Learn

Learn Work Live Grow

Changing the way

BRUNCOR INC

1 9 9 5
Annual Report

The advanced capabilities of our telecommunications network, combined with the creative spirit of our people and their passion for innovation, enables Bruncor to play a significant role in changing the way people live, work, learn and grow in New Brunswick and beyond.

Changing the way

Learning has never been so easy or so much fun.

New Brunswick has escalated to a new level of customer service.

Easy to buy, easy to use and always on … that's our logic.

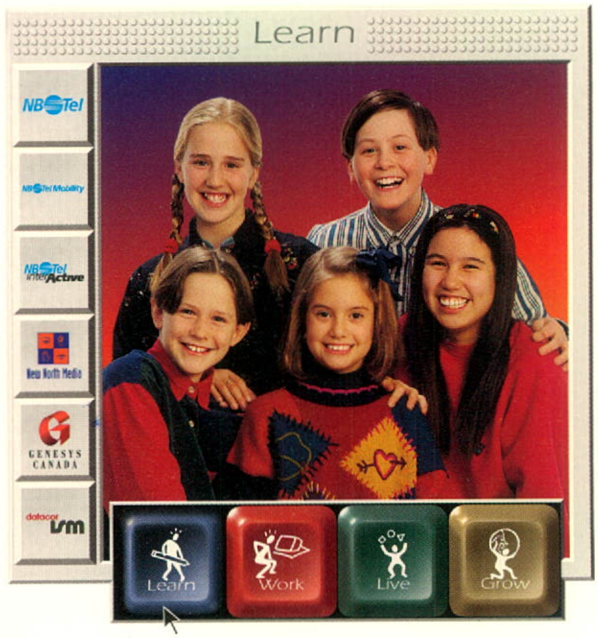
Being quick and nimble is the only thing that will keep us in the lead.

BRUNCOR INC

Inside the report

Table of contents

Changing the way



recycled paper

What we do

Bruncor at a glance

Bruncor is an acknowledged world leader in telecommunications. We invest in people and technology. Our expertise is in developing and delivering local and long-distance telephone services, wireless services, advanced network services and interactive multimedia applications that provide a competitive advantage to business customers and enrich the day-to-day lives of consumers.

	What we do	Market position	1995 results
Local service	NBTel provides basic and enhanced telephone services to all New Brunswickers. We are open for business 24 hours a day, seven days a week, 365 days a year.	NBTel is the current provider of local telephone service in New Brunswick, although this market is now open to competition.	NBTel revenues grew by 9.8% to $171.3 million, including a $4.4-million increase in enhanced services. Network accesses (excluding cellular) were up 3.3% to 487,214.
Long distance	NBTel is the only full-service provider of long distance in New Brunswick. We offer competitive prices and a wide range of flexible savings plans.	NBTel is the supplier of choice for 93% of New Brunswickers, with a "win-back" rate of 71% — both the best in Canada. Our main competitors are Sprint and Unitel.	NBTel revenues were $168.8 million, down 2.6% from 1994. Conversation minutes grew by 11.6% to 623 million, boosted by a continuing surge in 1-800 calls.
Cellular	NBTel Mobility provides cellular service in New Brunswick. Our coverage reaches 95% of the province's population.	The number of customers choosing NBTel Mobility increased by 35.7% to 42,114, which is 72% market share. Cantel is our main competitor.	Local revenues were $22.2 million, up 48.3% from 1994. Operating income nearly doubled.
Interactive	We provide a variety of interactive services to New Brunswick homes and businesses as well as to those outside the province.	NBTel interActive is Canada's largest and fastest growing voice-services integrator. New North Media's CallMall is available in parts of N.B., Ontario and Quebec.	NBTel interActive had 132% growth in minutes processed. New North Media expanded into five markets.

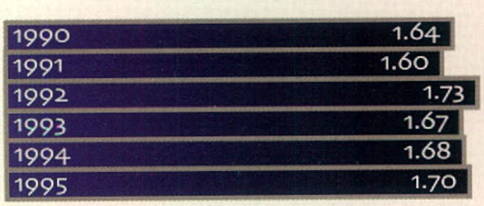
1995 results

Financial highlights

Earnings per common share from continuing operations for 1995 were $1.70, up two cents from last year. Revenues were $404.9 million, up from $385.6 million in 1994. Dividends remained constant at $1.28 per share.

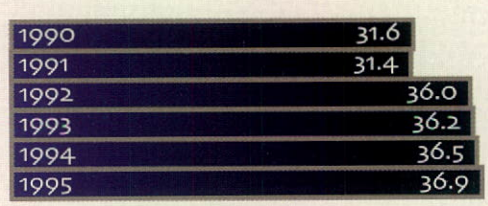
	1995	1994 (Restated)	% change
Earnings per common share from continuing operations	$ 1.70	$ 1.68	1.2
Earnings per common share	$ 1.70	$ 2.14	(20.6)
Dividends declared per common share	$ 1.28	$ 1.28	—
Equity per common share *(December 31)*	$ 15.26	$ 14.85	2.8
Return on common shareholders' equity	11.3%	14.9%	—
Income statement summary *(in thousands)*			
Operating revenues	$ 404,924	$ 385,568	5.0
Operating expenses	$ 302,460	$ 290,731	4.0
Earnings to common shareholders from continuing operations	$ 36,887	$ 36,467	1.2
Discontinued operations	—	$ 10,065	—
Dividends on preferred shares	—	$ 906	—
Net income applicable to common shares	$ 36,887	$ 46,532	(20.7)
Financial position items *(in thousands)*			
Total assets	$ 842,471	$ 826,526	1.9
Long-term debt *(including current portion)*	$ 333,155	$ 316,164	5.4
Shareholders' equity	$ 331,713	$ 322,033	3.0
NBTel operating statistics			
Gross construction *(in thousands)*	$ 106,821	$ 89,152	19.8
Network access services *(December 31)*	529,328	502,584	5.3
Long-distance conversation minutes *(in thousands)*	622,984	558,419	11.6

Earnings per common share from continuing operations *(in dollars)*



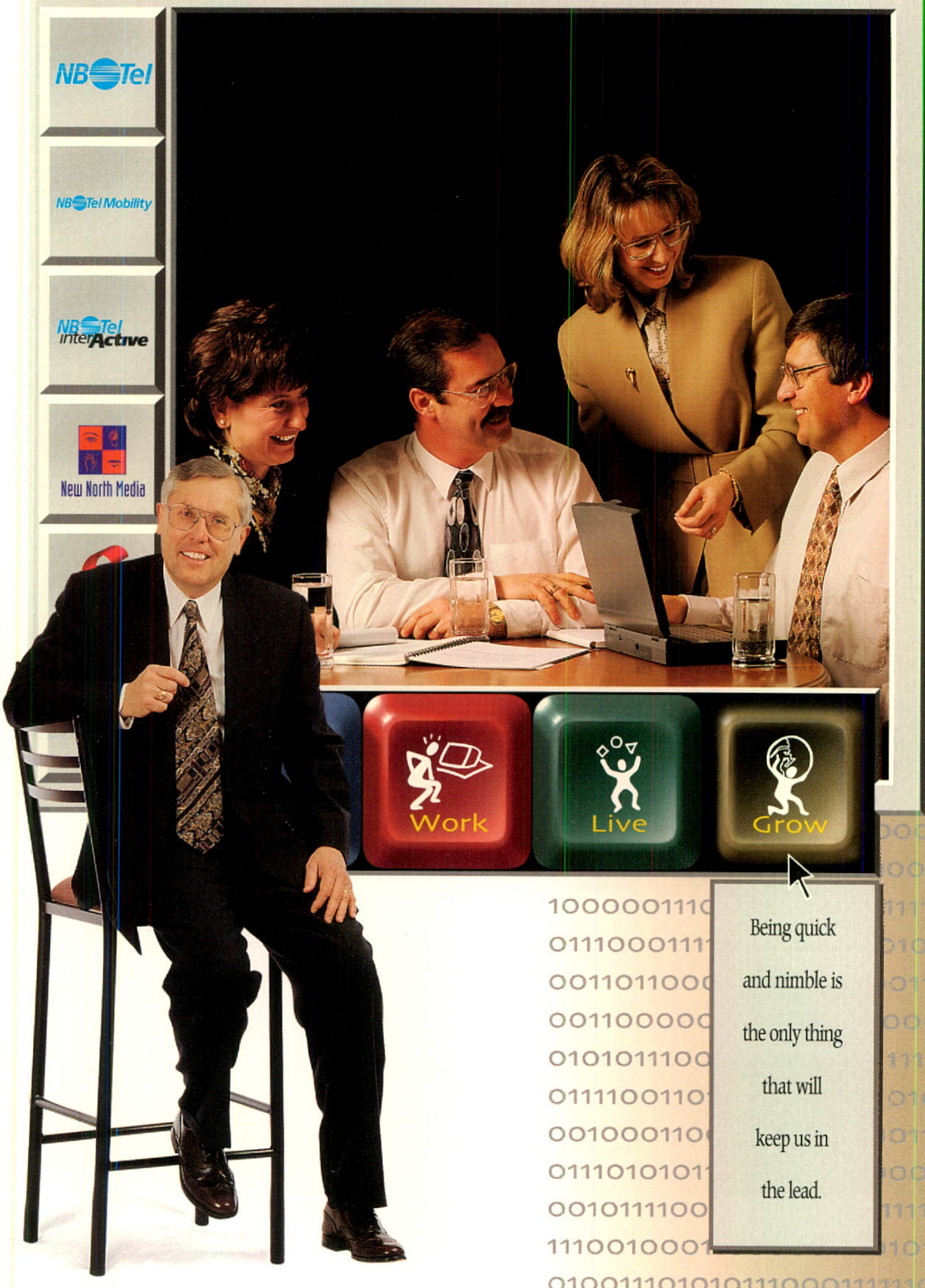
Earnings per common share for 1995 were $1.70, up two cents from last year.

Earnings to common shareholders from continuing operations *(in millions of dollars)*



Earnings to common shareholders in 1995 were $36.9 million, up from $36.5 million last year.

Grow



Being quick and nimble is the only thing that will keep us in the lead.

Changing the way we Grow

Great things happened in 1995. Customers used our services more often. There was growth in every area of our business. Earnings were up slightly, considerably above the industry average. And, most important, we made progress in changing the way we grow our company and your investment. The challenge ahead is to pick up the pace on this new course we are charting.

Just as technology collapsed geographic walls, it is now erasing lines between industries that were once distinct — computers, telecommunications and media. We have to act first and fast to secure our place in the "new" industry. Being quick and nimble — a distinct advantage of our small size — is the only thing that will keep us in the lead.

Working our business model

New Brunswick is where it all starts. Serving our customers here is our first priority. Our constant focus on understanding their needs is what sparks our innovation. But, in the era of global competition, our province is simply too small a market to sustain the high costs of new-product development. We must grow beyond New Brunswick. To achieve this, we have developed a threefold growth strategy: New Brunswick first, import second and export third. We have put this model to the test and it works; we have the numbers to prove it.

The call centre initiative in partnership with the Province has become a business inside our business. Importing hundreds of new jobs and millions of business transactions into New Brunswick, it has grown to the size of NBTel Mobility — a $25-million operation — with 65 employees now dedicated to this market. NBTel interActive and Datacor ISM are also major contributors to our import activity, providing voice- and data-processing services for businesses in Canada. We see an opportunity to at least double the size of our import activity in the next two years.

Importing allows us to expand our New Brunswick market into other regions without ever leaving the province. More than that, we gain knowledge and understanding about customer needs beyond our borders. Which leads to part three of our strategy: export.

If we can import telecom-intensive businesses here, we can also serve them elsewhere. Working in the Living Lab™ environment of New Brunswick, with both home-grown and new customers and partners, is enabling us to gain expertise in the "electronic-channel business". Expertise we are now selling around the world.

NBTel's on-line service provisioning software is already being used by nine companies worldwide. New North Media's CallMall has expanded into parts of Ontario and Quebec. And, our newest business venture, Genesys Labs Canada, will be developing call centre applications for international markets.

The Bruncor difference

Each member of the Bruncor group brings a special expertise to our business mix. Each is carving its own market niche in electronic channels. All are contributing to the synergy that is the "Bruncor difference."

The heart of this difference is our people, a dedicated team that is skilled, creative and empowered to serve our customers. I thank them all for their outstanding efforts. I also want to pay special tribute to Marks Lockhart, who resigned from our board in 1995, and Alfons Buzas, who is not re-offering as a director of NBTel. Both served our company long and well and their guidance was invaluable.

Leadership is the hallmark of a company that not only embraces change, but also drives it. Our vision for change is ambitious, but when we think of the possibilities and grow from our strengths, it becomes reasonable.

There is no blueprint to follow. Fortunately, we have a strong tradition of learning faster than the pack. Which is what makes this change exciting and our future bright!

Above all else, we must always serve our customers and our shareholders well. We will not waver from this priority as we continue to transform our business.

Gerry Pond
President and Chief Executive Officer
February 1, 1996

Live

No more getting caught in the rain — at least not unprepared! Thanks to the CallMall, customers have up-to-the minute weather forecasts at their fingertips.

Easy to buy, easy to use and always on . . . that's our logic.

Changing the way we Live

Easy to buy, easy to use and always on — that's our logic when it comes to products and services. Customers are telling us loud and clear, about 16 million times in 1995, that they agree! That's how often they pressed ✱ on their touch-tone phones to use NBTel's enhanced features, helping boost local revenues by 10% to $171 million. Like long distance, these features, including call return, TalkMail™ and three-way calling, are always on the line, but customers are billed for them only when they use them.

At home or on the go

Waiting in line, fighting traffic and rushing to beat closing time — everyone experiences these annoying "facts of life". But, the people of New Brunswick experience them less often now.

When New Brunswickers want to buy something, pay for something or register for something, chances are they may never have to step foot outside their homes. They use their phones instead. And, if they are among the 43,000 NBTel customers who have the Vista** 350 screen-display telephone in their homes, they have the added benefit of "seeing" what they are doing.

It was in November 1994 that the Vista 350 made its debut, when New North Media launched the CallMall™ in Moncton — a world first. Within a year, the Vista 350 was available province-wide and the CallMall had been expanded to Saint John and Fredericton, bringing personalized electronic shopping, banking and bill-payment services into the living rooms of consumers there. In the fall of 1995, this NBTel-invented service was launched in London, Ontario and Sherbrooke, Quebec — a new export for our company and our province.

Many of the things that once took people from their homes for hours at a time are now accomplished by phone in minutes. But, for those times when customers do leave the house to pick up groceries or fill up the gas tank, self-serve neighbourhood kiosks help them make the most of the trip. Here, they can do everything from renewing vehicle registrations to ordering prescription drugs, sometimes reducing travel by as much as 50 kilometres. After a successful market trial in 1995, we plan to work with the Province to launch an expanded kiosk service in 1996.

While en route to and from home, our customers are enjoying the convenience and peace of mind of cellular service. More and more, they are buying cellular for family and personal use as well as for business. And, with over 100 NBTel Mobility dealer sites providing top-notch sales and service, it is easier than ever to make their purchases.

The number of cellular customers grew by 36% to 42,000 in 1995, while local revenues increased by 48% to $22 million. Our customers can look forward to even better things in 1996, when we will invest more than $7 million in cellular switching equipment.

Adding value: our priority

In everything we do, adding value is a priority. We provide the best possible services at the lowest possible prices. But, value goes beyond the wallets of our customers; we value their time, too. That is why so many of our features are conveniently self-serve. It's also why NBTel's 7/24 service means exactly that: seven days a week, 24 hours a day, 365 days a year. Whenever a customer needs us, we're there — and at no extra charge.

In 1996, we take value a step further. We plan to offer customers choices in basic local service as well as expand local calling areas to better serve regional communities of interest.

*** Trade mark of Northern Telecom Limited, NBTel a licensed user*

Work

New Brunswick has escalated to a new level of customer service.

X-rays taken in smaller communities like the island of Grand Manan are now being diagnosed at the Saint John Regional Hospital within minutes, improving service to the patients by several days.

Changing the way we Work

From health care to retail, from government to private industry, it doesn't matter what field of work it is, it's being done differently in New Brunswick. Businesses and service providers understand not only their customers but also the potential of new technologies.

Call centres: economic engine

A decade ago, few would have predicted how 800 service would help redefine customer service. Even fewer would have foreseen New Brunswick as a hub of national and international call centres. Both happened. By year-end '95, North America was running out of 1-800 numbers and 30 businesses had located call centres in our province.

With them came two valuable imports: jobs — more than 3,000 — and a huge volume of 1-800 calls, propelling inbound toll-free calling to 3 million minutes per week by the end of 1995. That's like adding another city to NBTel's customer base. This growth in 1-800 calls and the overwhelming support of New Brunswick consumers, who continue to choose NBTel first for long distance, increased total conversation minutes by 12% to 623 million minutes for the year.

The power of electronic doors

Traditional ways of doing business are out. Innovation is in.

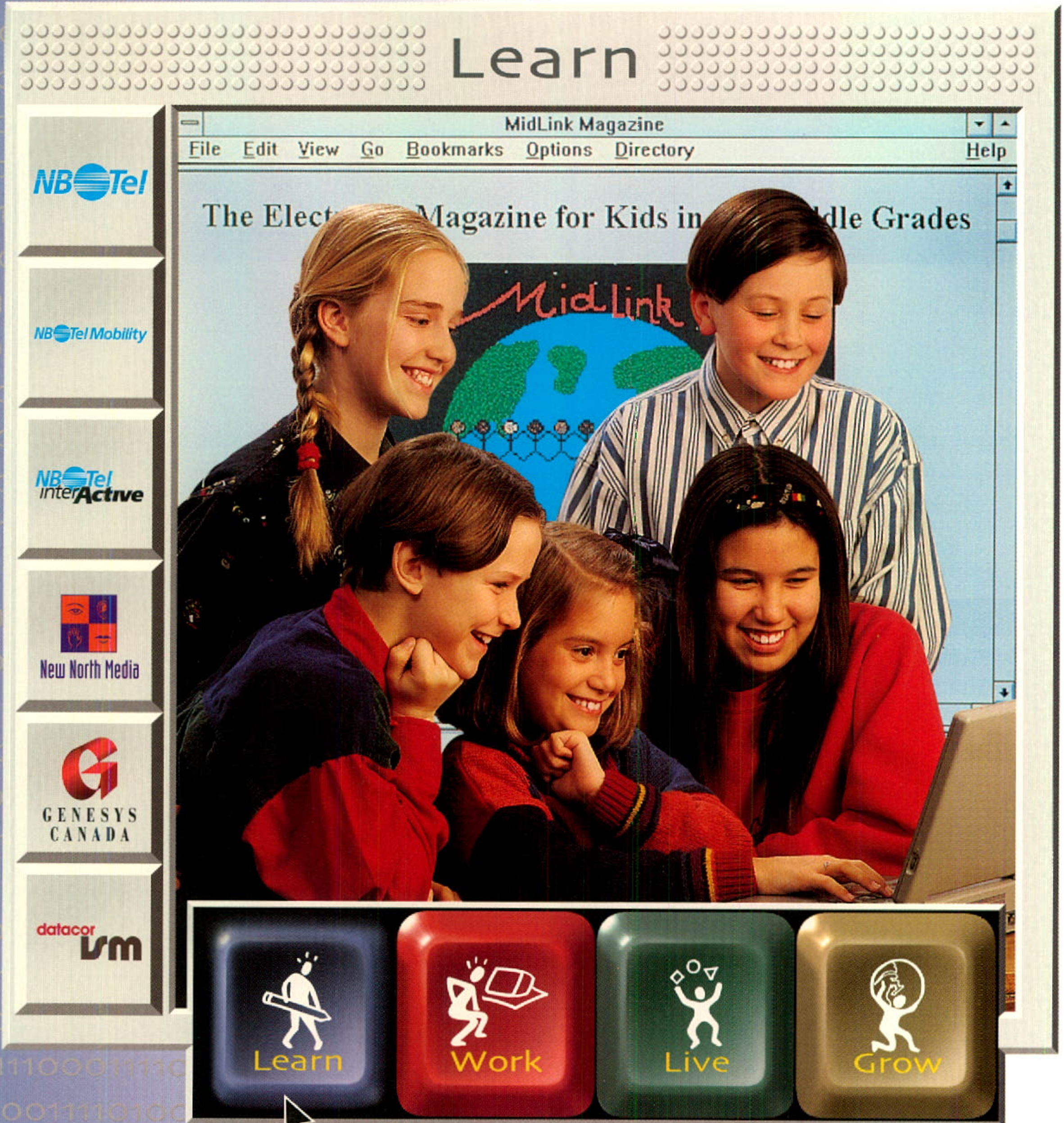
Everyday, businesses are reducing processes by hours, days and weeks as they use electronic doors to better serve their customers. New Brunswick lawyers are now obtaining property-tax certificates electronically — in three minutes instead of three weeks. Retailers are using the screen display of the Vista 350 as an interactive, 24-hour marketing channel into targeted households. We intend to help them stay at the forefront of emerging applications.

Governments are just as eager in their pursuit of "E-door" opportunities in everything from public safety to licensing. Their initiatives include a province-wide enhanced 9-1-1 emergency service that instantly identifies the exact location of a 9-1-1 caller. In addition to saving lives, the Province saved 60,000 hunters almost half a million dollars and a trip to their nearest Department of Natural Resources office in 1995. Instead of registering for the annual moose draw in person — at a cost of $10 each — hunters called a 1-900 number and entered the information using the touch-tone keypad of their telephones — for just $6.

Human Resources Development Canada introduced a service that allows people in New Brunswick to re-apply for employment insurance from home. This is especially significant because it required the federal government to change a law so that pressing "1" on a touch-tone phone could be accepted as a legal "signature". Now, that's buy-in to the power of electronic doors! Discussions to expand this service across Canada are under way.

Professionals in the health-care and education fields are also innovating in significant ways. Doctors' offices will soon be able to access hospital systems for both on-line scheduling of diagnostic tests and obtaining lab results. The Region 2 Hospital Corporation is pioneering tele-radiology in the province. And, the Saint-Louis-Maillet campus of the Université de Moncton is providing its students with instant report cards. As soon as instructors enter students' scores into their computers, individual results are sent to each student's voice mailbox.

The New Brunswick work place has escalated to a new level of customer service — convenient, instant, user friendly and around-the-clock — while achieving cost savings in all types of business.



Learning has never been so easy or so much fun.

Learning is taking on new meaning for our next generation of customers. With their friends in the neighbourhood or around the world, they are embarking on an exciting life-long journey.

Changing the way we Learn

Every sector of the New Brunswick economy — from our traditional resources to the newest emerging industries — is speeding along the information highway. This links economic well-being even closer to educational strength, creating an urgent need to develop new ways of learning to ensure we keep pace with change.

The starting point is universal access to life-long learning.

Whether New Brunswickers are four, 24 or 84; whether they live in a community of 600, 6,000 or 60,000; whether they are in school, in business or in retirement, we can bring learning to their doorstep.

So easy, so much fun

For example, our province-wide, toll-free access to the Internet is enabling thousands of New Brunswickers to "surf" the net. Their avid interest in connecting with millions of people and computers worldwide doubled the number of customers signed-on to NBNet™ service in 1995. Add to this every school student in the province and the number could jump to about 20% of the population.

In partnership with the Department of Education, we are now providing every classroom from kindergarten to grade 12 with an Internet address. And, these young explorers are making the most of it, electronically wandering through museums, browsing through libraries and finding new friends in all corners of the world. Plans are also under way to provide all students in grades six to 12 with personal Internet IDs.

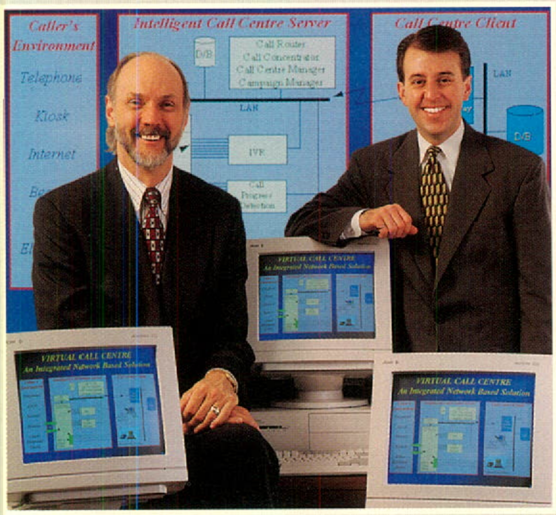
Their at-school and at-home learning opportunities are further expanding through programs like Computers for Schools and Family-School Connection. With the volunteer support of the NBTel Pioneers, more than 700 computers have been refurbished and donated to schools across the province. Teachers are finding it easier to keep parents informed about school meetings, class projects and individual student performance — areas of improvement as well as those needing extra attention at home — through voice-mail systems linking schools and homes.

Not taking a back seat to the younger generation, adult learners are also breaking new ground. Many who are unable to enrol at distant universities, colleges and high schools are now "attending" classes without ever leaving their local communities. From 17 video-conferencing studios and more than 80 audio-graphic sites across the province, they are taking part in everything from accounting to human-physiology courses, often interacting with students from as many as six or seven different locations in one class at the same time.

Distance education knows no bounds. For students and educators alike, it opens the door to redesigned — sometimes reinvented — courses, more personalized service and new markets. And, both groups are finding learning has never been so easy or so much fun!

Multimedia — high-speed style

Making everyday things — including learning — easier is the biggest benefit of two-way interactive broadband multimedia, now less than a year away for some New Brunswickers. This means immediate access to the services customers want, when they want them, where they want them and how they want them.



Genesys Labs Canada allows us to gain and share knowledge in a vital new industry, computer telephony integration, while developing service enhancements for our customers.

Broadband multimedia is not a new business for us; it's not even a revolution of our business. It is the natural, rapid evolution of the electronic audio, text and video services and channels we provide today, like the Vista 350, CallMall, kiosks, TalkMail, NBTel Express™ — which 30% of our customers are using to pay their bills — and NBNet. It is an even wider electronic door to the world — a door to interactive visual communications where people can talk, look, listen and "do" simultaneously; where they can use their phones, computers and TVs to send "video messages" back and forth as easily as voice messages. It is the door to maximum choice, convenience and control for our customers.

This new multimedia door opens first in the greater Saint John area. Late in 1996, NBTel will launch high-speed data services to provide faster computer links between homes and networks like the Internet and corporate LANs. Additional services for TV applications will be introduced in 1997.

Learning together

Keeping pace with technology and, even more important, with customer expectations is a constant and growing challenge. How do we continue to meet this challenge? In a word: partnership. Collaborating with customers, other telecom providers and government — sharing both the risk and the expertise — allows us to search out new opportunities to invent value-add services.

From far and wide, we are recognized for the competitive advantages we have to offer:

- the world's most advanced telecommunications infrastructure;
- a dynamic team of employees who are skilled and innovative, who have vision, and who not only embrace change, but also drive it; and
- the leadership of a provincial government totally committed to making New Brunswick the "cloverleaf" or "interchange" of the global information highway.

Others know we have a winning formula in New Brunswick: the right network + the right skills + the right market (small, dispersed and open to change) = the Living Lab. The place where leading-edge service providers and application developers are coming to test their latest ideas and inventions. The place where learning and partnering go hand in hand as we develop the next generation of communications services with New Brunswick partners. The place where world giants like Andersen Consulting, new Canadian ventures like Sonoptic Technologies and software wizards like Genesys Labs are investing their knowledge and their dollars.

The Living Lab is the gateway to our future — a future that promises greater competitive advantages for our customers; greater employment and economic well-being for our province; and greater growth for our company, our partners and our shareholders.

Leading the change

Officers

Bill Steeves *(left)*, Gerry Pond, Jack Travis and Peter Jollymore

Bill Steeves, 55, is chief financial officer and vice president of corporate services. He began his career with NBTel in 1963, serving in various senior management roles, including comptroller, the position he held when appointed vice president in 1987. He is a director of Datacor ISM Atlantic Inc. and NBTel interActive, and a past president of the Society of Management Accountants of Canada.

Gerry Pond, 51, was appointed president and chief executive officer of Bruncor in March 1995. He has also served as president and CEO of NBTel since November 1994. Joining the company in 1966, he held a variety a senior management positions in planning, human resources, marketing and customer services prior to being appointed a vice president in 1989. He is president of New North Media, a member of the Stentor Council of CEOs and a director of Stentor Resource Centre Inc.

Jack Travis, 45, was named vice president of customer services in March 1994. He has held numerous management positions since joining NBTel in 1977 and was general manager of customer services west at the time of his appointment to vice president. He is a director of Mobility Canada and Genesys Laboratories Canada Inc., and a member of the Saint John Regional Hospital Foundation Board.

Peter Jollymore, 56, returned to NBTel in January 1995 as vice president of planning and marketing after being on loan to Stentor Canadian Network Management, where he was president for three years. He joined NBTel in 1967 and was first appointed a vice president in 1986. He is president of NBTel interActive and a director of Genesys Laboratories Canada Inc.

Guiding the change

Directors

Lino Celeste *(left)*, Gerry Pond, Anne Marie McGrath and Edward Reevey

Lino Celeste, 58, chairman, is the retired president of NBTel. Elected to NBTel's board in 1986 and to Bruncor's in 1992, he is also a director of NB Power and Atomic Energy of Canada.

Gerry Pond, 51, is the president and CEO of Bruncor and NBTel. Vice Chairman of the Canadian Chamber of Commerce, he was named to NBTel's board in 1994 and to Bruncor's in 1995.

Anne Marie McGrath, 56, is superintendent of New Brunswick School District 8. A member of the Canadian College of Teachers, she was elected to NBTel's board in 1993.

Edward Reevey, 52, is president of AUTOTEC Inc., a wholesale automotive supplier in Atlantic Canada. Elected to NBTel's board in 1982, he became a Bruncor director in 1985.

Robert Neill *(left)*, George Colter and Patrick Durepos

Robert Neill, 63, is the chairman of Neill and Gunter Limited, a consulting and design engineering company. Active in many professional organizations, he joined NBTel's board in 1993.

George Colter, 49, is chairman of the Diamond Group of companies, which includes construction and sawmill operations. He joined NBTel's board in 1986 and Bruncor's in 1991.

Patrick Durepos, 46, is president of Durepos Insurance Ltd. in Grand Falls, N.B. A past president of the Insurance Brokers of Canada, he has been a member of NBTel's board since 1992.

Ian McElroy *(left)*, Ronald Osborne, Louis Tanguay and Charles Caty

● **Ian McElroy**, 45, is president and CEO of Bell Horizon Services, a division of Bell Canada. He is also chairman of Bell Sygma and Worldlinx. He was named to Bruncor's board in 1994.

●●■✖ **Ronald Osborne**, 49, is executive vice president and chief financial officer of BCE Inc. He was elected to the Bruncor board in 1995.

●●▼ **Louis Tanguay**, 58, is president and CEO of the local services division of Bell Canada. He is also chairman and CEO of Télébec Inc. He joined the Bruncor and NBTel boards in 1992.

●■✖ **Charles Caty**, 55, is the retired president and CEO of the Investment Dealers Association of Canada. A Bruncor director since 1993, he is also on the board of General Accident Assurance Co.

Alfons Buzas *(left)*, Ginette Gagné-Koch and Basile Roussel

●■ **Alfons Buzas**, 63, is president and manager - business and development of Elmtree Resources Ltd., a New Brunswick-based mining company. He has been a director of NBTel since 1984.

●■ **Ginette Gagné-Koch**, 52, is president and CEO of the South-East Health Care Corporation. A member of the Canadian College of Health Services Executives, she joined NBTel's board in 1986.

●▼ **Basile Roussel**, 64, is president of Gully Fish and Frozen Food Products Co. Ltd., a producer of seafood and other sea-related products. He was elected to NBTel's board in 1991.

Boards

- ● Bruncor
- ● NBTel

Committees

- ▼ Bruncor audit
- ■ Bruncor human resources and compensation
- ✖ Bruncor corporate governance

- ▼ NBTel audit
- ■ NBTel human resources and compensation

Corporate governance

Report from the board of directors

The Toronto Stock Exchange ("TSE") passed a by-law requiring companies incorporated in Canada and listed on the TSE to disclose their corporate governance practices in their annual-meeting documents. The Montreal Exchange subsequently passed a similar requirement. These guidelines cover such issues as the constitution and independence of the board of directors, their functions, the effectiveness and contribution of the directors, the establishment and delegation of authorities to various committees, and other issues dealing with sound corporate governance.

The board of directors and management of Bruncor have always been committed to the importance of good corporate governance and its effectiveness in promoting enhanced shareholder value. During the past year, the board of directors established a Corporate Governance Committee ("committee") to formalize the mandate of the board and its various committees. The committee held several meetings to review and formalize the corporate governance procedures and to establish a manual.

Mandate of the board

The mandate of the board of directors is to supervise the management of the business and the affairs of the company. Among other items, the board of directors is specifically responsible for:

1. the adoption and execution of a strategic planning process for the company;
2. the implementation of appropriate systems that identify and manage the principal risks to the company's business;
3. the establishment of succession planning for the senior management, including appointing, training and evaluation;
4. the communications plan for the company;
5. the integrity of the company's internal accounting and management information systems.

The board held 10 meetings during the past year. The frequency of the meetings as well as the nature of the business conducted is dependent on the state of the company's affairs and the opportunities regarding the company's business.

Composition of the board

The TSE guidelines recommend that the majority of the directors be "unrelated". The guidelines identify an unrelated director as a person who is independent of management and is free from any interest and any business or other relationship that could materially interfere with the person's ability to act with a view to the best interest of the company, other than interests and relationships arising from share holdings. The directors have considered this definition and the relationship of each director to the company and have concluded that currently three of the eight directors are unrelated. As noted in the Information Circular, the shareholders will be asked to approve a special resolution increasing the maximum number of directors to 14 and giving the directors the authority to set the actual number of directors from six to 14. The directors, at their February 1 meeting, have set the number to be 13, assuming the shareholders approve the special resolution. The shareholders will also be asked to elect the 13 nominees listed in the Information Circular. Assuming the shareholders do elect the 13 nominees, there will be eight unrelated directors, which is in full compliance with the recommendations of the guidelines.

The guidelines also define a "significant shareholder" as a shareholder with the ability to exercise control over the majority of the votes for the election of directors attached to the outstanding shares of the company. The guidelines state that the board should include a number of directors who do not have interests or relationships with either the company or a significant shareholder and which fairly reflects the investment in the company by shareholders other than the significant shareholder. Although BCE Inc. indirectly controls 44.98% of the outstanding common shares, the directors have concluded that BCE does not exercise control over the total number of votes that could be cast for the election of directors.

In addition to the Corporate Governance Committee, the board of directors has appointed an Audit Committee and a Human Resources and

Compensation Committee. The board of directors of The New Brunswick Telephone Company, Limited, the company's major subsidiary, has also appointed a Pension Fund Investment Committee. The following is a description of these committees, their mandates and activities.

Corporate Governance Committee

The committee is responsible for annually developing and updating a long-term plan for the composition of the board that takes into account current strengths, skills and experience of each director and the strategic direction of the company. It shall monitor the effectiveness of the board, its size and composition, its committees and the performance of the directors. The committee is also responsible for the identification and recommendation of potential appointees to the board, to review on an annual basis the compensation and benefits paid to each director and approve the appropriate induction and education program for new directors.

The committee is composed entirely of outside directors, the majority of whom are also unrelated directors. The committee is scheduled to meet five times in 1996.

Audit Committee

The Audit Committee reviews the company's annual and interim financial statements and other documents required by various regulatory authorities and recommends these for approval by the board. The Audit Committee also reviews the scope and nature of the internal audit program and the nature of internal controls in major accounting and financial reporting systems. The committee reviews the mandate and recommends the appointment of the external auditor.

The Audit Committee is composed entirely of outside directors, the majority of whom are unrelated directors. The committee met four times in 1995.

Human Resources and Compensation Committee

The Human Resources and Compensation Committee (formerly called the Salary and Resources Committee) is responsible for conducting an annual review of the performance of the chief executive officer and, in conjunction with him, the performance of the other senior officers. The committee also reviews and recommends to the board the annual remuneration, the granting of stock options and the plan of succession for the senior officers. The committee is also responsible for the review of the organizational structure and management resources to ensure that such a structure is appropriate to manage the business.

The Human Resources and Compensation Committee is composed entirely of outside directors, the majority of whom are unrelated.

Pension Fund Investment Committee

The Pension Fund Investment Committee is responsible for the establishment and monitoring of policies and objectives of The New Brunswick Telephone Company, Limited's Plan for Employees' Pensions. The committee establishes the investment criteria for the funds and reviews and evaluates the actions of the fund managers. The committee also recommends to the NBTel board the appointment or removal of the custodian of the fund and retains competent auditors and actuaries. The committee meets semi-annually.

Other corporate governance matters

The Corporate Governance Committee and the board of directors are of the opinion that they have functioned in the past and will continue to function independently of management. As suggested by the TSE, the directors have appointed a chairman who is not the chief executive officer. The directors have access to senior management of the company and meet when required without management or inside directors to discuss relevant issues. In addition, any individual director can engage an outside advisor at the expense of the company, with the concurrence of the Corporate Governance Committee.

The directors consider the education and orientation of a new director fundamental to ensuring good corporate governance. In addition to extensive discussions with the chairman with respect to the business, a new director receives a director's manual, copies of previous board minutes and publicly filed information.

The company has established a shareholder and investor relations group to receive and respond to all shareholder or investor inquiries. Shareholder inquiries and concerns are dealt with promptly by senior management of the company.

Words we use

To help shareholders and customers understand our technical industry, this glossary of terms defines selected telecommunications words used in this annual report.

Broadband:
The volume of information that can be transmitted through a cable or fibre at any one time is measured in bandwidths. Broadband has the capacity to carry enormous amounts of information.

CallMall:
An interactive, display-based marketing and information service that allows residential customers to electronically shop, bank, pay bills, receive audio/text advertising and access information through the Vista 350 screen-display telephone.

Cellular:
Cellular takes its name from the way its service areas are divided into cells. When someone uses a cellular phone, the call is transferred automatically from one cell to the next to give uninterrupted service.

Computer telephony integration (CTI):
The merging of multiple telecommunications channels with computer systems to coordinate the delivery of information between different electronic media.

Convergence:
The putting together of technologies or industries that were previously separate and distinct; for example, telecommunications, computers and media.

Electronic doors (E-doors):
Channels that use telecommunications technology to provide cost-effective access to universal, instant, interactive services.

Electronic information highway:
An advanced telecommunications network capable of carrying voice, data, interactive and full-motion video services.

Information highway interchange:
The centre for the world's electronic transactions; the place where information is imported, processed to add value, and then exported.

Interactive:
A telecommunications service that allows the two-way transfer of information between people or between a person and a computer.

Kiosk:
Public access to a variety of services and information is provided electronically through a self-serve, stand-alone multimedia unit with a touch-sensitive screen.

Local area network (LAN):
A data communications network that links computers in a small geographical area, for example, within a corporation.

Multimedia:
The simultaneous use of audio, video, graphics and text for more powerful and effective communication.

Win-back:
Our on-going effort to regain the business of those customers who have switched to another long-distance company.

Financial information

Table of contents

Management's view

Management's discussion and analysis of financial condition and results of operations

Overview of operations

Bruncor Inc. ("Bruncor") is a communications-focused, management holding company with investments in companies providing local and long-distance telephone services, wireless and advanced network and multimedia services.

Bruncor's major asset and its principal source of earnings is a wholly owned subsidiary, The New Brunswick Telephone Company, Limited ("NBTel"). NBTel is the primary supplier of telecommunications services in New Brunswick. Bruncor holds NBTel through 501337 N.B. Inc., a holding company whose only asset is NBTel.

A 100% interest is held in NBTel interActive (1994) Inc. ("NBI"). NBI provides i) interactive voice response services and ii) advanced network services in areas such as education and health care.

Bruncor and Northern Telecom Limited ("Nortel") hold 51% and 49% interests respectively in New North Media Inc. ("New North"). New North offers interactive display-based marketing and information services, such as home shopping and banking, through a screen-display telephone. New North's services have been launched in Moncton, Saint John, Fredericton and, with Bell Canada, in Ontario and Quebec.

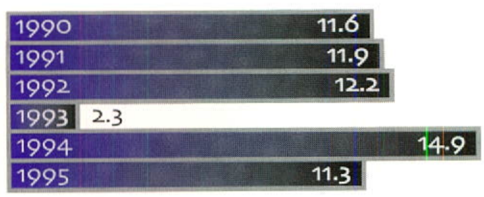
NBTel owns and operates the New Brunswick portion of the Stentor long-distance network. NBTel, Telesat Canada Inc. ("Telesat") and other major Canadian telephone companies jointly own Stentor Resource Centre Inc. ("SRCI") and Stentor Telecom Policy Inc. ("STPI"). Together, these companies also form an alliance known as Stentor Canadian Network Management ("SCNM"). SRCI, STPI and SCNM are collectively known as "Stentor" or the "Stentor alliance". Through its members' facilities, Stentor provides and maintains long-distance telephone and data transmission facilities across Canada and establishes operating procedures to expedite the handling of long-distance calls. Its facilities provide long-distance circuits and carry both network television and radio programs and many forms of data communications.

NBTel, other members of Stentor and Spar Aerospace Ltd. together own Alouette Telecommunications Inc. ("Alouette"), which in turn owns 100% of Telesat. Telesat is a national satellite communications common carrier, providing telecommunications and broadcast distribution services throughout Canada and into the United States. NBTel's investment in Alouette is carried at cost and amounted to $6.9 million at December 31, 1995.

Operating revenues
(in millions of dollars)

Revenues in 1995 were $405 million, up $19 million from 1994.

Return on common shareholders' equity *(as a per cent)*



Return on common equity for 1995 was 11.3%, compared to 14.9% for 1994.

In conjunction with certain members of the Stentor alliance, Bruncor has entered into an interim funding agreement to provide MediaLinx Interactive Inc. ("MediaLinx") with capital to establish its business. MediaLinx, which was launched in October 1994, intends to enter into partnerships and alliances in order to stimulate and facilitate the development of new multimedia content and interactive service applications and to market these on Stentor's nationwide network. Activity during 1995 included the launch of a full-service Internet access facility called Sympatico.

Bruncor holds a 29.9% interest in Regional Cable TV (Atlantic) Inc. ("Regional Atlantic"), a Newfoundland-based cable television company. The remaining 70.1% of Regional Atlantic is owned by Regional Cablesystems Inc. ("Regional"). Bruncor has been seeking a buyer for its interest in Regional Atlantic since late in 1994.

NBTel, ISM Information Systems Management Corporation ("ISM") and Bluecorp Realty Inc. ("BRI") own Datacor/ISM Information Systems Management Atlantic Corp. ("Datacor"), a Moncton-based company. ISM is a wholly owned subsidiary of IBM Canada Limited and BRI is a subsidiary of Blue Cross of Atlantic Canada ("Blue Cross"). Datacor's voting shares are held on a 51%, 39% and 10% basis by NBTel, ISM and BRI respectively. A different distribution of participating, but non-voting, shares results in overall earnings participation levels of 45%, 45% and 10% respectively by NBTel, ISM and BRI. Datacor provides data-processing services to NBTel, Blue Cross, the Province of New Brunswick and a variety of other clients.

In 1993, Bruncor announced a decision to focus its strategic direction and future growth on telecommunications-related activities. Accordingly, certain operations which did not fit within this strategy were classified as discontinued and prior years' financial statements were restated to reflect this. A significant portion of these operations have been divested and efforts are under way to dispose of the remainder. Further detail on this activity is provided later in this analysis.

In 1995, Bruncor's consolidated operating revenues increased by 5.0% to $404.9 million, while earnings applicable to common shares from continuing operations increased by 1.2% to $36.9 million.

Earnings per share from continuing operations increased from $1.68 per share in 1994 to $1.70 per share in 1995.

Discontinued operations had no impact on earnings in 1995, while a gain of $10.1 million was recognized in 1994. As a result, earnings applicable to common shareholders, after the impact of discontinued operations, were down from $46.5 million in 1994 to $36.9 million in 1995 and earnings per common share decreased from $2.14 in 1994 to $1.70 in 1995.

Financial results for 1994 are restated as Bruncor retroactively changed its method of accounting for joint ventures in 1995 because of a change in Canadian generally accepted accounting principles. As a result, Bruncor's investments in Brunswick Square Ltd. and Datacor are now accounted for using proportionate consolidation whereas they had been accounted for on the equity basis previously. This change did not alter reported net income, but it did increase revenues, expenses, assets and liabilities.

Results of operations

Telecommunications

NBTel's net income increased by 13.1% from $34.2 million in 1994 to $38.7 million in 1995. Primary reasons for the increase in earnings were growth in total revenues and stronger operating margins.

NBTel operating revenues

The growth in local service revenue reflects i) an increase of 3.3% in the number of non-cellular, network access services (up from 471,546 at the end of 1994 to 487,214 at the end of 1995), ii) pricing changes and iii) the success of NBTel's marketing of enhanced local services, which increased average revenue per access line. NBTel's enhanced voice service revenues grew by $4.4 million or 10.5% during 1995.

NBTel's strong growth in cellular revenues continued in 1995 and the cellular customer base increased 35.7% from 31,038 at the end of 1994 to 42,114 at the end of 1995.

Total long-distance conversation minutes originating in New Brunswick on NBTel's network increased by 11.6% from 558.4 million in 1994 to 623.0 million in 1995. This growth reflects a positive response to long-distance savings plans and the impact of additional companies locating call centres in the province, partially offset by limited market share losses to long-distance competitors.

Despite the growth in conversation-minute volumes, revenue from long-distance involving locations within New Brunswick decreased by 1.0% in 1995 and revenue from long-distance involving locations outside the province decreased by 5.9%.

NBTel's revenues from long-distance involving locations outside the province are realized through distributions from a revenue pool with the members of Stentor. Each Stentor member's share of the revenue pool is determined by a formula based on cost recovery, the volume of minutes for calls originating or terminating within a jurisdiction and a variety of other factors. The decrease in NBTel's pool revenue in 1995 was the result of a smaller total revenue pool, partially offset by a small increase in NBTel's share of the pool. The primary reason for the increase in NBTel's share of the pool was growth in minute volumes arising from call centres in the province.

The decline in revenue generated from long-distance within New Brunswick and the reduction in size of the Stentor revenue pool both reflect the continuing impact of a variety of discount savings plans as well as market-share losses to long-distance competitors. The impact of competition in 1995 reflects i) the effect of aggressive marketing campaigns, both nationally and in the New Brunswick market, by the alternative service providers and ii) the full-year impact of equal access which, when introduced in July 1994, eliminated the need for customers of alternative service providers to include additional numbers when making long-distance calls.

NBTel estimates that its share of the New Brunswick long-distance market was 93% at the end of 1995 compared with 95% at the end of 1994. Market-share losses in New Brunswick have been less than those experienced by most other Stentor members. NBTel has also enjoyed considerable success in winning back customers who had opted to try alternative service providers.

NBTel operating expenses

A breakdown of NBTel's consolidated operating expenses is provided in the accompanying table.

The primary reason for the increased depreciation expense was growth in the investment in depreciable assets. A less significant factor was a small increase in the composite depreciation rate due to an increase in the proportion of shorter service life assets within property, plant and equipment. NBTel monitors the adequacy of its depreciation provisions on an ongoing basis.

Telephone plant expense declined slightly versus 1994 because of small reductions in salary and material costs.

The primary contributors to the $6.8-million increase in salaries, computer costs and other were i) $2.4-million of additional payments to Stentor, ii) a $2.1-million increase in Datacor expenses, iii) $1.9 million of additional vacation-pay expense, iv) $1.0 million of additional telemarketing, advertising and promotion costs related to campaigns to launch new products and services, including the Vista 350 screen-display telephone, and to preserve NBTel's customer base, v) $0.7 million of additional consulting costs related primarily to software development, vi) $0.7 million of additional costs for supplies and vii) $0.4 million

NBTel operating revenues *(dollars in thousands)*	**1995**	1994 *Restated*	% Change
Local service, excluding cellular	**$ 171,257**	$ 155,929	9.8
Long-distance service	**168,831**	173,250	(2.6)
Cellular service	**22,163**	14,947	48.3
Directory, rents, net sales and other	**20,710**	20,220	2.4
	$ 382,961	$ 364,346	5.1

of additional Department of Communications cellular fees. These cost increases were partially offset by a) a year-over-year expense reduction of $1.6 million because of a reorganization late in 1994 which removed NBI from NBTel's consolidated results and b) a net year-over-year reduction of $1.4 million in cellular activation costs as a result of a change in accounting policy whereby these costs are now amortized over 36 months to achieve better matching of expenses incurred in setting up accounts with cellular revenues.

NBTel's payments to Stentor compensate it for certain services (including administration of a revenue-sharing plan for inter-provincial long-distance revenues, network administration, product development, marketing, R&D and regulatory matters) which Stentor performs on a national basis for its members. When the Stentor alliance was formed, the percentage of its costs to be borne by NBTel was subject to annual increases over the three-year period from 1993-1995. The increase in NBTel's payments to Stentor in 1995 primarily reflect the impact of this phase-in process.

Other NBTel income

Miscellaneous income in NBTel increased from $3.4 million in 1994 to $5.7 million in 1995. The reasons for this growth include i) a $1.6-million increase in income realized on the sale of equipment (primarily used customer premises equipment), ii) a $0.4-million increase in interest income and iii) a $0.2-million increase in earnings from the sale of intellectual property. Intellectual property revenues involve the sale of knowledge and/or systems developed in the course of developing products and services for the New Brunswick market.

Other telecommunications operations

Because NBI and New North are both still in the start-up stage, losses are being incurred in each operation. Combined losses in 1995 of $1.4 million are included in Bruncor's consolidated results. Losses in these operations prior to a reorganization in the fourth quarter of 1994 are included in NBTel's results. Bruncor's portion of losses subsequent to the restructuring of these operations in the fourth quarter of 1994 was $0.3 million. An after-tax dilution gain of $3.2 million was recognized by Bruncor in 1994 when Nortel acquired a 49% interest in New North. This gain was included in "Other Income".

Alouette is accounted for on a cost basis and no earnings impact from this investment was recognized in 1994 or 1995.

Other operations

Bruncor's equity pick-up on its investment in Regional Atlantic, which is included in Other Income, amounted to $0.1 million in 1994 and $(0.1) million in 1995. As noted previously, Bruncor is seeking a buyer for its interest in this company.

NBTel recognized earnings of $0.8 million in 1995 on its investment in Datacor, compared with $1.1 million in 1994. This investment is proportionately consolidated. Datacor's revenues grew by 7.8% in 1995, but its earnings were off because of a decline in its operating margin.

Bruncor holds interests in three New Brunswick real-estate properties in which its subsidiaries have significant tenancies. These investments, which are held directly or indirectly by Bruntel Holdings Ltd. ("BHL"), consist of a 50% interest in Brunswick Square Ltd., which owns the Brunswick Square complex in Saint John; a 49% co-tenancy interest in

NBTel operating expenses
(dollars in thousands)

	1995	1994 *Restated*	% Change
Depreciation	**$ 93,669**	$ 90,338	3.7
Telephone plant expense	**44,476**	44,644	(0.4)
Salaries, computer costs and other	**138,894**	132,074	5.2
Pensions and other employee benefits	**7,352**	7,035	4.5
	$ 284,391	$ 274,091	3.8

the Blue Cross Centre in Moncton and 100% of the Fredericton Business Park. Bruncor recognized earnings of $0.4 million on these properties in both 1994 and 1995. Bruncor's earnings from its 50% interest in Brunswick Square Ltd. are proportionately consolidated, while the results of the other two properties are recorded as "Other Income".

Interest expense

Interest expense on long-term debt decreased from $32.6 million in 1994 to $32.2 million in 1995. This decrease reflects repayment during the year of portions of Bruncor's medium-term notes, NBTel's capital lease obligations, and Datacor's long-term debt obligations as well as a significantly lower interest rate (7.8% rather than 12.75%) on $30 million of NBTel debentures that were refinanced in October. These savings were partially offset by additional interest expense arising from a $20-million net increase in NBTel's long-term debt in October (a $50-million debenture issue was completed, with $30 million of the proceeds being used to refinance a maturing debenture issue and the balance being used to fund other operating and capital requirements).

Interest on short-term borrowings increased from $1.8 million in 1994 to $2.9 million in 1995. This reflects higher interest rates during much of 1995 and a higher level of short-term borrowings prior to a debenture issue in October which reduced short-term borrowings. Bruncor's $25.0 million redemption of its Series A preferred shares in June, 1994 contributed to the higher level of borrowings prior to the debenture issue.

Liquidity and capital resources

Cash generated internally from operations, net of dividends, increased from $88.2 million in 1994 to $113.8 million in 1995. Bruncor anticipates that it will continue to generate sufficient internal cash flow to i) provide for the payment of interest on its outstanding debt, ii) provide for dividends on its common shares as and when such dividends are declared and iii) fund most of its capital expenditures.

NBTel's consolidated gross capital expenditures were $106.8 million in 1995 compared with $89.2 million in 1994. Consolidated gross capital expenditures of approximately $119 million are anticipated for NBTel in 1996. These expenditures reflect i) growth in NBTel's market, ii) development costs related to the introduction of new products and services and iii) NBTel's continuing commitment to maintaining a modern infrastructure.

At the management holding company level, Bruncor is capitalized with a combination of common equity, a Commercial Paper ("CP") Program and lines of credit. Bruncor's common shares are publicly traded and are listed on both The Toronto Stock Exchange and the Montreal Exchange. The borrowing limit on the CP program is $50 million. Lines of credit maintained by Bruncor with its bankers total $110 million in aggregate. Bruncor also has a credit facility with BCE Inc., under which it may borrow up to $20 million for terms of up to one year. Borrowings under the CP program and the lines of credit are unsecured and the funds are used for general corporate purposes. Bruncor's CP is rated R-1 (low) by Dominion Bond Rating Service ("DBRS") and A-1 by Canadian Bond Rating Service ("CBRS").

On an ongoing basis, Bruncor and NBTel evaluate whether favourable terms can be achieved through the use of interest-rate swap contracts and other capital-market instruments. At the end of 1995, the only such contract in place was a $1-million interest-rate swap maturing in November 1996, which Bruncor had used to convert floating-rate debt to a fixed rate of 7.32%.

Bruncor had a Medium-Term Note ("MTN") Issuance Facility in place for several years but did not renew this program in 1994 because of a reduced requirement for funding from this source. During 1995, $2 million of these notes were repaid and no new notes were issued. At December 31, 1995, $1 million of notes issued in prior years remained outstanding. These notes, which mature in 1996, are rated A (low) by both DBRS and CBRS.

Bruncor had preferred shares in its capital structure for several years, but these shares were redeemed in 1994.

During 1994 and 1995, Bruncor did not accept any subscriptions for treasury stock from the trustee for the Common Shareholders' Dividend Reinvestment and Stock Purchase Plan or the Employee Stock Plans. Although Bruncor has discontinued accepting subscriptions for the issue of treasury shares until further notice, the plans are still active and the trustee for each of the plans is purchasing shares on the open market to fill the requirements of plan participants.

Because of the exercise of share options which had been granted to officers of Bruncor and NBTel, common shares were issued from treasury during each of the last two years (31,800 shares in 1995 and 6,500 shares in 1994). Cash proceeds on these share issues were $0.6 million in 1995 and $0.1 million in 1994.

The primary external sources of financing for NBTel's operations are common equity and publicly issued debentures. Financing also includes short-term borrowings. All NBTel common shares are owned indirectly by Bruncor. NBTel's debentures, which are publicly issued, have been rated A with a stable trend by DBRS and A+ (low) with a stable outlook by CBRS. A $50-million issue of Series AG 7.80% five-year debentures was completed in October 1995. A portion of these proceeds was used to retire the $30 million of 12.75% Series AC debentures which matured in October 1995. NBTel maintains lines of credit totalling $80 million in aggregate with its bankers. NBTel also has a credit facility with BCE Inc., under which it may borrow up to $20 million for terms of up to one year.

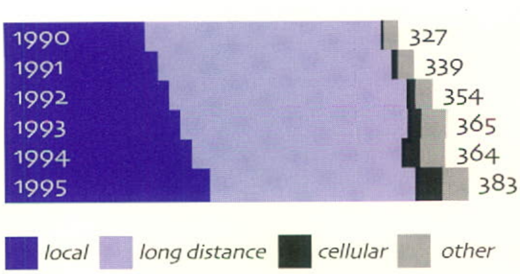
During 1995, consolidated borrowings (both short- and long-term debt) for continuing operations increased by $4.1 million. This change consisted of a $17.1-million increase in long-term debt and the interest accrued thereon, partially offset by a $13.0-million reduction in short-term debt.

Implementation of Bruncor's disposal plan for discontinued operations reduced consolidated borrowings for those operations by $13.1 million (down from $24.7 million at the end of 1994 to $11.6 million at the end of 1995). This debt reduction consisted of i) the retirement or assumption by purchasers of $5.9 million of borrowings for real-estate investments, ii) the repayment of a $5.0-million Chancellor Corporation credit facility which had been guaranteed by Bruncor (and which had been recognized as a liability by Bruncor when discontinued-operation reserves were established) and iii) the retirement of $2.2 million of Bruncor Leasing debt.

During 1996, $22.1 million of Bruncor's consolidated long-term debt matures. This consists of NBTel's $20.0-million Series AF debenture issue which matures in July, $1.0 million of maturing Bruncor MTN's, $0.7 million of Datacor debt, $0.2 million of NBTel capital lease obligations and $0.2 million of principal maturing on real-estate mortgages.

An internal reorganization, which has been approved by Revenue Canada and which was implemented late in 1995, will enable the Bruncor corporate group to use tax operating loss carry-forwards to reduce 1996 income tax payments by approximately $8 million. The earnings impact of these tax benefits was previously recognized for accounting purposes, but a small earnings impact will be realized from reduced financing costs as a result of the improved cash flow. As a result of this reorganization, Bruncor now holds NBTel through a newly incorporated subsidiary, 501337 N.B. Inc. ("501337"), whose only asset is the common shares of NBTel. This structure will have no impact on the operations of the corporate group and it is anticipated that NBTel and 501337 will be amalgamated prior to the end of 1996. Bruncor's consolidated 1996 capital-expenditure program, the repayment of its maturing long-term debt and

NBTel revenues by source
(in millions of dollars)



Total revenues in 1995 were $383 million.

Long-distance conversation minutes
(in millions)

New Brunswickers talked long distance for 623 million minutes this year, up 11.6% from last year.

other financial commitments will be funded with cash flow from operations and by issuing securities, the amounts and particulars of which will be determined over the course of the year.

Operating environment and business trends

Government policy and regulatory environment

A number of government policy and regulatory decisions, which commenced with the 1992 opening of the long-distance market to much broader competition, have significantly altered the operating environment for telecommunications companies. Since that time, numerous competitors have become active in the long-distance market and long-distance prices have fallen sharply. Despite the introduction of competition, Canada's major telephone companies are still subject to considerable regulation. Details of significant developments in the regulatory environment over the last two years are as follows:

Under the terms of a September 1994 decision by the Canadian Radio-television and Telecommunications Commission ("CRTC" or the "Commission"), the following occurred:

• The telephone companies' rate base was split into two segments, competitive and utility.

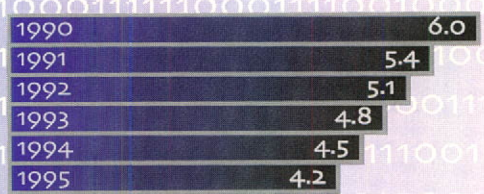
• Earnings regulation of the competitive segment, which includes long distance, was ceased as of January 1, 1995. The competitive segment remains regulated by the CRTC, however, through i) tariff filings which are subject to imputation tests whereby the causal cost of services and a prescribed carrier access tariff are to be reflected in the pricing of these services and ii) safeguards against cross-subsidization between the competitive and utility segments of the business.

• The utility segment, which includes local service, is to remain regulated through a return-on-equity ("ROE") system until January 1, 1998, at which time it will move to a price-cap regulatory mechanism. Under a typical price-cap mechanism, initial prices for a basket of services are capped at levels which, in total, will permit realization of market rates of return. On an annual basis, pricing for the basket of services is then adjusted by an inflation factor and a pre-determined factor reflecting assumed levels of productivity improvement. Productivity gains in excess of the pre-determined adjustment factor directly increase earnings without concern for a limit on profits, while failure to realize the assumed level of productivity improvements will negatively impact returns. The assumed level of productivity improvements is reviewed and amended periodically. Price-cap regulation is expected to provide the telephone companies with more pricing flexibility as it is anticipated they will be able to amend pricing on individual services as long as the overall basket is contained within the price cap. The specific details of the price-cap mechanism to be implemented in Canada will be addressed in public hearings expected in 1996.

• The Commission opted to forbear from regulation of the sale, lease and maintenance of terminal equipment. The CRTC also stated it would be amenable to substantial deregulation of other services after certain conditions, which meet the "workably competitive" test, are achieved.

• The decision allowed the introduction of competition in the local service market. Cable companies, new wireless service providers, resellers

NBTel employees per 1,000 network access services



NBTel employees are among the most efficient in Canada, with only 4.2 per 1,000 access lines.

Long-distance conversation minutes per network access service

On average, every telephone line in New Brunswick made over 1,177 minutes of long-distance calls in 1995.

and specialized service providers were all permitted to offer a range of voice, data and video telecommunications services to local subscribers. Even though competition was allowed, local telephone companies were not relieved from their obligation to provide universal service and they were not granted open access to the cable market.

• Telephone companies were allowed to carry certain licensed broadcast services, including switched video. The CRTC also allowed and encouraged the telephone companies to participate in the development and offering of innovative interactive multimedia services.

The September 1994 decision also put in place a mechanism for rate rebalancing to reduce subsidization of local service by long distance. A key element of rebalancing was the introduction of local price increases of $2 a month in each of three years, with offsetting long-distance price reductions.

In December 1994, the federal cabinet returned this issue to the CRTC for further evaluation and, as a result, no rate rebalancing was implemented in 1995. This issue was readdressed by the CRTC during the past year and in October 1995, the Commission confirmed its earlier decision to allow rate rebalancing by approving two annual local price increases of $2 per month, effective January 1, 1996 and January 1, 1997. A third increase in local prices is to be implemented with the introduction of price-cap-regulation effective January 1, 1998. These increases were to be accompanied by offsetting reductions in long-distance prices for services used primarily by residential and small-sized business subscribers. In December 1995, NBTel and several other Stentor members petitioned the federal cabinet to amend the requirement for long-distance price decreases as a condition for the $2 local service price increases. The basis for this petition was that regulated pricing within a competitive environment was not appropriate and that a de-linking of long distance and local prices was necessary to encourage stability and investment in the telecommunications industry. On December 20, 1995, the federal government granted this petition.

In May 1995, the CRTC released a report and recommendations based on its hearings earlier in the year on the convergence of the telecommunications, cable television and computer industries in the provision of entertainment and information services to homes and businesses. This report was not a regulatory decision, but was intended to provide advice to the government on policy in this area. The report supported competition in broadcast distribution, but recommended that telephone companies not be awarded broadcast-distribution licenses until barriers to effective competition in local telephony are resolved. Steps which the Commission identified as being necessary to implement local-telephony competition included unbundling of local service, co-location of competitor's equipment in telephone company central offices, interconnection of competitor's networks and number portability. The CRTC concluded that resolution of these issues would take 12 to 18 months. In the meantime, the telephone companies are allowed to offer non-broadcast multimedia services after obtaining CRTC approval for unbundled broadband access and for the individual services.

The CRTC's May 1995 convergence report served as one of the inputs considered in a September 1995 report by the Information Highway Advisory Committee ("IHAC"), a body set up by the federal government to advise on policy. The IHAC report endorsed fair and sustainable competition in telecommunications, broadcast distribution and programming as the most effective means of stimulating innovation and ensuring choice and affordability. IHAC also recommended that government establish a clear regulatory and policy framework and remove outdated and unnecessary regulatory barriers.

In a September 1995 decision, the CRTC decided to forbear or refrain from regulation of the bulk of the services provided by long-distance carriers other than the major telephone companies. This decision allows alternate carriers to amend their offerings without tariff filings, while the major telephone companies are still required to file tariffs and await CRTC rulings before making changes.

An October 1995 CRTC decision specified that generally all new investments and related expenses associated with the deployment of broadband facilities are to be the responsibility of the shareholders of the telephone companies and are to be assigned to the competitive segment of the business.

Operations - general

The Bruncor group's objectives include i) maintaining its position as the telecommunications supplier of choice in New Brunswick by preserving and building its strong service capabilities, ii) importing business, such as call centres, to the province and iii) introducing a variety of its innovative products and services to markets outside of New Brunswick through partnering and alliance arrangements.

NBTel is not dependent on any single customer, but its larger business customers do account for a significant portion of its revenues. There are competitors in certain services, such as long distance and cellular, and the local service market is now open to competition.

NBTel has competed successfully in the long-distance market to date and believes it can maintain this success in the future. NBTel also believes it will be able to retain most of the New Brunswick local service market for the foreseeable future. This confidence is based on i) NBTel's advanced telecommunications infrastructure, ii) success that has been enjoyed in delivering innovative products and services, iii) a low price structure, iv) high productivity and v) dedicated employees committed to superior levels of customer support.

The company intends to continue its pursuit of cost-reduction and process-improvement initiatives. An example of this type of initiative is a December 1995 agreement with Nortel whereby NBTel and Nortel have undertaken to jointly develop processes that are expected to reduce costs and improve the delivery of services related to NBTel's narrowband switching network. Savings realized from this new business relationship will be directed toward reducing the costs of existing services and transitioning the business to address new market opportunities including interactive multimedia services.

NBTel has developed considerable expertise in the provision of services to the call-centre market and has successfully marketed this expertise through a co-operative effort with the provincial and municipal governments. Call centres established in the province, many of which have national or international mandates, have been a significant contributor to growth in NBTel's long-distance minute volumes. Further growth is expected as i) many of these centres are still in the process of establishing their New Brunswick operations and ii) NBTel is optimistic that more of this business can be attracted to the province.

The company intends to build on its call-centre expertise and, as part of this strategy, Bruncor has signed a memorandum of understanding which addresses the formation of a joint venture with Genesys Telecommunications Laboratories Inc. ("Genesys"), an American software development company, early in 1996. It is expected this joint venture will be a New Brunswick corporation owned 51% by Genesys and 49% by Bruncor. The joint venture intends to pursue i) sales of the existing suite of Genesys call-centre products in Canada and ii) the development of innovative software products for the call-centre market. Bruncor has committed up to $2.0 million of funding for the joint venture in the form of a working-capital line of credit.

The Bruncor group has also developed an export strategy for products and services developed in the New Brunswick market. This involves the sale of intellectual property to service providers outside of New Brunswick and the entry into partnering arrangements with other companies. The Bruncor group anticipates growth in the contribution of this activity to its earnings.

An example of export activity is an On-Line Service Provisioning System ("OLSP") which was developed jointly by NBTel and a Toronto-based company Architel Systems Corporation ("Architel"). This system was successfully implemented in NBTel's network and, in 1992, an agreement was put in place which provides for royalty payments to NBTel on sales of the OLSP software. In 1996, NBTel intends to transfer certain of its rights in OLSP to Architel for cash consideration of $3.0 million. This payment will be recognized as income in the 1996 financial statements.

The Bruncor group intends to participate in ownership of business initiatives offering its innovative services to markets outside New Brunswick. Initially, this strategy is being implemented through New North and NBI, both of which expect significant growth in the proportion of their revenues from sources outside New Brunswick. NBI expects growth from sources such as a joint undertaking and licensing arrangement with

BC TEL Interactive, a division of BC TEL Systems Support, Inc. ("BCTI") that was put in place late in 1995. Through this joint undertaking, NBI and BCTI will provide certain interactive services to all the major Canadian telephone companies. NBI and BCTI will share the revenues and expenses of the joint undertaking on a 50/50 basis. BCTI has undertaken to pay per-minute transaction fees to NBI, on 50% of the activity generated by certain services offered through the joint undertaking, as consideration for BCTI having been provided access to technology developed by NBI.

New North anticipates revenue growth from sources outside New Brunswick as a result of its CallMall and QuickAds services being launched with Bell Canada in London, Ontario and Sherbrooke, Quebec. Bell Canada and New North are now working on plans for a possible rollout of these services to other markets in Ontario and Quebec.

The possibility of introducing further equity participation in both New North and NBI is now being explored. Bruncor intends to pursue this in 1996 as the capital and wider market opportunities which interested parties could provide would accelerate development of these businesses.

Trends

Total message and conversation-minute volumes from long-distance calls both within New Brunswick and to locations outside New Brunswick are expected to grow in 1996, although NBTel's revenue from this activity is expected to decline. The primary reasons for the revenue decline are the continued impact of discount savings plans, further price changes and expected additional market-share losses to long-distance competitors.

The existing arrangement for sharing long-distance revenues from out-of-province calls in the Stentor revenue pool is under review. Late in 1995, an agreement in principle was reached among the Stentor members to i) extend the current settlement agreement which would have terminated on June 30, 1996 through December 31, 1996 and ii) enter into a new agreement to continue termination and transit of traffic originated by members of the alliance. This agreement in principle is subject to finalization of specific terms and execution of definitive agreements. NBTel does not expect these changes will have a material impact on its financial results.

Local revenues are expected to increase in 1996 as a result of continued growth in cellular customers and the number of network access services, local-price increases and other planned pricing changes, an increase in contribution revenue from competitors for the use of NBTel's network and the increased penetration of new products and enhanced local services.

On an overall basis, NBTel anticipates its expenses will increase in 1996. This reflects costs necessary to support growth in revenue-generating activity and maintain adequate depreciation reserves. NBTel expects to contain the rate of expense growth, however, by productivity measures that it is now pursuing. These measures include i) ongoing regionalization of functions by the four Atlantic Canada telephone companies through initiatives such as joint purchasing, shared facilities and common systems, ii) contracting out of functions that can be performed more cost effectively by external suppliers and iii) internal process changes that, in many cases, will both reduce costs and improve service levels.

Under the terms of a September 1994 CRTC decision which introduced a split-rate-base methodology, the telephone companies can apply for local-price increases if they fail to meet the low point on their allowed ROE range for the utility segment during the three-year period from 1995-1997. Under the split-rate-base methodology, rate-of-return regulation does not apply to the competitive segment of the business.

NBTel's allowed ROE range for the utility segment of its business was 10.5% to 12.5% in 1995 and this range has been maintained for 1996. NBTel is required to finalize and report on its utility segment ROE by September, 1996. The company's preliminary calculations of the utility ROE, based on a methodology specified by the CRTC, indicate a rate within the allowed range. NBTel anticipates it will realize utility rates of return within the allowed range for the remaining two years of rate-of-return regulation (as previously discussed, rate-of-return regulation on utility operations will be replaced with price-cap regulation as of January 1, 1998). Accordingly, no applications for general price increases, in excess of the two $2 increases already approved, are anticipated during 1996 or 1997.
On an accounting basis, NBTel's return on average

common equity increased from 10.4% in 1994 to 11.6% in 1995.

Bruncor's return on average common equity ("ROCE") was 11.3% in 1995 versus 14.9% in 1994. The 1994 ROCE included a gain recognized on discontinued operations while discontinued operations had no earnings impact in 1995. A more direct year-over-year comparison is ROCE from continuing operations which was down slightly from 11.7% in 1994 to 11.3% in 1995. Bruncor intends to focus on managing its business and measuring returns on its overall consolidated earnings rather than unduly focusing on competitive versus utility results as it believes this approach i) best aligns it with the perspective of its shareholders and ii) reflects Bruncor's basic philosophy toward its business, whereby it views itself as a provider of an integrated package of services drawn from all segments of its businesses in order to best meet its customers' needs.

Beacon initiative

In April 1994, the Stentor alliance announced an industry strategy to evolve to the next era of telecommunications capabilities through a plan called the "Beacon Initiative". In June 1994, NBTel became the first Stentor member to unveil a specific plan under this initiative. NBTel's announcement followed the signing of a memorandum of understanding between it and Nortel to construct a two-way interactive broadband multimedia network to serve the majority of the province. This network will ultimately deliver voice, data and video services for a wide range of applications including business-to-business communications, government services, health care, education and general consumer needs.

Nortel will provide the major network components and systems integration for the project. NBTel expects to spend approximately $300 million by the year 2002 on an infrastructure which will include ATM switches, fibre-optics transmission equipment and hybrid fibre/coaxial access network.

During 1995, NBTel's Beacon efforts focused primarily on project planning and upfront development work on both systems and applications.

In November 1995, NBTel executed a letter agreement with Nortel whereby NBTel committed to $20 million of funding for a coaxial node research and development program being carried out by Nortel. This agreement also contains terms whereby NBTel will receive i) discounts, on its purchases of certain products from Nortel and ii) royalty payments on Nortel's sale, to third parties, of products resulting from this research and development. NBTel has an opportunity to receive in excess of $20 million, in aggregate, from these discounts and royalty payments.

In January 1996, NBTel and Nortel executed an agreement addressing work by Nortel on the integration of broadband systems. This agreement supplements a Memorandum of Understanding which has governed arrangements for this project since its inception in June 1994. NBTel expects to contribute funding of approximately $12 million for this project by the end of 1997.

NBTel has also pursued development of a Multi Media Service Bureau which will serve as a platform for the delivery of certain multi-media related services. NBTel has initiated negotiations with a party interested in acquiring access to the development work completed to date on this initiative and then sharing in the costs and benefits of further development work. The outcome of these discussions cannot be determined at this time.

An agreement which will address all areas of joint marketing by Nortel and NBTel is currently under development. The benefits to be derived by each company under this agreement are still being determined.

Under current implementation plans, NBTel, during 1996, expects to continue i) development of systems and applications and ii) construction of a fibre/coaxial network. The initial delivery of services specific to this initiative is expected to commence late in 1996. By the end of the year 2002, NBTel expects to have a multimedia network in place for 60% of the New Brunswick local service market. Because of the rapid pace of change in the industry, design and costing work on the project is still under way and changes to the plans will be made as developments unfold.

Financial commitments

Bruncor advanced $0.1 million and $0.4 million in 1994 and 1995 respectively to MediaLinx as its prorata share of MediaLinx funding. These advances were made as an interest-free loan under an interim funding agreement. When a shareholders' agreement is settled and executed (this had been expected in 1995 but has been delayed until 1996), Bruncor may elect to either i) have its advances converted into common shares of MediaLinx or ii) have its advances converted into prepaid royalty fees, license fees or service-fee credits. Bruncor has received a request from MediaLinx for further funding of $1.2 million in 1996 (3.0% prorata share of further funding requirement of $40 million budgeted for 1996). This request is now being addressed by Bruncor.

Pension plan

NBTel immunized approximately $50 million or 24% of its defined benefit plan obligations in 1995 in order to reduce its investment risk. This involved acquiring a portfolio of fixed-income securities with a duration matching that of the obligations being immunized, with the objective being to limit pension expense and funding risk. This action generated a gain as it reduced the present value of accrued pension liabilities. This gain, which is being amortized over nine years, reduces pension expense by approximately $0.2 million per year over the amortization period.

Discontinued operations

As a result of Bruncor's decision to focus its strategic direction and future growth on telecommunications-related activities, its investments in financial services, undeveloped cable television/telephony franchises in the United Kingdom and real estate, with the exception of the three New Brunswick properties discussed earlier, were reclassified as discontinued operations. A significant portion of these assets were disposed of during 1994 and 1995 and an orderly disposition of the remaining investments is in progress.

A discontinued operations provision of $28.6 million was included in the 1993 financial statements. This provision i) reduced the carrying value of discontinued assets to their estimated net realizable value and ii) established reserves for the estimated costs of disposition and the estimated net-operating results of these operations prior to disposition. In the second quarter of 1994, a $10.1-million gain was recognized on discontinued operations. This consisted of a gain of $11.5 million on divestment of the UK franchises, partially offset by a further provision of $1.4 million for the discontinued financial-services operations. Discontinued operations had no earnings impact in 1995 as reserves had been established previously for losses realized on dispositions completed in 1995 and for the net impact of the 1995 operating results for these investments. Any difference between Bruncor's reserves and the final outcome of this disposition activity will be recognized as a gain or loss from discontinued operations in Bruncor's income statement. In the meantime, Bruncor, on an ongoing basis, monitors the adequacy of its remaining discontinued operations reserves relative to its estimates of the losses and costs yet to be incurred. Reserve adjustments will be made prior to finalization of the disposition process if management concludes that there is sufficient certainty of material variances versus the reserves to warrant this action. Bruncor has concluded that no reserve adjustments are required at this time. During 1996, the aggregate operating activities of the remaining discontinued operations are not expected to require further cash injections.

Chancellor Corporation

In July 1995, Bruncor sold its shares in Chancellor Corporation for US$0.5 million (C$0.7 million) in cash and a US$0.2-million (C$0.3-million) note. In conjunction with this sale, Bruncor repaid a US$3.7-million (C$5.0-million) Chancellor credit facility which it had guaranteed. The loss on this sale had no earnings impact in 1995 as a reserve had been established previously.

Bruncor Leasing

Bruncor holds a 70% interest in Bruncor Leasing ("BL"), a partnership between Bruncor and Infotec Leasing Limited ("Infotec"), a wholly owned subsidiary of NewTel Enterprises Limited. During 1993, both partners decided to wind up the operations of BL, which had been engaged primarily in equipment financing through both direct-finance leases and conditional-sales contracts as well as providing inventory financing for equipment dealers throughout Canada.

During 1993, Bruncor recognized a loss of $3.3 million on this investment. A further loss of $1.4 million was recognized in 1994 as a result of disposition activity in which assets were sold for less than amounts assumed when the 1993 provision was made. During 1994, cash proceeds of more than $100 million were realized on the disposition of BL assets.

Disposition activity consisted of i) a recourse sale of the small-ticket portion of BL 's portfolio to Commcorp Financial Services Inc. ("Commcorp"), ii) a non-recourse sale of the mid-ticket portfolio to a subsidiary of John Deere Finance Corporation and iii) collections on assets not sold. Of these cash proceeds, approximately $60 million was used to repay BL debt and the remainder was distributed to the partners, Bruncor and Infotec. Bruncor used its $28-million share to repay debt.

The sale to Commcorp included a right of recourse to BL for credit losses in excess of specified levels on the purchased portfolio and also provided for sharing of a portion of income from the purchased portfolio with BL. A final determination of the outcome of these arrangements is not expected prior to 1999 as portions of the leases and contracts within the purchased portfolio are not due prior to then. In Bruncor 's view, the discontinued operations reserve for this business, net of BL's share of portfolio income, adequately provides for amounts payable under these arrangements.

At December 31, 1995, BL's assets had been reduced to $0.4 million.

Real Estate

With the exception of three New Brunswick properties noted earlier, it is Bruncor's intention to dispose of all real-estate interests. The carrying value of Bruncor's investment in discontinued real estate was written down by $11 million as part of a $28.6-million provision recognized in 1993.

When the decision was made in 1993 to divest its real-estate interests, Bruncor, through BHL, had interests in a number of properties located in New Brunswick, Ontario and the United States. BHL also owned 51% of the voting equity of V&A Properties Inc. ("V&A"), a Toronto-based corporate joint venture, and 51% of Reynolds, Vickery, Messina and Griefen, Company (RVM&G), a Boston-based partnership. V&A was active in property development and management primarily in the greater Toronto area and RVM&G had provided property development and management services on a fee basis in the New England states.

In 1993, the property-development and management contracts of RVM&G were sold to another Boston-based real-estate firm. Consideration for these contracts was the payment of a percentage of the management fees collected on the purchased contracts during the two-year period from November 1, 1993 to October 31, 1995. These fees were nominal. Efforts are under way to sell commercial developments in Massachusetts, in which Bruncor holds 50% interests.

In 1994, Bruncor concluded an agreement with its partners in V&A, pursuant to which the partners acquired the business assets and properties of V&A through two new companies. As consideration, the partners assumed V&A's liabilities, made a nominal cash payment and are obligated to pay Bruncor 25% of the after-tax operating cash flow in excess of $0.2 million from certain assets and operations sold to the new companies for the three-year period from 1995-1997, with aggregate maximum proceeds to Bruncor of $0.5 million. The partners' shares of V&A were subsequently redeemed and cancelled, leaving V&A as a wholly owned subsidiary of the Bruncor group. V&A's name was then changed to 797848 Ontario Limited and steps were taken to initiate a wind-up of the company. The Bruncor group realized $3 million of tax benefits in 1995 as a result of this transaction. A $1.6-million loan which Bruncor had provided to V&A was assumed by one of the new companies. This note is secured by the purchaser's interest in two U.S. real-estate partnerships. Bruncor anticipates this loan will be repaid with proceeds from a sale by the purchaser of these investments.

With respect to discontinued real-estate holdings in New Brunswick, Bruncor has sold its i) 50% interest in the Barker House office development in Fredericton, ii) 100% interest in two parcels of land in Fredericton being held for future development and iii) 90% interest in several condominiums in the Regency Park development in Fredericton. Proceeds from these dispositions, all of which were used to retire discontinued-operations debt, totaled $6.6 million. A variety of sale options are being explored for the remaining New Brunswick real-estate properties that have been classified as discontinued operations. These consist of a) a 90% interest in the Regency Park development in Fredericton, which combines residential condominiums and apartments with commercial and retail space, b) a 15.8% interest in the Kings Place commercial/retail development in Fredericton, c) a 100% interest in two parcels of undeveloped land in the Fredericton Industrial Park, d) a 24.5% interest in the Hotel Beausejour in Moncton and e) a 100% interest in a commercial building in Saint John.

Bruncor Inc.

Financial responsibility

Management report

The accompanying consolidated financial statements and all information contained in this report were prepared by and are the responsibility of management. The statements were prepared in accordance with generally accepted accounting principles and include management's best judgments and estimates. Where alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial information presented elsewhere in this report is consistent with that in the financial statements.

The company maintains a system of internal controls which provides management with reasonable assurance that financial information is relevant, reliable and accurate and that the company's assets are properly accounted for and adequately safeguarded. This system includes a program of periodic audits by the company's internal auditors.

The board of directors has reviewed and approved these financial statements. To assist the board in meeting its responsibility, it has appointed an audit committee which is composed entirely of outside directors.

The committee meets quarterly with management, internal audit staff and the external auditors to discuss controls over the financial reporting process, auditing matters and financial reporting issues to satisfy itself that each party is properly discharging its responsibilities. The committee reviews the financial statements and reports its findings to the board for consideration when approving the statements for issuance to shareholders. The committee also considers, for review by the board and approval by the shareholders, the engagement or re-appointment of the external auditors, who have full and free access to the committee.

William H. Steeves
Chief Financial Officer and Vice President of Corporate Services
Saint John, New Brunswick, February 1, 1996

Auditors' report

To the shareholders of Bruncor Inc.

We have audited the consolidated balance sheets of Bruncor Inc. as at December 31, 1995 and 1994 and the consolidated statements of income, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1995 and 1994 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Ernst & Young

Chartered Accountants
Saint John, New Brunswick, February 1, 1996

Bruncor Inc.

Consolidated Balance Sheets

(dollars in thousands) *At December 31*	1995	1994
ASSETS		*Restated (note 1)*
Current		
Accounts receivable	$ 81,689	$ 70,713
Prepayments	7,194	12,353
	88,883	83,066
Investments *(note 3)*	15,117	16,975
Property, plant & equipment *(note 4)*	1,255,491	1,193,094
Less accumulated depreciation	539,789	493,464
	715,702	699,630
Other assets		
Deferred charges	4,524	829
Assets of discontinued operations *(note 2)*	18,245	26,026
	22,769	26,855
Total assets	$ 842,471	$ 826,526

The accompanying notes are an integral part of this statement.

(dollars in thousands) At December 31	1995	1994
LIABILITIES AND SHAREHOLDERS ' EQUITY		*Restated (note 1)*
Current		
Short-term borrowings	$ 25,297	$ 38,320
Accounts payable and accrued charges	64,112	50,273
Dividends payable	6,951	6,943
Interest accrued on long-term debt	6,809	6,707
Long-term debt due within one year *(note 7)*	22,069	32,892
	125,238	135,135
Long-term debt *(note 7)*	311,086	283,272
Deferred credits		
Deferred income tax	56,560	53,221
Deferred pension costs *(note 6)*	4,712	6,715
	61,272	59,936
Liabilities of discontinued operations *(note 2)*	13,162	26,150
Shareholders' equity		
Capital stock *(note 8)*	186,039	185,457
Contributed surplus	19,774	19,774
Retained earnings	125,900	116,802
	331,713	322,033
Total liabilities and shareholders' equity	$ 842,471	$ 826,526

The accompanying notes are an integral part of this statement.

Signed on behalf of the Board of Directors:

George Colter
Director

Louis Tanguay
Director

Bruncor Inc.

Consolidated Income Statements

(dollars in thousands except per -share amounts)

For the years ended December 31	1995	1994
		Restated (note 1)
Operating revenues		
Local service	$ 170,068	$ 155,671
Long-distance service	168,742	173,227
Cellular service	22,163	14,947
Directory, rents, net sales and other	43,951	41,723
	404,924	385,568
Operating expenses		
Salaries, computer costs and other	162,922	154,918
Depreciation	95,062	91,169
Telephone plant expense	44,476	44,644
	302,460	290,731
Operating income	102,464	94,837
Other income	5,018	7,158
Other charges		
Interest on long-term debt	32,178	32,584
Short-term interest	2,931	1,828
	35,109	34,412
Income before income taxes	72,373	67,583
Income taxes *(note 9)*	35,486	30,210
Earnings from continuing operations	36,887	37,373
Discontinued operations *(note 2)*	—	10,065
Net income	36,887	47,438
Less: Discontinued operations	—	10,065
Less: Dividends on preferred shares	—	906
Net income from continuing operations applicable to common shareholders	$ 36,887	$ 36,467
Earnings per share from continuing operations	$ 1.70	$ 1.68
Earnings per share from discontinued operations	—	0.46
Earnings per share	$ 1.70	$ 2.14

The accompanying notes are an integral part of this statement.

Bruncor Inc.

Consolidated Statements of Retained Earnings

(dollars in thousands) *For the years ended December 31*	1995	1994
Balance at beginning of year	$ 116,802	$ 98,044
Earnings from continuing operations	36,887	37,373
Discontinued operations	—	10,065
	153,689	145,482
Dividends on preferred shares	—	906
Dividends on common shares	27,789	27,774
Balance at end of year	$ 125,900	$ 116,802

The accompanying notes are an integral part of this statement.

Bruncor Inc.

Consolidated Statements of Cash Flows

(dollars in thousands) For the years ended December 31	1995	1994
Operating Activities		*Restated (note 1)*
Net income	$ 36,887	$ 47,438
Items not requiring (providing) cash		
Discontinued operations	—	(11,529)
Depreciation	95,062	91,169
Deferred pension costs	(2,003)	(2,494)
Deferred income tax	3,339	(5,299)
Equity in net earnings of subsidiary companies	863	(3,272)
Other	(698)	268
	133,450	116,281
Cash provided by changes in working capital	8,132	615
	141,582	116,896
Dividends paid to shareholders	(27,789)	(28,680)
Cash provided by operating activities	113,793	88,216
Investing activities		
Capital expenditures	(110,436)	(90,455)
Investments	995	(2,370)
Deferred charges	(3,695)	(702)
Assets of discontinued operations	7,781	118,967
Total cash provided by (used in) investing activities	(105,355)	25,440
Cash flow before financing activities	8,438	113,656
Financing activities		
Issue of long-term debt	50,000	—
Reduction of long-term debt	(33,009)	(10,343)
Liabilities of discontinued operations	(12,988)	(60,946)
Issue of common shares	582	104
Redemption of preferred shares	—	(25,000)
Total cash provided by (used in) financing activities	4,585	(96,185)
Decrease in short-term borrowings	(13,023)	(17,471)
Short-term borrowings at beginning of year	38,320	55,791
Short-term borrowings at end of year	$ 25,297	$ 38,320

The accompanying notes are an integral part of this statement.

Bruncor Inc.

Notes to the Consolidated Financial Statements

1. Significant Accounting Policies

(dollars in thousands)

CHANGE IN ACCOUNTING POLICY In accordance with changes in generally accepted accounting principles regarding investments in joint ventures, the company proportionately consolidates its interests in the accounts of Datacor/ISM Information Systems Management Atlantic Corp. (45%) and Brunswick Square Ltd. (50%). Previously, these investments had been accounted for on the equity basis. The company's consolidated financial statements for the prior period have been restated to retroactively apply the effects of the change. This change has the effect of increasing both assets and liabilities at December 31, 1995 by $20,585 ($20,336 in 1994) and both revenue and expenses during the year ended December 31, 1995 by $17,171 ($14,827 in 1994). Shareholders' equity and net income are unaffected by this accounting change.

The company has changed, on a prospective basis, from currently expensing cellular activation charges to deferring and amortizing these costs over a 36-month period. This accounting change has reduced company expenses by approximately $3,000 in 1995.

CONSOLIDATED FINANCIAL STATEMENTS include the accounts of the company and those of its wholly owned subsidiaries, The New Brunswick Telephone Company, Limited; Bruntel Holdings Ltd. and NBTel interActive (1994) Inc.; its proportionate interest in the joint ventures Datacor/ISM Information Systems Management Atlantic Corp. (45%) and Brunswick Square Ltd. (50%); and the joint undertaking between NBTel interActive (1994) Inc. and BC TEL Interactive (50%), a division of BC TEL Systems Support, Inc. Certain assets and liabilities of Bruntel Holdings Ltd. are treated as discontinued operations. Bruncor Leasing (a 70% partnership interest) is consolidated and its assets and liabilities are classified as discontinued operations.

INVESTMENTS in New North Media Inc., Regional Cable TV (Atlantic) Inc., Six-44 Main Inc. and Fredericton Business Park Ltd. are accounted for on the equity basis. The company's remaining investments in various real-estate operating companies are accounted for on the equity basis and treated as discontinued operations *(note 2)*. The company's investment in Alouette Telecommunications Inc. is accounted for on the cost basis.

DEPRECIATION is generally calculated on a straight-line basis, using rates based on the estimated useful lives of the assets. The annualized composite rate of depreciation for telecommunications property was 8.14% for the year ended December 31, 1995 (8.12% for the year ended December 31, 1994).

ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION is included in income and added to the cost of property to provide for a return on capital invested in new telecommunications property while under construction.

INCOME TAXES are accounted for under the tax allocation method. Under this method, income taxes have been calculated on reported income, rather than on earnings currently taxable. Deferred tax balances are calculated using the accrual method. Under this method, the accumulated deferred tax balances are adjusted to reflect changes in tax rates. The effect of any future income tax rate changes will be taken into income in the year the change occurs.

1. Significant Accounting Policies

(continued)

PENSION COSTS AND OBLIGATIONS

Employees of the company are participants in either the non-contributory, defined benefit provisions or the contributory, defined contribution provisions of the pension plan.

Deferred pension costs represent the cumulative difference between the provision for pension costs and the funding contributions at the balance sheet date. The most recent actuarial valuation of the plan was conducted at June 30, 1993.

Pension costs and obligations associated with the defined benefit provisions are computed by actuarial reviews and studies, based on management's best estimates and assumptions, using the projected benefit method prorated on services. The net pension assets on January 1, 1987, subsequent adjustments arising from plan amendments, changes in assumptions, and experience gains and losses are amortized on a straight-line basis over the expected average remaining service life of the employee group. Pension fund assets are valued at market-related values whereby changes in market value are recognized over a period of five years.

Pension costs associated with the defined contribution provisions of the plan are the company's contributions as specified in the plan.

2. Discontinued Operations

(dollars in thousands)

At December 31, 1993, substantially all Bruncor's investments in non-telecommunication activity were classified as discontinued operations. Since that time, significant portions of these operations have been sold and plans for the disposition of the remaining operations continue. The company's remaining investments in these operations have been classified as assets and liabilities of discontinued operations and are described later. The business segments accounted for as discontinued operations are as follows:

Financial Services

During the year ended December 31, 1995, Bruncor sold its interest in a discontinued operation, Chancellor Corporation, for cash consideration of $750 and a promissory note for $273. In connection with this transaction, Bruncor paid out the remaining debt with respect to credit support provided previously on certain Chancellor bank borrowings in the amount of $5,037. This contingency was accrued in previous years. The proceeds will not be recognized as a gain until other liabilities of discontinued operations have been met.

During the year ended December 31, 1994, the company sold most of its Canadian financial-services assets. The transactions included the disposition of leases and conditional sales contracts for cash consideration of $70,000. The proceeds from the sale were used to reduce a portion of liabilities of discontinued operations and the company's short-term borrowings. In connection with the sale of certain of these assets, Bruncor has provided a level of credit recourse to one of the purchasers over the collection period. As a result of the sale and revaluation of the investment in the remaining assets, a loss of $1,464 (net of income tax recovery of $1,535) from discontinued operations was realized during the year ended December 31, 1994. The remaining financial-services assets (direct finance leases, conditional sales contracts and repossessed assets) are being held for collection or disposal.

Real Estate

Non-telecommunications-related real-estate operations are being treated as discontinued. The remaining real-estate investments held for disposal include investments in subsidiary operations, land and buildings. During the year ended December 31, 1995, several of these properties were sold for cash proceeds of $6,624. The proceeds of these sales were used to reduce debt of discontinued operations. During the year ended December 31, 1994, the company sold the assets of V&A Properties Inc. for cash proceeds of $3,041. The proceeds were used to reduce short-term borrowings. Plans for the disposition of the remaining properties are in progress.

Other

During the year ended December 31, 1994, the company sold its interest in two undeveloped cable television/telephony franchises in the United Kingdom to Bell Cablemedia PLC (a subsidiary of Bell Canada International Inc.) for cash proceeds of $14,700. The proceeds from the sale were used to reduce the company's short-term borrowings. The net gain after tax from discontinued operations realized on the transaction was $11,529.

2. Discontinued Operations

(continued)

The following describes the assets of the financial-services and certain real-estate operations that are held for disposal. The company's liabilities that directly relate to these assets are also presented below. Investments, land and buildings are stated at net realizable values.

At December 31	1995	1994
Assets		
Cash and short-term notes receivable	$ 2,318	$ 2,824
Accounts receivable	280	400
Investments, land and buildings	15,647	22,346
Long-term notes receivable and direct-finance leases	—	456
	$ 18,245	$ 26,026
Liabilities		
Short-term borrowings	$ 8,795	$ 15,280
Accounts payable, accrued charges and deferred revenue	1,528	1,463
Current portion of long-term debt	135	2,322
Long-term debt	2,704	7,085
	$ 13,162	$ 26,150

Revenues from discontinued operations were $3,831 for the year ended December 31, 1995 ($7,975 for the year ended December 31, 1994).

3. Investments

(dollars in thousands) *At December 31*	1995	1994
Equity accounted investments		
Regional Cable (Atlantic) Inc.	$ 4,536	$ 4,596
New North Media Inc.	3,334	4,305
Fredericton Business Park Ltd.	54	51
Six-44 Main Inc.	(429)	(298)
	7,495	8,654
Other investments, at cost		
Alouette Telecommunications Inc.	6,942	8,126
Other	680	195
	7,622	8,321
	$ 15,117	$ 16,975

During the year ended December 31, 1995, Alouette Telecommunications Inc. repaid in full a note for $1,200.

4. Property, Plant and Equipment

(dollars in thousands)

At December 31	1995 Cost	1995 Accumulated Depreciation	1994 Cost	1994 Accumulated Depreciation
Telecommunication property				
Central office equipment	$ 512,255	$ 231,541	$ 496,828	$ 205,736
Outside plant	377,002	162,968	366,531	148,131
Station equipment	137,157	65,209	131,732	67,548
Buildings	60,964	27,247	58,815	25,334
Other equipment	77,311	44,908	71,020	40,176
Other property				
Land	9,644	—	9,394	—
Buildings	45,566	6,528	44,517	5,779
Plant under construction	25,072	—	7,338	—
Equipment	8,595	1,388	4,557	760
Construction materials	1,925	—	2,362	—
	$ 1,255,491	$ 539,789	$ 1,193,094	$ 493,464

5. Commitments

(dollars in thousands)

Joint venture

The company is expecting to form a joint venture with Genesys Telecommunications Laboratories Inc., a U.S.-based software-development company, in 1996. The company's proportionate interest will be 49%. The company has committed up to $2,000 in the form of a working-capital line of credit.

Research and development

The company, over the period 1995 and 1996, is committed to fund a $20,000 custom R&D program as its share of a larger program being carried out by Northern Telecom Limited which will see the development of products and access network functionality associated with the company's broadband multimedia network. In return, as part of this funding arrangement and in recognition of risk sharing, the company will receive discounts on an array of purchases of Northern Telecom products. Should the products developed under the R&D program be sold to other customers of Northern Telecom, the company may receive royalties, which together with the product discounts, provides the opportunity to receive back more than its initial R&D investment.

6. Pensions

(dollars in thousands)

The net pension expense recovery was $2,461 for the year ended December 31, 1995 ($3,241 for the year ended December 31, 1994).

The present value of the accrued pension benefits of the defined benefit provisions of the plan and the net assets available to provide for these benefits are as follows:

At December 31	1995	1994
Accrued pension benefits	$ 211,780	$ 201,541
Pension-fund assets, at market-related value	$ 245,062	$ 229,563

7. Long-term Debt

(dollars in thousands)
At December 31

Issues	Interest Rates %	Maturity Dates	1995	1994
The New Brunswick Telephone Company, Limited				
Debentures				
AC	12.750	October 23, 1995	$ —	$ 30,000
AF	8.625	July 30, 1996	20,000	20,000
AD	9.700	June 15, 1997	50,000	50,000
AB	10.375	October 16, 1999	30,000	30,000
AG	7.800	October 11, 2000	50,000	—
AE	10.000	June 15, 2002	50,000	50,000
R	10.000	July 15, 2003	25,000	25,000
T	10.000	September 16, 2006	30,000	30,000
AA	11.125	July 19, 2013	40,000	40,000
			295,000	275,000
Capital lease obligation	9.750	1996 to 2006	5,140	5,349
			300,140	280,349
Brunswick Square Ltd.				
Bank loans	8.225 to 9.750	1997	14,250	14,250
Capital lease obligation	9.750 to 10.018	1996 to 2001	1,412	1,529
			15,662	15,779
Bruntel Holdings Ltd.				
Mortgages	9.125 to 11.000	1996 to 1999	14,776	14,920
Datacor/ISM Information Systems				
Other institutional loan	nil	1996 to 1998	1,352	1,352
Bank loan	10.065	1996	225	764
			1,577	2,116
Bruncor Inc.				
Medium-term notes	9.500	1996	1,000	3,000
			333,155	316,164
Less: Due within one year			22,069	32,892
			$ 311,086	$ 283,272

Annual repayment of long-term debt for each of the next five years is as follows:

	Payments
1996	$ 22,069
1997	65,146
1998	949
1999	30,558
2000	50,625

7. Long-term Debt

(continued)

The future minimum lease payments under NBTel's capital leases are $700 per year for the next five years and an aggregate of $4,250 thereafter. The imputed interest included in the future minimum payments at December 31, 1995 is $2,600.

The future minimum lease payments under Brunswick Square's capital leases are $269 per year for the next five years and an aggregate of $539 thereafter.

8. Capital Stock

(dollars in thousands)

	Number of Shares Outstanding		Stated Capital	
At December 31	**1995**	1994	**1995**	1994
Common shares	**21,730,672**	21,698,872	**$ 186,039**	$ 185,457

Authorized

Authorized capital stock consists of an unlimited number of common shares without nominal or par value and an unlimited number of serial preferred shares without nominal or par value issuable in series, each series consisting of such number of shares and having such provisions attaching thereto as may be determined by the directors of the company.

Common shares

At December 31, 1995, 177,267 common shares were reserved for issuance under the Common Shareholders' Dividend Reinvestment Plan and 271,690 common shares were reserved for issuance under the company's Employees' Stock Plan.

Stock options

The company has options outstanding to certain officers of the company and its subsidiaries to purchase a total of 18,200 common shares at prices ranging from $17.25 to $24.00 per share. These options expire before February 2004. During the year ended December 31, 1995, options for 31,800 common shares were exercised.

9. Income Taxes

A reconciliation of the statutory income tax rate to the effective income tax rate is as follows:

Years ended December 31	**1995**	1994
	%	%
Combined basic federal and provincial income tax rate	**46.1**	45.8
Allowance for funds used during construction, net of applicable depreciation adjustment	**0.4**	0.5
Large-corporation tax	**1.2**	1.1
Other permanent differences	**1.3**	(2.7)
	49.0	44.7

10. Joint Ventures

(dollars in thousands)

The company's share of the joint ventures *(note 1)* that are proportionately consolidated is as follows:

At December 31		1995		1994
Current assets	$	4,353	$	2,762
Long-term assets		40,665		38,980
Current liabilities		4,718		1,876
Long-term liabilities		20,163		20,857

Years ended December 31		1995		1994
Revenues	$	21,173	$	20,021
Expenses		20,027		18,604
Net income		1,146		1,417
Cash flows from operating activities		3,603		3,783
Cash flows from financing activities		(3,975)		(2,224)
Cash flows from investing activities	$	(1,762)	$	(1,095)

11. Related Party Transactions

(dollars in thousands)

In the normal course of business, the company had transactions with related parties as follows:

Years ended December 31				1995		1994
Related party	**Relationship**	**Nature of transaction**				
Northern Telecom Canada Limited	Common shareholder	Purchase of equipment and supplies	$	46,295	$	42,449
Tele-Direct (Services) Inc.	Common shareholder	Purchase of directory services	$	7,916	$	8,377

At December 31, the following amounts were due to related parties:

Northern Telecom Canada Limited	$	4,293	$	816
Tele-Direct (Services) Inc.	$	589	$	643

At December 31, 1995, BCE Inc. beneficially owned 44.98% of the company's common shares (42.7% at December 31, 1994).

Statistical summary[(a)(b)]

11-year review

	1995	1994	1993	1992
Financial statistics				
Earnings from continuing operations per common share	**$ 1.70**	$ 1.68	$ 1.67	$ 1.73
Earnings per common share	**$ 1.70**	$ 2.14	$ 0.35	$ 1.76
Dividends declared per common share	**$ 1.28**	$ 1.28	$ 1.28	$ 1.27
Common equity per common share, December 31	**$ 15.26**	$ 14.85	$ 13.98	$ 14.83
Payout ratio	**75.3%**	59.8%	366.8%	72.4%
Return on common shareholders' equity	**11.3%**	14.9%	2.3%	12.2%
Average common shares outstanding *(in thousands)*	**21,709**	21,697	21,679	20,844
Income statement summary *($ in thousands)*				
Operating revenues	**404,924**	385,568	384,479	373,510
Operating expenses	**302,460**	290,731	289,409	274,913
Interest expense	**35,109**	34,412	32,452	36,582
Other income	**5,018**	7,158	5,177	8,139
Minority interests	**—**	—	—	167
Income taxes	**35,486**	30,210	29,771	32,147
Income from continuing operations	**36,887**	37,373	38,024	37,840
Income (loss) from discontinued operations	**—**	10,065	(28,641)	654
Net income	**36,887**	47,438	9,383	38,494
Dividends on preferred shares	**—**	906	1,813	1,813
Net income applicable to common shares	**36,887**	46,532	7,570	36,681
Financial position items at December 31 *($ in thousands)*				
Total assets	**842,471**	826,526	922,616	925,478
Shareholders' equity	**331,713**	322,033	328,342	342,011
Minority interests	**—**	—	—	—
Long-term debt of continuing operations *(including current portion)*	**333,155**	316,164	326,461	347,778
Miscellaneous statistics				
Registered common shareholders, December 31	**12,396**	13,243	13,552	13,507
Price earnings multiple based on continuing operations:				
Based on highest price for year	**14.8**	16.2	14.5	11.9
Based on lowest price for year	**11.6**	13.5	11.2	10.2
NBTel statistics				
Operating revenues *($ in thousands)*				
Local service	**171,257**	155,929	146,840	137,741
Long-distance service	**168,831**	173,250	187,274	194,563
Cellular service	**22,163**	14,947	10,732	7,190
Other net operating revenues	**20,710**	20,220	20,081	14,251
Total operating revenues	**382,961**	364,346	364,927	353,745
Operating expenses *($ in thousands)*	**284,391**	274,091	272,142	256,915
Network access services, December 31 *(c)*	**529,328**	502,584	480,314	461,100
Long-distance conversation minutes *(in thousands) (d)*	**622,984**	558,419	511,797	446,833
Gross construction *($ in thousands)*	**106,821**	89,152	95,438	107,036
Return on common equity	**11.6%**	10.4%	12.1%	13.3%
Times interest earned before taxes	**3.3**	3.0	3.1	3.0

(a) Information has been reclassified to reflect (1) the effect of July 1, 1985 corporate restructuring and, where significant, (2) the 1993 reclassification of certain operations as discontinued.

1991	1990	1989	1988	1987	1986	1985
$ 1.60	$ 1.64	$ 1.55	$ 1.63	$ 1.54	$ 1.60	$ 1.62
$ 1.64	$ 1.55	$ 0.19	$ 1.57	$ 1.65	$ 1.60	$ 1.62
$ 1.24	$ 1.21	$ 1.20	$ 1.20	$ 1.18	$ 1.18	$ 1.18
$ 14.02	$ 13.48	$ 13.15	$ 14.05	$ 13.70	$ 13.29	$ 12.71
75.9%	78.2%	632.5%	76.5%	71.5%	73.9%	73.2%
11.9%	11.6%	1.3%	11.3%	12.3%	12.3%	13.3%
19,680	19,282	19,238	19,062	18,876	18,487	16,364
358,656	345,325	324,831	297,342	283,586	258,790	244,174
267,220	256,420	241,111	211,851	199,049	183,729	169,803
36,058	35,217	30,078	24,969	23,432	22,193	19,844
4,909	5,637	4,965	3,950	2,167	6,447	2,687
306	401	691	806	927	1,027	1,112
26,733	25,509	26,323	30,725	32,430	28,723	29,614
33,248	33,415	31,593	32,941	29,915	29,565	26,488
769	(1,772)	(26,129)	(1,233)	2,165	—	—
34,017	31,643	5,464	31,708	32,080	29,565	26,488
1,813	1,813	1,813	1,813	931	—	—
32,204	29,830	3,651	29,895	31,149	29,565	26,488
879,494	826,530	748,719	694,316	634,069	593,783	560,571
307,308	284,947	278,506	293,555	285,181	248,949	228,698
4,335	4,537	8,270	9,692	10,947	12,253	13,366
349,316	345,941	298,604	260,415	216,942	218,921	191,489
13,591	13,748	14,601	13,270	13,618	13,748	13,553
11.6	11.7	12.3	11.5	13.4	12.0	12.7
10.1	9.8	10.6	10.0	9.4	10.3	9.4
129,079	118,182	107,664	104,338	97,620	91,828	88,045
192,165	193,720	186,615	166,222	160,050	145,270	136,844
4,725	2,425	268	—	—	—	—
13,210	12,223	12,618	14,339	13,321	13,506	14,380
339,179	326,550	307,165	284,899	270,991	250,604	239,269
247,196	237,873	222,670	197,839	186,113	174,890	165,519
447,721	431,286	411,391	392,268	371,813	353,182	336,053
405,442	366,306	328,168	291,981	259,126	229,087	205,950
105,908	107,655	95,723	85,679	81,016	75,135	59,115
13.3%	14.0%	14.1%	15.5%	15.1%	15.1%	14.1%
3.0	2.9	2.8	3.4	3.6	3.3	4.1

(b) Information has been restated prior to 1995 to reflect investments in joint ventures.
(c) Information for years prior to 1988 has been estimated.
(d) Information for years prior to 1993 has been estimated.

Helpful information

Of interest to shareholders

Shareholders requiring assistance with accounts should contact:

Bruncor Inc.
Shareholder Relations
Second floor
One Brunswick Square
Saint John, NB E2L 4L4

Tel 1 800 561-9030
Fax (506) 694-2028

Shareholders or other interested parties who would like information about Bruncor should contact Robert Capson, assistant secretary, at (506) 694-6837.

Valuation-day price

For capital-gains purposes, the valuation-day prices are as follows:

Dec. 22, 1971	$14.63
Feb. 22, 1994	$23.625

Co-transfer office/ registrar for stock

Montreal Trust Company - Saint John, Halifax, Montréal, Toronto, Winnipeg, Regina, Calgary and Vancouver

Dividend reinvestment plan

Common shareholders can elect to reinvest their dividends automatically in additional shares, without fees. Optional cash payments of up to $10,000 quarterly can also be made. There are no brokerage commissions or service charges and all administration costs are borne by Bruncor. A brochure explaining the details can be obtained from the shareholder relations department.

Stock listed

Bruncor's common shares are listed on The Toronto Stock Exchange and on The Montreal Exchange. Stock exchange listings appear under the symbol BRR.

Dividend direct deposit

Common shareholders can have their dividends deposited directly to their bank accounts. To utilize this service, contact the shareholder relations department.

Multiple mailings

If you have more than one account, you may receive a separate annual report for each. If this occurs, please contact us so we can eliminate multiple mailings.

Annual reports

The annual report is our principal communication with shareholders and the investment community. Rated by outside experts, it is consistently among the world's best. In each of the past five years, we have reduced the cost of the report while maintaining this high standard.

Dividend record and payment dates for 1996*

Record date	Payment date
–	Jan. 15
March 20	April 15
June 20	July 15
Sept. 20	Oct. 15

subject to approval by the board of directors

Quarterly common share price range

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	1995	1994	**1995**	1994	**1995**	1994	**1995**	1994
High*	**$ 25.125**	$ 26.88	**$ 24.25**	$ 27.25	**$ 23.50**	$ 25.25	**$ 23.00**	$ 25.00
Low*	**$ 23.375**	$ 22.50	**$ 20.875**	$ 23.00	**$ 20.875**	$ 22.63	**$ 19.75**	$ 23.25
Close*	**$ 24.00**	$ 25.00	**$ 20.875**	$ 23.25	**$ 21.625**	$ 24.13	**$ 22.00**	$ 24.25
Volume:								
Toronto	**631,264**	775,841	**578,314**	517,126	**477,605**	464,013	**478,661**	394,794
Montreal	**44,826**	253,029	**84,169**	79,454	**79,635**	80,921	**139,424**	60,744

**The Toronto Stock Exchange*

Friend of the New Brunswick community

"Serving New Brunswick first" is more than a business strategy to provide world-class services to the people of our province. It is the sincere commitment of our directors and employees to enhancing the quality of life for New Brunswickers through both volunteer and financial support.

In 1995, we provided assistance to hundreds of organizations and community projects, including those listed on this page.

Newcastle Rotary Catscan Project
Fredericton YM-YWCA
Moncton Hospital
Saint John Rotary Club Hospital Pedway Project
Fondation de l'Hôpital Dr Georges Dumont
Muriel McQueen Fergusson Foundation Centre for Family Violence Research
Bethany Bible College
Literacy New Brunswick
Université de Moncton
Imperial Theatre
Campbellton Civic Centre
Chaleur Regional Civic Centre
Richelieu Club
L'Association des Handicapés
Junior Achievement
Festival Acadien Inc.
La Société des Jeux de l'Acadie
Camp Jeunesse Richelieu Inc.
Carousel Theatre
Bathurst Music Festival
Canadian National Institute for the Blind
Bathurst Volunteer Centre
Chaleur Refugee Committee
Victorian Order of Nurses
Atelier Rado
Royal Canadian Legion
Big Brothers/Big Sisters
Fondation Bob Fife Inc.
Crime Stoppers
Scouts Canada
Edmundston Jazz and Blues Festival
Restigouche Volunteer Association
Campbellton Salmon Festival
Bon Ami Festival
Rotary Club Auctions
Restigouche Gallery
United Way
Atlantic Baptist College
Chalmers Hospital Foundation
Celebrate the Arts
St. John Ambulance
Fredericton First Night
Christmas Daddy Program
Moncton Kinsmen Charities
New Brunswick Community Colleges
Mount Allison University
Maude Burbank Band Festival
Hillsborough School Choir
Greater Moncton Music Festival
School District 16 Music Festival
Irish Festival
Kidney Foundation
Arthritis Society
Saint John Regional Hospital Foundation
Kiwanis Charities TV Auction
Gyro School Milk Fund
School District 8 Science Fair
Loyalist City Festival
Festival by the Sea
Belfast Children's Vacation
Saint John Volunteer Centre
Saint John Naval Veterans Association
First Night Saint John
Chocolate Fest
St. Croix Theatre Company
Lions Club Empty Stocking Fund
Kinsmen Christmas Miracle
Woodstock High School Academic League
Carleton/Victoria Arts Council
Woodstock Arts Council
New Brunswick Arts Council
Perth-Andover Civic Centre
Kids Stuff Theatre
Sussex Country Living Days
Atlantic Balloon Festival
New Brunswick Competitive Festival of Music
Saint John Community Christmas Exchange
Navy League of Canada
Characters Incorporated
Speak Easy Inc.
Saint John Seafarers Mission Partners for Youth Inc.
Ducks Unlimited Conservation Centre
Saint John Rotary Boys Choir
The Council for Canadian Unity
Théâtre L'Escaouette
Canadian Red Cross
Salvation Army
Canadian Cancer Society
New Brunswick Heart and Stroke Foundation
Kidney Foundation of Canada
New Brunswick Lung Association
New Brunswick Safety Council
IWK Hospital
Mindcare Skate to Care
Lupus New Brunswick
Alzheimer Society
Spina Bifida Association
AIDS New Brunswick
Expo Science Fair
Teacher of the Year Awards
Atlantic Engineering Association
Conseil économique du Nouveau-Brunswick
New Brunswick Youth Orchestra
Symphony New Brunswick
Baroque Music Festival
National Youth Orchestra
Duke of Edinburgh Awards
Théâtre Populaire d'Acadie
KV Ultimate Dreamland Park

Changing the way

BRUNCOR INC

Voice: 1 800 561-9030
Fax: (506) 694-2028
E-mail: brrinfo@nbnet.nb.ca
Internet: http://www.bruncor.com