income statement regardless of the materiality of the difference between them. In addition, the treasury stock method is used to compute the dilutive effect of options, warrants and similar instruments as opposed to the previously used imputed earnings approach. The section also requires that a reconciliation of the calculation of the basic and diluted EPS computations be disclosed. The revised recommendations were applied retroactively with restatement of prior periods.

FUTURE ACCOUNTING CHANGES

The CICA recently issued new Handbook Sections 1581, Business Combinations, and 3062, Goodwill and Other Intangible Assets. Effective July 1, 2001, the standards require that all business combinations be accounted for using the purchase method. Goodwill resulting from business acquisitions on or after July 1, 2001 is not being amortized. Additionally, effective January 1, 2002, goodwill and intangible assets with an indefinite life will no longer be amortized to earnings and will be assessed for impairment on an annual basis in accordance with the new standards, including a transitional impairment test whereby any resulting

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

impairment will be charged to opening retained earnings. BCE's management is currently evaluating the impact of the adoption of the new standards, and although it is likely, particularly for BCE Teleglobe, that the transitional impairment test will result in a significant impairment charge, BCE's management has not yet completed the assessment of the quantitative impact on its financial statements.

In addition, the CICA recently issued amendments to Handbook Section 1650, Foreign Currency Translation. Effective January 1, 2002, the standards require that all unrealized translation gains and losses on assets and liabilities denominated in foreign currencies be included in earnings for the year, including gains and losses on long-term monetary assets and liabilities, such as long-term debt, which were previously deferred and amortized on a straight-line basis over the remaining lives of the related items. These amendments will be applied retroactively with restatement of prior periods. At December 31, 2001, included in Other long-term assets was $221 million relating to unrealized foreign currency losses.

The CICA also recently issued new Handbook Section 3870, Stock-based compensation and other stock-based payments. This Section establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services and applies to transactions, including non-reciprocal transactions, in which an enterprise grants shares of common stock, stock options, or other equity instruments, or incurs liabilities based on the price of common stock or other equity instruments. This Section sets out a fair value based method of accounting and is required for certain stock-based transactions, effective January 1, 2002 and applied to awards granted on or after that date. BCE's management does not expect the adoption of the new standard to have an impact on its financial statements.

2. SEGMENTED INFORMATION

BCE centers its activities around four core operating segments, based on products and services, reflecting the way that the chief operating decision maker classifies its operations for purposes of planning and performance management.

Bell Canada – represents the consolidation of Bell Canada Holdings Inc. (BCH) with Bell Canada and its consolidated subsidiaries (including Bell Mobility Inc., BCE Nexxia Inc. (carrying on business under the name Bell Nexxia) and Bell ActiMedia Inc.) Bell Distribution Inc. and Certen Inc. BCH owns 100% of Bell Canada. In addition, the segment includes the consolidation of Aliant Inc. (Aliant) (approximately 39% held by Bell Canada and approximately 14% held by BCE Inc.), as well as Bell ExpressVu Limited Partnership (Bell ExpressVu). BCE owns 80% of BCH, the remaining 20% is owned by SBC Communications Inc. (SBC). This segment provides connectivity to residential and business customers through wired and wireless voice and data communications, high speed and wireless Internet access, direct-to-home satellite entertainment services, IP-broadband services, e-business solutions, local and long distance phone and directory services.

Bell Globemedia – represents the consolidation of CTV Inc. (CTV), The Globe and Mail, Bell Globemedia Interactive and other media interests. BCE owns 70.1% of Bell Globemedia, while 20% is held by The Thomson Corporation (Thomson) and 9.9% is held by The Woodbridge Company Limited (Woodbridge). This segment provides integrated information, communications and entertainment services to Canadian customers and access to distinctive Canadian content. This segment also allows for the creation of unique destinations for Internet users through the various portal properties.

BCE Teleglobe – represents the global communications and e-business segment of BCE. This segment provides a broad range of international and domestic communication services including voice, Internet connectivity, high-speed data transmission, hosting, broadband, broadcast and other value-added services on a wholesale and retail basis. BCE Teleglobe is a business unit of Teleglobe Inc., which is 77% owned by BCE Inc. and 23% owned by Bell Canada.

BCE Emergis – represents BCE Emergis Inc. (BCE Emergis). This segment provides business to business (B2B) e-commerce infrastructures, strategically focusing on market leadership in the transaction-intensive eHealth and financial services sectors, through its three strategic business units, eHealth Solutions Group, BCE Emergis – Canada and BCE Emergis – U.S.A. BCE owns approximately 65% of BCE Emergis, with the remaining common shares being publicly held.

BCE Ventures – reflects all non-core businesses, including BCE's interests in Bell Canada International Inc. (BCI), Telesat Canada (Telesat), CGI Group Inc. (CGI) and other BCE investments.

The Corporation uses the contribution to consolidated net earnings as the profitability measure for each of its segments. The accounting policies of the segments are the same as those described in Note 1. Inter-segment sales are negotiated on arm's length terms.

The following tables present information by geographic area as well as information about reported segment profits and assets:

GEOGRAPHIC INFORMATION [a]

For the year ended December 31	2001		2000	
	Revenues External customers	Capital assets & goodwill	Revenues External customers	Capital assets & goodwill
Canada	18,514	30,306	16,119	25,218
United States	1,137	6,191	555	10,169
Other foreign countries	2,060	6,177	758	3,218
Total	21,711	42,674	17,432	38,605

(a) The point of origin (the location of the selling organization) of revenues and the location of capital assets and goodwill determine the geographic areas.

2. SEGMENTED INFORMATION (continued)

BUSINESS SEGMENTS

	Bell Canada	Bell Globemedia	BCE Teleglobe	BCE Emergis	BCE Ventures
For the year ended December 31, 2001					
Operating revenues					
External customers	17,038	1,175	1,745	451	1,403
Inter-segment	216	28	320	205	267
Total operating revenues	17,254	1,203	2,065	656	1,670
Amortization expense	2,934	265	614	452	405
Interest income	11	2	8	5	31
Interest expense	1,118	35	93	33	484
Equity in losses of significantly influenced companies	(26)	(4)	–	–	–
Income taxes recovery (expense)	(870)	(15)	174	(21)	6
Earnings (loss) from continuing operations [a]	689	(150)	(607)	(281)	(310)
Segment assets	26,989	5,139	12,189	1,107	8,348
Capital expenditures	4,815	114	2,206	57	409
For the year ended December 31, 2000					
Operating revenues	15,800	98	326	468	1,402
Amortization expense	2,829	7	52	346	272
Interest income	14	1	4	6	23
Interest expense	1,028	4	39	36	367
Equity in net earnings (losses) of significantly influenced companies	3	15	(122)	–	(9)
Income taxes recovery (expense)	(1,241)	(7)	(27)	6	(17)
Earnings (loss) from continuing operations [a]	994	(78)	(241)	(209)	(361)

(a) Represents each segment's contribution to BCE's net earnings.

RECONCILIATION

For the year ended December 31	2001	2000
Revenues		
Total revenues for reportable segments	22,848	18,094
Corporate and other (including elimination of inter-segment revenues)	(1,137)	(662)
Total consolidated revenues	21,711	17,432
Earnings from continuing operations		
Total earnings (loss) from continuing operations for reportable segments	(659)	105
Corporate and other (including elimination of inter-segment earnings)	3,078	207
Total consolidated earnings from continuing operations	2,419	312

3. BUSINESS ACQUISITIONS AND DISPOSITIONS

2001

BELL GLOBEMEDIA

On January 9, 2001, Bell Globemedia was created. BCE owns 70.1% of Bell Globemedia that includes CTV, The Globe and Mail, Globe Interactive and Sympatico-Lycos. BCE transferred its interests in CTV, Sympatico-Lycos and other miscellaneous media interests to Bell Globemedia. This transaction was accounted for at fair value resulting in the recognition of a $33 million gain on reduction of ownership in subsidiary companies. The acquisition of The Globe and Mail and Globe Interactive was accounted for using the purchase method. The allocation of the purchase price was to tangible assets for $172 million, tangible liabilities for $63 million and goodwill for $668 million.

In December 2001, Bell Globemedia Inc. (Bell Globemedia) acquired 29.9% of The Comedy Network for approximately $36 million, bringing its total interest in the Comedy Network to 95.0%. In November 2001, Bell Globemedia completed the acquisition of Report on Business Tv from affiliates of The Thomson Corporation, pursuant to a previous agreement, for which Bell Globemedia had recorded an amount receivable of $60 million on its balance sheet, with the effective purchase price amounting to $61 million. Effective September 1, 2001, Bell Globemedia completed the acquisitions of CFCF-TV and CKY-TV, two CTV affiliated television stations in Montreal and Winnipeg, respectively, for a total aggregate cash consideration of approximately $183 million. The acquisitions were accounted for using the purchase method. The preliminary allocation of the total aggregate purchase price was to tangible assets for $45 million, tangible liabilities for $42 million (including $34 million of benefits and other costs payable on the acquisition) and goodwill and other intangible assets for $277 million.

In November 2001, Bell Globemedia completed the sale of its 40% interest in Sportsnet for a total cash consideration of approximately $138 million. No gain or loss was recognized on the sale.

BCE VENTURES

On March 13, 2001, Telecom Américas, a joint venture of BCI (BCI holds a 41.7% interest in Telecom Américas as at December 31, 2001), announced a number of agreements that will collectively result in the acquisition of an approximate additional 65% economic interest in the Brazilian cellular companies Telet S.A. (Telet) and Americel S.A. (Americel) (increasing Telecom Américas' economic interest to approximately 81% in both companies) for an aggregate purchase price of approximately US $580 million. At December 31, 2001, Telecom Américas had purchased an additional 60% interest in Telet and Americel for approximately US $545 million.

On March 27, 2001, Telecom Américas invested $470 million in Algar Telecom Leste S.A (ATL), increasing Telecom Américas' total economic ownership in ATL from 50% to 59%. Consequently, the accounting for ATL was changed from proportionate consolidation to full consolidation as of that date. As a result of this transaction, BCI indirectly invested $208 million in ATL and increased its effective economic interest from 22.1% to 24.6%. The acquisition of ATL was accounted for using the purchase method. The preliminary allocation of BCI's proportionate interest of the purchase price was to tangible assets for $483 million, tangible liabilities for $360 million and goodwill and other intangible assets for $85 million.

On April 9, 2001, Telecom Américas closed its agreement to acquire a 100% interest in Tess S.A. (Tess), one of two B Band cellular companies operating in the Brazilian state of São Paulo, for a total consideration of approximately US $950 million ($1,480 million, of which $617 million represents BCI's proportionate interest). The consideration consisted of US $319 million in cash and US $631 million in notes payable, which had a fair value of US $571 million, making the effective purchase price US $890 million. The acquisition of Tess was accounted for using the purchase method. The preliminary allocation of BCI's proportionate interest of the purchase price of $617 million was to tangible assets for $793 million, tangible liabilities for $638 million and goodwill and other intangible assets for $462 million.

On July 27, 2001, CGI acquired all of the outstanding common shares of IMRglobal Corp. (IMRglobal), for a total consideration of $553 million, on the basis of 1.5974 Class A subordinate share of CGI for each IMRglobal common share. The acquisition was accounted for using the purchase method. The preliminary allocation of the total purchase price was to tangible assets for $165 million, tangible liabilities for $191 million and goodwill and other intangible assets for $579 million.

On August 31, 2001, Telecom Américas acquired for total consideration of US $210 million a 60% economic interest in Techtel-LMDS Comunicaciones Interativas, S.A. (Techtel), an Argentine broadband company. América Móvil S.A. de C.V. (América Móvil) contributed Techtel to Telecom Américas in exchange for shares based on the September 25, 2000 joint venture agreement. As a result, BCI effectively acquired a 25% economic interest in Techtel for $135 million (US $88 million). The preliminary allocation of BCI's proportionate interest of the purchase price of $135 million was to tangible assets for $112 million, tangible liabilities for $72 million and goodwill and other intangible assets for $95 million.

2000

ALIANT

In January 2000, BCE increased its ownership in Aliant, a provider of telecommunications services, as well as information technology, remote communications services, and Internet-based solutions, from approximately 41% to approximately 53% (at December 31, 2001 approximately 39% held by Bell Canada and approximately 14% held by BCE Inc.). The acquisition was accounted for using the purchase method. The aggregate purchase price was a total cash consideration of $435 million. The allocation of the purchase price was to tangible assets for $2,885 million, tangible liabilities for $2,757 million and goodwill for $307 million. Certain put and call options have been put in place which, if exercised, will transfer the shares acquired by BCE Inc. to Bell Canada on agreed upon terms.

BELL GLOBEMEDIA

In April 2000, BCE completed the acquisition of all of the outstanding common shares of CTV, including the CTV common shares held by Electrohome Broadcasting Inc., for a cash consideration of approximately $2.3 billion. CTV, including its subsidiary NetStar Communications Inc. (NetStar), is a conventional and specialty broadcaster with a local presence across Canada. The CTV shares were transferred to a trustee pending receipt of the Canadian Radio-television and Telecommunications Commission (CRTC) and other regulatory approvals, which were obtained on December 7, 2000. During the time the shares were held by the trustee, the investment in CTV was accounted for using the equity method. Starting in December 2000, BCE's results reflect the consolidation of CTV. As part of the CRTC approval process, an additional 10% (approximately $230 million) of the value of the transaction will be spent by 2007 on initiatives that will benefit the Canadian broadcasting industry (benefits package). The cost of the benefits package has been included as part of the purchase price for the acquisition of CTV, for a total purchase price of approximately $2.5 billion. The acquisition was accounted for using the purchase method. The allocation of the purchase price was to tangible assets for $1.7 billion, tangible liabilities for $1.1 billion and goodwill and other intangible assets for $1.9 billion.

3. BUSINESS ACQUISITIONS AND DISPOSITIONS (continued)

TELEGLOBE INC.

On November 1, 2000, BCE completed the acquisition of substantially all of the outstanding common shares that it did not already own of Teleglobe Inc. The aggregate purchase price of $7.4 billion was comprised of $240 million in cash and $7.2 billion in BCE Inc. common shares (approximately 174 million common shares were issued) at $41.20 per BCE Inc. common share, which reflected the average of the high and low of the market value of the shares on November 1, 2000. The acquisition was accounted for using the purchase method. The purchase price allocation relating to the acquisition was finalized in the first quarter of 2001, and was to tangible assets for $3.7 billion, tangible liabilities for $4.4 billion and goodwill for $8.1 billion. As a result of the finalization of the purchase price allocation and the finalization of the fiscal 2000 year-end financial statements of Teleglobe Inc., BCE recorded a charge of $60 million relating to its share of asset write-downs and one-time charges recorded by Teleglobe Inc. in the fourth quarter of 2000.

BCE EMERGIS

On March 24, 2000, BCE Emergis completed the acquisition of all the outstanding shares of United Payors & United Providers, Inc. (UP&UP) of Rockville, Maryland, a provider of health claims processing services in the U.S. The aggregate purchase price was a cash consideration of approximately $824 million, subject to certain adjustments. The acquisition was accounted for using the purchase method. The allocation of the purchase price was to tangible assets for $183 million, tangible liabilities for $23 million and goodwill for $664 million.

BCE VENTURES

On November 16, 2000, BCI, America Móvil S.A. de C.V. (America Móvil) and SBC International, Inc. (SBC International) announced the closing of the September 25, 2000 joint venture agreement and the formation of Telecom Américas. The September 25, 2000 agreement was entered into with Telefonos de Mexico S.A. de C.V. (Telmex). However, Telmex subsequently assigned its rights in the joint venture agreement to América Móvil, which now holds the cellular operations and most international investments of Telmex. BCI and América Móvil each held initially a 44.3% interest in Telecom Américas while SBC International holds an 11.4% interest. At closing, Telecom Américas' initial capitalization was approximately US $4 billion and includes the Latin American assets of BCI (excluding Vésper S.A., Vésper São Paulo S.A. and the Internet service provider, Vento Ltda. (collectively, the Vésper companies) and Axtel S.A. de C.V. of Mexico (Axtel), and América Móvil's and SBC International's investments in the Brazilian wireless company ATL-Algar Telecom Leste S.A (ATL)). BCI recorded a gain of $530 million on the contribution of its investments to Telecom Américas at fair value, which is being deferred and amortized on a straight-line basis over approximately 13 years as well as goodwill and other intangible assets amounting to $569 million, upon the contribution of ATL at fair value by its partners.

4. RESTRUCTURING AND OTHER CHARGES

Bell Canada recorded a pre-tax charge of $736 million (BCE's share is $347 million on an after tax basis) in the fourth quarter of 2001, representing restructuring and other charges of $345 million and $391 million, respectively. The restructuring charge is related to employee severance, including enhanced pension benefits and other directly related employee costs, for approximately 2,800 employees, which resulted primarily from a decision to streamline certain management, clerical, line and other support functions. Other charges consisted primarily of the write-off of wireless (Bell Mobility) capital assets relating mainly to the analog and paging networks and PCS base stations. The restructuring program is expected to be substantially completed in 2002. At December 31, 2001, the remaining unpaid balance of this restructuring provision was $177 million.

BCE Teleglobe recorded a pre-tax charge of $198 million (BCE's share is $126 million on an after tax basis) in 2001, representing restructuring and other charges related to the closing of certain facilities and network costs, employee severance and other related employee costs, for approximately 450 employees, which resulted primarily from a decision to restructure portions of its business due to changing international market conditions, as well as a write-down of certain assets. The restructuring program was substantially completed and as at December 31, 2001, the remaining unpaid balance of this restructuring provision was $52 million.

Bell Canada recorded a pre-tax charge of $239 million (BCE's share is $114 million on an after tax basis) in the first quarter of 2001, representing restructuring and other charges of $210 million and $29 million, respectively, related to employee severance, including enhanced pension benefits and other directly related employee costs, for approximately 1,900 employees, which resulted primarily from a decision to streamline support functions, and the write-off of certain assets. The restructuring program was substantially completed and as at December 31, 2001, the remaining unpaid balance of this restructuring provision was $47 million.

5. OTHER INCOME (EXPENSE)

For the year ended December 31	2001	2000
Gains on disposal of investments (a)	**3,798**	–
Gains on reduction of ownership in subsidiaries and joint ventures (b)	**306**	–
Losses on write-down of investments (c)	**(149)**	–
Equity in net losses of significantly influenced companies	**(19)**	(90)
Other	**(82)**	(99)
	3,854	(189)

(a) BCE recorded a gain of approximately $3.7 billion in 2001, relating to the settlement of short-term forward contracts on approximately 47.9 million Nortel Networks Corporation (Nortel Networks) common shares as well as the sale of an equivalent number of Nortel Networks common shares. These transactions resulted in total proceeds of approximately $4.4 billion.

(b) Included in Other income (expense) are gains on the reduction of ownership in subsidiaries and joint ventures in the amount of $306 million in 2001, resulting primarily from the issuance of shares to third parties relating to business acquisitions and public offerings by CGI, Aliant, BCI and BCE Emergis (Note 3).

(c) BCI provided for a $149 million (US $94 million) loss in 2001, relating to a put option that may require BCI to repurchase a third party's indirect stake in Comunicacion Celular S.A. Comcel S.A. (Comcel) at a fixed amount that is greater than its fair value.

6. INCOME TAXES

A reconciliation of income taxes at Canadian statutory rates of 40.1% in 2001 (41.9% in 2000) with the reported income taxes is as follows:

For the year ended December 31	2001	2000
Income taxes computed at statutory rates	1,608	760
Gains on reduction of ownership in subsidiaries and joint ventures	(127)	(2)
Losses not tax effected (principally BCI)	217	218
Equity in net losses of significantly influenced companies	(3)	(40)
Gains and losses on disposal of investments	(758)	57
Difference between Canadian statutory rates and those applicable to foreign subsidiaries	43	(5)
Large corporations tax	33	17
Reduction in Canadian statutory rate	48	48
Goodwill amortization	439	214
Other	56	56
Total income tax expense	1,556	1,323

Significant components of the provision for income taxes attributable to continuing operations are as follows:

For the year ended December 31	2001	2000
Current income taxes	1,599	1,398
Future income taxes		
Change in temporary differences	(90)	103
Recognition of loss carryforwards	(12)	(229)
Tax rate changes	59	51
Total income tax expense	1,556	1,323

The tax effects of temporary differences that gave rise to future tax assets and liabilities from continuing operations are as follows:

At December 31	2001	2000
Non-capital loss carryforwards	813	838
Capital losses carryforward	32	126
Capital assets	62	187
Employee benefit plans	(275)	(378)
Investment tax credits	(63)	(31)
Currency translation adjustments	(5)	13
Difference in accounting and tax basis for investments	71	10
Other	(456)	(313)
Total future income taxes	179	452
Future income taxes are comprised of:		
Future income tax asset – current portion	99	50
Future income tax asset – long-term portion	1,004	1,117
Future income tax liability – long-term	(924)	(715)
Total future income taxes	179	452

At December 31, 2001, the Corporation has non-capital tax loss carryforwards amounting to approximately $3,316 million, expiring at various dates, as well as approximately $1,376 million that can be carried forward indefinitely relating to BCI's operations in Brazil. In addition, the Corporation has net capital losses amounting to approximately $169 million that can be carried forward indefinitely. For financial reporting purposes, a future tax asset of $845 million has been recognized with respect to these loss carryforwards.

7. DISCONTINUED OPERATIONS

For the year ended December 31	2001	2000
Excel Communications group (Excel) (a)	(2,115)	(33)
BCI Latin American CLECs and Asia Mobile segments (b)	219	607
Nortel Networks (c)	–	4,055
ORBCOMM Global, L.P. (ORBCOMM) (d)	–	(80)
Net earnings (loss) from discontinued operations	(1,896)	4,549

(a) Excel provides retail telecommunications services such as long distance, paging and Internet services to residential and business customers in North America and the U.K. On August 26, 2001, Teleglobe Inc. and certain of its subsidiaries entered into definitive agreements for the sale of Excel's North American operations to an affiliate of VarTec Telecom, Inc. (VarTec). The U.K. operations, which are not part of the transaction, were shut down during the year. Consequently, the results of Excel have been reported as a discontinued operation. The gross proceeds, estimated at approximately US $250 million, will be based on Excel's actual 2001 financial results and will be paid in the form of unsecured five-year interest-bearing promissory notes. After accounting for the discount provision on the notes receivable, closure costs of the U.K. operations, transaction costs, estimated operating losses up to the expected date of disposal and related items, the disposal of Excel will not result in any significant gain or loss. The sale is subject to regulatory and other approvals and is expected to be completed by the end of the first quarter of 2002. The results of operations of Excel include an impairment charge of $2,049 million, recorded in the first quarter of 2001, after completion of an assessment of the carrying value of BCE's investment in Excel. The assets of Excel were written down to their estimated net recoverable amount, which was determined using the undiscounted net future cash flows to be generated by these assets. The primary factor contributing to the impairment is a lower than expected operating profit due to a reduction in Excel's forecasted minute volumes and average revenue per minute that are expected to continue in the foreseeable future.

(b) Effective February 23, 2001, BCI sold its 20% equity interest in KG Telecommunications Co. Ltd. (KG Telecom) for an aggregate cash consideration of approximately $785 million. KG Telecom represented BCI's last remaining operation in its Asia Mobile business segment, which in 2000, included also the operations of Hansol M.com. Additionally, effective March 31, 2001, BCI adopted a formal plan of disposal for all of its operations in its Latin American Competitive Local Exchange Carriers (CLECs) business segment, composed of Axtel S.A. de C.V. and the Vésper companies. Consequently, the results of these segments have been reported as discontinued operations. In September 2001, BCI wrote off its carrying value of $86 million in the Vésper companies.

7. DISCONTINUED OPERATIONS (continued)

(c) In May 2000, BCE distributed an approximate 35% interest in Nortel Networks to BCE common shareholders. BCE common shareholders received, for each common share of BCE held, approximately 1.57 post-split common shares of Nortel Networks. Consequently, BCE's results prior to May 2000 reflect its 35% interest in Nortel Networks as a discontinued operation. This transaction was recorded as a distribution (dividend) to shareholders at the pro-rata carrying value of BCE's approximate 37% interest in Nortel Networks prior to the distribution. This resulted in a decrease in the Investment in Nortel Networks of $10 billion, a decrease in Retained earnings of $10.1 billion (including transaction costs of $70 million), and an increase in Currency translation adjustment of $150 million. BCE's remaining interest in Nortel Networks is now being recorded as an investment at cost.

(d) In the third quarter of 2000, Teleglobe Inc. classified its investment in ORBCOMM, a provider of a digital satellite telecommunications system, as a discontinued operation. On September 15, 2000, ORBCOMM voluntarily filed a petition for protection under Chapter 11 of the U.S. Bankruptcy Code. Consequently, BCE's results reflect a $60 million after tax write-down relating to its proportionate interest in ORBCOMM as a discontinued operation. BCE's proportionate interest in ORBCOMM's after-tax losses of $20 million have been reclassified from equity in net earnings (losses) of significantly influenced companies to discontinued operations.

Amounts included in the consolidated balance sheets relating to discontinued operations are as follows:

At December 31	2001	2000
Current assets	605	700
Non-current assets	737	3,569
Current liabilities	(528)	(902)
Non-current liabilities	(251)	(639)
Net assets of discontinued operations	563	2,728

The summarized statements of operations for the discontinued operations are as follows:

For the year ended December 31	2001	2000
Revenue	1,324	662
Operating earnings (loss) from discontinued operations, net of tax	(2,234)	3,692
Gain on discontinued operations, net of tax	416	1,076
Non-controlling interest	(78)	(219)
Net earnings (loss) from discontinued operations	(1,896)	4,549

8. EARNINGS PER SHARE DISCLOSURES

The following is a reconciliation of the numerators and the denominators of the basic and diluted earnings per common share computations for earnings from continuing operations:

For the year ended December 31	2001	2000
Earnings from continuing operations (numerator) ($ millions)		
Earnings from continuing operations	2,419	312
Dividends on preferred shares	(64)	(79)
Earnings from continuing operations – basic	2,355	233
Exercise of put options by CGI shareholders	2	(19)
Earnings from continuing operations – diluted	2,357	214
Weighted average number of common shares outstanding (denominator) (millions)		
Weighted average number of common shares outstanding – basic	807.9	620.0
Exercise of stock options	4.4	2.3
Exercise of put options by CGI shareholders	5.6	3.8
Weighted average number of common shares outstanding – diluted	817.9	626.1

9. INVESTMENTS

At December 31	2001	2000
Investments at equity (a)	521	425
Investments at cost (b)	585	1,223
	1,106	1,648

(a) The goodwill implicit in Investments at equity amounted to $171 million at December 31, 2001 ($181 million in 2000).

(b) Included in Investments at cost is BCE's interest in Nortel Networks, consisting of approximately 13 million shares at December 31, 2001 ($152 million), and 60 million shares at December 31, 2000 ($721 million).

10. CAPITAL ASSETS

At December 31	2001		2000	
	Cost	Net book value	Cost	Net book value
Plant	35,477	14,012	32,490	12,180
Machinery and equipment	8,760	3,820	8,861	4,675
Buildings	2,884	1,561	2,954	1,762
Licenses	2,409	2,061	745	635
Plant under construction	4,475	4,475	2,862	2,862
Land	124	124	128	128
Other	977	546	296	59
	55,106	26,599	48,336	22,301

Amortization of capital assets amounted to $3,331 million in 2001 ($3,084 million in 2000). Total interest cost amounting to $71 million in 2001 ($21 million in 2000) was capitalized as capital assets.

11. SUPPLEMENTARY INFORMATION

At December 31	2001	2000
Other long-term assets (a)		
Accrued benefit asset (Note 18)	**1,838**	1,826
Unrealized foreign currency losses, net of amortization	**271**	287
Long-term notes and other receivables	**253**	197
Other	**1,289**	1,003
	3,651	3,313
Debt due within one year (b)		
Bank advances and notes payable	**3,587**	5,313
Long-term debt due within one year (Note 12)	**1,676**	571
	5,263	5,884
Other long-term liabilities		
Accrued benefit liability (Note 18)	**1,067**	987
CRTC benefits packages	**225**	230
BCE Inc. Series P retractable preferred shares (c)	**400**	400
BCI deferred gain on transfer of assets to Telecom Americas (Note 3)	**486**	527
Other	**1,951**	1,741
	4,129	3,885

(a) Amortization of deferred charges amounted to $62 million in 2001 ($118 million in 2000).

(b) Debt due within one year is expected to either be repaid by internally generated funds or refinanced by the issuance of debt.

(c) At December 31, 2001, 16 million shares were outstanding, carrying an annual dividend rate of $1.60 per share. The shares may be redeemed, at the holder's option, on a quarterly basis on or after July 15, 2002, at a price of $25 per share. The Corporation may, at any time, elect to create a further series of preferred shares into which the Series P shares will be convertible on a share-for-share basis at the option of the holder.

12. LONG-TERM DEBT

At December 31	2001	2000
Bell Canada		
Debentures and notes (weighted average interest rate of 7.5%), due in 2002 to 2054 (a)	**9,057**	7,475
Subordinated debentures (weighted average interest rate of 8.2%), due in 2026 and 2031	**275**	275
Other (b)	**567**	505
Total – Bell Canada	**9,899**	8,255
Aliant		
Debentures, notes and bonds, 6.40% to 12.25%, due in 2002 to 2025 (c) (d) (e)	**1,013**	1,052
Acquisition facility, LIBOR + 3.75%, due in 2003 (f)	**318**	271
Term debt, LIBOR + 3.75%, due in 2005 (f)	**199**	225
Other	**16**	20
Total – Aliant	**1,546**	1,568
Bell Globemedia		
Revolving reducing term credit agreements (g)	**325**	534
Notes, 7.15%, due in 2009, and other	**160**	174
Total – Bell Globemedia	**485**	708
Teleglobe Inc.		
Debentures (US $994 million), 7.20% to 7.70%, due in 2009 to 2029 (h)	**1,583**	1,491
Debentures, 8.00% to 8.85%, due in 2002 to 2026 (i)	**350**	350
Other	**69**	159
Total – Teleglobe Inc.	**2,002**	2,000
BCI		
14.125% Senior deferred coupon bonds (2001 – US $116 million, 2000 – US $125 million) due in 2005	**185**	187
LIBOR + a variable margin (3.25% to 4.25%) Senior term loan (2001 – US $39 million, 2000 – US $73 million) due in varying semi-annual payments ending in 2002	**62**	109
14.0% Senior discount notes (2001 – US $77 million, 2000 – US $79 million) due in 2004	**123**	119
11.0% Senior unsecured notes, redeemable at the option of the issuer, repayable in 2004	**160**	160
Notes (2001 – US $247 million), LIBOR and 3.6%, due in 2004	**393**	–
Term equipment financing (j)	**391**	577
Other (k)	**818**	536
Total – BCI	**2,132**	1,688
Telesat – Notes, 7.40% to 10.75%, due in 2002 to 2008, and other	**371**	301
Total – Other	**102**	95
Total long-term debt	**16,537**	14,615
Less: Amount due within one year (Note 11)	**(1,676)**	(571)
Long-term debt	**14,861**	14,044

12. LONG-TERM DEBT (continued)

BELL CANADA

(a) Debentures and notes include US $400 million maturing in 2006 and 2010 and 300 million Swiss francs, due 2003, swapped into U.S. dollar obligations. In addition, $625 million of long-term debt includes call options permitting early repayment of the principal amounts upon payment of certain premiums.

(b) Included in Other are obligations under capital leases of $66 million ($49 million in 2000), net of loans receivable of $335 million ($256 million in 2000). These obligations resulted from agreements entered into in 1999 and 2001, whereby Bell Canada sold and leased back telecommunication equipment for total aggregate proceeds of $399 million, a portion of which was invested in interest bearing loans receivable. These capital leases, net of loans receivable, were originally issued for US $39 million and have been swapped to Canadian dollar obligations.

ALIANT

(c) All Debentures are issued in series and are redeemable at the option of Aliant prior to maturity at the prices, times and conditions specified in each series. The Debentures are issued under a trust indenture and are unsecured.

(d) The Notes are a combination of both secured and unsecured issues. The unsecured notes have been issued under a trust indenture or under long-term floating rate facilities. Certain notes are secured by debentures containing a floating charge over certain assets.

(e) All Bonds are issued in series and are redeemable at the option of Aliant prior to maturity at the prices, times and conditions specified in each series. The Bonds are secured by a Deed of Trust and Mortgage and by supplemental deeds. These instruments contain a first fixed and specific mortgage, a pledge and charge upon all real and immovable property and equipment of Aliant Telecommunications Inc., and a floating charge on all other property of Aliant Telecommunications Inc., both present and future.

(f) As collateral for the acquisition facility and term debt, Stratos Global Corporation has provided a first priority perfected security interest over all its assets.

BELL GLOBEMEDIA

(g) CTV has entered into revolving reducing term credit agreements, expiring in 2002 and 2006, and has accordingly classified this bank indebtedness as long-term. These agreements are collateralized by assets of CTV and NetStar and require certain financial ratios to be met on a quarterly basis and impose certain covenants and maintenance tests and restrict the payment of dividends. Amounts borrowed under these facilities bear interest at prime to prime plus 0.5% to 1.75% dependent on specified financial ratios and the form of funds received. CTV has fixed interest rates through swap agreements on $130 million of bank indebtedness. As at December 31, 2001, the prime rate was 4%.

TELEGLOBE INC.

(h) The 7.20% and 7.70% debentures issued on July 20, 1999 are unsecured and redeemable at any time by Teleglobe Inc. They are fully and unconditionally guaranteed by Teleglobe Holdings (U.S.) Corporation. They were issued under a trust indenture providing for the creation of a debenture in the principal amount of US $1 billion. On August 18, 1999, the trust indenture for both debentures was modified to procure for holders of the 7.20% debentures the option to sell the debentures back to Teleglobe Inc. at par on July 20, 2005, and for holders of the 7.70% debentures, the option to sell the debentures back to Teleglobe Inc. at par on July 20, 2011.

(i) The 8.85%, 8.35% and 8.00% debentures issued in 1992, 1993 and 1996, respectively, are unsecured and redeemable at any time by Teleglobe Inc. They were each issued under a trust indenture providing for the creation of a debenture in the principal amount of $350 million. They are fully and unconditionally guaranteed by Teleglobe Holdings (U.S.) Corporation.

BCI

(j) Term equipment financing at LIBOR plus 2.5% to 10% due at different dates no later than 2005. As at December 31, 2001, the one-month LIBOR rate was 1.87%.

(k) Other consists mainly of bank loans and other financing at various rates due at different dates no later than 2009.

LONG-TERM DEBT MATURITIES

Long-term debt maturities are summarized below:

	2002	2003	2004	2005	2006	Thereafter	Total
Bell Canada	958	1,498	298	812	546	5,887	**9,899**
Aliant	85	330	197	251	1	682	**1,546**
Bell Globemedia	–	140	–	–	195	150	**485**
Teleglobe Inc.	143	140	16	967	8	728	**2,002**
BCI	482	318	678	298	111	245	**2,132**
Telesat	78	3	3	3	153	131	**371**
Other	30	26	13	16	–	17	**102**
Total	**1,676**	**2,455**	**1,205**	**2,347**	**1,014**	**7,840**	**16,537**

The commercial paper programs of BCE Inc., Bell Canada and Aliant (excluding BCE Inc.'s and Bell Canada's extendable Class E Notes) are supported by lines of credit, extended by several banks, totalling $2 billion at December 31, 2001, under which a total of approximately $275 million in commercial paper was outstanding. In addition, Bell Canada had approximately $130 million of Class E Notes outstanding (nil at BCE Inc.). Under their commercial paper programs, BCE Inc. and Bell Canada may issue Class E Notes that are not supported by any committed lines of credit but are instead extendable, at BCE Inc.'s and Bell Canada's option, in certain circumstances. The maximum principal amount of Class E Notes outstanding at any one time may not exceed $360 million in the case of BCE Inc. and $400 million in the case of Bell Canada.

13. FINANCIAL INSTRUMENTS

RISK MANAGEMENT

BCE periodically uses various derivative instruments to manage its foreign currency and interest rate positions and to diversify its access to capital markets. The derivative instruments entered into by BCE include interest rate swaps, interest rate caps, cross currency swaps, forward contracts, forward rate agreements and foreign currency denominated options.

CREDIT RISK

BCE is exposed to credit risk in the event of non-performance by counterparties to its derivative financial instruments, but does not anticipate non-performance by any of the counterparties. BCE deals only with highly rated financial institutions and monitors the credit risk and credit standing of counterparties on a regular basis. BCE manages its exposure to ensure that there is no substantial concentration of credit risk

13. FINANCIAL INSTRUMENTS (continued)

resulting from derivative contracts with any particular counter party. In addition, BCE is exposed to credit risk from customers. However, BCE's businesses have a large number of diverse customers that minimizes the concentration of this risk.

CURRENCY EXPOSURES

At December 31, 2001, principal amounts to be received under cross currency contracts include SF 300 million, US $179 million and $806 million, whereas principal amounts owed under cross currency contracts include US $730 million and $274 million. Of the $16.5 billion of total long-term debt, $4.2 billion is exposed to fluctuations in foreign exchange rates.

INTEREST RATE EXPOSURES

Long-term debt is issued mainly at fixed interest rates and notes payable are issued at market rates for commercial paper. Of the $16.5 billion of total long-term debt and $1.3 billion of preferred shares, $2.4 billion and $200 million, respectively, are exposed to fluctuations in interest rates.

FAIR VALUE

Fair values approximate amounts at which financial instruments could be exchanged between willing parties, based on current markets for instruments of the same risk, principal and remaining maturities. Fair values are based on estimates using present value and other valuation techniques, which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates, which reflect varying degrees of risk. Potential income taxes and other expenses that would be incurred on disposition of these financial instruments have not been reflected in the fair values. Therefore, due to the use of subjective judgement and uncertainties, the aggregate fair value amount should not be interpreted as being realizable in an immediate settlement of the instruments.

The carrying value of all financial instruments approximates fair value with the following exceptions:

At December 31	2001		2000	
	Carrying value	Fair value	Carrying value	Fair value
Investment in Nortel Networks (a)	**167**	**154**	721	2,907
Long-term debt due within one year	**1,676**	**1,669**	571	572
Long-term debt	**14,861**	**15,652**	14,044	14,707
Derivative financial instruments, net assets (liability) position:				
Forward contracts – Nortel Networks shares (a)	–	–	–	2,005
Forward contracts – BCE Inc. shares	**(24)**	**(31)**	10	19
Cross currency contracts (b)	**(50)**	**(53)**	58	62
Interest rate swaps	–	**75**	–	31

(a) During the second and fourth quarters of 2000, BCE entered into forward contracts, for up to one year, with several financial institutions to hedge its exposure to fluctuations in the market price of Nortel Networks common shares in relation to the monetization of such shares. As a result of these contracts, approximately 47.9 million of BCE's 60 million Nortel Networks common shares were hedged at an average price of approximately $90 per share. In the first quarter of 2001, BCE settled the short-term forward contracts on approximately 47.9 million Nortel Networks common shares and sold an equivalent number of Nortel Networks common shares. An additional six million of BCE's approximate 13 million Nortel Networks common shares have been designated as a hedge of BCE's exposure to outstanding rights to SCPs (Note 17).

(b) Amounts receivable or payable under cross currency contracts are included in current assets, deferred charges or liabilities, as appropriate.

SALE OF ACCOUNTS RECEIVABLE

Under an agreement effective October 14, 1997, Bell Canada sold accounts receivable for aggregate cash proceeds of $650 million. On December 12, 2001, this agreement was terminated and replaced by a new agreement dated December 12, 2001, whereupon Bell Canada sold a co-ownership interest in a pool of present and future eligible accounts receivable to a securitization trust that issued securities to investors for aggregate cash proceeds of $875 million. As at December 31, 2001, Bell Canada is carrying a retained interest in the transferred accounts receivable of $76 million. Bell Canada estimates the fair value of the retained interests and calculates the loss on sale using a present value of estimated cash flows model.

Under an agreement effective December 13, 2001, Aliant sold accounts receivable to a securitization trust for aggregate cash proceeds of $150 million. Pursuant to the agreement the Company transferred $177 million of accounts receivable to the trust. The excess of amounts transferred over the $150 million sold represents the Company's retained interest and the amount of overcollateralization in the receivables transferred.

Pursuant to these agreements, Bell Canada and Aliant continue to service the accounts receivable and their interest in collections of these accounts receivable in subordinated to the purchaser's interest. Bell Canada and Aliant remain exposed to certain risks of default on the amount of receivables under securitization and have provided various credit enhancements in the form of overcollateralization and subordination of its retained interests. The purchasers will re-invest the funds from collections in the purchase of additional interests in Bell Canada and Aliant accounts receivable until the expiration of the agreements on December 12, 2006 and December 13, 2006, respectively. The purchasers and its investors have no recourse to Bell Canada's and Aliant's other assets for failure of the debtors to pay when due.

In 2001, Bell Canada and Aliant recognized pre-tax losses of $4 million and $388,000, respectively on these securitization transactions. The key assumptions underlying these transactions are:

	Bell Canada	Aliant
Cost of funds	2.5%	2.3%
Weighted average life in days	39	48
Average credit loss ratio	0.8%	0.9%
Servicing fee liability	2.0%	2.0%

The sensitivity of the current fair value of the retained interests or residual cash flows to an immediate 10 percent and 20 percent adverse change in each of the above assumptions in each case is less than $500,000.

GUARANTEES

At December 31, 2001, BCE had outstanding guarantees of $333 million representing financial, bid, performance and advance payment guarantees issued in the normal course of business.

14. NON-CONTROLLING INTEREST

At December 31	2001	2000
Non-controlling interest in subsidiaries:		
Bell Canada	852	617
Aliant	742	712
Bell Globemedia	1,225	91
Teleglobe Inc.	188	208
BCE Emergis	280	366
BCI	71	99
Other	30	–
	3,388	2,093
Preferred shares, equity-settled notes and convertible debentures issued by subsidiaries:		
Bell Canada	1,474	1,065
Aliant	172	–
Teleglobe Inc.	–	130
BCI	611	426
Other	50	50
	2,307	1,671
Total non-controlling interest	5,695	3,764

15. PREFERRED SHARES

AUTHORIZED

The articles of incorporation of the Corporation provide for an unlimited number of First Preferred Shares and Second Preferred Shares. The articles authorize the Directors to issue such shares in one or more series and to fix the number of shares of each series, and the conditions attaching to them.

AUTHORIZED AND OUTSTANDING

The following table provides a summary of the principal terms and conditions relating to the Corporation's authorized and outstanding series of First Preferred Shares. The detailed terms and conditions of such shares are set forth in the Corporation's articles of incorporation. All series outstanding at December 31, 2001, were non-voting except under certain circumstances when the holders were entitled to one vote per share. All series outstanding at December 31, 2001, other than Series P shares (Note 11), were convertible at the holder's option into another series of First Preferred Shares. At December 31, 2001, no Second Preferred Shares were outstanding.

Series	Annual dividend rate	Convertible into	Conversion date	Redemption date	Redemption price	Authorized Number of shares	Stated Capital At December 31 2001	2000
Q (a) (b)		Series R	December 1, 2010	December 1, 2005	$25.50	8,000,000	–	–
R (a) (c)	1.5435	Series Q	December 1, 2005	December 1, 2005	$25.00	8,000,000	200	200
S (c) (d)	floating	Series T	November 1, 2006	At any time	$25.50	8,000,000	200	200
T (b)		Series S	November 1, 2011	November 1, 2011	$25.00	8,000,000	–	–
U (c) (e) (f)	1.3850	Series V	March 1, 2007	March 1, 2007	$25.00	22,000,000	350	350
V (b)		Series U	March 1, 2012	March 1, 2012	$25.00	22,000,000	–	–
W (c) (e) (f)	1.3625	Series X	September 1, 2007	September 1, 2007	$25.00	20,000,000	300	300
X (b)		Series W	September 1, 2012	September 1, 2012	$25.00	20,000,000	–	–
Y (c) (e) (g)	1.1500	Series Z	December 1, 2002	December 1, 2002	$25.00	10,000,000	250	250
Z (b)		Series Y	December 1, 2007	December 1, 2007	$25.00	10,000,000	–	–
							1,300	1,300

(a) On December 1, 2000, the 8 million Series Q shares were converted into 8 million Series R shares. Holders of the Series R shares are entitled to fixed cumulative quarterly dividends. The Corporation may redeem the Series R shares on December 1, 2005 and on December 1 every fifth year thereafter for $25 per share.

(b) Authorized but not issued.

(c) Authorized and outstanding, except that only 14 million Series U shares and 12 million Series W shares are outstanding.

(d) On November 1, 2001, the Series S shares were not converted into Series T shares. Accordingly, since that date, holders of the Series S shares are entitled to floating adjustable cumulative monthly dividends instead of fixed cumulative quarterly dividends. At any time, the Corporation may now redeem the Series S shares for $25.50 per share.

(e) Holders of Series U, W and Y shares will be entitled to floating adjustable cumulative monthly dividends starting on March 1, 2007, September 1, 2007 and December 1, 2002, respectively.

(f) The Corporation has entered into interest rate swap agreements until 2007 to effectively convert the Series U and W fixed dividends to floating rate dividends equal to the 90-day Bankers' Acceptance Rate less 0.675% and 0.594%, respectively. The Corporation may redeem the Series U and Series W shares on and after March 1, 2007 and September 1, 2007, respectively. However, if these series are listed on The Toronto Stock Exchange, the redemption price after these dates shall be $25.50 per share.

(g) The Corporation may redeem the Series Y shares at any time after December 1, 2002 for $25.50 per share.

16. COMMON SHARES AND CLASS B SHARES

AUTHORIZED

The articles of incorporation of the Corporation provide for an unlimited number of common shares and Class B Shares. The common shares and the Class B Shares rank equally with respect to the payment of dividends and upon liquidation, dissolution or winding-up of the Corporation. The Class B Shares are non-voting.

AUTHORIZED AND ISSUED

The following table provides information concerning the outstanding common shares of the Corporation.

For the year ended December 31	2001		2000	
	Number of shares	Stated capital	Number of shares	Stated capital
Outstanding, beginning of year	809,861,531	13,833	643,804,984	6,789
Shares issued				
Exchange for Teleglobe Inc. common shares (Note 3)	–	–	173,889,782	7,164
Exercise of stock options (Note 17)	3,178,980	71	1,316,467	36
Shares purchased for cancellation (a)	(4,526,300)	(77)	(9,149,702)	(156)
Outstanding, end of year	808,514,211	13,827	809,861,531	13,833

As at December 31, 2001 and 2000, no Class B Shares were outstanding.

(a) In 2001, the Corporation purchased and cancelled 4.5 million of its common shares for an aggregate price of $191 million (9.1 million for $384 million in 2000).

17. STOCK-BASED COMPENSATION PLANS

EMPLOYEES' SAVINGS PLANS (ESP)

The ESPs enable employees of the Corporation and its participating subsidiaries to acquire BCE Inc. common shares through regular payroll deductions plus employer contributions, if applicable. Under the terms of the ESPs, employees can choose each year to have up to a certain percentage of their annual earnings as determined by each participating company (10% in the case of Bell Canada) withheld to purchase the Corporation's common shares. The employer contributes up to a certain maximum percentage of the employee's annual earnings that, in the case of Bell Canada, is 2%. The purpose of the ESP is to encourage employees to own shares of the Corporation. Participation at December 31, 2001, was 38,278 employees (36,563 employees in 2000). Common shares of the Corporation are purchased by the ESP trustee on behalf of the participants on the open market, by private purchase or from BCE Inc., as determined from time to time by BCE Inc. The total number of common shares purchased on behalf of employees was 4,953,410 during 2001 (3,518,159 in 2000). Compensation expense related to ESP amounted to $42 million ($37 million in 2000). At December 31, 2001, 8,542,289 common shares were reserved for issuance under the ESP.

BCE INC. STOCK OPTIONS

Under the Long-Term Incentive Stock Option Programs (Programs) of the Corporation, options may be granted to directors, officers and other key employees of the Corporation and of its subsidiaries to purchase common shares of the Corporation generally at a subscription price of 100% of market value on the last trading day prior to the effective date of the grant. At December 31, 2001, a total of 37,043,697 common shares remained authorized for issuance under the Programs. The options are exercisable during a period not to exceed ten years and are generally not exercisable during the first 12 months after the date of the grant. The right to exercise all the options generally accrues over a period of four years of continuous employment or directorship except when a special vesting period is granted. However, if there is a change of control of the Corporation, the options may, if an optionee's employment or directorship is terminated under certain circumstances, become immediately exercisable. Furthermore, with respect to optionees employed by certain subsidiaries of the Corporation, the same result may also occur if the Corporation ceases, under certain circumstances, to hold a specific percentage ownership interest (as set forth in the Programs) in these subsidiaries.

As a result of the distribution of Nortel Networks common shares in May 2000 (Note 7), each of the then outstanding BCE Inc. stock options was cancelled and replaced by a new stock option giving the right to acquire one BCE Inc. common share and, in addition, by a new stock option giving the right to acquire approximately 1.57 post-split common shares of Nortel Networks (Nortel options) with exercise prices established so as to maintain the economic position of the holder. In order to ensure that the exercise of the Nortel options would not result in a dilution to Nortel Networks shareholders, the aggregate number of BCE Inc. common shares issuable pursuant to options granted under the Programs immediately prior to the effective time of the distribution was factored into the computation of the number of Nortel Networks common shares per BCE Inc. common share held to be distributed. Accordingly, the exercise price paid to Nortel Networks on the exercise of the Nortel options is remitted to BCE Inc. shortly after the time of exercise, with the amount being credited to Retained earnings. In addition, BCE Inc. also has the right to exercise all Nortel options that expire unexercised or are forfeited and hold the shares as an investment at cost.

The following table summarizes the status of the BCE Inc.'s Stock Option Programs:

For the year ended December 31	2001		2000	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding, beginning of year	9,114,695	$27	5,767,012	$56
Granted	11,629,250	$41	4,812,218	$39
Exercised	(335,669)	$11	(986,244)	$33
Expired	(1,880,900)	$37	(478,291)	$42
Outstanding, end of year	18,527,376	$35	9,114,695	$27
Exercisable, end of year	2,300,387	$25	1,057,731	$11

The weighted average exercise price has been adjusted to reflect the distribution of the Nortel Networks common shares in May 2000.

17. STOCK-BASED COMPENSATION PLANS (continued)

The following table summarizes information about the BCE Inc.'s Stock Option Programs at December 31, 2001:

	Options outstanding			Options exercisable	
Range of exercise price	Number	Weighted average remaining life	Weighted average exercise price	Number	Weighted average exercise price
Below $20	3,830,771	7 years	$15	1,271,602	$12
$20 – $30	–	–	–	–	–
$30 – $40	2,776,717	9 years	$36	218,990	$35
Over $40	11,919,888	9 years	$41	809,795	$41
	18,527,376		**$35**	**2,300,387**	**$25**

SPECIAL COMPENSATION PAYMENTS (SCPs)

Prior to 2000, simultaneously with the grant of an option, officers and key employees of the Corporation and its subsidiaries may have been granted by their employer, from time to time, accompanying rights to SCPs. As a result of the distribution of Nortel Networks common shares (Note 7), the then outstanding options were divided into options to acquire BCE Inc. common shares and Nortel Networks common shares, and the related SCPs were appropriately adjusted. As a result, SCP right holders now have, for each SCP right held prior to the distribution, SCP rights related to the increase in price of both the BCE Inc. and Nortel Networks common shares over the exercise prices of the related options. The amount of any SCPs is equal to the increase in market value of the number of the BCE Inc. and Nortel Networks shares covered by the SCPs (which may not exceed the number of shares covered by the option to which it is related) from the date of grant of the SCPs to the date of exercise of the option to which the SCPs is related. To manage SCP expense, BCE has entered into forward contracts to hedge its exposure to outstanding SCP rights related to options over BCE Inc. common shares and has designated approximately six million Nortel Networks common shares as a hedge of BCE's exposure to outstanding SCP rights related to the options over the Nortel Networks common shares. At December 31, 2001, 3,479,102 SCPs (4,080,111 at December 31, 2000) relating to BCE Inc. common shares and 3,301,891 SCPs (3,698,215 at December 31, 2000) relating to Nortel Networks common shares covering the same number of shares as the options to which they are related were outstanding. The payment of SCPs remains the responsibility of the employer. In 2001, compensation expense related to SCPs amounted to $64 million ($82 million in 2000).

TELEGLOBE INC. STOCK OPTIONS

As a result of the acquisition of Teleglobe Inc. on November 1, 2000 (Note 3), Teleglobe Inc. stock options continue to be exercisable in accordance with their original terms and conditions, with the exception that stock options holders will receive, upon exercise of their options, 0.91 of a BCE Inc. common share for each Teleglobe Inc. stock option held. The outstanding Teleglobe Inc. stock options have a vesting period of three to four years, and will expire seven to ten years from the date of grant.

The following table summarizes the status of Teleglobe Inc.'s Stock Option Programs at, and changes from November 1, 2000 to December 31, 2000 and from January 1, 2001 to December 31, 2001:

For the period ended December 31	2001		2000	
	Number of BCE Inc. shares	Weighted average exercise price	Number of BCE Inc. shares	Weighted average exercise price
Outstanding, January 1, 2001 and November 1, 2000	**18,934,537**	**$36**	20,106,612	$37
Exercised	**(2,911,216)**	**$24**	(330,223)	$13
Expired	**(5,818,355)**	**$44**	(841,852)	$38
Outstanding, December 31	**10,204,966**	**$39**	18,934,537	$36
Exercisable, December 31	**6,073,732**	**$38**	8,035,329	$33

The following table summarizes information about Teleglobe Inc.'s Stock Option Programs at December 31, 2001:

	Options outstanding			Options exercisable	
Range of exercise price	Number	Weighted average remaining life	Weighted average exercise price	Number	Weighted average exercise price
Below $20	584,943	4 years	$12	584,943	$12
$20 – $30	427,252	4 years	$25	423,597	$25
$30 – $40	4,804,898	8 years	$38	1,868,059	$38
Over $40	4,387,873	5 years	$45	3,197,133	$45
	10,204,966		**$39**	**6,073,732**	**$38**

18. EMPLOYEE BENEFIT PLANS

BCE and certain of its significant subsidiaries maintain defined benefit plans that provide for pension, other retirement and post-employment benefits for substantially all their employees based on length of service and rate of pay. BCE's funding policy is to make contributions to its pension funds based on various actuarial cost methods as permitted by pension regulatory bodies. The companies are responsible to adequately fund the plans. Contributions reflect actuarial assumptions concerning future investment returns, salary projections and future service benefits. Plan assets are represented primarily by Canadian and foreign equities, government and corporate bonds, debentures and secured mortgages.

18. EMPLOYEE BENEFIT PLANS (continued)

The changes in the benefit obligations and in the fair value of assets and the funded status of the defined benefit plans were as follows:

	Pension benefits		Other benefits	
	2001	2000	2001	2000
Projected benefit obligation, beginning of year	10,497	8,956	1,637	1,437
Current service cost	212	191	31	30
Interest cost	732	696	116	112
Actuarial gains (losses)	799	–	(100)	–
Estimated benefits payments	(794)	(691)	(74)	(60)
Employee contributions	6	3	–	–
Business combinations	–	1,366	–	122
Special termination costs	266	–	–	–
Divestitures and other	19	(24)	(3)	(4)
Projected benefit obligation, end of year	11,737	10,497	1,607	1,637
Fair value of plan assets, beginning of year	14,254	12,000	361	333
Return on plan assets	1,012	1,082	28	29
Actuarial gains (losses)	(597)	264	(3)	–
Estimated benefits payments	(794)	(691)	(74)	(60)
Employer contribution	17	6	73	59
Employee contribution	6	3	–	–
Business combinations	65	1,614	–	4
Divestitures	(41)	(24)	–	(4)
Fair value of plan assets, end of year	13,922	14,254	385	361
Funded status	2,185	3,757	(1,222)	(1,276)
Unamortized net actuarial gain	(18)	(1,488)	(286)	(198)
Unamortized past service costs	52	15	1	–
Unamortized transitional (asset) obligation	(259)	(402)	440	487
Valuation allowance	(122)	(56)	–	–
Accrued benefit asset (liability), end of year (Note 11)	1,838	1,826	(1,067)	(987)

At December 31, 2001, approximately 1% of the plan assets are held in BCE Inc. common shares.

The significant weighted-average assumptions adopted in measuring BCE's pension and other benefit obligations were:

At December 31	Pension benefits		Other benefits	
	2001	2000	2001	2000
Discount rate	6.5%	7.0%	6.5%	7.0%
Expected long-term return on plan assets	8.8%	8.5%	8.8%	8.5%
Rate of compensation increase	3.5%	3.9%	3.5%	3.9%

For measurement purposes, a 4.5% annual rate of increase in the per capita cost of covered health care benefits (the health care cost trend rate) was assumed for 2001 except for the cost of medication that was assumed to increase at a 10.5% annual rate for 2001 and gradually decline to 4.5% by 2005 and remain at that level thereafter.

The net benefit plans expense (credit) included the following components:

For the year ended December 31	Pension benefits		Other benefits	
	2001	2000	2001	2000
Current service cost	212	191	31	30
Interest cost	732	696	116	109
Expected return on plan assets	(1,198)	(1,104)	(28)	(28)
Amortization of past service costs	12	3	–	–
Amortization of net actuarial gain	(4)	(7)	(6)	(5)
Amortization of transitional (asset) obligation	(60)	(64)	40	40
Increase in valuation allowance	102	30	–	–
Other	(71)	–	1	–
Net benefit plans (credit) expense	(275)	(255)	154	146

19. COMMITMENTS AND CONTINGENCIES

COMMITMENTS

At December 31, 2001, the future minimum lease payments under capital leases were $301 million. At December 31, 2001, the future minimum lease payments under operating leases with initial non-cancellable lease terms in excess of one year were $414 million in 2002, $362 million in 2003, $340 million in 2004, $381 million in 2005, $276 million in 2006 and $1,835 million thereafter. Rental expense applicable to operating leases in 2001 amounted to $700 million ($410 million in 2000).

AGREEMENT BETWEEN BCE AND SBC

In connection with the sale of a 20% interest in Bell Canada to SBC in 1999, BCE and SBC entered into a unanimous shareholders' agreement, which includes, among other conditions, the option by SBC to sell all of its shares in BCH (the holding company of Bell Canada) to BCE, at any time from July 1, 2002 until December 31, 2002, and at any time from July 1, 2004 until December 31, 2004, at the fair market value of the shares multiplied by 1.25. BCE also has the option, during the same periods of time, to purchase all of SBC's shares at the fair market value of the shares multiplied by 1.25. BCE has the right to issue as consideration, in full or in part, two-year interest-bearing notes.

19. COMMITMENTS AND CONTINGENCIES (continued)

AGREEMENT BETWEEN BCE AND CGI

BCE entered into an agreement on July 1, 1998 with CGI's three largest individual shareholders (the Shareholders) providing for certain put and call options, as well as rights of first refusal, on the shares of CGI held by the Shareholders. The agreement gives the Shareholders the right to gradually sell (put options) their shares to BCE through January 5, 2004 and, thereafter for a period of two years, the right to BCE to buy (call options) these shares to the extent not already acquired by BCE. The price per share payable on any exercise of the put or call options will be, in all cases, 115% of the market price for CGI shares on the exercise date payable in common shares of BCE. These options, if fully exercised, will increase BCE's equity ownership and voting interest in CGI to approximately 41%.

SHARED SERVICES AGREEMENT

Effective June 22, 2001, Bell Canada entered into a ten-year service contract with a special purpose entity. This service contract will allow Bell Canada to, over time, reduce systems and administrative costs through the rationalization and enhancements of certain systems and the optimization of certain processes. Bell Canada's commitments are approximately $150 million over the first three years of the agreement. In 2004, Bell Canada may either exercise an option to buy the special purpose entity, or maintain the service contract and therefore commit itself to an additional minimum of $420 million in service fees to the third party.

LITIGATION

In the normal course of operations, BCE becomes involved in various claims and litigation. While the final outcome with respect to claims and litigation pending at December 31, 2001 cannot be predicted with certainty, it is the opinion of management that their resolution will not have a material adverse effect on BCE's consolidated financial position or results of operations.

20. RECONCILIATION OF EARNINGS REPORTED IN ACCORDANCE WITH CANADIAN GAAP TO UNITED STATES GAAP

The consolidated financial statements of BCE have been prepared in accordance with Canadian GAAP. The tables below present a reconciliation of the net earnings and retained earnings reported in accordance with Canadian GAAP to United States GAAP.

For the year ended December 31	2001	2000
Net earnings (loss) applicable to common shares:		
Canadian GAAP – Continuing operations	**2,355**	233
Adjustments		
Additional pick-up of non-controlling interest (a)	**(67)**	14
Pre-operating expenses and subscriber acquisition costs (b)	**(103)**	(100)
Foreign exchange (c)	**(40)**	(76)
Employee future benefits (d)	**53**	39
Income taxes (e)	**(45)**	45
Gain on disposal of investments and on reduction of ownership in subsidiary companies (f)	**75**	(31)
Discontinued operations (g)	**219**	607
Other	**51**	(63)
United States GAAP – Continuing operations	**2,498**	668
Discontinued operations – U.S. GAAP (g)	**(2,032)**	(1,024)
United States GAAP	**466**	(356)
Other comprehensive earnings (loss) items		
Change in currency translation adjustment	**248**	107
Change in unrealized gain on investments (h)	**(168)**	2,788
United States GAAP – Comprehensive earnings	**546**	2,539
Per common share – United States GAAP		
Continuing operations – Basic	**3.09**	1.00
– Fully diluted	**3.06**	0.97
Net earnings (loss) – Basic	**0.58**	(0.53)
– Fully diluted	**0.57**	(0.55)

For the year ended December 31	2001	2000
Retained earnings:		
Canadian GAAP	**903**	1,521
Adjustments		
Additional pick-up of non-controlling interest (a)	**(133)**	(66)
Pre-operating expenses and subscriber acquisition costs (b)	**(324)**	(221)
Foreign exchange (c)	**(298)**	(258)
Employee future benefits (d)	**92**	39
Gain on disposal of investments and on reduction of ownership in subsidiary companies (f)	**(201)**	(276)
Discontinued operations (g)	**83**	–
Other	**112**	106
United States GAAP	**234**	845

20. RECONCILIATION OF EARNINGS REPORTED IN ACCORDANCE WITH CANADIAN GAAP TO UNITED STATES GAAP (continued)

(a) Additional pick-up of non-controlling interest

Under Canadian and United States GAAP, the controlling shareholder is required to account for 100% of a subsidiary's losses when the non-controlling interest, related to that subsidiary, has been eliminated on the balance sheet. Any subsequent earnings from the subsidiary will be allocated entirely to the controlling shareholder until previously absorbed losses are recovered. However, Canadian and United States GAAP differences cause the point at which non-controlling interest has been eliminated to be different.

(b) Pre-operating expenses and subscriber acquisition costs

Under Canadian GAAP, pre-operating expenses, if they meet certain criteria, and subscriber acquisition costs can be deferred and amortized. Under United States GAAP, these costs are expensed as incurred.

(c) Foreign exchange

Under Canadian GAAP, unrealized foreign exchange translation gains and losses on long-term monetary assets and liabilities are deferred and amortized over the remaining lives of the related items. Under United States GAAP, the translation gains and losses are reported in earnings immediately.

(d) Employee future benefits

The accounting for employee future benefits is, in all material respects, consistent under Canadian and United States GAAP, except for the recognition of certain unrealized gains.

(e) Income taxes

The accounting for income taxes is, in all material respects, consistent under Canadian and United States GAAP except that under Canadian GAAP, income tax rates of enacted or substantially enacted tax law can be used to calculate deferred income tax assets and liabilities while under United States GAAP, only income tax rates of enacted tax law can be used. In 2001, income tax rates were enacted, and as a result, all previous Canadian and United States GAAP differences were reversed.

(f) Gain on disposal of investments and on reduction of ownership in subsidiary companies

Under Canadian and United States GAAP, gains on disposal of investments and on reduction of ownership in subsidiary companies are calculated in a similar manner. However, Canadian and United States GAAP differences will cause the underlying carrying value of the investment to be different, and therefore, the resulting gain to be different.

(g) Discontinued operations

Under United States GAAP, the disposal of Bell Canada International Inc.'s Latin American CLECs and Asia Mobile segments are not considered discontinued operations, and the gain on reduction of BCE's ownership in Nortel Networks in 2000 was credited directly to retained earnings as a result of BCE's spin-off the majority of its investment in Nortel Networks. Under Canadian GAAP, impairment charges on capital assets and goodwill are calculated based on their estimated net recoverable amount determined using undiscounted cash flows, whereas under United States GAAP, long-lived assets are written down to fair value using discounted cash flows. In addition, other differences between Canadian and United States GAAP will cause the historical carrying values of the impaired assets to be different.

(h) Change in unrealized gain on investments

Under United States GAAP, BCE's portfolio investments would be classified as "available-for-sale" and carried at fair value with any unrealized gains or losses included in other comprehensive earnings, net of tax.

(i) Recent pronouncements

The Financial Accounting Standards Board (FASB) recently issued new Standards No. 141, Business Combinations, and No. 142, Goodwill and Other Intangible Assets. Effective July 1, 2001, the standards require that all business combinations be accounted for using the purchase method. Additionally, effective January 1, 2002, goodwill and intangible assets with an indefinite life will no longer be amortized to earnings and will be assessed for impairment on an annual basis in accordance with the new standards, including a transitional impairment test. BCE's management is currently evaluating the impact of the adoption of the new standards, and although it is likely, particularly for BCE Teleglobe, that the transitional impairment test will result in a significant impairment charge, BCE's management has not yet assessed the impact on its financial statements.

The FASB recently issued new Standard No. 144, Accounting for the Impairment or Disposal of Long-lived Assets, which is effective for fiscal years beginning after December 15, 2001 and addresses how to account for and report impairments or disposals of long-lived assets. An impairment loss is to be recorded on long-lived assets being held or used when the carrying amount of the asset is not recoverable from its undiscounted cash flows. The impairment loss is equal to the difference between the asset's carrying amount and estimated fair value. Long-lived assets to be disposed of by other than a sale for cash are to be accounted for and reported like assets being held or used except the impairment loss is recognized at the time of the disposition. Long-lived assets to be disposed of by sale are to be recorded at the lower of their carrying amount or estimated fair value (less costs to sell) at the time the plan of disposition has been approved and committed to by the appropriate company management. In addition, depreciation is to cease at the same time. BCE's management does not expect the adoption of this standard to have a significant impact on its future consolidated financial results.

21. SUBSEQUENT EVENTS

On February 14, 2002, BCE Inc. filed a short form prospectus with Canadian securities regulatory authorities qualifying the issue of 20 million Cumulative Redeemable First Preferred Shares, Series AA (Series AA Preferred Shares) for aggregate proceeds of $510 million. 8 million of the 20 million Series AA Preferred Shares are proposed to be issued pursuant to a public bought deal offering whereas the balance of 12 million Series AA Preferred Shares would be issued to the holders of BCE Inc.'s 12 million First Preferred Shares, Series W (Series W Preferred Shares) if BCE Inc. elects to exercise its option to purchase all of the Series W Preferred Shares from such holders. Holders of the Series W Preferred Shares would then pay the subscription price of $306 million for the purchase of 12 million Series AA Preferred Shares from the proceeds paid to them by BCE Inc. to purchase for cancellation the Series W Preferred Shares. The net proceeds to result from the sale of the 8 million Series AA Preferred Shares will be used for general corporate purposes. The closing for these transactions is scheduled for March 1, 2002.

On December 3, 2001, BCI announced a recapitalization plan intended to enable the company to meet its short term funding commitments, as well as a complementary plan that resulted in the reorganization of Telecom Américas into a company focused on the Brazilian mobile wireless market. On January 11, 2002, BCI closed its rights offering for total gross proceeds of $440 million, in connection with its recapitalization plan. The public shareholders exercised 42% of the rights offered to them, with BCE funding the remaining balance of $392 million. Also included in the recapitalization plan was the settlement of approximately $478 million in obligations through the issuance of common shares (excluding the settlement of a put option obligation, as described in Note 3). BCE's percentage ownership in BCI after the settlement date of February 15, 2002 was diluted to approximately 62%, subject to further change upon settlement of the put obligation.

SELECTED FINANCIAL DATA – BCE INC.

The following table sets forth selected consolidated financial data relating to the Corporation for each of the years between 1996 and 2001, inclusive.

For the year ended December 31	2001	2000	1999	1998	1997	1996
Statements of operations data ($ millions)						
Operating revenues	**21,711**	17,432	13,922	12,919	12,768	10,568
Earnings from continuing operations	**2,419**	312	5,107	1,433	803	809
Discontinued operations/Extraordinary item	**(1,896)**	4,549	352	3,165	(2,339)	343
Net earnings (loss)	**523**	4,861	5,459	4,598	(1,536)	1,152
Net earnings (loss) applicable to common shares	**459**	4,782	5,366	4,505	(1,610)	1,076
Balance sheets data ($ millions)						
Total assets	**54,335**	51,383	36,960	32,170	40,298	41,261
Long-term debt (including current portion)	**16,537**	14,615	9,862	10,349	12,784	12,586
Preferred shares	**1,300**	1,300	1,700	1,700	1,700	1,450
Common shareholders' equity	**15,690**	16,161	16,192	11,945	8,109	10,522
Capital expenditures	**7,396**	4,118	3,588	3,774	3,413	3,128
Common share data (a)						
Earnings (loss) per common share						
Continuing operations	**2.92**	0.35	7.80	2.10	1.14	1.15
Net earnings (loss)	**0.57**	7.43	8.35	7.07	(2.53)	1.70
Dividends declared per common share	**1.20**	1.24	1.36	1.36	1.36	1.36
Other data						
Number of employees (thousands) (b)	**75**	75	55	53	122	121

(a) Adjusted to reflect the BCE two-for-one stock split effective May 14, 1997.

(b) Unaudited.

QUARTERLY RESULTS OF OPERATIONS (UNAUDITED) – BCE INC.

The following table includes summarized financial data for each quarter of 2001 and 2000. This quarterly information has been prepared on the same basis as the annual consolidated financial statements.

	4th Quarter		3rd Quarter		2nd Quarter		1st Quarter	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000
Operating revenues	**5,748**	4,870	**5,379**	4,386	**5,390**	4,199	**5,194**	3,977
Earnings (loss) from continuing operations	**(312)**	22	**(66)**	10	**(7)**	105	**2,804**	175
Discontinued operations	**–**	(35)	**(64)**	649	**(8)**	(62)	**(1,824)**	3,997
Net earnings (loss)	**(312)**	(13)	**(130)**	659	**(15)**	43	**980**	4,172
Net earnings (loss) applicable to common shares	**(326)**	(31)	**(146)**	640	**(31)**	24	**962**	4,149
Net earnings (loss) per common share								
Continuing operations – basic	**(0.40)**	0.01	**(0.10)**	(0.01)	**(0.03)**	0.13	**3.45**	0.24
Continuing operations – diluted	**(0.40)**	–	**(0.10)**	(0.02)	**(0.03)**	0.13	**3.42**	0.23
Net earnings (loss) – basic	**(0.40)**	(0.04)	**(0.18)**	0.99	**(0.04)**	0.04	**1.19**	6.44
Net earnings (loss) – diluted	**(0.40)**	(0.05)	**(0.18)**	0.98	**(0.04)**	0.04	**1.18**	6.06
Average number of common shares outstanding (millions)	**808.5**	746.1	**807.9**	644.7	**807.4**	644.5	**808.1**	644.0