management's report

Management is responsible to the Board of Directors for the preparation of the consolidated financial statements of the Company and its subsidiaries. These statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles and necessarily include some amounts based on estimates and judgements. Financial information presented elsewhere in this annual report is consistent with that in the consolidated financial statements.

The Company maintains a system of internal control that provides management with reasonable assurance that assets are safeguarded and that reliable financial records are maintained. This system includes written policies and procedures, an organizational structure that segregates duties and a comprehensive program of periodic audits by the internal auditors. The Company has also instituted policies and guidelines that require employees to maintain the highest ethical standards.

The external auditors of the Company, Arthur Andersen LLP, have been appointed by the shareholders to express an opinion as to whether these consolidated financial statements present fairly the Company's consolidated financial position and operating results in accordance with Canadian Generally Accepted Accounting Principles. Their report follows.

The Board of Directors has reviewed and approved these consolidated financial statements. To assist the Board in meeting its responsibility, it has appointed an audit committee that is composed entirely of outside directors. The committee meets periodically with management, the internal auditors and the external auditors to review internal controls, audit results and accounting principles and practices. The committee's terms of reference are available, on request, to shareholders.

Robert McFarlane
Executive Vice-President
and Chief Financial Officer

auditors' report

To the Shareholders of TELUS Corporation

We have audited the consolidated balance sheets of TELUS Corporation as at December 31, 2001 and 2000 and the consolidated statements of income, retained earnings and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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 consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles. As required by the British Columbia Companies Act, we report that, in our opinion, these principles have been applied on a consistent basis.

Arthur Andersen LLP

Arthur Andersen, LLP
Chartered Accountants
Vancouver, B.C.
February 4, 2002

consolidated statements of income

Years Ended December 31 *(millions)*	2001	2000
OPERATING REVENUES	**$ 7,202.6**	$ 6,106.4
OPERATING EXPENSES		
Operations	**4,673.0**	3,792.1
Depreciation and amortization	**1,383.3**	1,157.4
Amortization of acquired intangible assets	**110.9**	24.6
Restructuring costs (Note 5)	**198.4**	—
	6,365.6	4,974.1
OPERATING INCOME FROM CONTINUING OPERATIONS	**837.0**	1,132.3
Other income (expense), net	**17.0**	(8.7)
Financing costs (Note 6)	**624.5**	273.3
Refinancing charge from debt restructuring	**96.5**	—
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES, NON-CONTROLLING INTEREST AND GOODWILL AMORTIZATION	**133.0**	850.3
Income taxes (Note 7)	**93.4**	431.9
INCOME FROM CONTINUING OPERATIONS BEFORE NON-CONTROLLING INTEREST AND GOODWILL AMORTIZATION	**39.6**	418.4
Non-controlling interest	**3.6**	8.7
INCOME FROM CONTINUING OPERATIONS BEFORE GOODWILL AMORTIZATION	**36.0**	409.7
Goodwill amortization	**174.8**	23.4
INCOME (LOSS) FROM CONTINUING OPERATIONS	**(138.8)**	386.3
Discontinued operations (Note 8)	**592.3**	74.7
NET INCOME	**453.5**	461.0
Preference and preferred share dividends	**3.5**	3.5
Interest on convertible debentures	**7.0**	1.5
COMMON VOTING SHARE AND NON-VOTING SHARE INCOME	**$ 443.0**	$ 456.0
INCOME (LOSS) PER COMMON SHARE ($) – BASIC AND DILUTED (NOTES 3(c), 9)		
Common share income (loss) – basic		
Continuing operations	**(0.51)**	1.55
Discontinued operations	**2.02**	0.30
Net income	**1.51**	1.85
Common share income (loss) – diluted		
Continuing operations	**(0.51)**	1.54
Discontinued operations	**2.02**	0.30
Net income	**1.51**	1.84
DIVIDENDS DECLARED PER COMMON VOTING SHARE AND NON-VOTING SHARE ($)	**1.20**	1.40
WEIGHTED AVERAGE COMMON SHARES INCLUDING NON-VOTING SHARES OUTSTANDING (MILLIONS) – BASIC	**294.2**	247.0
– DILUTED	**294.2**	247.9

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

consolidated statements of retained earnings

Years Ended December 31 *(millions)*	2001	2000
BALANCE AT BEGINNING OF YEAR	**$ 1,563.4**	$ 1,457.5
Net income	**453.5**	461.0
	2,016.9	1,918.5
Less – Common voting share and non-voting share dividends paid in cash	**247.2**	349.5
– Common voting share and non-voting share dividends reinvested in shares issued from Treasury	**104.6**	—
– Preference and preferred share dividends	**3.5**	3.5
– Interest on convertible debentures (Note 16(i))	**7.0**	1.5
– Other	**(0.2)**	0.6
BALANCE AT END OF YEAR	**$ 1,654.8**	$ 1,563.4

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

consolidated balance sheets

As At December 31 *(millions)*	**2001**	2000
ASSETS		
Current Assets		
Cash and temporary investments	**$ 17.1**	$ 100.2
Accounts receivable (Note 10)	**972.1**	1,008.5
Income taxes receivable	**7.1**	3.0
Inventories	**118.6**	151.7
Current portion of future income taxes	**147.0**	251.2
Prepaid expenses and other	**180.7**	290.0
	1,442.6	1,804.6
Capital Assets, Net (Note 11)	**12,759.8**	11,531.0
Other Assets		
Deferred charges (Note 12)	**685.2**	329.7
Future income taxes	**996.9**	1,024.4
Investments	**56.4**	17.9
Leases receivable	**—**	80.5
Goodwill (Note 2(f))	**3,320.9**	3,257.2
Other	**3.8**	1.2
	5,063.2	4,710.9
	$ 19,265.6	$ 18,046.5
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 1,273.9**	$ 1,295.0
Dividends payable	**45.5**	100.9
Advance billings and customer deposits	**310.8**	265.1
Short-term obligations (Note 13)	**229.9**	5,033.3
	1,860.1	6,694.3
Long-term Debt (Note 14)	**8,651.4**	3,047.3
Future Income Taxes	**1,326.6**	1,462.7
Other Long-term Liabilities (Note 15)	**440.6**	349.5
Non-controlling Interest	**—**	74.3
Shareholders' Equity (Note 16)		
Common equity	**6,767.6**	6,199.1
Convertible debentures	**149.6**	149.6
Preference and preferred shares	**69.7**	69.7
	6,986.9	6,418.4
	$ 19,265.6	$ 18,046.5

Commitments and Contingent Liabilities (Note 17)

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

Approved by the Directors:

Director:

Iain J. Harris

Director:

Brian A. Canfield

consolidated statements of cash flows

Years Ended December 31 *(millions)*	2001	2000
OPERATING ACTIVITIES		
Income (Loss) from continuing operations	**$ (138.8)**	$ 386.3
Items not affecting cash:		
Depreciation and amortization	**1,494.2**	1,182.0
Goodwill amortization	**174.8**	23.4
Future income taxes (Note 7)	**(167.1)**	134.0
Gain on redemption of long-term debt	**(65.9)**	—
Asset write-off related to restructuring	**30.5**	—
Refinancing charge from debt restructuring	**96.5**	—
Deferred pension costs	**(91.2)**	(78.5)
Other, net	**(9.2)**	23.6
Operating cash flow	**1,323.8**	1,670.8
Provision for future restructuring costs, net of cash payments	**77.8**	—
Operating cash flow adjusted for restructuring costs	**1,401.6**	1,670.8
Net change in non-cash working capital from continuing operations (Note 18(a))	**31.9**	(150.7)
Operations and net change in non-cash working capital from discontinued operations (Note 18(b))	**(34.9)**	97.7
Cash provided by operating activities	**1,398.6**	1,617.8
INVESTING ACTIVITIES		
Capital expenditures	**(2,249.4)**	(1,441.3)
Purchase of spectrum	**(355.9)**	—
Acquisitions, net of cash acquired (Note 4)	**(375.4)**	(2,464.0)
Proceeds from the sale of property (Note 19)	**228.4**	96.9
Proceeds from divestitures (Note 8)	**939.6**	—
Investments, net	**(33.2)**	(2.1)
Other	**24.6**	(20.6)
Cash used by investing activities	**(1,821.3)**	(3,831.1)
FINANCING ACTIVITIES		
Common voting shares and non-voting shares issued	**103.1**	14.4
Dividends to shareholders	**(325.2)**	(335.7)
Long-term debt issued	**7,152.1**	234.9
Redemptions of long-term debt	**(1,878.3)**	(1,764.8)
Sinking fund withdrawals	**—**	109.5
Change in short-term obligations	**(4,733.3)**	4,112.4
Other	**21.2**	(24.9)
Cash provided by financing activities	**339.6**	2,345.8
CASH POSITION		
Increase (decrease) in cash and cash equivalents	**(83.1)**	132.5
Cash and temporary investments (bank indebtedness), beginning of year	**100.2**	(32.3)
Cash and temporary investments, end of year	**$ 17.1**	$ 100.2
SUPPLEMENTAL DISCLOSURE		
Interest paid	**$ 591.7**	$ 234.5
Income taxes paid	**$ 342.2**	$ 291.0

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

December 31, 2001

1. ACCOUNTING ENTITY

Effective January 1, 2000, BCT.TELUS Communications Inc. and TELUS Corporation changed their names to TELUS Corporation (TELUS) and TELUS Holdings Inc., respectively. TELUS Holdings Inc. was subsequently wound-up into its parent, TELUS Corporation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and in conformity with prevailing practices in the Canadian telecommunications industry.

The preparation of 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The term "Company" is used to mean TELUS Corporation and where the context of the narrative permits or requires, its subsidiaries.

(a) Consolidation

The consolidated financial statements include the accounts of the Company and all of the Company's subsidiaries, of which the principal ones are TELUS Communications Inc. (including the former TELUS Communications (B.C.) Inc. and TELUS Mobility Cellular Inc.), Clearnet Inc. (formerly Clearnet Communications Inc.), TELUS Enterprise Solutions Inc. (formerly ISM Information Systems Management (B.C.) Corporation), TELUS Services Inc., TELUS Québec Inc., TELUS National Systems Inc. and Telecom Leasing Canada (TLC) Limited (see Note 8).

(b) Revenue Recognition

The Company recognizes revenues on the accrual basis and includes an estimate of revenues earned but unbilled. Wireline and wireless service revenues are recognized based upon usage of the Company's network and facilities and upon contract fees. The Company recognizes product, including wireless handsets sold to re-sellers, and other service revenues when the products are delivered and accepted by the customers and when the related services are provided in accordance with contract terms.

Advance billings are recorded when cash payments have been received prior to rendering of the associated service; such advance billings are recognized as revenue in the period in which the services are provided. Similarly, upfront customer activation and installation fees and wireless handset revenues arising from sales to end-users, along with the corresponding direct costs not in excess of the revenues, are deferred and recognized over the average expected term of the customer relationship.

(c) Depreciation and Amortization

Assets are depreciated on a straight-line basis over their estimated useful life as determined by a continuing program of studies. The composite depreciation rate for the year ended December 31, 2001 was 7.7% (2000 – 7.5%).

Acquired intangible assets are amortized on a straight-line basis over their estimated lives. The spectrum licences and wireline subscriber bases are amortized over 40 years and wireless subscriber bases are amortized over 7 to 10 years (see Note 3(a)).

(d) Translation of Foreign Currencies

Trade transactions completed in foreign currencies are translated into Canadian dollars at the rates prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into equivalent Canadian dollars at the rate of exchange in effect at the balance sheet date with any resulting gain or loss being included in the Consolidated Statements of Income (see Note 3(b)).

(e) Income Taxes

The Company and its subsidiaries follow the liability method of accounting for income taxes. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes that are more likely than not to be realized.

(f) Goodwill

Goodwill represents the excess of the cost of acquired businesses over the fair value attributed to the net identifiable assets. Goodwill is being amortized on a straight-line basis over 5 to 20 years (see Note 3(a)).

(g) Cash and Temporary Investments

Cash and temporary investments include investments in money market instruments, which are purchased three months or less from maturity.

(h) Inventories

The Company's inventory consists primarily of wireless handsets, parts and accessories and communications equipment held for resale. Inventories are valued at the lower of cost and net realizable value, with cost being determined on an average cost basis.

(i) Capital Assets

Property is recorded at historical cost and, with respect to self-constructed property, includes materials, direct labour and applicable overhead costs. In addition, where construction projects exceed $20 million and are of a sufficiently long duration, an amount is capitalized for the cost of funds used to finance construction (see Note 6). The rate for calculating the capitalized financing costs is based on the Company's one-year cost of borrowing.

When property, plant and equipment is sold by the Company, the historical cost less accumulated depreciation is netted against the sale proceeds and the difference is included in other income (expense).

(j) Leases

Leases are classified as capital or operating depending upon the terms and conditions of the contracts.

Where the Company is the lessee, asset values recorded under capital leases are amortized on a straight-line basis over the period of expected use. Obligations recorded under capital leases are reduced by lease payments net of imputed interest.

Revenue from operating leases of equipment is recognized when service is rendered to customers. The leased equipment is depreciated in accordance with the Company's depreciation policy.

Prior to exiting the equipment leasing business conducted through its subsidiary (see Note 8), Telecom Leasing Canada (TLC) Limited, in 2001, the Company acted as a financing intermediary in situations where TELUS was the lessor. The long-term leases receivable represented the present value of future lease payments receivable due beyond one year. Finance income derived from these financing leases was recorded so as to produce a constant rate of return over the terms of the leases.

(k) Other Long-term Liabilities – Individual Line Service Program

Included in Other Long-term Liabilities are contributions from the Government of Alberta under the Individual Line Service program, which are recognized as income on a straight-line basis over the estimated useful life of the related assets. The amount to be recognized as income within one year is included with Advance Billings and Customer Deposits in the Consolidated Balance Sheets.

(l) Employee Benefit Plans

The Company accrues its obligations under employee benefit plans and the related costs, net of plan assets, specifically:

- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method pro rated on service and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees.
- For the purpose of calculating the expected return on plan assets, those assets are valued at fair value.
- The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligation and the fair value of the plan assets is amortized over the average remaining service period of active employees of the plan.

(m) Financial Instruments

The Company's financial instruments consist of cash and temporary investments, accounts receivable, leases receivable, bank indebtedness, accounts payable, dividends payable, short-term obligations, long-term debt, interest rate swaps, foreign exchange hedges and convertible debentures.

The carrying value of cash and temporary investments, bank indebtedness, accounts receivable, leases receivable, accounts payable, dividends payable and short-term obligations approximates their fair values due to the immediate or short-term maturity of these financial instruments. The fair value of the Company's long-term debt and convertible debentures are estimated based on quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same maturity as well as the use of discounted future cash flows using current rates for similar financial instruments subject to similar risks and maturities. As at December 31, 2001 the estimated fair value of long-term debt exceeded the carrying value by approximately $328.4 million (2000 – $206.6 million).

The Company is exposed to interest rate risk arising from fluctuations in interest rates on its temporary investments, short-term obligations and long-term debt.

The Company uses various financial instruments, which are not reflected on the balance sheets, to reduce or eliminate exposure to interest rate and currency risks, and as part of structured financing. These instruments are accounted for on the same basis as the underlying exposure being hedged. At December 31, 2001, the total notional amount of derivative financial instruments outstanding was $5,280.6 million (2000 – $3,968.3 million). The majority of these instruments, which were newly added during 2001, pertained to TELUS' U.S. Dollar borrowing and the instruments in place to cover the interest and currency risks of the acquired companies. The fair market value of these instruments at December 31, 2001 was $7.5 million less than their carrying value (2000 – $66.7 million). Use of these instruments is subject to a policy which requires that no derivative transaction be effected for the purpose of establishing a speculative or a levered position and sets criteria for the credit worthiness of the transaction counterparties.

The Company is exposed to credit risk with respect to its short-term deposits. Credit risk is minimized substantially by ensuring that these financial assets are placed with governments, well-capitalized financial institutions and other creditworthy counterparties. An ongoing review is performed to evaluate changes in the status of counterparties.

The Company is exposed to credit risk with respect to its accounts and leases receivable, however, this is minimized by the Company's large customer base which covers all consumer and business sectors in Canada. The Company follows a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary. The Company maintains provisions for potential credit losses, and any such losses to date have been within management's expectations.

3. CHANGES IN ACCOUNTING POLICIES

(a) Intangible Assets and Goodwill

Commencing with the Company's 2002 fiscal year, the new recommendations of the Canadian Institute of Chartered Accountants (CICA) for intangible assets with an indefinite life and goodwill will apply. Rather than being systematically amortized, the carrying value of these items will be periodically tested for impairment. The frequency of the impairment testing generally would be the reciprocal of the stability of the relevant events and circumstances, but intangible assets with indefinite lives must be tested at least annually.

Both retroactive application and/or early adoption of these new principles are prohibited. Intangible assets with indefinite lives and goodwill are to be tested for impairment as at January 1, 2002. Should an impairment amount (the "transitional impairment amount") arise from the January 1, 2002 test, it would be recorded in the first quarter of 2002 to the extent it arose from intangible assets with indefinite lives and subsequent to the first quarter to the extent it arose from goodwill. Any such transitional impairment amount arising is considered to arise from a change in accounting policy and will be charged directly to opening retained earnings. The Company is currently assessing its intangible assets with indefinite lives and its goodwill.

In accordance with the new requirements, goodwill arising from business acquisitions subsequent to June 30, 2001 has not been amortized.

(b) Translation of Foreign Currencies

During the fourth quarter of 2001, the Company adopted the new recommendations of the CICA dealing with gains and losses arising from translation of non-current monetary assets and liabilities denominated in a foreign currency (CICA Handbook Section 1650). The accounting change was applied on a retroactive basis and resulted in no material change.

(c) Earnings Per Share

On January 1, 2001, the Company adopted the new recommendations of the CICA dealing with the calculation and reporting of earnings per share (CICA Handbook Section 3500). The accounting change was applied on a retroactive basis and resulted in a $0.01 decrease in the diluted earnings per share in 2000.

(d) Employee Future Benefits

On January 1, 2000, the Company adopted the new recommendations of the CICA dealing with accounting for employee future benefits (CICA Handbook Section 3461). The accounting change was applied on a prospective basis and the impact of the change was a reduction in operating expenses of approximately $58 million for the year ended December 31, 2000.

4. BUSINESS ACQUISITIONS

During the year, the Company made the following acquisitions:

- On October 12, 2001, the Company acquired PSINet's Canadian operations for fair market value of $139.9 million including acquisition costs. The total purchase price was comprised of cash. The transaction has been accounted for as an asset purchase except for the acquisition of shares in CADVision Development Corporation which was accounted for by the purchase method which resulted in the creation of $5.5 million of goodwill on the Consolidated Balance Sheets (see Note 3(a)). Effective October 12, 2001 onwards, 100% of PSINet's and CADVision's results are included in the Company's Consolidated Statements of Income. At the purchase date, the following net assets were acquired:

(millions)		
Total identifiable assets	$	138.0
Total liabilities		3.6

- On July 4, 2001, the Company acquired 100% of the outstanding shares of Arqana Technologies Inc., an information technology infrastructure services provider, for fair market value of $12.1 million including acquisition costs. The total purchase price was comprised of cash. The transaction has been accounted for using the purchase method, resulting in the creation of $11.0 million of goodwill on the Consolidated Balance Sheets (see Note 3(a)). In addition to the recorded purchase price of this acquisition, there is a total of $9.0 million of contingent consideration which would become payable upon Arqana meeting financial targets. Effective July 4, 2001 onwards, 100% of Arqana's results are included in the Company's Consolidated Statements of Income. At the purchase date, the following net assets were acquired:

(millions)		
Total identifiable assets	$	11.4
Total liabilities		10.3

- On June 1, 2000, the Company acquired 70% of the outstanding shares of TELUS Québec Inc., (formerly the QuébecTel Group), a telecommunications company, from Verizon Communications Inc., a significant shareholder, for $584.4 million cash including acquisition costs. On June 29, 2001, the Company acquired all of the remaining 30% externally-held shares of TELUS Québec Inc., from Verizon Communications Inc., a significant shareholder, for $285.0 million including acquisition costs. The June 29, 2001 purchase consideration comprised $124.9 million of cash and $160.1 million of TELUS non-voting shares. The transactions have been accounted for using the purchase method, resulting in the creation of $276.5 million and $142.4 million, respectively, of goodwill on the Consolidated Balance Sheets, which is being amortized over a period of 20 years (see Note 3(a)). Effective June 1, 2000 onwards, TELUS Québec Inc.'s results are included in the Company's Consolidated Statements of Income. At the purchase dates, the following net assets were acquired:

(millions)	June 1, 2000	June 29, 2001
Total identifiable assets	$ 806.0	$ 282.6
Total liabilities	431.0	140.0
Non-controlling interest	67.1	—

- The Company acquired 100% of the outstanding shares of Daedalian eSolutions Inc., an e.business solutions company (June 21, 2001), Williams Communications Canada Inc., a national data network company (May 31, 2001), and Columbus Group Communications Inc., an Internet professional services company (April 4, 2001) for a total of $94.0 million including acquisition costs. The total purchase consideration comprised of $67.1 million cash and $26.9 million of TELUS non-voting shares. The transactions have been accounted for using the purchase method, resulting in the creation of $51.2 million of goodwill on the Consolidated Balance Sheets, which is being amortized over periods ranging from 5 to 10 years (see Note 3(a)). In addition to the recorded purchase price of these acquisitions, there is a total of $1.7 million of contingent consideration which may be payable depending on revenues earned in the acquired companies and certain other criteria. Effective from the purchase dates onwards, the results of these acquisitions are included in the Company's Consolidated Statements of Income. At the purchase dates, the following total net assets were acquired:

(millions)		
Total identifiable assets	$	79.4
Total liabilities		36.6

- Effective October 19, 2000, the Company acquired 100% of the outstanding shares of Clearnet Communications Inc., a telecommunications company providing wireless communications services, for $4,133.0 million including acquisition costs. The purchase consideration comprised of $2,179.0 million cash and $1,954.0 million of TELUS non-voting shares. The transaction has been accounted for using the purchase method, resulting in the creation of $2,971.6 million of goodwill on the Consolidated Balance Sheets, which is being amortized over a period of 20 years (see Note 3(a)). Effective October 20, 2000 onwards, Clearnet's results are included in the Company's Consolidated Statements of Income. At the purchase date, the following net assets were acquired:

(millions)		
Total identifiable assets	$	5,975.8
Total liabilities		4,814.4

- On August 17, 2000, the Company acquired all of the remaining 25% externally held shares of TELUS Enterprise Solutions Inc. (formerly ISM Information Systems Management (B.C.) Corporation), an information technology company, for $12.9 million cash including acquisition costs. The transaction has been accounted for using the purchase method, resulting in the creation of $9.7 million of goodwill on the Consolidated Balance Sheets which is being amortized over a period of 10 years (see Note 3(a)). Effective August 17, 2000 onwards, 100% of TELUS Enterprise Solution Inc.'s results are included in the Company's Consolidated Statements of Income. At the purchase date, the following net assets were acquired:

(millions)		
Total identifiable assets	$	30.6
Total liabilities		27.4

5. RESTRUCTURING COSTS

A restructuring charge of $198.4 million was recorded in the first quarter of 2001 representing the expected costs to complete merger-related restructuring activities in TELUS Mobility and reorganization costs for TELUS Communications. The amount was comprised of $167.9 million for operational costs and $30.5 million represented asset related write-offs. In the Consolidated Statements of Cash Flows, the provision for future cash restructuring costs was presented net of current payments of $71.9 million and current income taxes recoverable of $18.2 million which were included in net change in non-cash working capital from continuing operations.

Approximately one-half of this charge was related to integration costs for TELUS Mobility including the write-down of redundant capital assets, handset reconfiguration costs and employee severance costs. The remaining charge in TELUS Communications included employee severance costs and capital asset impairment charges.

6. FINANCING COSTS

(millions)		**2001**		2000
Interest on long-term debt	**$**	**560.4**	$	199.7
Interest on short-term obligations and other		**145.2**		104.8
Foreign exchange loss		**0.9**		12.5
Gain on redemption of long-term debt		**(65.9)**		—
		640.6		317.0
Allowance for funds used during construction		**(3.3)**		(8.6)
Interest income		**(12.8)**		(31.0)
Sinking funds income		**—**		(4.1)
	$	**624.5**	$	273.3

7. INCOME TAXES

(millions)		2001		2000
Current	$	260.5	$	297.9
Future		(167.1)		134.0
	$	93.4	$	431.9

The Company's income tax expense differs from that calculated by applying statutory rates for the following reasons:

($ in millions)		2001			2000	
Basic blended federal and provincial tax at statutory income tax rates	$	52.7	39.6%	$	384.0	45.2%
Difference between current and future statutory rates expected to apply to current year's losses		16.7			—	
Revaluation of future tax assets and liabilities for decreases in statutory rates		(1.8)			66.3	
Future tax assets not previously recognized		—			(44.0)	
Other		6.8			16.7	
		74.4	55.9%		423.0	49.7%
Large corporations tax		19.0			8.9	
Income tax expense per Consolidated Statements of Income	$	93.4	70.2%	$	431.9	50.8%

Future income tax assets consist mainly of tax reserves not available for current deduction and undepreciated capital cost in excess of net book value of capital assets arising from the difference between the Company's depreciation rates and those prescribed for income tax purposes and losses available to be carried forward. Future income tax liabilities consist of the net book value of certain intangible assets being in excess of the corresponding tax values.

8. DISCONTINUED OPERATIONS

On June 1, 2001, the Company entered into an agreement, that closed on July 31, 2001, to sell substantially all of TELUS Advertising Services directory business and TELUS Québec directory business to Dominion Information Services Inc., a wholly owned subsidiary of Verizon Communications Inc., a significant shareholder, for total proceeds of $810 million representing fair market value. The Company recognized a gain of $546.3 million ($710.9 million before tax) on the sale.

Effective September 30, 2001, the Company exited the equipment leasing business by securitizing its equipment leasing portfolio to an arm's-length trust through a concurrent lease agreement. The equipment leasing portfolio will be financed, administered and serviced by a third party on behalf of the trust. As part of this transaction, the Company has entered into a long-term agreement whereby the third party will become the preferred provider of future equipment financing for TELUS customers. The gain and other income on the transaction was $3.9 million ($7.1 million before tax).

As a result of these transactions, the operating results of the affected directory advertising and equipment leasing operations have been included in the Consolidated Statements of Income as "discontinued operations."

Income statement disclosures for discontinued operations are as follows:

(millions)	TELUS Advertising Services 2001	TELUS Advertising Services 2000	Equipment Leasing 2001	Equipment Leasing 2000	Total 2001	Total 2000
Revenues	**$ 190.0**	$ 314.4	**$ 9.4**	$ 12.4	**$ 199.4**	$ 326.8
Operating results to measurement date						
Income before income taxes	**$ 74.8**	$ 132.7	**$ 3.4**	$ 6.2	**$ 78.2**	$ 138.9
Income taxes	**34.5**	61.1	**1.6**	3.1	**36.1**	64.2
Income from operations to measurement date	**40.3**	71.6	**1.8**	3.1	**42.1**	74.7
Gain and other						
– Gross	**710.9**	—	**7.1**	—	**718.0**	—
– Income tax	**164.6**	—	**3.2**	—	**167.8**	—
– Net	**546.3**	—	**3.9**	—	**550.2**	—
Discontinued operations	**$ 586.6**	$ 71.6	**$ 5.7**	$ 3.1	**$ 592.3**	$ 74.7

At December 31, 2001, no material assets or liabilities of the discontinued operations remained. At December 31, 2000, the summarized balance sheets for the discontinued operations are as follows:

(millions)	TELUS Advertising Services	Equipment Leasing	2000
Current assets	$ 77.2	$ 55.1	$ 132.3
Long-term assets	27.7	86.3	114.0
Current liabilities	18.6	9.2	27.8
Long-term liabilities	0.7	—	0.7
Net assets – discontinued operations	$ 85.6	$ 132.2	$ 217.8

9. PER SHARE AMOUNTS

Basic net income (loss) from continuing operations per common share is calculated by dividing common share income (loss) from continuing operations by the weighted average number of common shares, including non-voting shares, outstanding during the year. Basic net income (loss) per common share is calculated by dividing common voting share and non-voting share income (loss) by the weighted average number of common shares, including non-voting shares, outstanding during the year. Diluted income per common share is calculated to give effect to share options and warrants and shares issuable on conversion of debentures. The convertible debentures had no dilutive effect in the periods presented. Per share amount calculations for discontinued operations employ the same number of common shares as used in the income (loss) from continuing operations calculations.

The following tables present the reconciliations of the numerators and denominators of the basic and diluted per share computations for income (loss) before discontinued operations.

(millions)	2001	2000
Income (loss) from continuing operations	**$ (138.8)**	$ 386.3
Deduct:		
Preference and preferred share dividends	**3.5**	3.5
Interest on convertible debentures	**7.0**	1.5
Basic and diluted common voting share and non-voting share income (loss) from continuing operations	**$ (149.3)**	$ 381.3

(millions)	2001	2000
Basic weighted average number of common shares including non-voting shares outstanding	**294.2**	247.0
Effect of dilutive securities		
Exercise of share options and warrants[(a)]	**—**	0.9
Diluted weighted average number of common shares including non-voting shares outstanding	**294.2**	247.9

(a) – Share options, in the amount of 0.9, and warrants, in the amount of nil, were excluded from 2001 calculations as they were anti-dilutive

Income from core operations is defined as common voting share and non-voting share income (loss) before discontinued operations, amortization of acquired intangible assets net of tax, restructuring and non-recurring refinancing costs net of tax, revaluation of future tax assets and liabilities and goodwill amortization. Income from continuing core operations for the years ended December 31, 2001 and 2000, was $254.0 million and $495.6 million, respectively. Income from discontinued operations for the years ended December 31, 2001 and 2000, was $592.3 million and $74.7 million, respectively.

	2001	2000
Income per share from Core operations		
Continuing operations	$ 0.86	$ 2.01
Discontinued operations	2.02	0.30
Common Voting Share and Non-Voting Share income	2.88	2.31

10. ACCOUNTS RECEIVABLE

(millions)	2001	2000
Trade receivables	$ 839.4	$ 788.3
Current portion of leases receivable	8.9	64.5
Other	123.8	155.7
	$ 972.1	$ 1,008.5

Under an agreement dated November 20, 1997, TELUS Communications Inc. (successor of TELUS Communications (B.C.) Inc.) sold, with minimal recourse, certain accounts receivable for aggregate cash proceeds of $150 million (subsequent to December 31, 2001, this amount was reduced to $140 million). Pursuant to the agreement, the purchaser will use the proceeds of collection to purchase further receivables. This agreement, which expires in November 2002, is extendable upon the Company's request.

11. CAPITAL ASSETS, NET

	Cost	Accumulated Depreciation and Amortization	Net Book Value	
(millions)			2001	2000
Telecommunications assets	$ 15,413.6	$ 9,008.7	$ 6,404.9	$ 5,594.4
Assets leased to customers	403.9	308.6	95.3	112.9
Buildings	1,135.4	595.7	539.7	575.1
Office equipment and furniture	731.7	470.5	261.2	233.7
Assets under capital lease	77.5	52.4	25.1	37.2
Intangible assets acquired through business acquisitions:				
Subscriber base	359.5	27.1	332.4	278.2
Spectrum licences	3,606.0	108.3	3,497.7	3,546.5
Other	1,505.0	557.3	947.7	324.6
	23,232.6	11,128.6	12,104.0	10,702.6
Land	89.3	—	89.3	85.3
Plant under construction	512.9	—	512.9	679.9
Materials and supplies	53.6	—	53.6	63.2
	$ 23,888.4	$ 11,128.6	$ 12,759.8	$ 11,531.0

12. DEFERRED CHARGES

(millions)		**2001**		2000
Pension plan contributions in excess of charges to income (Note 20)	**$**	**271.5**	$	165.4
Cost of issuing debt securities, less amortization		**68.7**		24.0
Deferred hedging asset (Note 14(b))		**190.1**		—
Deferred customer activation, installation and end-user wireless handset costs (Note 2(b))		**122.5**		112.6
Other		**32.4**		27.7
	$	**685.2**	$	329.7

13. SHORT-TERM OBLIGATIONS

Amounts due for redemption within one year are as follows:

(millions)		**2001**		2000
Notes payable under commercial paper programs	**$**	**35.0**	$	904.0
Bank borrowings		**49.5**		3,913.7
Current maturities of long-term debt		**145.4**		215.6
	$	**229.9**	$	5,033.3

Notes payable under commercial paper programs are unsecured. Outstanding notes payable under these programs carry a weighted average interest rate of 4.44% (2000 – 5.86%).

Bank borrowings, at December 31, 2001, are comprised primarily of amounts borrowed by TELUS Communications (Québec) Inc. and carry a weighted-average interest rate of 3.5% (2000 – 7.2%).

14. LONG-TERM DEBT

(a) Details of Long-term Debt

(millions) Series	Rate		Maturity	2001	2000
TELUS Corporation Notes					
CA	7.5%	(b)	June 2006	$ 1,589.1	$ —
U.S.	7.5%	(b)	June 2007	2,062.1	—
U.S.	8.0%	(b)	June 2011	3,171.1	—
				6,822.3	—
TELUS Corporation Bank Facility		(c)	May 2004	485.0	—
TELUS Communications Inc. Debentures					
1	12.00%	(d)	May 2010	50.0	50.0
2	11.90%	(d)	November 2015	125.0	125.0
3	10.65%	(d)	June 2021	175.0	175.0
4	9.15%	(d)	April 2002	1.0	1.0
5	9.65%	(d)	April 2022	249.0	249.0
A	9.50%	(d)	August 2004	200.0	200.0
B	8.80%	(d)	September 2025	200.0	200.0
				1,000.0	1,000.0
TELUS Communications Inc. Medium Term Note Debentures issued at varying rates of interest up to 7.25% (2000 – 8.00%) and maturing on various dates up to 2003 (e)				325.0	395.0
TELUS Communications (Québec) Inc. First Mortgage Bonds					
T	10.80%	(f)	March 2003	30.0	30.0
U	11.50%	(f)	July 2010	30.0	30.0
				60.0	60.0
TELUS Communications (Québec) Inc. Medium Term Notes					
1	7.10%	(g)	February 2007	70.0	70.0
Clearnet Inc. Redeemable Senior Discount Notes					
2007 Notes	11.75%	(h)	August 2007	0.7	550.2
2008 Notes	10.40%	(h)	May 2008	0.4	461.4
Feb. 2009 Notes	10.75%	(h)	February 2009	0.2	149.4
May 2009 Notes	10.125%	(h)	May 2009	0.2	545.0
				1.5	1,706.0
Capital leases issued at varying rates of interest up to 10.25% and maturing on various dates up to 2005 (Note 17(c))				24.8	26.9
Other				8.2	5.0
Total debt				8,796.8	3,262.9
Less – current maturities				145.4	215.6
Long-term Debt				$ 8,651.4	$ 3,047.3

(b) TELUS Corporation Notes

The notes are senior, unsecured and unsubordinated obligations of the Company and rank equally in right of payment with all existing and future unsecured, unsubordinated obligations of the Company and are senior in right of payment to all existing and future subordinated indebtedness of the Company, and are effectively subordinated to all existing and future obligations of, or guaranteed by, the Company's subsidiaries.

The indentures governing the notes contain certain covenants which, among other things, place limitations on the ability of TELUS and certain of its subsidiaries to: grant security in respect of indebtedness, enter into sale and lease-back transactions and incur new indebtedness.

2006 (Canadian Dollar) Notes: In May 2001, the Company issued $1.6 billion Notes at a price of $992.30 per $1,000.00 of principal to the public. The notes are redeemable at the option of the Company, in whole at any time, or in part from time to time, on not fewer than 30 nor more than 60 days' prior notice, at a redemption price equal to the greater of (a) the present value of the notes discounted at the Government of Canada yield plus 35 basis points, or (b) 100% of the principal amount thereof. In addition, accrued and unpaid interest, if any, will be paid to the date fixed for redemption.

2007 and 2011 (U.S. Dollar) Notes: In May 2001, the Company issued U.S.$1.3 billion 2007 Notes at a price of U.S.$995.06 per U.S.$1,000.00 of principal to the public and U.S.$2.0 billion 2011 Notes at a price of U.S.$994.78 per U.S.$1,000.00 of principal to the public. The notes are redeemable at the option of the Company, in whole at any time, or in part from time to time, on not fewer than 30 nor more than 60 days' prior notice, at a redemption price equal to the greater of (a) the present value of the notes discounted at the Adjusted Treasury Rate plus 25 basis points in the case of the 2007 Notes and 30 basis points in the case of the 2011 Notes, or (b) 100% of the principal amount thereof. In addition, accrued and unpaid interest, if any, will be paid to the date fixed for redemption.

2007 and 2011 Cross Currency Interest Rate Swaps: With respect to the 2007 and 2011 (U.S. Dollar) Notes, U.S.$3.3 billion in aggregate, the Company entered into cross currency interest rate swap agreements which effectively convert the principal repayments and interest obligations to Canadian dollar requirements with effective fixed rates of 8.109% and 8.494%, respectively. The counterparties of the swap agreements are highly rated financial institutions and the Company does not anticipate any non-performance. TELUS has not required collateral or other security from the counterparties due to its assessment of their creditworthiness (see Note 2(m)).

As disclosed in Note 2(d), the Company translates items such as the U.S. Dollar notes into equivalent Canadian dollars at the rate of exchange in effect at the balance sheet date. The swap agreements, which at December 31, 2001 comprised a deferred hedging asset of $190.1 million (see Note 12), in addition to fixing the Company's effective interest rate, effectively fix the economic exchange rate of the U.S. Dollar notes. The asset value of the swap agreements increases (decreases) when the balance sheet date exchange rate increases (decreases) the Canadian dollar equivalent of the U.S. Dollar notes.

(c) TELUS Corporation Bank Facility

TELUS Corporation established two new unsecured bank credit facilities in May 2001: i) a three-year facility with $1.5 billion in available credit on a revolving basis to be used for general corporate purposes, and ii) a 364-day facility with $1.0 billion in available credit on a revolving basis until May 29, 2002 at which time it may be extended for an additional 364-day revolving period (given majority lender approval) or, if an extension is not granted, on a non-revolving basis for 364 days for any amounts outstanding at May 29, 2002. The 364-day facility may be used for general corporate purposes including the backstop of commercial paper issued by the Company or TELUS Communications Inc.

Given the revolving nature of the three-year facility and the May 2004 maturity date, the $485 million drawn under this facility at December 31, 2001, is classified as long-term debt. The 364-day facility was undrawn at year-end.

(d) TELUS Communications Inc. Debentures

The outstanding Series 1 through 5 debentures were issued by BC TEL, a predecessor corporation of TELUS Communications Inc., under a Trust Indenture dated May 31,1990 and are non-redeemable.

The outstanding Series A Debentures and Series B Debentures were issued by AGT Limited, a predecessor corporation of TELUS Communications Inc., under a Trust Indenture dated August 24, 1994 and a supplemental trust indenture dated September 22, 1995 relating to Series B Debentures only. They are redeemable at the option of the Company, in whole at any time or in part from time to time, on not less than 30 days' notice at the Government of Canada Yield plus 15 basis points. During 1995 the Company terminated an interest rate swap contract relating to the Series A Debentures and realized a gain on early termination in the amount of $16.8 million which is being amortized and credited to interest expense over the remaining term of the Series A Debentures. The amortization of the gain resulted in an effective rate of interest on Series A Debentures in 2001 of 8.79% (2000 – 8.79%).

Pursuant to an amalgamation on January 1, 2001, all these Debentures became obligations of TELUS Communications Inc. The debentures are not secured by any mortgage, pledge or other charge and are governed by certain covenants, which had been met by the Company, including a negative pledge and a limitation on issues of additional debt subject to a debt to capitalization ratio and interest coverage test.

(e) TELUS Communications Inc. Medium Term Note Programs

At December 31, 2001, TELUS Communications Inc. had six series of extendible medium term notes outstanding. These notes were originally issued by BC TEL pursuant to the Trust Indenture date May 31, 1990 and a supplement dated October 24, 1994. In June 2000, $200 million of 6.4% notes were issued that mature in June 2003, extendible to 2030 at the option of the holder. If extended, the coupon rate increases to 7.25%. The remaining five series of medium term notes totaling $125 million have maturity dates in 2002 but are extendible at the option of TELUS

Communications Inc. on a periodic basis through 2009. Prior to December 31, 2001, TELUS Communications Inc. elected not to extend certain of these notes and as a result, $55 million was repaid on January 16, 2002.

(f) TELUS Communications (Québec) Inc. First Mortgage Bonds

The first mortgage bonds of all series are secured equally and rateably by an immovable hypothec and by a movable hypothec charging specifically certain immovable and movable property of the subsidiary TELUS Communications (Québec) Inc. (formerly Québec Telephone), such as land, buildings, equipment, apparatus, telephone lines, rights-of-way and similar rights as well as by an hypothec on all of the movable and the immovable property, present and future of TELUS Communications (Québec) Inc. The first mortgage bonds are not redeemable prior to maturity.

(g) TELUS Communications (Québec) Inc. Medium Term Note Program

The medium term notes were issued under a trust indenture dated September 1, 1994 as amended and complemented from time to time, and are unsecured and not redeemable prior to maturity. New issues of medium term notes are subject to restrictions as to debt ratio and interest coverage.

(h) Clearnet Inc. Redeemable Senior Discount Notes

The notes are senior, unsecured obligations of Clearnet Inc. (formerly Clearnet Communications Inc.). In June 2001, the indentures governing the notes were amended by supplemental indentures pursuant to an Offer to Repay and Consent Solicitation. The effect of the supplemental indentures was to remove the limitations on business activities previously imposed by restrictive covenants. The Offer to Repay resulted in the redemption of approximately 99.9% of the four series of Senior Discount Notes.

2007 Senior Discount Notes: In August 1997, Clearnet issued $566.0 million Senior Discount Notes with a combined initial value of $319.7 million and a total value of $566.0 million upon maturity. The 2007 Notes are redeemable at the option of Clearnet, at any time, in whole or in part, at the redemption price of 105.875%, 102.938% and 100% of the principal amount on or after August 13, 2002, 2003 and 2004, respectively, plus accrued and unpaid interest. The book value of these notes was increased by $79.7 million as a result of a fair market value adjustment at the date of acquisition on October 19, 2000.

2008 Senior Discount Notes: In May 1998, Clearnet issued $500.0 million Senior Discount Notes with a combined initial value of $300.6 million and a total value of $500.0 million upon maturity. The 2008 Notes are redeemable at the option of Clearnet, at any time, in whole or in part, at the redemption price of 105.2%, 102.6% and 100% of the principal amount on or after May 15, 2003, 2004 and 2005, respectively, plus accrued and unpaid interest. The book value of these notes was increased by $68.8 million as a result of a fair market value adjustment at the date of acquisition on October 19, 2000.

February 2009 Senior Discount Notes: In February 1999, Clearnet issued $169.0 million Senior Discount Notes with a combined initial value of $100.1 million and a total value of $169.0 million upon maturity. The February 2009 Notes are redeemable at the option of Clearnet, at any time, in whole or in part, at the redemption price of 105.375%, 102.688% and 100% of the principal amount on or after February 15, 2004, 2005 and 2006, respectively, plus accrued and unpaid interest. The book value of these notes was increased by $28.1 million as a result of a fair market value adjustment at the date of acquisition on October 19, 2000.

May 2009 Senior Discount Notes: In April 1999, Clearnet issued $420.0 million U.S. Senior Discount Notes with a combined initial value of U.S.$256.0 million and a total value of U.S.$420.0 million upon maturity. The May 2009 Notes are redeemable at the option of Clearnet, at any time, in whole or in part, at the redemption price of 105.063%, 102.531% and 100% of the principal amount on or after May 1, 2004, 2005 and 2006, respectively, plus accrued and unpaid interest. The book value of these notes was increased by $98.6 million as a result of a fair market value adjustment at the date of acquisition on October 19, 2000.

May 2009 Cross Currency Interest Rate Swaps: In April 1999, Clearnet entered into cross currency interest rate swap agreements which effectively convert principal repayments and interest obligations to Canadian dollar requirements with an effective fixed rate of approximately 9.9%. During 2001, these swaps were terminated and the security was released and a gain of $41.2 million was recognized in Net Income.

(i) Long-term Debt Maturities

Anticipated requirements to meet long-term debt repayments during each of the next five years from December 31, 2001 are as follows:

(millions)	
2002	$ 145.4
2003	238.4
2004	202.0
2005	0.0
2006	1,600.0

15. OTHER LONG-TERM LIABILITIES

(millions)	**2001**	2000
Deferred gain on sale-leaseback of buildings (Note 19)	**$ 121.4**	$ 50.5
Pension and other post-retirement benefit liabilities	**139.1**	124.2
Deferred customer activation and installation fees and wireless handset revenues arising from sales to end-users (Note 2(b))	**122.5**	112.6
Other	**57.6**	62.2
	$ 440.6	$ 349.5

16. SHAREHOLDERS' EQUITY

(a) Details of Shareholders' Equity

($ in millions)				**2001**	2000
Common equity					
Common voting shares (c)				**$ 2,186.4**	$ 2,091.2
Non-voting shares (c)				**2,861.4**	2,537.1
Options and warrants				**57.6**	—
Retained earnings				**1,654.8**	1,563.4
Contributed surplus				**7.4**	7.4
				6,767.6	6,199.1
TELUS Communications Inc. Preference and Preferred, Cumulative					
Number of Shares			Redemption Premium		
8,090	$6.00	Preference	10.0%	**0.8**	0.8
53,000	$4.375	Preferred	4.0%	**5.3**	5.3
47,500	$4.50	Preferred	4.0%	**4.8**	4.8
71,250	$4.75	Preferred	5.0%	**7.1**	7.1
71,250	$4.75	Preferred ('56)	4.0%	**7.1**	7.1
114,700	$5.15	Preferred	5.0%	**11.5**	11.5
96,400	$5.75	Preferred	4.0%	**9.6**	9.6
42,750	$6.00	Preferred	5.0%	**4.3**	4.3
768,400	$1.21	Preferred	4.0%	**19.2**	19.2
				69.7	69.7
Convertible debentures (i)				**149.6**	149.6
Total Shareholders' Equity				**$ 6,986.9**	$ 6,418.4

(b) Authorized Capital

TELUS Corporation is authorized to issue one billion common voting shares, one billion non-voting shares, one billion first preferred shares and one billion second preferred shares. At December 31, 2001, there were no first or second preferred shares issued.

(c) Changes in Common Voting Shares and Non-Voting Shares

	2001	2001	2000	2000
	Number of Shares	**Amount (millions)**	Number of Shares	Amount (millions)
Common Voting Shares				
Beginning of Year	**178,016,680**	**$ 2,091.2**	177,521,890	$ 2,080.0
Exercise of share options (d)	**125,012**	**2.9**	494,848	11.2
Exercise of pre-emptive rights (e)	**597,023**	**18.6**	—	—
Employees' purchase of shares (f)	**2,391,569**	**66.8**	—	—
Dividends reinvested in shares	**256,026**	**6.9**	—	—
Other	**—**	**—**	(58)	—
End of Year	**181,386,310**	**$ 2,186.4**	178,016,680	$ 2,091.2
Non-Voting Shares				
Beginning of Year	**109,052,713**	**$ 2,537.1**	59,156,447	$ 693.1
Exercise of share options (d)	**304,268**	**10.8**	178,525	4.5
Exercise of pre-emptive rights (e)	**26,378**	**0.8**	—	—
Exercise of warrants (g)	**124,168**	**4.6**	—	—
Dividends reinvested in shares (h)	**3,830,515**	**84.4**	—	—
Shares issued on acquisition of Clearnet	**989,451**	**36.6**	49,717,741	1,839.5
Other acquisitions and other	**6,512,898**	**187.1**	—	—
End of Year	**120,840,391**	**$ 2,861.4**	109,052,713	$ 2,537.1

(d) Share Option Plans

The following is a summary of activity related to the Company's share option plans for the years ended December 31, 2001 and 2000.

		Outstanding as at December 31, 1999	Granted	Exercised	Forfeited	Expired	Outstanding as at December 31, 2000	Granted	Exercised	Forfeited	Expired	Outstanding as at December 31, 2001
TELUS Corporation Share Option and Compensation Plan	Number of shares	655,358	3,086,631	64,814	215,178	280	3,461,717	—	28,930	46,494	32,017	3,354,276
	Weighted average option price	$35.72	35.29	26.85	37.14	35.90	35.36	—	20.75	39.58	37.44	35.32
TELUS Share Option Plan for Former Clearnet Option Holders	Number of shares	—	2,162,740	35,231	—	—	2,127,509	—	272,245	60,287	—	1,794,977
	Weighted average option price	—	$16.03	16.15	—	—	16.03	—	13.57	13.01	—	14.37
BC TELECOM Stock Option Plan	Number of shares	1,051,431	—	35,001	98,764	8,534	909,132	—	37,700	42,167	6,000	823,265
	Weighted average option price	$33.86	—	26.59	32.50	46.75	34.23	—	27.31	43.04	31.05	34.11
BC TELECOM Long-Term Incentive Share Option Plan	Number of shares	347,817	—	81,706	3,752	—	262,359	—	45,567	5,200	—	211,592
	Weighted average option price	$22.78	—	22.47	22.47	—	22.84	—	22.54	24.69	—	22.91
TELUS Holdings Inc. Stock Option Plan	Number of shares	1,370,616	—	456,621	4,197	—	909,798	—	44,838	—	17,802	847,158
	Weighted average option price	$28.72	—	22.18	42.33	—	31.92	—	22.53	—	42.33	32.28
TELUS Corporation Amended Share Option and Compensation Plan	Number of shares	—	—	—	—	—	—	6,979,859	—	71,559	—	6,908,300
	Weighted average option price	—	—	—	—	—	—	$29.02	—	34.63	—	28.96
TELUS Employee Share Option Plan	Number of shares	—	—	—	—	—	—	5,840,900	—	112,000	100	5,728,800
	Weighted average option price	—	—	—	—	—	—	$29.42	—	34.01	34.88	29.33
Total of all Plans	Number of shares	3,425,222	5,249,371	673,373	321,891	8,814	7,670,515	12,820,759	429,280	337,707	55,919	19,668,368

TELUS Corporation Share Option and Compensation Plan

	Options outstanding			Options exercisable	
Range of option prices	Number of shares	Weighted average remaining contractual life	Weighted average option price	Number of shares	Weighted average option price
$ 12.31 – 17.82	59,422	1.3 years	$ 16.62	59,422	$ 16.62
19.22 – 27.79	516,630	7.5 years	25.61	516,630	25.61
29.90 – 41.61	2,758,376	8.1 years	37.47	994,114	35.73
44.47	19,848	8.6 years	44.47	12,504	44.47
	3,354,276			1,582,670	

TELUS Corporation had a share option plan under which directors, officers and key employees receive options to purchase common voting shares at a price equal to the fair market value of the shares at the date of granting and, therefore, no compensation expense is recognized. Options granted pursuant to the plan may be exercised over specific periods not to exceed 10 years from the date of grant. Proceeds arising from the exercise of share options are credited to share capital.

TELUS Share Option Plan for Former Clearnet Option Holders

	Options outstanding			Options exercisable	
Range of option prices	Number of shares	Weighted average remaining contractual life	Weighted average option price	Number of shares	Weighted average option price
$ 4.43 – 5.95	127,181	6.9 years	$ 5.89	127,181	$ 5.89
6.81 – 8.14	271,714	3.2 years	7.45	271,714	7.45
9.08 – 11.99	272,701	5.4 years	10.30	272,701	10.30
13.54 – 13.80	791,920	7.7 years	13.56	791,920	13.56
23.28 – 32.83	331,461	8.2 years	28.23	331,461	28.23
	1,794,977			1,794,977	

Under the terms of the arrangement to acquire Clearnet, effective October 20, 2000, TELUS Corporation exchanged the options held by former Clearnet options holders. At the date of acquisition, the fair market value of TELUS non-voting shares was $37.00 per share. Options granted in the plan may be exercised over a specified period not to exceed 10 years from the original date granted. Proceeds arising from the exercise of share options are credited to share capital.

BC TELECOM Stock Option Plans (BCTSOP)

	Options outstanding			Options exercisable	
Range of option prices	Number of shares	Weighted average remaining contractual life	Weighted average option price	Number of shares	Weighted average option price
$ 23.13 – 31.05	558,932	4.6 years	$28.22	558,932	$28.22
36.78 – 46.75	264,333	6.2 years	46.57	260,633	46.71
	823,265			819,565	

Under the terms of the BCTSOP introduced in 1995, BC TELECOM granted officers and key employees options in tandem share appreciation rights and retention options at fixed exercise prices. Effective December 8, 1998, the plan was modified to replace share appreciation rights with a stock option repurchase plan. Options granted in the plan may be exercised over specific periods not to exceed 10 years from the date granted. Options granted prior to 1999 can be exercised in a ratio of 75% common voting shares and 25% non-voting shares in TELUS Corporation. Proceeds arising from the exercise of share options are credited to share capital.

BC TELECOM Long-Term Incentive Share Option Plan

	Options outstanding			Options exercisable	
Range of option prices	Number of shares	Weighted average remaining contractual life	Weighted average option price	Number of shares	Weighted average option price
$ 19.25 – 25.25	211,592	2.3 years	$22.91	211,592	$22.91

BC TELECOM had share option plans under which officers and key employees received common share purchase options at a price equal to the fair market value of the shares at the date of granting and, therefore, no compensation expense is recognized. Options granted in the plan may be exercised over specific periods not to exceed 10 years from the date granted. These options can be exercised in a ratio of 75% common voting shares and 25% non-voting shares in TELUS Corporation. Proceeds arising from the exercise of share options are credited to share capital.

TELUS Holdings Inc. Stock Option Plans

	Options outstanding			Options exercisable	
Range of option prices	Number of shares	Weighted average remaining contractual life	Weighted average option price	Number of shares	Weighted average option price
$ 21.23 – 25.73	458,406	1.6 years	$23.70	458,406	$23.70
35.89 – 47.79	388,752	3.1 years	42.39	388,752	42.39
	847,158			847,158	

TELUS Holdings Inc. had stock option plans under which directors, officers and key employees received options to purchase common voting shares at a price equal to the fair market value of the shares at the date of granting and, therefore, no compensation expense is recognized. Options granted under the plans may be exercised over specific periods not to exceed seven years from the date of granting. These options can be exercised in a ratio of 75% common voting shares and 25% non-voting shares in TELUS Corporation. Proceeds arising from the exercise of share options are credited to share capital.

TELUS Corporation Amended Share Option and Compensation Plan

	Options outstanding			Options exercisable	
Range of option prices	Number of shares	Weighted average remaining contractual life	Weighted average option price	Number of shares	Weighted average option price
$ 19.48 – 26.16	3,716,062	9.9 years	$23.97	20,800	$24.00
31.06 – 34.88	3,192,238	9.2 years	34.77	32,000	34.60
	6,908,300			52,800	

TELUS Corporation initiated a share option plan under which employees receive options to purchase non-voting shares at a price equal to the fair market value of the shares at the date of granting and, therefore, no compensation expense is recognized. Options granted under the plan may be exercised over specific periods not to exceed 10 years from the date of granting. Proceeds arising from the exercise of share options are credited to share capital.

TELUS Employee Share Option Plan

	Options outstanding			Options exercisable	
Range of option prices	Number of shares	Weighted average remaining contractual life	Weighted average option price	Number of shares	Weighted average option price
$ 19.92 – 24.00	2,917,600	9.9 years	$23.98	—	—
34.88	2,811,200	9.2 years	34.88	28,600	$34.88
	5,728,800			28,600	

TELUS Corporation initiated a share option plan under which employees receive options to purchase non-voting shares at a price equal to the fair market value of the shares at the date of granting and, therefore, no compensation expense is recognized. Options granted under the plan may be exercised over specific periods not to exceed 10 years from the date of granting. Proceeds arising from the exercise of share options are credited to share capital.

At December 31, 2001, 26,571,268 (2000 – 9,143,984) shares remained reserved for issuance under the option plans.

(e) Pre-emptive Rights

Verizon Communications Inc., a significant shareholder, has the right to acquire, from Treasury, its pro rata share of any issue by the Company of common voting shares and non-voting shares, other than by way of grant of share options.

(f) Employee Share Purchase Plan

The Company has an employee share purchase plan under which eligible employees can purchase common voting shares through regular payroll deductions by contributing between 1% and 6% of pay. The Company contributes two dollars for every five dollars contributed by an employee. The Company records its contributions as a component of operating expenses. During 2001, the Company contributed $22.2 million (2000 – $19.9 million) to this plan. Under this plan, the Company has the option of offering shares from Treasury or having the trustee acquire shares in the stock market. Prior to February 2001, when the issuance of shares from Treasury commenced, all common voting shares issued to employees under the plan during the current year and prior year were purchased on the market at normal trading prices.

(g) Warrants

Under the terms of the arrangement to acquire Clearnet, effective January 17, 2001, TELUS Corporation exchanged the warrants held by former Clearnet warrant holders. Each warrant entitles the holder to purchase a non-voting share at a price of U.S.$10.00 per share until September 15, 2005. Proceeds arising from the exercise of the warrants are credited to share capital. At December 31, 2001, 779,434 warrants remained outstanding.

(h) Dividend Reinvestment and Share Purchase Plan

The Company has a Dividend Reinvestment and Share Purchase Plan under which eligible shareholders may acquire non-voting shares through the reinvestment of dividends and additional optional cash payments. Excluding non-voting shares purchased by way of additional optional cash payments, at the Company's discretion it may offer the non-voting shares at up to a 5% discount from the average market price. Shares purchased through optional cash payments are subject to a minimum investment of $100 and a maximum investment of $20,000 per calendar year. Under this Plan, the Company has the option of offering shares from Treasury or having the trustee acquire shares in the stock market. Prior to July 1, 2001, when the acquisition of shares from Treasury commenced, all non-voting shares were acquired on the market at normal trading prices.

(i) Convertible Debentures

The 6.75% convertible debentures are unsecured, subordinated obligations of the Company which mature on June 15, 2010, and are convertible at the holders' option into non-voting shares of the Company at a rate reflecting a share price of $39.73. The convertible debentures are not redeemable prior to June 15, 2003. Redemption in the period from June 15, 2003 through June 15, 2005 is allowed provided that the average trading price of non-voting shares for a defined period exceeds 125% of the conversion price.

The holders' conversion option is valued using the residual value approach. As the Company has the unrestricted ability to settle the interest, principal and redemption payments through the issuance of non-voting shares, the convertible debentures have been classified as equity. Accordingly, the principal amount is included in Shareholders' Equity on the Consolidated Balance Sheets. Interest payments, net of income taxes, are classified as dividends and charged directly to retained earnings.

17. COMMITMENTS AND CONTINGENT LIABILITIES

(a) The Company estimates expenditures for capital asset purchases to be $2,200 million in 2002. Substantial purchase commitments have been made in connection with these capital assets as at December 31, 2001.

(b) The Company has entered into an agreement with Verizon Communications Inc. with respect to acquiring certain rights to Verizon's software, technology, services and other benefits, thereby replacing and amending a previous agreement between the Company and GTE Corporation. The agreement is renewable annually at the Company's sole option up to December 31, 2008, and it has been renewed for 2002. Assuming renewal through to 2008, the total commitment under the agreement is U.S.$377 million for the period 2001 to 2008 and the current contractual obligation for 2002 is U.S.$100 million (see Note 22). To the extent that any of such 2002 contractual obligations related to the Verizon purchase commitments are capital in nature, they have been included in paragraph (a) above.

(c) The Company occupies leased premises in various centres and has land, buildings and equipment under operating leases.

At December 31, 2001, the future minimum lease payments under capital leases and operating leases (including occupancy costs where applicable) were:

(millions)	Capital Leases	Operating Leases
2002	$ 16.1	$ 164.3
2003	8.0	144.0
2004	2.0	133.4
2005	0.0	113.7
2006	—	103.9
Total future minimum lease payments	26.1	
Less imputed interest	1.3	
Capital lease liability	$ 24.8	

(d) A number of claims and lawsuits seeking unspecified damages and other relief are pending against the Company. It is impossible at this time for the Company to predict with any certainty the outcome of such litigation. However, management is of the opinion, based upon information presently available, that it is unlikely that any liability, to the extent not provided for through insurance or otherwise, would be material in relation to the Company's consolidated financial position.

18. NET CHANGE IN NON-CASH WORKING CAPITAL

(a) Continuing Operations

(millions)		**2001**		2000
Accounts receivable	**$**	**(85.9)**	$	(209.0)
Income taxes receivable		**(0.9)**		112.6
Inventories		**33.1**		(50.3)
Prepaid expenses and other		**14.5**		(58.4)
Accounts payable and accrued liabilities		**91.9**		31.4
Advance billings and customer deposits		**45.7**		23.0
Reclassification of restructuring charges		**(77.8)**		—
Other		**11.3**		—
	$	**31.9**	$	(150.7)

(b) Discontinued Operations

(millions)		**2001**		2000
Operating cash flow	**$**	**(129.7)**	$	99.5
Accounts receivable		**122.4**		2.0
Income taxes receivable		**(3.2)**		—
Prepaid expenses and other		**(1.7)**		(3.8)
Accounts payable and accrued liabilities		**(22.7)**		—
	$	**(34.9)**	$	97.7

19. SALE OF PROPERTY AND INVESTMENTS

During 2001, the Company sold a portion of a cross-Canada fibre asset installation which TELUS recently completed construction of and was holding for disposition. Concurrently, TELUS purchased fibre asset installations for use in its own network infrastructure in the U.S. and Eastern Canada from the same third party. The fair market value of the assets involved was $73.5 million resulting in a gain on sale of $24.5 million which was included in Other Income in the Consolidated Statements of Income.

During 2001 and 2000, the Company disposed of certain selected, non-strategic property and investments including various office buildings in Vancouver, Edmonton and Calgary under the terms of sale-leaseback transactions. The pre-tax gain of $76.9 million (2000 – $50.8 million), on total proceeds of $228.4 million (2000 – $96.9 million), has been deferred and will be amortized over the various terms of the leases.

20. EMPLOYEE BENEFITS

The Company has a number of defined benefits and defined contribution plans providing pension, other retirement and post-employment benefits to most of its employees.

The total expense for the Company's defined contribution pension plans was $51.8 million (2000 – $61.0 million).

Information concerning the Company's defined benefit plans, in aggregate, is as follows:

	Pension Benefit Plans		Other Benefit Plans	
(millions)	**2001**	2000	**2001**	2000
Accrued benefit obligation:				
Balance at beginning of year	**$ 4,057.9**	$ 3,772.4	**$ 55.0**	$ 59.1
Current service cost	**105.0**	100.6	**7.7**	18.1
Interest cost	**281.8**	262.5	**4.4**	4.9
Benefits paid	**(194.2)**	(176.5)	**(8.5)**	(5.8)
Actuarial loss (gain)	**143.7**	96.8	**1.4**	(21.3)
Plan amendments	**6.3**	2.1	**—**	—
Balance at end of year	**4,400.5**	4,057.9	**60.0**	55.0
Plan assets:				
Fair value at beginning of year	**4,834.3**	4,325.2	**42.8**	34.2
Annual return on plan assets	**12.4**	604.7	**3.2**	5.7
Employer contributions	**44.5**	42.1	**4.5**	8.7
Employees' contributions	**42.0**	38.8	**—**	—
Benefits paid	**(194.2)**	(176.5)	**(8.5)**	(5.8)
Fair value at end of year	**4,739.0**	4,834.3	**42.0**	42.8
Funded status – plan surplus (deficit)	**338.5**	776.4	**(18.0)**	(12.2)
Unamortized net actuarial loss (gain)	**343.1**	(174.2)	**(20.6)**	(24.0)
Unamortized past service costs	**6.3**	0.2	**—**	—
Unamortized transitional obligation (asset)	**(457.2)**	(496.7)	**6.4**	7.2
Accrued benefit asset (liability)	**230.7**	105.7	**(32.2)**	(29.0)
Valuation allowance	**(50.8)**	(24.7)	**—**	—
Accrued benefit asset (liability), net of valuation allowance	**$ 179.9**	$ 81.0	**$ (32.2)**	$ (29.0)

Included in the above accrued benefit obligations at year-end are the following amounts in respect of plans that are not funded:

	Pension Benefit Plans		Other Benefit Plans	
(millions)	**2001**	2000	**2001**	2000
Accrued benefit obligation	**$ 137.1**	$ 121.4	**$ 20.0**	$ 18.3

Certain of the pension benefit plans which are not funded are secured by a Standby Letter of Credit Facility.

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows (weighted average assumptions as of December 31):

	Pension Benefit Plans		Other Benefit Plans	
	2001	2000	**2001**	2000
Discount rate	**6.75%**	6.98%	**6.75%**	7.00%
Expected long-term rate of return on plan assets	**7.94%**	7.94%	**8.00%**	8.00%
Rate of compensation increase	**4.25%**	4.25%	**4.25%**	4.25%

The Company's net benefit plan expense was as follows:

(millions)	Pension Benefit Plans 2001	Pension Benefit Plans 2000	Other Benefit Plans 2001	Other Benefit Plans 2000
Current service cost	**$ 63.0**	$ 61.8	**$ 7.7**	$ 18.1
Interest cost	**281.8**	262.5	**4.4**	4.9
Expected return on plan assets	**(379.7)**	(339.1)	**(3.2)**	(2.9)
Amortization of past service costs	**0.2**	1.9	**—**	—
Amortization of transitional obligation (asset)	**(44.7)**	(44.7)	**0.8**	0.8
Amortization of actuarial gain	**(1.0)**	—	**(2.1)**	—
Valuation allowance provided against accrued benefit asset	**26.1**	24.7	**—**	—
	$ (54.3)	$ (32.9)	**$ 7.6**	$ 20.9

21. SEGMENTED INFORMATION

The Company's reportable segments, which are used to manage the business, are:

- Communications – voice local, voice long distance, data and other telecommunication services excluding wireless; and
- Mobility – cellular and paging services.

Segmentation is based on similarities in technology, the technical expertise required to deliver the products and services, and the distribution channels used.

The accounting policies used for segmented reporting are the same as described in the Summary of Significant Accounting Policies, Note 2.

(millions)	Communications 2001	Communications 2000	Mobility 2001	Mobility 2000	Eliminations 2001	Eliminations 2000	Consolidated 2001	Consolidated 2000
External revenue	**$ 5,272.0**	$ 4,849.4	**$ 1,930.6**	$ 1,257.0	**$ —**	$ —	**$ 7,202.6**	$ 6,106.4
Inter-segment revenue	**87.5**	69.9	**17.4**	16.1	**(104.9)**	(86.0)	**—**	—
Total operating revenue	**5,359.5**	4,919.3	**1,948.0**	1,273.1	**(104.9)**	(86.0)	**7,202.6**	6,106.4
Operations expenses	**3,185.7**	2,912.4	**1,592.2**	965.7	**(104.9)**	(86.0)	**4,673.0**	3,792.1
EBITDA	**$ 2,173.8**	$ 2,006.9	**$ 355.8**	$ 307.4	**$ —**	$ —	**$ 2,529.6**	$ 2,314.3
Capital additions	**$ 1,605.8**	$ 1,218.4	**$ 643.6**	$ 222.9	**$ —**	$ —	**$ 2,249.4**	$ 1,441.3
Purchase of spectrum	**—**	—	**355.9**	—	**—**	—	**355.9**	—
	$ 1,605.8	$ 1,218.4	**$ 999.5**	$ 222.9	**$ —**	$ —	**$ 2,605.3**	$ 1,441.3

22. RELATED PARTY TRANSACTIONS

The Company has entered into an agreement with Verizon Communications Inc., a significant shareholder, with respect to acquiring certain rights to Verizon's software, technology, services and other benefits, thereby replacing and amending a previous agreement between the Company and GTE Corporation. The agreement is renewable annually at the Company's sole option up to December 31, 2008, and it has been renewed for 2002. As of December 31, 2001, $199.3 million of specified software licences and a trademark licence have been acquired and recorded as capital assets. These assets were recorded at the transaction price, which represents fair market value as determined by an independent appraisal. In addition, $68.5 million relating to ongoing services and other benefits have been expensed during the year ended December 31, 2001. Assuming renewal through to 2008, the total commitment under the revised agreement is U.S.$377 million for the period 2001 to 2008 (see Note 17(b)).

Sales to Verizon Communications Inc. amounted to $15.3 million (2000 – $20.4 million). These transactions were conducted in the normal course of business at prices established and agreed to by both parties.

The Company purchased the former QuébecTel Group from Verizon Communications Inc. in two steps, as further described in Note 4. In 2001, the Company sold substantially all of its directory businesses to a subsidiary of Verizon Communications Inc. as further described in Note 8.

23. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Principles ("GAAP") in Canada. The principles adopted in these financial statements conform in all material respects to those generally accepted in the United States except as summarized below. Significant differences between Canadian GAAP and U.S. GAAP would have the following effect on reported net income (loss) of the Company:

(millions)	**2001**	2000
Net income (loss) from continuing operations in accordance with Canadian GAAP	**$ (138.8)**	$ 386.3
Adjustments:		
Decrease in depreciation expense (b)	**35.8**	35.8
Decrease in interest expense (c)	**37.4**	42.2
Amortization of intangible assets (d)	**(119.6)**	(119.6)
Goodwill amortization (e)	**(20.2)**	(20.2)
Asset impairment – decrease in depreciation (f)	**72.1**	72.1
Change in future employee benefits (g)	**(16.9)**	(16.9)
Amortization of additional goodwill – Clearnet purchase (h)	**(6.6)**	(1.4)
Interest on convertible debentures (i)	**(7.0)**	(1.5)
Accounting for derivatives (j)	**(1.6)**	—
Gain on redemption of long-term debt (k)	**(65.9)**	—
Taxes on the above adjustments	**8.8**	(5.6)
Revaluation of deferred income tax assets and liabilities (l)	**337.5**	66.3
Net income before extraordinary item	**115.0**	437.5
Extraordinary item (k)	**51.1**	—
Net income before discontinued operations	**166.1**	437.5
Discontinued operations	**592.3**	74.7
Net income in accordance with U.S. GAAP	**758.4**	512.2
Other comprehensive loss	**(19.9)**	—
Comprehensive income in accordance with U.S. GAAP	**$ 738.5**	$ 512.2
Earnings per share under U.S. GAAP (basic and diluted):		
Before extraordinary items	**$ 0.38**	$ 1.77
Extraordinary items	**0.17**	—
Discontinued operations	**2.02**	0.30
Net income	**$ 2.57**	$ 2.07

The following is a restatement of major balance sheet categories to reflect the application of U.S. GAAP:

(millions)	**2001**	2000
Current assets	**$ 1,410.4**	$ 1,748.8
Capital assets	**16,236.5**	15,019.4
Goodwill	**3,739.5**	3,702.5
Deferred income taxes	**1,072.1**	1,212.7
Other assets	**780.0**	542.6
	$ 23,238.5	$ 22,226.0
Current liabilities	**$ 1,827.9**	$ 6,638.5
Long-term debt	**8,829.7**	3,239.0
Other long-term liabilities	**422.6**	377.9
Deferred income taxes	**2,614.3**	3,212.6
Non-controlling interest	**—**	74.3
Shareholders' equity	**9,544.0**	8,683.7
	$ 23,238.5	$ 22,226.0

The following is a reconciliation of shareholders' equity incorporating the differences between Canadian and U.S. GAAP:

(millions)	**2001**	2000
Shareholders' Equity under Canadian GAAP	**$ 6,986.9**	$ 6,418.4
Adjustments:		
Purchase versus pooling accounting (a) – (e)	**2,685.7**	2,330.7
Asset Impairment (f)	**(79.9)**	(112.2)
Additional goodwill on Clearnet purchase (h)	**123.5**	130.1
Reclassification of convertible debentures from equity to debt (i)	**(149.6)**	(149.6)
Accounting for derivatives (j)	**(2.7)**	—
Revaluation of deferred income tax assets and liabilities (l)	**—**	66.3
Other comprehensive loss	**(19.9)**	—
Shareholders' Equity under U.S. GAAP	**$ 9,544.0**	$ 8,683.7

(a) Merger of BC TELECOM and TELUS

The business combination between BC TELECOM and TELUS Corporation (renamed TELUS Holdings Inc. which was wound up June 1, 2001) was accounted for using the pooling of interests method under Canadian GAAP. Under Canadian GAAP, the application of the pooling of interests method of accounting for the merger of BC TELECOM and TELUS Holdings Inc. resulted in a restatement of prior periods as if the two companies had always been combined. Under U.S. GAAP, the merger is accounted for using the purchase method. Use of the purchase method results in TELUS (TELUS Holdings Inc.) being acquired by BC TELECOM for $4,662.4 million (including merger related costs of $51.9 million) effective January 31, 1999. The acquisition was effected by issuing 112.3 million shares in TELUS Corporation (formerly "BCT.TELUS Communications Inc.") and 1.5 million options to replace TELUS (TELUS Holdings Inc.) options outstanding.

(b) Depreciation

Under the purchase method, TELUS' capital assets on acquisition have been recorded at fair value rather than at their underlying cost (book values) to TELUS. Therefore, depreciation of such assets based on fair values at the date of acquisition under U.S. GAAP will be different than TELUS' depreciation based on underlying cost (book values).

(c) Interest

Under the purchase method, TELUS' long-term debt on acquisition has been recorded at its fair value rather than at its underlying cost (book value) to TELUS. Therefore, interest expense calculated on the debt based on fair values at the date of acquisition under U.S. GAAP will be different than TELUS' interest expense based on underlying cost (book value).

(d) Intangible Assets

As TELUS' intangible assets on acquisition have been recorded at their fair value, amortization of such assets needs to be included under U.S. GAAP. Amortization is calculated using the straight-line method at the following rates:

	Assigned Fair Value on Acquisition	Useful Life
Subscribers – wireline	$ 1,950.0 million	40 years
Spectrum licences	$ 1,833.3 million	40 years
Subscribers – wireless	$ 250.0 million	10 years

See Note 3(a) and "Recently Issued Accounting Standards Not Yet Implemented" at the end of this Note.

(e) Goodwill

Under the purchase method of accounting, TELUS' assets and liabilities at acquisition have been recorded at their fair values with the excess purchase price being allocated to goodwill in the amount of $403.1 million. The goodwill on the acquisition of TELUS is being amortized on a straight-line basis over its estimated useful life of 20 years. See Note 3(a) and "Recently Issued Accounting Standards Not Yet Implemented" at the end of this Note.

(f) Asset Impairment

In assessing if a capital asset is impaired, estimated future net cash flows are not discounted in computing the net recoverable amount. Under Canadian GAAP, the impairment amount recorded is the excess of the carrying amount over the recoverable amount; under U.S. GAAP the impairment amount recorded is the excess of the carrying amount over the discounted estimated future net cash flows that were used to determine the net recoverable amount. Under U.S. GAAP the net of tax charge taken in 1998 would be $232.2 million higher and would not be considered an extraordinary item. The annual depreciation expense would be approximately $72 million lower subsequent to when the increased impairment charge was taken under U.S. GAAP.

(g) Future Employee Benefits

Under U.S. GAAP, TELUS' future employee benefit assets and obligations have been recorded at their fair values on acquisition. Accounting for future employee benefits under Canadian GAAP changed to become more consistent with U.S. GAAP effective January 1, 2000. Canadian GAAP provides that the transitional balances can be accounted for prospectively. Therefore, to conform to U.S. GAAP, the amortization of the transitional amount needs to be removed from the future employee benefit expense.

(h) Additional Goodwill on Clearnet Purchase

Under U.S. GAAP, shares issued by the acquirer to affect an acquisition are measured at the date the acquisition was announced; however, under Canadian GAAP shares issued to effect an acquisition are measured at the transaction date. This results in the purchase price under U.S. GAAP being $131.4 million higher than under Canadian GAAP. The resulting difference is assigned to goodwill, which is being amortized on a straight-line basis over 20 years. See Note 3(a) and "Recently Issued Accounting Standards Not Yet Implemented" at the end of this Note.

(i) Convertible Debentures

Under Canadian GAAP, financial instruments such as the convertible debentures are classified as debt or equity according to their substance rather than their legal form. Accordingly, due to the substance of the transaction the convertible debentures have been classified as equity and the corresponding interest expense and the amortization of issue costs has been charged to the retained earnings rather than to the Consolidated Statements of Income. Pursuant to U.S. GAAP, the convertible debentures would be included in long-term debt. The corresponding interest expense on the convertible debentures and the amortization of issue costs are charged to the Consolidated Statements of Income.

(j) Accounting for Derivatives

On January 1, 2001, the Company adopted the provisions of FAS 133, Accounting For Derivative Instruments and Hedging Activities. This standard requires all derivatives be recognized as either assets or liabilities and measured at fair value. This is different from the Canadian GAAP treatment for financial instruments. Under U.S. GAAP, derivatives that are fair value hedges, together with the financial instrument being hedged, will be marked to market with adjustments reflected in income, and derivatives that are cash flow hedges will be marked to market with adjustments reflected in comprehensive income. As a result of adopting the statement, the Company recorded an expense arising from the cumulative effect of the change in accounting principle.

(k) Gain on Redemption of Long-term Debt

Under Canadian GAAP, gains realized as a result of the repayment of long-term debt prior to maturity are accounted for as part of income from continuing operations. Under U.S. GAAP, these amounts are considered to be extraordinary items.

(l) Revaluation of Deferred Income Tax Assets and Liabilities

Canadian GAAP requires recognition of the effects of a change in tax laws or rates when the change is "substantively enacted." Thus, recognition may precede actual enactment by a period of several months. U.S. GAAP (FAS 109) requires recognition upon actual enactment, which is the date that the tax change is signed into law.

Additional Disclosures Required under U.S. GAAP

Stock-Based Compensation

Under U.S. GAAP, a company which does not adopt the fair value method described in FAS 123 must disclose the cost of stock compensation awards, at their fair value, at the date the award is granted. The fair values of the Company's options granted in 2001 and 2000 were estimated using the Black-Scholes model with weighted average assumptions of 10-year expected terms, volatility of 29% (2000 – 21%), interest rate of 5.9% (2000 – 6.0%) and an expected dividend yield of 2.8% (2000 – 3.3%). Had compensation cost for the employee stock option plan been determined based upon fair value at the date of award, the Company's net income and earnings per share would have been reduced by approximately $37.8 million and $9.6 million or $0.13 and $0.04 per share for the years ended December 31, 2001 and 2000, respectively.

Comprehensive Income

SFAS 130, "Reporting Comprehensive Income," requires that a statement of comprehensive income be displayed with the same prominence as other financial statements. Comprehensive income, which incorporates net income, includes all changes in equity during a period except those resulting from investments by and distributions to owners. There is no requirement to disclose comprehensive income under Canadian GAAP.

Recently Issued Accounting Standards Not Yet Implemented
Under Staff Accounting Bulletin 74, the Company is required to disclose certain information related to new accounting standards which have not yet been adopted due to delayed effective dates.

Commencing with the Company's 2002 fiscal year, in Canada and the United States, the same, new Generally Accepted Accounting Principles for intangible assets with an indefinite life and goodwill apply. See Note 3(a). Under U.S. GAAP, the Company recorded goodwill amortization for the year ended December 31, 2001, of $201.6 million.

FAS 143, Accounting For Asset Retirement Obligations, and FAS 144, Accounting For the Impairment or Disposal of Long-lived Assets, have been issued. These Statements will be effective for the Company's fiscal years ending December 31, 2003 and 2002, respectively. The Company is unable to assess the impact of these standards at this time.

24. PRIOR YEAR PRESENTATION

The 2000 amounts have been reclassified, where applicable, to conform with the 2001 presentation.