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Corporate Information

Trustee for Bonds

Canada Permanent Trust Company

Trustees for Debentures

The Royal Trust Company

Morgan Guaranty Trust
Company of New York

Transfer Offices for Bonds and Debentures

*Bonds and debentures
issued in Canada only*

The Royal Trust Company
Montréal; Toronto;
St. John's, Nfld.; Halifax;
Charlottetown; Saint John, N.B.;
Winnipeg; Regina; Calgary;
Vancouver

*Bonds issued in
the United States only*

The Royal Trust Company
Montréal

*Debentures issued in
the United States only*

The Royal Trust Company
Montréal

Morgan Guaranty Trust
Company of New York,
New York, N.Y.

Transfer Offices for Stock

Canada

Company Offices
1050 Beaver Hall Hill
Montréal
393 University Ave.
Toronto

The Royal Trust Company
St. John's, Nfld.; Halifax;
Charlottetown; Saint John, N.B.;
Winnipeg; Regina; Calgary;
Vancouver

Outside Canada—Common shares only

Morgan Guaranty Trust
Company of New York,
New York, N.Y.

The Royal Trust Company
London, England

Registrar for Stock

Canada

Montreal Trust Company
Montréal; Toronto;
St. John's, Nfld.; Halifax;
Charlottetown; Saint John, N.B.;
Winnipeg; Regina; Calgary;
Vancouver

Outside Canada—Common shares only

Morgan Guaranty Trust
Company of New York,
New York, N.Y.

Williams & Glyn's Registrars Limited
London, England

Listing of Stock

Canada

Montréal, Toronto, Vancouver
Stock Exchanges

Outside Canada—Common shares only

Belgium
Brussels Stock Exchange

England
London Stock Exchange

France
Paris Stock Exchange

Germany
Frankfurt am Main, Düsseldorf
Stock Exchanges

Switzerland
Zürich, Basle, Geneva
Stock Exchanges

The Netherlands
Amsterdam Stock Exchange

United States
New York Stock Exchange



The Bell Canada Group Review of Operations

General description

Bell Canada and its subsidiary companies (the "Group") represent one of Canada's largest industrial entities, and the Group is the largest supplier of telecommunications services and equipment in Canada.

The Group provides telecommunications services and facilities in the Provinces of Ontario, Québec and Newfoundland and in the Northwest Territories. In addition, Bell Canada has equity interests in The New Brunswick Telephone Company, Limited and in Maritime Telegraph and Telephone Company, Limited, which provide most of the telecommunications services in the Provinces of New Brunswick and Nova Scotia, respectively.

Northern Telecom Limited ("Northern Telecom"), owned 55.1% by Bell Canada and the balance by the public at December 31, 1981, is the largest manufacturer of telecommunications equipment in Canada and the second largest manufacturer in North America of such equipment sold in North America. It is established in international markets and continues to expand as a Canadian-owned multinational company. Bell-Northern Research Ltd. ("BNR"), 70% owned by Northern Telecom and 30% by Bell Canada, is the largest private industrial research and development organization in Canada.

Business

(a) Telecommunications operations

The Group owns and operates about 10.1 million telephones in Canada, representing approximately 60% of the estimated 16.9 million telephones owned and operated by telephone companies in Canada. Between December 31, 1976 and December 31, 1981, the number of telephones in service in Bell Canada and its present telephone subsidiaries increased at an annual compound growth rate of about 3.1%. Long distance messages over the period 1976-1981 increased at an annual compound growth rate of 7.4%.

In addition to basic local and long distance residential and business telephone services, other telecommunications services are provided by the Group's network. For instance, the Group supplies customers with private branch exchange (PBX) services, key telephone systems plus auxiliary services such as paging services, mobile telephones and automatic answering equipment. Bell Canada and certain of its subsidiaries also sell terminal equipment. The Group's network facilities meet a wide variety of customer needs, such as specialized telecommunications systems required by electric utilities, the broadcast industry and pipeline companies. In addition, facilities for private line telephone and signal channel use are offered. The Group, in cooperation with TransCanada Telephone System, plays a significant role in providing advanced data transmission facilities to meet the requirements of data communications users.

(b) Manufacturing operations

Northern Telecom and its subsidiaries manufacture and market a broad line of telecommunications equipment.

The primary market in Canada for telecommunications equipment consists of telephone operating companies. Bell Canada is Northern Telecom's largest customer for such products. The principal market for telecommunications equipment of Northern Telecom and its subsidiaries outside of Canada is in the United States and includes the telephone operating company segment comprising the American Telephone and Telegraph Company (AT&T) with its subsidiary operating companies as well as those telephone operating companies which are independent of AT&T. Northern Telecom's principal operating subsidiary in the United States is Northern Telecom Inc. In 1981, consolidated sales were 40% in the United States and 4% outside the United States and Canada.

Northern Telecom continues to build upon its existing product portfolio which includes central office switching equipment, subscriber apparatus and business communications systems, transmission equipment and wire, cable and outside plant products.

Northern Telecom also manufactures and markets information processing equipment.

(c) Other operations

Bell Canada provides consulting services under contract to clients, principally foreign telecommunications organizations. Following the decision by the government of the Kingdom of Saudi Arabia to award a contract for the extension, modernization, operation and maintenance of the Saudi Arabian telephone system to a consortium consisting of Bell Canada, Philips of the Netherlands and L.M. Ericsson of Sweden, Bell Canada signed, on January 25, 1978, a separate five year contract, having, together with subsequent additions, an estimated value of 3.9 billion Saudi Riyals (currently equivalent to approximately \$1.4 billion) with the Saudi Ministry, principally for the operation and maintenance of the telephone system and for the construction of certain facilities in the Kingdom.

Tele-Direct Ltd., indirectly a wholly-owned subsidiary of Bell Canada, is engaged through subsidiary and associated companies in the sale of telephone directory advertising and the publishing and printing of white and Yellow Pages™ directories for Bell Canada and other telephone companies. Printing of directories is carried out by Ronalds-Federated Limited ("Ronalds"), a 69.6% owned subsidiary acquired in the second half of 1980 by Tele-Direct Ltd. Ronalds is also engaged in the production of packaging materials, magazines, books and a variety of other general commercial printing activities. Bell Communications Systems Inc., a wholly-owned subsidiary of Tele-Direct Ltd., commenced operations in January 1981 to compete in terminal interconnect markets and is engaged in the sale, installation and maintenance of PBX systems, key telephone systems and ancillary equipment manufactured by Northern Telecom and others.

(d) Research and development

Through BNR, the Group has a separate research and development organization to develop new products, making it largely self-sufficient in design and technology for telecommunications products. BNR and its subsidiaries have more than 3,000 employees, including approximately 1,900 scientists, engineers, industrial designers, graduate technologists and other professional personnel.

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The Bell Canada Group

Financial Highlights

Financial Highlights – Consolidated

Year ended December 31

	1981	1980	1979	1978	1977	1976
Contribution to earnings per common share (1)						
Bell Canada	\$ 2.28	\$ 1.77	\$ 1.93	\$ 1.78	\$ 1.35	\$ 1.54
Northern Telecom Limited (consolidated)	.38	(.07)	.42	.45	.45	.43
Other subsidiary companies	.21	.20	.19	.16	.10	.09
Associated companies	.10	.10	.10	.10	.09	.09
Total earnings per common share						
before extraordinary items	\$ 2.97	\$ 2.00	\$ 2.64	\$ 2.49	\$ 1.99	\$ 2.15
after extraordinary items	\$ 3.02	\$ 1.45	\$ 2.64	\$ 2.67	\$ 2.01	\$ 2.17
Total earnings per common share assuming full dilution						
before extraordinary items	\$ 2.89	\$ 1.98	\$ 2.55	\$ 2.36	\$ 1.93	\$ 1.99
after extraordinary items	\$ 2.94	\$ 1.45	\$ 2.55	\$ 2.52	\$ 1.95	\$ 2.00
Contribution to dividends declared per common share (a)						
Bell Canada	\$ 1.60	\$ 1.45	\$ 1.34	\$ 1.21	\$ 1.15	\$.98
Northern Telecom Limited	.11	.11	.10	.10	.09	.09
Other subsidiaries and associated companies	.13	.12	.11	.12	.12	.12
Total dividends declared per common share	\$ 1.84	\$ 1.68	\$ 1.55	\$ 1.43	\$ 1.36	\$ 1.19
(1) Based on weighted average common shares outstanding (thousands)	173,586	162,762	152,810	133,396	127,662	120,317
Return on average common equity (b)	14.02%	9.52%	12.71%	12.65%	10.52%	11.64%
Equity per common share (c)	\$21.74	\$20.70	\$21.09	\$20.12	\$19.19	\$18.84

(a) Assuming all dividends received from subsidiary and associated companies are distributed to shareholders.

(b) Before extraordinary items.

(c) At December 31.

Financial Highlights – Non-Consolidated

Year ended December 31

	1981	1980	1979	1978	1977	1976
Earnings per common share						
before extraordinary item	\$ 2.54	\$ 2.01	\$ 2.13	\$ 1.96	\$ 1.58	\$ 1.74
after extraordinary item	\$ 2.54	\$ 2.01	\$ 2.32	\$ 1.99	\$ 1.58	\$ 1.74
Assuming full dilution						
before extraordinary item	\$ 2.49	\$ 1.99	\$ 2.08	\$ 1.91	\$ 1.56	\$ 1.65
after extraordinary item	\$ 2.49	\$ 1.99	\$ 2.26	\$ 1.93	\$ 1.56	\$ 1.65
Return on average common equity (b)	13.1%	10.6%	11.5%	11.1%	9.0%	10.1%
Return on average total capital (b)	10.9%	9.5%	9.7%	9.3%	8.4%	8.7%
Times interest charges earned (b)	3.6	3.4	3.5	3.4	3.0	3.4
Debt ratio (c)	50.2%	49.6%	49.2%	51.5%	50.4%	49.2%
Equity per common share (c)	\$19.81	\$19.15	\$18.87	\$17.96	\$17.55	\$17.52

(b) Before extraordinary item.

(c) At December 31.

The Bell Canada Group

Consolidated Income Statement*

Year ended December 31

Millions of dollars

	1981	1980	1979	1978	1977
Telecommunications operations					
Operating revenues					
Local service	\$1,918.3	\$1,625.8	\$1,449.7	\$1,312.7	\$1,151.8
Long distance service	1,972.0	1,624.8	1,414.0	1,223.3	1,031.6
Miscellaneous-net	144.8	115.6	97.9	85.7	58.3
Total operating revenues	4,035.1	3,366.2	2,961.6	2,621.7	2,241.7
Operating expenses	2,942.9	2,497.6	2,150.1	1,866.0	1,646.3
Net revenues-telecommunications operations	1,092.2	868.6	811.5	755.7	595.4
Manufacturing operations					
Sales	2,531.0	2,018.5	1,864.1	1,470.0	1,194.7
Cost of sales	1,803.3	1,515.3	1,269.7	998.6	846.3
Selling, general, administrative and other expenses	540.3	482.4	412.6	326.7	227.4
	2,343.6	1,997.7	1,682.3	1,325.3	1,073.7
Net revenues-manufacturing operations	187.4	20.8	181.8	144.7	121.0
Contract and other operations					
Operating revenues	823.8	652.3	439.0	282.6	76.7
Operating expenses	647.4	516.7	339.0	237.2	62.2
Net revenues-contract and other operations	176.4	135.6	100.0	45.4	14.5
Total net revenues	1,456.0	1,025.0	1,093.3	945.8	730.9
Other income					
Allowance for funds used during construction	25.1	20.2	20.7	14.1	16.2
Equity in net income of associated companies	19.9	21.3	18.7	16.9	14.4
Miscellaneous-net	55.3	31.2	33.7	18.1	10.3
Total other income	100.3	72.7	73.1	49.1	40.9
Interest charges					
Interest on long term debt	396.3	319.2	289.7	255.3	213.4
Other interest	44.6	39.5	23.1	8.1	8.4
Total interest charges	440.9	358.7	312.8	263.4	221.8
Income before underlisted items	1,115.4	739.0	853.6	731.5	550.0
Unrealized foreign currency losses (gains)	11.5	11.3	10.7	.3	(6.0)
Income before income taxes, minority interest and extraordinary items	1,103.9	727.7	842.9	731.2	556.0
Income taxes	491.1	367.2	355.4	323.6	242.1
Income before minority interest and extraordinary items	612.8	360.5	487.5	407.6	313.9
Minority interest	62.1	(3.2)	54.3	37.0	27.7
Income before extraordinary items	550.7	363.7	433.2	370.6	286.2
Extraordinary items					
Gain resulting from the sale of investment in Intersil, Inc. by Northern Telecom Limited	8.7	-	-	-	-
Bell Canada's share of an extraordinary loss of \$163.8 million, incurred by Northern Telecom Limited, related principally to certain write-offs in its electronic office systems business	-	(90.0) (a)	-	-	-
Reduction of income taxes arising from the utilization of prior years' tax losses of subsidiaries	-	-	-	8.9	2.3
Increase in book value in subsidiaries reported on a consolidated basis, resulting principally from the issuance of common shares by Northern Telecom Limited upon the acquisition of Sycor, Inc.	-	-	-	17.5 (b)	-
Provision for costs of terminating the electrical and electronic products distribution business of Northern Telecom Limited	-	-	-	(1.9)	-
Net income	\$ 559.4	\$ 273.7	\$ 433.2	\$ 395.1	\$ 288.5
Dividends on preferred shares	\$ 35.4	\$ 38.2	\$ 30.5	\$ 38.7	\$ 31.5
Net income applicable to common shares	\$ 524.0	\$ 235.5	\$ 402.7	\$ 356.4	\$ 257.0

*Notes to financial statements are not included.

(a) Under U.S. generally accepted accounting principles, these write-offs would not be reported as an extraordinary item.

(b) Under U.S. generally accepted accounting principles, this amount would have been reported as paid-in capital.

The Bell Canada Group

Consolidated Balance Sheet*

As at December 31

Millions of dollars

Assets	1981	1980	1979	1978	1977
Telecommunications property—at cost					
Buildings, plant and equipment	\$11,870.6	\$10,782.3	\$ 9,741.3	\$8,826.3	\$8,065.5
Less: Accumulated depreciation	3,648.9	3,262.9	2,950.5	2,614.4	2,371.0
	8,221.7	7,519.4	6,790.8	6,211.9	5,694.5
Land	85.4	87.0	65.1	61.8	55.7
Plant under construction	398.7	290.0	270.1	221.2	212.0
Material and supplies	115.8	109.5	129.0	107.7	102.8
	8,821.6	8,005.9	7,255.0	6,602.6	6,065.0
Manufacturing and other property—at cost					
Buildings, plant and equipment	1,068.6	919.3	680.3	590.2	377.9
Less: Accumulated depreciation	456.5	377.2	274.9	234.6	206.3
	612.1	542.1	405.4	355.6	171.6
Land	27.1	21.7	13.4	12.8	11.8
	639.2	563.8	418.8	368.4	183.4
	9,460.8	8,569.7	7,673.8	6,971.0	6,248.4
Investments					
Associated companies and non-consolidated subsidiaries—at equity	487.8	495.4	417.4	151.3	146.0
Other	6.7	4.6	4.8	5.7	2.4
	494.5	500.0	422.2	157.0	148.4
Current assets					
Cash and temporary cash investments—at cost (approximates market)	179.6	211.7	95.3	229.0	130.3
Accounts receivable—principally from customers	1,274.0	1,061.3	1,060.2	773.5	422.8
Inventories	642.9	574.4	492.5	361.4	218.4
Other (principally prepaid expenses)	83.1	128.9	106.5	77.9	54.2
	2,179.6	1,976.3	1,754.5	1,441.8	825.7
Other assets					
Cash and temporary cash investments held for contract operations—at cost (approximates market)	19.3	66.4	49.5	91.9	—
Long term receivables	29.0	33.1	41.3	44.9	—
Deferred charges					
contract operations	27.6	47.2	90.6	112.9	—
unrealized foreign currency losses, less amortization	131.1	161.0	131.8	165.2	63.0
other	73.9	60.6	93.7	92.6	47.0
Cost of shares in subsidiaries in excess of underlying net assets, less amortization	36.2	34.7	119.1	128.0	10.4
	317.1	403.0	526.0	635.5	120.4
Total assets	\$12,452.0	\$11,449.0	\$10,376.5	\$9,205.3	\$7,342.9

*Notes to financial statements are not included.

Millions of dollars

Liabilities and Shareholders' Equity	1981	1980	1979	1978	1977
Common shareholders' equity					
Common shares	\$ 1,479.0	\$ 1,394.2	\$ 1,320.6	\$1,176.6	\$1,094.0
Premium on capital stock	1,005.2	898.1	807.8	607.4	527.1
Contributed surplus	15.3	15.3	15.3	15.3	15.3
Retained earnings	1,359.8	1,155.7	1,198.4	1,041.1	882.6
	3,859.3	3,463.3	3,342.1	2,840.4	2,519.0
Convertible preferred shares (redeemable)					
\$3.20 shares	3.2	4.7	5.1	6.5	11.6
\$3.34 shares	2.8	3.6	4.2	6.2	13.2
\$4.23 shares	3.1	4.6	12.2	26.7	91.9
\$2.28 shares	8.7	13.3	36.5	76.5	124.9
\$1.96 shares	40.5	119.5	158.7	174.8	—
\$2.05 shares	199.9	200.0	—	—	—
	258.2	345.7	216.7	290.7	241.6
Non-convertible preferred shares (redeemable)					
\$2.25 shares	38.7	40.3	42.3	44.0	44.9
\$1.80 shares	64.7	68.1	70.0	70.0	70.0
	103.4	108.4	112.3	114.0	114.9
Minority interest in subsidiary companies					
Preferred shares	27.9	28.9	30.3	30.9	31.5
Common shares	419.3	363.0	437.4	265.8	153.3
	447.2	391.9	467.7	296.7	184.8
Long term debt (including unrealized foreign currency losses)	4,539.5	4,312.3	3,675.1	3,381.1	2,742.9
Current liabilities					
Accounts payable	898.4	795.5	571.0	477.8	320.7
Advance billing for service	83.1	69.4	52.4	49.6	42.6
Dividends payable	95.2	85.1	72.5	60.9	50.2
Taxes accrued	186.8	37.4	73.4	110.9	20.2
Interest accrued	105.8	98.9	78.9	71.5	56.2
Debt due within one year					
Long term debt	189.8	93.6	141.2	155.2	78.4
Notes payable	133.2	151.9	155.6	83.9	101.3
Bank advances	29.5	28.9	9.3	41.7	15.9
	1,721.8	1,360.7	1,154.3	1,051.5	685.5
Deferred credits					
Income taxes	1,331.6	1,203.5	1,066.8	933.9	832.4
Other	191.0	263.2	341.5	297.0	21.8
	1,522.6	1,466.7	1,408.3	1,230.9	854.2
Total liabilities and shareholders' equity	\$12,452.0	\$11,449.0	\$10,376.5	\$9,205.3	\$7,342.9

The Bell Canada Group

Consolidated Statement of Premium on Capital Stock*

Year ended December 31

Millions of dollars

	1981	1980	1979	1978	1977
Balance at beginning of year	\$ 898.1	\$ 807.8	\$ 607.4	\$ 527.1	\$ 460.9
Premium on common shares issued during the year					
Under the Shareholder Dividend Reinvestment and Stock Purchase Plan	46.7	46.2	38.0	16.7	—
Under the Employees' Savings Plan (1966)	4.1	4.0	3.5	2.8	2.3
Upon exercise of warrants	—	—	—	—	54.6
Underwritten issue	—	—	120.7	—	—
Upon conversion of preferred shares	51.6	39.2	38.2	60.8	9.3
Under the Optional Stock Dividend Program	4.7	.9	—	—	—
	107.1	90.3	200.4	80.3	66.2
Balance at end of year	\$1,005.2	\$ 898.1	\$ 807.8	\$ 607.4	\$ 527.1

Consolidated Statement of Retained Earnings*

Year ended December 31

Millions of dollars

	1981	1980	1979	1978	1977
Balance at beginning of year	\$1,155.7	\$1,198.4	\$1,041.1	\$ 882.6	\$ 804.8
Net income	559.4	273.7	433.2	395.1	288.5
Excess of par value over cost of preferred shares purchased for cancellation	1.0	.3	—	—	.1
	1,716.1	1,472.4	1,474.3	1,277.7	1,093.4
Deduct:					
Dividends					
Preferred shares					
\$3.20 shares	.3	.3	.4	.6	.9
\$3.34 shares	.2	.2	.3	.6	1.1
\$4.23 shares	.3	.6	1.5	7.4	8.4
\$2.28 shares	1.0	2.0	5.3	11.4	11.4
\$1.96 shares	4.2	11.2	13.5	9.1	—
\$2.05 shares	20.5	14.6	—	—	—
\$2.25 shares	3.0	3.1	3.2	3.3	3.4
\$1.80 shares	5.9	6.2	6.3	6.3	6.3
	35.4	38.2	30.5	38.7	31.5
Common shares	320.6	274.9	240.6	193.1	175.6
	356.0	313.1	271.1	231.8	207.1
Expenses of issues of capital stock	.3	3.6	4.8	4.8	3.7
	356.3	316.7	275.9	236.6	210.8
Balance at end of year	\$1,359.8	\$1,155.7	\$1,198.4	\$1,041.1	\$ 882.6

*Notes to financial statements are not included.

The Bell Canada Group

Consolidated Statement of Changes in Financial Position*

Year ended December 31

Millions of dollars

	1981	1980	1979	1978	1977
Source of funds					
Operations					
Income before extraordinary items	\$ 550.7	\$ 363.7	\$ 433.2	\$ 370.6	\$ 286.2
Items not affecting funds					
Depreciation	804.6	732.3	647.0	550.1	479.9
Deferred income taxes	128.1	129.6	132.8	101.5	114.9
Allowance for funds used during construction	(25.1)	(20.2)	(20.7)	(14.1)	(16.2)
Equity earnings in non-consolidated finance subsidiaries	(58.2)	(58.2)	(21.5)	—	—
Other—net	29.0	(23.7)	34.0	52.6	33.9
Total from operations exclusive of extraordinary items	1,429.1	1,123.5	1,204.8	1,060.7	898.7
Extraordinary items (net of non-fund items)	34.9	(57.4)	—	24.5	2.3
Proceeds from long term debt	460.1	767.9	575.5	579.6	293.1
Issue of common shares					
underwritten issue	—	—	194.1	—	—
upon exercise of warrants	—	—	—	—	118.6
under the Dividend Reinvestment and Stock Purchase Plan	86.9	83.0	64.1	30.1	—
under the Optional Stock Dividend Program	8.7	1.5	—	—	—
upon conversion of convertible preferred shares	87.5	71.1	74.0	125.8	19.0
Proceeds from issue of preferred shares	—	196.8	—	170.9	—
Proceeds from issues of shares by subsidiaries					
to minority shareholders	5.8	13.4	97.8	96.7	9.7
Advance payment on contract operations	—	—	—	190.6	—
Decrease in cash and temporary cash					
investments held for contract operations	47.1	—	42.3	—	—
Dividend from a non-consolidated finance subsidiary	59.7	—	—	—	—
Increase (decrease) in amounts due to non-consolidated					
finance subsidiaries	39.5	(8.6)	166.0	79.4	—
Miscellaneous	78.8	72.8	192.5	117.2	12.7
Decrease in working capital	157.8	—	—	—	42.4
	\$2,495.9	\$2,264.0	\$2,611.1	\$2,475.5	\$1,396.5
Disposition of funds					
Capital expenditures					
Gross capital expenditures	\$1,713.9	\$1,598.2	\$1,351.0	\$1,184.0	\$1,045.7
Deduct: charges not requiring funds	(11.8)	(16.5)	(13.4)	(24.4)	(13.8)
Increase (decrease) in material and supplies	6.3	(19.5)	21.3	4.9	(2.3)
Net expenditures	1,708.4	1,562.2	1,358.9	1,164.5	1,029.6
Dividends by Bell Canada	356.0	313.1	271.1	231.8	207.1
Dividends by subsidiaries to minority shareholders	20.8	19.9	15.5	11.5	10.7
Reduction of long term debt	257.1	177.8	428.8	246.0	88.7
Acquisition of investments (less working capital					
acquired in 1980 of \$10.7) (1978 - \$107.4)	1.7	25.1	2.9	189.3	34.4
Investment in non-consolidated finance subsidiaries	6.9	10.6	233.8	23.7	—
Conversion of preferred shares	87.5	71.1	74.0	125.8	19.0
Increase in cash and temporary cash					
investments held for contract operations	—	16.9	—	91.9	—
Deferred charges—contract operations	—	—	—	112.9	—
Miscellaneous	57.5	51.9	16.2	28.0	7.0
Increase in working capital	—	15.4	209.9	250.1	—
	\$2,495.9	\$2,264.0	\$2,611.1	\$2,475.5	\$1,396.5
Working capital changes					
Increase (decrease) in current assets:					
Cash and temporary cash investments	\$ (32.1)	\$ 116.4	\$ (133.7)	\$ 98.7	\$ (63.3)
Accounts receivable	212.7	1.2	286.7	350.7	66.6
Inventories	68.5	81.9	131.1	143.0	(4.9)
Other	(45.8)	22.4	28.6	23.7	4.5
(Increase) decrease in current liabilities:					
Accounts payable	(102.9)	(224.6)	(93.1)	(157.1)	(30.8)
Advance billing for service	(13.7)	(17.0)	(2.8)	(7.0)	(5.1)
Dividends payable	(10.1)	(12.5)	(11.6)	(10.7)	(6.7)
Taxes accrued	(149.4)	36.0	37.4	(90.7)	12.5
Interest accrued	(6.9)	(20.0)	(7.4)	(15.3)	(10.9)
Debt due within one year	(78.1)	31.6	(25.3)	(85.2)	(4.3)
Increase (decrease) in working capital, as above	\$ (157.8)	\$ 15.4	\$ 209.9	\$ 250.1	\$ (42.4)

*Notes to financial statements are not included.

The Bell Canada Group

Telephone Statistics

In thousands

Telephones in service (as at December 31)	1981	1980	1979	1978	1977
Bell Canada	9,609.4	9,548.1	9,221.8	8,945.4	8,620.2
Newfoundland Telephone Company Limited	207.1	201.8	193.1	175.3	164.2
Télébec Ltée	169.6	164.0	155.5	138.5	130.7
Others	76.4	74.1	71.6	69.2	67.1
Total consolidated	10,062.5	9,988.0	9,642.0	9,328.4	8,982.2
Increase (%)	.7	3.6	3.4	3.9	3.7
Maritime Telegraph and Telephone Company, Limited	519.3	498.2	474.3	451.6	431.1
The New Brunswick Telephone Company, Limited	402.1	389.5	376.5	358.8	342.9

In millions

Long distance messages (year ended December 31)	1981	1980	1979	1978	1977
Bell Canada	747.9	699.3	649.9	610.5	557.2
Newfoundland Telephone Company Limited	20.6	19.0	17.0	14.7	13.1
Télébec Ltée	17.3	16.3	14.6	12.7	11.6
Others	6.8	6.4	5.9	5.3	5.7
Total consolidated	792.6	741.0	687.4	643.2	587.6
Increase (%)	7.0	7.8	6.9	9.4	5.8
Maritime Telegraph and Telephone Company, Limited	51.7	47.3	42.8	38.4	34.9
The New Brunswick Telephone Company, Limited	41.7	37.9	34.9	31.0	28.0

Manufacturing Sales Revenues

Year ended December 31

Dollars in millions

	1981	1980	1979	1978	1977
A. By geographic area					
Canada	51.1%	51.9%	51.7%	66.2%	82.6%
U.S.	41.4	40.0	39.7	30.4	16.2
Other foreign	7.5	8.1	8.6	3.4	1.2
Total consolidated	100.0%	100.0%	100.0%	100.0%	100.0%
B. By customers					
Sales to Bell Canada	\$ 794.6	\$ 630.9	\$ 616.0	\$ 536.7	\$ 533.2
Percent of total	31.4%	31.3%	33.1%	36.5%	44.6%
Sales to telephone subsidiary and associated companies of Bell Canada	\$ 77.2	\$ 55.3	\$ 43.5	\$ 50.7	\$ 52.0
Percent of total	3.0%	2.7%	2.3%	3.5%	4.4%
Sales to others	\$1,659.2	\$1,332.3	\$1,204.6	\$ 882.6	\$ 609.5
Percent of total	65.6%	66.0%	64.6%	60.0%	51.0%
Total consolidated	\$2,531.0	\$2,018.5	\$1,864.1	\$1,470.0	\$1,194.7

Capital Expenditures

Year ended December 31

Millions of dollars

	1981	1980	1979	1978	1977
Bell Canada	\$1,401.5	\$1,297.0	\$1,116.7	\$1,003.7	\$ 951.1
Northern Telecom Limited (Consolidated)	209.6	225.6	170.6	127.2	44.7
Others	102.8	75.6	63.7	53.1	49.9
Total consolidated	\$1,713.9	\$1,598.2	\$1,351.0	\$1,184.0	\$1,045.7
Maritime Telegraph and Telephone Company, Limited	\$ 84.1	\$ 61.8	\$ 52.7	\$ 49.5	\$ 51.4
The New Brunswick Telephone Company, Limited	\$ 53.4	\$ 40.4	\$ 40.5	\$ 39.7	\$ 48.0

Major Components of the Bell Canada Group

Northern Telecom Limited – Consolidated Summarized Income Statement

Year ended December 31

Millions of dollars

	1981	1980	1979	1978	1977
Sales	\$2,570.9	\$2,054.6	\$1,900.5	\$1,504.6	\$1,221.9
Cost of sales and expenses	2,383.3	2,032.8	1,716.7	1,358.9	1,100.6
	187.6	21.8	183.8	145.7	121.3
Other income	31.1	10.4	3.8	10.6	9.4
	218.7	32.2	187.6	156.3	130.7
Interest charges	64.2	44.9	38.2	17.1	6.6
Unrealized foreign currency losses (gains)	(2.0)	1.2	.4	(5.1)	(6.0)
Income taxes	35.8	7.5	35.5	49.9	48.2
	98.0	53.6	74.1	61.9	48.8
Income (loss) before extraordinary items	120.7	(21.4)	113.5	94.4	81.9
Extraordinary items	16.0	(163.8)	–	6.3	3.4
Net income (loss)	\$ 136.7	\$ (185.2)	\$ 113.5	\$ 100.7	\$ 85.3
Net income (loss) applicable to common shares(a)	\$ 120.7	\$ (21.4)	\$ 113.5	\$ 94.4	\$ 81.9
Average common shares outstanding (thousands)	34,629	33,795	30,656	28,344	26,469

(a) Before extraordinary items.

Tele-Direct Ltd. – Consolidated Summarized Income Statement

Year ended December 31

Millions of dollars

	1981	1980	1979	1978	1977
Operating revenues	\$ 376.6	\$ 248.5	\$ 161.6	\$ 137.3	\$ 105.6
Operating expenses	318.3	204.9	129.5	112.9	92.0
	58.3	43.6	32.1	24.4	13.6
Other income	1.5	1.2	.3	(.4)	.4
	59.8	44.8	32.4	24.0	14.0
Interest charges	17.8	7.9	5.0	3.3	1.9
Income taxes	20.4	19.3	13.6	10.3	5.5
Minority interest	1.6	.3	–	.3	–
	39.8	27.5	18.6	13.9	7.4
Income before extraordinary item	20.0	17.3	13.8	10.1	6.6
Extraordinary item	(2.9)	–	–	.8	–
Net income	\$ 17.1	\$ 17.3	\$ 13.8	\$ 10.9	\$ 6.6
Net income applicable to common shares(a)	\$ 20.0	\$ 17.3	\$ 13.8	\$ 10.1	\$ 6.6

(a) Before extraordinary item.

Major Components of the Bell Canada Group

Newfoundland Telephone Company Limited Summarized Income Statement

Year ended December 31

Millions of dollars

	1981	1980	1979	1978	1977
Operating revenues	\$98.3	\$89.7	\$79.1	\$70.5	\$60.1
Operating expenses	63.4	57.6	51.4	44.4	39.3
	34.9	32.1	27.7	26.1	20.8
Other income	1.7	1.9	2.0	(.2)	.3
	36.6	34.0	29.7	25.9	21.1
Interest charges	13.2	11.1	8.9	8.5	7.6
Income taxes	11.6	11.2	9.7	7.5(a)	4.9(a)
	24.8	22.3	18.6	16.0	12.5
Net income	\$11.8	\$11.7	\$11.1	\$ 9.9(a)	\$ 8.6(a)
Dividends on preferred shares	\$ 1.8	\$ 1.9	\$ 2.0	\$ 2.0	\$ 1.8
Net income applicable to common shares	\$10.0	\$ 9.8	\$ 9.1	\$ 7.9(a)	\$ 6.8(a)
Average common shares outstanding (thousands)	7,847	7,707	7,682	6,745	6,482

(a) Results reflect a partial tax allocation basis.

Télébec Ltée Summarized Income Statement

Year ended December 31

Millions of dollars

	1981	1980	1979	1978	1977
Operating revenues	\$73.8	\$57.7	\$51.5	\$41.3	\$36.3
Operating expenses	49.5	39.3	35.6	28.7	25.1
	24.3	18.4	15.9	12.6	11.2
Other income	.3	.8	.6	.4	.1
	24.6	19.2	16.5	13.0	11.3
Interest charges	7.5	6.9	6.0	4.9	4.3
Income taxes	8.8	6.1	4.9	3.7	3.3
	16.3	13.0	10.9	8.6	7.6
Net income	\$ 8.3	\$ 6.2	\$ 5.6	\$ 4.4	\$ 3.7
Dividends on preferred shares	\$ 1.2	\$ 1.2	\$ 1.5	\$ 1.7	\$ 1.9
Net income applicable to common shares	\$ 7.1	\$ 5.0	\$ 4.1	\$ 2.7	\$ 1.8
Average common shares outstanding (thousands)	2,345	2,050	1,831	1,757	1,558

Major Associated Telephone Companies

Maritime Telegraph and Telephone Company, Limited Summarized Income Statement

Year ended December 31

Millions of dollars

	1981	1980	1979	1978	1977
Operating revenues	\$207.3	\$181.5	\$166.9	\$149.2	\$129.6
Operating expenses	142.0	122.0	111.8	99.5	86.0
	65.3	59.5	55.1	49.7	43.6
Other income	2.5	1.6	1.1	1.0	1.3
	67.8	61.1	56.2	50.7	44.9
Interest charges	22.7	17.7	15.9	14.8	14.4
Income taxes	21.6	21.5	19.0	17.0	14.3
	44.3	39.2	34.9	31.8	28.7
Net income	\$ 23.5	\$ 21.9	\$ 21.3	\$ 18.9	\$ 16.2
Dividends on preferred shares	\$ 3.4	\$ 3.6	\$ 3.8	\$ 4.0	\$ 3.4
Net income applicable to common shares	\$ 20.1	\$ 18.3	\$ 17.5	\$ 14.9	\$ 12.8
Average common shares outstanding (thousands)	5,872	5,685	5,547	5,425	5,304

The New Brunswick Telephone Company, Limited – Consolidated Summarized Income Statement

Year ended December 31

Millions of dollars

	1981	1980	1979	1978	1977
Operating revenues	\$169.8	\$151.2	\$139.3	\$123.2	\$110.2
Operating expenses	121.1	103.8	95.0	83.7	75.1
	48.7	47.4	44.3	39.5	35.1
Other income	6.7	4.1	3.8	2.3	2.5
	55.4	51.5	48.1	41.8	37.6
Interest charges	15.7	14.9	14.0	11.4	9.9
Unrealized foreign currency losses	.3	.2	.2	.2	—
Income taxes	19.7	17.9	16.2	14.4	12.8
	35.7	33.0	30.4	26.0	22.7
Net income	\$ 19.7	\$ 18.5	\$ 17.7	\$ 15.8	\$ 14.9
Dividends on preferred shares	\$ 1.4	\$ 1.4	\$ 1.6	\$ 1.6	\$ 1.7
Net income applicable to common shares	\$ 18.3	\$ 17.1	\$ 16.1	\$ 14.2	\$ 13.2
Average common shares outstanding (thousands)	6,716	6,485	6,301	6,167	6,044

Major Components of the Bell Canada Group

External Financing (a) (b)

Year ended December 31

Millions of dollars

	1981	1980	1979	1978	1977
Sale of investments – net (c)	\$ –	\$ –	\$ 34.6	\$ 4.8	\$ –
Debt obligations (d)					
Long term					
Bell Canada	351.3	491.3	235.0	419.0	255.6
Northern Telecom Limited (e) (g)	103.0	216.6	325.8	129.6	–
Newfoundland Telephone Company Limited	16.0	25.0	–	–	20.0
Télébec Ltée	5.0	5.0	6.5	7.0	11.5
The Capital Telephone Company Limited (e)	9.2	26.1	3.1	17.8	6.4
	484.5	764.0	570.4	573.4	293.5
Interim financing – net	(18.2)	15.9	39.3	8.4	21.9
	466.3	779.9	609.7	581.8	315.4
Preferred shares (d)					
Bell Canada	–	200.0	–	175.0	–
Newfoundland Telephone Company Limited	–	–	–	–	10.0
	–	200.0	–	175.0	10.0
Common shares (d)					
Bell Canada (f)	104.4	92.8	270.4	37.0	125.8
Northern Telecom Limited (e)	4.1	11.1	100.4	84.6	–
Newfoundland Telephone Company Limited	1.7	.8	–	12.2	–
The Capital Telephone Company Limited (e)	–	1.5	–	–	–
	110.2	106.2	370.8	133.8	125.8
Total external financing	\$576.5	\$1,086.1	\$1,015.1	\$895.4	\$451.2

(a) Expressed in Canadian dollars.

(b) Inter-company financings and capitalized leases are excluded.

(c) Net proceeds arising from the sale by Bell Canada of common shares of Northern Telecom Limited.

(d) Underwriting discounts and/or commissions not deducted.

(e) Includes subsidiaries.

(f) Excludes issues of common shares upon conversion of convertible preferred shares.

(g) Includes scientific research investment contracts.

Shareholder Dividend Reinvestment and Stock Purchase Plan

Bell Canada's Shareholder Dividend Reinvestment and Stock Purchase Plan (DRP) provides a means for holders of record of Bell Canada common shares to invest cash dividends and optional cash payments in new common shares of Bell Canada. Such shares are purchased directly from Bell Canada by an Agent who acts on behalf of the participants under the DRP. National Trust Company, Limited acts as the Agent for the participants under the DRP pursuant to an agreement which may be terminated by Bell Canada or the Agent at any time.

As of January 18, 1982, 24% of common shareholders representing 19.1% of common shares outstanding were participating in the DRP.

Optional Stock Dividend Program

Bell Canada's Optional Stock Dividend Program (SDP) provides a means for holders of record of Bell Canada common shares to acquire additional common shares in lieu of receiving cash dividends on the common shares they possess. Such shares are issued by Bell Canada to an Agent who acts on behalf of the participants under the SDP. National Trust Company, Limited acts as the Agent for the participants under the SDP pursuant to an agreement which may be terminated by Bell Canada or the Agent at any time.

As of January 15, 1982, 2.1% of common shareholders representing 2.8% of common shares outstanding were participating in the SDP.

Further information on both DRP and SDP is available upon request:

Treasurer
Bell Canada
1050 Beaver Hall Hill
Montréal, Québec
H2Z 1S4

Tel.: (514) 870-7161

Major Components of the Bell Canada Group

Bell Canada – The Parent Company Telephone Statistics

As at December 31

	1981	1980	1979	1978	1977
Telephones in service (in thousands)					
Total	9,609.4	9,548.1	9,221.8	8,945.4	8,620.2
Residence					
Main	4,951.7	4,831.0	4,652.7	4,554.6	4,423.0
Other	1,766.4	1,851.1	1,798.7	1,725.1	1,629.7
Business					
Main	885.0	864.5	831.6	793.0	759.0
Other	2,006.3	2,001.5	1,938.8	1,872.7	1,808.5
Conversations (in millions)					
Total	13,947.8	13,109.2	12,624.1	12,327.6	12,079.6
Local	13,199.9	12,409.9	11,974.2	11,717.1	11,522.4
Long distance					
Operator handled	97.8	87.6	94.7	94.0	90.3
Customer dialed	650.1	611.7	555.2	516.5	466.9
Originating calls					
Per average business day (in thousands)	60,283	57,452	54,629	52,966	51,060
Per average business day per average telephone (excluding residence extensions)	7.7	7.6	7.6	7.5	7.5
Per average business day per average telephone	6.3	6.1	6.1	6.0	6.1
Number of central offices					
Total	1,681	1,646	1,598	1,581	1,565
Number of electronic central offices included above	295	232	195	174	152
Classes of telephone service					
Percent distribution of residence main telephones					
Individual	91.0	90.1	89.4	88.7	87.9
2 party	5.0	5.2	5.4	5.9	6.5
More than 2 party	4.0	4.7	5.2	5.4	5.6
Percent distribution of business main telephones					
Individual	99.3	99.1	99.0	98.9	98.7
2 or more party	.7	.9	1.0	1.1	1.3
Telephones by types of exchanges (in thousands)					
Step-by-step	3,513.9	3,754.3	3,702.5	3,838.2	3,887.5
Percent of total	36.6%	39.3%	40.2%	42.9%	45.1%
Crossbar	3,961.2	3,962.8	3,838.2	3,681.1	3,530.3
Percent of total	41.2%	41.5%	41.6%	41.2%	41.0%
Electronic switching	2,131.9	1,828.4	1,678.5	1,423.6	1,200.0
Percent of total	22.2%	19.2%	18.2%	15.9%	13.9%
Other	2.4	2.6	2.6	2.5	2.4
Percent of total	—	—	—	—	—
Total telephones in service (in thousands)	9,609.4	9,548.1	9,221.8	8,945.4	8,620.2

Capital Expenditures

Year ended December 31

Millions of dollars

	1981	1980	1979	1978	1977
Demand	\$ 954.9	\$ 840.3	\$ 758.2	\$ 644.4	\$ 639.3
Programs	182.7	201.7	215.9	229.4	199.8
Replacement and Support	263.9	255.0	142.6	129.9	112.0
Total	\$1,401.5	\$1,297.0	\$1,116.7	\$1,003.7	\$951.1
Classes of plant					
Land and buildings	\$ 149.8	\$ 164.8	\$ 78.8	\$ 65.6	\$ 62.3
Central office equipment	467.9	346.3	320.9	281.4	308.9
Station equipment	299.9	340.6	305.8	269.5	256.8
Outside plant	392.5	367.4	350.7	325.8	265.0
General equipment	90.0	77.7	53.2	60.4	54.2
Leased plant	1.4	.2	7.3	1.0	3.9
Total	\$1,401.5	\$1,297.0	\$1,116.7	\$1,003.7	\$951.1

Major Components of the Bell Canada Group

Bell Canada – The Parent Company Non-Consolidated Income Statement

Year ended December 31

Millions of dollars

	1981	1980	1979	1978	1977
Telecommunications operations					
Operating revenues					
Local service	\$1,844.1	\$1,562.5	\$1,392.7	\$1,263.1	\$1,107.6
Long distance service	1,861.1	1,529.0	1,329.7	1,152.5	970.5
Miscellaneous-net	139.9	111.6	94.7	81.8	55.3
Total operating revenues	3,845.1	3,203.1	2,817.1	2,497.4	2,133.4
Operating expenses					
Depreciation	646.3	586.6	530.8	474.0	427.9
Maintenance	639.6	538.4	464.1	420.2	372.5
Operator services	132.4	125.0	96.8	94.0	85.4
Customer provisioning	354.6	296.2	249.5	215.3	186.8
Facilities provisioning	383.8	292.1	243.9	201.8	166.6
Taxes other than income	247.5	206.4	179.3	146.1	130.0
Other	413.9	345.6	290.0	233.1	203.3
Total operating expenses	2,818.1	2,390.3	2,054.4	1,784.5	1,572.5
Net revenues-telecommunications operations	1,027.0	812.8	762.7	712.9	560.9
Other income					
Dividends					
subsidiary companies	31.8	29.7	24.2	21.4	19.6
associated companies	10.0	9.1	8.5	7.6	7.4
Allowance for funds used during construction	23.8	18.5	20.0	13.5	15.7
Miscellaneous-net	36.6	18.5	28.1	14.3	10.3
	102.2	75.8	80.8	56.8	53.0
	1,129.2	888.6	843.5	769.7	613.9
Interest charges	335.2	287.0	252.6	231.0	202.4
Unrealized foreign currency losses	13.1	10.0	9.9	5.5	-
Income taxes	357.8	272.5	256.4	240.1	178.6
	706.1	569.5	518.9	476.6	381.0
Income-telecommunications operations	423.1	319.1	324.6	293.1	232.9
Contract operations					
Operating revenues	493.2	453.6	319.8	185.6	-
Operating expenses	375.9	362.1	252.1	165.8	-
Net revenues-contract operations	117.3	91.5	67.7	19.8	-
Miscellaneous-net	(6.0)	3.6	(7.2)	(2.8)	-
	111.3	95.1	60.5	17.0	-
Income taxes	58.4	48.3	29.3	9.3	-
Income-contract operations	52.9	46.8	31.2	7.7	-
Income before extraordinary item	476.0	365.9	355.8	300.8	232.9
Extraordinary item					
Gain on sale of Northern Telecom Limited shares	-	-	29.8	4.1	-
Net income	\$ 476.0	\$ 365.9	\$ 385.6	\$ 304.9	\$ 232.9
Dividends on preferred shares	\$ 35.4	\$ 38.2	\$ 30.5	\$ 38.7	\$ 31.5
Net income applicable to common shares (a)	\$ 440.6	\$ 327.7	\$ 325.3	\$ 262.1	\$ 201.4

(a) Before extraordinary item.

Major Components of the Bell Canada Group

Bell Canada – The Parent Company Non-Consolidated Balance Sheet

As at December 31

Millions of dollars

Assets	1981	1980	1979	1978	1977
Telecommunications property—at cost					
Buildings, plant and equipment	\$11,296.6	\$10,275.8	\$9,275.7	\$8,415.1	\$7,691.8
Less: Accumulated depreciation	3,478.6	3,114.0	2,815.7	2,496.3	2,266.4
	7,818.0	7,161.8	6,460.0	5,918.8	5,425.4
Land, and plant under construction	460.4	352.1	319.0	270.2	254.9
Material and supplies	108.8	103.0	122.3	101.9	97.2
	8,387.2	7,616.9	6,901.3	6,290.9	5,777.5
Investments—at cost					
Subsidiary companies	352.9	331.3	309.6	212.7	212.4
Associated companies	108.0	108.0	108.0	108.0	108.0
	460.9	439.3	417.6	320.7	320.4
Current assets	922.2	854.8	749.5	693.8	287.9
Other assets	234.4	317.8	311.7	407.8	100.1
Total assets	\$10,004.7	\$ 9,228.8	\$8,380.1	\$7,713.2	\$6,485.9
Liabilities and Shareholders' Equity					
Common shareholders' equity					
Common shares	\$ 1,479.0	\$ 1,394.2	\$1,320.6	\$1,176.6	\$1,094.0
Premium on capital stock	1,005.2	898.1	807.8	607.4	527.1
Retained earnings	1,031.6	910.9	861.4	751.7	682.9
	3,515.8	3,203.2	2,989.8	2,535.7	2,304.0
Convertible preferred shares (redeemable)	258.2	345.7	216.7	290.7	241.6
Non-convertible preferred shares (redeemable)	103.4	108.4	112.3	114.0	114.9
Long term debt (including unrealized foreign currency losses)	3,783.2	3,540.4	3,082.9	2,968.4	2,559.7
Current liabilities					
Debt due within one year					
Long term debt	94.4	56.5	104.6	112.3	72.9
Notes payable	24.3	—	22.9	42.1	68.3
Other	899.7	653.8	580.2	532.5	343.9
	1,018.4	710.3	707.7	686.9	485.1
Deferred credits					
Income taxes	1,193.5	1,061.1	935.6	827.8	758.9
Other	132.2	259.7	335.1	289.7	21.7
	1,325.7	1,320.8	1,270.7	1,117.5	780.6
Total liabilities and shareholders' equity	\$10,004.7	\$ 9,228.8	\$8,380.1	\$7,713.2	\$6,485.9

Major Components of the Bell Canada Group

Bell Canada – The Parent Company Non-Consolidated Statement of Changes in Financial Position

Year ended December 31

Millions of dollars

	1981	1980	1979	1978	1977
Source of funds					
Operations					
Income before extraordinary item	\$ 476.0	\$ 365.9	\$ 355.8	\$ 300.8	\$ 232.9
Items not affecting funds					
Depreciation	646.3	586.6	531.0	474.0	427.9
Deferred income taxes	132.4	125.5	107.8	68.9	102.8
Allowance for funds used during construction	(23.8)	(18.5)	(20.0)	(13.5)	(15.7)
Other—net	(29.5)	(20.6)	(18.3)	15.8	7.2
Total from operations	1,201.4	1,038.9	956.3	846.0	755.1
Net proceeds from the sale of common shares of a subsidiary	—	—	34.6	4.8	—
Proceeds from long term debt	346.9	487.4	238.7	415.4	255.2
Issue of common shares					
underwritten issue	—	—	194.1	—	—
upon exercise of warrants	—	—	—	—	118.6
under the Dividend Reinvestment and Stock Purchase Plan	86.9	83.0	64.1	30.1	—
under the Optional Stock Dividend Program	8.7	1.5	—	—	—
upon conversion of convertible preferred shares	87.5	71.1	74.0	125.8	19.0
Proceeds from issue of preferred shares	—	196.8	—	170.9	—
Advance payment on contract operations	—	—	—	190.6	—
Decrease in cash and temporary cash investments held for contract operations	47.1	—	42.3	—	—
Miscellaneous	30.6	30.6	116.8	95.1	17.4
Decrease in working capital	240.7	—	—	—	88.2
	\$2,049.8	\$1,909.3	\$1,720.9	\$1,878.7	\$1,253.5
Disposition of funds					
Capital expenditures					
Gross capital expenditures	\$1,401.5	\$1,297.0	\$1,116.7	\$1,003.7	\$ 951.1
Deduct: charges not requiring funds	(9.9)	(13.7)	(11.7)	(22.7)	(14.7)
Increase (decrease) in material and supplies	5.8	(19.4)	20.4	4.7	(3.2)
Net expenditures	1,397.4	1,263.9	1,125.4	985.7	933.2
Dividends	356.0	313.1	271.1	231.8	207.1
Reduction of long term debt	94.6	71.5	105.4	115.0	76.6
Acquisition of investments	21.9	23.8	106.5	4.0	3.5
Conversion of preferred shares	87.5	71.1	74.0	125.8	19.0
Increase in cash and temporary cash investments held for contract operations	—	16.9	—	91.9	—
Deferred charges—contract operations	—	—	—	112.9	—
Miscellaneous	92.4	46.3	3.6	7.5	14.1
Increase in working capital	—	102.7	34.9	204.1	—
	\$2,049.8	\$1,909.3	\$1,720.9	\$1,878.7	\$1,253.5
Working capital changes					
Increase (decrease) in current assets:					
Cash and temporary cash investments	\$ (42.9)	\$ 107.9	\$ (118.8)	\$ 192.5	\$ (84.2)
Accounts receivable	110.5	(6.6)	167.3	210.1	25.1
Other	(.2)	3.9	7.2	3.3	.8
(Increase) decrease in current liabilities:					
Accounts payable	(96.3)	(59.9)	(84.0)	(61.1)	6.7
Advance billing for service	(10.3)	(10.1)	(2.4)	(5.8)	(4.8)
Dividends payable	(10.3)	(13.1)	(9.0)	(10.7)	(6.8)
Taxes accrued	(127.8)	25.1	52.8	(96.5)	4.2
Interest accrued	(1.2)	(15.5)	(5.1)	(14.5)	(10.8)
Debt due within one year	(62.2)	71.0	26.9	(13.2)	(18.4)
Increase (decrease) in working capital, as above	\$ (240.7)	\$ 102.7	\$ 34.9	\$ 204.1	\$ (88.2)

Major Components of the Bell Canada Group

Bell Canada – The Parent Company

Regulation

Bell Canada is subject to the jurisdiction of the Canadian Radio-television and Telecommunications Commission (CRTC) in various respects including its rates, costing and accounting procedures and the issuance of its capital stock. The CRTC is an agency of the Canadian Federal Government.

Since 1966 the method of testing the reasonableness of Bell Canada's rates has taken the form of a rate of return on average total capital as determined for regulatory purposes. After taking into account the costs of outstanding debt and preferred equity capital, this method in effect becomes one of determining the permissible rate of return on average common equity. Net income for such purposes is comprised of Bell Canada's non-consolidated income before extraordinary items including the net revenues from Bell Canada's contract with the Ministry of Post, Telegraph and Telephone of the Kingdom of Saudi Arabia. For regulatory purposes Tele-Direct (Publications) Inc., a subsidiary which publishes Bell Canada's Canadian telephone directories, is considered an integral part of Bell Canada. In addition, effective January 1, 1982, net income for regulatory purposes also includes a deemed return of 15.5% on an after-tax basis on Bell Canada's deemed investment in all other subsidiary and associated companies. Such deemed investment comprises (i) Bell Canada's original

cost of investment (ii) Bell Canada's share of the retained earnings as at January 1, 1982 of all non-integral subsidiary and associated companies and (iii) any future shortfall between the deemed return from all non-integral subsidiary and associated companies and the actual dividend return. Average common equity for regulatory purposes is comprised of Bell Canada's non-consolidated average common equity as augmented by items (ii) and (iii) above, plus the average retained earnings of Tele-Direct (Publications) Inc.

On February 12, 1981, Bell Canada filed an application with the CRTC for approval of increased rates to be implemented September 1, 1981 and for the establishment of a rate of return for regulatory purposes for 1982 in the range of 14.5% to 15% on average common equity. The application stated that the proposed rate increases, if implemented as requested, would add \$183 million to 1981 revenues and \$550 million to 1982 revenues. The CRTC issued its decision on September 28, 1981 and approved rate increases which became effective October 2, 1981 and which are expected to generate approximately \$440 million in additional revenues in 1982. The decision also concluded that an appropriate rate of return on average common equity should be 14.5% for regulatory purposes with a permissible range between 14.25% and 14.75%.

Rate of Return on Average Common Equity (Regulated) 1981 (thousands of dollars)

Regulated Earnings from:		Average Common Equity Rate Base:	
Telecommunications and Contract Operations	\$440,616	Telecommunications and Contract Operations	\$3,366,452
Tele-Direct Ltd. and Bell Canada International	13,516	Tele-Direct Ltd. and Bell Canada International	
Shortfall between the imputed dividend return (15%) on average investment and dividends received from Northern Telecom Limited	12,190	(Retained earnings)	42,529
		Northern Telecom Limited	
		(cumulative shortfall for prior years)	3,139
Total	\$466,322	Total	\$3,412,120

Rate of Return on Average Common Equity Rate Base = $\$466,322 \div \$3,412,120 = 13.67\%$

Rate Proceedings and Decisions

Application Filed	Decision	Additional Revenue Requested (Millions)	Additional Revenue Granted (Millions)	Portion of Request Granted	Return on Average Total Capital Allowed	Return on Average Common Equity Allowed
30 May 1975	28 Jul. 1975	\$ 65.0	\$ 32.5 ⁽²⁾	50.0%	— (1)	— (1)
30 May 1975	22 Dec. 1975	74.4	74.4 ⁽²⁾	100.0%	— (1)	— (1)
3 Nov. 1976	1 Jun. 1977	171.6	162.0	94.4%	— (1)	12.0% ⁽³⁾
1 Feb. 1978	10 Aug. 1978	398.9 ⁽⁴⁾	248.0 ⁽⁴⁾	62.2%	— (5)	12.0%
19 Feb. 1980	12 Aug. 1980	465.4 ⁽⁶⁾	385.0 ⁽⁶⁾	82.7%	— (1)	12.0%
12 Feb. 1981	28 Sep. 1981	550.0 ⁽⁷⁾	440.0 ⁽⁷⁾	80.0%	11.8%	14.25%-14.75%

All figures are on an annualized basis except where otherwise noted.

(1) No formal request for rate of return. The hearing was a cost recovery case, and earlier allowed return was used by the company.

(2) Decision of 22 December 1975 also granted the remainder of the first phase application. The combined effect of the two increases would be \$110.3 million annualized for 1976.

(3) The CRTC found this to be "acceptable" although the hearing was a cost recovery, not a rate of return case.

(4) Figures are annualized, using a 1979 test year.

(5) None specified.

(6) Figures are annualized for 1981, the additional revenue requested for 1980 was \$180 million. Requested rates were based upon the method of regulation proposed by the company in the 19 February 1980 application which, for regulatory purposes, included 50% of the total net income from the Saudi Arabia contract.

(7) Figures are annualized for 1982. The additional revenue requested for 1981 was \$183 million. While no 1981 estimate was cited in the CRTC decision number 81-15, the estimated effect at that time was deemed to be approximately \$108.9 million.

Major Components of the Bell Canada Group

Bell Canada Shareholder Statistics

As at December 31

Shareholders	1981	1980	1979	1978	1977
By holdings					
Common*					
1-99 shares	95,903	97,441	92,592	-	-
100-999 shares	135,440	132,287	121,881	-	-
1,000 shares and over	24,488	23,170	21,687	-	-
Total	255,831	252,898	236,160	209,233	205,267
Average number of common shares per holder	693	661	671	674	639
Preferred					
1-99 shares	10,485	13,635	14,062	15,982	20,311
100-999 shares	20,417	24,172	17,209	19,625	14,883
1,000 shares and over	2,863	3,314	1,782	2,016	1,460
Total	33,765	41,121	33,053	37,623	36,654
Average number of preferred shares per holder	493	494	398	421	339
By location					
Common					
Canada	250,389	247,343	230,592	203,782	199,522
U.S.	4,522	4,616	4,640	4,521	4,784
Other foreign	920	939	928	930	961
Total	255,831	252,898	236,160	209,233	205,267
Preferred					
Canada	33,513	40,847	32,765	37,323	36,267
U.S.	160	164	173	177	217
Other foreign	92	110	115	123	170
Total	33,765	41,121	33,053	37,623	36,654
Shares					
By location					
Common					
Canada (a)	170,641,242	160,697,362	151,517,667	133,178,946	123,322,854
U.S.	4,448,873	4,171,851	4,508,615	4,760,355	5,018,442
Other foreign	2,390,800	2,433,527	2,451,422	3,255,342	2,939,616
Total	177,480,915	167,302,740	158,477,704	141,194,643	131,280,912
Preferred					
Canada (a)	16,655,517	20,301,772	13,139,188	15,816,180	12,416,066
U.S.	13,907	15,025	21,393	23,450	20,139
Other foreign	7,099	7,620	4,711	4,912	12,553
Total	16,676,523	20,324,417	13,165,292	15,844,542	12,448,758

*Categories of holdings reflect the three-for-one common share subdivision effected in 1979.

(a) Held by shareholders registered as residents of Canada.

Major Components of the Bell Canada Group

Bell Canada Number of Shares Traded

	1981	1980	1979	1978	1977
Common shares					
Montréal	5,500,137	6,097,807	5,488,326	5,036,481	6,353,955
Toronto	20,200,400	17,958,100	13,788,500	14,046,900	15,932,100
Vancouver	13,141	2,300	76,841	40,755	25,503
New York	1,838,400	1,018,000	1,052,400	2,806,500	3,970,800
Total	27,552,078	25,076,207	20,406,067	21,930,636	26,282,358
\$3.20 convertible preferred shares					
Montréal	957	478	862	2,791	5,100
Toronto	4,200	5,900	5,700	11,100	12,600
Total	5,157	6,378	6,562	13,891	17,700
\$3.34 convertible preferred shares					
Montréal	445	137	617	1,140	3,904
Toronto	5,500	4,300	6,500	18,200	35,700
Total	5,945	4,437	7,117	19,340	39,604
\$2.25 preferred shares					
Montréal	30,520	51,130	57,862	31,585	171,330
Toronto	95,500	143,200	63,100	133,000	343,600
Vancouver	-	-	-	-	18,400
Total	126,020	194,330	120,962	164,585	533,330
\$4.23 convertible preferred shares					
Montréal	-	75	240	76,577	194,849
Toronto	10,200	15,900	22,300	441,800	297,400
Vancouver	-	-	-	-	5,600
Total	10,200	15,975	22,540	518,377	497,849
\$2.28 convertible preferred shares					
Montréal	2,172	1,900	66,710	61,372	184,110
Toronto	58,500	158,400	303,100	600,600	1,220,800
Vancouver	-	-	950	200	11,300
Total	60,672	160,300	370,760	662,172	1,416,210
\$1.80 preferred shares					
Montréal	102,565	35,410	81,056	161,042	97,440
Toronto	313,300	308,000	362,900	574,800	618,600
Vancouver	-	-	-	84,000	25
Total	415,865	343,410	443,956	819,842	716,065
\$1.96 convertible preferred shares					
Montréal	35,712	91,520	105,285	345,196	-
Toronto	237,400	520,400	599,100	741,300	-
Vancouver	-	-	1,600	33,700	-
Total	273,112	611,920	705,985	1,120,196	-
\$2.05 convertible preferred shares					
Montréal	100,850	312,706	-	-	-
Toronto	1,413,700	2,850,300	-	-	-
Vancouver	200	-	-	-	-
Total	1,514,750	3,163,006	-	-	-

Major Components of the Bell Canada Group

Bell Canada Market Prices per Share

	1981	1980	1979	1978	1977
Common shares					
High	\$20	\$21 1/8	\$23 1/8	\$21.88	\$18.88
Low	16 7/8	17 5/8	18 3/4	17.33	15.42
Close (a)	19 1/4	20	20 1/2	21.71	18.08
\$3.20 convertible preferred shares					
High	\$58 1/4	\$61 1/2	\$68	\$ 64	\$ 56 1/8
Low	50 3/8	53 3/8	56 3/4	52 3/8	47 1/2
Close (a)	56	57	60 1/4	63 3/4	53 7/8
\$3.34 convertible preferred shares					
High	\$58 1/2	\$62 1/2	\$67 7/8	\$ 65 3/8	\$ 56 1/2
Low	52 1/2	54	60 3/4	53	47
Close (a)	57 1/2	57 1/2	62 1/2	65 3/8	55
\$2.25 preferred shares					
High	\$23 3/4	\$28	\$31 1/2	\$ 31 1/2	\$ 30 1/2
Low	16	21	26	27 1/4	25 1/4
Close (a)	17 3/8	22 1/2	26 3/4	30	29 3/4
\$4.23 convertible preferred shares					
High	\$59	\$63 1/4	\$68 7/8	\$ 64 1/2	\$ 57
Low	51 1/2	52 3/4	57 3/4	53 1/4	48 1/2
Close (a)	57 5/8	58 1/2	62	64 1/4	55 1/2
\$2.28 convertible preferred shares					
High	\$30	\$32	\$34 1/2	\$ 33	\$ 30 1/4
Low	25	26 1/4	28 1/4	28 5/8	26
Close (a)	28 3/4	29 3/8	30 3/4	32 1/2	30
\$1.80 preferred shares					
High	\$19	\$21 3/4	\$24 3/4	\$ 24 5/8	\$ 23 3/4
Low	13	16 1/4	20 1/4	21 3/4	20 1/8
Close (a)	14	18	21 7/8	23 1/8	22 3/4
\$1.96 convertible preferred shares (b)					
High	\$24	\$25 1/4	\$28 3/8	\$ 28 1/4	—
Low	20	20 7/8	22 7/8	25 5/8	—
Close (a)	23	23 5/8	24 5/8	27 1/2	—
\$2.05 convertible preferred shares (c)					
High	\$22 3/4	\$24 1/4	—	—	—
Low	17 1/4	21 1/4	—	—	—
Close (a)	19 1/2	22 7/8	—	—	—

Source: Montréal Stock Exchange, Toronto Stock Exchange, Vancouver Stock Exchange.

(a) Based on closing price of the year on the Toronto Stock Exchange.

(b) Data starting in May of 1978.

(c) Data starting in April of 1980.

Ratings – Securities of Bell Canada

	First Mortgage Bonds	Debentures	Preferred Shares	Promissory Notes/ Commercial Paper
Canadian Bond Rating Service (CBRS)	A++	A+	P-1	A-1
Dominion Bond Rating Service (DBRS)	AAA	AA	AA	R-1 (high)
Moody's	Aa	Aa		P-1
Standard & Poor's	AA	AA		A-1 +

The Bell Canada Group

Quarterly Earnings and Dividends per Common Share

	1981	1980	1979	1978	1977
Consolidated					
Earnings per common share (a) (b)					
First quarter	\$.64	\$.55	\$.65	\$.46	\$.44
Second quarter	.69	.34	.72	.55	.42
Third quarter	.65	.62	.64	.70	.58
Fourth quarter	.99	.49	.62	.78	.55
Assuming full dilution					
First quarter	\$.62	\$.54	\$.63	\$.45	\$.42
Second quarter	.67	.34	.70	.52	.41
Third quarter	.64	.60	.62	.65	.56
Fourth quarter	.95	.49	.60	.73	.53
Non-Consolidated					
Earnings per common share (a) (b)					
First quarter	\$.56	\$.46	\$.55	\$.36	\$.34
Second quarter	.56	.33	.58	.41	.29
Third quarter	.58	.58	.53	.57	.48
Fourth quarter	.84	.63	.48	.62	.46
Assuming full dilution					
First quarter	\$.55	\$.46	\$.53	\$.36	\$.33
Second quarter	.55	.33	.57	.40	.29
Third quarter	.57	.57	.52	.54	.47
Fourth quarter	.82	.62	.47	.59	.45
Dividends declared per common share					
First quarter	\$.45	\$.41	\$.38	\$.35	\$.34
Second quarter	.45	.41	.38	.35	.34
Third quarter	.45	.41	.38	.35	.34
Fourth quarter	.49	.45	.41	.38	.34

(a) Before extraordinary items.

(b) The sum of quarterly earnings per common share may not equal earnings per common share for the year, due to the increasing number of common shares outstanding each quarter.

This publication is intended to supplement Bell Canada's 1981 Annual and Interim Reports to investors. We hope that the information contained herein has helped to provide readers with a fuller understanding of the financial performance of the Bell Canada Group.

Bell Canada's Annual Report on Form 10-K, as filed with the Securities and Exchange Commission in the United States, is available upon request.

For further information or additional copies, please write to:

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Sur demande, le secrétaire de la compagnie vous fera volontiers parvenir un exemplaire français du Rapport statistique 1981.

