

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM 10-K/A**  
Amendment No. 1

- ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2005

- TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-07260

**Nortel Networks Corporation**

*(Exact name of registrant as specified in its charter)*

**Canada**  
*(State or other jurisdiction of  
incorporation or organization)*

**Not Applicable**  
*(I.R.S. Employer  
Identification No.)*

**8200 Dixie Road, Suite 100,  
Brampton, Ontario, Canada**  
*(Address of principal executive offices)*

**L6T 5P6**  
*(Zip Code)*

Registrant's telephone number including area code: (905) 863-0000

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
Common Shares without nominal or par value	New York Stock Exchange
4.25% Convertible Senior Notes Due 2008	New York Stock Exchange

The common shares are also listed on the Toronto Stock Exchange in Canada

Securities registered pursuant to Section 12(g) of the Act: None

*Health and Welfare Trust*

In prior periods, we had incorrectly netted employee benefit plan assets against the post-employment and post-retirement liabilities and incorrectly recognized gains and losses through the consolidated statement of operations related to certain assets held in an employee benefit trust in Canada, or Health and Welfare Trust. Historically, we had accounted for the assets of the Health and Welfare Trust in accordance with SFAS No. 106 "Employers' Accounting for Post Retirement Benefit Plans" ("SFAS 106") and SFAS No. 112, "Employers' Accounting for Post-Employment Benefit Plans" ("SFAS 112") which, among other things, permitted the netting of these plan assets against the post-employment and post-retirement liabilities if the assets are appropriately segregated and restricted. Upon further review, we determined that these assets should not have been netted against the liabilities because the Health and Welfare Trust was not legally structured so as to segregate and restrict its assets to meet the definition of plan assets under SFAS 106 and SFAS 112. As a result, we corrected prior periods to present plan assets and liabilities on a gross basis, and to recognize gains and losses in OCI.

We further determined that Nortel was the primary beneficiary of the Health and Welfare Trust, which met the definition of a variable interest entity under FIN 46R "Consolidation of Variable Interest Entities". As a result, we corrected prior periods to consolidate the Health and Welfare Trust into our results as of July 1, 2003, the effective date of FIN 46R. The combined impact of these adjustments in the Third Restatement was an increase in cost of revenues of \$2 and \$10, an increase in selling, general and administrative expense of \$3 and \$12, an increase in R&D expense of \$4 and \$6 and an increase in other income of \$8 and \$9 for the years ended December 31, 2004 and 2003, respectively. As of December 31, 2004, total assets increased by \$138 and liabilities increased by \$144, including the related foreign exchange impact, as a result of these adjustments.