

APPENDIX “O”

Touche Ross & Co.

NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND
REPORT AND FINANCIAL STATEMENTS

DECEMBER 31, 1982

Touche Ross & Co.

Chartered Accountants

AUDITORS' REPORT

The Directors,
Northern Telecom Limited.

We have examined the Statement of Net Assets of the Northern Telecom Health and Welfare Trust Fund (the "Fund") as at December 31, 1982 and the Statement of Changes in the Fund for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the net assets of the Fund as at December 31, 1982 and the changes in the Fund for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,
April 8, 1983.

Touche Ross & Co.

Chartered Accountants

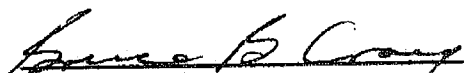
NORTHERN TELECOM

HEALTH AND WELFARE TRUST FUND

STATEMENT OF NET ASSETS AS AT DECEMBER 31, 1982

	<u>1982</u>	<u>1981</u>
Investments		
Cash and short-term investments, at cost (Note 5)	\$10,498,753	\$ 6,139,439
Bonds and debentures, at cost (Note 5)		
Canadian	625,000	641,250
Provincial	500,000	500,000
Corporate	500,000	491,100
	<u>1,625,000</u>	<u>1,632,350</u>
Mortgages (Note 6)	2,475,155	1,020,708
Investment fund units	1,498,505	1,498,505
Other (Note 7)	2,673,840	5,348,680
	<u>6,647,500</u>	<u>7,867,893</u>
	<u>18,771,253</u>	<u>15,639,682</u>
Accrued revenue	455,488	325,047
Accounts receivable	2,488,576	3,615,003
	<u>2,944,064</u>	<u>3,940,050</u>
Total assets	21,715,317	19,579,732
Accrued claims payable	1,421,939	1,111,040
Net assets as at December 31	<u>\$20,293,378</u>	<u>\$18,468,692</u>

On behalf of Management



See accompanying notes to financial statements.

NORTHERN TELECOM

HEALTH AND WELFARE TRUST FUND

STATEMENT OF CHANGES IN THE FUND
FOR THE YEAR ENDED DECEMBER 31, 1982

	<u>1982</u>	<u>1981</u>
Balance of the Fund at January 1	<u>\$18,468,692</u>	<u>\$15,743,904</u>
Additions to the Fund		
Transfer of reserves from Mutual Life	75,945	-
Contributions		
Companies	6,746,553	5,878,685
Employees	2,219,056	1,986,262
Investment income	<u>2,329,359</u>	<u>1,966,435</u>
Total additions	<u>11,370,913</u>	<u>9,831,382</u>
Deductions from the Fund		
Claims paid and accrued	9,401,497	6,970,635
Administration expenses	<u>144,730</u>	<u>135,959</u>
Total deductions	<u>9,546,227</u>	<u>7,106,594</u>
Balance of the Fund at December 31	<u><u>\$20,293,378</u></u>	<u><u>\$18,468,692</u></u>

See accompanying notes to financial statements.

NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1982

1. The Fund was established as at January 1, 1980 in order to provide a self-insured employee benefits program for all eligible employees of Northern Telecom and is comprised of:

- 1. a Dental Plan
- ii. an Extended Health Plan
- iii. a Long-Term Disability Plan
- iv. a Survivor Income Benefit Plan
- v. a Survivor Transition Benefit Plan
- vi. a Group Life Plan
- vii. a Pensioners' Insurance Plan

2. The Fund follows generally accepted accounting principles. The significant accounting policies are:

Investments

All investments are recorded at historical cost.

Accrued revenue

Interest income on investments has been accrued up to December 31.

Accrued claims

Accruals have been made for the claims received, under the various plans, up to January 31 but which relate to the year ended December 31. Accruals are not made for future payments in respect of claims received under benefit plans entailing a regular series of payments (see Note 3).

3. Several of the benefit plans entail a regular series of benefit payments to a claimant. The estimated present value of the future payments anticipated to be made after December 31, 1982 in respect of claims which commenced before that date is as follows:

Survivor Income Benefit	\$2,270,000
Survivor Transition Benefit	886,000
Long-Term Disability	<u>2,967,000</u>
	<u>\$6,123,000</u>

The actual benefit payments will be charged against the Fund in the period in which they are payable.

Northern Telecom
Health and Welfare Trust Fund
Notes to financial statements
December 31, 1982

4. The next triennial actuarial valuation of the Pensioners' Insurance Fund is due as at December 31, 1983. An internal estimate as at December 31, 1982 indicated that the present value of liabilities exceeded the present value of assets by approximately \$2 million.
5. The market values of the investments as at December 31 are as follows:

	<u>1982</u>	<u>1981</u>
Cash and short-term investments	\$10,734,877	\$6,261,658
	<u> </u>	<u> </u>
<u>Bonds and debentures</u>		
Canadian	\$ 665,938	\$ 605,938
Provincial	525,000	469,250
Corporate	<u>486,250</u>	<u>429,750</u>
	\$ 1,677,188	\$1,504,938
	<u> </u>	<u> </u>

6. The fund has entered into agreements to advance \$5,646,000 in mortgages. As at December 31, 1982 funds advanced under these agreements totalled \$1,448,406.
7. Certain assets of the Fund have been invested with The Mutual Life Assurance Company of Canada and are fixed in regard to the rate of return and the term of investment. The repayment of the investment is as follows:

<u>Year</u>	<u>Principal</u>
1984	\$2,673,840
	<u> </u>

Investments of \$3,175,740, including \$500,900 of interest, which were to have matured January 1, 1983 were paid to the fund on December 31, 1982.

APPENDIX “P”

Touche Ross & Co.

NORTHERN TELECOM

HEALTH AND WELFARE TRUST FUND

REPORT AND FINANCIAL STATEMENTS

DECEMBER 31, 1983

Touche Ross & Co.

Chartered Accountants

AUDITORS' REPORT

The Directors,
Northern Telecom Limited.

We have examined the Statement of Net Assets of the Northern Telecom Health and Welfare Trust Fund (the "Fund") as at December 31, 1983 and the Statement of Changes in the Fund for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the net assets of the Fund as at December 31, 1983 and the changes in the Fund for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche Ross & Co.

Toronto, Ontario,
March 15, 1984.

Chartered Accountants

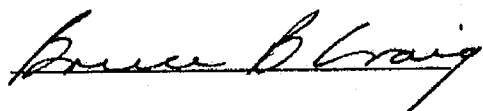
NORTHERN TELECOM

HEALTH AND WELFARE TRUST FUND

STATEMENT OF NET ASSETS AS AT DECEMBER 31, 1983

	<u>1983</u>	<u>1982</u>
Investments		
Cash and short-term investments (Note 5)	\$ 8,570,656	\$10,498,753
Bonds and debentures (Note 5)		
Canadian	500,000	625,000
Provincial	500,000	500,000
Corporate	500,000	500,000
	<u>1,500,000</u>	<u>1,625,000</u>
Mortgages (Note 6)	9,537,423	2,475,155
Investment fund units	1,498,505	1,498,505
Other (Note 7)	-	2,673,840
	<u>11,035,928</u>	<u>6,647,500</u>
	<u>21,106,584</u>	<u>18,771,253</u>
Accrued revenue	286,882	455,488
Accounts receivable	3,530,315	2,488,576
	<u>3,817,197</u>	<u>2,944,064</u>
Total assets	24,923,781	21,715,317
Accrued claims payable	<u>2,008,477</u>	<u>1,421,939</u>
Net assets as at December 31	<u>\$22,915,304</u>	<u>\$20,293,378</u>

On behalf of Management



See accompanying notes to financial statements.

NORTHERN TELECOM

HEALTH AND WELFARE TRUST FUND

STATEMENT OF CHANGES IN THE FUND
FOR THE YEAR ENDED DECEMBER 31, 1983

	<u>1983</u>	<u>1982</u>
Balance of the Fund at January 1	<u>\$20,293,378</u>	<u>\$18,468,692</u>
Additions to the Fund		
Transfer of reserves from Mutual Life	-	75,945
Contributions		
Companies	11,054,602	6,746,553
Employees	3,006,624	2,219,056
Investment income	<u>2,341,237</u>	<u>2,329,359</u>
Total additions	<u>16,402,463</u>	<u>11,370,913</u>
Deductions from the Fund		
Claims paid and accrued	13,557,298	9,401,497
Administration expenses	<u>223,239</u>	<u>144,730</u>
Total deductions	<u>13,780,537</u>	<u>9,546,227</u>
Balance of the Fund at December 31	<u><u>\$22,915,304</u></u>	<u><u>\$20,293,378</u></u>

See accompanying notes to financial statements.

NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1983

1. The Fund was established as at January 1, 1980 in order to provide a self-insured employee benefits program for all eligible employees of Northern Telecom and is comprised of:

- i. a Dental Plan
- ii. an Extended Health Plan
- iii. a Long-Term Disability Plan
- iv. a Survivor Income Benefit Plan
- v. a Survivor Transition Benefit Plan
- vi. a Group Life Plan
- vii. a Pensioners' Insurance Plan

2. The Fund follows generally accepted accounting principles. The significant accounting policies are:

Investments

All investments are recorded at historical cost.

Accrued revenue

Interest income on investments has been accrued up to December 31.

Accrued claims

Accruals have been made for the claims received, under the various plans, up to January 31 but which relate to the year ended December 31. Accruals are not made for future payments in respect of claims received under benefit plans entailing a regular series of payments (see Note 3).

3. Several of the benefit plans entail a regular series of benefit payments to a claimant. The estimated present value of the future payments anticipated to be made after December 31, 1983 in respect of claims which commenced before that date is as follows:

Survivor Income Benefit	\$3,413,257
Survivor Transition Benefit	1,067,385
Long-Term Disability	<u>5,068,294</u>
	<u>\$9,548,936</u>

The actual benefit payments will be charged against the Fund in the period in which they are payable.

Northern Telecom
Health and Welfare Trust Fund
Notes to financial statements
December 31, 1983

4. The actuarial valuation of the Pensioners' Insurance Fund as at December 31, 1983 indicates that the present value of liabilities exceeds the present value of assets by approximately \$6.7 million assuming a 8% rate of return on assets.
5. The market values of the investments as at December 31 are as follows:

	<u>1983</u>	<u>1982</u>
Cash and short-term investments	\$8,663,473	\$10,734,877
	<u> </u>	<u> </u>
<u>Bonds and debentures</u>		
Canadian	\$ 535,100	\$ 665,938
Provincial	523,750	525,000
Corporate	<u>496,900</u>	<u>486,250</u>
	\$1,555,750	\$ 1,677,188
	<u> </u>	<u> </u>

6. The fund has entered into agreements to advance \$6,398,122 in mortgages. As at December 31, 1983 funds advanced under these agreements totalled \$3,722,851.
7. Certain assets of the Fund were invested with The Mutual Life Assurance Company of Canada and were fixed in regard to the rate of return and the term of investment. Investments of \$2,673,480 including \$259,005 of interest, which were to have matured January 1, 1984 were paid to the fund on December 31, 1983.

APPENDIX “Q”

Touche Ross & Co.

NORTHERN TELECOM

HEALTH AND WELFARE TRUST FUND

REPORT AND FINANCIAL STATEMENTS

DECEMBER 31, 1984

Touche Ross & Co.

Chartered Accountants

AUDITORS' REPORT

The Directors,
Northern Telecom Limited

We have examined the statement of net assets of the Northern Telecom Health and Welfare Trust Fund (the "Fund") as at December 31, 1984 and the statement of changes in the net assets for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the net assets of the Fund as at December 31, 1984 and the changes in net assets of the Fund for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,
March 30, 1985.

Touche Ross & Co.

Chartered Accountants

	<u>1984</u>	<u>1983</u>
Investments		
Cash and short-term investments	<u>\$ 5,533,564</u>	<u>\$ 8,570,636</u>
Bonds and debentures (Note 5)		
Canadian	500,000	500,000
Provincial	1,828,400	500,000
Corporate	<u>4,500,000</u>	<u>500,000</u>
	<u>6,828,400</u>	<u>1,500,000</u>
Mortgages (Note 6)	12,005,106	9,537,423
Investment fund units	<u>81,394</u>	<u>1,498,505</u>
	<u>12,086,500</u>	<u>11,035,928</u>
	<u>24,448,464</u>	<u>21,106,584</u>
Accrued revenue	374,609	286,882
Accounts receivable	<u>5,851,282</u>	<u>3,530,315</u>
	<u>6,225,891</u>	<u>3,817,197</u>
Total assets	30,674,355	24,923,781
Accrued claims payable	<u>2,465,785</u>	<u>2,008,477</u>
Net assets as at December 31	<u>\$28,208,570</u>	<u>\$22,915,304</u>

Attorney

See accompanying notes to financial statements.

NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 1984

	<u>1984</u>	<u>1983</u>
Balance of the Fund at January 1	<u>\$22,915,304</u>	<u>\$20,293,378</u>
Additions to the Fund		
Contributions		
Companies	17,686,713	11,054,602
Employees	3,357,297	3,006,624
Investment income	<u>3,187,655</u>	<u>2,403,220</u>
Total additions	<u>24,231,665</u>	<u>16,464,446</u>
Deductions from the Fund		
Claims paid and accrued	18,678,845	13,557,298
Administration expenses	<u>259,554</u>	<u>285,222</u>
Total deductions	<u>18,938,399</u>	<u>13,842,520</u>
Balance of the Fund at December 31	<u><u>\$28,208,570</u></u>	<u><u>\$22,915,304</u></u>

See accompanying notes to financial statements.

NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1984

1. The Fund was established as at January 1, 1980 in order to provide a self-insured employee benefits program for all eligible employees of Northern Telecom and is comprised of:

- i. a Dental Plan
- ii. an Extended Health Plan
- iii. a Long-Term Disability Plan
- iv. a Survivor Income Benefit Plan
- v. a Survivor Transition Benefit Plan
- vi. a Group Life Plan
- vii. a Pensioners' Insurance Plan

2. The Fund follows generally accepted accounting principles. The significant accounting policies are:

Investments

All investments are recorded at historical cost.

Accrued revenue

Interest income on investments has been accrued up to December 31.

Accrued claims

Accruals have been made for the claims received, under the various plans, up to January 31, but which relate to the year ended December 31. Accruals are not made for future payments in respect of claims received under benefit plans entailing a regular series of payments (see Note 3).

3. Several of the benefit plans entail a regular series of benefit payments to a claimant. The estimated present value of the future payments anticipated to be made after December 31, 1984 in respect of claims which commenced before that date is as follows:

Survivor Income Benefit	\$ 5,102,298
Survivor Transition Benefit	1,532,318
Long-Term Disability	<u>6,462,828</u>
	<u>\$13,097,444</u>

The actual benefit payments will be charged against the Fund in the period in which they are payable.

Northern Telecom
Health and Welfare Trust Fund
Notes to financial statements
December 31, 1984

4. The actuarial valuation of the Pensioners' Insurance Plan as at December 31, 1983 indicates that the present value of liabilities exceeds the present value of assets by approximately \$6.7 million assuming a 8% rate of return on assets.
5. The market values of the under-noted quoted investments as at December 31 are as follows:

Bonds and debentures

	<u>1984</u>	<u>1983</u>
Canadian	\$ 535,625	\$ 535,100
Provincial	1,935,390	523,750
Corporate	<u>4,570,000</u>	<u>496,900</u>
	<u>\$7,041,015</u>	<u>\$1,555,750</u>

6. The fund has entered into agreements to advance \$4,829,107 in mortgages. As at December 31, 1984 funds advanced under these agreements totalled \$3,980,607.

APPENDIX “R”

NORTHERN TELECOM

HEALTH AND WELFARE TRUST FUND

REPORT AND FINANCIAL STATEMENTS

DECEMBER 31, 1986

Touche Ross & Co.
Chartered Accountants
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Toronto, Ontario M5X 1B3
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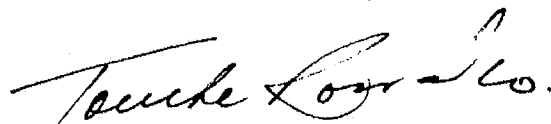
 **Touche Ross**

AUDITORS' REPORT

The Directors,
Northern Telecom Limited

We have examined the statement of net assets of the Northern Telecom Health and Welfare Trust Fund (the "Fund") as at December 31, 1985 and the statement of changes in the net assets for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the net assets of the Fund as at December 31, 1985 and the changes in net assets of the Fund for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Toronto, Ontario,
April 8, 1986.

Chartered Accountants

NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND

STATEMENT OF NET ASSETS AS AT DECEMBER 31, 1985

	<u>1985</u>	<u>1984</u>
Investments		
Cash and short-term investments	\$ 2,050,031	\$ 5,533,564
Bonds and debentures (Note 5)		
Federal	500,000	500,000
Provincial	1,828,400	1,828,400
Corporate	14,285,000	4,500,000
	<u>16,613,400</u>	<u>6,828,400</u>
Mortgages	11,428,892	12,005,106
Investment fund units	<u>-</u>	<u>81,394</u>
	<u>11,428,892</u>	<u>12,086,500</u>
	<u>30,092,323</u>	<u>24,448,464</u>
Accrued revenue	624,020	374,609
Accounts receivable	<u>7,575,941</u>	<u>5,851,282</u>
	<u>8,199,961</u>	<u>6,225,891</u>
Total assets	38,292,284	30,674,355
Accrued claims payable	<u>(2,709,123)</u>	<u>(2,465,785)</u>
Net assets	<u>\$35,583,161</u>	<u>\$28,208,570</u>

On behalf of Management

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See accompanying notes to financial statements.

NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 1985

	<u>1985</u>	<u>1984</u>
Balance of the Fund at January 1	\$28,208,570	\$22,915,304
Additions to the Fund		
Contributions		
Companies	19,797,580	17,686,713
Employees	3,167,365	3,357,297
Investment income	<u>3,769,681</u>	<u>3,187,655</u>
Total additions	<u>26,734,626</u>	<u>24,231,665</u>
Deductions from the Fund		
Claims paid and accrued	19,034,857	18,678,845
Administration expenses	<u>325,178</u>	<u>259,554</u>
Total deductions	<u>19,360,035</u>	<u>18,938,399</u>
Balance of the Fund at December 31	<u>\$35,583,161</u>	<u>\$28,208,570</u>

See accompanying notes to financial statements.

NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1985

1. The Fund was established as at January 1, 1980 in order to provide a self-insured employee benefits program for all eligible employees of Northern Telecom and is comprised of:

- i. a Dental Plan
- ii. an Extended Health Plan
- iii. a Long-Term Disability Plan
- iv. a Survivor Income Benefit Plan
- v. a Survivor Transition Benefit Plan
- vi. a Group Life Plan
- vii. a Pensioners' Insurance Plan

2. The Fund follows generally accepted accounting principles. The significant accounting policies are:

Investments

All investments are recorded at historical cost.

Accrued revenue

Interest income on investments has been accrued up to December 31.

Accrued claims

Accruals have been made for the claims received, under the various plans, up to January 31, but which relate to the year ended December 31. Accruals are not made for future payments in respect of claims received under benefit plans entailing a regular series of payments (see Note 3).

3. Several of the benefit plans entail a regular series of benefit payments to a claimant. The estimated present value of the future payments anticipated to be made after December 31, 1985 in respect of claims which commenced before that date is as follows:

Survivor Income Benefit	\$ 7,673,329
Survivor Transition Benefit	1,568,844
Long-Term Disability	<u>7,276,644</u>
	<u>\$16,518,817</u>

The actual benefit payments will be charged against the Fund in the period in which they are payable.

Northern Telecom
Health and Welfare Trust Fund
Notes to financial statements
December 31, 1985

4. The actuarial valuation of the Pensioners' Insurance Plan as at December 31, 1983 indicates that the present value of liabilities exceeds the present value of assets by approximately \$6.7 million assuming a 8% rate of return on assets.
5. The market values of the under-noted quoted investments as at December 31 are as follows:

Bonds and debentures

	<u>1985</u>	<u>1984</u>
Federal	\$ 559,000	\$ 535,625
Provincial	2,204,000	1,935,390
Corporate	<u>14,548,000</u>	<u>4,570,000</u>
	<u>\$17,311,000</u>	<u>\$7,041,015</u>

APPENDIX “S”

NORTHERN TELECOM

HEALTH AND WELFARE TRUST FUND

REPORT AND FINANCIAL STATEMENTS

DECEMBER 31, 1986

Touche Ross & Co.
Chartered Accountants
P.O. Box 12
First Canadian Place
100 King Street West
Toronto, Ontario M5X 1B3
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Telex: 065-24310



AUDITORS' REPORT

The Directors,
Northern Telecom Limited

We have examined the statement of net assets of the Northern Telecom Health and Welfare Trust Fund (the "Fund") as at December 31, 1986 and the statement of changes in net assets for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the net assets of the Fund as at December 31, 1986 and the changes in net assets of the Fund for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,
March 20, 1987.

Chartered Accountants

NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND

 Touche Ross

STATEMENT OF NET ASSETS AS AT DECEMBER 31

	<u>1986</u>	<u>1985</u>
Investments		
Bonds and debentures (Note 3)		
Federal	\$ 500,000	\$ 500,000
Provincial	1,828,400	1,828,400
Corporate	<u>11,263,000</u>	<u>14,285,000</u>
	13,591,400	16,613,400
Cash and short-term investments	9,263,636	2,050,031
Mortgages	<u>10,916,010</u>	<u>11,428,892</u>
	<u>33,771,046</u>	<u>30,092,323</u>
Accrued revenue	660,822	624,020
Due from sponsoring corporations	<u>15,390,909</u>	<u>7,575,941</u>
	<u>16,051,731</u>	<u>8,199,961</u>
Total assets	49,822,777	38,292,284
Accrued claims payable	<u>(2,927,651)</u>	<u>(2,709,123)</u>
Net assets (Note 4)	<u>\$46,895,126</u>	<u>\$35,583,161</u>

On behalf of Management

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See accompanying notes to financial statements.

NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND



STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31

	<u>1986</u>	<u>1985</u>
Balance of the Fund at January 1	<u>\$35,583,161</u>	<u>\$28,208,570</u>
Additions to the Fund		
Contributions		
Companies	24,805,144	19,797,580
Employees	3,568,373	3,167,365
Investment income	<u>3,987,962</u>	<u>3,769,681</u>
Total additions	<u>32,361,479</u>	<u>26,734,626</u>
Deductions from the Fund		
Claims paid and accrued	20,743,397	19,034,857
Administration expenses	<u>306,117</u>	<u>325,178</u>
Total deductions	<u>21,049,514</u>	<u>19,360,035</u>
Balance of the Fund at December 31	<u><u>\$46,895,126</u></u>	<u><u>\$35,583,161</u></u>

See accompanying notes to financial statements.

NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND



NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1986

1. Description of the Fund

The Health and Welfare Trust Fund (the "Fund") was established by Northern Telecom Limited and its Canadian subsidiaries on January 1, 1980 in order to provide an employee benefits program for all eligible employees and is comprised of:

Reserved Plans

- a) Long-term Disability Plan
- b) Survivor Income Benefit Plan
- c) Pensioners' Insurance Plan
- d) employee-financed Group Life Plan (Group Life - Part II)

Paid as Incurred Plans

- e) Dental Plan
- f) Extended Health Plan
- g) Survivor Transition Benefit Plan
- h) Group Life Plan (Group Life - Part I)

2. Summary of significant accounting policies

The Fund follows generally accepted accounting principles. The significant accounting policies are:

a) Investments

All investments are recorded at cost.

b) Accrued revenue

Interest income on investments has been accrued to the year-end date.

c) Accrued claims payable

Accruals have been made for the unpaid claims incurred and received under the various plans to the year-end date. Accruals are not made for future payments in respect of claims received under benefit plans entailing a regular series of payments (Note 4a).

Northern Telecom
Health and Welfare Trust Fund
Notes to financial statements
December 31, 1986

3. Bonds and debentures

The market values of the bonds and debentures as at December 31 are as follows:

	<u>1986</u>	<u>1985</u>
Federal	\$ 558,125	\$ 559,000
Provincial	2,286,250	2,204,000
Corporate	<u>11,478,391</u>	<u>14,548,000</u>
	<u>\$14,322,766</u>	<u>\$17,311,000</u>

4. Future benefit payments and related reserves

a) Plans requiring a series of benefit payments

Certain plans entail a regular series of benefit payments to a claimant. The estimated present value of the future payments anticipated to be made after December 31, 1986 in respect of claims which commenced before that date and the related value of assets reserved in the Fund are as follows:

	<u>Present value of future payments</u>	<u>Value of reserves</u>
Long-term Disability Plan	\$10,665,874	\$ 9,292,138
Survivor Income Benefit Plan	9,059,300	8,486,566
Survivor Transition Benefit Plan	<u>1,881,269</u>	<u>-</u>
	<u>\$21,606,443</u>	<u>\$17,778,704</u>

The actual benefit payments are charged against the Fund in the period in which they are payable.

b) Plans requiring lump sum payments - Pensioners' Insurance Plan

An actuarial valuation of the Pensioners' Insurance Plan is performed by an independent actuary every three years.

The most recent actuarial valuation of the plan, dated as at December 31, 1983, indicates that, at that date, the present value of liabilities exceeded the present value of assets reserved for this plan by approximately \$6.7 million assuming an 8% rate of return.

Northern Telecom
Health and Welfare Trust Fund
Notes to financial statements
December 31, 1986

Management estimates that the present value of liabilities under the plan as at December 31, 1986 was \$28,244,000. The corresponding value of the asset reserve at that time was \$25,144,897.

c) Plans requiring lump sum payments - Group Life - Part II

On a voluntary basis, employees have the option to purchase additional group life insurance coverage up to age 65. This is fully employee funded, and the reserves at December 31, 1986 totalled \$3,971,525.

APPENDIX “T”

NORTHERN TELECOM

HEALTH AND WELFARE TRUST FUND

REPORT AND FINANCIAL STATEMENTS

DECEMBER 31, 1987

Touche Ross & Co.
Chartered Accountants
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First Canadian Place
100 King Street West
Toronto, Ontario M5X 1B3
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AUDITORS' REPORT

The Directors,
Northern Telecom Limited

We have examined the statement of net assets of the Northern Telecom Health and Welfare Trust Fund (the "Fund") as at December 31, 1987 and the statement of changes in net assets for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the net assets of the Fund as at December 31, 1987 and the changes in net assets of the Fund for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,
March 31, 1988.

Chartered Accountants

NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND

STATEMENT OF NET ASSETS AS AT DECEMBER 31

	<u>1987</u>	<u>1986</u>
Investments		
Bonds and debentures (Note 3)		
Federal	\$ 500,000	\$ 500,000
Provincial	1,828,400	1,828,400
Corporate	<u>7,280,000</u>	<u>11,263,000</u>
	9,608,400	13,591,400
Cash and short-term investments	22,525,860	9,263,636
Mortgages	<u>10,452,479</u>	<u>10,916,010</u>
	<u>42,586,739</u>	<u>33,771,046</u>
Accrued revenue	625,199	660,822
Due from sponsoring corporations	<u>12,470,788</u>	<u>15,390,909</u>
	<u>13,095,987</u>	<u>16,051,731</u>
Total assets	55,682,726	49,822,777
Accrued claims payable	<u>(2,857,406)</u>	<u>(2,927,651)</u>
Net assets (Note 4)	<u>\$52,825,320</u>	<u>\$46,895,126</u>
On behalf of Management		

.....

See accompanying notes to financial statements.

NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUNDSTATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31

	<u>1987</u>	<u>1986</u>
Balance of the Fund at January 1	<u>\$46,895,126</u>	<u>\$35,583,161</u>
Additions to the Fund		
Contributions		
Companies	23,022,430	24,805,144
Employees	2,575,227	3,568,373
Investment income	<u>4,498,022</u>	<u>3,987,962</u>
Total additions	<u>30,095,679</u>	<u>32,361,479</u>
Deductions from the Fund		
Claims paid and accrued	23,760,958	20,743,397
Administration expenses	<u>404,527</u>	<u>306,117</u>
Total deductions	<u>24,165,485</u>	<u>21,049,514</u>
Balance of the Fund at December 31	<u><u>\$52,825,320</u></u>	<u><u>\$46,895,126</u></u>

See accompanying notes to financial statements.

NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1987

1. Description of the Fund

The Health and Welfare Trust Fund (the "Fund") was established by Northern Telecom Limited and its Canadian subsidiaries on January 1, 1980 in order to provide an employee benefits program for all eligible employees and is comprised of:

Reserved Plans

- a) Long-term Disability Plan
- b) Survivor Income Benefit Plan
- c) Pensioners' Insurance Plan
- d) employee-financed Group Life Plan (Group Life - Part II)

Paid as Incurred Plans

- e) Dental Plan
- f) Extended Health Plan
- g) Survivor Transition Benefit Plan
- h) Group Life Plan (Group Life - Part I)

2. Summary of significant accounting policies

The Fund follows generally accepted accounting principles. The significant accounting policies are:

a) Investments

All investments are recorded at cost.

b) Accrued revenue

Interest income on investments has been accrued to the year-end date.

c) Accrued claims payable

Accruals have been made for the unpaid claims incurred and received under the various plans to the year-end date. Accruals are not made for future payments in respect of claims received under benefit plans entailing a regular series of payments (Note 4a).

Northern Telecom
Health and Welfare Trust Fund
Notes to financial statements
December 31, 1987

3. Bonds and debentures

The market values of the bonds and debentures as at December 31 are as follows:

	<u>1987</u>	<u>1986</u>
Federal	\$ 530,000	\$ 558,125
Provincial	2,096,250	2,286,250
Corporate	<u>7,391,250</u>	<u>11,478,391</u>
	<u>\$10,017,500</u>	<u>\$14,322,766</u>

4. Future benefit payments and related reserves

a) Plans requiring a series of benefit payments

Certain plans entail a regular series of benefit payments to a claimant. The estimated present value of the future payments anticipated to be made after December 31, 1987 in respect of claims which commenced before that date and the related value of assets reserved in the Fund are as follows:

	<u>Present value of future payments</u>	<u>Value of reserves</u>
Long-term Disability Plan	\$13,658,793	\$10,457,061
Survivor Income Benefit Plan	10,806,161	10,155,434
Survivor Transition Benefit Plan	<u>2,047,557</u>	<u>-</u>
	<u>\$26,512,511</u>	<u>\$20,612,495</u>

The actual benefit payments are charged against the Fund in the period in which they are payable.

b) Plan requiring lump sum payments - Pensioners' Insurance Plan

An actuarial valuation of the Pensioners' Insurance Plan is performed by an independent actuary every three years.

The most recent actuarial valuation of this plan, dated as at December 31, 1986, indicates that, at that date, the present value of liabilities exceeded the present value of assets reserved for this plan by approximately \$7.6 million assuming rates of return of 8.5% in 1987, reducing by a quarter of a percent each year to 7% in 1993 and thereafter.

Northern Telecom
Health and Welfare Trust Fund
Notes to financial statements
December 31, 1987

Management estimates that the present value of liabilities under the plan as at December 31, 1987 was \$32,900,000. The corresponding value of the assets reserved at that time was \$28,789,471.

c) Plan requiring lump sum payments - Group Life - Part II

On a voluntary basis, employees have the option to purchase additional group life insurance coverage up to age 65. This is fully employee funded, and the reserves at December 31, 1987 totalled \$3,423,354.

APPENDIX “U”

NORTHERN TELECOM

HEALTH AND WELFARE TRUST FUND

REPORT AND FINANCIAL STATEMENTS

DECEMBER 31, 1988

Touche Ross & Co.
Chartered Accountants
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Toronto, Ontario M5X 1B3
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AUDITORS' REPORT

The Directors,
Northern Telecom Limited

We have examined the statement of net assets of the Northern Telecom Health and Welfare Trust Fund (the "Fund") as at December 31, 1988 and the statement of changes in net assets for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the net assets of the Fund as at December 31, 1988 and the changes in net assets of the Fund for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,
May 29, 1989.

Chartered Accountants

NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND

STATEMENT OF NET ASSETS AS AT DECEMBER 31

	<u>1988</u>	<u>1987</u>
Investments		
Bonds and debentures (Note 3)		
Federal	\$ 500,000	\$ 500,000
Provincial	3,775,900	1,828,400
Corporate	<u>19,993,031</u>	<u>7,280,000</u>
	24,268,931	9,608,400
Cash and short-term investments	15,059,078	22,525,860
Mortgages	<u>10,052,138</u>	<u>10,452,479</u>
	<u>49,380,147</u>	<u>42,586,739</u>
Accrued revenue	833,255	625,199
Due from sponsoring corporations	<u>14,907,132</u>	<u>12,470,788</u>
	<u>15,740,387</u>	<u>13,095,987</u>
Total assets	65,120,534	55,682,726
Accrued claims payable	<u>(3,303,775)</u>	<u>(2,857,406)</u>
Net assets (Note 4)	<u>\$61,816,759</u>	<u>\$52,825,320</u>

On behalf of Management

.....

See accompanying notes to financial statements.

NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUNDSTATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31

	<u>1988</u>	<u>1987</u>
Balance of the Fund at January 1	<u>\$52,825,320</u>	<u>\$46,895,126</u>
Additions to the Fund		
Contributions		
Companies	27,073,258	23,022,430
Employees	3,929,728	2,575,227
Investment income	<u>5,152,724</u>	<u>4,498,022</u>
Total additions	<u>36,155,710</u>	<u>30,095,679</u>
Deductions from the Fund		
Claims paid and accrued	26,781,360	23,760,958
Administration expenses	<u>382,911</u>	<u>404,527</u>
Total deductions	<u>27,164,271</u>	<u>24,165,485</u>
Balance of the Fund at December 31	<u>\$61,816,759</u>	<u>\$52,825,320</u>

See accompanying notes to financial statements.

NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1988

1. Description of the Fund

The Health and Welfare Trust Fund (the "Fund") was established by Northern Telecom Limited and its Canadian subsidiaries on January 1, 1980 in order to provide an employee benefits program for all eligible employees and is comprised of:

Reserved Plans

- a) Long-term Disability Plan
- b) Survivor Income Benefit Plan
- c) Pensioners' Insurance Plan
- d) Employee-financed Group Life Plan (Group Life - Part II)

Paid as Incurred Plans

- e) Dental Plan
- f) Extended Health Plan
- g) Survivor Transition Benefit Plan
- h) Group Life Plan (Group Life - Part I)

2. Summary of significant accounting policies

The Fund follows generally accepted accounting principles. The significant accounting policies are:

a) Investments

All investments are recorded at cost.

b) Accrued revenue

Interest income on investments has been accrued to the year-end date.

c) Accrued claims payable

Accruals have been made for the unpaid claims incurred and received under the various plans to the year-end date. Accruals are not made for future payments in respect of claims received under benefit plans entailing a regular series of payments (Note 4a).

Northern Telecom
Health and Welfare Trust Fund
Notes to financial statements
December 31, 1988

3. Bonds and debentures

The market values of the bonds and debentures as at December 31 are as follows:

	<u>1988</u>	<u>1987</u>
Federal	\$ 512,750	\$ 530,000
Provincial	4,056,250	2,096,250
Corporate	<u>20,018,106</u>	<u>7,391,250</u>
	<u>\$24,587,106</u>	<u>\$10,017,500</u>

4. Future benefit payments and related reserves

a) Plans requiring a series of benefit payments

Certain plans entail a regular series of benefit payments to a claimant. The estimated present value of the future payments anticipated to be made after December 31, 1988 in respect of claims which commenced before that date and the related value of assets reserved in the Fund are as follows:

	<u>Present value of future payments</u>	<u>Value of reserves</u>
Long-term Disability Plan	\$18,284,396	\$13,837,110
Survivor Income Benefit Plan	12,285,270	11,580,920
Survivor Transition Benefit Plan	<u>2,200,378</u>	<u>-</u>
	<u>\$32,770,044</u>	<u>\$25,418,030</u>

The actual benefit payments are charged against the Fund in the period in which they are payable.

b) Plan requiring lump sum payments - Pensioners' Insurance Plan

An actuarial valuation of the Pensioners' Insurance Plan is performed by an independent actuary every three years.

The most recent actuarial valuation of this plan, dated as at December 31, 1986, indicates that, at that date, the present value of liabilities exceeded the present value of assets reserved for this plan by approximately \$7.6 million assuming rates of return of 8.5% in 1987, reducing by a quarter of a percent each year to 7% in 1993 and thereafter.

Northern Telecom
Health and Welfare Trust Fund
Notes to financial statements
December 31, 1988

4. Future benefit payments and related reserves (continued)

Management estimates that the present value of liabilities under the plan as at December 31, 1988 was \$38,461,000. The corresponding value of the assets reserved at that time was \$32,636,272.

c) Plan requiring lump sum payments - Group Life - Part II

On a voluntary basis, employees have the option to purchase additional group life insurance coverage up to age 65. This is fully employee funded, and the reserves at December 31, 1988 totalled \$3,762,458.

APPENDIX “V”

NORTHERN TELECOM LIMITED
HEALTH AND WELFARE TRUST FUND

STATEMENT OF NET ASSETS AS AT DECEMBER 31, 1989*

Cash	
	(\$667,655)
Short Term Investments	
Canada Treasury Bills	
Discount Notes	0
	<u>3,361,201</u>
	3,361,201
Mortgages	
National Trust	
Metropolitan Trust	1,472,693
Other	8,444,424
	<u>0</u>
	9,917,117
Bond, Debentures, and Notes	
Canada Bonds	
Provincial Bonds	9,821,173
Corp. Bond Debentures & Notes	9,111,941
Term Deposit & Notes	20,523,343
	<u>4,695,390</u>
	44,151,847
Accounts Receivables	
Current	
Accrued Claims	13,248,572
Accrued Interest	2,983,072
	<u>1,150,524</u>
	17,382,168
Accounts Payable	
Accrued Claims Payable	
Green Shield	(3,423,319)
Quebec Blue Cross	(163,220)
Other	0
	<u>(9,753)</u>
	(3,596,292)
	<u>\$70,548,386</u>

*This financial statement is unaudited and has been prepared solely for inclusion with the 1989 T3 Trust Income Tax Return and Information Return

NORTHERN TELECOM LIMITED
HEALTH AND WELFARE TRUST FUND

STATEMENT OF CHANGES IN THE FUND
FOR THE YEAR ENDED DECEMBER 31, 1989*

Balance of the Fund - January 1	\$61,816,759
Additions to the Fund	
Contributions	
- Companies	28,603,481
- Employee	4,598,796
- Accrued	81,843
Investment Income	<u>6,815,166</u>
Total Additions	<u>\$40,099,286</u>
Deductions From the Fund	
Claims paid and accrued	30,842,305
Administration Fees	420,740
Mortgages Service Fees	29,008
Bank Charges	75,606
Miscellaneous	<u>0</u>
Total Deductions	<u>\$31,367,659</u>
Balance of the Fund December 31	<u>\$70,548,386</u>

*This financial statement is unaudited and has been prepared solely for inclusion with the 1989 T3 Trust Income Tax Return and Information Return.

APPENDIX “W”

NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND
REPORT AND FINANCIAL STATEMENTS
DECEMBER 31, 1990

Deloitte & Touche



Chartered Accountants

BCE Place
181 Bay Street
Suite 1400
Toronto, Ontario M5J 2V1

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AUDITORS' REPORT

The Directors,
Northern Telecom Limited

We have examined the statement of net assets of the Northern Telecom Health and Welfare Trust Fund (the "Fund") as at December 31, 1990 and the statement of changes in net assets for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit 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 financial statements present fairly, in all material respects, the net assets of the Fund as at December 31, 1990 and the changes in net assets of the Fund for the year then ended in accordance with generally accepted accounting principles.

Toronto, Ontario,
June 12, 1991.

Deloitte + Touche

Chartered Accountants

NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND

STATEMENT OF NET ASSETS AS AT DECEMBER 31

	<u>1990</u> \$000's	<u>1989</u> \$000's
Investments		
Bonds and debentures (Note 3)		
Federal	\$18,640	\$ 9,821
Provincial	15,813	9,112
Corporate	<u>11,766</u>	<u>25,219</u>
	46,219	44,152
Cash and short-term investments	9,513	2,693
Mortgages	<u>9,856</u>	<u>9,917</u>
	<u>65,588</u>	<u>56,762</u>
Accrued revenue	1,549	1,150
Due from sponsoring companies	<u>15,127</u>	<u>16,232</u>
	<u>16,676</u>	<u>17,382</u>
Total assets	82,264	74,144
Accrued claims payable	<u>(3,810)</u>	<u>(3,596)</u>
Net assets (Note 4)	<u>\$78,454</u>	<u>\$70,548</u>

On behalf of Management

.....

See accompanying notes to financial statements.

Deloitte &
Touche



NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31

	<u>1990</u> <u>\$000's</u>	<u>1989</u> <u>\$000's</u>
Balance of the Fund at January 1	<u>\$70,548</u>	<u>\$61,817</u>
Additions to the Fund		
Contributions		
Companies	29,988	28,685
Employees	4,328	4,599
Investment income	<u>7,035</u>	<u>6,815</u>
Total additions	<u>41,351</u>	<u>40,099</u>
Deductions from the Fund		
Claims paid and accrued	32,927	30,842
Administration expenses	<u>518</u>	<u>526</u>
Total deductions	<u>33,445</u>	<u>31,368</u>
Balance of the Fund at December 31	<u><u>\$78,454</u></u>	<u><u>\$70,548</u></u>

See accompanying notes to financial statements.

Deloitte &
Touche



NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1990

1. Description of the Fund

The Health and Welfare Trust Fund (the "Fund") was established by Northern Telecom Limited and its Canadian subsidiaries on January 1, 1980 in order to provide an employee benefits program for all eligible employees and is comprised of:

Reserved Plans

- a) Long-term Disability Plan
- b) Survivor Income Benefit Plan
- c) Pensioners' Insurance Plan
- d) Employee-financed Group Life Plan (Group Life - Part II)

Paid as Incurred Plans

- e) Dental Plan
- f) Extended Health Plan
- g) Survivor Transition Benefit Plan
- h) Group Life Plan (Group Life - Part I)

2. Summary of significant accounting policies

The Fund follows generally accepted accounting principles. The significant accounting policies are:

a) Investments

All investments are recorded at cost.

b) Accrued revenue

Interest income on investments has been accrued to the year-end date.

c) Accrued claims payable

Accruals have been made for the unpaid claims incurred and received under the various plans to the year-end date. Accruals are not made for future payments in respect of claims received under benefit plans entailing a regular series of payments (Note 4a).

Northern Telecom
Health and Welfare Trust Fund
Notes to financial statements
December 31, 1990

3. Bonds and debentures

The market values of the bonds and debentures as at December 31 were as follows:

	<u>1990</u> <u>\$000's</u>	<u>1989</u> <u>\$000's</u>
Federal	\$18,101	\$ 9,764
Provincial	15,180	9,163
Corporate	<u>11,333</u>	<u>25,707</u>
	<u>\$44,614</u>	<u>\$44,634</u>

4. Future benefit payments and related reserves

a) Plans requiring a series of benefit payments

Certain plans entail a regular series of benefit payments to a claimant. The estimated present value of the future payments anticipated to be made after December 31, 1990 in respect of claims which commenced before that date and the related value of assets reserved in the Fund are as follows:

	<u>1990</u>	<u>1989</u>
	<u>Present value</u>	<u>Value of</u>
	<u>of future</u>	<u>Value of</u>
	<u>payments</u>	<u>reserves</u>
	<u>\$000's</u>	<u>\$000's</u>
Long-term Disability Plan	\$26,764	\$19,538
Survivor Income Benefit Plan	15,613	15,111
Survivor Transition Benefit Plan	<u>2,793</u>	<u>-</u>
	<u>\$45,170</u>	<u>\$34,649</u>

The actual benefit payments are charged against the Fund in the period in which they are payable.

Northern Telecom
Health and Welfare Trust Fund
Notes to financial statements
December 31, 1990

4. Future benefit payments and related reserves (continued)

b) Plan requiring lump sum payments - Pensioners' Insurance Plan

An actuarial valuation of the Pensioners' Insurance Plan is performed by an independent actuary every three years.

The most recent actuarial valuation of this plan, dated as at January 1, 1990, indicates that, at that date, the reserved assets exceeded the present value of liabilities for this plan by approximately \$1.6 million assuming rates of return of 10% in 1990, reducing by a quarter of a percent each year to 7%.

Management estimates that the present value of liabilities under the plan as at December 31, 1990 was \$39,999,000 (1989 - \$45,594,000). The corresponding value of the assets reserved at that time was \$39,479,000 (1989 - \$37,893,000).

c) Plan requiring lump sum payments - Group Life - Part II

On a voluntary basis, employees have the option to purchase additional group life insurance coverage up to age 65. This is fully employee funded, and the reserves at December 31, 1990 totalled \$4,326,000 (1989 - \$3,407,000).

APPENDIX “X”

**NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND**

FINANCIAL STATEMENTS

December 31, 1991

**Deloitte &
Touche**



Chartered Accountants

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AUDITORS' REPORT

To the Board of Directors of
Northern Telecom Limited'

We have audited the statement of net assets of the Northern Telecom Health and Welfare Trust Fund (the "Fund") as at December 31, 1991 and the statement of changes in net assets for the year then ended. These financial statements are the responsibility of the plan's Administrator. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the net assets of the Fund as at December 31, 1991 and the changes in its net assets for the year then ended in accordance with generally accepted accounting principles.

Deloitte & Touche

Chartered Accountants

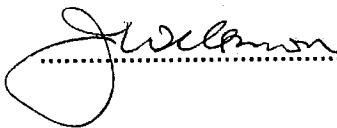
Toronto, Ontario
April 9, 1992

**Deloitte Touche
Tohmatsu
International**

NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND
STATEMENT OF NET ASSETS
December 31, 1991

	<u>1991</u>	<u>1990</u>
	\$000's	
INVESTMENTS (Note 3)		
Bonds and debentures		
Federal	\$20,133	\$18,640
Provincial	23,806	15,813
Corporate	<u>11,712</u>	<u>11,766</u>
	55,651	46,219
Cash and short-term investments	2,367	9,513
Mortgages	<u>14,259</u>	<u>9,856</u>
	<u>72,277</u>	<u>65,588</u>
ACCRUED REVENUE	1,945	1,549
DUE FROM SPONSORING COMPANIES	<u>14,500</u>	<u>15,127</u>
	<u>16,445</u>	<u>16,676</u>
TOTAL ASSETS	88,722	82,264
ACCRUED CLAIMS PAYABLE	<u>(4,100)</u>	<u>(3,810)</u>
NET ASSETS (Note 4)	<u>\$84,622</u>	<u>\$78,454</u>

ON BEHALF OF MANAGEMENT


.....

NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND
STATEMENT OF CHANGES IN NET ASSETS
Year ended December 31, 1991

	<u>1991</u>	<u>1990</u>
	\$000's	
FUND BALANCE, JANUARY 1	<u>\$78,454</u>	<u>\$70,548</u>
ADDITIONS TO THE FUND		
Contributions		
Companies	28,731	29,988
Employees	5,395	4,328
Investment income	<u>7,832</u>	<u>7,035</u>
	<u>41,958</u>	<u>41,351</u>
DEDUCTIONS FROM THE FUND		
Claims paid and accrued	35,180	32,927
Administration expenses	<u>610</u>	<u>518</u>
	<u>35,790</u>	<u>33,445</u>
FUND BALANCE, DECEMBER 31	<u>\$84,622</u>	<u>\$78,454</u>

NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND
NOTES TO THE FINANCIAL STATEMENTS
December 31, 1991

1. DESCRIPTION OF THE FUND

The Health and Welfare Trust fund (the "Fund") was established by Northern Telecom Limited and its Canadian subsidiaries on January 1, 1980 in order to provide an employee benefits program for all eligible employees and is comprised of:

Reserved Plans

- (a) Long-term Disability Plan
- (b) Survivor Income Benefit Plan
- (c) Pensioners' Insurance Plan
- (d) Employee-financed Group Life Plan (Group Life - Part II)

Paid as Incurred Plans

- (e) Dental Plan
- (f) Extended Health Plan
- (g) Survivor Transition Benefit Plan
- (h) Group Life Plan (Group Life - Part I)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Fund follows generally accepted accounting principles. The significant accounting policies are:

(a) Investments

All investments are recorded at cost.

(b) Accrued revenue

Interest income on investments has been accrued to the year-end date.

(c) Accrued claims payable

Accruals have been made for the unpaid claims incurred and received under the various plans to the year-end date. Accruals are not made for future payments in respect of claims received under benefit plans entailing a regular series of payments (Note 4(a)).

NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND
NOTES TO THE FINANCIAL STATEMENTS
December 31, 1991

3. INVESTMENTS

The market values of the bonds and debentures as at December 31 were as follows:

	<u>1991</u>	<u>1990</u>
	\$000's	
Federal	\$21,389	\$18,101
Provincial	25,646	15,180
Corporate	<u>12,318</u>	<u>11,333</u>
	<u>\$59,353</u>	<u>\$44,614</u>

During the year, the Fund purchased mortgage investments totalling \$5,787,000 from the Northern Telecom Pension Trust Fund.

4. FUTURE BENEFIT PAYMENTS AND RELATED RESERVES

(a) Plans requiring a series of benefit payments

Certain plans entail a regular series of benefit payments to a claimant. The estimated present value of the future payments anticipated to be made after December 31, 1991 in respect of claims which commenced before that date and the related value of assets reserved in the Fund are as follows:

	<u>1991</u>	<u>1990</u>
	Present Value of Future Payments	Value of Reserves
	\$000's	\$000's
Long-term Disability Plan	\$31,775	\$19,990
Survivor Income Benefit Plan	16,002	16,660
Survivor Transition Benefit Plan	<u>2,779</u>	<u>-</u>
	<u>\$50,556</u>	<u>\$36,650</u>
		<u>\$19,538</u>
		<u>15,111</u>
		<u>-</u>
		<u>\$34,649</u>

The actual benefit payments are charged against the Fund in the period in which they are payable.

(b) Plan requiring lump sum payments - Pensioners' Insurance Plan

An actuarial valuation of the Pensioners' Insurance Plan is performed by an independent actuary every three years.

NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND
NOTES TO THE FINANCIAL STATEMENTS
December 31, 1991

4. FUTURE BENEFIT PAYMENTS AND RELATED RESERVES (continued)

(b) (continued)

The most recent actuarial valuation of this plan, dated as at January 1, 1990, indicates that, at that date, the reserved assets exceeded the present value of liabilities for this plan by approximately \$1.6 million assuming rates of return of 10% in 1990, reducing by a quarter of a percent each year to 7% in 2002 and thereafter.

Management estimates that the present value of liabilities under the plan as at December 31, 1991 was \$43,052,000 (1990 - \$39,999,000). The corresponding value of the assets reserved at that time was \$41,637,000 (1990 - \$39,479,000).

(c) Plan requiring lump sum payments - Group Life - Part II

On a voluntary basis, employees have the option to purchase additional group life insurance coverage up to age 65. This is fully employee funded, and the reserves at December 31, 1991 totalled \$6,335,000 (1990 - \$4,326,000).

APPENDIX “Y”

**NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND**

FINANCIAL STATEMENTS

December 31, 1992

**Deloitte &
Touche**



Chartered Accountants

BCE Place
181 Bay Street
Suite 1400
Toronto, Ontario M5J 2V1

Telephone: (416) 601-6150
Telecopier: (416) 601-6151

AUDITORS' REPORT

To the Board of Directors of
Northern Telecom Limited

We have audited the statement of net assets of the Northern Telecom Health and Welfare Trust Fund (the "Fund") as at December 31, 1992 and the statement of changes in net assets for the year then ended. These financial statements are the responsibility of the management of Northern Telecom Limited. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit 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 financial statements present fairly, in all material respects, the net assets of the Fund as at December 31, 1992 and the changes in its net assets for the year then ended in accordance with generally accepted accounting principles.

Deloitte & Touche

Chartered Accountants

Toronto, Ontario
March 31, 1993

**Deloitte Touche
Tohmatsu
International**

NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND
STATEMENT OF NET ASSETS
December 31, 1992

	<u>1992</u>	<u>1991</u>
	\$000's	
INVESTMENTS (Note 3)		
Bonds and debentures		
Federal	\$ 36,882	\$ 20,133
Provincial	27,258	23,806
Corporate	<u>9,525</u>	<u>11,712</u>
	73,665	55,651
Cash and short-term investments	(172)	2,367
Mortgages	<u>1,985</u>	<u>14,259</u>
	<u>75,478</u>	<u>72,277</u>
ACCRUED REVENUE	1,746	1,945
DUE FROM SPONSORING COMPANIES	<u>17,622</u>	<u>14,500</u>
	<u>19,368</u>	<u>16,445</u>
TOTAL ASSETS	94,846	88,722
ACCRUED CLAIMS PAYABLE	<u>(4,662)</u>	<u>(4,100)</u>
NET ASSETS (Note 4)	<u>\$ 90,184</u>	<u>\$ 84,622</u>

ON BEHALF OF NORTHERN TELECOM LIMITED

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NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND
STATEMENT OF CHANGES IN NET ASSETS
Year ended December 31, 1992

	<u>1992</u>	<u>1991</u>
	\$000's	
FUND BALANCE, JANUARY 1	<u>\$84,622</u>	<u>\$78,454</u>
ADDITIONS TO THE FUND		
Contributions		
Sponsoring companies	33,817	28,731
Employees	5,315	5,395
Investment income		
Interest	7,559	7,393
Realized gain on disposition	<u>1,231</u>	<u>439</u>
	<u>47,922</u>	<u>41,958</u>
DEDUCTIONS FROM THE FUND		
Claims paid and accrued	41,558	35,180
Administration expenses	<u>802</u>	<u>610</u>
	<u>42,360</u>	<u>35,790</u>
FUND BALANCE, DECEMBER 31	<u><u>\$90,184</u></u>	<u><u>\$84,622</u></u>

NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND
NOTES TO THE FINANCIAL STATEMENTS
December 31, 1992

1. DESCRIPTION OF THE FUND

The Health and Welfare Trust Fund (the "Fund") was established by Northern Telecom Limited on January 1, 1980 in order to fund the employee benefits program for all eligible employees of Northern Telecom Limited and its Canadian subsidiaries under the following plans:

Reserved Plans

- (a) Long-term Disability Plan
- (b) Survivor Income Benefit Plan
- (c) Pensioners' Insurance Plan
- (d) Employee-financed Group Life Plan (Group Life - Part II)

Paid-as-Incurred Plans

- (e) Dental Plan
- (f) Extended Health Plan
- (g) Survivor Transition Benefit Plan
- (h) Group Life Plan (Group Life - Part I)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Fund follows generally accepted accounting principles. The significant accounting policies are:

- (a) Investments

All investments are recorded at cost.

- (b) Accrued revenue

Interest income on investments has been accrued to the year-end date.

- (c) Accrued claims payable

Accruals have been made for the unpaid claims incurred and received under the various plans to the year-end date. Accruals are not made for future payments in respect of claims received under benefit plans entailing a regular series of payments (Note 4(a)).

NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND
NOTES TO THE FINANCIAL STATEMENTS
December 31, 1992

3. INVESTMENTS

The market values of the bonds and debentures as at December 31 were as follows:

	<u>1992</u>	<u>1991</u>
	\$000's	
Federal	\$37,972	\$21,389
Provincial	28,985	25,646
Corporate	<u>9,967</u>	<u>12,318</u>
	<u>\$76,924</u>	<u>\$59,353</u>

Included in corporate bonds and debentures in 1992 is a Bell Canada debenture in the amount of \$2,037,000 (market value - \$1,940,000). During 1991, the Fund purchased mortgage investments totalling \$5,787,000 from the Northern Telecom Pension Trust Fund.

4. FUTURE BENEFIT PAYMENTS AND RELATED RESERVES

(a) Plans requiring a series of benefit payments

Certain plans entail a regular series of benefit payments to a claimant. The estimated present value of the future payments anticipated to be made after December 31, 1992 in respect of claims which commenced before that date and the related value of assets reserved in the Fund are as follows:

	<u>1992</u>		<u>1991</u>	
	Present Value of Future Payments	Value of Reserves	Present Value of Future Payments	Value of Reserves
	\$000's		\$000's	
Long-term Disability Plan	\$46,794	\$20,080	\$31,775	\$19,990
Survivor Income Benefit Plan	19,185	18,251	16,002	16,660
Survivor Transition Benefit Plan	<u>3,056</u>	<u>-</u>	<u>2,779</u>	<u>-</u>
	<u>\$69,035</u>	<u>\$38,331</u>	<u>\$50,556</u>	<u>\$36,650</u>

The actual benefit payments are charged against the Fund in the period in which they are paid.

(b) Plan requiring lump sum payments - Pensioners' Insurance Plan

An actuarial valuation of the Pensioners' Insurance Plan is performed by an independent actuary every three years.

NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND
NOTES TO THE FINANCIAL STATEMENTS
December 31, 1992

4. FUTURE BENEFIT PAYMENTS AND RELATED RESERVES (continued)

(b) (continued)

The most recent actuarial valuation of this plan, dated as at January 1, 1990, indicates that, at that date, the reserved assets exceeded the present value of liabilities for this plan by approximately \$1.6 million assuming rates of return of 10% in 1990, reducing by a quarter of one percent each year to 7% in 2002 and thereafter.

Management estimates that the present value of liabilities under the plan as at December 31, 1992 was \$46,159,000 (1991 - \$43,052,000). The corresponding value of the assets reserved at that time was \$43,231,000 (1991 - \$41,637,000).

(c) Plan requiring lump sum payments - Group Life - Part II

On a voluntary basis, employees have the option to purchase additional group life insurance coverage up to age 65. This is fully employee funded, and the reserves at December 31, 1992 totalled \$8,622,000 (1991 - \$6,335,000).

APPENDIX “Z”

Financial Statements of

**NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND**

December 31, 1993

**Deloitte &
Touche**



Chartered Accountants

BCE Place
181 Bay Street
Suite 1400
Toronto, Ontario M5J 2V1

Telephone: (416) 601-6150
Telecopier: (416) 601-6151

Auditors' Report

To the Board of Directors of
Northern Telecom Limited

We have audited the statement of net assets of the Northern Telecom Health and Welfare Trust Fund (the "Fund") as at December 31, 1993 and the statement of changes in net assets for the year then ended. These financial statements are the responsibility of the management of Northern Telecom Limited. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit 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 financial statements present fairly, in all material respects, the net assets of the Fund as at December 31, 1993 and the changes in its net assets for the year then ended in accordance with generally accepted accounting principles.

Deloitte & Touche

Chartered Accountants

Toronto, Ontario
March 21, 1994

**Deloitte Touche
Tohmatsu
International**

TABLE OF CONTENTS

	<u>PAGE</u>
Statement of Net Assets	1
Statement of Changes in Net Assets	2
Notes to the Financial Statements	3-5

**NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND
Statement of Net Assets**

**December 31, 1993
(in thousands of dollars)**

	<u>1993</u>	<u>1992</u>
INVESTMENTS (Note 3)		
Bonds and debentures		
Federal	\$ 24,615	\$ 36,882
Provincial	15,382	27,258
Corporate	7,489	9,525
	<u>47,486</u>	<u>73,665</u>
Insured contracts	18,105	-
Cash and short-term investments	11,015	(172)
Mortgages	5,417	1,985
	<u>82,023</u>	<u>75,478</u>
ACCRUED INTEREST	1,312	1,746
DUE FROM SPONSORING COMPANIES	24,550	17,622
	<u>25,862</u>	<u>19,368</u>
TOTAL ASSETS	107,885	94,846
ACCRUED CLAIMS PAYABLE	(4,735)	(4,662)
NET ASSETS (Note 4)	\$ 103,150	\$ 90,184

ON BEHALF OF NORTHERN TELECOM LIMITED

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**NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND
Statement of Changes in Net Assets**

**Year ended December 31, 1993
(in thousands of dollars)**

	<u>1993</u>	<u>1992</u>
FUND BALANCE, JANUARY 1	\$ 90,184	\$ 84,622
ADDITIONS TO THE FUND		
Contributions		
Sponsoring companies	43,226	33,817
Employees	5,262	5,315
Investment income		
Interest	8,418	7,559
Realized gain on disposition	1,866	1,231
	58,772	47,922
DEDUCTIONS FROM THE FUND		
Claims paid and accrued (Note 4)	44,956	41,558
Administrative expenses	850	802
	45,806	42,360
FUND BALANCE, DECEMBER 31	\$ 103,150	\$ 90,184

**NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND
Notes to the Financial Statements
December 31, 1993**

1. DESCRIPTION OF THE FUND

The Health and Welfare Trust Fund (the "Fund") was established by Northern Telecom Limited on January 1, 1980 in order to fund the employee benefits program for all eligible employees of Northern Telecom Limited and its Canadian subsidiaries (collectively, the "Company") under the following plans:

Reserved Plans

- (a) Long-term Disability Plan
- (b) Survivor Income Benefit Plan
- (c) Pensioners' Insurance Plan
- (d) Employee-financed Group Life Plan (Group Life - Part II)

Paid-as-Incurred Plans

- (e) Dental Plan
- (f) Extended Health Plan
- (g) Survivor Transition Benefit Plan
- (h) Group Life Plan (Group Life - Part I)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Fund are:

(a) *Investments*

All investments are recorded at cost.

(b) *Accrued claims payable*

Accruals have been made for the unpaid claims incurred and received under the various plans to the year-end date. Accruals are not made for future payments in respect of claims received under benefit plans entailing a regular series of payments (Note 4(a)).

**NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND
Notes to the Financial Statements
December 31, 1993**

3. INVESTMENTS

The market values of the bonds and debentures as at December 31 are as follows:

	<u>1993</u>	<u>1992</u>
	<u>\$000's</u>	
Bonds and debentures		
Federal	\$ 27,054	\$ 37,972
Provincial	18,974	28,985
Corporate	8,628	9,967
	<u>\$ 54,656</u>	<u>\$ 76,924</u>

During 1993, the Fund purchased assets, including insured contracts and mortgages, at their market value of \$25,192,000 from the Northern Telecom Supplemental Pension Fund for Retired Employees.

4. FUTURE BENEFIT PAYMENTS AND RELATED RESERVES

At December 31, 1993, the estimated value of obligations under the various benefit plans exceeded the value of reserved assets in the Fund. The funding status of the Reserved Plans and the Survivor Transition Benefit Plan at year-end are as follows:

(a) Plans requiring a series of benefit payments

Certain plans entail a regular series of benefit payments to a claimant. The estimated present value of the future payments anticipated to be made after December 31, 1993 in respect of claims which commenced before that date and the related value of assets reserved in the Fund are as follows:

	<u>1993</u>		<u>1992</u>	
	<u>Present Value</u>	<u>Value of</u>	<u>Present Value</u>	<u>Value of</u>
	<u>of Future</u>	<u>Reserves</u>	<u>of Future</u>	<u>Reserves</u>
	<u>Payments</u>		<u>Payments</u>	<u>Reserves</u>
	<u>\$000's</u>		<u>\$000's</u>	
Long-term				
Disability Plan	\$ 51,366	\$ 24,845	\$ 46,794	\$ 20,080
Survivor Income				
Benefit Plan	19,332	20,271	19,185	18,251
Survivor Transition				
Benefit Plan	3,152	-	3,056	-
	<u>\$ 73,850</u>	<u>\$ 45,116</u>	<u>\$ 69,035</u>	<u>\$ 38,331</u>

The actual benefit payments are charged against the Fund in the period in which they are paid.

**NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND
Notes to the Financial Statements
December 31, 1993**

4. FUTURE BENEFIT PAYMENTS AND RELATED RESERVES (continued)

(b) Plan requiring lump sum payments - Pensioners' Insurance Plan

An actuarial valuation of the Pensioners' Insurance Plan is performed by an independent actuary every three years.

The most recent actuarial valuation of this plan, dated as at January 1, 1993, indicates that, at that date, the actuarial liabilities amounted to \$46,600,000 and the assets amount to \$42,972,000. Therefore, there exists a funding deficiency of \$3,628,000. The interest rate actuarial assumption is 7.25% per annum.

Management estimates that the present value of liabilities under the plan as at December 31, 1993 was \$49,197,000 (1992 - \$46,159,000). The corresponding value of the assets reserved at that time was \$46,552,000 (1992 - \$43,231,000).

(c) Plan requiring lump sum payments - Group Life - Part II

Employees have the option to purchase additional group life insurance coverage up to age 65. This is fully employee funded, and the value of the assets reserved at December 31, 1993 totalled \$11,482,000 (1992 - \$8,622,000).

APPENDIX “AA”

Financial Statements of

**NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND**

December 31, 1994

**Deloitte &
Touche**



Chartered Accountants

BCE Place
181 Bay Street
Suite 1400
Toronto, Ontario M5J 2V1

Telephone: (416) 601-6150
Telecopier: (416) 601-6151

Auditors' Report

To the Board of Directors of
Northern Telecom Limited

We have audited the statement of net assets of the Northern Telecom Health and Welfare Trust Fund (the "Fund") as at December 31, 1994 and the statement of changes in net assets for the year then ended. These financial statements are the responsibility of the management of Northern Telecom Limited. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit 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 financial statements present fairly, in all material respects, the net assets of the Fund as at December 31, 1994 and the changes in its net assets for the year then ended in accordance with generally accepted accounting principles.

Deloitte & Touche

Chartered Accountants

Toronto, Ontario
March 22, 1995

**Deloitte Touche
Tohmatsu
International**

TABLE OF CONTENTS

	<u>PAGE</u>
Statement of Net Assets	1
Statement of Changes in Net Assets	2
Notes to the Financial Statements	3-5

NORTHERN TELECOM HEALTH AND WELFARE TRUST FUND Statement of Net Assets

December 31, 1994
(in thousands of dollars)

	<u>1994</u>	<u>1993</u>
INVESTMENTS (Note 3)		
Bonds and debentures		
Federal	\$ 31,149	\$ 24,615
Provincial	24,686	15,382
Corporate	7,985	7,489
	<u>63,820</u>	<u>47,486</u>
Insured contracts	16,537	18,105
Cash and short-term investments	5,360	11,015
Mortgages	5,164	5,417
	<u>90,881</u>	<u>82,023</u>
ACCRUED INTEREST	1,471	1,312
DUE FROM SPONSORING COMPANIES	22,401	24,550
	<u>23,872</u>	<u>25,862</u>
TOTAL ASSETS	114,753	107,885
ACCRUED CLAIMS PAYABLE	(4,908)	(4,735)
NET ASSETS (Note 4)	\$ 109,845	\$ 103,150

ON BEHALF OF NORTHERN TELECOM LIMITED

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NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND
Statement of Changes in Net Assets
Year ended December 31, 1994
(in thousands of dollars)

	<u>1994</u>	<u>1993</u>
FUND BALANCE, JANUARY 1	\$ 103,150	\$ 90,184
ADDITIONS TO THE FUND		
Contributions		
Sponsoring companies	44,923	43,226
Employees	2,558	5,262
Investment income		
Interest	8,161	8,418
Realized (loss) gain on disposition	(152)	1,866
	<u>55,490</u>	<u>58,772</u>
DEDUCTIONS FROM THE FUND		
Claims paid and accrued (Note 4)	48,110	44,956
Administrative expenses	685	850
	<u>48,795</u>	<u>45,806</u>
FUND BALANCE, DECEMBER 31	\$ 109,845	\$ 103,150

NORTHERN TELECOM HEALTH AND WELFARE TRUST FUND

Notes to the Financial Statements

December 31, 1994

1. DESCRIPTION OF THE FUND

The Health and Welfare Trust Fund (the "Fund") was established by Northern Telecom Limited on January 1, 1980 in order to fund the employee benefits program for all eligible employees of Northern Telecom Limited and its Canadian subsidiaries (collectively, the "Company") under the following plans:

Reserved Plans

- (a) Long-term Disability Plan
- (b) Survivor Income Benefit Plan
- (c) Pensioners' Insurance Plan
- (d) Employee-financed Group Life Plan (Group Life - Part II)

Paid-as-Incurred Plans

- (e) Dental Plan
- (f) Extended Health Plan
- (g) Survivor Transition Benefit Plan
- (h) Group Life Plan (Group Life - Part I)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Fund are:

(a) *Investments*

All investments are recorded at cost.

(b) *Accrued claims payable*

Accruals have been made for the unpaid claims incurred and received under the various plans to the year-end date. Accruals are not made for future payments in respect of claims received under benefit plans entailing a regular series of payments (Note 4(a)).

**NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND**
Notes to the Financial Statements
December 31, 1994

3. INVESTMENTS

The market values of the bonds and debentures as at December 31 are as follows:

	<u>1994</u>	<u>1993</u>
	<u>\$000's</u>	
Bonds and debentures		
Federal	\$ 29,252	\$ 27,054
Provincial	23,966	18,974
Corporate	8,062	8,628
	<u>\$ 61,280</u>	<u>\$ 54,656</u>

During 1993, the Fund purchased assets, including insured contracts and mortgages, at their market value of \$25,192,000 from the Northern Telecom Supplemental Pension Fund for Retired Employees.

4. FUTURE BENEFIT PAYMENTS AND RELATED RESERVES

At December 31, 1994, the estimated value of obligations under the various benefit plans exceeded the value of reserved assets in the Fund. The funding status of the Reserved Plans and the Survivor Transition Benefit Plan at year-end are as follows:

(a) Plans requiring a series of benefit payments

Certain plans entail a regular series of benefit payments to a claimant. The estimated present value of the future payments anticipated to be made after December 31, 1994 in respect of claims which commenced before that date and the related value of assets reserved in the Fund are as follows:

	<u>1994</u>		<u>1993</u>	
	<u>Present Value of Future Payments</u>	<u>Value of Reserves</u>	<u>Present Value of Future Payments</u>	<u>Value of Reserves</u>
	<u>\$000's</u>		<u>\$000's</u>	
Long-term				
Disability Plan	\$ 59,570	\$ 28,197	\$ 51,366	\$ 24,845
Survivor Income				
Benefit Plan	18,617	20,784	19,332	20,271
Survivor Transition				
Benefit Plan	3,229	-	3,152	-
	<u>\$ 81,416</u>	<u>\$ 48,981</u>	<u>\$ 73,850</u>	<u>\$ 45,116</u>

The actual benefit payments are charged against the Fund in the period in which they are paid.

**NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND
Notes to the Financial Statements
December 31, 1994**

4. FUTURE BENEFIT PAYMENTS AND RELATED RESERVES (continued)

(b) Plan requiring lump sum payments - Pensioners' Insurance Plan

An actuarial valuation of the Pensioners' Insurance Plan is performed by an independent actuary every three years.

The most recent actuarial valuation of this plan, dated as at January 1, 1993, indicates that, at that date, the actuarial liabilities amounted to \$46,600,000 and the assets amounted to \$42,972,000. Therefore, there exists a funding deficiency of \$3,628,000. The interest rate actuarial assumption is 7.25% per annum.

Management estimates that the present value of liabilities under the plan as at December 31, 1994 was \$51,469,000 (1993 - \$49,197,000). The corresponding value of the assets reserved at that time was \$48,586,000 (1993 - \$46,552,000).

(c) Plan requiring lump sum payments - Group Life - Part II

Employees have the option to purchase additional group life insurance coverage up to age 65. This is fully employee funded, and the value of the assets reserved at December 31, 1994 totalled \$12,278,000 (1993 - \$11,482,000).

APPENDIX “BB”

Financial Statements of

**NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND**

December 31, 1995

**Deloitte &
Touche**



Chartered Accountants

BCE Place
181 Bay Street
Suite 1400
Toronto, Ontario M5J 2V1

Telephone: (416) 601-6150
Telecopier: (416) 601-6151

Auditors' Report

To the Board of Directors of
Northern Telecom Limited

We have audited the statement of net assets available for benefits of the Northern Telecom Health and Welfare Trust Fund (the "Fund") as at December 31, 1995 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the management of Northern Telecom Limited. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit 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 financial statements present fairly, in all material respects, the net assets available for benefits of the Fund as at December 31, 1995 and the changes in net assets available for benefits for the year then ended in accordance with generally accepted accounting principles.

Deloitte & Touche

Chartered Accountants

Toronto, Ontario
June 12, 1996

**Deloitte Touche
Tohmatsu
International**

TABLE OF CONTENTS

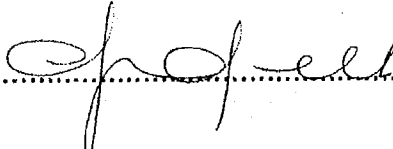
	<u>PAGE</u>
Statement of Net Assets Available for Benefits	1
Statement of Changes in Net Assets Available for Benefits	2
Notes to the Financial Statements	3-5

**NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND
Statement of Net Assets Available for Benefits**

December 31, 1995
(in thousands of dollars)

	<u>1995</u>	<u>1994</u>
INVESTMENTS (Note 3)		
Bonds and debentures		
Federal	\$ 44,242	\$ 31,149
Provincial	23,731	24,686
Corporate	6,979	7,985
	<u>74,952</u>	<u>63,820</u>
Insured contracts	15,071	16,537
Mortgages	3,930	5,164
Cash and short-term investments	1,997	5,360
	<u>95,950</u>	<u>90,881</u>
ACCRUED INTEREST	1,821	1,471
DUE FROM SPONSORING COMPANIES	21,666	22,401
	<u>23,487</u>	<u>23,872</u>
TOTAL ASSETS	<u>119,437</u>	<u>114,753</u>
ACCRUED CLAIMS PAYABLE	(4,165)	(4,908)
NET ASSETS AVAILABLE FOR BENEFITS (Note 4)	<u>\$ 115,272</u>	<u>\$ 109,845</u>

ON BEHALF OF NORTHERN TELECOM LIMITED


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**NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND**
Statement of Changes in Net Assets Available for Benefits
Year ended December 31, 1995
(in thousands of dollars)

	<u>1995</u>	<u>1994</u>
FUND BALANCE, JANUARY 1	\$ 109,845	\$ 103,150
ADDITIONS TO THE FUND		
Contributions		
Sponsoring companies	48,047	44,923
Employees	4,049	2,558
Investment income		
Interest	8,798	8,161
Realized loss on disposition	(259)	(152)
	<u>60,635</u>	<u>55,490</u>
DEDUCTIONS FROM THE FUND		
Claims paid and accrued (Note 4)	54,143	48,110
Administrative expenses	1,065	685
	<u>55,208</u>	<u>48,795</u>
FUND BALANCE, DECEMBER 31	\$ 115,272	\$ 109,845

**NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND
Notes to the Financial Statements
December 31, 1995**

1. DESCRIPTION OF THE FUND

The Health and Welfare Trust Fund (the "Fund") was established by Northern Telecom Limited on January 1, 1980 in order to fund the employee benefits program for all eligible employees of Northern Telecom Limited and its Canadian subsidiaries (collectively, the "Company") under the following plans:

Reserved Plans

- (a) Long-term Disability Plan
- (b) Survivor Income Benefit Plan
- (c) Pensioners' Insurance Plan
- (d) Employee-financed Group Life Plan (Group Life - Part II)

Paid-as-Incurred Plans

- (e) Dental Plan
- (f) Extended Health Plan
- (g) Survivor Transition Benefit Plan
- (h) Group Life Plan (Group Life - Part I)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Fund are:

(a) *Investments*

All investments are recorded at cost.

(b) *Accrued claims payable*

Accruals have been made for the unpaid claims incurred and received under the various plans to the year-end date. Accruals are not made for future payments in respect of claims received under benefit plans entailing a regular series of payments (Note 4(a)).

NORTHERN TELECOM HEALTH AND WELFARE TRUST FUND Notes to the Financial Statements

December 31, 1995

3. INVESTMENTS

The fair values of the investments as at December 31 are as follows:

	1995	1994
	\$000's	
Bonds and debentures		
Federal	\$ 46,640	\$ 29,252
Provincial	26,464	23,966
Corporate	7,735	8,062
	80,839	61,280
Insured contracts	15,071	13,219
Mortgages	3,954	5,097
Cash and short-term investments	1,997	5,360
	\$ 101,861	\$ 84,956

4. FUTURE BENEFIT PAYMENTS AND RELATED RESERVES

At December 31, 1995, the estimated present value of obligations under the various benefit plans exceeded the cost value of reserved assets in the Fund. The funding status of the Reserved Plans and the Survivor Transition Benefit Plan at year-end are as follows:

(a) Plans requiring a series of benefit payments

Certain plans entail a regular series of benefit payments to a claimant. The estimated present value of the future payments anticipated to be made after December 31, 1995 in respect of claims which commenced before that date and the related cost value of assets reserved in the Fund are as follows:

	1995		1994	
	Present Value of Future Payments	Cost Value of Reserves	Present Value of Future Payments	Cost Value of Reserves
	\$000's		\$000's	
Long-term Disability Plan	\$ 72,012	\$ 29,554	\$ 59,570	\$ 28,197
Survivor Income Benefit Plan	20,008	20,536	18,617	20,784
Survivor Transition Benefit Plan	4,041		3,229	-
	\$ 96,061	\$ 50,137	\$ 81,416	\$ 48,981

The actual benefit payments are charged against the Fund in the period in which they are paid.

**NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND
Notes to the Financial Statements
December 31, 1995**

4. FUTURE BENEFIT PAYMENTS AND RELATED RESERVES (continued)

(b) Plan requiring lump sum payments - Pensioners' Insurance Plan

An actuarial valuation of the Pensioners' Insurance Plan is performed by an independent actuary every three years.

The most recent actuarial valuation of this plan, dated as at January 1, 1993, indicates that, at that date, the actuarial liabilities amounted to \$46,600,000 and the fair value of assets amounted to \$42,972,000. Therefore, there exists a funding deficiency of \$3,628,000. The interest rate actuarial assumption is 7.25% per annum.

Management estimates that the present value of liabilities under the plan as at December 31, 1995 was \$53,780,000 (1994 - \$51,469,000). The corresponding cost value of the assets reserved at that time was \$50,207,000 (1994 - \$48,586,000).

(c) Plan requiring lump sum payments - Group Life - Part II

Employees have the option to purchase additional group life insurance coverage up to age 65. This is fully employee funded, and the cost value of the assets reserved at December 31, 1995 totalled \$14,975,000 (1994 - \$ 12,278,000).

APPENDIX “CC”

Financial Statements of

**NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND**

December 31, 1996

**Deloitte &
Touche**



Chartered Accountants

BCE Place
181 Bay Street
Suite 1400
Toronto, Ontario M5J 2V1

Telephone: (416) 601-6150
Telecopier: (416) 601-6151

Auditors' Report

To the Board of Directors of
Northern Telecom Limited

We have audited the statement of net assets available for benefits of the Northern Telecom Health and Welfare Trust Fund (the "Fund") as at December 31, 1996 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the management of Northern Telecom Limited. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit 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 financial statements present fairly, in all material respects, the net assets available for benefits of the Fund as at December 31, 1996 and the changes in net assets available for benefits for the year then ended in accordance with generally accepted accounting principles.

Deloitte & Touche

Chartered Accountants

Toronto, Ontario
March 28, 1997

**Deloitte Touche
Tohmatsu
International**

NORTHERN TELECOM HEALTH AND WELFARE TRUST FUND

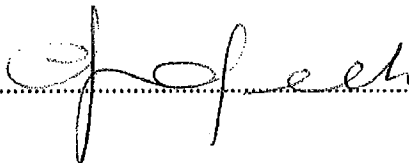
Statement of Net Assets Available for Benefits

December 31, 1996

(in thousands of dollars)

	<u>1996</u>	<u>1995</u>
INVESTMENTS (Note 3)		
Bonds and debentures		
Federal	\$ 40,696	\$ 44,242
Provincial	27,337	23,731
Corporate	11,975	6,979
	<u>80,008</u>	<u>74,952</u>
Insured contracts	13,689	15,071
Mortgages	2,773	3,930
Cash and short-term investments	3,208	1,997
	<u>99,678</u>	<u>95,950</u>
ACCRUED INTEREST	1,671	1,821
DUE FROM SPONSORING COMPANIES	27,771	21,666
TOTAL ASSETS	129,120	119,437
ACCRUED CLAIMS PAYABLE	(4,170)	(4,165)
NET ASSETS AVAILABLE FOR BENEFITS (Note 4)	<u>\$ 124,950</u>	<u>\$ 115,272</u>

ON BEHALF OF NORTHERN TELECOM LIMITED


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NORTHERN TELECOM HEALTH AND WELFARE TRUST FUND

Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 1996

(in thousands of dollars)

	<u>1996</u>	<u>1995</u>
FUND BALANCE, JANUARY 1	\$ 115,272	\$ 109,845
ADDITIONS TO THE FUND		
Contributions		
Sponsoring companies	53,757	48,047
Employees	3,654	4,049
Investment income		
Interest	8,843	8,798
Realized loss on disposition	(39)	(259)
	66,215	60,635
DEDUCTIONS FROM THE FUND		
Claims paid and accrued (Note 4)	55,431	54,143
Administrative expenses	1,106	1,065
	56,537	55,208
FUND BALANCE, DECEMBER 31	\$ 124,950	\$ 115,272

NORTHERN TELECOM HEALTH AND WELFARE TRUST FUND

Notes to the Financial Statements

December 31, 1996

1. DESCRIPTION OF THE FUND

The Health and Welfare Trust Fund (the "Fund") was established by Northern Telecom Limited on January 1, 1980 in order to fund the employee benefits program for all eligible employees of Northern Telecom Limited and its Canadian subsidiaries (collectively, the "Company") under the following plans:

Reserved Plans

- (a) Long-term Disability Plan
- (b) Survivor Income Benefit Plan
- (c) Pensioners' Insurance Plan
- (d) Employee-financed Group Life Plan (Group Life - Part II)

Paid-as-Incurred Plans

- (e) Dental Plan
- (f) Extended Health Plan
- (g) Survivor Transition Benefit Plan
- (h) Group Life Plan (Group Life - Part I)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Fund are:

(a) *Investments*

All investments are recorded at cost.

(b) *Accrued claims payable*

Accruals have been made for the unpaid claims incurred and received under the various plans to the year-end date. Accruals are not made for future payments in respect of claims received under benefit plans entailing a regular series of payments (Note 4(a)).

(c) *Use of estimates*

The preparation of the Fund's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in the fund balance during the reporting period. Actual results could differ from those estimates.

NORTHERN TELECOM HEALTH AND WELFARE TRUST FUND

Notes to the Financial Statements

December 31, 1996

3. INVESTMENTS

The purpose of the Fund is to fund the employee benefits program for all eligible employees of the Company. The Company has established investment objectives and guidelines for the Fund.

The Fund's performance is subject to market and other risks. The maximum market and credit exposure of the Fund is represented by the fair value of the investments at that point in time. The fair values of the investments (excluding insured contracts for which fair values are not readily available) as at December 31 are as follows:

	<u>1996</u>	<u>1995</u>
	<u>\$000's</u>	
Bonds and debentures		
Federal	\$ 44,942	\$ 46,640
Provincial	32,053	26,464
Corporate	13,142	7,735
	<u>90,137</u>	<u>80,839</u>
Mortgages	2,839	3,954
Cash and short-term investments	<u>3,208</u>	<u>1,997</u>

Interest rate risk refers to the adverse consequences of interest rate changes on the Fund's cash flows, financial position and income. An increase in interest rates will decrease the fair value of the Fund's investments. The bonds and debentures have maturities up to February, 2031 and coupon rates between 6.375% and 12.000%. The insured contracts have effective interest rates between 11.875% and 11.92%.

4. FUTURE BENEFIT PAYMENTS AND RELATED RESERVES

At December 31, 1996, the estimated present value of obligations under the various benefit plans exceeded the cost value of reserved assets in the Fund. The funding status of the Reserved Plans and the Survivor Transition Benefit Plan at year-end are as follows:

NORTHERN TELECOM HEALTH AND WELFARE TRUST FUND

Notes to the Financial Statements

December 31, 1996

4. FUTURE BENEFIT PAYMENTS AND RELATED RESERVES (continued)

(a) Plans requiring a series of benefit payments

Certain plans entail a regular series of benefit payments to a claimant. The estimated present value of the future payments anticipated to be made after December 31, in respect of claims which commenced before that date and the related cost value of assets reserved in the Fund are as follows:

	1996		1995	
	Present Value of Future Payments	Cost Value of Reserves	Present Value of Future Payments	Cost Value of Reserves
	\$000's		\$000's	
Long-term Disability Plan	\$ 73,362	\$ 35,001	\$ 72,012	\$ 29,554
Survivor Income Benefit Plan	21,009	20,309	20,008	20,536
Survivor Transition Benefit Plan	4,105	-	4,041	-
	\$ 98,476	\$ 55,310	\$ 96,061	\$ 50,090

The actual benefit payments are charged against the Fund in the period in which they are paid.

(b) Plan requiring lump sum payments - Pensioners' Insurance Plan

An actuarial valuation of the Pensioners' Insurance Plan is performed by an independent actuary every three years.

The most recent actuarial valuation of this plan, dated as at January 1, 1993, indicates that, at that date, the actuarial liabilities amounted to \$46,600,000 and the fair value of assets amounted to \$42,972,000. Therefore, there exists a funding deficiency of \$3,628,000. The interest rate actuarial assumption is 7.25% per annum.

Management estimates that the present value of liabilities under the plan as at December 31, 1996 as \$56,125,000 (1995 - \$53,780,000). The corresponding cost value of the assets reserved at that time was \$51,711,000 (1995 - \$50,207,000).

(c) Plan requiring lump sum payments - Group Life - Part II

Employees have the option to purchase additional group life insurance coverage up to age 65. This is fully employee funded, and the cost value of the assets reserved at December 31, 1996 totalled \$17,929,000 (1995 - \$14,975,000).

APPENDIX “DD”

Financial Statements of

**NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND**

December 31, 1997

**Deloitte &
Touche**



Chartered Accountants
BCE Place
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www.deloitte.ca

Auditors' Report

To the Board of Directors of
Northern Telecom Limited

We have audited the statement of net assets available for benefits of the Northern Telecom Health and Welfare Trust Fund (the "Fund") as at December 31, 1997 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the management of Northern Telecom Limited. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit 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 financial statements present fairly, in all material respects, the net assets available for benefits of the Fund as at December 31, 1997 and the changes in net assets available for benefits for the year then ended in accordance with generally accepted accounting principles.

Deloitte & Touche

Chartered Accountants

Toronto, Ontario
May 15, 1998

**Deloitte Touche
Tohmatsu**

TABLE OF CONTENTS

	<u>Page</u>
Statement of Net Assets Available for Benefits	1
Statement of Changes in Net Assets Available for Benefits	2
Notes to the Financial Statements	3-5

**NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND
Statement of Net Assets Available for Benefits**

December 31, 1997

(in thousands of dollars)

	<u>1997</u>	<u>1996</u>
INVESTMENTS (Note 3)		
Bonds and debentures		
Federal	\$ 42,101	\$ 40,696
Provincial	28,428	27,337
Corporate	18,807	11,975
	<u>89,336</u>	<u>80,008</u>
Insured contracts	12,386	13,689
Mortgages	616	2,773
Cash and short term investments	3,145	3,208
	<u>105,483</u>	<u>99,678</u>
ACCRUED INTEREST	1,747	1,671
DUE FROM SPONSORING COMPANIES	32,213	27,771
	<u>33,960</u>	<u>29,442</u>
TOTAL ASSETS	139,443	129,120
ACCRUED CLAIMS PAYABLE	(5,934)	(4,170)
NET ASSETS AVAILABLE FOR BENEFITS (Note 4)	<u>\$ 133,509</u>	<u>\$ 124,950</u>

ON BEHALF OF NORTHERN TELECOM LIMITED


.....

**NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND
Statement of Changes in Net Assets Available for Benefits**

Year ended December 31, 1997

(in thousands of dollars)

	<u>1997</u>	<u>1996</u>
FUND BALANCE, JANUARY 1	\$ 124,950	\$ 115,272
ADDITIONS TO THE FUND		
Contributions		
Sponsoring companies	57,954	53,757
Employees	3,171	3,654
Investment income		
Interest	9,295	8,843
Realized loss on disposition	(92)	(39)
	<u>70,328</u>	<u>66,215</u>
DEDUCTIONS FROM THE FUND		
Claims paid and accrued (Note 4)	60,674	55,431
Administration expenses	1,095	1,106
	<u>61,769</u>	<u>56,537</u>
FUND BALANCE, DECEMBER 31	\$ 133,509	\$ 124,950

NORTHERN TELECOM HEALTH AND WELFARE TRUST FUND

Notes to the Financial Statements

December 31, 1997

1. DESCRIPTION OF THE FUND

The Health and Welfare Trust Fund (the "Fund") was established by Northern Telecom Limited on January 1, 1980 in order to fund the employee benefits program for all eligible employees of Northern Telecom Limited and its Canadian Subsidiaries (collectively, the "Company") under the following plans:

Reserved plans

- (a) Long-term Disability Plan
- (b) Survivor Income Benefit Plan
- (c) Pensioners' Insurance Plan
- (d) Employee - financed Group Life Plan (Group Life - Part 11)

Paid as Incurred Plans

- (e) Dental Plan
- (f) Extended Health Plan
- (g) Survivor Transition Benefit Plan
- (h) Group Life Plan (Group Life - Part 1)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Fund are:

- (a) Investments

All investments are recorded at cost.

- (b) Accrued claims payable

Accruals have been made for the unpaid claims incurred and received under the various plans to year end date. Accruals are not made for future payments in respect of claims received under benefit plans entailing a regular series of payments (Note 4(a)).

NORTHERN TELECOM HEALTH AND WELFARE TRUST FUND

Notes to the Financial Statements

December 31, 1997

3. INVESTMENTS

The purpose of the Fund is to fund the employee benefits program for all eligible employees of the Company. The Company has established investment objectives and guidelines for the Fund.

The Fund's performance is subject to market and other risks. The maximum market and credit exposure of the Fund is represented by the fair value of the investments at that point in time. The fair values of the investments (excluding the insured contracts for which fair values are not readily available) as at December 31, 1997 are as follows:

	<u>1997</u>	<u>1996</u>
	<u>\$'000</u>	<u>\$'000</u>
Federal	\$ 48,630	\$ 44,942
Provincial	36,513	32,053
Corporate	20,728	13,142
	<u>\$ 105,871</u>	<u>\$ 90,137</u>
Mortgages	\$ 616	\$ 2,839
Cash and short-term investments	\$ 3,145	\$ 3,208

Interest rate risk refers to the adverse consequences of interest rate changes on the Fund's cash flows, financial position and income. An increase in interest rates will decrease the fair value of the Fund's investments. The bonds and debentures have maturities up to February, 2031 and coupon rates between 6.25% and 12%. The insured contracts have effective interest rates between 11.875% and 11.92%.

4. FUTURE BENEFIT PAYMENTS AND RELATED RESERVES

As at December 31, 1997, the estimated value of obligations under the various benefit plans exceeded the value of reserved assets in the Fund. The funding status of the Reserved Plans and Survivor Transition Benefit Plan at year end is as follows:

(a) Plans requiring a series of benefit payments

Certain plans entail a regular series of benefit payments to a claimant. The estimated present value of the future payments anticipated to be made after December 31, 1997 in respect of claims which commenced before that date and the related value of assets reserved in the Fund are as follows:

NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND
Notes to the Financial Statements
December 31, 1997

4. FUTURE BENEFIT PAYMENTS AND RELATED RESERVES (continued)

(a) Plans requiring a series of benefit payments (continued)

	<u>1997</u>		<u>1996</u>	
	Present value of future <u>payments</u>	Cost value of <u>reserves</u>	Present value of future <u>payments</u>	Cost value of <u>reserves</u>
	(\$'000)		(\$'000)	
Long-term Disability Plan	\$ 77,316	\$ 39,821	\$ 73,362	\$ 35,001
Survivor Income Benefit Plan	20,615	20,056	21,009	20,309
Survivor Transition Benefit Plan	3,052	-	4,105	-
	<u>\$ 100,983</u>	<u>\$ 59,877</u>	<u>\$ 98,476</u>	<u>\$ 55,310</u>

The actual benefit payments are charged against the Fund in the period in which they are paid.

(b) Plan requiring lump sum payments - Pensioners' Insurance Plan

An actuarial valuation of the Pensioner' Insurance Plan is performed by an independent actuary. The most recent actuarial valuation of this plan, dated as at January 31, 1993, indicates that, at that date, the actuarial liabilities amounted to \$46,600,000 and the assets amount to \$42,972,000. Therefore, there exists a funding deficiency of \$3,628,000. The interest rate actuarial assumption is 7.25% per annum.

Management estimates that the present value of liabilities under the plan as at December 31, 1997 was \$58,491,000 (1996 - \$56,125,000). The corresponding value of the assets reserved at that time was \$54,040,000 (1996 - \$51,711,000).

(c) Plan requiring lump sum payments - Group Life - Part 11

Employees have the option to purchase additional group life insurance coverage up to age 65. This is fully employee funded, and the value of the assets reserved at December 31, 1997 totalled \$19,592,000 (1996 - \$17,929,000).

APPENDIX “EE”

(UNAUDITED)

Financial Statements of

NORTHERN TELECOM

HEALTH AND WELFARE TRUST FUND

December 31, 1998

TABLE OF CONTENTS

	PAGE
Statement of Net Assets	1
Statement of Changes in Net Assets	2
Notes to the Financial Statements	3-5

(UNAUDITED)

NORTHERN TELECOM

HEALTH AND WELFARE TRUST FUND

Statement of Net Assets Available for Benefits

December 31, 1998.

(in thousands of dollars)

	1998	1997
INVESTMENTS (Note 3)		
Bonds and debentures		
Federal	\$43,719	\$42,101
Provincial	31,412	28,428
Corporate	24,496	18,807
	99,627	89,336
Insured contracts	11,491	12,386
Mortgages	550	616
Cash and short term investments	4,114	3,145
	115,782	105,483
ACCRUED INTEREST	2,071	1,747
DUE FROM SPONSORING COMPANIES	33,756	32,213
	35,827	33,960
TOTAL ASSETS	151,609	139,443
ACCRUED CLAIMS PAYABLE	(7,401)	(5,934)
NET ASSETS AVAILABLE FOR BENEFITS (Note 3)	\$144,208	\$133,509

ON BEHALF OF NORTHERN TELECOM LIMITED

(UNAUDITED)

NORTHERN TELECOM

HEALTH AND WELFARE TRUST FUND

Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 1998

(in thousands of dollars)

	1998	1997
FUND BALANCE , JANUARY 1	\$133,509	\$124,950
ADDITION TO THE FUND		
Contributions		
Sponsoring Companies	63,386	57,954
Employees	4,043	3,171
Investment income		
Interest	9,586	9,295
Realized gain (loss) on disposition	(568)	(92)
	76,447	70,328
DEDUCTION FROM THE FUND		
Claims paid and accrued (Note 4)	64,599	60,674
Administration expenses	1,149	1,095
	65,748	61,769
FUND BALANCE , DECEMBER 31	\$144,208	\$133,509

(UNAUDITED)

NORTHERN TELECOM

HEALTH AND WELFARE TRUST FUND

Notes to the Financial Statements

December 31, 1998

1. DESCRIPTION OF THE FUND

The Health and Welfare Trust Fund (the "Fund") was established by Northern Telecom Limited on January 1, 1980 in order to fund the employee benefits program for all eligible employees of Northern Telecom Limited and its Canadian Subsidiaries (collectively, the "Company") under the following plans:

Reserved Plans

- a) Long-term Disability Plan
- b) Survivor Income Benefit Plan
- c) Pensioners' Insurance Plan
- d) Employee-financed Group Life Plan (Group Life - Part 11)

Paid as Incurred Plans

- e) Dental Plan
- f) Extended Health Plan
- g) Survivor Transition Benefit Plan
- h) Group Life Plan (Group Life - Part 1)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Fund are:

a) Investments

All investments are recorded at cost.

b) Accrued claims payable

Accruals have been made for the unpaid claims incurred and received under the various plans to year end date. Accruals are not made for future payments in respect of claims received under benefit plans entailing a regular series of payments (Note 4a).

(UNAUDITED)

NORTHERN TELECOM
HEALTH AND WELFARE TRUST FUND
Notes to the Financial Statements
December 31, 1998

3. INVESTMENTS

The purpose of the Fund is to fund the employee benefit program for all eligible employees of the Company. The Company has established investment objectives and guidelines for the Fund. The Fund's performance is subject to market and other risks. The maximum market and credit exposure of the Fund is represented by the fair value of the investments at that point in time. The fair values of the investments (excluding the insured contracts for which fair values are not readily available) as at December 31, 1998 are as follow:

	1998	1997
	\$000's	
Federal	\$51,720	\$48,630
Provincial	41,519	36,513
Corporate	26,665	20,728
	\$119,904	\$105,871
Mortgages	\$550	\$616
Cash and short-term investments	\$4,114	\$3,208

Interest rate risk refers to the adverse consequences of interest rate changes on the Fund cash flows, financial position and income. An increase in interest rate will decrease the fair value of the Fund's investments. The bonds and debentures have maturities up to February 2031 and coupon rates between 5.1% and 12%. The insured contracts have effective interest rates between 11.875% and 11.92%.

4. FUTURE BENEFIT PAYMENTS AND RELATED RESERVES

At December 31, 1998, the estimated value of obligations under the various benefit plans exceeded the value of reserved assets in the Fund. The funding status of the Reserved Plans and Survivor Transition Benefit Plan at year end is as follows:

a) Plans requiring a series of benefit payments

Certain plans entail a regular series of benefit payments to a claimant. The estimated present value of the future payments anticipated to be made after December 31, 1998 in respect of claims which commenced before that date and the related value of assets reserved in the Fund are as follows:

	1998		1997	
	Present value of future Value of payments Reserves		Present value of future Value of payments Reserves	
	\$000's		\$000's	
Long-term Disability Plan	\$81,330	\$48,046	\$77,316	\$39,821
Survivor Income Benefit Plan	20,529	19,692	20,615	20,056
Survivor Transition Benefit Plan	4,345	-	3,052	-
	\$106,204	\$67,738	\$100,983	\$59,877

The actual benefit payments are charged against the Fund in the period in which they are paid.

(UNAUDITED)

NORTHERN TELECOM

HEALTH AND WELFARE TRUST FUND

Notes to the Financial Statements

December 31, 1998

4. FUTURE BENEFIT PAYMENTS AND RELATED RESERVES (continued)

b) Plan requiring lump sum payments - Pensioners' Insurance Plan

An actuarial valuation of the Pensioner' Insurance Plan is performed by an independent actuary every three years.

The most recent actuarial valuation of this plan, dated as at January 01, 1998, indicates that, at that date, the actuarial liabilities amounted to \$60,058,000 and the assets amount to \$54,040,000. Therefore, there exists a funding deficiency of \$6,018,000. The interest rate actuarial assumption is 8.0% per annum.

Management estimates that the present value of liabilities under the plan as at December 31, 1998 was \$62,633,000 (1997-\$60,058,000). The corresponding value of the assets reserved at that time was \$55,476,000 (1997 - \$54,040,000)

c) Plan requiring lump sum payments - Group Life - Part II

Employees have the option to purchase additional group life insurance coverage up to age 65. This is fully employee funded, and the value of the assets reserved at December 31, 1998 totaled \$ 20,994,000 (1997 - \$19,592,000).

APPENDIX “FF”

Financial Statements of

**NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND**

December 31, 1999

Deloitte & Touche LLP
BCE Place
181 Bay Street, Suite 1400
Toronto, ON M5J 2V1
Canada

Tel: (416) 601 6150
Fax: (416) 601 6151
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**Deloitte
& Touche**

Auditors' Report

To the Board of Directors of
Nortel Networks Corporation

We have audited the statement of net assets available for benefits of the Nortel Networks Health and Welfare Trust Fund (the "Fund") as at December 31, 1999 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the management of Nortel Networks Corporation. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit 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 financial statements present fairly, in all material respects, the net assets available for benefits of the Fund as at December 31, 1999 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Toronto, Ontario
May 12, 2000

**Deloitte
Touche
Tohmatsu**

NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Table of Contents
December 31, 1999

	<u>PAGE</u>
Statement of Net Assets Available for Benefits.....	1
Statement of Changes in Net Assets Available for Benefits.....	2
Notes to the Financial Statements.....	3-5

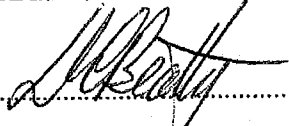
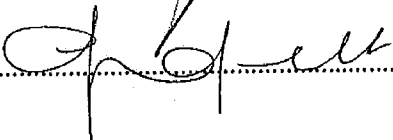
**NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Statement of Net Assets Available for Benefits**

December 31, 1999

(in thousands of dollars)

	1999	1998
INVESTMENTS (Note 3)		
Bonds and debentures		
Federal	\$ 44,119	\$ 43,719
Provincial	51,367	31,412
Corporate	27,426	24,496
	122,912	99,627
Insured contracts	9,521	11,491
Mortgages	482	550
Cash and short term investments	7,683	4,114
	140,598	115,782
ACCRUED INTEREST	2,199	2,071
DUE FROM SPONSORING COMPANY	34,706	33,756
	36,905	35,827
TOTAL ASSETS	177,503	151,609
ACCRUED CLAIMS PAYABLE	(10,169)	(7,401)
NET ASSETS AVAILABLE FOR BENEFITS (Note 4)	\$ 167,334	\$ 144,208

ON BEHALF OF NORTEL NETWORKS CORPORATION

NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Statement of Changes in Net Assets Available for Benefits
Year ended December 31, 1999
(in thousands of dollars)

	1999	1998
OPENING NET ASSETS AVAILABLE FOR BENEFITS	\$ 144,208	\$ 133,509
INCREASE IN NET ASSETS		
Contributions		
Sponsoring company	79,797	63,386
Employees	3,927	4,043
Investment income		
Interest	9,855	9,056
Realized gain (loss) on disposition	29	(38)
	93,608	76,447
DECREASE IN NET ASSETS		
Claims paid and accrued (Note 4)	69,611	64,599
Administration expenses	871	1,149
	70,482	65,748
CLOSING NET ASSETS AVAILABLE FOR BENEFITS	\$ 167,334	\$ 144,208

NORTEL NETWORKS HEALTH AND WELFARE TRUST FUND

Notes to the Financial Statements

December 31, 1999

1. DESCRIPTION OF THE FUND

The Health and Welfare Trust Fund (the "Fund") was established by Nortel Networks Corporation (the "Administrator") on January 1, 1980 in order to fund the employee benefits program for all eligible employees of Nortel Networks Corporation and its Canadian subsidiaries (collectively, the "Company") under the following plans:

Reserved plans

- (a) Long-term Disability Plan
- (b) Survivor Income Benefit Plan
- (c) Pensioners' Insurance Plan
- (d) Employee - financed Group Life Plan (Group Life - Part II)

Paid as Incurred Plans

- (e) Dental Plan
- (f) Extended Health Plan
- (g) Survivor Transition Benefit Plan
- (h) Group Life Plan (Group Life - Part I)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Fund are:

- (a) Investments

All investments are recorded at cost.

- (b) Accrued claims payable

Accruals have been made for the unpaid claims incurred and received under the various plans to the year end date. Accruals are not made for future payments in respect of claims received under benefit plans entailing a regular series of payments (Note 4(a)).

NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Notes to the Financial Statements
December 31, 1999

3. INVESTMENTS

The purpose of the Fund is to fund the employee benefits program for all eligible employees of the Company. The Company has established investment objectives and guidelines for the Fund.

The Fund's performance is subject to market and other risks. The maximum market and credit exposure of the Fund is represented by the fair value of the investments at that point in time. The fair values of the investments (excluding the insured contracts for which fair values are not readily available) as at December 31, 1999 are as follows:

	<u>1999</u>	<u>1998</u>
	<u>\$'000</u>	<u>\$'000</u>
Bonds and debentures		
Federal	\$ 47,010	\$ 51,720
Provincial	55,413	41,519
Corporate	27,344	26,665
	<u>\$ 129,767</u>	<u>\$ 119,904</u>
Mortgages	<u>\$ 482</u>	<u>\$ 550</u>
Cash and short-term investments	<u>\$ 7,683</u>	<u>\$ 4,114</u>

Interest rate risk refers to the adverse consequences of interest rate changes on the Fund's cash flows, financial position and income. An increase in interest rates will decrease the fair value of the Fund's investments. The bonds and debentures have maturities up to February, 2031 and coupon rates between 5.0% and 12%. The insured contracts have effective interest rates between 11.875% and 11.92%.

NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Notes to the Financial Statements
December 31, 1999

4. FUTURE BENEFIT PAYMENTS AND RELATED RESERVES

As at December 31, 1999, the estimated value of obligations under the various benefit plans exceeded the value of reserved assets in the Fund. The funding status of the Reserved Plans and Survivor Transition Benefit Plan at year end is as follows:

(a) Plans requiring a series of benefit payments

Certain plans entail a regular series of benefit payments to a claimant. The estimated present value of the future payments anticipated to be made after December 31, 1999 in respect of claims which commenced before that date and the related value of assets reserved in the Fund are as follows:

	1999		1998	
	Present Value of Future Payments	Cost Value of Reserved Assets	Present Value of Future Payments	Cost Value of Reserved Assets
	(\$'000)		(\$'000)	
Long-term Disability Plan	\$ 84,742	\$ 58,169	\$ 81,330	\$ 48,046
Survivor Income Benefit Plan	20,115	19,417	20,529	19,692
Survivor Transition Benefit Plan	4,070	-	4,345	-
	\$ 108,927	\$ 77,586	\$ 106,204	\$ 67,738

The actual benefit payments are charged against the Fund in the period in which they are paid.

(b) Plan requiring lump sum payments - Pensioners' Insurance Plan

An actuarial valuation of the Pensioner's Insurance Plan is performed by an independent actuary. The most recent actuarial valuation of this plan, dated as at January 1, 1998, indicates that, at that date, the actuarial liabilities amounted to \$60,058,000 and the assets amount to \$54,040,000. Therefore, there exists a funding deficiency of \$6,018,000. The interest rate actuarial assumption is 8% per annum.

Management's estimate of the present value of liabilities as at December 31, 1999 is \$62,633,000 (1998 - \$62,633,000). The corresponding value of the assets reserved as at December 31, 1999 was \$60,030,000 (1998 - \$55,476,000).

Contributions are made with respect to funding this plan in accordance with actuarial recommendations.

(c) Plan requiring lump sum payments - Group Life - Part II

Employees have the option to purchase additional group life insurance coverage up to age 65. This is fully employee funded, and the value of the assets reserved at December 31, 1999 totalled \$25,175,502 (1998 - \$20,994,000).

APPENDIX “GG”

Financial Statements of

**NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND**

December 31, 2000

Deloitte & Touche LLP
BCE Place
181 Bay Street, Suite 1400
Toronto, ON M5J 2V1
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**Deloitte
& Touche**

Auditors' Report

To the Board of Directors of
Nortel Networks Limited

We have audited the statement of net assets available for benefits of the Nortel Networks Health and Welfare Trust Fund (the "Fund") as at December 31, 2000 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the management of Nortel Networks Limited. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit 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 financial statements present fairly, in all material respects, the net assets available for benefits of the Fund as at December 31, 2000 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Toronto, Ontario
June 13, 2001

**Deloitte
Touche
Tohmatsu**

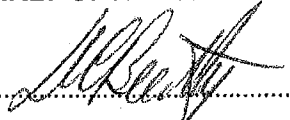
NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Table of Contents
December 31, 2000

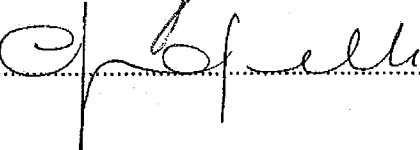
	<u>Page</u>
Statement of Net Assets Available for Benefits	1
Statement of Changes in Net Assets Available for Benefits	2
Notes to the Financial Statements	3-5

NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Statement of Net Assets Available for Benefits
December 31, 2000
(in thousands of dollars)

	<u>2000</u>	<u>1999</u>
INVESTMENTS (Note 3)		
Bonds and debentures		
Federal	\$ 38,675	\$ 44,119
Provincial	59,831	51,367
Corporate	28,425	27,426
	<u>126,931</u>	<u>122,912</u>
Insured contracts	8,278	9,521
Mortgages	421	482
Cash and short-term investments	7,250	7,683
	<u>142,880</u>	<u>140,598</u>
ACCRUED INTEREST	2,657	2,199
DUE FROM SPONSORING COMPANY	29,697	34,706
	<u>32,354</u>	<u>36,905</u>
TOTAL ASSETS	175,234	177,503
ACCRUED CLAIMS PAYABLE	(8,933)	(10,169)
NET ASSETS AVAILABLE FOR BENEFITS (Note 4)	<u>\$ 166,301</u>	<u>\$ 167,334</u>

ON BEHALF OF NORTEL NETWORKS LIMITED





NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Statement of Changes in Net Assets Available for Benefits
Year ended December 31, 2000
(in thousands of dollars)

	2000	1999
OPENING NET ASSETS AVAILABLE FOR BENEFITS	\$ 167,334	\$ 144,208
INCREASE IN NET ASSETS		
Contributions		
Sponsoring company	61,300	79,797
Employees	2,015	3,927
Investment income		
Interest	10,623	9,855
Realized (loss) gain on disposition	(744)	29
	73,194	93,608
DECREASE IN NET ASSETS		
Claims paid and accrued (Note 4)	73,422	69,611
Administration expenses	805	871
	74,227	70,482
CLOSING NET ASSETS AVAILABLE FOR BENEFITS	\$ 166,301	\$ 167,334

NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Notes to the Financial Statements
December 31, 2000

1. DESCRIPTION OF THE FUND

The Health and Welfare Trust Fund (the "Fund") was established by Nortel Networks Limited (the "Administrator") on January 1, 1980 in order to fund the employee benefits program for all eligible employees of Nortel Networks Limited and its Canadian subsidiaries (collectively, the "Company") under the following plans:

Reserved plans

- (a) Long-term Disability Plan
- (b) Survivor Income Benefit Plan
- (c) Pensioners' Insurance Plan
- (d) Employee - financed Group Life Plan (Group Life - Part II)

Paid as Incurred Plans

- (e) Dental Plan
- (f) Extended Health Plan
- (g) Survivor Transition Benefit Plan
- (h) Group Life Plan (Group Life - Part I)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Fund are:

- (a) Investments

All investments are recorded at cost.

- (b) Accrued claims payable

Accruals have been made for the unpaid claims incurred and received under the various plans to the year end date. Accruals are not made for future payments in respect of claims received under benefit plans entailing a regular series of payments (Note 4(a)).

NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Notes to the Financial Statements
December 31, 2000

3. INVESTMENTS

The purpose of the Fund is to fund the employee benefits program for all eligible employees of the Company. The Company has established investment objectives and guidelines for the Fund.

The Fund's performance is subject to market and other risks. The maximum market and credit exposure of the Fund is represented by the fair value of the investments at that point in time. The fair values of the investments (excluding the insured contracts for which fair values are not readily available) as at December 31, 2000 are as follows:

	<u>2000</u>	<u>1999</u>
	<u>\$'000</u>	<u>\$'000</u>
Bonds and debentures		
Federal	\$ 43,559	\$ 47,010
Provincial	67,462	55,413
Corporate	29,177	27,344
	<u>\$ 140,198</u>	<u>\$ 129,767</u>
Mortgages	\$ 421	\$ 482
Cash and short-term investments	\$ 7,250	\$ 7,683

Interest rate risk refers to the adverse consequences of interest rate changes on the Fund's cash flows, financial position and income. An increase in interest rates is likely to decrease the fair value of the Fund's investments. The bonds and debentures have maturities up to June, 2031 and coupon rates between 5.00% and 12.00%. The insured contracts have effective interest rates between 11.87% and 11.92%.

NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Notes to the Financial Statements
December 31, 2000

4. FUTURE BENEFIT PAYMENTS AND RELATED RESERVES

As at December 31, 2000, the estimated value of obligations under the various benefit plans exceeded the value of reserved assets in the Fund. The funding status of the Reserved Plans and Survivor Transition Benefit Plan at year end is as follows:

(a) Plans requiring a series of benefit payments

Certain plans entail a regular series of benefit payments to a claimant. The estimated present value of the future payments anticipated to be made after December 31, 2000 in respect of claims which commenced before that date and the related value of assets reserved in the Fund are as follows:

	2000		1999	
	Present Value of Future Payments	Cost Value of Reserved Assets	Present Value of Future Payments	Cost Value of Reserved Assets
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Long-term Disability Plan	\$ 75,742	\$ 63,900	\$ 84,742	\$ 58,169
Survivor Income Benefit Plan	18,583	18,859	20,115	19,417
Survivor Transition Benefit Plan	3,841	-	4,070	-
	\$ 98,166	\$ 82,759	\$ 108,927	\$ 77,586

The actual benefit payments are charged against the Fund in the period in which they are paid.

(b) Plan requiring lump sum payments - Pensioners' Insurance Plan

An actuarial valuation of the Pensioner's Insurance Plan is performed by an independent actuary. The most recent actuarial valuation of this plan, dated as at January 1, 1998, indicates that, at that date, the actuarial liabilities amounted to \$60,058,000 and the assets amount to \$54,040,000. Therefore, there exists a funding deficiency of \$6,018,000. The interest rate actuarial assumption is 8.00% per annum.

Management's estimate of the present value of liabilities as at December 31, 2000 is \$62,633,000 (1999 - \$62,633,000). The corresponding value of the assets reserved as at December 31, 2000 was \$59,143,000 (1999 - \$60,030,000).

Contributions are made with respect to funding this plan in accordance with actuarial recommendations.

(c) Plan requiring lump sum payments - Group Life - Part II

Employees have the option to purchase additional group life insurance coverage up to age 65. This is fully employee funded, and the value of the assets reserved at December 31, 2000 totalled \$24,399,000 (1999 - \$25,176,000).

APPENDIX “HH”

Financial Statements of

**NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND**

December 31, 2001

Deloitte & Touche LLP
BCE Place
181 Bay Street, Suite 1400
Toronto, ON M5J 2V1
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**Deloitte
& Touche**

Auditors' Report

To the Board of Directors of
Nortel Networks Limited

We have audited the statement of net assets available for benefits of the Nortel Networks Health and Welfare Trust Fund (the "Fund") as at December 31, 2001 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the management of Nortel Networks Limited. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit 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 financial statements present fairly, in all material respects, the net assets available for benefits of the Fund as at December 31, 2001 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Toronto, Ontario
May 6, 2002

**Deloitte
Touche
Tohmatsu**

NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Table of Contents
December 31, 2001

	<u>Page</u>
Statement of Net Assets Available for Benefits	1
Statement of Changes in Net Assets Available for Benefits	2
Notes to the Financial Statements	3-5

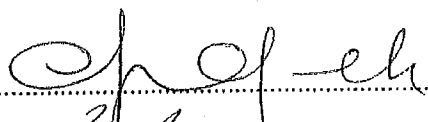
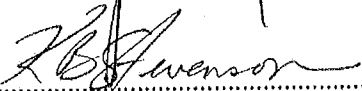
**NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Statement of Net Assets Available for Benefits**

December 31, 2001

(in thousands of dollars)

	<u>2001</u>	<u>2000</u>
INVESTMENTS (Note 3)		
Bonds and debentures		
Federal	\$ 39,626	\$ 38,675
Provincial	65,635	59,831
Corporate	27,430	28,425
	<u>132,691</u>	<u>126,931</u>
Insured contracts	7,150	8,278
Mortgages	374	421
Cash and short-term investments	4,545	7,250
	<u>144,760</u>	<u>142,880</u>
ACCRUED INTEREST	2,018	2,657
DUE FROM SPONSORING COMPANY	29,825	29,697
	<u>31,843</u>	<u>32,354</u>
TOTAL ASSETS	176,603	175,234
ACCRUED CLAIMS PAYABLE	(9,113)	(8,933)
NET ASSETS AVAILABLE FOR BENEFITS (Note 4)	<u>\$ 167,490</u>	<u>\$ 166,301</u>

ON BEHALF OF NORTEL NETWORKS LIMITED

NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Statement of Changes in Net Assets Available for Benefits
Year ended December 31, 2001
(in thousands of dollars)

	2001	2000
OPENING NET ASSETS AVAILABLE FOR BENEFITS	\$ 166,301	\$ 167,334
INCREASE IN NET ASSETS		
Contributions		
Sponsoring company	71,319	61,300
Employees	2,107	2,015
Investment income		
Interest	10,233	10,623
Realized loss on disposition	(136)	(744)
	83,523	73,194
DECREASE IN NET ASSETS		
Claims paid and accrued (Note 4)	81,616	73,422
Administration expenses	718	805
	82,334	74,227
CLOSING NET ASSETS AVAILABLE FOR BENEFITS	\$ 167,490	\$ 166,301

NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Notes to the Financial Statements
December 31, 2001

1. DESCRIPTION OF THE FUND

The Health and Welfare Trust Fund (the "Fund") was established by Nortel Networks Limited (the "Administrator") on January 1, 1980 in order to fund the employee benefits program for all eligible employees of Nortel Networks Limited and its Canadian subsidiaries (collectively, the "Company") under the following plans:

Reserved plans

- (a) Long-term Disability Plan
- (b) Survivor Income Benefit Plan
- (c) Pensioners' Insurance Plan
- (d) Employee - financed Group Life Plan (Group Life - Part II)

Paid as Incurred Plans

- (e) Dental Plan
- (f) Extended Health Plan
- (g) Survivor Transition Benefit Plan
- (h) Group Life Plan (Group Life - Part I)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Fund are:

- (a) Investments

All investments are recorded at cost.

- (b) Accrued claims payable

Accruals have been made for the unpaid claims incurred and received under the various plans to the year end date. Accruals are not made for future payments in respect of claims received under benefit plans entailing a regular series of payments (Note 4(a)).

NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Notes to the Financial Statements
December 31, 2001

3. INVESTMENTS

The purpose of the Fund is to fund the employee benefits program for all eligible employees of the Company. The Company has established investment objectives and guidelines for the Fund.

The Fund's performance is subject to market and other risks. The maximum market and credit exposure of the Fund is represented by the fair value of the investments at that point in time. The fair values of the investments (excluding the insured contracts for which fair values are not readily available) as at December 31, 2001 are as follows:

	<u>2001</u>	<u>2000</u>
	<u>\$'000</u>	<u>\$'000</u>
Bonds and debentures		
Federal	\$ 44,318	\$ 43,559
Provincial	73,466	67,462
Corporate	28,915	29,177
	<u>\$ 146,699</u>	<u>\$ 140,198</u>
Mortgages	\$ 374	\$ 421
Cash and short-term investments	\$ 4,545	\$ 7,250

Interest rate risk refers to the adverse consequences of interest rate changes on the Fund's cash flows, financial position and income. An increase in interest rates is likely to decrease the fair value of the Fund's investments. The bonds and debentures have maturities up to June 2031 and coupon rates between 5.00% and 12.00%. The insured contracts have effective interest rates between 11.87% and 11.92%.

Cash and short-term investments includes a refundable deposit of \$200,000 (2000 - \$200,000) that has been deposited as security with Standard Life.

NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Notes to the Financial Statements
December 31, 2001

4. FUTURE BENEFIT PAYMENTS AND RELATED RESERVES

As at December 31, 2001, the estimated value of obligations under the various benefit plans exceeded the value of reserved assets in the Fund. The funding status of the Reserved Plans and Survivor Transition Benefit Plan at year end is as follows:

(a) Plans requiring a series of benefit payments

Certain plans entail a regular series of benefit payments to a claimant. The estimated present value of the future payments anticipated to be made after December 31, 2001 in respect of claims which commenced before that date and the related value of assets reserved in the Fund are as follows:

	2001		2000	
	Present Value of Future Payments	Cost Value of Reserved Assets	Present Value of Future Payments	Cost Value of Reserved Assets
	(\$'000)		(\$'000)	
Long-term Disability Plan	\$ 97,082	\$ 67,620	\$ 75,742	\$ 63,900
Survivor Income Benefit Plan	19,335	18,315	18,583	18,859
Survivor Transition Benefit Plan	2,861	-	3,841	-
	\$ 119,278	\$ 85,935	\$ 98,166	\$ 82,759

The actual benefit payments are charged against the Fund in the period in which they are paid.

(b) Plan requiring lump sum payments - Pensioners' Insurance Plan

An actuarial valuation of the Pensioner's Insurance Plan is performed by an independent actuary. The most recent actuarial valuation of this plan, dated as at January 1, 1998, indicates that, at that date, the actuarial liabilities amounted to \$60,058,000 and the assets amount to \$54,040,000. Therefore, there exists a funding deficiency of \$6,018,000. The interest rate actuarial assumption is 8.00% per annum.

The value of the assets reserved as at December 31, 2001 was \$58,711,000 (2000 - \$59,143,000).

Contributions are made with respect to funding this plan in accordance with actuarial recommendations.

(c) Plan requiring lump sum payments - Group Life - Part II

Employees have the option to purchase additional group life insurance coverage up to age 65. This is fully employee funded, and the value of the assets reserved at December 31, 2001 totalled \$22,844,000 (2000 - \$24,399,000).

APPENDIX “II”

Financial Statements of

**NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND**

December 31, 2002

Auditors' Report

To the Board of Directors of
Nortel Networks Limited

We have audited the statement of net assets available for benefits of the Nortel Networks Health and Welfare Trust Fund (the "Fund") as at December 31, 2002 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the management of Nortel Networks Limited. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit 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 financial statements present fairly, in all material respects, the net assets available for benefits of the Fund as at December 31, 2002 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Toronto, Ontario
June 27, 2003

NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Table of Contents
December 31, 2002

	<u>Page</u>
Statement of Net Assets Available for Benefits	1
Statement of Changes in Net Assets Available for Benefits	2
Notes to the Financial Statements	3-6

NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Statement of Net Assets Available for Benefits

December 31, 2002

(in thousands of dollars)

	<u>2002</u>	<u>2001</u>
INVESTMENTS (Note 3)		
Bonds and debentures		
Federal	\$ 32,081	\$ 39,626
Provincial	74,839	65,635
Corporate	25,462	27,430
	<u>132,382</u>	<u>132,691</u>
Insured contracts	6,803	7,150
Mortgages	321	374
Cash and short-term investments	5,332	4,545
	<u>144,838</u>	<u>144,760</u>
ACCRUED INTEREST	2,938	2,018
DUE FROM SPONSORING COMPANY	27,759	29,825
	<u>30,697</u>	<u>31,843</u>
TOTAL ASSETS	175,535	176,603
ACCRUED CLAIMS PAYABLE (Note 2)	(7,859)	(9,113)
NET ASSETS AVAILABLE FOR BENEFITS (Note 4)	<u>\$ 167,676</u>	<u>\$ 167,490</u>

ON BEHALF OF NORTEL NETWORKS LIMITED

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NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Statement of Changes in Net Assets Available for Benefits
Year ended December 31, 2002
(in thousands of dollars)

	2002	2001
OPENING NET ASSETS AVAILABLE FOR BENEFITS	\$ 167,490	\$ 166,301
INCREASE IN NET ASSETS		
Contributions		
Sponsoring company	58,277	68,835
Employees	3,694	4,591
Investment income		
Interest	8,143	10,097
	70,114	83,523
DECREASE IN NET ASSETS		
Claims paid and accrued (Note 4)	68,394	81,616
Administration expenses (Note 5)	1,534	718
	69,928	82,334
CLOSING NET ASSETS AVAILABLE FOR BENEFITS	\$ 167,676	\$ 167,490

NORTEL NETWORKS

HEALTH AND WELFARE TRUST FUND

Notes to the Financial Statements

December 31, 2002

1. DESCRIPTION OF THE FUND

The Health and Welfare Trust Fund (the "Fund") was established by Nortel Networks Limited (the "Administrator") on January 1, 1980 in order to fund the employee benefits program for all eligible employees of Nortel Networks Limited and its Canadian subsidiaries (collectively, the "Company") under the following plans:

Reserved plans

- (a) Long-term Disability Plan
- (b) Survivor Income Benefit Plan
- (c) Pensioners' Insurance Plan
- (d) Employee - financed Group Life Plan (Group Life - Part II)

Paid as Incurred Plans

- (e) Dental Plan
- (f) Extended Health Plan
- (g) Survivor Transition Benefit Plan
- (h) Group Life Plan (Group Life - Part I)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Fund are:

- (a) Investments

All investments are recorded at cost. Interest income on investments is recorded on an accrual basis.

- (b) Accrued claims payable

Accruals are made for the unpaid claims incurred under the various plans to the year-end date. For experience rated plans, such as the Group Life Plans, premium expense is accrued to the year-end date and any experience gain or loss is reflected in the accounts when settled in the following calendar year. Accruals are not made for future payments in respect of claims received under benefit plans entailing a regular series of payments (Note 4(a)).

NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Notes to the Financial Statements
December 31, 2002

3. INVESTMENTS

The purpose of the Fund is to fund the employee benefits program for all eligible employees of the Company. The Company has established investment objectives and guidelines for the Fund.

The Fund's performance is subject to market and other risks. The maximum market and credit exposure of the Fund is represented by the fair value of the investments at that point in time. The fair values of the investments (excluding the insured contracts for which fair values are not readily available) as at December 31, 2002 are as follows:

	<u>2002</u>	<u>2001</u>
	<u>\$'000</u>	<u>\$'000</u>
Bonds and debentures		
Federal	\$ 39,058	\$ 44,318
Provincial	86,397	73,466
Corporate	28,349	28,915
	<u>\$ 153,804</u>	<u>\$ 146,699</u>
Mortgages	\$ 321	\$ 374
Cash and short-term investments	\$ 5,332	\$ 4,545

Interest rate risk refers to the adverse consequences of interest rate changes on the Fund's cash flows, financial position and income. An increase in interest rates is likely to decrease the fair value of the Fund's investments. The bonds and debentures have maturities up to June 2031 and coupon rates between 5.00% and 12.00%. The insured contracts have effective interest rates between 11.87% and 11.92%.

Cash and short-term investments include refundable deposits of \$200,000 (2001 - \$200,000) and \$120,000 (2001 - nil) that have been deposited as security with Standard Life and Green Shield respectively.

NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Notes to the Financial Statements
December 31, 2002

4. FUTURE BENEFIT PAYMENTS AND RELATED RESERVES

As at December 31, 2002, the estimated value of obligations under the various benefit plans exceeded the value of reserved assets in the Fund. The funding status of the Reserved Plans and Survivor Transition Benefit Plan at year end is as follows:

(a) Plans requiring a series of benefit payments

Certain plans entail a regular series of benefit payments to a claimant. The estimated present value of the future payments anticipated to be made after December 31, 2002 in respect of claims which commenced before that date and the related value of assets reserved in the Fund are as follows:

	2002		2001	
	Present Value of Future Payments	Cost Value of Reserved Assets	Present Value of Future Payments	Cost Value of Reserved Assets
	(\$'000)		(\$'000)	
Long-term Disability Plan	\$ 108,229	\$ 72,283	\$ 97,082	\$ 67,620
Survivor Income Benefit Plan	18,104	17,606	19,335	18,315
Survivor Transition Benefit Plan	1,670	-	2,861	-
	\$ 128,003	\$ 89,889	\$ 119,278	\$ 85,935

The actual benefit payments are charged against the Fund in the period in which they are paid.

(b) Plan requiring lump sum payments - Pensioners' Insurance Plan

An actuarial valuation of the Pensioners' Insurance Plan is performed by an independent actuary every three years.

The most recent actuarial valuation of this Plan, dated as at January 1, 2002, indicates that, at that date, the actuarial liabilities amounted to \$74,931,000 and the market value of the assets amount to \$63,551,000. Therefore, there exists a funding deficiency of \$11,380,000. The interest rate actuarial assumption is 7.0% per annum.

The Plan, as at December 31, 2002, has assets reserved with a book value of \$57,757,000 (2001 - \$58,647,000).

Contributions are made with respect to funding this plan in accordance with actuarial recommendations.

(c) Plan requiring lump sum payments - Group Life - Part II

Employees have the option to purchase additional group life insurance coverage up to age 65. This is fully employee funded, and the value of the assets reserved at December 31, 2002 totalled \$21,211,000 (2001 - \$22,844,000).

NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Notes to the Financial Statements
December 31, 2002

5. ADMINISTRATION EXPENSES

Included in administration expenses is an amount of \$799,000 (2001 - \$ nil) representing alternative minimum taxes paid in the year. An amendment letter has been filed with the Canada Customs and Revenue Agency to recover the taxes paid.

6. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year presentation.

APPENDIX “JJ”

Financial Statements of

**NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND**

December 31, 2003

**NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND**

Table of Contents

December 31, 2003

	<u>Page</u>
Statement of Net Assets Available for Benefits	1
Statement of Changes in Net Assets Available for Benefits	2
Notes to the Financial Statements	3-6

NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Statement of Net Assets Available for Benefits

December 31, 2003

(in thousands of dollars)

	2003	2002
INVESTMENTS (Note 3)		
Bonds and debentures		
Federal	\$ 29,712	\$ 32,081
Provincial	88,720	74,839
Corporate	23,575	25,462
	142,007	132,382
Insured contracts	-	6,803
Mortgages	-	321
Cash and short-term investments	9,160	5,332
	151,167	144,838
ACCRUED INTEREST	2,401	2,938
TAXES RECOVERABLE	-	799
DUE FROM SPONSORING COMPANY	19,991	27,759
	22,392	31,496
TOTAL ASSETS	173,559	176,334
ACCRUED CLAIMS PAYABLE (Note 2)	(7,995)	(7,859)
NET ASSETS AVAILABLE FOR BENEFITS (Note 4)	\$ 165,564	\$ 168,475

ON BEHALF OF NORTEL NETWORKS LIMITED

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NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2003

(in thousands of dollars)

	2003	2002
OPENING NET ASSETS AVAILABLE FOR BENEFITS	\$ 168,475	\$ 167,490
INCREASE IN NET ASSETS		
Contributions		
Sponsoring company	52,787	58,277
Employees	-	3,694
Investment income		
Interest	9,975	8,143
	62,762	70,114
DECREASE IN NET ASSETS		
Claims paid and accrued (Note 4)	65,023	68,394
Administration expenses	650	735
	65,673	69,129
CLOSING NET ASSETS AVAILABLE FOR BENEFITS	\$ 165,564	\$ 168,475

NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Notes to the Financial Statements
December 31, 2003

1. DESCRIPTION OF THE FUND

The Health and Welfare Trust Fund (the "Fund") was established by Nortel Networks Limited (the "Administrator") on January 1, 1980 in order to fund the employee benefits program for all eligible employees of Nortel Networks Limited and its Canadian subsidiaries (collectively, the "Company") under the following plans:

Reserved plans

- (a) Long-term Disability Plan
- (b) Survivor Income Benefit Plan
- (c) Pensioners' Insurance Plan
- (d) Employee - financed Group Life Plan (Group Life - Part II)

Paid as Incurred Plans

- (e) Dental Plan
- (f) Extended Health Plan
- (g) Survivor Transition Benefit Plan
- (h) Group Life Plan (Group Life - Part I)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Fund are:

- (a) Investments

All investments are recorded at cost. Interest income on investments is recorded on an accrual basis.

- (b) Accrued claims payable

Accruals are made for the unpaid claims incurred under the various plans to the year-end date. For experience rated plans, such as the Group Life Plans, premium expense is accrued to the year-end date and any experience gain or loss is reflected in the accounts when settled in the following calendar year. Accruals are not made for future payments in respect of claims received under benefit plans entailing a regular series of payments (Note 4(a)).

NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Notes to the Financial Statements
December 31, 2003

3. INVESTMENTS

The purpose of the Fund is to fund the employee benefits program for all eligible employees of the Company. The Company has established investment objectives and guidelines for the Fund.

The Fund's performance is subject to market and other risks. The maximum market and credit exposure of the Fund is represented by the fair value of the investments at that point in time. The fair values of the investments (excluding the insured contracts for which fair values are not readily available) as at December 31, 2003 are as follow:

	<u>2003</u>	<u>2002</u>
	<u>\$'000</u>	<u>\$'000</u>
Bonds and debentures		
Federal	\$ 36,617	\$ 39,058
Provincial	101,140	86,397
Corporate	25,734	28,349
	<u>\$ 163,491</u>	<u>\$ 153,804</u>
Mortgages	\$ -	\$ 321
Cash and short-term investments	\$ 9,160	\$ 5,332

Interest rate risk refers to the adverse consequences of interest rate changes on the Fund's cash flows, financial position and income. An increase in interest rates is likely to decrease the fair value of the Fund's investments. The bonds and debentures have maturities up to June 2031 and coupon rates between 4.75% and 12.00%.

Cash and short-term investments include refundable deposits of \$200,000 (2002 - \$200,000), \$120,442 (2002 - 120,442), and 200,182 (2002- Nil) that have been deposited as security with Standard Life, Green Shield and Sun Life respectively.

NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Notes to the Financial Statements
December 31, 2003

4. FUTURE BENEFIT PAYMENTS AND RELATED RESERVES

As at December 31, 2003, the estimated value of obligations under the various benefit plans exceeded the value of reserved assets in the Fund. The funding status of the Reserved Plans and Survivor Transition Benefit Plan at year end is as follows:

(a) Plans requiring a series of benefit payments

Certain plans entail a regular series of benefit payments to a claimant. The estimated present value of the future payments anticipated to be made after December 31, 2003 in respect of claims which commenced before that date and the related value of assets reserved in the Fund are as follows:

	2003		2002	
	Present Value of Future Payments	Cost Value of Reserved Assets	Present Value of Future Payments	Cost Value of Reserved Assets
	(\$'000)		(\$'000)	
Long-term Disability Plan	\$ 102,641	\$ 66,735	\$ 108,229	\$ 72,283
Survivor Income Benefit Plan	18,198	17,026	18,104	17,606
Survivor Transition Benefit Plan	1,055	-	1,670	-
	\$ 114,392	\$ 83,761	\$ 128,003	\$ 89,889

The actual benefit payments are charged against the Fund in the period in which they are paid.

(b) Plan requiring lump sum payments - Pensioners' Insurance Plan

An actuarial valuation of the Pensioners' Insurance Plan is performed by an independent actuary every three years.

The most recent actuarial valuation of this Plan, dated as at January 1, 2002, indicates that, at that date, the actuarial liabilities amounted to \$74,931,000 and the market value of the assets amount to \$63,551,000. Therefore, there exists a funding deficiency of \$11,380,000. The interest rate actuarial assumption is 7.0% per annum.

The Plan, as at December 31, 2003, has assets reserved with a book value of \$57,059,000 (2002 - \$57,757,000).

(c) Plan requiring lump sum payments - Group Life - Part II

Employees have the option to purchase additional group life insurance coverage up to age 65. This is fully employee funded, and the value of the assets reserved at December 31, 2003 totaled \$18,744,000 (2002 - \$21,211,000).

APPENDIX “KK”

Financial Statements of

**NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND**

December 31, 2004

**NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Table of Contents
December 31, 2004**

	<u>Page</u>
Statement of Net Assets Available for Benefits	1
Statement of Changes in Net Assets Available for Benefits	2
Notes to the Financial Statements	3-6

**NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Statement of Net Assets Available for Benefits**

December 31, 2004

(in thousands of dollars)

	<u>2004</u>	<u>2003</u>
INVESTMENTS (Note 3)		
Bonds and debentures		
Federal	\$ 23,568	\$ 29,712
Provincial	85,297	88,720
Corporate	30,083	23,575
	<u>138,948</u>	<u>142,007</u>
Cash and short-term investments	6,563	8,639
	<u>145,510</u>	<u>150,646</u>
ACCRUED INTEREST	2,190	2,401
DUE FROM SPONSORING COMPANY	20,290	19,991
LONG-TERM RECEIVABLE (NOTE 3)	521	521
	<u>23,000</u>	<u>22,913</u>
TOTAL ASSETS	<u>168,510</u>	<u>173,559</u>
ACCRUED CLAIMS PAYABLE (Note 2)	(8,012)	(7,995)
NET ASSETS AVAILABLE FOR BENEFITS (Note 4)	<u>\$ 160,499</u>	<u>\$ 165,564</u>

ON BEHALF OF NORTEL NETWORKS LIMITED

NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Statement of Changes in Net Assets Available for Benefits
Year ended December 31, 2004
(in thousands of dollars)

	2004	2003
OPENING NET ASSETS AVAILABLE FOR BENEFITS	\$ 165,564	\$ 168,475
INCREASE IN NET ASSETS		
Contributions		
Sponsoring company	47,993	48,450
Employees	4,971	4,337
Investment income		
Interest	9,344	9,975
	62,308	62,762
DECREASE IN NET ASSETS		
Claims paid and accrued (Note 4)	66,874	65,023
Administration expenses	500	650
	67,374	65,673
CLOSING NET ASSETS AVAILABLE FOR BENEFITS	\$ 160,499	\$ 165,564

**NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND**
Notes to the Financial Statements
December 31, 2004

1. DESCRIPTION OF THE FUND

The Health and Welfare Trust Fund (the "Fund") was established by Nortel Networks Limited (the "Administrator") on January 1, 1980 in order to fund the employee benefits program for all eligible employees of Nortel Networks Limited and its Canadian subsidiaries (collectively, the "Company") under the following plans:

Reserved plans

- (a) Long-term Disability Plan
- (b) Survivor Income Benefit Plan
- (c) Pensioners' Insurance Plan
- (d) Employee - financed Group Life Plan (Group Life - Part II)

Paid as Incurred Plans

- (e) Dental Plan
- (f) Extended Health Plan
- (g) Survivor Transition Benefit Plan
- (h) Group Life Plan (Group Life - Part I)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Fund are:

- (a) Investments

All investments are recorded at cost. Interest income on investments is recorded on an accrual basis.

- (b) Accrued claims payable

Accruals are made for the unpaid claims incurred under the various plans to the year-end date. For experience rated plans, such as the Group Life Plans, premium expense is accrued to the year-end date and any experience gain or loss is reflected in the accounts when settled in the following calendar year. Accruals are not made for future payments in respect of claims received under benefit plans entailing a regular series of payments (Note 4(a)).

NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Notes to the Financial Statements
December 31, 2004

3. INVESTMENTS

The purpose of the Fund is to fund the employee benefits program for all eligible employees of the Company. The Company has established investment objectives and guidelines for the Fund.

The Fund's performance is subject to market and other risks. The maximum market and credit exposure of the Fund is represented by the fair value of the investments at that point in time. The fair values of the investments (excluding the insured contracts for which fair values are not readily available) as at December 31, 2004 are as follow:

	<u>2004</u>	<u>2003</u>
	<u>\$'000</u>	<u>\$'000</u>
Bonds and debentures		
Federal	\$ 31,038	\$ 36,617
Provincial	99,810	101,140
Corporate	32,038	25,734
	<u>\$ 162,885</u>	<u>\$ 163,491</u>
Cash and short-term investments	\$ 7,083	\$ 9,160

Interest rate risk refers to the adverse consequences of interest rate changes on the Fund's cash flows, financial position and income. An increase in interest rates is likely to decrease the fair value of the Fund's investments. The bonds and debentures have maturities up to June 2031 and coupon rates between 4.75% and 12.00%.

Cash and short-term investments include refundable deposits of \$200,000 (2003 - \$200,000), \$120,442 (2003 - 120,442), and 200,182 (2003- Nil) that have been deposited as security with Standard Life, Green Shield and Sun Life respectively.

NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Notes to the Financial Statements
December 31, 2004

4. FUTURE BENEFIT PAYMENTS AND RELATED RESERVES

As at December 31, 2004, the estimated value of obligations under the various benefit plans exceeded the value of reserved assets in the Fund. The funding status of the Reserved Plans and Survivor Transition Benefit Plan at year end is as follows:

(a) Plans requiring a series of benefit payments

Certain plans entail a regular series of benefit payments to a claimant. The estimated present value of the future payments anticipated to be made after December 31, 2004 in respect of claims which commenced before that date and the related value of assets reserved in the Fund are as follows:

	2004		2003	
	Present Value of Future Payments	Cost Value of Reserved Assets	Present Value of Future Payments	Cost Value of Reserved Assets
	(\$'000)		(\$'000)	
Long-term Disability Plan	\$ 104,138	\$ 73,516	\$ 102,641	\$ 72,735
Survivor Income Benefit Plan	17,068	16,490	18,198	17,026
Survivor Transition Benefit Plan	359	-	1,055	-
	\$ 121,565	\$ 90,006	\$ 121,894	\$ 89,761

The actual benefit payments are charged against the Fund in the period in which they are paid.

(b) Plan requiring lump sum payments - Pensioners' Insurance Plan

An actuarial valuation of the Pensioners' Insurance Plan is performed by an independent actuary every three years.

The most recent actuarial valuation of this Plan, dated as at January 1, 2002, indicates that, at that date, the actuarial liabilities amounted to \$74,931,000 and the market value of the assets amount to \$63,551,000. Therefore, there exists a funding deficiency of \$11,380,000. The interest rate actuarial assumption is 7.0% per annum.

The Plan, as at December 31, 2004, has assets reserved with a book value of \$53,918,000 (2003 - \$57,059,000).

(c) Plan requiring lump sum payments - Group Life - Part II

Employees have the option to purchase additional group life insurance coverage up to age 65. This is fully employee funded, and the value of the assets reserved at December 31, 2004 totaled \$16,576,000 (2003 - \$18,744,000).

APPENDIX “LL”

Financial Statements of

**NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND**

December 31, 2005

NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Table of Contents
December 31, 2005

	<u>Page</u>
Auditor's Report	1
Statement of Net Assets Available for Benefits	2
Statement of Changes in Net Assets Available for Benefits	3
Notes to the Financial Statements	4-6

Auditors' Report

To the Board of Directors of
Nortel Networks Limited

We have audited the statement of net assets available for benefits of the Nortel Networks Health and Welfare Trust Fund (the "Fund") as at December 31, 2005 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the management of Nortel Networks Limited. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit 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 financial statements present fairly, in all material respects, the net assets available for benefits of the Fund as at December 31, 2005 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

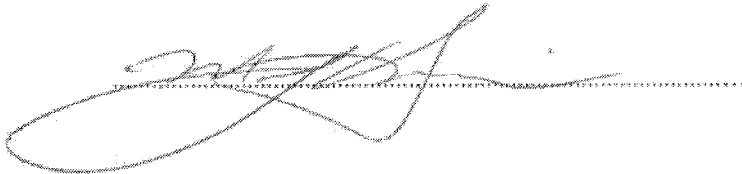
Toronto, Ontario

NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Statement of Net Assets Available for Benefits
December 31, 2005
(in thousands of dollars)

	<u>2005</u>	<u>2004</u>
INVESTMENTS (Note 3)		
Bonds and debentures		
Federal	\$ 19,471	\$ 20,573
Government Agencies	23,823	23,948
Provincial/Municipal	47,362	64,344
Corporate	22,603	30,083
	<u>113,259</u>	<u>138,948</u>
Cash (Indebtedness) and short-term investments	(548)	5,001
	<u>112,710</u>	<u>143,948</u>
ACCRUED INTEREST	1,824	2,190
DUE FROM SPONSORING COMPANY	31,121	20,290
DEPOSITS	321	521
	<u>33,266</u>	<u>23,000</u>
TOTAL ASSETS	145,976	166,948
ACCRUED CLAIMS PAYABLE (Note 2)	(6,058)	(6,450)
NET ASSETS AVAILABLE FOR BENEFITS (Note 4)	<u>\$ 139,919</u>	<u>\$ 160,499</u>

ON BEHALF OF NORTEL NETWORKS LIMITED

Mark Hamilton - Controller Canada



NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Statement of Changes in Net Assets Available for Benefits
Year ended December 31, 2005
(in thousands of dollars)

	2005	2004
OPENING NET ASSETS AVAILABLE FOR BENEFITS	\$ 160,499	\$ 165,564
INCREASE IN NET ASSETS		
Contributions		
Sponsoring company	25,544	47,993
Employees	2,131	4,971
Investment income		
Interest	11,492	9,344
	39,167	62,308
DECREASE IN NET ASSETS		
Claims paid and accrued (Note 4)	59,332	66,874
Administration expenses	415	500
	59,747	67,374
CLOSING NET ASSETS AVAILABLE FOR BENEFITS	\$ 139,919	\$ 160,499

NORTEL NETWORKS HEALTH AND WELFARE TRUST FUND

Notes to the Financial Statements

December 31, 2005

(all amounts in thousands of dollars)

1. DESCRIPTION OF THE FUND

The Health and Welfare Trust Fund (the "Fund") was established by Nortel Networks Limited (the "Administrator") on January 1, 1980 in order to fund the employee benefits program for all eligible employees of Nortel Networks Limited and its Canadian subsidiaries (collectively, the "Company") under the following plans:

Reserved plans

- (a) Long-term Disability Plan
- (b) Survivor Income Benefit Plan
- (c) Pensioners' Insurance Plan
- (d) Employee - financed Group Life Plan (Group Life - Part II)

Paid as Incurred Plans

- (e) Dental Plan
- (f) Extended Health Plan
- (g) Group Life Plan (Group Life - Part I)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Fund are:

- (a) Investments

All investments are recorded at cost, less amortized bond premiums. Interest income on investments is recorded on an accrual basis.

- (b) Accrued claims payable

Accruals are made for the unpaid claims incurred under the various plans to the year-end date. For experience rated plans, such as the Group Life Plans, premium expense is accrued to the year-end date and any experience gain or loss is reflected in the accounts when settled in the following calendar year. Accruals are not made for future payments in respect of claims received under benefit plans entailing a regular series of payments (Note 4(a)).

NORTEL NETWORKS

HEALTH AND WELFARE TRUST FUND

Notes to the Financial Statements

December 31, 2005

(all amounts in thousands of dollars)

3. INVESTMENTS

The purpose of the Fund is to fund the employee benefits program for all eligible employees of the Company.

The Fund's performance is subject to market and other risks. The maximum market and credit exposure of the Fund is represented by the fair value of the investments at that point in time. The fair values of the investments as at December 31, 2004 and 2005 are as follow:

	<u>2005</u>	<u>2004</u>
<u>Bonds and debentures</u>		
Federal	\$ 27,696	\$ 27,929
Government Agencies	25,907	36,582
Provincial/Municipal	59,512	66,336
Corporate	24,693	32,038
	<u>\$ 137,808</u>	<u>\$ 162,885</u>
Cash (Indebtedness) and short-term investments	\$ (548)	\$ 7,083

Interest rate risk refers to the adverse consequences of interest rate changes on the Fund's cash flows, financial position and income. An increase in interest rates is likely to decrease the fair value of the Fund's investments. The bonds and debentures have maturities up to June 2031 and coupon rates between 4.75% and 11.25%.

Deposits represent refundable cash advances of \$121 (2004 - \$121), \$200 (2004- \$200), and \$NIL (2004 - \$200), that have been deposited as security with Green Shield, Sun Life, and Standard Life, respectively.

NORTEL NETWORKS HEALTH AND WELFARE TRUST FUND

Notes to the Financial Statements

December 31, 2005

(all amounts in thousands of dollars)

4. FUTURE BENEFIT PAYMENTS AND RELATED RESERVES

As at December 31, 2005, the estimated value of obligations under the various benefit plans exceeded the value of reserved assets in the Fund. The funding status of the Reserved Plans at year end is as follows:

(a) Plans requiring a series of benefit payments

Certain plans entail a regular series of benefit payments to a claimant. The estimated present value of the future payments anticipated to be made after December 31, 2005 in respect of claims which commenced before that date and the related value of assets reserved in the Fund are as follows:

	2005		2004	
	Present Value of Future Payments	Book Value of Reserved Assets	Present Value of Future Payments	Book Value of Reserved Assets
Long-term Disability Plan	\$ 103,877	\$ 55,740	\$ 104,138	\$ 73,516
Survivor Income Benefit Plan	22,129	16,165	17,068	16,490
	<u>\$ 126,006</u>	<u>\$ 71,905</u>	<u>\$ 121,206</u>	<u>\$ 90,006</u>

The actual benefit payments are charged against the Fund in the period in which they are paid.

(b) Plan requiring lump sum payments - Pensioners' Insurance Plan

The most recent actuarial valuation of this Plan, dated as at September 30, 2005, indicates that, at that date, the actuarial liabilities amounted to \$138,500 and the market value of the assets amount to \$61,500. Therefore, there exists a funding deficiency of \$77,000. The interest rate actuarial assumption is 5.17% per annum.

The Plan, as at December 31, 2005, has assets reserved with a book value of \$50,953 (2004 - \$53,918).

(c) Plan requiring lump sum payments - Group Life - Part II

Employees have the option to purchase additional group life insurance coverage up to age 65. This is fully employee funded, and the book value of the assets reserved at December 31, 2005 totaled \$17,061 (2004 - \$16,575).

APPENDIX “MM”

Financial Statements of

**NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND**

December 31, 2006

NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Table of Contents
December 31, 2006

	<u>Page</u>
Statement of Net Assets Available for Benefits	1
Statement of Changes in Net Assets Available for Benefits	2
Notes to the Financial Statements	3-5

NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Statement of Net Assets Available for Benefits
December 31, 2006
(in thousands of dollars)

	2006	2005
INVESTMENTS (Note 3)		
Bonds and debentures		
Federal	\$ 19,377	\$ 19,471
Government Agencies	13,740	23,823
Provincial/Municipal	45,306	47,362
Corporate	11,772	22,603
	90,195	113,259
Cash (Indebtedness) and short-term investments	(94)	(548)
	90,101	112,711
ACCRUED INTEREST	1,471	1,824
DUE FROM SPONSORING COMPANY	42,518	31,121
DEPOSITS	-	321
	43,989	33,266
TOTAL ASSETS	134,090	145,977
ACCRUED CLAIMS PAYABLE (Note 2)	(6,107)	(6,058)
NET ASSETS AVAILABLE FOR BENEFITS (Note 4)	\$ 127,983	\$ 139,919

ON BEHALF OF NORTEL NETWORKS LIMITED

Manu Hamilton - General Counsel

[Signature]

NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Statement of Changes in Net Assets Available for Benefits
Year ended December 31, 2006
(in thousands of dollars)

	2006	2005
OPENING NET ASSETS AVAILABLE FOR BENEFITS	\$ 139,919	\$ 160,499
INCREASE IN NET ASSETS		
Contributions		
Sponsoring company	38,288	24,949
Employees	4,785	2,726
Investment income		
Interest	7,136	11,492
	50,209	39,167
DECREASE IN NET ASSETS		
Claims paid and accrued (Note 4)	61,789	59,332
Administration expenses	356	415
	62,145	59,747
CLOSING NET ASSETS AVAILABLE FOR BENEFITS	\$ 127,983	\$ 139,919

NORTEL NETWORKS HEALTH AND WELFARE TRUST FUND

Notes to the Financial Statements

December 31, 2006

(all amounts in thousands of dollars)

1. DESCRIPTION OF THE FUND

The Health and Welfare Trust Fund (the "Fund") was established by Nortel Networks Limited (the "Administrator") on January 1, 1980 in order to fund the employee benefits program for all eligible employees of Nortel Networks Limited and its Canadian subsidiaries (collectively, the "Company") under the following plans:

Reserved plans

- (a) Long-term Disability Plan
- (b) Survivor Income Benefit Plan
- (c) Pensioners' Insurance Plan
- (d) Employee - financed Group Life Plan (Group Life - Part II)

Paid as Incurred Plans

- (e) Dental Plan
- (f) Extended Health Plan
- (g) Group Life Plan (Group Life - Part I)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Fund are:

- (a) Investments

All investments are recorded at cost, less amortized bond premiums. Interest income on investments is recorded on an accrual basis.

- (b) Accrued claims payable

Accruals are made for the unpaid claims incurred under the various plans to the year-end date. For experience rated plans, such as the Group Life Plans, premium expense is accrued to the year-end date and any experience gain or loss is reflected in the accounts when settled in the following calendar year. Accruals are not made for future payments in respect of claims received under benefit plans entailing a regular series of payments (Note 4(a)).

NORTEL NETWORKS

HEALTH AND WELFARE TRUST FUND

Notes to the Financial Statements

December 31, 2006

(all amounts in thousands of dollars)

3. INVESTMENTS

The purpose of the Fund is to fund the employee benefits program for all eligible employees of the Company.

The Fund's performance is subject to market and other risks. The maximum market and credit exposure of the Fund is represented by the fair value of the investments at that point in time. The fair values of the investments as at December 31, 2005 and 2006 are as follow:

	<u>2006</u>	<u>2005</u>
<u>Bonds and debentures</u>		
Federal	\$ 26,841	\$ 27,696
Government Agencies	15,304	25,907
Provincial/Municipal	56,510	59,512
Corporate	13,354	24,693
	<u>\$ 112,009</u>	<u>\$ 137,808</u>
Cash (Indebtedness) and short-term investments	\$ (94)	\$ (548)

Interest rate risk refers to the adverse consequences of interest rate changes on the Fund's cash flows, financial position and income. An increase in interest rates is likely to decrease the fair value of the Fund's investments. The bonds and debentures have maturities up to June 2031 and coupon rates between 5.25% and 11.25%.

Deposits represent refundable cash advances of \$0 (2005 - \$121), \$0 (2005- \$200), that had been deposited as security with Green Shield and Sun Life, respectively.

NORTEL NETWORKS

HEALTH AND WELFARE TRUST FUND

Notes to the Financial Statements

December 31, 2006

(all amounts in thousands of dollars)

4. FUTURE BENEFIT PAYMENTS AND RELATED RESERVES

As at December 31, 2006, the estimated value of obligations under the various benefit plans exceeded the value of reserved assets in the Fund. The funding status of the Reserved Plans at year end is as follows:

(a) Plans requiring a series of benefit payments

Certain plans entail a regular series of benefit payments to a claimant. The estimated present value of the future payments anticipated to be made after December 31, 2006 in respect of claims which commenced before that date and the related value of assets reserved in the Fund are as follows:

	2006		2005	
	Present Value of Future Payments	Book Value of Reserved Assets	Present Value of Future Payments	Book Value of Reserved Assets
Long-term Disability Plan	\$ 100,631	\$ 47,013	\$ 103,877	\$ 55,740
Survivor Income Benefit Plan	21,760	15,550	22,129	16,165
	<u>\$ 122,391</u>	<u>\$ 62,563</u>	<u>\$ 126,006</u>	<u>\$ 71,905</u>

The actual benefit payments are charged against the Fund in the period in which they are paid.

(b) Plan requiring lump sum payments - Pensioners' Insurance Plan

The most recent actuarial valuation of this Plan, dated as at September 30, 2006, indicates that, at that date, the actuarial liabilities amounted to \$133,393 and the market value of the assets amount to \$54,888. Therefore, there exists a funding deficiency of \$78,505. The interest rate actuarial assumption is 4.78% per annum (2005 - 5.17%).

The Plan, as at December 31, 2005, has assets reserved with a book value of \$47,256 (2005 - \$50,953).

(c) Plan requiring lump sum payments - Group Life - Part II

Employees have the option to purchase additional group life insurance coverage up to age 65. This is fully employee funded, and the book value of the assets reserved at December 31, 2006 totaled \$18,165 (2005 - \$17,061).

APPENDIX “NN”

Financial Statements of

**NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND**

December 31, 2007

NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Table of Contents
December 31, 2007

	<u>Page</u>
Statement of Net Assets Available for Benefits	1
Statement of Changes in Net Assets Available for Benefits	2
Notes to the Financial Statements	3-6

NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Statement of Net Assets Available for Benefits
December 31, 2007
(in thousands of dollars)

	<u>2007</u>	<u>2006</u>
INVESTMENTS (Note 3)		
Bonds and debentures		
Federal	\$ 22,284	\$ 26,841
Government Agencies	12,993	15,304
Provincial/Municipal	55,457	56,510
Corporate	7,977	13,354
	<u>98,711</u>	<u>112,009</u>
 Cash (Indebtedness) and short-term investments	 2,719	 (94)
	<u>101,430</u>	<u>111,915</u>
 ACCRUED INTEREST	 1,232	 1,471
 DUE FROM SPONSORING COMPANY	 40,643	 42,518
	<u>41,875</u>	<u>43,989</u>
 TOTAL ASSETS	 143,305	 155,904
 ACCRUED CLAIMS PAYABLE (Note 2)	 (7,508)	 (6,107)
NET ASSETS AVAILABLE FOR BENEFITS (Note 5)	\$ 135,797	\$ 149,797

ON BEHALF OF NORTEL NETWORKS LIMITED

Wasim K. Haque

WASIM HAQUE - CONTROLLER, CANADA

NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Statement of Changes in Net Assets Available for Benefits
Year ended December 31, 2007
(in thousands of dollars)

	2007	2006
OPENING NET ASSETS AVAILABLE FOR BENEFITS	\$ 149,797	\$ 164,468
INCREASE IN NET ASSETS		
Contributions		
Sponsoring company	223	160
Employees	1,750	4,785
Investment income		
Interest	6,071	7,136
	8,044	12,081
DECREASE IN NET ASSETS		
Claims paid and accrued	19,956	23,661
Administration expenses	326	356
Unrealized Gain and Losses	1,762	2,735
	22,044	26,752
CLOSING NET ASSETS AVAILABLE FOR BENEFITS	\$ 135,797	\$ 149,797

NORTEL NETWORKS HEALTH AND WELFARE TRUST FUND

Notes to the Financial Statements

December 31, 2007

(all amounts in thousands of dollars)

1. DESCRIPTION OF THE FUND

The Health and Welfare Trust Fund (the "Fund") was established by Nortel Networks Limited (the "Administrator") on January 1, 1980 in order to fund the employee benefits program for all eligible employees of Nortel Networks Limited and its Canadian subsidiaries (collectively, the "Company") under the following plans:

Reserved plans (plans for which the Fund holds assets)

- (a) Long-term Disability Plan
- (b) Survivor Income Benefit Plan
- (c) Pensioners' Insurance Plan
- (d) Employee - financed Group Life Plan (Group Life - Part II)

Paid as Incurred Plans (to be reimbursed by Nortel Networks on an ongoing basis)

- (e) Dental Plan
- (f) Extended Health Plan
- (g) Group Life Plan (Group Life - Part I)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Fund are:

(a) Basis of presentation

Except as noted below, these financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for not-for-profit entities. As noted in Note 2(b), (c) and 4 below, the statements are presented at fair market value, with adjustments to the investments' fair value being presented as part of the Statement of Changes in Net Assets.

(b) Investments

Investments are recorded at market value, established by the closing sale price for a security on the recognized exchange on which it is principally traded. This value, together with accrued interest, approximates their market value.

NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Notes to the Financial Statements

December 31, 2007

(all amounts in thousands of dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Departure from Canadian GAAP

As of January 1, 2007 the new pronouncements from the Canadian Institute of Chartered Accountants (CICA) in respect of comprehensive income and financial instruments became effective. The application of these new standards resulted in the following insignificant difference between the Fund's statements and Canadian GAAP:

The straight line method was used instead of the effective interest method in calculating the amount of the unamortized bond premium/discount balance that needed to be written-off to equity at the beginning of the year. The statement of comprehensive income has been combined with the Statement of Changes in Net Assets Available for Benefits, in accordance with GAAP for not-for-profit entities, however that amount has been adjusted in the 2007 statements to include the amount written-off, which is not in accordance with GAAP.

(d) Financial Instruments

The CICA has issued pronouncements in respect of Financial Instruments – Disclosure and Capital Disclosure that will become effective for fiscal periods commencing after October 1, 2007. These pronouncements are concerned primarily with disclosure and the Company is assessing what impact, if any, they will have on amounts reported in its financial statements when adopted effective January 1, 2008.

(e) Accrued claims payable

Accruals are made for the unpaid claims incurred under the various plans to the year-end date. For experience rated plans, such as the Group Life Plans, premium expense is accrued to the year-end date and any experience gain or loss is reflected in the accounts when settled in the following calendar year. Accruals are not made for future payments in respect of claims received under benefit plans entailing a regular series of payments (Note 4(a)).

NORTEL NETWORKS

HEALTH AND WELFARE TRUST FUND

Notes to the Financial Statements

December 31, 2007

(all amounts in thousands of dollars)

3. INVESTMENTS

The purpose of the Fund is to fund the employee benefits program for all eligible employees of the Company.

The Fund's performance is subject to market and other risks. The maximum market and credit exposure of the Fund is represented by the fair value of the investments at that point in time. The Fair Values of the Investments are presented on the face of the financial statements. The related cost of investments, as at December 31, 2006 and 2007 are as follow (please see Note 2 (c) for departure from Canadian GAAP).

	<u>2007</u>	<u>2006</u>
<u>Bonds and debentures</u>		
Federal	\$ 15,375	\$ 20,034
Government Agencies	12,425	14,315
Provincial/Municipal	45,217	45,250
Corporate	6,786	11,741
	<u>\$ 79,803</u>	<u>\$ 91,340</u>
Cash (Indebtedness) and short-term investments	\$ 2,399	\$ (94)

Interest rate risk refers to the adverse consequences of interest rate changes on the Fund's cash flows, financial position and income. An increase in interest rates is likely to decrease the fair value of the Fund's investments. The bonds and debentures have maturities up to June 2031 and coupon rates between 5.25% and 11.25%.

4. COMPARATIVE AMOUNTS

Due to the implementation of the basis of presentation as outlaid in note 2(c) above, comparative amounts for 2006 have been materially changed to reflect current accounting methodology. 2006 investment in bonds were increased by \$21,814 to reflect the market value of these investments. 2006 "change in unrealized gains" were increased by \$2,735 to reflect the decrease, year-over-year in the "unrealized gain and losses", and the balance of \$19,086 was added to "Opening Net Assets Available for Benefits".

In addition, the comparative figures in the statement of changes in net assets has been changed to exclude from sponsor company contributions and from benefits paid the amount relating to medical, dental and company paid group life, as these are not benefits for which the Fund has assets. In 2007, the Fund changed its policy to billing the sponsor company directly for the benefits paid on its behalf rather than recording benefits paid and a matching contribution. Accordingly 2006 contributions and benefits paid were reduced by \$38,128.

APPENDIX “OO”

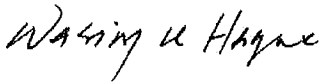
Financial Statements of

**NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND**

December 31, 2008

Management's Report

The financial statements of the Nortel Networks Health and Welfare Trust Fund have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and to file with the Company's corporate income tax returns. As such, these financial statements do not include all the necessary note disclosures required by Canadian GAAP. The financial statements are expressed in Canadian dollars, have been prepared by management from internal data and are unaudited.



Wasim Haque
Controller, Canada

Toronto, Ontario
March 25, 2009

NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Table of Contents
December 31, 2008

	<u>Page</u>
Statement of Net Assets Available for Benefits	2
Statement of Changes in Net Assets Available for Benefits	3
Notes to the Financial Statements	4-7

NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Statement of Net Assets Available for Benefits

December 31, 2008

(in thousands of dollars)

	<u>2008</u>	<u>2007</u>
INVESTMENTS (Note 3)		
Bonds and debentures		
Federal	\$ 22,384	\$ 22,284
Government Agencies	10,645	12,993
Provincial/Municipal	51,463	55,457
Corporate	4,518	7,977
	<u>89,010</u>	<u>98,710</u>
Cash (Indebtedness) and short-term investments	2,163	2,719
	<u>91,173</u>	<u>101,429</u>
ACCRUED INTEREST	1,119	1,232
GROUP LIFE INSURANCE SURPLUS ESTIMATE	1,702	-
DUE FROM SPONSORING COMPANY	37,064	40,643
	<u>39,884</u>	<u>41,875</u>
TOTAL ASSETS	131,058	143,304
ACCRUED CLAIMS PAYABLE (Note 2)	(7,741)	(7,507)
NET ASSETS AVAILABLE FOR BENEFITS (Note 4)	<u>\$ 123,317</u>	<u>\$ 135,797</u>

NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Statement of Changes in Net Assets Available for Benefits
Year ended December 31, 2008
(in thousands of dollars)

	<u>2008</u>	<u>2007</u>
OPENING NET ASSETS AVAILABLE FOR BENEFITS	\$ 135,796	\$ 149,797
INCREASE IN NET ASSETS		
Contributions		
Sponsoring company	173	223
Employees	2,066	1,750
Investment income		
Interest	7,548	6,071
	<u>9,787</u>	<u>8,044</u>
DECREASE IN NET ASSETS		
Claims paid and accrued (Note 4)	20,641	19,956
Administration expenses	324	326
Unrealized Gain and Losses	1,302	1,762
	<u>22,267</u>	<u>22,044</u>
CLOSING NET ASSETS AVAILABLE FOR BENEFITS	\$ 123,317	\$ 135,797

NORTEL NETWORKS HEALTH AND WELFARE TRUST FUND

Notes to the Financial Statements

December 31, 2008

(all amounts in thousands of dollars)

1. DESCRIPTION OF THE FUND

The Health and Welfare Trust Fund (the "Fund") was established by Nortel Networks Limited (the "Administrator") on January 1, 1980 in order to fund the employee benefits program for all eligible employees of Nortel Networks Limited and its Canadian subsidiaries (collectively, the "Company") under the following plans:

Reserved plans (plans for which the Fund holds assets)

- (a) Long-term Disability Plan
- (b) Survivor Income Benefit Plan
- (c) Pensioners' Insurance Plan
- (d) Employee - financed Group Life Plan (Group Life - Part II)

Paid as Incurred Plans (to be reimbursed by Nortel Networks on an ongoing basis)

- (e) Dental Plan
- (f) Extended Health Plan
- (g) Group Life Plan (Group Life - Part I)

NORTEL NETWORKS HEALTH AND WELFARE TRUST FUND

Notes to the Financial Statements

December 31, 2008

(all amounts in thousands of dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies of the Fund are:

(a) Basis of presentation

Except as noted below, these financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. These financial statements are prepared using the same accounting policies and methods of application as those disclosed in note 2 (a) to the Company's financial statements for the period from inception to December 31, 2008. The disclosures contained herein are incremental to, and should be read in conjunction with, those annual financial statements.

(b) Investments

Investments are recorded at market value, established by the closing sale price for a security on the recognized exchange on which it is principally traded. This value, together with accrued interest, approximates their market value.

(c) Departure from Canadian GAAP

As of January 1, 2007 the new pronouncements from the Canadian Institute of Chartered Accountants (CICA) in respect of comprehensive income and financial instruments became effective. The application of these new standards resulted in the following insignificant difference between the Fund's statements and Canadian GAAP:

While Canadian GAAP requires use of the effective interest method in calculating the amount of the unamortized bond premium/discount balance, standard practice concerning the Health and Welfare Trust has been to utilize the mark to market method.

(d) Accrued claims payable

Accruals are made for the unpaid claims incurred under the various plans to the year-end date. For experience rated plans, such as the Group Life Plans, premium expense is accrued to the year-end date and any experience gain or loss is reflected in the accounts when settled in the following calendar year. Accruals are not made for future payments in respect of claims received under benefit plans entailing a regular series of payments [Note 4(a)].

NORTEL NETWORKS

HEALTH AND WELFARE TRUST FUND

Notes to the Financial Statements

December 31, 2008

(all amounts in thousands of dollars)

3. INVESTMENTS

The purpose of the Fund is to fund the employee benefits program for all eligible employees of the Company. Management intent and historical practice has been to hold bonds to maturity.

The Fund's performance is subject to market and other risks. The maximum market and credit exposure of the Fund is represented by the fair value of the investments at that point in time. The Fair Values of the Investments are presented on the face of the financial statements. The related cost of investments, as at December 31, 2008 and 2007 are as follow (please see Note 2 (c) for departure from Canadian GAAP).

	<u>2008</u>	<u>2007</u>
<u>Bonds and debentures</u>		
Federal	\$ 14,382	\$ 15,375
Government Agencies	10,500	12,425
Provincial/Municipal	42,505	45,217
Corporate	4,018	6,786
	<u>\$ 71,405</u>	<u>\$ 79,803</u>
 <u>Cash (Indebtedness) and short-term investments</u>	 <u>\$ 2,163</u>	 <u>\$ 2,719</u>

Interest rate risk refers to the adverse consequences of interest rate changes on the Fund's cash flows, financial position and income. An increase in interest rates is likely to decrease the fair value of the Fund's investments. The bonds and debentures have maturities up to June 2031 and coupon rates between 5.25% and 11.25%.

NORTEL NETWORKS HEALTH AND WELFARE TRUST FUND

Notes to the Financial Statements

December 31, 2008

(all amounts in thousands of dollars)

4. FUTURE BENEFIT PAYMENTS AND RELATED RESERVES

As at December 31, 2008, the estimated value of obligations under the various benefit plans exceeded the value of reserved assets in the Fund. The funding status of the Reserved Plans at year end is as follows:

(a) Plans requiring a series of benefit payments

Certain plans entail a regular series of benefit payments to a claimant. The estimated present value of the future payments anticipated to be made after December 31, 2008 in respect of claims which commenced before that date and the related value of assets reserved in the Fund are as follows:

	2008		2007	
	Present Value of Future Payments	Market Value of Reserved Assets	Present Value of Future Payments	Market Value of Reserved Assets
Long-term Disability Plan	\$ 100,800	\$ 30,653	\$ 100,893	\$ 42,980
Survivor Income Benefit Plan	22,800	17,056	23,905	17,458
	<u>\$ 123,600</u>	<u>\$ 47,709</u>	<u>\$ 124,798</u>	<u>\$ 60,438</u>

The actual benefit payments are charged against the Fund in the period in which they are paid.

(b) Plan requiring lump sum payments - Pensioners' Insurance Plan

The most recent actuarial valuation of this Plan, dated as at December 31, 2008, indicates that, at that date, the actuarial liabilities amounted to \$134,559 and the market value of the assets amount to \$49,620. Therefore, there exists a funding deficiency of \$84,940. The interest rate actuarial assumption is 7.37% per annum (2007 - 5.6%).

(c) Plan requiring lump sum payments - Group Life - Part II

Employees have the option to purchase additional group life insurance coverage up to age 65. This is fully employee funded, and the market value of the assets reserved at December 31, 2008 totaled \$25,988 (2007 - \$23,421).

APPENDIX “PP”

Financial Statements of

**NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND**

December 31, 2009

NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Table of Contents
December 31, 2009

	<u>Page</u>
Statement of Net Assets Available for Benefits	2
Statement of Changes in Net Assets Available for Benefits	3
Notes to the Financial Statements	4-8

NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Statement of Net Assets Available for Benefits
As of December 31, 2009 and 2008
(in thousands of dollars)

	2009	2008
INVESTMENTS (Note 3)		
Bonds and debentures		
Federal	\$ 20,591	\$ 22,384
Government Agencies	10,451	10,645
Provincial/Municipal	40,172	51,463
Corporate	4,871	4,518
	76,085	89,010
Cash and short-term investments	3,897	2,163
	79,982	91,173
ACCRUED INTEREST	961	1,119
GROUP LIFE INSURANCE SURPLUS (Note 5)	-	1,702
EMPLOYEE CONTRIBUTIONS	92	-
DUE FROM SPONSORING COMPANY (Note 4)	1,358	37,064
	2,411	39,884
TOTAL ASSETS	82,393	131,058
ACCRUED CLAIMS PAYABLE (Note 2)	(5,967)	(7,741)
NET ASSETS AVAILABLE FOR BENEFITS	\$ 76,426	\$ 123,317

Subsequent Event (Note 1)

See accompanying notes to the Financial Statements

NORTEL NETWORKS

HEALTH AND WELFARE TRUST FUND

Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2009, with Comparative Totals for the Year End December 31, 2008

(in thousands of dollars)

	2009	2008
OPENING NET ASSETS AVAILABLE FOR BENEFITS	\$ 123,317	\$ 135,796
INCREASE IN NET ASSETS		
Contributions		
Sponsoring company	95	173
Employees	1,583	2,066
Investment income		
Interest	5,654	7,548
	7,332	9,787
DECREASE IN NET ASSETS		
Claims paid and accrued	(23,891)	(20,641)
Change in Provision - Due from Sponsoring Company	(26,985)	-
Administration expenses	(291)	(304)
Bank Fees	(13)	(20)
Unrealized Losses	(3,043)	(1,302)
	(54,223)	(22,267)
Decrease in net assets for the year	(46,891)	(12,480)
CLOSING NET ASSETS AVAILABLE FOR BENEFITS	\$ 76,426	\$ 123,317

See accompanying notes to the Financial Statements

NORTEL NETWORKS HEALTH AND WELFARE TRUST FUND

Notes to the Financial Statements

Year Ended December 31, 2009

(in thousands of dollars)

1. DESCRIPTION OF THE FUND

The Health and Welfare Trust Fund (the "Fund") was established by Nortel Networks Limited (the "Administrator") on January 1, 1980 in order to provide a funding vehicle for the employee benefits programs for all eligible employees of Nortel Networks Limited and its Canadian subsidiaries (collectively, the "Company") under the following plans:

Reserved plans (plans for which the Fund holds assets)

- (a) Long-term Disability Plan
- (b) Survivor Income Benefit Plan
- (c) Pensioners' Insurance Plan
- (d) Employee - financed Group Life Plan (Group Life - Part II)

Paid as Incurred Plans (to be reimbursed by Nortel Networks Limited on an ongoing basis)

- (e) Dental Plan
- (f) Extended Health Plan
- (g) Group Life Plan (Group Life - Part I)

The Company oversees and manages the operation and administration of the Fund. Northern Trust ("Trustee") serves as the trustee of the Fund. The Fund was established as a health and welfare trust under the Income Tax Act.

The assets of the Fund are held with the Trustee, are under its responsibility and control, and are therefore, unavailable to the creditors of the Company.

Creditor Protection Proceedings

On January 14, 2009, after extensive consideration of all other alternatives, with the unanimous authorization of the Nortel's board of directors after thorough consultation with advisors, certain Nortel entities, including Nortel Network Corporation ("NNC") and Nortel Networks Limited ("NNL"), initiated creditor protection proceedings in multiple jurisdictions under the respective restructuring regimes of Canada, the U.S., the U.K., and subsequently in Israel and France.

CCAA Proceedings

On January 14, 2009 ("Petition Date"), Nortel, NNL and certain other Canadian subsidiaries ("Canadian Debtors") obtained an initial order ("Initial Order") from the Ontario Superior Court of Justice ("Canadian Court") for creditor protection for 30 days, pursuant to the provisions of the

NORTEL NETWORKS

HEALTH AND WELFARE TRUST FUND

Notes to the Financial Statements

Year Ended December 31, 2009

(in thousands of dollars)

Companies' Creditors Arrangement Act ("CCAA"), which has since been extended to July 22, 2010 and is subject to further extension by the Canadian Court ("CCAA Proceedings"). There is no guarantee that the Canadian Debtors will be able to obtain court orders or approvals with respect to motions the Canadian Debtors may file from time to time to extend further the applicable stays of actions and proceedings against them. Pursuant to the Initial Order, the Canadian Debtors received approval to continue to undertake various actions in the normal course in order to maintain stable and continuing operations during the CCAA Proceedings.

As a consequence of the CCAA Proceedings, generally, all actions to enforce or otherwise effect payment or repayment of liabilities of any Canadian Debtor arising prior to the Petition Date and substantially all pending claims and litigation against the Canadian Debtors and their officers and directors have been stayed until July 22, 2010, or such later date as may be ordered by the Canadian Court. In addition, the CCAA Proceedings have been recognized by the United States Bankruptcy Court for the District of Delaware ("U.S. Court") as "foreign proceedings" pursuant to the provisions of Chapter 15 of the U.S. Bankruptcy Code, giving effect in the U.S. to the stay granted by the Canadian Court. A cross-border court-to-court protocol (as amended) has also been approved by the U.S. Court and the Canadian Court. This protocol provides the U.S. Court and the Canadian Court with a framework for the coordination of the administration of the Chapter 11 Proceedings (as defined below) and the CCAA Proceedings on matters of concern to both courts.

For further information on the CCAA Proceedings, see the annual report on Form 10-K of NNC for the year ended December 31, 2009.

Settlement Agreement with Former and Disabled Canadian Employee Representatives

On February 8, 2010, the Canadian Debtors reached an agreement on certain employment related matters regarding former Canadian Nortel employees, including Nortel's Canadian registered pension plans and benefits for Canadian pensioners and Nortel employees on long term disability ("LTD"). Nortel entered into a settlement agreement with court-appointed representatives of its former Canadian employees, pensioners and LTD beneficiaries, Representative Counsel, the Canadian Auto Workers' union and the Canadian Monitor ("Settlement Agreement"). The Settlement Agreement, as amended, was approved by the Canadian Court on March 31, 2010.

The Settlement Agreement provides, among other things, for the remainder of 2010, Nortel will continue to pay medical and dental benefits to Nortel pensioners and survivors and Nortel LTD beneficiaries in accordance with the current benefit plan terms and conditions. Life insurance benefits will continue unchanged until December 31, 2010 and will continue to be funded consistent with 2009 funding. Further, Nortel will pay income benefits to the LTD beneficiaries and to those receiving survivor income benefits and survivor transition benefits through December 31, 2010. The employment of the LTD beneficiaries will terminate on December 31, 2010. The parties have agreed to work toward a court-approved distribution, in 2010, of the assets of this Fund.

A charge in the maximum amount of \$57 million against the Canadian Debtors' assets will be established as security in support of the payments to be made by Nortel under the Settlement Agreement, which amount will be reduced by the amount of payments made. The Settlement Agreement also sets out the relative priority for claims to be made in respect of the deficiency in the Fund. Under the Settlement Agreement, these claims will rank as ordinary unsecured claims in the CCAA Proceedings.

NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Notes to the Financial Statements
Year Ended December 31, 2009
(in thousands of dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), with certain exceptions, primarily for the purposes of providing financial information to the beneficiaries of the Health and Welfare Trust and to support the preparation and filing of the Nortel Networks Health and Welfare Trust tax return. These financial statements are expressed in Canadian dollars, have been prepared by management from internal data and are unaudited. Subsequent events have been reflected through June 1, 2010.

(b) Investments

Investments are recorded at fair value. Fair value is the amount of the consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair value for investments in the Trust is determined by the closing sale price for a security on the recognized exchange on which it is principally traded. This value, together with accrued interest, approximates fair value.

(c) Accrued claims payable

Accruals are made for the unpaid claims incurred under the various plans to the year-end date. For experience rated plans, such as the Group Life Plans, premium expense and any expected experience gain or loss is accrued to the year-end date. Accruals are made for incurred but not reported claims ("IBNR Claims") as of the balance sheet date. The estimate is based on a study of claims during the year and is specific to the type of benefit being provided.

(d) Use of estimates

In preparing these financial statements, management must make certain estimates and assumptions which can affect the reported values of assets and liabilities. Actual results could differ from these estimates.

(e) Income recognition

Realized gains and losses on sale of investments of the Fund during the year are included in the statement of changes in net assets available for benefits as "Investment Income".

The change in the difference between fair value and the cost of the investments of the Fund at the beginning and end of each year is reflected in the statement of changes in net assets available for benefits as "Unrealized losses".

3. INVESTMENTS

NORTEL NETWORKS

HEALTH AND WELFARE TRUST FUND

Notes to the Financial Statements

Year Ended December 31, 2009

(in thousands of dollars)

The purpose of the Fund is to fund the employee benefits programs for all eligible employees of the Company.

The Fund's performance is subject to market and other risks. The maximum market and credit exposure of the Fund is represented by the fair value of the investments at that point in time. The Fair values of the Investments are presented on the face of the financial statements. While Canadian GAAP requires use of the effective interest method in calculating the amount of the unamortized bond premium/discount balance, standard practice concerning the Health and Welfare Trust has been to utilize the mark to market method, which is an insignificant difference. The related cost of investments, as at December 31, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
<u>Bonds and debentures</u>		
Federal	\$ 14,382	\$ 14,382
Government Agencies	10,500	10,500
Provincial/Municipal	32,623	42,505
Corporate	4,018	4,018
	<u>\$ 61,523</u>	<u>\$ 71,405</u>
 Cash and short-term investments	 \$ 3,897	 \$ 2,163

Interest rate risk refers to the adverse consequences of interest rate changes on the Fund's cash flows, financial position and income. An increase in interest rates is likely to decrease the fair value of the Fund's investments. The bonds and debentures have maturities up to June 2031 and coupon rates between 5.25% and 11.25%.

In response to the Settlement Agreement's term respecting distribution of assets in 2010, the Company made a decision to move the long-term bonds into shorter-term investments subsequent to December 31, 2009.

4. DUE FROM SPONSORING COMPANY

	<u>2009</u>	<u>2008</u>
Due from Sponsoring Company	\$28,343	\$37,064
Less: provision for doubtful accounts	<u>(26,985)</u>	<u>-</u>
Due from Sponsoring Company – net	<u>\$1,358</u>	<u>\$37,064</u>

The Due from Sponsoring Company gross balance of \$28,343 (\$37,064 – 2008) represents claims incurred by the Fund for Paid as Incurred Plans, as described in Note 1 above. The balance

NORTEL NETWORKS

HEALTH AND WELFARE TRUST FUND

Notes to the Financial Statements

Year Ended December 31, 2009

(in thousands of dollars)

includes \$26,985 in claims incurred and \$1,358 in IBNR claims. The gross balance decreased \$8,721 primarily as a result of \$43,389 in funding to the Fund, partially offset by \$35,510 of claims incurred.

Historically, there has been a time lag in the funding of claims incurred by the Fund which has resulted in an amount due from the Sponsoring Company. In 2005, Nortel undertook a valuation of the Fund to determine the funded status of the plans. As such, during that time it suspended contributions to the Fund for a period of 12 months, resulting in an increase in the Due from Sponsoring Company. Nortel resumed its funding of Paid as Incurred Plan claims in 2006.

As a result of the commencement of creditor protection proceedings by the Administrator, the Fund undertook an assessment of the collectability of the Due from Sponsoring Company balance. This assessment resulted in the recording of a reserve of \$26,985. The \$1,358 net balance represents IBNR Claims that, as reported, will be paid by the Administrator pursuant to the Settlement Agreement. At the instruction of Nortel management, the Trustee has filed a claim against the Administrator. This claim is a general unsecured claim, the recovery of which is dependent upon the recovery received by all other similarly situated creditors in the CCAA Proceedings.

5. GROUP LIFE INSURANCE SURPLUS

Annual financial results reflecting the actual group life experience for the plan year are prepared for the Pensioners Insurance Plan, the Employee-financed Group Life Plan (Group Life – Part II), and the Group Life Plan (Group Life – Part I). If the result is a surplus, the Fund receives a refund. If the result is a deficit, the Fund pays the deficit. At December 31, 2009, an estimated deficit for the Pensioners Insurance and Group Life – Part II Plans of \$82 is recorded in Accrued Claims Payable. At December 31, 2008, an estimated refund for these same plans of \$1,702 is recorded in Group Life Insurance Surplus.

6. FUTURE BENEFIT PAYMENTS AND RELATED RESERVES

As at December 31, 2009, the estimated present value of future obligations under the various benefit plans exceeded the value of reserved assets in the Fund. The unfunded status of the Reserved Plans at year end is shown below. Liability values are calculated using actuarial methodologies and assumptions in accordance with GAAP. Asset values include a pro rata allocation of Interest Income, Unrealized Gains/Losses, and 2009 Change in Provision based on the Plan's percent of total assets.

(a) Plans requiring a series of benefit payments

Certain plans entail a regular series of benefit payments to a claimant. The estimated present value of the future payments anticipated to be made after December 31, 2009 in respect of claims which commenced before that date and the related value of assets reserved in the Fund are as follows:

NORTEL NETWORKS
HEALTH AND WELFARE TRUST FUND
Notes to the Financial Statements
Year Ended December 31, 2009
(in thousands of dollars)

	2009		2008	
	Present	Market	Present	Market
	Value	Value of	Value	Value of
	of Future	Reserved	of Future	Reserved
	<u>Payments</u>	<u>Assets</u>	<u>Payments</u>	<u>Assets</u>
Long-term Disability Plan	\$ 103,100	\$ 15,742	\$ 100,800	\$ 30,653
Survivor Income Benefit Plan	19,600	12,105	22,800	17,056
	<u>\$ 122,700</u>	<u>\$ 27,847</u>	<u>\$ 123,600</u>	<u>\$ 47,709</u>

The interest rate assumption at December 31, 2009 and 2008 is 3.1% and 2.1% per annum, respectively. The actual benefit payments are charged against the Fund in the period in which they are paid.

(b) Plan requiring lump sum payments - Pensioners' Insurance Plan

The actuarial liability is \$128,402 and \$134,559 and the market value of the assets is \$30,673 and \$49,620 at December 31, 2009 and 2008, respectively. Therefore, there exists a deficit of \$97,729 and \$84,940 at December 31, 2009 and 2008, respectively. The interest rate actuarial assumption at December 31, 2009 and 2008 is 6.09% and 7.37% per annum, respectively.

(c) Plan requiring lump sum payments - Group Life - Part II

Employees have the option to purchase additional group life insurance coverage up to age 65. This is fully employee funded, and the market value of the assets reserved at December 31, 2009 and 2008 totaled \$17,906 and \$25,988, respectively.

APPENDIX “QQ”

APPENDIX "QQ"

Summary re: HWT Financial Statements

Below is a summary from the years in which certain notes to the HWT financial statements first appeared.

1982 HWT Financial Statements

1. The 1982 financial statements disclose total assets of \$20,293,378 (including an account receivable, from the plan sponsor, of \$2,488,576), total claims paid and accrued of \$9,401,497, employer contributions of \$6,746,553 and employee contributions of \$2,329,359.
2. Relevant notes are:
 - (a) Note 1 describes the Fund as providing a "self-insured employee benefits program" and lists seven components, being: a Dental Plan, Extended Health Plan, Long-Term Disability Plan, Survivor Income Benefit Plan, Survivor Transition Benefit Plan, Group Life Plan and Pensioners' Insurance Plan.
 - (b) Note 2 states in part that:

Accruals have been made for the claims received, under the various plans, up to January 31 but which relate to the year ended December 31. Accruals are not made for future payments in respect of claims received under benefit plans entailing a regular series of payments (see Note 3).
 - (c) Note 3 states that:

Several of the benefit plans entail a regular series of benefit payments to a claimant. The estimated present value of the future payments anticipated to be made after December 31, 1982 in respect of claims which commenced before that date is as follows:

Survivor Income Benefit	\$2,270,000
Survivor Transition Benefit	866,000
Long-Term Disability	2,967,000
	<hr/>
	\$6,123,000
	<hr/>

The actual benefit payments will be charged against the Fund in the period in which they are payable.

1986 HWT Financial Statements

3. The 1986 financial statements disclose net assets of \$46,895,126 (including \$15,390,909 "due from sponsoring corporations"), total claims paid and accrued of \$20,743,397, employer contributions of \$24,805,144 and employee contributions of \$3,568,373. A chart showing the receivables and amounts due from sponsoring corporations is attached as Appendix "RR".

4. The notes to the 1986 financial statements differ from the 1982 financial statements:

(a) Note 1 distinguishes between two categories of benefit plan: (i) "Reserved Plans" (Long-term Disability Plan, Survivor Income Benefit Plan, Pensioners' Insurance Plan and employee-financed Group Life Plan (Group Life - Part II)); and (ii) "Paid as Incurred Plans" (Dental Plan, Extended Health Plan, Survivor Transition Benefit Plan and Group Life Plan (Group Life - Part I)).

(b) Note 4 states:

(a) Plans requiring a series of benefit payments

Certain plans entail a regular series of benefit payments to a claimant. The estimated present value of the future payments anticipated to be made after December 31, 1986 in respect of claims which commenced before that date and the related value of assets reserved in the Fund are as follows:

	<u>Present value of future payments</u>	<u>Value of reserves</u>
Long-term Disability Plan	\$10,665,874	\$9,292,138
Survivor Income Benefit Plan	9,059,300	8,486,566
Survivor Transition Benefit Plan	1,881,269	-
	<u>\$21,606,443</u>	<u>\$17,778,704</u>

The actual benefit payments are charged against the Fund in the period in which they are payable.

(b) Plans requiring lump sum payments - Pensioners' Insurance Plan

An actuarial valuation of the Pensioners' Insurance Plan is performed by an independent actuary every three years. The most recent actuarial valuation of the plan, dated as at December 31, 1983, indicates that, at that date, the present value of liabilities exceeded the present value of assets

reserved for this plan by approximately \$6.7 million assuming an 8% rate of return. Management estimates that the present value of liabilities under the plan as at December 31, 1986 was \$28,244,000. The corresponding value of the asset reserve at that time was \$25,144,897.

(c) Plans requiring lump sum payments – Group Life – Part II

On a voluntary basis, employees have the option to purchase additional group life insurance coverage up to age 65. This is fully employee funded, and the reserves at December 31, 1986 totalled \$3,971,525.

HWT Financial Statements from 1987 through 2002

5. The dollar figures differ but the notes are substantially the same as in 1986 (other than 1989 where there are no notes).

HWT Financial Statements from 2003 through 2008

6. In this period the dollar figures differ and starting in 2005, there is no reference to STBs. The notes are otherwise substantially the same. The relevant ones being referred to below are taken from the 2008 financial statement:

(a) The significant accounting treatment under “Accrued Claims Payable”:

Accruals are made for the unpaid claims incurred under the various plans to the year-end date. For experience rated plans, such as the Group Life Plans, premium expense is accrued to the year-end date and any experience gain or loss is reflected in the accounts when settled in the following calendar year. Accruals are not made for future payments in respect of claims received under benefit plans entailing a regular series of payments. (section 2(d))

(b) Note 4(a) on page 7 provides:

Future Benefit Payments and Related Reserves

As at December 31, 2008, the estimated value of obligations under the various benefit plans exceeded the value of reserved assets in the Fund. The funding status of the Reserved Plans at year end is as follows:

(a) Plans requiring a series of benefit payments:

Certain plans entail a regular series of benefit payments to a claimant. The estimated present value of the future payments anticipated to be made

after December 31, 2008 in respect of claims which commenced before that date and the related value of assets reserved in the Fund are as follows:

[A table summarizing the Long Term Disability Plan and the Survivor Income Benefit Plan [and for 2003 and 2004 the Survivor Transition Benefit Plan], present value of future payments and market value of reserved assets for 2008. The Long Term Disability Plan present value of future payments in 2008 was \$100,800,000 and the present value of future Survivor Income Benefit Plan future payments was \$22,800,000.]

The actual benefit payments are charged against the Fund in the period in which they are paid.

(b) Plan requiring lump sum payments – Pensioners’ Insurance Plan

The most recent actuarial valuation of this Plan, dated as at December 31, 2008, indicates that, at that date, the actuarial liabilities amounted to \$134,559 and the market value of the asset amount to \$49,620. Therefore, there exists a funding deficiency of \$84,940. The interest rate actuarial assumption is 7.37% per annum (2007 – 5.6%).

(c) Plan requiring lump sum payments – Group Life – Part II

Employees have the option to purchase additional group life insurance coverage up to age 65. This is fully employee funded, and the market value of the assets reserved at December 31, 2008 totaled (sic) \$25,988 (2007 – \$23,421).

The 2009 HWT Financial Statements

7. The 2009 financial statements disclose cash and investments of \$79,982,000, net assets available for benefits of \$76,426,000, total claims paid and accrued of \$23,891,000, employer contributions of \$95,000 and employee contributions of \$1,583,000. For purposes of the 2009 financial statements, certain amounts are included in cash and investments that were excluded from the \$78 million reported in the Thirty-Ninth Report. These amounts predominantly related to stale-dated cheques.

8. The notes to the 2009 financial statements explain the history of the due from sponsoring company amount as follows:

Historically, there has been a time lag in the funding of claims incurred by the Fund which has resulted in an amount due from the Sponsoring Company. In 2005, Nortel undertook a valuation of the Fund to determine the funded status of the plans. As such, during that time it suspended contributions to the Fund for a period of 12 months, resulting in an increase in the Due from Sponsoring Company. Nortel resumed its funding of Paid as Incurred Plan claims in 2006.

9. The notes to the 2009 financial statements also refer to the cross rating of the group life insurance policies as follows:

Annual financial results reflecting the actual group life experience for the plan year are prepared for the Pensioners Insurance Plan, the Employee-financed Group Life Plan (Group Life – Part II), and the Group Life Plan (Group Life – Part I). If the result is a surplus, the Fund receives a refund. If the result is a deficit, the Fund pays the deficit. At December 31, 2009, an estimated deficit for the Pensioners Insurance and Group Life – Part II Plans of \$82 is recorded in Accrued Claims Payable. At December 31, 2008, an estimated refund for these same plans of \$1,702 is recorded in Group Life Insurance Surplus.

APPENDIX “RR”

APPENDIX “RR”

Health & Welfare Trust Fund Debt Due from Sponsoring Company(ies) as shown on the HWT financial statements

Year	Amount (\$)
1981	3,615,003
1982	2,488,576
1983	3,530,315
1984	5,851,282
1985	7,575,941
1986	15,390,909
1987	12,470,788
1988	14,907,132
1989	16,232,000
1990	15,127,000
1991	14,500,000
1992	17,622,000
1993	24,550,000
1994	22,401,000
1995	21,666,000
1996	27,771,000
1997	32,213,000
1998	33,756,000
1999	34,706,000
2000	29,697,000
2001	29,825,000
2002	27,759,000
2003	19,991,000
2004	20,290,000
2005	31,121,000
2006	42,518,000 ¹
2007	40,643,000

¹ As reported in the notes to the 2009 HWT financial statements, in 2005 Nortel undertook a valuation of the fund to determine the funded status of the plans. Nortel suspended contributions to the HWT for a 12 month period over 2005 and 2006, resulting in an increase in the Due from Sponsoring Company amount.

Year	Amount (\$)
2008	37,064,000
2009	1,358,000 ²

² Note 4 of the 2009 HWT financial statements shows an amount due from sponsoring company of \$28,343,000, against which a provision for doubtful accounts of \$26,985,000 has been taken. The \$1,358,000 net balance represents IBNR claims that, as reported, will be paid by the administrator pursuant to the Settlement Agreement.