TELUS CORP
Form 6-K
November 05, 2002

Form 6-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Report of Foreign Issuer

Pursuant to Rule 13a - 16 or 15d - 16 of
the Securities Exchange Act of 1934

For the month of November 2002

(Commission File No. 000-24876)

TELUS Corporation
(Translation of registrant's name into English)

21st Floor, 3777 Kingsway
Burnaby, British Columbia V5H 3Z7
Canada
(Address of principal registered offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F ______ Form 40-F __X__

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ______ No __X__

This Form 6-K consists of the following:

TELUS Corporation Third quarter financial statements and management discussion and analysis.

TELUS CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

SEPTEMBER 30, 2002

consolidated statements of income

Periods ended September 30	Three months		
(Unaudited) (millions)	2002	2001	2
OPERATING REVENUES	$ 1,766.3	$ 1,823.2	$ 5
OPERATING EXPENSES			
Operations	1,103.2	1,123.9	3
Depreciation	307.3	282.9	
Amortization of intangible assets (Note 2(a))	93.5	92.6	
Restructuring and workforce reduction costs (Note 3)	313.3	-	
	1,817.3	1,499.4	4
OPERATING INCOME FROM CONTINUING OPERATIONS	(51.0)	323.8	
Other income (expense), net	(5.6)	0.6	
Financing costs (Note 4)	98.6	175.2	
Refinancing charge from debt restructuring	-	-	
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES, NON-CONTROLLING INTEREST AND GOODWILL AMORTIZATION	(155.2)	149.2	
Income taxes (recovery) (Note 5)	(50.5)	79.0	
Non-controlling interest	0.6	-	
Goodwill amortization (Note 2(a))	-	46.2	
INCOME (LOSS) FROM CONTINUING OPERATIONS	(105.3)	24.0	
Discontinued operations (Note 6)	(2.1)	556.7	
NET INCOME (LOSS)	(107.4)	580.7	
Preference and preferred share dividends	0.8	0.8	
Interest on convertible debentures, net of income taxes	1.8	1.4	
COMMON SHARE AND NON-VOTING SHARE INCOME (LOSS)	$ (110.0)	$ 578.5	$
INCOME (LOSS) PER COMMON SHARE AND NON-VOTING SHARE ($) (NOTE 7)			
Basic - Continuing operations	(0.34)	0.07	
- Discontinued operations	(0.01)	1.87	
- Net income (loss) (Note 2(a))	(0.35)	1.94	
Diluted - Continuing operations	(0.34)	0.07	
- Discontinued operations	(0.01)	1.87	
- Net income (loss) (Note 2(a))	(0.35)	1.94	
DIVIDENDS DECLARED PER COMMON SHARE AND NON-VOTING SHARE ($)	0.15	0.35	
TOTAL WEIGHTED AVERAGE COMMON SHARES AND NON-VOTING SHARES OUTSTANDING (MILLIONS) - BASIC	315.3	297.4	

- DILUTED	315.3	298.0	

consolidated statements of retained earnings

(Unaudited) (millions)	Nine m 2
BALANCE AT BEGINNING OF YEAR	$ 1
Transitional impairment of intangible assets with indefinite lives (Note 2(a))	
Adjusted opening balance	1
Net income (loss)	
Less: Common Share and Non-Voting Share dividends paid in cash	
Common Share and Non-Voting Share dividends reinvested in shares issued from Treasury	
Preference and preferred share dividends	
Interest on convertible debentures	
BALANCE AT END OF PERIOD (Note 16)	$

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

consolidated balance sheets

(Unaudited) (millions)	A Septe 2
ASSETS	
Current Assets	
Cash and temporary investments	$
Accounts receivable (Notes 2(e), 9)	
Income and other taxes receivable	
Inventories	
Current portion of future income taxes	
Prepaid expenses and other	
	1
Capital Assets, Net (Note 10)	
Property, plant, equipment and other	8
Intangible assets subject to amortization (Note 2(a))	
Intangible assets with indefinite lives (Note 2(a))	2
	12
Other Assets	
Deferred charges (Note 11)	
Future income taxes	1

Investments	
Goodwill (Note 12)	3
Other	
	5
	$ 18
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current Liabilities	
Cash and temporary investments, net of outstanding items (Note 13)	$
Accounts payable and accrued liabilities	1
Restructuring and workforce reduction accounts payable and accrued liabilities	
Dividends payable	
Advance billings and customer deposits	
Short-term obligations	
	2
Long-Term Debt (Note 14)	8
Future Income Taxes	1
Other Long-Term Liabilities (Note 15)	
Non-Controlling Interest	
Shareholders' Equity (Note 16)	
Common equity	6
Convertible debentures	
Preference and preferred shares	
	6
	$ 18

Commitments and Contingent Liabilities (Note 17)
The accompanying notes are an integral part of these interim consolidated financial statements

consolidated statements of cash flows

Periods ended September 30 (Unaudited) (millions)	Three months 2002	2001	2
OPERATING ACTIVITIES			
Income (loss) from continuing operations	$ (105.3)	$ 24.0	$
Items not affecting cash:			
Depreciation and amortization	400.8	375.5	1
Goodwill amortization	-	46.2	
Future income taxes	(57.1)	48.7	
Gain on redemption of long-term debt	(82.4)	(7.0)	
Asset write-off related to restructuring	1.1	-	
Refinancing charge from debt restructuring	-	-	
Net pension credits	(2.1)	(11.9)	
Other, net	12.5	(61.8)	

Operating cash flow	167.5	413.7	
Restructuring and workforce reduction costs, net of cash payments (Note 3)	248.3	(23.4)	
Operating cash flow adjusted for restructuring and workforce reduction costs	415.8	390.3	1
Net change in non-cash working capital from continuing operations (Note 18(a))	393.1	322.9	
Operating cash flow and net change in non-cash working capital from discontinued operations (Note 18(b))	(4.6)	(154.9)	
Cash provided by operating activities	804.3	558.3	1
INVESTING ACTIVITIES			
Capital expenditures (Note 10)	(322.7)	(587.1)	(1
Purchase of spectrum	(4.5)	-	
Acquisitions, net of cash acquired	-	(65.3)	
Proceeds from the sale of property	-	-	
Proceeds from divestitures (Note 6)	7.8	810.0	
Other	(2.7)	(37.0)	
Cash provided (used) by investing activities	(322.1)	120.6	(1
FINANCING ACTIVITIES			
Common Shares and Non-Voting Shares issued	16.6	23.9	
Public issuance of Non-Voting Shares (Note 16(f))	337.4	-	
Cost of public issuance of Non-Voting Shares (Note 16(f))	(14.5)	-	
Dividends to shareholders	(43.2)	(62.6)	
Long-term debt issued	-	110.0	
Redemptions and repayment of long-term debt (Notes 14(b)-(c))	(779.1)	(20.0)	
Change in short-term obligations	-	(839.6)	
Amortization of debt issue costs and other	4.3	21.1	
Cash provided (used) by financing activities	(478.5)	(767.2)	
CASH POSITION			
Increase (decrease) in cash and cash equivalents	3.7	(88.3)	
Cash and temporary investments (cash and temporary investments, net of outstanding items), beginning of period	(9.0)	170.5	
Cash and temporary investments (cash and temporary investments, net of outstanding items), end of period (Note 13)	$ (5.3)	$ 82.2	$
SUPPLEMENTAL DISCLOSURE			
Interest paid	$ 48.6	$ 23.0	$
Income taxes paid	$ 3.5	$ 92.9	$

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

notes to interim consolidated financial statements

SEPTEMBER 30, 2002 (unaudited)

1. Interim Financial Statements

The notes presented in these interim consolidated financial statements include only significant events and transactions and are not fully inclusive of all matters normally disclosed in TELUS Corporation's annual audited financial statements. As a result, these interim consolidated financial statements should be read in conjunction with the TELUS Corporation consolidated financial statements for the year ended December 31, 2001. These interim consolidated financial statements follow the same accounting policies, other than as set out in Note 2 to these interim consolidated financial statements, and methods of their application as set out in the TELUS Corporation consolidated financial statements for the year ended December 31, 2001.

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

2. Change in Accounting Policies

(a) Intangible Assets and Goodwill

Commencing January 1, 2002, the new recommendations of the Canadian Institute of Chartered Accountants (CICA) for intangible assets and goodwill apply to the Company (CICA Handbook Section 3062). Rather than being systematically amortized, the carrying value of intangible assets with indefinite lives, and goodwill, will be periodically tested for impairment. Intangible assets with finite lives ("intangible assets subject to amortization") will be annually reviewed in respect of their useful lives. The frequency of the impairment test generally would be the reciprocal of the stability of the relevant events and circumstances, but intangible assets with indefinite lives must, at a minimum, be tested annually. The test is applied to each of the Company's two reporting units (the reporting units being identified in accordance with the criteria in the CICA Handbook section for intangible assets and goodwill): Communications and Mobility.

The Company's intangible assets with indefinite lives, which are its spectrum licences, were tested for impairment as at January 1, 2002, and the impairment amount (the "transitional impairment amount") of $595.2 million ($910.0 million before tax) was considered to arise from a change in accounting policy and was charged directly to opening retained earnings. Consistent with current industry-specific valuation methods, the Company used a discounted cash flow model for determining the fair value of its spectrum licences. Recent declines in the wireless asset market values have negatively affected the fair value of the spectrum licences, which the Company obtained primarily through acquisitions.

Similarly, goodwill was also to be tested for impairment as at January 1, 2002, by June 30, 2002, and any transitional impairment amount would also be considered to have arisen from a change in accounting policy and would be charged directly to opening retained earnings. The Company completed this test in the first quarter of 2002. By applying the prescribed method of comparing the fair value of its reporting units to the carrying amounts of its reporting units, the Company has assessed its goodwill and determined that there was no goodwill transitional impairment amount. Consistent with current industry-specific valuation methods, the Company used a combination of the discounted cash flow model and the market comparable approach for determining the fair value of its reporting units.

In accordance with the new requirements, net income (loss) for prior periods presented is to be adjusted to exclude amortization expense (including any related tax effects) recognized in those periods related to goodwill and intangible assets with indefinite lives; the corresponding per share amounts are also required to be adjusted.

Periods ended September 30 (millions except per share amounts)	Three months 2002	2001	2
Net income (loss)			
As reported	$ (107.4)	$ 580.7	$
Add back: Goodwill amortization	-	46.2	
Amortization of intangible assets with indefinite lives (a)	-	12.7	
As adjusted	$ (107.4)	$ 639.6	$
Income (loss) per Common Share and Non-Voting Share - basic and diluted			
As reported	$ (0.35)	$ 1.94	$
Add back: Goodwill amortization	-	0.16	
Amortization of intangible assets with indefinite lives (a)	-	0.04	
As adjusted	$ (0.35)	$ 2.14	$

(a) Net of taxes of $9.8 and $29.1 for three-month and nine-month periods ended September 30, 2001, respectively.

As required, TELUS has reviewed the estimated useful lives associated with its intangible assets that are subject to amortization; consistent with prior years, amortization is calculated using the straight-line method. Generally Accepted Accounting Principles require that changes in estimates, such as the useful lives of assets, be applied prospectively. The Company's review resulted in the following changes, effected in the first quarter of 2002, to the estimated useful lives of intangible assets that are subject to amortization:

	E C
Subscribers - wireline	5
Subscribers - wireless	

(b) Revenue Recognition - Consideration Given by a Vendor to a Customer

Commencing January 1, 2002, the Company adopted the provisions of the Financial Accounting Standards Board's Emerging Issues Task Force dealing with accounting for consideration given by a vendor to a customer (EITF 01-9), on a retroactive basis. The Company considers this accounting change, which is required for U.S. GAAP reporting purposes, to result in a more appropriate presentation of transactions in the financial statements. For the three months ended September 30, 2002, the impact of the change was to reduce operating revenues and operating expenses, for Mobility operations (both in 2002 and 2001) and Internet operations (in 2002 only), by $37.6 million (2001 - $26.6 million); for the nine months ended September 30, 2002, the impact was $98.8 million (2001 - $85.7 million). The impact for the year ended December 31, 2001, was a $122.1 million reduction in both operating revenues and operating expenses. The adoption of EITF 01-9 did not have an effect on the Company's financial position, key operating measures or cash flows.

(c) Revenue Recognition - Non-HCSA Deferral Account

On May 30, 2002, and on July 31, 2002, the Canadian Radio-television and Telecommunications Commission ("CRTC") issued Decision 2002 - 34 and Decision 2002 - 43, respectively, pronouncements that will affect the Company's wireline revenues for four-year periods beginning June 1, 2002, and August 1, 2002, respectively. In an effort to foster competition for residential basic service in non-high cost service areas ("non-HCSAs"), the concept of a deferral account mechanism was introduced by the CRTC, instead of price reductions.

The deferral account arises from the CRTC requiring the Company to defer the income statement recognition of a small portion of the monies received in respect of residential basic services provided to non-HCSAs. The revenue deferral is based on the rate of inflation, less a productivity offset of 3.5%, and an "exogenous factor" that is associated with allowed recoveries in previous price cap regimes that have now expired. The Company may recognize the deferred amounts upon the undertaking of qualifying actions, such as Service Improvement Programs ("SIPs"), rate reductions and/or rebates to customers. In an effort to stimulate competition, the CRTC required rate reductions for Competitor Services; the Company is allowed to use the "exogenous factor" recoveries to offset the realized rate reductions for Competitor Services. To the extent that a balance remains in the deferral account, interest is required to be accrued at the Company's short-term cost of borrowing.

The Company has adopted the liability method of accounting for the deferral account. This results in the Company recording a liability to the extent that activities it has undertaken, realized rate reductions for Competitor Services and other future qualifying events do not extinguish the balance of the deferral account. As at September 30, 2002, a liability of $14.1 million has been recorded and is included with advance billings and customer deposits. Other than for the interest accrued on the balance of the deferral account, which would be included in financing costs, all income statement effects of the deferral account are included in operating revenues.

(d) Share-Based Compensation

Commencing January 1, 2002, the new recommendations of the CICA for share-based compensation apply to the Company (CICA Handbook Section 3870). The new recommendations require that a fair value be determined for options at the date of grant and that such fair value be recognized in the financial statements. In respect of share options awarded to employees, it is permissible to use either the fair value based method or the intrinsic value based method, however, if the intrinsic based method is used, pro forma disclosure is required so as to show what the effect would have been had the fair value based method been applied.

The Company applies the intrinsic value based method of accounting for share-based compensation awards granted to employees. Accordingly, no compensation cost is recorded in the accounts for its share option plans and the requisite pro forma disclosures are made (see Note 8). Proceeds arising from the exercise of share options are credited to share capital.

(e) Sales of Receivables

For transfers of receivables occurring on, or after, July 1, 2001, (see Note 9) the new accounting guidelines of the CICA apply to the Company (CICA Accounting Guideline AcG-12). Since July 1, 2001, transfers of receivables in securitization transactions are recognized as sales when the Company is deemed to have surrendered control over the transferred receivables and consideration, other than for its beneficial interests in the transferred receivables, has been received. When the Company sells its receivables, it retains reserve accounts, which are retained interests in the securitized receivables, and servicing rights. When a transfer is considered a sale, the Company derecognizes all receivables sold, recognizes at fair value the assets received and the liabilities incurred and records the gain or loss on sale in "Other income (expense) net". Such gain or loss recognized on the sale of receivables depends in part on the previous carrying amount of the receivables involved in the transfer, allocated between the receivables sold and the retained interests based upon their relative fair market value at the sale date. The Company estimates the fair value for its retained interests based on the present value of future expected cash flows using management's best estimates of the key assumptions - credit losses, the weighted average life of the receivables sold and discount rates commensurate with the risks involved.

For transfers of receivables occurring prior to July 1, 2001, the transactions were recognized as sales of receivables when the significant risks and rewards of ownership were transferred to the purchasers.

3. Restructuring and Workforce Reduction Costs

In 2001, the Company initiated a phased Operational Efficiency Program ("OEP") aimed at improving the Company's operating and capital productivity and competitiveness. The first phase of the OEP was to complete merger-related restructuring activities in TELUS Mobility and the reorganization for TELUS Communications. In the first quarter of 2001, a restructuring charge of $198.4 million was recorded. Approximately one-half of the 2001 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 was related to reorganization costs in TELUS Communications, including employee severance costs and capital asset impairment charges. In the first quarter of 2002 the Company recorded a $12.5 million expense in respect of workforce reduction costs incurred in excess of the 2001 provision. By December 31, 2001, excluding the impacts of staff increases associated with acquisitions, there were approximately 800 net staff reductions as a result of the OEP.

The second phase of the OEP, which commenced at the beginning of 2002, continued to focus on reducing staff, but also entailed a comprehensive review of enterprise-wide processes to identify capital and operational efficiency opportunities. Consequently, on June 7, 2002, the Company offered an Early Retirement Incentive Plan ("ERIP") and a Voluntary Departure Incentive Plan ("VDIP") to 11,000 of over 16,000 bargaining unit employees and on July 11, 2002, the Company announced details on OEP initiatives including: streamlining of business processes; reducing the TELUS product portfolio and processes that support them; optimizing the use of real estate, networks and other assets; improving customer order management; reducing the scope of corporate support functions; consolidating operational and administrative functions; and consolidating customer contact centres, currently from 66 offices in 20 communities to 19 offices in 6 communities. Three of the 47 customer contact centres targeted for consolidation have been consolidated by September 30, 2002. All 33 of the TELUS stores targeted for closure have been closed by September 30, 2002. Consolidation of administrative offices will be largely completed by December 31, 2002, with other changes implemented throughout 2003.

The third phase of the OEP commenced in the third quarter of 2002 and was focused on operationalizing the above noted initiatives. In total for the second and third phases of the OEP, TELUS is expecting a further net reduction of approximately 6,500 positions involving approximately 5,200 bargaining unit and 1,300 management positions in 2002 and 2003. These reductions are somewhat higher than the 6,000 net positions originally announced due to higher than anticipated enrollment to the ERIP and VDIP program and higher management departures. In the third quarter, TELUS reduced its staff count by approximately 1,700 positions and 2,700 on a year to date basis. Since the inception of the

OEP in 2001, the Company has reduced its staff count by approximately 3,500, comprised of 2,200 bargaining unit positions and 1,300 management positions.

The expense and liability for the ERIP and VDIP programs are recognized when the employee accepts the Company's formalized offer. The Company recorded incentive package costs of $3.1 million in the second quarter of 2002 for employees who departed during the second quarter of 2002. During the third quarter of 2002, the Company recorded $313.3 million of restructuring and workforce reduction costs, representing approximately 3,500 management and bargaining unit ERIP and VDIP employee acceptances and planned involuntary terminations (of which approximately 1,700 had left the Company as of September 30, 2002), qualifying lease termination and other costs. Additional restructuring and workforce reduction costs are expected to be incurred subsequent to September 30, 2002, but did not qualify for accrual at the current balance sheet date. The total cost (inclusive of the items already recorded) of all the phase two and phase three initiatives, including management, ERIP, VDIP and other operational efficiency pursuits, is currently estimated to be $560 million.

Periods ended September 30	Three months		
(millions)	2002	2001	2
Workforce reduction costs			
Voluntary (Early Retirement Incentive Plan, Voluntary Departure Incentive Plan and other)	$ 214.4	$ -	$
Involuntary and other	87.3	-	
	301.7	-	
Lease termination charges	10.1	-	
Asset write-off and other charges	1.5	-	
Restructuring and workforce reduction costs	313.3	-	
Less: Current payments	65.0	23.4	
Asset write-off related to restructuring and other	-	-	
Restructuring and workforce reduction costs, net of cash payments	$ 248.3	$ (23.4)	$

4. Financing Costs

Periods ended September 30	Three months		
(millions)	2002	2001	2
Interest on long-term debt	$ 180.6	$ 175.9	$
Interest on short-term obligations and other	0.3	9.0	
Foreign exchange (gain) loss	0.8	5.0	
Gain on redemption of long-term debt (a)	(82.4)	(7.0)	
	99.3	182.9	
Capitalized interest during construction	(0.1)	(0.2)	
Interest income	(0.6)	(7.5)	
	$ 98.6	$ 175.2	$

(a) In the third quarter of 2002, the Company repurchased long-term debt and realized a gain on the redemption (see Note 14(b)).

5. Income Taxes

Provisions for large corporations tax of $6.7 million (2001 - $5.5 million) and $19.9 million (2001 - $11.2 million) for the three-month and nine-month periods ended September 30, 2002, respectively, are included in the Company's income tax expense.

6. Discontinued Operations

Pursuant to two agreements, one effective August 14, 2002, and one effective August 31, 2002, the Company sold its U.S. directory business to two arm's-length parties, for total proceeds of $7.8 million and recognized a loss of $2.2 million (before and after tax) on the sale.

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 Quebec directory business to Dominion Information Services Inc., a wholly-owned subsidiary of a related party, Verizon Communications Inc., for total proceeds of $810 million representing fair market value. In the third quarter of 2001, the Company recognized a gain of $547.4 million ($712.9 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 $4.4 million ($7.9 million before tax) based on proceeds of $147 million received in October 2001.

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

At September 30, 2002 and December 31, 2001, no material assets or liabilities of the discontinued operations remained. Income statement disclosures for discontinued operations are as follows:

Three months ended September 30,	TELUS Advertising Services		Equipment Leasing	
(millions)	2002	2001	2002	2001
Revenues	$ 1.9	$ 26.8	$ -	$ 3.2
Operating results to measurement date				
Income (loss) before income taxes	$ 0.1	$ 7.7	$ -	$ 1.1
Income taxes	-	3.3	-	0.6
Income (loss) from operations to measurement date	0.1	4.4	-	0.5

Gain (loss) and other				
- Gross	(2.2)	712.9	-	7.9
- Income tax	-	165.5	-	3.5
- Net	(2.2)	547.4	-	4.4
Discontinued operations	$ (2.1)	$ 551.8	$ -	$ 4.9

Nine months ended September 30,	TELUS Advertising Services		Equipment Leasing	
(millions)	2002	2001	2002	2001
Revenues	$ 5.0	$ 190.0	$ -	$ 9.4
Operating results to measurement date				
Income (loss) before income taxes	$ 0.3	$ 75.9	$ -	$ 3.2
Income taxes	-	33.8	-	1.7
Income (loss) from operations to measurement date	0.3	42.1	-	1.5
Gain (loss) and other				
- Gross	(2.2)	712.9	-	7.9
- Income tax	-	165.5	-	3.5
- Net	(2.2)	547.4	-	4.4
Discontinued operations	$ (1.9)	$ 589.5	$ -	$ 5.9

7. Per Share Amounts

Basic net income (loss) from continuing operations per Common Share and Non-Voting Share is calculated by dividing Common Share and Non-Voting Share income (loss) from continuing operations by the total weighted average Common Shares and Non-Voting Shares outstanding during the period. Basic net income (loss) per Common Share and Non-Voting Share is calculated by dividing Common Share and Non-Voting Share income (loss) by the total weighted average Common Shares and Non-Voting Shares outstanding during the period. Diluted income per Common Share and Non-Voting 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 and Non-Voting 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 before discontinued operations.

Periods ended September 30	Three months		
(millions)	2002	2001	2

Income (loss) from continuing operations	$ (105.3)	$ 24.0	$
Deduct:			
Preference and preferred share dividends	0.8	0.8	
Interest on convertible debentures	1.8	1.4	
Basic and diluted Common Share and Non-Voting Share income (loss) from continuing operations	$ (107.9)	$ 21.8	$

Periods ended September 30 (millions)	Three months 2002	2001	2
Basic total weighted average Common Shares and Non-Voting Shares outstanding	315.3	297.4	
Effect of dilutive securities			
Exercise of share options and warrants (a)	-	0.6	
Diluted total weighted average Common Shares and Non-Voting Shares outstanding	315.3	298.0	

(a) Share options, in the amount of 1.1 for the nine-month period ended September 30, 2001, were excluded from the calculations as they were anti-dilutive.

8. Share-Based Compensation

The Company applies the intrinsic value based method of accounting for share-based compensation awards granted to employees. Accordingly, no compensation cost is recorded in the accounts for its share option plans. For share options granted after 2001, disclosure of the impact on earnings and earnings per share as if the fair value based method of accounting for the share-based compensation had been applied is required. Such impact, using weighted average fair values of $1.68 and $7.30 for options granted in the three-month and nine-month periods ended September 30, 2002, respectively, would approximate the following pro forma amounts:

Periods ended September 30, 2002 (millions except per share amounts)
Compensation cost
Net income (loss)
As reported
Pro forma
Net income per Common Share and Non-Voting Share
Basic and diluted - net income (loss)
As reported
Pro forma

The fair value of each option granted is estimated on the date of grant using the Black-Scholes model with weighted average assumption for grants as follows:

Periods ended September 30, 2002

Risk free interest rate
Expected lives (years)
Expected volatility
Dividend rate

Forfeitures of options are accounted for in the period of forfeiture.

9. Accounts Receivable

On July 26, 2002, TELUS Communications Inc. ("TCI"), a wholly-owned subsidiary of TELUS, entered into an agreement with an arm's-length securitization trust under which TCI is able to sell an interest in certain of its trade receivables up to a maximum of $650 million. As a result of selling the interest in certain of the trade receivables on a fully-serviced basis, a servicing liability is recognized on the date of sale and is, in turn, amortized to earnings over the expected life of the trade receivables. This "revolving-period" securitization agreement has an initial term ending July 18, 2007. TCI is required to maintain at least a BBB (low) credit rating by Dominion Bond Rating Service or the securitization trust may require the sale program to be wound down prior to the end of the initial term.

On September 30, 2002, this securitization agreement was amended in order to make available for purchase by the securitization trust an interest in a certain class of TCI's trade receivables, which were previously of the type sold to a different arm's-length securitization trust under a prior securitization agreement dated November 20, 1997. During the third quarter of 2002, TCI delivered a notice of termination in respect of this prior securitization; collection and final remittances of the corresponding accounts receivable had been completed by September 27, 2002.

(millions)

Total managed portfolio
Securitized receivables
Retained interest in receivables sold (a)
Receivables held

(a) Includes receivables sold pre and post adoption of AcG-12 (see Note 2(e)).

Income statement effects of the current year's securitization (see Note 2(e)) are as follows:

Periods ended September 30, 2002
(millions)
S>

Loss on sale of receivables (a)

(a) The loss on sale of receivables is comprised of the discount on sale of receivables, the adjustment arising from the fair valuation of the Company's retained interest and servicing.

Cash flows from the current year's securitization (see Note 2(e)) are as follows:

Periods ended September 30, 2002
(millions)
S>

Proceeds from new securitizations
Proceeds from collections reinvested in revolving period securitizations
Proceeds from collections pertaining to retained interest

The key economic assumptions used to determine the loss on sale of receivables, the future cash flows and fair values attributed to the retained interest (see Note 2(e)) are as follows:

Periods ended September 30, 2002

Expected credit losses as a percentage of accounts receivable sold
Weighted average life of the receivables sold (days)
Effective annual discount rate
Servicing

Generally, the sold trade receivables do not experience prepayments.

At September 30, 2002, key economic assumptions and the sensitivity of the current fair value of residual cash flows to immediate 10 per cent and 20 per cent changes in those assumptions are as follows:

(dollars in millions)	As at September 30, 2002	1
Carrying amount/fair value of future cash flows	$ 83.1	
Expected credit losses as a percentage of accounts receivable sold	2.4%	$
Weighted average life of the receivables sold (days)	40	$
Effective annual discount rate	4.2%	$

(a) These sensitivities are hypothetical and should be used with caution. Favourable hypothetical changes in the assumptions result in an increased value, and unfavourable hypothetical changes in the assumptions result in a decreased value, of the retained interest in receivables sold. As the figures indicate, changes in fair value based on a 10 per cent variation in assumptions generally cannot be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, in this table, the effect of a variation in a particular assumption on the fair value of the retained interest is calculated without changing any other assumption; in reality, changes in one factor may result in change in another (for example, increases in market interest rates may result in increased credit losses), which might magnify or counteract the sensitivities.

10. Capital Assets, Net

(millions)	Cost	Accumulated Depreciation and Amortization	A Septe 2
Property, plant, equipment and other			
Telecommunications assets	$ 15,648.9	$ 9,446.0	$ 6
Assets leased to customers	411.2	332.6	
Buildings	1,464.7	671.9	
Office equipment and furniture	789.9	527.2	
Assets under capital lease	49.2	36.2	
Other	387.6	240.0	
Land	55.4	-	
Plant under construction	523.8	-	
Materials and supplies	36.3	-	
	19,367.0	11,253.9	8
Intangible assets subject to amortization			
Subscriber base	359.5	42.3	
Software	1,003.3	467.9	
Access to rights-of-way and other	116.1	26.2	
	1,478.9	536.4	
Intangible assets with indefinite lives			
Spectrum licences (a)	3,966.4	1,018.3	2
	$ 24,812.3	$ 12,808.6	$ 12

(a) Accumulated amortization of spectrum licences is amortization recorded prior to 2002 and the transitional impairment amount (see Note 2(a)).

Included in capital expenditures for the three-month and nine-month periods ended September 30, 2002, were additions of intangible assets subject to amortization of $72.6 million (2001 - $255.2 million) and $210.9 million (2001 - $356.8 million), respectively.

11. Deferred Charges

A

(millions)	Septe 2
Recognized transitional pension assets and pension plan contributions in excess of charges to income	$
Cost of issuing debt securities, less amortization	
Deferred hedging asset	
Deferred customer activation, installation and end-user wireless handset costs (a)	
Other	
	$

(a) Upfront customer activation fees and wireless handset revenues arising from sales to end-users, along with the corresponding direct costs not in excess of revenues, are deferred and recognized over the average expected term of the customer relationship.

12. Goodwill

During the first quarter of 2002, the Company updated its estimate of the net income tax benefits that were obtained in the course of acquiring Clearnet Communications Inc. on October 19, 2000. This has resulted in an increase to the future income tax asset of $126.2 million, which has been recorded as a reduction of the unamortized balance of goodwill arising from the acquisition.

Goodwill additions, arising from acquisitions, for the three-month and nine-month periods ended September 30, 2002, were $NIL (2001 - $8.0 million) and $2.9 million (2001 - $204.8 million), respectively.

13. Cash and Temporary Investments, Net of Outstanding Items

Cash and temporary investments, net of outstanding items, represents outstanding cheques written but not cleared by the bank as at the balance sheet date and is supported by an unsecured overdraft facility.

14. Long-Term Debt

(a) Details of Long-Term Debt

(millions) Series	Rate	Maturity	A Septe 2
TELUS Corporation Notes (b)			
CA	7.5%	June 2006	$ 1
U.S.	7.5%	June 2007	1
U.S.	8.0%	June 2011	3
			6
TELUS Corporation Bank Facility		May 2004	

TELUS Communications Inc. Debentures (b)			
1	12.00%	May 2010	
2	11.90%	November 2015	
3	10.65%	June 2021	
4	9.15%	April 2002	
5	9.65%	April 2022	
A	9.50%	August 2004	
B	8.80%	September 2025	
TELUS Communications Inc. Medium Term Note Debentures (b)			
96-3	6.25%	February 2002	
96-5	7.25%	April 2002	
96-6	6.00%	January 2002	
96-7	6.125%	January 2002	
96-9	6.25%	August 2003	
99-1	6.40%	June 2003	
TELUS Communications Inc. Senior Discount Notes (c)			
TELUS Communications (Quebec) Inc. First Mortgage Bonds			
T	10.80%	March 2003	
U	11.50%	July 2010	
TELUS Communications (Quebec) Inc. Medium Term Notes			
1	7.10%	February 2007	
Capital leases issued at varying rates of interest from 3.16% to 15.5% and maturing on various dates up to 2006			
Other			
Total debt			8
Less - current maturities			
Long-term Debt			$ 8

(b) TELUS Corporation Notes, TELUS Communications Inc. Debentures and TELUS Communications Inc. Medium Term Notes

During the third quarter of 2002, the Company repurchased 2006 (Canadian Dollar) Notes, 2007 and 2011 (U.S. Dollar) Notes, TELUS Communications Inc. Debenture, due August 2004, and TELUS Communications Inc. 6.4% Medium Term Notes with face values of $22.0 million, U.S.$133.5 million, U.S.$75.0 million, $2.5 million and $49.0 million, respectively. Proceeds from the public issuance of Non-Voting Shares (Note 16(f)) in the third quarter of 2002 were, effectively, used to repurchase these Notes. The gain on repurchasing these Notes and the gain on the corresponding amount of the 2007 and 2011 Cross Currency Interest Rate Swaps terminated have been included as a component of financing costs (gain on redemption on long-term debt)(Note 4).

(c) TELUS Communications Inc. Senior Discount Notes

During the third quarter of 2002, the 11.75% Senior Discount Notes, due 2007, were called for redemption and were redeemed. Pursuant to a corporate reorganization effected September 30, 2002, the outstanding Clearnet Inc. Senior Discount Notes, which mature in 2008 and 2009, became obligations of TELUS Communications Inc.

(d) Long-Term Maturities

Anticipated requirements to meet long-term debt repayments during each of the five years from September 30, 2002 are as follows:

(millions)
2003
2004
2005
2006
2007

15. Other Long-Term Liabilities

(millions)	A Septe 2
Deferred gain on sale-leaseback of buildings	$
Pension and other post-retirement liabilities	
Deferred customer activation and installation fees and wireless handset revenues arising from sales to end-users (a)	
Other	
	$

(a) Upfront customer activation fees and wireless handset revenues arising from sales to end-users, along with the corresponding direct costs not in excess of revenues, are deferred and recognized over the average expected term of the customer relationship.

16. Common Equity

(a) Details of Common Equity

(millions)	A Septe 2
Common equity	
Common Shares (b)	$ 2
Non-Voting Shares (b)	3
Options and warrants (c)	

Accrual for shares issuable under channel stock incentive plan (d)	
Retained earnings	
Contributed surplus	
	$ 6

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

Periods ended September 30, 2002	Three months		
	Number of shares	Amount (millions)	Numb sh
Common Shares			
Beginning of period	184,342,070	$ 2,241.2	181,3
Exercise of share options (c)	-	-	
Exercise of pre-emptive rights	-	-	5
Employees' purchase of shares	1,460,788	14.5	3,6
Dividends reinvested in shares	133,346	1.4	2
End of period	185,936,204	$ 2,257.1	185,9

Periods ended September 30, 2002	Three months		
	Number of shares	Amount (millions)	Numb sh
Non-Voting Shares			
Beginning of period	122,970,715	$ 2,903.5	120,8
Exercise of share options (c)	-	-	
Exercise of warrants (c)	-	-	
Channel stock incentive plan (d)	14,450	0.1	
Other (e)	(30,104)	(0.9)	(
Public issuance of shares (f)	34,250,000	327.8	34,2
Dividend Reinvestment and Share Purchase Plan (g)			
Dividends reinvested in shares	291,915	3.3	2,3
Optional cash payments	65,730	0.7	1
End of period	157,562,706	$ 3,234.5	157,5

(c) Share Option Plans and Warrants

At September 30, 2002, 25,900,040 (December 31, 2001 - 26,571,268) shares are reserved for issuance under the option plans. At September 30, 2002, 754,243 (December 31, 2001 - 782,910) warrants remained outstanding. The following is a summary of activity related to the Company's share options plans for the year to date period ended September 30, 2002.

		Outstanding at beginning of year	Granted	Exercised	Forfei
TELUS Corporation Share Option and Compensation Plan	Number of shares	3,354,276	-	-	136,
	Weighted average option price	$35.32	-	-	33
TELUS Share Option Plan for Former Clearnet Option Holders	Number of shares	1,794,977	-	4,534	15,
	Weighted average option price	$14.37	-	5.30	30
BC TELECOM Stock Option Plan	Number of shares	823,265	-	-	55,
	Weighted average option price	$34.11	-	-	39
BC TELECOM Long-Term Incentive Share Option Plan	Number of shares	211,592	-	-	
	Weighted average option price	$22.91	-	-	
TELUS Holdings Inc. Stock Option Plan	Number of shares	847,158	-	103,914	316,
	Weighted average option price	$32.28	-	21.23	34
TELUS Corporation Amended Share Option and Compensation Plan	Number of shares	6,908,300	1,406,420	-	292,
	Weighted average option price	$28.96	21.67	-	29
TELUS Employee Share Option Plan	Number of shares	5,728,800	-	-	426,
	Weighted average option price	$29.33	-	-	28
Total of all Plans	Number of shares	19,668,368	1,406,420	108,448	1,243,

(d) Channel Stock Incentive Plan

The Company initiated the Plan to increase sales of various products and services by providing additional performance-based compensation in the form of Non-Voting Shares. The Company has reserved 285,550 (December 31, 2001 - 300,000) shares for issuance under the Plan. As at September 30, 2002, shares earned, but not yet issued, are accrued as a component of Common Equity.

(e) Other

During 2001, the Company issued Non-Voting Shares as partial consideration for acquisitions made during the year. Some of these Non-Voting Shares, which were held in an escrow account, represented contingent consideration that met the requirements for recording as capital at the time of the acquisition. The excess of the amount of contingent consideration over the amount actually earned has been recorded as a reduction of Non-Voting Share capital.

(f) Public issuance of Non-Voting Shares

In the third quarter of 2002, the Company sold 34,250,000 Non-Voting Shares by way of a public offering in Canada and the United States at a price of $9.85 per share. Proceeds of $337.4 million were reduced by costs of issue of $14.5 million, less related future income taxes of $4.9 million.

(g) 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 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.

17. Commitments and Contingent Liabilities

(a) CRTC Decision 2002-34 Deferral Account

On May 30, 2002, and on July 31, 2002, the CRTC issued Decision 2002 - 34 and 2002 - 43, respectively, and introduced the concept of a deferral account (see Note 2(c)). The Company records a liability ($14.1 million as of September 30, 2002) to the extent that activities it has undertaken, other qualifying events and realized rate reductions for Competitor Services do not extinguish it. Management is required to make estimates and assumptions in respect of the offsetting nature of these items. If the CRTC, upon its annual review of the Company's deferral account, disagrees with management's estimates and assumptions, the CRTC may adjust the deferral account balance and such adjustment may be material.

(b) Operational Efficiency Program Initiatives

As disclosed in Note 3, the Company has announced various initiatives, currently estimated to be $560 million, not all of which have met the criteria for recording as at September 30, 2002.

18. Net Change in Non-Cash Working Capital

(a) Continuing Operations:

Periods ended September 30	Three months		
(millions)	2002	2001	2
Accounts receivable	$ 263.3	$ (19.5)	$
Income and other taxes receivable	3.4	52.7	
Inventories	8.6	17.7	
Prepaid expenses and other	55.9	202.8	
Accounts payable and accrued liabilities	55.4	84.1	
Advance billings and customer deposits	18.2	(10.9)	
Employer contributions to employee benefit plans	(11.7)	(14.6)	
Other	-	10.6	

	$ 393.1	$ 322.9	$

(b) Discontinued Operations:

Periods ended September 30 (millions)	Three months 2002	2001	2
Operating cash flow	$ (1.9)	$ 68.9	$
Accounts receivable and prepaid expenses	(4.3)	(278.9)	
Accounts payable and accrued liabilities	1.6	55.1	
	$ (4.6)	$ (154.9)	$

19. Segmented Information

Three months ended September 30 (millions)	Communications 2002	2001	Mobility (a) 2002	2001	Eliminations 2002	2001
External revenue	$ 1,233.8	$ 1,341.9	$ 532.5	$ 481.3	$ -	$
Inter-segment revenue	24.5	25.7	4.9	4.3	(29.4)	(3
Total operating revenue	1,258.3	1,367.6	537.4	485.6	(29.4)	(3
Operations expenses	760.0	786.3	372.6	367.6	(29.4)	(3
EBITDA (b)	$ 498.3	$ 581.3	$ 164.8	$ 118.0	$ -	$
Capital expenditures	$ 230.2	$ 403.3	$ 92.5	$ 183.8	$ -	$
Purchase of spectrum	-	-	4.5	-	-	
CAPEX (c)	$ 230.2	$ 403.3	$ 97.0	$ 183.8	$ -	$
EBITDA less CAPEX	$ 268.1	$ 178.0	$ 67.8	$ (65.8)	$ -	$

Nine months ended September 30 (millions)	Communications 2002	2001	Mobility (a) 2002	2001	Eliminations 2002	2001
External revenue	$ 3,745.1	$ 3,880.0	$ 1,467.2	$ 1,332.5	$ -	$
Inter-segment revenue	72.5	63.6	13.2	13.0	(85.7)	(7
Total operating revenue	3,817.6	3,943.6	1,480.4	1,345.5	(85.7)	(7
Operations expenses	2,350.4	2,313.0	1,074.2	1,044.8	(85.7)	(7
EBITDA (b)	$ 1,467.2	$ 1,630.6	$ 406.2	$ 300.7	$ -	$

Capital expenditures	$ 947.2	$ 1,219.0	$ 330.0	$ 438.8	$ -	$
Purchase of spectrum	-	-	4.5	355.9	-	
CAPEX (c)	$ 947.2	$ 1,219.0	$ 334.5	$ 794.7	$ -	$
EBITDA less CAPEX	$ 520.0	$ 411.6	$ 71.7	$ (494.0)	$ -	$

(a) External revenue for Mobility has been reclassified for 2001 (see Note 2(b)).
(b) Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) is defined as operating revenues less operations expense and, as defined, excludes restructuring and workforce reduction costs. The Company has issued guidance on, and reports, EBITDA because it is a key measure used by management to evaluate performance of its business segments and is utilized in measuring compliance with debt covenants.
(c) Total capital expenditures (CAPEX) are the sum of capital expenditures and purchases of spectrum.

20. Related Party Transactions

In 2001, the Company 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 2003. As of September 30, 2002, $281.8 million of specified software licences and a trade mark licence have been acquired and recorded as capital and other assets. These assets are valued at fair market value as determined by an arm's-length party's appraisal. In addition, in the normal course of operations and on market terms and conditions, ongoing services and other benefits have been received and expensed. Assuming renewal through to 2008, the total commitment under the new agreement is U.S.$377 million for the period 2001 to 2008 and the commitment remaining after September 30, 2002 is U.S.$147 million.

Periods ended September 30	Three months		
(millions)	2002	2001	2
Verizon agreement			
Specified software licenses and trademark license acquired and recorded as capital and other	$ 28.8	$ 66.9	$ 8
Ongoing services and benefits expensed	$ 10.1	$ 16.3	$ 3
Sales to Verizon	$ 18.1	$ 32.6	$ 3

In common with, and on the same basis as, other shareholders of the Company, Verizon is eligible to participate in the Company's Dividend Reinvestment and Share Purchase Plan (see Note 16(g)). The following table presents a summarization of the Company's dividend transactions with Verizon, which are included elsewhere in these financial statements in similarly captioned line item amounts.

Periods ended September 30	Three months		
(millions)	2002	2001	2

Declared dividends attributable to Verizon's shareholdings			
- to be paid in cash	$ 10.5	$ -	$ 2
- to be reinvested in Treasury shares	0.5	24.5	1
	11.0	24.5	3
Cash payments	10.5	-	1
Reinvested in Treasury shares	0.5	22.1	2
	11.0	22.1	3
Change in dividends payable to Verizon	-	2.4	
Dividends payable to Verizon, beginning of period	11.0	22.1	1
Dividends payable to Verizon, end of period	$ 11.0	$ 24.5	$ 1

21. 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 of the Company:

Periods ended September 30 (millions except per share amounts)	Three months 2002	2001	2
Net income (loss) from continuing operations in accordance with Canadian GAAP	$ (105.3)	$ 24.0	$ (8
Adjustments:			
Decrease in depreciation expense (b)	9.0	9.0	2
Decrease in interest expense (c)	2.4	9.2	
Amortization of intangible assets (d)	(20.5)	(29.9)	(6
Goodwill amortization (e)	-	(5.0)	
Asset impairment - decrease in depreciation (f)	18.0	18.0	5
Change in future employee benefits (g)	(4.2)	(4.2)	(1
Amortization of additional goodwill - Clearnet purchase (h)	-	(1.7)	
Interest on convertible debentures (i)	(1.8)	(1.4)	(
Accounting for derivatives (j)	1.2	(1.2)	
Taxes on the above adjustments	(1.3)	2.2	(
Revaluation of deferred income tax assets and liabilities (k)	-	403.8	
Net income (loss) from continuing operations in accordance with U.S. GAAP (l)	(102.5)	422.8	(8
Discontinued operations	(2.1)	556.7	(
Income (loss) before effect of change in accounting principle	(104.6)	979.5	(8
Effect of change in accounting principles			

for intangible assets and goodwill (m)	-	-	(1,70
Net income (loss) in accordance with U.S. GAAP	(104.6)	979.5	(1,78
Other comprehensive income (loss) (j)(o)	140.3	84.8	16
Comprehensive income (loss) in accordance with U.S. GAAP	$ 35.7	$ 1,064.3	$ (1,62
Income (loss) per share under U.S. GAAP (basic and diluted):			
Continuing operations	$ (0.32)	$ 1.42	$ (
Discontinued operations	(0.01)	1.87	(
Before effect of change in accounting principles for intangible assets and goodwill	(0.33)	3.29	(
Effect of change in accounting principles for intangible assets and goodwill	-	-	(
Net income (loss)	$ (0.33)	$ 3.29	$ (

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

(millions)	A Septe 2
Current assets	$ 1
Capital assets	
Property, plant, equipment and other	7
Intangible assets subject to amortization	2
Intangible assets with indefinite lives (m)	2
Goodwill	3
Deferred income taxes	1
Other assets	1
	$ 20
Current liabilities	$ 2
Long-term debt	8
Other long-term liabilities	
Deferred income taxes	1
Non-controlling interest	
Shareholders' equity	8
	$ 20

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

(millions)	2

Shareholders' Equity under Canadian GAAP	$ 6
Adjustments:	
Purchase versus Pooling Accounting (a) - (e), (g), (m)	1
Asset impairment (f)	
Additional goodwill on Clearnet purchase (h)	
Reclassification of convertible debentures from equity to debt (i)	
Accounting for derivatives (j)	
Other comprehensive income (loss) (o)	
Shareholders' Equity under U.S. GAAP	$ 8

(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.

(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, other than for those with indefinite lives, needs to be included under U.S. GAAP; consistent with prior years, amortization is calculated using the straight-line method. As required (see (m) and Note 2(a)), the Company reviewed the estimated useful lives associated with its intangible assets that are subject to amortization. Generally Accepted Accounting Principles require that changes in estimates, such as the useful lives of assets, be applied prospectively. The Company's review resulted in the following changes, effected in the first quarter of 2002, to the estimated useful lives:

	Assigned Fair Value on Acquisition	Esti Current

Subscribers - wireline	$1,950.0 million	50 y
Spectrum licences	$1,833.3 million	Indefinit
Subscribers - wireless	$ 250.0 million	7 y

(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. Commencing January 1, 2002, rather than being systematically amortized, the carrying value of goodwill will be periodically tested for impairment (see (m)).

(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, at the time the transaction took place, shares issued to effect an acquisition were 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. Commencing January 1, 2002, rather than being systematically amortized, the carrying value of goodwill will be periodically tested for impairment (see Note 2(a)).

(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 SFAS 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, which are fair value hedges, together with the financial instrument being hedged, will be marked to market with adjustments reflected in income and derivatives, which 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) Revaluation of Deferred Income Tax Assets and Liabilities

Canadian GAAP requires recognition 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 (SFAS 109) requires recognition upon actual enactment, which is the date that the tax change in signed into law.

(l) Gain on Redemption of Long-Term Debt

During the third quarter of 2002, the Company adopted SFAS 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13 and Technical Corrections", in advance of mandatory adoption in the Company's 2003 fiscal year. Statement 145 results in the gain on redemption of long-term debt, in the Company's instance, no longer being reported as an extraordinary item and thus results in the elimination of the differing treatment between Canadian GAAP and U.S. GAAP. The comparative amounts have been restated, as required, in the adoption of this Statement.

(m) Intangible Asset Transitional Impairment Amount and Goodwill

Commencing January 1, 2002, in Canada and the United States, new Generally Accepted Accounting Principles for intangible assets with an indefinite life and goodwill apply to the Company (SFAS 142, "Goodwill and Other Intangible Assets")(see Note 2(a)). As one part of the transitional implementation, intangible assets with indefinite lives were tested for impairment as at January 1, 2002. Any such transitional impairment amount arising is considered to arise from a change in accounting policy and is charged to earnings, in the period the change is effected, after determining net income from operations. As a result of the differing accounting treatment afforded the merger of BC TELECOM and TELUS (see (a) and (d)), the recorded value of intangible assets with indefinite lives differs materially between Canadian and U.S. GAAP. The Company has assessed its intangible assets with indefinite lives and determined it necessary to record a transitional impairment amount of $595.2 million ($910.0 million before tax) for purposes of Canadian GAAP; a transitional impairment of $1,701.6 million ($2,609.7 million before tax) was required under U.S. GAAP. The transitional impairment amount, under both Canadian and U.S. GAAP, reduced the carrying values of the intangible assets with indefinite lives to the same amounts, thus eliminating the corresponding GAAP difference.

Similarly, goodwill is also to be tested for impairment as at January 1, 2002, by June 30, 2002, and any transitional impairment amount would also be considered to arise from a change in accounting policy and is charged to earnings, in the period the change is effected, after determining net income from operations. The Company completed this test in the first quarter of 2002. By applying the prescribed method of comparing the fair value of its reporting units to the carrying amounts of its reporting units, the Company has assessed its goodwill and determined that there was no goodwill transitional impairment amount. Consistent with current industry-specific valuation methods, the Company used a combination of the discounted cash flow model and the market comparable approach for determining the fair value of its reporting units.

In accordance with the new requirements, net income (loss) for prior periods presented is to be adjusted to exclude amortization expense (including any related tax effects) recognized in those periods related to goodwill and intangible assets with indefinite lives; the corresponding per share amounts are also required to be adjusted.

Periods ended September 30 (millions except per share amounts)	Three months 2002	2001	2
Net income (loss) in accordance with U.S. GAAP			
As reported	$ (104.6)	$ 979.5	$
Add back: Goodwill amortization	-	52.9	
Amortization of intangible assets with indefinite lives (a)	-	19.0	
As adjusted	$ (104.6)	$ 1,051.4	$
Basic and diluted income (loss) per share under U.S. GAAP			
As reported	$ (0.33)	$ 3.29	$
Add back: Goodwill amortization	-	0.18	
Amortization of intangible assets with indefinite lives (a)	-	0.06	
As adjusted	$ (0.33)	$ 3.53	$

(a) Net of taxes of $15.1 and $44.9 for three-month and nine-month periods ended September 30, 2001, respectively.

(n) Share-Based Compensation

Generally Accepted Accounting Principles require disclosure of the impact on earnings and earnings per share as if the fair value based method of accounting had been applied for share-based compensation. Under Canadian GAAP, this is required in respect of awards made after 2001; under U.S. GAAP, this is required in respect of awards made after 1994. The fair values of the Company's options granted in 2002, and the weighted average assumptions used in estimating the fair values, are set out in Note 8. The fair value of the Company's options granted in the three-month and nine-month periods ended September 30, 2001 were estimated using the Black-Scholes model with weighted average assumptions of 10 year expected terms, volatility of 24% and 23%, respectively, interest rates of 5.5% and 6.2%, respectively, and an expected dividend yield of 3.3%. Such impact, using the weighted average fair values of $7.85 and $9.69 for options granted in the three-month and nine-month periods ended September 30, 2001 would approximate the following pro forma amounts:

Periods ended September 30 (millions except per share amounts)	Three months 2002	2001	2
Compensation cost (recovery)	$ 17.1	$ (3.0)	$
Net income (loss)			
As reported	$ (104.6)	$ 979.5	$
Pro forma	$ (121.7)	$ 982.5	$
Net income (loss) per Common Share			

and Non-Voting Share					
Basic and diluted - net income (loss)					
As reported	$	(0.33)	$	3.29	$
Pro forma	$	(0.39)	$	3.30	$

(o) Additional Disclosures Required Under U.S. GAAP - 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.

22. Prior Period Presentation

The December 31, 2001, and September 30, 2001, amounts have been reclassified, where applicable, to conform to the 2002 presentation.

TELUS Management Discussion and Analysis
Third Quarter 2002

Forward-Looking Statements

This document and the management discussion and analysis contain statements about expected future events and financial and operating results that are forward-looking and subject to risks and uncertainties. TELUS' actual results, performance or achievement could differ materially from those expressed or implied by such statements. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations and may not reflect the potential impact of any future acquisitions, mergers or divestitures. Factors that could cause actual results to differ materially include but are not limited to: general business and economic conditions in TELUS' service territories across Canada and future demand for services; competition in wireline and wireless services, including voice, data and Internet services and within the Canadian telecommunications industry generally; levels of capital expenditures; corporate restructurings; success of operational and capital efficiency programs including maintenance of client service levels; success of integrating acquisitions; network upgrades, billing system conversions, and reliance on legacy systems; capital and operating expense savings; the impact of credit rating changes; availability and cost of capital including renewal of credit facilities; financial condition and credit risk of customers affecting collectibility of receivables; ability to maintain an accounts receivable securitization program; adverse regulatory action; attraction and retention of key personnel; collective labour agreement negotiations; future costs of retirement and pension obligations; technological advances; the final outcome of pending or future litigation; the effect of health and safety concerns and other risk factors described and listed from time to time in TELUS' reports, TELUS' comprehensive public disclosure documents, including the Annual Information Form, and in other filings with securities commissions in Canada and the U.S.

The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Management Discussion and Analysis

The following is a discussion of the consolidated financial condition and results of operations of TELUS Corporation (TELUS or the Company) for the three-month and nine-month periods ended September 30, 2002 and 2001. This discussion contains forward-looking information that is qualified by reference to, and should be read in conjunction with, the Company's discussion regarding forward-looking statements (see "Forward-Looking Statements" above). The following should also be read in conjunction with the accompanying unaudited Consolidated Financial Statements of TELUS and notes thereto. The Consolidated Financial Statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP), which differ in certain respects from U.S. GAAP. See Note 21 to the Consolidated Financial Statements for a summary of the principal differences between Canadian and U.S. GAAP as they relate to TELUS.

Change in External Auditor

Effective with the second quarter of 2002, as a result of the partners and staff of the Canadian operations of Arthur Andersen LLP joining Deloitte and Touche LLP, Deloitte and Touche LLP has been appointed as the external auditor of TELUS.

Accounting Policy Changes

The 2002 interim financial results reflect the adoption of two recent accounting pronouncements.

Earlier this year, the Company adopted the provisions of Financial Accounting Standards Board (FASB) EITF 01-9 regarding the accounting for consideration given by a vendor to a customer. The application of this standard by TELUS results in costs specific to the Mobility and Internet operations, which were previously recorded as operations expenses, being reclassified to offset revenues. Comparative revenues and operations expense for the three-month and nine-month periods ending September 30, 2001 for Mobility operations have been reduced by $26.6 million and $85.7 million respectively, restated on a consistent basis with 2002 results - with no change to reported 2001 EBITDA or other key operating metrics such as marketing Cost of Acquisition (COA). See Note 2(b) to the Consolidated Financial Statements for more information.

In addition, effective January 1, 2002, the Company has adopted the changes in accounting policy as required by CICA Handbook Section 3062 - Goodwill and Other Intangible Assets. As a result, the Company no longer amortizes goodwill or indefinite life intangible assets. In the three-month and nine-month periods ended September 30, 2001, the pre-tax amortization expense associated with these items was $68.7 million and $196.8 million respectively.

Under Section 3062, rather than being systematically amortized, the value of intangible assets with indefinite lives and goodwill are periodically tested for impairment. In the first quarter, the Company assessed its intangible assets with indefinite lives, which are its wireless spectrum licences, and determined it necessary to record a transitional impairment amount of $595.2 million ($910 million before tax) as a charge to retained earnings. The Company also completed its test for transitional impairment for goodwill and determined that there was no transitional goodwill impairment amount. See Note 2(a) to the Consolidated Financial Statements for additional details.

Regulatory Changes

Contribution Decisions

Commencing January 1, 2002, operating revenues, EBITDA, and EPS were impacted by changes to the contribution revenues received and contribution expenses paid as a result of the following CRTC Decision 2000-745 on Changes to the Contribution Regime, and Decision 2001-238 on Restructured Bands. The impact of these decisions was a decrease in consolidated EBITDA of $40.0 million and $162.1 million for the three-month and nine-month periods ended September 30, 2002, respectively, when compared to the same periods one year earlier.

In 2001, TELUS had filed for a 'review and vary' relating to the costing assumptions prescribed to be used in calculating portable subsidy requirements, relating to the CRTC Decisions 2000-745 and 2001-238. Under these decisions, the costs the Company can recover through the contribution regime were reduced. On October 25, 2002, the CRTC released Decision 2002-67, denying TELUS' review and vary request. However, the CRTC noted that it will consider portfolio expenses in upcoming proceedings. Other than the impacts described in the paragraph above, no additional financial impacts are expected. This decision does not affect previous financial guidance by TELUS.

Price Cap Decisions

On May 30, 2002 and July 31, 2002 the Canadian Radio-television and Telecommunications Commission (CRTC) announced its decisions on the Regulatory Framework for the Second Price Cap Period for the Incumbent Local Exchange Carriers (ILECs), or CRTC Decision 2002-34 and CRTC Decision 2002-43, which established the framework for regulation of ILECs, including TELUS. These decisions cover a four-year period beginning June 2002 (for TELUS Communications Quebec Inc. (TCQI), a four- year period beginning August 2002). The impact of these decisions was a decrease in consolidated EBITDA of $23.8 million and $31.3 million for the three-month and nine-month periods ended September 30, 2002, respectively, when compared to the same periods one year earlier.

The positive aspects of the CRTC decision were that it confirms TELUS' preferred regulatory model of facilities based competition, did not introduce the significantly larger discounts of up to 70% for use of incumbent facilities sought by competitors and allows TELUS to benefit as it becomes more efficient. On the negative side, the CRTC has extended the regulation of local prices and service levels, reduced the ability of companies to raise prices, introduced more complexity and caused additional negative impact to TELUS' earnings.

TELUS anticipates that the financial impact of the CRTC decisions in 2002, updated for the current year impacts on TCQ, is a negative EBITDA impact of approximately $58 million in 2002 and an incremental annual negative EBITDA impact of approximately $80 million for 2003. This is in part due to the CRTC allowing a reduction of between 15 to 20 per cent on the fees paid by Competitive Local Exchange Carriers (CLECs) for access to the TELUS network.

Subsequent to Decision 2002-34, AT&T Canada Inc. petitioned the Federal Cabinet to increase competitor discounts from those provided for in the Decision - this matter is still before Cabinet. In addition, CallNet Enterprises Inc. filed for a 'review and vary' in respect of the follow-up process as set by the CRTC in Decision 2002-34 to examine the services that are included and qualify for

Competitor Digital Network Access (CDNA) discounts. On August 9, 2002, the CRTC issued Public Notice 2002-4 to determine the scope of CDNA services, which among other issues, will address CallNet's application. The proceeding under Public Notice 2002-4 will be concluded some time in 2003.

Status of Labour Negotiations

On October 16, 2002, the Telecommunications Workers Union (TWU) informed TELUS of their decision to halt bargaining in order to seek a strike vote from unionized TELUS Communications Inc. employees in British Columbia and Alberta. Although bargaining dates had been confirmed into 2003, the union advised TELUS that it was canceling all agreed to bargaining sessions until November 18. Given this most recent delay and the lack of progress at the bargaining table, TELUS informed the union that it would be applying to the Minister of Labour, as provided under the Canada Labour Code, to seek the appointment of a federal conciliator. Conciliation is a mandatory requirement under the Code where the parties have been unable to successfully conclude a new collective agreement. The conciliation process can take a number of months and while the conciliation process is underway a strike or lock out is not allowed

Results of Operations

Highlights

Three months ended September 30	2002	2001
($ in millions except per share amounts)		
Operating revenues	1,766.3	1,823.2
EBITDA (1) normalized for regulatory impacts (2)	726.9	699.3
EBITDA (1)	663.1	699.3
Restructuring and workforce reduction costs	313.3	-
Discontinued operations	(2.1)	556.7
Net income (loss)	(107.4)	580.7
Common Share and Non-Voting Share income (loss)	(110.0)	578.5
Earnings (loss) per share (EPS)	(0.35)	1.94
Capital expenditures - wireless spectrum	4.5	-
Capital expenditures - general	322.7	587.1

Nine months ended September 30	2002	2001
($ in millions except per share amounts)		
Operating revenues	5,212.3	5,212.5
EBITDA (1) normalized for regulatory impacts (2)	2,066.8	1,931.3
EBITDA (1)	1,873.4	1,931.3
Restructuring and workforce reduction costs	328.9	198.4
Discontinued operations	(1.9)	595.4
Net income (loss)	(89.8)	500.2
Common Share and Non-Voting Share income (loss)	(97.5)	492.9
Earnings (Loss) per share	(0.32)	1.69
Capital expenditures - wireless spectrum	4.5	355.9
Capital expenditures - general	1,277.2	1,657.8

Consolidated operating revenue and EBITDA decreased for the third quarter ended September 30, 2002, when compared with the same period one year ago, reflecting negative impacts of recent regulatory decisions totalling $110.6 million and

$63.8 million, respectively (year-to-date - $318.2 million and $193.4 million, respectively). After normalizing for these impacts, TELUS operating revenues improved by 2.9% and 6.1% for the quarter and year-to-date periods, respectively. Similarly, normalized EBITDA improved by 3.9% and 7.0% for the quarter and year-to-date, respectively. The Company is focused on reducing the rate of erosion from traditional revenue streams such as long-distance, while maximizing gains in growth areas primarily in wireless and Internet. TELUS made significant cost structure improvements in the current quarter resulting from continued execution of the Operational Efficiency Program (OEP) to reduce net targeted staff count positions by approximately 6,500, primarily through voluntary retirement and departure programs. As at September 30, 2002, over 2,700 positions have been reduced in the wireline business since the beginning of the year, and approximately 3,500 positions reduced since the first phase of the OEP that began in July 2001. In addition, the OEP included the the closure of 33 TELUS stores and three customer contact centres that have been accomplished during the quarter. Other initiatives of the program include: the consolidation of customer contact centres; streamlining of business processes; reduction of TELUS product portfolio and processes to support them; optimizing the use of real estate,networks and other assets; and operational and administrative function consolidation. The program will continue in the fourth quarter of 2002 and is expected to be completed during 2003 to meet the Company's planned financial objectives.

Net income and earnings per share decreased in the third quarter, when compared with the same period last year, primarily due to the following: the regulatory decision impacts of approximately $38.6 million after-tax (12 cents per share), recognition of approximately $207 million (66 cents loss per share) in after-tax restructuring and workforce reduction costs in the current quarter, recognition in 2001 of an after-tax gain on discontinued operations of $551.8 million ($1.85 per share), partly offset by after-tax gain on debt redemption and the required cessation of amortization of goodwill and intangible assets with indefinite lives.

The discussion below is presented on a segmented basis for external revenues and total operations expenses. See the segmented disclosure in the TELUS Consolidated Financial Statements, Note 19.

Operating revenues - TELUS Communications

Three months ended September 30	2002	2001
($ in millions)		
Voice local (net of 2002 price cap of $13.7 million)	524.4	533.6
Voice contribution	24.9	110.8
Voice long distance (net of 2002 price cap of $1.3 million)	252.3	284.4
Data (net of 2002 price cap of $9.5 million)	332.2	287.5
Other (net of 2002 price cap $0.4 million)	100.0	125.6
External operating revenue	1,233.8	1,341.9
Intersegment revenue	24.5	25.7
Total operating revenue	1,258.3	1,367.6

Nine months ended September 30	2002	2001
($ in millions)		
Voice local (net of 2002 price cap of $18.6 million)	1,580.9	1,561.3
Voice contribution	62.8	348.3
Voice long distance (net of 2002 price cap of $1.5 million)	772.2	828.5
Data (net of 2002 price cap of $12.2 million)	1,026.7	831.9

Other (net of 2002 price cap $0.4 million)	302.5	310.0
External operating revenue	3,745.1	3,880.0
Intersegment revenue	72.5	63.6
Total operating revenue	3,817.6	3,943.6

Voice local revenue is generated from monthly access charges and enhanced services. Voice local revenue decreased by $9.2 million (1.7%) and increased by $19.6 million (1.3%) in the three-month and nine-month periods ended September 30, 2002, respectively, when compared with the same periods one year ago. The decrease in local access revenue in the third quarter was a result of CRTC price cap decision impacts of $13.7 million (year-to-date $18.6 million). In addition, year-to-date access revenues from price increases implemented in 2001 were somewhat offset by the impact of approximately 52,000 fewer access lines than one year ago. Growth in local enhanced services revenue was $7.8 million for the quarter and $23.3 million year-to-date.

The most significant decrease in total network access lines occurred between December 31, 2001 and September 30, 2002 with a reduction of 47,000 lines. Over this period, Incumbent Local Exchange Carrier (ILEC) consumer lines in Western Canada and Quebec decreased by 29,000 due to removal of second lines as a result of the significant increase in high-speed Internet subscribers, competitive losses, and technological substitution including migration to wireless ser