Bell Canada Annual Report 1992

Bell

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BUSINESS OF BELL CANADA

Bell Canada was incorporated by a special act of the Parliament of Canada in 1880 and continued under the Canada Business Corporations Act effective April 21, 1982. BCE Inc. (BCE), directly and through one of its subsidiaries, owns all the outstanding voting shares of Bell Canada.

Bell Canada is the largest Canadian supplier of telecommunications services and, as a telecommunications operating company, owns and operates a public switched network for voice, data and image communications in the provinces of Ontario and Québec, through its operating divisions Bell Ontario and Bell Québec.

Telecommunications services generate two major revenue streams, local and access services revenues and toll and network services revenues, which accounted for approximately 82% of Bell Canada's consolidated total operating revenues in 1992.

Local and access services revenues are derived mainly from network access services (approximates lines in service) provided to the business and residence customer markets. As at December 31, 1992, Bell Canada provided about nine million network access services to its business and residence customers. These services account for about 93% of all such services provided by telephone companies in Ontario and Québec and about 57% of all such services provided by telephone companies in Canada. Local and access services revenues also include revenues from the provision of service options and features to residence and business customers.

Toll and network services revenues from long distance telecommunications are derived from toll services which include basic message toll service (MTS) (including discount services such as Advantage*, Teleplus* and Between Friends*) and alternative services for business customers, such as WATS* and 800 Service*; and from the provision of network services such as private line voice services and business data services. Toll and network services revenues are derived from services originating and terminating within Bell Canada service territory (intra-Bell), and from services provided jointly with other telecommunications companies (settled). Most of the settled revenues are derived from an agreement with the members of Stentor Canadian Network Management (Stentor), formerly Telecom Canada, a working association of nine major Canadian telephone companies, including Bell Canada, and Telesat Canada (Telesat). Bell Canada also derives revenues from the rental, sale and maintenance of terminal equipment to the business and residence markets.

Bell Canada is subject to the jurisdiction of the Canadian Radio-television and Telecommunications Commission in various respects including its rates, costing and accounting procedures. Bell Canada does not have exclusive franchises to furnish its regulated telecommunications services. However, no other company offers basic local public switched network telephone service in Bell Canada's service area (except for cellular local telephone service).

Bell Canada owns a 100% interest in the Directory Business division of Tele-Direct (Publications) Inc. This division is engaged in the sale of telephone directory advertising representing approximately 63% of the Canadian market, and in the publishing of white pages and Yellow Pages* directories for Bell Canada. In addition, Bell Canada has a minority common equity interest in Bell-Northern Research Ltd., (30% owned), an industrial research and development organization.

**Trademark*

FINANCIAL REVIEW*

Overview

In 1992, Bell Canada continued to absorb the effects of a prolonged economic recession, while facing increased competitive activity, particularly in the long distance market. The switching equipment modernization program was accelerated during 1992 with the objective of digitalizing virtually all local switches by 1994.

	1992	1991	Increase	% Change	1991	1990	Increase	% Change
Net Income	$1,006.1	$986.0	$20.1	2.0%	$986.0	$965.7	$20.3	2.1%

Bell Canada achieved a modest increase in net income in 1992 compared with 1991, despite the effects of the prolonged stagnation of the economy, increasing reseller activity and rate reductions for certain toll services. The increase in net income in 1992 compared with 1991 was mainly due to an increase in total operating revenues of $134 million or 1.7 per cent reflecting in part the greater penetration of recently introduced services such as Call Management Service while operating expenses increased modestly by $64 million or 1.2 per cent reflecting the effect of continuing productivity improvement actions, including stringent cost control measures.

Gross capital expenditures increased by $391 million in 1992 over 1991 to $2,686 million mainly as a result of the acceleration of the switching equipment modernization program.

Net income increased slightly in 1991 compared with 1990 mainly due to the combined effect of the increase in local and access services revenues and lower operating expenses partially offset by decreases in toll and network services revenues and in terminal, directory advertising and other revenues. Toll and network services revenues were affected by rate reductions implemented in the fourth quarter of 1990 and by the increased resale and sharing of private line services by the resellers. Continuing aggressive efforts by Bell Canada and its employees to control operating expenses resulted in a decrease in total operating expenses.

The following sections provide a more detailed discussion of Bell Canada's results of operations and financial condition.

Results of Operations

Local and Access Services Revenues

	1992	1991	Increase	% Change	1991	1990	Increase	% Change
Local and Access Services Revenues	$2,732.6	$2,575.3	$157.3	6.1%	$2,575.3	$2,428.1	$147.2	6.1%
Number of Network Access Services** (thousands)								
Business	2,602.9	2,516.4	86.5	3.4%	2,516.4	2,425.2	91.2	3.8%
Residence	6,626.5	6,508.1	118.4	1.8%	6,508.1	6,373.0	135.1	2.1%
Total	9,229.4	9,024.5	204.9	2.3%	9,024.5	8,798.2	226.3	2.6%

**As at December 31

Local and access services revenues are earned mainly by providing network access services to business and residential customers and by providing additional service options and features. In 1992, revenue increases were driven primarily by the year over year growth in the number and value of network access services, representing $54 million, and by higher volumes of service options and features, representing $58 million. The moderate growth in the number of network access services continued to reflect the weak economic conditions prevailing in the territory served by Bell Canada.

In 1991, revenue increases were driven primarily by the year over year growth in the number and value of network access services, representing $72 million and by higher volumes of service options and features, representing $51 million. The slower growth of network access services in 1991 compared to 1990 reflected the continuing economic weakness in 1991.

**Dollars in the tables of this financial review are in millions.*

Toll and Network Services Revenues

	1992	1991	(Decrease) Increase	% Change	1991	1990	(Decrease) Increase	% Change
Toll and Network Services Revenues	**$3,714.9**	**$3,738.4**	**$(23.5)**	**(0.6)%**	$3,738.4	$3,778.9	$(40.5)	(1.1)%
MTS Messages (millions)	**1,758.3**	**1,757.6**	**0.7**	**–**	1,757.6	1,702.3	55.3	3.2 %

Toll and network services revenues are earned by providing toll services and network services, both within Bell Canada territory and jointly with other telecommunications companies and organizations throughout Canada and the world. Toll and network services revenues decreased slightly in 1992 compared with 1991. The two main revenue streams, basic toll services and network services, decreased by $39 million and increased by $16 million, respectively, in 1992 over the previous year. The slight decrease in toll revenues was mainly due to the weak economic conditions, increased revenue losses arising from resale and sharing of private line services and the rate reductions implemented in May, September and November 1992 for WATS*, Advantage* and 800 Service*. The number of message toll service (MTS) messages originating in Bell Canada's territory was flat compared with 1991 as it was affected by the weak economic conditions prevailing in the territory served by Bell Canada and increased revenue losses to resellers. A downward trend in MTS messages was indicated by the fact that MTS messages in the fourth quarter of 1992 decreased by 2.4 per cent compared to the fourth quarter of 1991. The increase in network services revenues was due to the increased penetration of recently introduced service offerings.

Toll and network services revenues decreased in 1991 compared with 1990. This reflected the effect of the weak economic climate, increasing revenue losses due to resale and sharing of private line services by resellers and the long distance rate reductions implemented in the latter part of 1990. Basic toll services and competitive network services, decreased by $37 million and by $3 million, respectively, in 1991 over the previous year.

Terminal, Directory Advertising and Other Revenues – Net

	1992	1991	Increase	% Change	1991	1990	Decrease	% Change
Terminal, Directory Advertising and Other Revenues – Net	**$1,415.3**	**$1,415.3**	**–**	**–**	$1,415.3	$1,447.7	$(32.4)	(2.2)%

The two main revenue streams in this category are from rental, sale and maintenance of terminal equipment and from directory advertising. Revenues from rental, sale and maintenance of terminal equipment increased by $7 million while directory advertising revenues decreased by $8 million in 1992 compared with 1991.

Directory advertising revenues increased by $14 million (3.0 per cent) in 1991, well below the 1990 growth rate of 11.6 per cent, mainly due to volume decreases. Revenues from rental, sale and maintenance of terminal equipment decreased by $49 million compared with 1990 reflecting the effects of a weak economy.

Operating Expenses

	1992	1991	Increase	% Change	1991	1990	Decrease	% Change
Operating Expenses	**$5,620.1**	**$5,555.7**	**$64.4**	**1.2%**	$5,555.7	$5,610.5	$(54.8)	(1.0)%

Operating expenses increased at a low pace in 1992. The increase was mainly due to depreciation expense and salaries and wages partially offset by the benefits of continuing productivity improvement actions and the net positive effect on expenses of the change in accounting for software.

Operating expenses decreased in 1991 compared with 1990 due to productivity gains and continued considerable emphasis placed by Bell Canada and its employees on containing expenses along with the effect of lower growth in demand for telecommunications services.

**Trademark*

Operating Expenses (continued)

	1992	1991	Increase	% Change	1991	1990	Increase	% Change
Depreciation Expense	**$1,581.6**	**$1,478.3**	**$103.3**	**7.0%**	$1,478.3	$1,413.6	$64.7	4.6%

The increase in the depreciation expense in 1992 over 1991 was caused by (i) higher average depreciable plant and equipment balances (ii) the effect of the change in the capitalization and amortization policy for application software, effective January 1, 1992 (iii) the net impact of changes in average service life, partially offset by (iv) higher salvage for older analog switching equipment.

In 1991, depreciation expense increased compared to 1990 due to higher average depreciable plant and equipment balances.

	1992	1991	Increase	% Change	1991	1990	Decrease	% Change
Salaries and Wages	**$2,160.9**	**$2,071.4**	**$89.5**	**4.3%**	$2,071.4	$2,075.9	$(4.5)	(0.2)%

Salaries and wages increased in 1992 compared with 1991. The increase was mainly due to annual increases in remuneration which were partially offset by the effect of a reduction in the number of employees due to (i) the voluntary termination of employment by nearly 1,100 employees in 1992; (ii) leaves of absence granted to nearly 1,200 employees in the second half of 1992; and (iii) the early retirement of approximately 1,600 employees during the second quarter of 1991. The number of equivalent full time employees decreased by 2.5 per cent in 1992 compared to 1991.

Salaries and wages decreased slightly in 1991 over 1990 due to the early retirement in the first quarter of 1990 and in the second quarter of 1991 of approximately 1,300 and 1,600 employees, respectively. The decrease was partially offset by wage and salary increases to employees.

Interest Charges

	1992	1991	Increase	% Change	1991	1990	Increase	% Change
Interest Charges	**$592.7**	**$544.5**	**$48.2**	**8.8%**	$544.5	$517.0	$27.5	5.3%

Interest charges increased in 1992 and 1991, as a result of the higher average long term debt outstanding. In 1992, the increase in interest charges was moderated by lower interest rates on new debt issues compared with the average cost of outstanding debt.

Liquidity and Capital Resources

Bell Canada's cash requirements in 1992 were met by internally generated funds except for the repayment of long term debt, of which $825 million matured during the year (including $700 million of long term debt which Bell Canada elected to redeem prior to maturity during the year) and for a portion of capital expenditures.

	1992	1991	Increase	% Change	1991	1990	Decrease	% Change
Gross Capital Expenditures	**$2,686.3**	**$2,295.2**	**$391.1**	**17.0%**	$2,295.2	$2,343.4	$(48.2)	(2.1)%

Bell Canada's principal requirement for funds is to finance its capital expenditures program which is undertaken in large part to fulfill Bell Canada's obligation to serve the needs of its customers. Capital expenditures in 1991 and 1992 continued to be used in the expansion and improvement of Bell Canada's telephone plant, through investment in advanced digital and fibre optic technologies; in particular, switching equipment purchases increased in 1992 compared with 1991, as a result of the acceleration of Bell Canada's modernization program. This will result in the digitalization of virtually all local switches by 1994; the original target was 97 per cent by 1996.

Liquidity and Capital Resources (continued)

	1992	1991	Increase	% Change	1991	1990	Decrease	% Change
Funds from External Sources	$1,551.0	$795.0	$756.0	95.1%	$795.0	$1,050.0	$(255.0)	(24.3)%

In 1992, funds from external sources were obtained through the issue of $300 million of common shares to the parent company, BCE Inc. (BCE), the public issue of $275 million of debentures in Canada, the private issue of $300 million of debentures in Canada, the issue of $125 million of debentures in Europe, the public issue of U.S. $200 million ($238 million) of debentures in the United States and the sale of accounts receivable for cash proceeds of $100 million. In addition, Bell Canada took advantage of lower prevailing interest rates by refinancing for periods of one to three years, prior to maturity, $213 million of its long term debt with commercial paper and concurrently entered into interest rate swap agreements fixing the interest cost of such borrowings for similar periods.

In 1991, funds from external sources were obtained through the issue of $100 million of common shares to the parent company, BCE, the private issue in Canada of $135 million of preferred shares, the private issue in Canada of $275 million of debentures, the issue of $150 million of debentures in Europe and the sale of accounts receivable for cash proceeds of $100 million. Bell Canada took advantage of lower prevailing interest rates to refinance for a period of two years, prior to maturity, $35 million of long term debt with commercial paper and concurrently entered into an interest rate swap agreement fixing the interest cost for a similar period.

Gross capital expenditures in 1993 are expected to decrease by approximately $500 million (19 per cent) to $2,200 million. The decrease in 1993 will be primarily due to the reduction in funding of the switching equipment modernization program as a result of the advancement of $356 million of capital expenditures to 1992, and to capital investment containment. Bell Canada's cash requirements in 1993 will be met by internally generated funds except for the repayment of long term debt, of which $341 million matures during the year (including the early redemption of Series DE Debentures for an amount of $252 million on February 8, 1993) and for a portion of capital expenditures. External funds requirements of approximately $1.1 billion are expected to be obtained by the offering of debt in the market as well as through the issue of additional common shares to BCE. The 1993 external financing program began on February 5, 1993, with the public issue in Switzerland of Swiss Franc debt securities amounting to $252 million (SF 300 million) (see note 18); in addition, on February 11, 1993, Bell Canada entered into agreements with investment dealers providing for the public issue, on March 1, 1993, of $150 million of debentures in Canada and for the issue, on March 10, 1993, of $150 million of debentures in Europe.

Outlook

As the year 1992 ended, weak economic conditions continued to prevail in the territory served by Bell Canada. While Bell Canada expects that its local and access services revenues will increase in 1993, it expects that its toll and network services revenues will remain unchanged in 1993 due to modest growth in the economy, to the increased activities of resellers and of other alternative telecommunications suppliers and, to some extent, to the rate reductions for long distance services which were implemented in 1992. In particular, it is expected that the trend of declining MTS messages experienced in the fourth quarter of 1992 will continue and will result in an overall decrease in MTS messages in 1993 from 1992. Bell Canada estimates that, without rate relief, its regulated rate of return on average common equity (regulated ROE) will be 10.76 per cent in 1993, compared with 12.70 per cent in 1992.

Outlook (continued)

In view of these factors and in order to maintain its financial position while continuing to make large capital expenditures related to its network, Bell Canada filed with the Canadian Radio-television and Telecommunications Commission on February 5, 1993, an application for a general increase in local rates. In its application, Bell Canada requests interim rate increases to take effect on April 1, 1993 and additional increases to take effect from September 1, 1993. The requested increases in revenues would be approximately $210 million and $450 million in 1993 and 1994, respectively, and would generate regulated ROE's of approximately 12.25 per cent in 1993 and 12.75 per cent in 1994. The hearing of Bell Canada's application is scheduled to commence on May 17, 1993. On February 12, 1993, the CRTC invited the general public to comment on Bell Canada's application for interim rate increases by March 8, 1993.

Bell Canada is not relying only on its application for rate relief to improve its financial position. Bell Canada will also pursue aggressively the continuation of its productivity programs in 1993 and subsequent years to effect operating cost reductions. Bell Canada will also continue to develop and introduce a wide range of new products and services for its customers. Other measures to enable Bell Canada to deal effectively with competition will also be pursued, including any required changes to the way in which Bell Canada structures its operations.

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements of Bell Canada and all the information in this Annual Report are the responsibility of management and have been approved by the Board of Directors.

The financial statements have been prepared by management in conformity with Canadian generally accepted accounting principles. The financial statements include some amounts that are based on best estimates and judgements. Financial information used elsewhere in the Annual Report is consistent with that in the financial statements.

Management, in furtherance of the integrity and objectivity of the financial statements, has developed and maintains a system of internal control and supports an extensive program of internal audits. Management believes the internal controls provide assurance that financial records are reliable and form a proper basis for preparation of financial statements and that assets are properly accounted for and safeguarded. The internal control process includes management's communication to employees of policies which govern ethical business conduct.

The Board of Directors carries out its responsibility for the financial statements in this Annual Report principally through its Audit Committee, consisting of six members, five of whom are outside directors. The Audit Committee reviews the Corporation's annual consolidated financial statements and recommends their approval to the Board of Directors. The internal and the Shareholders' auditors have free and independent access to the Audit Committee.

These financial statements have been audited by the Shareholders' auditors, Deloitte & Touche, Chartered Accountants, and their report follows.

R.A. Hamilton Harding, F.C.A.
Vice-President (Finance) and Chief Financial Officer

Montréal (Québec) Canada
February 10, 1993

AUDITORS' REPORT

To the Shareholders of Bell Canada

We have audited the consolidated balance sheets of Bell Canada and its subsidiaries as at December 31, 1992 and 1991 and the consolidated statements of income, retained earnings and changes in financial position for each of the three years in the period ended December 31, 1992. These consolidated financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also 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 corporation as at December 31, 1992 and 1991 and the results of its operations and the changes in its financial position for each of the three years in the period ended December 31, 1992 in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche

Montréal (Québec) Canada
February 10, 1993

Deloitte & Touche
Chartered Accountants

CONSOLIDATED STATEMENT OF INCOME

For the years ended December 31	1992	(millions of dollars) 1991	1990
Operating revenues			
Local and access services	**$2,732.6**	$2,575.3	$2,428.1
Toll and network services	**3,714.9**	3,738.4	3,778.9
Terminal, directory advertising and other – net	**1,415.3**	1,415.3	1,447.7
Total operating revenues	**7,862.8**	7,729.0	7,654.7
Operating expenses	**5,620.1**	5,555.7	5,610.5
Net revenues	**2,242.7**	2,173.3	2,044.2
Other (expense) income	**(6.4)**	20.0	45.2
Interest charges	**592.7**	544.5	517.0
Income before income taxes	**1,643.6**	1,648.8	1,572.4
Income taxes (note 2)	**637.5**	662.8	606.7
Net income (note 13)	**1,006.1**	986.0	965.7
Dividends on preferred shares	**75.4**	73.6	67.0
Net income applicable to common shares	**$ 930.7**	$ 912.4	$ 898.7

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the years ended December 31	1992	(millions of dollars) 1991	1990
Balance at beginning of year	**$2,498.5**	$2,319.7	$2,128.7
Net income	**1,006.1**	986.0	965.7
	3,504.6	3,305.7	3,094.4
Deduct:			
Dividends			
Preferred shares	**75.4**	73.6	67.0
Common shares	**811.0**	733.1	706.5
	886.4	806.7	773.5
Expenses of issues of share capital	**0.1**	0.5	1.2
	886.5	807.2	774.7
Balance at end of year	**$2,618.1**	$2,498.5	$2,319.7

CONSOLIDATED BALANCE SHEET

ASSETS

As at December 31	1992 (millions of dollars)	1991
Current assets		
Cash and temporary cash investments – at cost	$ –	$ 6.3
Accounts receivable (notes 4 and 10)	**863.8**	879.7
Prepaid expenses	**127.6**	112.6
Other	**69.3**	63.6
	1,060.7	1,062.2
Property, plant and equipment – at cost (note 3)		
Buildings, plant and equipment (note 17)	**24,409.9**	23,286.2
Less: Accumulated depreciation	**8,455.7**	8,276.3
	15,954.2	15,009.9
Land	**116.7**	116.4
Plant under construction	**678.3**	506.5
Material and supplies	**125.4**	90.1
	16,874.6	15,722.9
Other assets		
Long term receivables (notes 4 and 10)	**125.2**	182.2
Investments in associated companies – at equity (note 1)	**42.3**	98.5
Deferred charges		
–unrealized foreign currency losses, less amortization	**109.1**	6.6
–other	**202.5**	90.1
	479.1	377.4
Total assets	**$18,414.4**	$17,162.5

On behalf of the Board of Directors:

W. Chippindale

W. Chippindale, Director

A.J. de Grandpré, Director

CONSOLIDATED BALANCE SHEET

LIABILITIES AND SHAREHOLDERS' EQUITY

As at December 31	1992	1991
	(millions of dollars)	
Current liabilities		
Cheques outstanding in excess of bank balances	$ 82.7	$ –
Accounts payable (note 10)	984.0	907.3
Advance billing and payments	157.3	139.3
Dividends payable – including $200.6 ($188.1 – 1991) due to parent company	205.2	192.7
Taxes accrued	36.6	76.8
Interest accrued	142.1	147.3
Debt due within one year (note 5)	611.5	191.4
	2,219.4	1,654.8
Long term debt (note 6)	5,657.2	5,325.5
Deferred credits		
Income taxes (note 2)	1,898.7	1,913.2
Other	35.4	61.4
	1,934.1	1,974.6
Preferred shares (note 7)		
Non-convertible (redeemable)	960.0	983.5
Common shareholders' equity		
Stated capital of common shares (note 8)	3,992.1	3,692.1
Premium on share capital (note 8)	1,033.5	1,033.5
Retained earnings	2,618.1	2,498.5
	7,643.7	7,224.1
Commitments (note 3)		
Total liabilities and shareholders' equity	$18,414.4	$17,162.5

R.A. Hamilton Harding, F.C.A.
Vice-President (Finance) and Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

CASH PROVIDED FROM (USED FOR)

For the years ended December 31	1992	(millions of dollars) 1991	1990
Operating activities			
Net income	**$ 1,006.1**	$ 986.0	$ 965.7
Items not affecting cash			
Depreciation	**1,581.6**	1,478.3	1,413.6
Deferred income taxes	**(14.5)**	(130.6)	7.1
Allowance for funds used during construction	**(41.7)**	(30.4)	(38.3)
Miscellaneous	**(47.5)**	(7.5)	(42.0)
Decrease in working capital (note 11)	**57.0**	138.2	233.9
Other items	**(47.1)**	(10.0)	17.5
	2,493.9	2,424.0	2,557.5
Financing activities			
Increase (decrease) in notes payable and bank advances	**453.4**	(9.4)	78.5
Proceeds from long term debt	**1,014.8**	433.5	374.3
Issue of preferred shares	**–**	134.8	124.6
Issue of common shares	**300.0**	100.0	300.0
Redemption of preferred shares	**(23.5)**	–	(75.1)
Repayment of long term debt	**(824.1)**	(161.4)	(88.3)
Miscellaneous	**(9.8)**	(2.3)	(2.2)
	910.8	495.2	711.8
Investing activities			
Capital expenditures – net	**(2,688.0)**	(2,329.8)	(2,343.7)
Decrease in long term receivables	**57.0**	63.6	53.9
Reduction in investments in associated companies	**52.1**	–	–
Acquisition of a subsidiary (including working capital deficiency acquired of $1.7)	**–**	–	(6.2)
Miscellaneous	**(28.4)**	(11.3)	(5.7)
	(2,607.3)	(2,277.5)	(2,301.7)
Dividends	**(886.4)**	(806.7)	(773.5)
Cash position			
(Decrease) increase during the year	**(89.0)**	(165.0)	194.1
At beginning of year	**6.3**	171.3	(22.8)
At end of year[1]	**$ (82.7)**	$ 6.3	$ 171.3
[1]Represented by:			
Temporary cash investments	**$ –**	$ 45.9	$ 225.3
Cheques outstanding in excess of bank balances	**(82.7)**	(39.6)	(54.0)
	$ (82.7)	$ 6.3	$ 171.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. *Accounting policies*

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and unless otherwise indicated all amounts are in Canadian dollars. These statements conform in all material respects with International Accounting Standards. Certain previously reported amounts have been reclassified to conform with the current presentation.

With respect to the consolidated financial statements of Bell Canada, the important differences between Canadian and United States generally accepted accounting principles are described and reconciled in note 13.

Bell Canada operates in a single industry segment which is telecommunications services. These services are provided in the provinces of Ontario and Québec through its operating divisions Bell Ontario and Bell Québec. Bell Canada is subject to regulation, including examination of its accounting practices, by the Canadian Radio-television and Telecommunications Commission (CRTC). As used herein "Corporation" means Bell Canada, its subsidiaries and the Directory Business division of Tele-Direct (Publications) Inc.

Consolidation

Tele-Direct (Publications) Inc. (TD Publications) which was prior to 1989 a wholly owned subsidiary, is a majority-owned subsidiary of BCE Inc. (BCE), the parent company of Bell Canada. Although Bell Canada does not have voting control, Bell Canada retains exclusive control over and the right to earnings of the directory business division; further, it is BCE's policy that the establishment and operation of the other business activities of TD Publications will not affect Bell Canada unfavourably.

The consolidated financial statements include the accounts of all majority-owned subsidiaries, either direct or indirect, and those of the Directory Business Division, since it would be misleading to exclude such results.

The principal associated company (defined as 20 per cent to 50 per cent owned) of Bell Canada at December 31, 1992, was Bell-Northern Research Ltd. Effective December 1, 1992, Bell Canada sold its interest in Alouette Telecommunications Inc. (24.2 per cent owned), the parent company of Telesat Canada, to a subsidiary of BCE. Investments in associated companies are accounted for by the equity method.

Software

In September 1991, the CRTC directed Bell Canada to capitalize expenditures for switching machine application software purchased for (i) the initial installation of a switching machine (initial software) and (ii) subsequently installed application software (subsequent software) acquired after January 1, 1992 and to amortize these expenditures over a five-year period. Prior to the CRTC decision, Bell Canada's capitalization policy was to capitalize expenditures for initial software and to amortize these expenditures over the service life of the switching machine (approximately 22 years), and to expense subsequent software. In February 1992, the CRTC also decided that the embedded investment in initial software be amortized over a five-year period starting in January 1992. Consistent with other CRTC decisions, administrative software acquisitions and modifications thereto, costing more than $500 thousand, are capitalized and amortized over a five-year period.

Depreciation

Depreciation is computed on the straight-line method using rates based on the estimated useful lives of the assets, which rates are reviewed by the CRTC. When depreciable telecommunications property is retired, the amount at which it has been carried is charged to accumulated depreciation.

Allowance for funds used during construction

Bell Canada's regulator requires it to provide for a return on total capital invested in new telephone plant while under construction. An allowance for funds used during construction is included as an item of income during the construction period and also as an addition to the cost of the plant constructed. Such income is currently not realized in cash but will be realized over the service life of the plant.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. *Accounting policies (continued)*

Research and development

All research and development costs incurred are charged to income and are reduced by related tax incentives.

Translation of foreign currencies

Current assets (excluding prepaid expenses), current liabilities and long term monetary assets and liabilities are translated at the rates in effect at the balance sheet date, whereas other assets and other liabilities are translated at rates prevailing at the respective transaction dates. Monetary items hedged against foreign exchange risks are converted into Canadian dollars at the rate of exchange established under the conditions of the relevant hedging agreements. Revenues and expenses are translated at average rates prevailing during the year except for depreciation and amortization which are translated at exchange rates prevailing when the related assets were acquired. Currency gains and losses are reflected in net income of the year except for unrealized foreign currency gains and losses on long term monetary assets and liabilities which are reported as deferred items and amortized over the remaining lives of the related items on a straight-line basis.

Leases

Where the Corporation is the lessor, rental revenue from operating leases is recognized as service is rendered to customers. For leases which qualify as sales-type leases, the sales revenue is recognized at the inception of the lease at the equivalent tariff rate.

Where the Corporation is the lessee, assets recorded under capital leases are amortized on a straight-line method using rates based on the estimated useful life of the asset or based on the lease term, as appropriate. Obligations recorded under capital leases are reduced by rental payments net of imputed interest.

Income taxes

The Corporation uses the tax allocation basis of accounting for income taxes. The provision for income taxes is based on income as reported in the income statement regardless of when such income is subject to tax. The difference between taxes payable and taxes accrued is accounted for under Deferred credits – Income taxes.

In July 1989, the CRTC directed that the Deferred credits – Income taxes of Bell Canada be adjusted to reflect the reduced combined statutory corporate income tax rate in effect on January 1, 1989 and that the resulting adjustment ($290 million) be amortized as a reduction to income tax expense over a five-year period commencing in October 1989. The unamortized tax adjustment remains in Deferred credits – Income taxes.

Adjustments to the Deferred credits – Income taxes, resulting from subsequent minor changes to income tax rates, are taken into income in the year in which the changes occur. A longer amortization period will be considered by the CRTC if any subsequent adjustment to the Deferred credits – Income taxes has a significant impact on Bell Canada's rate of return on equity.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. *Accounting policies (continued)*

Pensions and other retirement benefits

The Corporation maintains defined benefit pension plans which cover substantially all of its employees. The plans provide pensions to retired employees based on years of service and average earnings at retirement. These plans are non-contributory, with the Corporation responsible for contributions to adequately fund the plans. A valuation is performed each year to determine the actuarial present value of the accrued pension benefits. Pension plan assets are valued at market related value adjusted over five years.

The Corporation also provides certain health care and life insurance benefits for employees on retirement. The cost of these benefits, excluding life insurance, is recorded in operating expenses as incurred. Life insurance for retired employees is largely funded during their working lives.

2. *Income taxes*

A reconciliation of the combined statutory federal and provincial income tax rate in Canada to the effective income tax rate is as follows:

Year ended December 31	**1992**	1991	1990
Combined statutory income tax rate	**41.7%**	41.2%	41.2%
(i) Income from investment in associated companies included in net income	**0.2**	(0.1)	(0.2)
(ii) Allowance for funds used during construction, net of applicable depreciation adjustment	**(0.4)**	(0.1)	(0.3)
(iii) Amortization of unrealized foreign currency (gains) losses	**–**	(0.1)	–
(iv) Tax on large corporations	**1.4**	1.2	1.0
(v) Amortization of deferred tax adjustment	**(3.5)**	(3.5)	(3.7)
(vi) Other	**(0.6)**	1.6	0.6
Effective income tax rate	**38.8%**	40.2%	38.6%

Details of the Corporation's income taxes are as follows:

	(millions of dollars)		
Year ended December 31	**1992**	1991	1990
Income taxes			
Current	**$617.1**	$698.1	$599.6
Deferred (net of amortized deferred tax adjustment of $58.0 – 1992, $58.0 – 1991 and $58.0 – 1990)	**20.4**	(35.3)	7.1
Total income taxes	**$637.5**	$662.8	$606.7

The deferred income taxes result principally from deductions for tax purposes, in respect of buildings, plant and equipment, in excess of amounts charged to operations.

Deferred credits – Income taxes on the consolidated balance sheet as at December 31, 1992, includes the unamortized deferred tax adjustment in the amount of $101.5 million ($159.5 – 1991).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

3. *Lease obligations*

Property, plant and equipment includes property recorded under capital leases net of accumulated depreciation in the amount of $18.7 million as at December 31, 1992 ($22.0 – 1991). The future minimum lease payments under capital leases net of estimated executory costs and imputed interest, as at December 31, 1992, are $20.6 million.

The future minimum lease payments under operating leases that have initial non-cancellable lease terms in excess of one year as of December 31, 1992, amount to $315.0 million.

Rental expense applicable to all operating leases for the year 1992 was $157.9 million ($159.0 – 1991, $157.9 – 1990).

4. *Lease receivables*

The net receivables from equipment contracts considered as sales-type leases comprise both long term receivables of $125.2 million ($182.1 – 1991) and current receivables of $91.1 million ($117.4 – 1991) included in current assets.

At December 31, 1992, the amounts receivable under sales-type leases by the Corporation were as follows:

	(millions of dollars)
1993	$110.7
1994	75.5
1995	42.5
1996	21.3
1997	7.8
Thereafter	2.9
	260.7
Less: Unearned income	44.4
Total net receivables	$216.3

In 1992, operating revenues include $33.9 million of finance income related to these contracts ($46.0 – 1991, $56.9 – 1990).

5. *Debt due within one year*

The Corporation's debt due within one year consists of the following:

	(millions of dollars)	
As at December 31	**1992**	1991
Long term debt – current portion	**$ 89.0**	$122.3
Notes payable (including $266.3 due to parent and affiliated companies, $2.0 – 1991)	**518.5**	64.1
Bank advances	**4.0**	5.0
Total	**$611.5**	$191.4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. *Long term debt*

The Corporation's long term debt consists of the following:

Total outstanding December 31					(millions of dollars) 1992	1991
Rate of interest	4.85-7⅞%	8-9⅞%	10-12.65%	13⅜-17.10%		
First mortgage bonds (a)						
Due 1992	$ –	$ –	$ –	$ –	$ –	$ 112.0
1993	–	2.0	–	–	**2.0**	94.0
1994	5.1	2.0	–	–	**7.1**	122.6
1995	104.3	18.5	–	–	**122.8**	111.8
1996	52.1	18.5	–	–	**70.6**	134.4
1997	62.9	2.0	–	–	**64.9**	109.2
1998-2004	129.0	242.2	–	–	**371.2**	347.5
	353.4	285.2	–	–	**638.6**	1,031.5
Debentures and notes (b)						
Due 1993	77.3	–	–	–	**77.3**	84.9
1994	–	–	–	112.1	**112.1**	112.1
1995	–	–	125.0	–	**125.0**	125.0
1996	–	250.0	–	–	**250.0**	250.0
1997	50.0	125.0	–	–	**175.0**	125.0
1998-2007	254.2	650.0	1,175.0	125.0	**2,204.2**	2,031.1
2008-2041	–	629.2	1,175.0	254.2	**2,058.4**	1,637.3
	$381.5	$1,654.2	$2,475.0	$491.3	**5,002.0**	4,365.4
Other (c)					**105.6**	50.9
Sub-total					**5,746.2**	5,447.8
Less: due within one year					**89.0**	122.3
Total					**$5,657.2**	$5,325.5

(a) The first mortgage bonds of Bell Canada are secured by a first mortgage and a floating charge. During 1992, certain first mortgage bonds were redeemed prior to maturity. First mortgage bonds include U.S. $408 million maturing from 1994 to 2004.

(b) Debentures and notes include U.S. $600 million maturing from 2006 to 2010; 100 million Swiss Francs maturing in 1993 which are fully hedged by means of foreign exchange contracts maturing November 19, 1993 totalling $81.2 million to purchase 105.1 million in Swiss Francs to meet the remaining interest payment and the principal repayment at maturity; and 195 million New Zealand dollar notes maturing in 1994 which are fully hedged by means of foreign exchange contracts maturing May 5, 1993 to November 5, 1994 totalling $151.2 million to purchase 261.8 million in New Zealand dollars to meet interest payments and the payment of the principal amount at maturity.

(c) "Other" includes $20.6 million in obligations under capital leases and $68.6 million (U.S. $ 54 million) under a letter of credit and indemnity to be drawn down over a period of five years to 1997.

At December 31, 1992, the estimated amounts of long term debt payable by the Corporation in the years 1993 to 1997 are $89.0, $160.8, $280.4, $330.3 and $240.9 million, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. *Preferred shares*

Authorized

The articles of incorporation of Bell Canada provide for an unlimited number of Class A preferred shares. The articles authorize the directors of Bell Canada to issue such shares in one or more series and to fix the number of shares of each series, and the conditions attaching thereto, prior to their issue.

	(dollars in millions)			
	December 31, 1992		December 31, 1991	
Outstanding	**Number of shares**	**Stated capital**	Number of shares	Stated capital
Non-Convertible Class A preferred shares (a)				
Series 1	–	$ –	782,000	$ 23.5
Series 8 (retractable) (b)	**6,000,000**	**150.0**	6,000,000	150.0
Series 9 (retractable) (c)	**5,000,000**	**125.0**	5,000,000	125.0
Series 10 (retractable) (d)	**4,000,000**	**100.0**	4,000,000	100.0
Series 11 (e)	**300**	**150.0**	300	150.0
Series 12 (e)	**350**	**175.0**	350	175.0
Series 13 (e)	**250**	**125.0**	250	125.0
Series 14 (e)	**270**	**135.0**	270	135.0
Aggregate stated capital of outstanding preferred shares		**$960.0**		$983.5

(a) All preferred shares are non-voting and redeemable at Bell Canada's option.

On January 15, 1992, Bell Canada purchased for cancellation from its parent company, BCE, all of the then outstanding Class A Preferred Shares Series 1.

The holders of Cumulative Redeemable Retractable Class A Preferred Shares Series 8 and 9 are entitled to fixed cumulative annual dividends at the rate of $1.94 and $1.875 per share, respectively.

The holders of the Cumulative Redeemable Retractable Reset Class A Preferred Shares Series 10 are entitled to fixed cumulative annual dividends of $1.86 per share until August 15, 1994; the dividend rate may be reset thereafter pursuant to the terms and conditions of this issue, which rate at no time will be less than $1.86 per share.

The holders of Perpetual Cumulative Reset Redeemable Class A Preferred Shares Series 11, 12, 13 and 14 are entitled to an annual cumulative dividend rate of 7.64 per cent, 7.95 per cent, 7.94 per cent and 7.70 per cent of the stated capital of such shares, respectively, until March 30, 1994, October 30, 1994, September 30, 1995 and September 30, 1996, respectively, at which time the dividend rate will be reset. Thereafter, the dividend rate of the series 11, 12, 13 and 14 preferred shares may be reset from time to time pursuant to the terms and conditions of each series.

(b) The series 8 preferred shares are redeemable on December 1, 1996, at $26 per share to December 1, 1997, and at reducing amounts thereafter to $25 after December 1, 2000. The series 8 preferred shares are retractable at the option of the holders on December 1, 2001, at a price of $25 per share.

(c) The series 9 preferred shares are redeemable on June 15, 1995, at $26 per share to June 15, 1996, and at reducing amounts thereafter to $25 after June 15, 1999. The series 9 preferred shares are retractable at the option of the holders on June 15, 1999, at a price of $25 per share.

(d) The series 10 preferred shares are not redeemable prior to August 15, 2000. However, Bell Canada shall have the right to redeem all the series 10 preferred shares at $25 per share in the event that on August 15, 1994, the annual dividend rate, as then reset, is greater than $2.10 per share (or 8.40% of the stated capital of such shares). On or after August 15, 2000, the series 10 preferred shares are redeemable at $25 per share. The series 10 preferred shares are retractable at the option of the holders on August 15, 2000, at a price of $25 per share.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

7. *Preferred shares (continued)*

(e) The series 11, 12, 13 and 14 preferred shares are redeemable at $500,000 per share any time on or after March 30, 1994, October 31, 1994, September 30, 1995 and September 30, 1996, respectively. The series 11, 12, 13 and 14 preferred shares are not retractable at the option of the holders.

During the three year period ended December 31, 1992, Bell Canada issued for cash: 250 Class A preferred shares, series 13, on March 8, 1990; 120 and 150 Class A preferred shares, series 14, on March 15 and July 2, 1991, respectively.

8. *Common shares*

Authorized

The articles of incorporation of Bell Canada provide for an unlimited number of common shares.

	December 31, 1992		December 31, 1991	
(dollars in millions)	**Number of shares**	**Stated capital**	Number of shares	Stated capital
Outstanding	**286,991,614**	**$3,992.1**	275,644,273	$3,692.1

All outstanding Bell Canada common shares are owned, directly or indirectly, by its parent company, BCE.

The number of common shares issued during the last three years is as follows:

	1992	1991	1990
For cash	**11,347,341**	3,872,606	12,043,279

Premium on share capital represents the consideration received in excess of the then par value of common shares issued before Bell Canada was continued under the Canada Business Corporations Act on April 21, 1982.

9. *Unused bank lines of credit*

At December 31, 1992, the Corporation had unused bank lines of credit, generally available at the banks' prime rate of interest or less totalling $379.5 million, for general corporate purposes and to support commercial paper borrowings. All lines of credit are binding on the financial institutions.

10. *Accounts receivable and accounts payable*

At December 31, 1992, accounts receivable are principally from customers and include $51.2 million ($31.8 – 1991) from parent, affiliated and associated companies.

The Corporation's receivables, principally from a large number of customers in Ontario and Québec, are subject to terms and conditions approved by its regulator. Due to the essential nature of the telecommunications services offered by the Corporation, credit risk associated with current and long term receivables tends to be minimal as a percentage of total revenues.

Under an agreement dated December 21, 1990, Bell Canada sold, with minimal recourse, accounts receivable for cash proceeds of $100 million in 1992 ($100 – 1991, $250 – 1990). Pursuant to the agreement, the purchaser will use the proceeds of collection to purchase further receivables from Bell Canada until the expiration of the agreement on December 21, 1995. The agreement may be terminated at an earlier date by either party. Bell Canada is obligated to pay monthly the purchaser's cost of funds, plus predefined fees.

Accounts payable include $302.4 million ($242.2 – 1991) due to affiliated and associated companies.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

11. *Changes in working capital*

Cash provided from (used for) changes in other working capital components:

Year ended December 31	**1992**	1991	1990
	(millions of dollars)		
(Increase) decrease in current assets:			
Accounts receivable	**$(84.1)**	$ (18.1)	$ (58.7)
Proceeds from the sale of accounts receivable (note 10)	**100.0**	100.0	250.0
Prepaid expenses	**(15.0)**	5.2	4.2
Other	**(5.7)**	20.9	8.2
Increase (decrease) in current liabilities:			
Accounts payable	**76.7**	112.6	(103.7)
Advance billing and payments	**18.0**	(3.9)	8.3
Dividends payable	**12.5**	7.1	11.6
Taxes accrued	**(40.2)**	(85.1)	101.7
Interest accrued	**(5.2)**	(0.5)	12.3
Decrease in other working capital components	**$ 57.0**	$138.2	$233.9

12. *Quarterly financial data*

Summarized consolidated quarterly financial data are as follows:

Three months ended	Mar. 31	June 30	Sept. 30	Dec. 31
	(millions of dollars)			
1992				
Operating revenues	**$1,952.7**	**$1,965.2**	**$1,959.4**	**$1,985.5**
Net revenues	**535.1**	**554.6**	**589.7**	**563.3**
Net income	**240.5**	**250.3**	**251.9**	**263.4**
Net income applicable to common shares	**221.7**	**231.4**	**233.1**	**244.5**
1991				
Operating revenues	$1,892.6	$1,932.8	$1,948.9	$1,954.7
Net revenues	534.1	533.2	551.2	554.8
Net income	243.1	241.6	251.6	249.7
Net income applicable to common shares	226.1	223.8	232.2	230.3

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

13. *Reconciliation of results reported in accordance with Generally Accepted Accounting Principles (GAAP) in Canada with United States GAAP*

The accompanying financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The important differences between Canadian and United States generally accepted accounting principles affecting the consolidated financial statements of Bell Canada are reconciled as follows:

	(millions of dollars)			
Three months ended	Mar. 31	June 30	Sept. 30	Dec. 31
1992				
Net income – Canadian GAAP	**$240.5**	**$ 250.3**	**$251.9**	**$263.4**
Foreign exchange adjustment (a)	**(19.6)**	**(2.7)**	**(34.5)**	**(13.9)**
Net income – U.S. GAAP	**$220.9**	**$ 247.6**	**$217.4**	**$249.5**
1991				
Net income – Canadian GAAP	$243.1	$ 241.6	$251.6	$249.7
Foreign exchange adjustment (a)	10.2	14.9	3.5	(22.2)
Net income – U.S. GAAP	$253.3	$ 256.5	$255.1	$227.5

	(millions of dollars)		
Year ended December 31	**1992**	1991	1990
Net income – Canadian GAAP	**$1,006.1**	$986.0	$965.7
Foreign exchange adjustment (a)	**(70.7)**	6.4	(8.3)
Net income – U.S. GAAP	**$ 935.4**	$992.4	$957.4

(a) The difference arises from the method of accounting for unrealized foreign currency gains and losses on long term debt, under Canadian GAAP as opposed to under United States Financial Accounting Standards Board's Statement No. 52 – Foreign Currency Translation.

(b) If the early retirement incentive plans in 1991 and 1990 had been treated in accordance with the United States Financial Accounting Standards Board's Statement No. 88 – Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits, net income would have decreased by $72.0 million in 1991 and by $108.5 million in 1990.

(c) The United States Financial Accounting Standards Board has issued Statement No. 106 – Employers' Accounting for Postretirement Benefits Other Than Pensions, to be effective in 1993, requiring employers to accrue the expected cost of health care and other post-retirement benefits during the years employees provide service to the employer. Bell Canada has not yet determined the precise effect, which is expected to be material, that this standard would have on its results under U.S. GAAP. However, if a similar Canadian standard was adopted, it is expected that in setting Bell Canada's rates for telecommunications services, the regulator would take such standard into account.

(d) The United States Financial Accounting Standards Board has issued Statement No. 109 – Accounting for Income Taxes, to be effective in 1993, requiring the adoption of the liability method of accounting for income taxes. Since the CRTC directed Bell Canada to implement the liability method over a five-year period commencing in October 1989 (see note 1 – Income Tax), the implementation of this standard is not expected to have a material impact on Bell Canada's results under U.S. GAAP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

14. *Supplementary income statement information*

		(dollars in millions)	
Year ended December 31	**1992**	1991	1990
Operating expenses include:			
Depreciation expense, including amortization of property held under capital leases	**$1,581.6**	$1,478.3	$1,413.6
Depreciation – percentage of average depreciable property, plant and equipment	**6.65%**	6.54%	6.72%
Maintenance and repairs	**$ 894.3**	$ 989.4	$1,150.6
Taxes other than payroll and income taxes			
Property and business	**$ 83.8**	$ 77.6	$ 72.8
Gross receipts	**292.5**	288.0	275.1
Miscellaneous	**60.3**	60.9	60.9
Total	**$ 436.6**	$ 426.5	$ 408.8
Research and development expenses (before deduction of tax incentives)	**$ 126.6**	$ 131.6	$ 115.1
Allowance for funds used during construction	**$ 41.7**	$ 30.4	$ 38.3

15. *Related party transactions*

During the year, the Corporation purchased equipment and related supplies from Northern Telecom Limited totalling $1,526.8 million ($1,356.6 - 1991, $1,477.4 - 1990) and expensed $28.4 million ($39.2 - 1991, $44.7 - 1990) on research and development from Bell-Northern Research Ltd. Bell Canada also entered into research and development arrangements with Northern Telecom Limited. These companies are subsidiaries of the parent company of Bell Canada.

16. *Pensions*

The following table presents the financial position of the Corporation's pension plans:

		(millions of dollars)
	1992	1991
Pension plan assets at market related value	**$6,559.6**	$6,233.4
Actuarial present value of accrued pension benefits as at December 31	**5,308.3**	5,555.4
Surplus	**$1,251.3**	$ 678.0

		(millions of dollars)	
	1992	1991	1990
Total pension expense for the year	**$(53.2)**	$21.5	$7.7

Pension expense reflects the assumptions made each year based on management's best estimates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

17. *Buildings, Plant and Equipment*

Depreciation rates

	1992	1991
Buildings	**4.81%**	4.49%
Plant	**6.40%**	6.34%
Equipment	**11.30%**	11.11%

Cost and accumulated depreciation

	Cost		Accumulated Depreciation	
As at December 31	**1992**	1991	**1992**	1991
Buildings	**$ 2,106.0**	$ 1,935.6	**$ 674.9**	$ 605.1
Plant	**20,314.5**	19,538.6	**6,805.7**	6,771.6
Equipment	**1,989.4**	1,812.0	**975.1**	899.6
	$24,409.9	$23,286.2	**$8,455.7**	$8,276.3

Retirements – net charged to accumulated depreciation amounted to $1,393.3 million in 1992 and $851.4 million in 1991.

18. *Subsequent event*

On February 5, 1993, Bell Canada issued, in Switzerland, 300 million Swiss Francs principal amount of 5½% debt securities, Due 2003, at a price of 101.25% of the principal amount. The Swiss Franc obligations (capital and interest) resulting from this issue were swapped into U.S. dollar obligations and the proceeds were used to redeem on February 8, 1993, prior to maturity, the U.S. $200 million principal amount of 9% Debentures, Series DE, Due 2008, at a price equal to 103.60% of the principal amount plus accrued interest.

SELECTED FINANCIAL AND OTHER DATA[1]

	1992	1991	(dollars in millions) 1990	1989	1988
Income statement data					
Total operating revenues	**$ 7,862.8**	$ 7,729.0	$ 7,654.7	$ 7,272.9	$ 6,623.6
Net income	**1,006.1**	986.0	965.7	875.1	780.3
Dividends	**886.4**	806.7	773.5	712.4	641.2
Balance sheet data					
Total assets[2]	**$18,414.4**	$17,162.5	$16,605.0	$15,698.7	$14,678.3
Long term debt[2] (including current portion)	**5,746.2**	5,447.8	5,185.6	4,880.5	4,499.2
Preferred shares[2] (redeemable)	**960.0**	983.5	850.0	800.9	591.4
Gross capital expenditures	**2,686.3**	2,295.2	2,343.4	2,330.9	2,200.2
Financial ratios					
Percent return on average common equity	**12.5**	12.9	13.2	13.0	12.9
Percent return on average common equity for regulatory purposes	**12.7**	12.9	13.2	13.0	13.1
Interest coverage ratio	**3.77**	4.03	4.04	4.19	4.07
Interest as a percent of total average debt	**9.9**	10.2	10.1	9.9	9.9
Debt as a percent of total capital[2]	**42.1**	40.1	40.3	40.2	41.5
Percent return on average total capital	**11.1**	11.4	11.6	11.4	11.4
Other statistics					
Network access services (thousands)[2]	**9,229.4**	9,024.5	8,798.2	8,503.6	8,092.3
Message toll service messages (millions)	**1,758.3**	1,757.6	1,702.3	1,586.5	1,382.4
Number of employees[2]	**52,897**	54,632	56,530	57,788	55,110
Salary and wage payments	**$ 2,561.8**	$ 2,457.6	$ 2,447.2	$ 2,338.3	$ 2,074.0

(1) Consolidated data except percent return on average common equity for regulatory purposes.
(2) As at December 31.

DIRECTORS AND OFFICERS

The following information on directors and officers is as of January 1, 1993.

DIRECTORS

Roy Frederick Bennett, F.C.A.	President, Bennecon Limited
Jacques Bougie	President and Chief Operating Officer, Alcan Aluminium Limited
Jean Casselman Wadds, O.C.	Company Director
André Charron, C.M., Q.C.	Company Director
Warren Chippindale, F.C.A.	Company Director/Consultant
Joseph Victor Raymond Cyr, O.C.	Chairman of the Board, Bell Canada and Chairman of the Board, BCE Inc.
Albert Jean de Grandpré, C.C., Q.C.	Founding Director and Chairman Emeritus, BCE Inc., Legal Counsel to the law firm of Lavery, de Billy
Geno Frederick Francolini, F.C.A.	President and Chief Executive Officer, Xenon Capital Corporation
Robert Kearney	President and Chief Executive Officer, Bell Canada
Léonce Montambault	Company Director
Gordon Francis Osbaldeston, P.C., O.C.	Senior Fellow, School of Business Administration, University of Western Ontario
John Harry Panabaker, C.M.	Company Director
Guylaine Saucier, C.M., F.C.A.	Company Director
Charles Richard Sharpe	Chairman of the Board, Sears Canada Inc.
James Carden Thackray	Company Director
Paul-Gaston Tremblay, C.M., C.A.	President, Primo-Gestion Inc.
Lynton Ronald Wilson	President and Chief Executive Officer, BCE Inc.
Douglas Tyndall Wright, O.C., Ph.D.	President, University of Waterloo

OFFICERS

Corporate Officers

Joseph Victor Raymond Cyr, O.C.	Chairman of the Board
Robert Kearney	President and Chief Executive Officer
Jacques Bernard Bérubé	Executive Vice-President (Corporate)
Jean Andrea Bernard	Vice-President & President of the Bell Institute for Professional Development
Pierre Joseph Chagnon	Vice-President (Personnel Resources)
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Robin Alexander Hamilton Harding, F.C.A.	Vice-President (Finance) and Chief Financial Officer
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Mailing address

Bell Canada
1050, côte du Beaver Hall
Montréal (Québec)
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H2Z 1S4

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