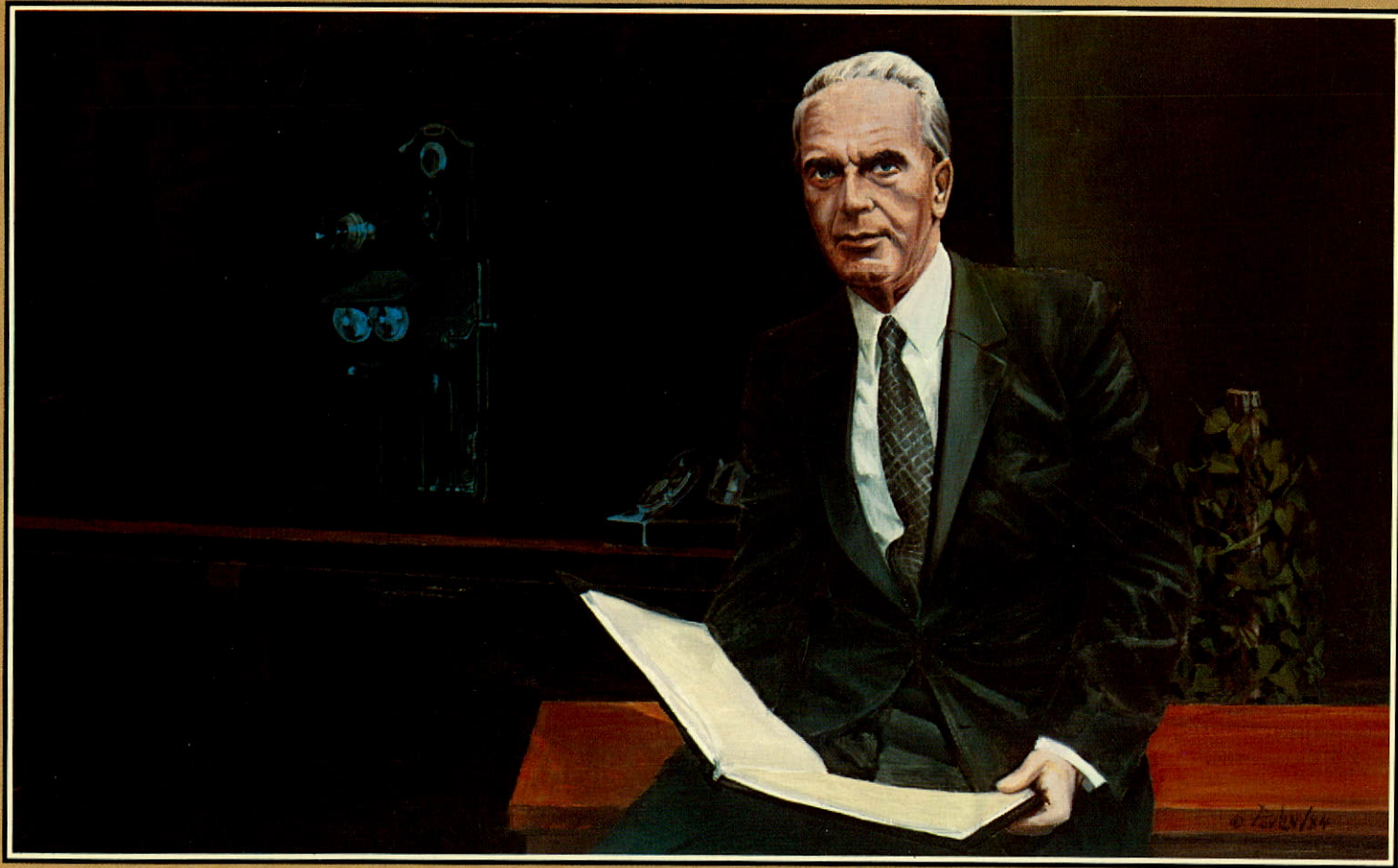


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N O R T H E R N T E L E P H O N E L I M I T E D

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# corporate information

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ADDRESS  
25 Paget Street  
New Liskeard, Ontario  
POJ 1P0

TRANSFER AGENT  
CENTRAL TRUST COMPANY  
Toronto

TRUSTEE  
CANADA PERMANENT TRUST COMPANY  
Toronto and Montreal

AUDITORS  
ROSS, POPE & COMPANY  
Chartered Accountants,  
Timmins, Ontario

BANKER  
CANADIAN IMPERIAL BANK OF COMMERCE  
New Liskeard, Ontario

# a tribute to Don McKelvie

"In any situation, get all the important facts, both pro and con, make your decision and then act." This basic business philosophy was one of the guiding lights that helped Northern Telephone Limited grow from a fledgling local telephone company to a large Northern Ontario corporation which, at one time, was the largest independent telephone system in Ontario and the second largest in Quebec.

This basic business philosophy belongs to Don McKelvie, a former President and General Manager and Chairman of the Board of Directors for Northern Telephone Limited. He retires from the Board at the 1984 Annual Meeting, bringing to a close some 47 years of dedicated service to the Company.

Our Annual Report cover features an original painting of Mr. McKelvie and depicts the growth and many changes he guided the Company through.

Born in New Liskeard April 13, 1913, Mr. McKelvie is the son of early pioneers who arrived in the area by boat in 1895. He joined Northern Telephone in 1937 as a repairman's helper and a short time later, transferred into the Accounting Department. Mr. McKelvie continued his upward climb, moving to Chief Accountant in 1947 and Secretary-Treasurer in 1949.

In 1950, Don McKelvie was elected a Director of the Company and two years later was appointed Vice-President and General Manager. In 1958, he was appointed President and General Manager. In 1973, he resigned as President and was elected Chairman of the Board.

Don McKelvie officially retired as an employee of Northern Telephone Limited in 1974. He remained as Chairman of the Board until stepping down in 1980 but continued to serve as a Director until March 1984.

During most of those years, Mr. McKelvie was responsible for the growth and development of the Company. Northern Telephone Limited was often at the forefront of technological changes in the telecommunications industry thanks, in no small part, to the direction provided by Mr. McKelvie.

While this Annual Report cover visually depicts Don McKelvie's deep involvement with Northern Telephone over the years, the Company's new Head Office, The McKelvie Building, officially opened in 1981, serves as a permanent reminder of his "foresight, leadership, dedication and vision."

**J. Dean Archer\***

Vice-President and General Manager  
Archers Dairy Limited

**Rene Brunelle\***

Director and Consultant -  
Spruce Falls Pulp & Paper

**Murray W. Cooper**

President and Chief Executive Officer  
Northern Telephone Limited

**Robert M. Fensom\***

Assistant Vice-President  
Bell Canada

**Daniel O. Jarvis**

Treasurer  
Bell Canada Enterprises Inc.

**J. Conrad Lavigne**

Chairman of the Board  
Northern Telephone Limited

**Donald McKelvie**

Former Chairman of the Board  
Northern Telephone Limited

**Hubert A. Roth**

Vice-Chairman  
Northern Telephone Limited  
Vice-President, Bell Canada

**Richard A.H. Taylor**

Chairman of the Board  
Morissette Diamond Drilling Limited

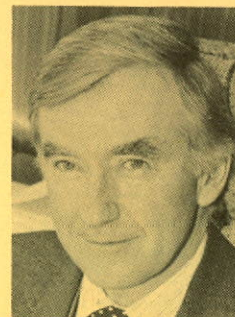
*\*Member of Audit Committee*



J.D. Archer



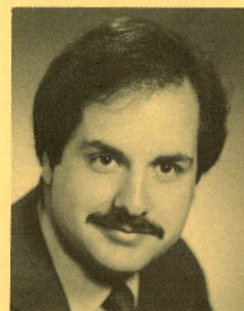
R. Brunelle



M. W. Cooper



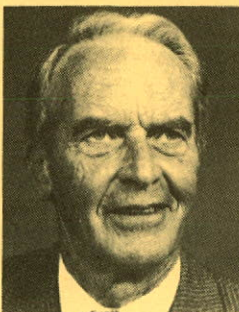
R. M. Fensom



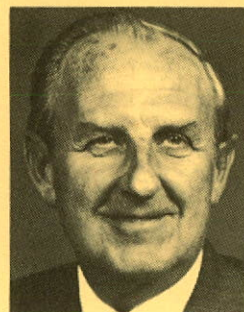
D. O. Jarvis



J. C. Lavigne



D. McKelvie



H. A. Roth



R. A. H. Taylor

# highlights of the report

## FINANCIAL RESULTS

	1983	1982
	\$	\$
Total operating revenues .....	23,609,038	21,052,296
Operating and general expenses .....	13,224,823	11,819,729
Debenture interest and discount .....	2,382,298	2,187,782
Depreciation .....	3,763,983	3,534,003
Income taxes .....	2,682,495	2,308,376
Net income .....	3,799,332	3,483,280
Dividends - preferred .....	551,717	559,317
- common .....	2,069,687	1,970,768
Earnings per common share .....	1.07	0.96

## BALANCE SHEET

Gross fixed assets .....	68,054,242	64,019,306
Net fixed assets .....	45,483,859	43,158,636
Accumulated depreciation .....	22,570,383	20,860,670
Long-term debt (including due within 1 year) .....	23,044,000	25,547,000
Shareholders' equity .....	35,803,528	34,705,600

## ADDITIONAL STATISTICS

Telephones in service .....	76,793	77,310
Percentage dial operated .....	100	100
Number of long distance calls (thousands) .....	6,890	6,756
Number of central offices .....	31	31
Number of employees at December 31 .....	313	311
Number of shareholders .....	1,595	1,659

# president and department heads

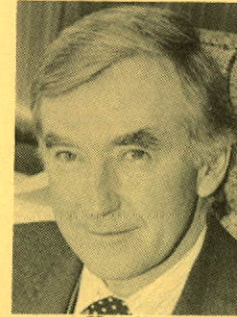
**Murray W. Cooper**  
President &  
Chief Executive Officer

**Dennis D. McCarty**  
Director - Administration &  
Business Information Systems

**Thomas J. McKenney**  
Secretary-Treasurer &  
Director - Marketing

**John A. Parker**  
Director - Customer Services

**D. Brien Sirola**  
Director - Engineering & Planning



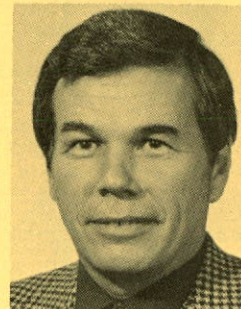
M. W. Cooper



D. D. McCarty



T.J. McKenney



J. A. Parker



D. B. Sirola

# directors' report to shareholders

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## Financial & Statistical

Net income in 1983 increased by \$316,000 or 9.1%, from \$3,483,000 in 1982 to \$3,799,000 in 1983. The earnings per common share increased to \$1.07 compared to \$0.96 in 1982. The dividend declared on common shares for the Third Quarter 1983 was increased from 16.75¢ per share to 17.25¢ per share, resulting in total dividends declared in 1983 of 68¢ per share compared to 64.75¢ in 1982. The rate of return on average common equity was 12.4% for 1983 compared to 11.7% for 1982, and the rate of return on average total capital was 10.5% and 10.0% for 1983 and 1982 respectively. The rate of return on average common equity for regulatory purposes on telephone operations was 14.9%, compared to 14.7% in 1982.

The operating revenues for 1983 increased by \$2,557,000 over 1982 from \$21,052,000 to \$23,609,000, or 12.1%, and operating expenses increased by 10.6% from \$15,354,000 in 1982 to \$16,989,000 in 1983.

### Local Services

Local service revenues were \$12,501,000, a gain of \$1,370,000 or 12.3% over 1982. Higher rates effective in July 1982 and in March 1983 account for approximately \$1,149,000 of the increase.

There were 76,793 telephones in service as of December 31, 1983, a decrease of 517 or 0.7% from 1982. The Company connected 12,742 telephones and disconnected 13,259 telephones during 1983, resulting in this decrease of telephones in service. Main telephones increased by 752 or 1.6% over 1982, while extension telephones decreased 1,269 or 4.3% from 1982.

The Ontario Telephone Service Commission's decision in November 1982 permitting the attachment of customer provided terminal equipment resulted in a decrease of some local service revenues in 1983. The decrease in extension telephones described previously is primarily attributable to customers now being permitted to attach their own telephones to the Company's facilities.

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## Long Distance Services

Long distance revenues rose by \$1,258,000 to \$9,065,000 in 1983, an increase of 16.1% over 1982. This increase is primarily due to toll rate increases implemented on September 1, 1982 and September 1, 1983 and an increase in the commission earned by the Company on toll calls.

During 1983, the number of long distance messages increased by 134,000 messages, a gain of 2.0% over 1982, for a total of 6,890,000 messages.

## Capital Expenditures

Capital expenditures for 1983 decreased to \$5,944,000 from \$7,742,000 in 1982. The primary reason for this decrease was that in 1982 a large expenditure for a new Digital Multiplex System (DMS-100) was incurred for the Timmins Central Office with no similar expenditure in 1983.

The rural upgrade program, which will provide rural customers with telephone lines of four or less customers per line by the end of 1986, continued to be the Company's top priority in 1983. Total capital expenditures for rural upgrade amounted to \$1,079,000, which represented 45% of total outside plant expenditures for 1983. As of December 31, 1983, 85% of rural customers were on lines of four or less customers per line.

During 1983, a total of \$873,000 was spent on Central Office equipment. The Company established a radio site at Kirkland Lake at a cost of \$379,000 to provide service to Swastika, Dobie and Crystal Lake areas.

The Central Office equipment modernization program continued during 1983 with a total of 1,015 lines being upgraded to state-of-the-art digital equipment in the Hearst, Kapuskasing, Timmins and South Porcupine exchanges. In addition, expenditures at the Englehart exchange permitted subscribers in this exchange to have direct dialing of third party, credit card and other types of long distance calls with minimal operator assistance.

A total of \$1,792,000 was spent to provide and install customer equipment in 1983 compared to \$2,136,000 in 1982.



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## Regulation

In March 1983, the Ontario Telephone Service Commission granted the Company a 4.4% overall increase in local rates, providing additional local revenues of approximately \$437,000 in 1983. The rural upgrade program continues to be the Company's top priority, with substantial capital expenditures being required in 1983 to provide improved rural telephone service. An increasingly larger portion of the additional revenues being granted are used to pay for the rural upgrade program.

In 1983, the Company requested an overall 6% increase in local rates to be effective January 1, 1984. The Ontario Telephone Service Commission granted the Company additional local revenues of \$381,000 annually, effective January 3, 1984, representing a 3% overall increase in local rates.

Further to an interim decision issued by the Commission in November 1982, the Commission issued its final Terminal Attachment decision in December 1983. This final decision allows both residential and business customers, in most cases, more liberalized attachment of customer provided telephone equipment.

## Marketing

Under the theme of "First in Communications in the North" the Company aggressively marketed its many service offerings in 1983. As well, it introduced new product lines and provided an expanded choice of payment options to customers. Results of these efforts have proven to be satisfactory and the Company remains confident that it will continue to compete aggressively and continue to meet the future telecommunication needs of its customers.

## Director Change

Mr. D.O. Jarvis was appointed a Director of the Company on June 30, 1983, filling the vacancy created by the resignation of Mr. C.W.M. Scott. The Board of Directors expressed its appreciation to Mr. Scott for his valued contribution to the Company as a Director.

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## Officer Changes

Mr. H.A. Roth, formerly Vice-Chairman and Chief Executive Officer, was appointed Vice-Chairman of the Board of Directors.

Mr. M.W. Cooper, formerly President and General Manager, was appointed President and Chief Executive Officer.

Mr. T.J. McKenney was appointed Secretary/Treasurer and Director - Marketing; Mr. C.F. Shepherdson was appointed Controller.

## Labour Relations

A Collective Labour Agreement between Northern Telephone Limited and Local 6 of the Communications Workers of Canada was ratified July 15, 1983. The term of the contract is June 1, 1983 to February 28, 1985.

## Employees

The Directors wish to express their appreciation to all employees for their continued contribution and loyalties during the year 1983. Their continuing efforts to increase revenues, control costs of operations and meet service demands of the customers in a much more competitive environment have resulted in maintaining a sound and viable Company.

J.C. Lavigne - Chairman of the Board

M.W. Cooper - President and Chief Executive Officer

NORTHERN TELEPHONE LIMITED  
statement of income

for the years ended December 31

	1983 \$	1982 \$
<b>OPERATING REVENUES</b>		
Local service .....	12,501,359	11,131,312
Long distance service .....	9,064,544	7,807,296
Other .....	<u>2,043,135</u>	<u>2,113,688</u>
<b>TOTAL OPERATING REVENUES</b> .....	<u>23,609,038</u>	<u>21,052,296</u>
<b>OPERATING EXPENSES</b>		
Maintenance and repairs .....	4,042,416	3,883,230
Depreciation .....	3,763,983	3,534,003
Marketing and commercial .....	1,993,576	1,559,942
Accounting .....	807,284	967,914
Business information systems .....	973,095	1,031,179
Pensions and other employee benefits .....	1,152,419	587,531
Taxes other than income taxes .....	1,743,090	1,463,800
Other .....	<u>2,512,943</u>	<u>2,326,133</u>
<b>TOTAL OPERATING EXPENSES</b> .....	<u>16,988,806</u>	<u>15,353,732</u>
Net operating revenues .....	<u>6,620,232</u>	<u>5,698,564</u>
<b>OTHER INCOME</b>		
Dividends .....	1,218,735	1,218,735
Debenture interest and other income .....	1,147,717	1,222,586
Allowance for funds used during construction .....	<u>75,328</u>	<u>123,373</u>
<b>TOTAL OTHER INCOME</b> .....	<u>2,441,780</u>	<u>2,564,694</u>
Income before underlisted items .....	<u>9,062,012</u>	<u>8,263,258</u>
<b>INTEREST CHARGES</b>		
Interest on long-term debt .....	2,370,867	2,176,867
Other .....	<u>209,318</u>	<u>294,735</u>
<b>TOTAL INTEREST CHARGES</b> .....	<u>2,580,185</u>	<u>2,471,602</u>
Income before income taxes .....	6,481,827	5,791,656
Income taxes (Note 2) .....	<u>2,682,495</u>	<u>2,308,376</u>
<b>NET INCOME</b> .....	<u>3,799,332</u>	<u>3,483,280</u>
Dividends on preference shares .....	<u>551,717</u>	<u>559,317</u>
<b>NET INCOME APPLICABLE TO COMMON SHARES</b> .....	<u>3,247,615</u>	<u>2,923,963</u>
<b>EARNINGS PER COMMON SHARE</b> .....	<u>1.07</u>	<u>0.96</u>
Dividends declared per common share .....	<u>0.68</u>	<u>0.6475</u>
 Average common shares outstanding (number of)	 <u>3,043,657</u>	 <u>3,043,657</u>

NORTHERN TELEPHONE LIMITED  
(Incorporated Under the laws of the Province of Ontario)  
**balance sheet**  
as at December 31, 1983

**ASSETS**

	1983 \$	1982 \$
<b>TELECOMMUNICATION PROPERTY, AT COST</b>		
Buildings, plant and equipment .....	66,186,208	62,205,855
Less: Accumulated depreciation .....	<u>22,570,383</u>	<u>20,860,670</u>
	43,615,825	41,345,185
Land .....	448,443	411,198
Plant under construction .....	1,419,591	1,402,253
Materials and supplies .....	<u>576,254</u>	<u>537,560</u>
	<u>46,060,113</u>	<u>43,696,196</u>
<b>INVESTMENTS, AT COST</b>		
Affiliated company (Note 3) .....	22,872,690	24,372,190
Mortgage receivable .....	<u>32,356</u>	<u>33,198</u>
	<u>22,905,046</u>	<u>24,405,388</u>
<b>CURRENT ASSETS</b>		
Accounts receivable (Note 8) .....	4,336,302	3,909,830
Investment redeemable within one year .....	1,499,500	1,496,500
Other .....	<u>342,075</u>	<u>370,679</u>
	<u>6,177,877</u>	<u>5,777,009</u>
<b>DEFERRED CHARGES</b>		
Unamortized financing expenses .....	<u>200,977</u>	<u>212,408</u>
<b>TOTAL ASSETS</b> .....	<u>75,344,013</u>	<u>74,091,001</u>
On behalf of the Board of Directors:		
D. McKelvie, Director		
J. D. Archer, Director		

### LIABILITIES AND SHAREHOLDERS' EQUITY

	1983 \$	1982 \$
<b>SHAREHOLDERS' EQUITY</b>		
Capital Stock (Note 4)		
Preference shares	9,004,000	9,084,000
Common shares	14,934,772	14,934,772
Retained earnings	<u>11,864,756</u>	<u>10,686,828</u>
	<u>35,803,528</u>	<u>34,705,600</u>
<b>LONG-TERM DEBT (Note 5)</b>	<u>20,700,000</u>	<u>23,095,000</u>
<b>CURRENT LIABILITIES</b>		
Bank overdraft	396,649	51,277
Accounts payable (Note 8)	3,942,709	3,500,132
Advance billing for service	481,020	451,213
Dividends payable	688,157	684,905
Taxes accrued	375,897	65,753
Interest accrued	434,625	459,002
Debt due within one year (Note 6)	<u>4,103,000</u>	<u>3,850,000</u>
	<u>10,422,057</u>	<u>9,062,282</u>
<b>DEFERRED CREDITS</b>		
Income taxes	8,262,532	7,172,710
Unamortized investment tax credit	50,249	55,409
Other deferred credits	<u>105,647</u>	<u>—</u>
	<u>8,418,428</u>	<u>7,228,119</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u>75,344,013</u>	<u>74,091,001</u>

T. J. McKenney, Secretary-Treasurer

### NORTHERN TELEPHONE LIMITED statement of changes in financial position

for the years ended December 31

	1983 \$	1982 \$
<b>SOURCE OF FUNDS</b>		
Operations		
Net income	3,799,332	3,483,280
Items not affecting current funds		
Depreciation	3,763,983	3,534,003
Deferred income taxes	1,089,822	1,145,440
Allowance for funds used during construction	(75,328)	(123,373)
Other	<u>6,271</u>	<u>16,955</u>
Total funds from operations	8,584,080	8,056,305
Reduction in investments in affiliated company	1,499,500	1,496,500
Proceeds from issue of long-term debt	—	4,000,000
Reduction in mortgage receivable	842	888
Increase in deferred revenues	<u>105,647</u>	<u>—</u>
	<u>10,190,069</u>	<u>13,553,693</u>
<b>DISPOSITION OF FUNDS</b>		
Capital Expenditures		
Gross capital expenditures	5,943,206	7,741,898
Other charges (credits) - net	70,672	(22,373)
Increase in material and supplies	<u>38,694</u>	<u>108,323</u>
Net capital expenditures	6,052,572	7,827,848
Dividends	2,621,404	2,530,085
Redemption of preference shares	80,000	80,000
Reduction in long-term debt	2,395,000	2,485,500
Long-term debt issue costs	<u>—</u>	<u>54,076</u>
	<u>11,148,976</u>	<u>12,977,509</u>
Increase (Decrease) in working capital	(958,907)	576,184
Working capital (Deficiency) at beginning of year	<u>(3,285,273)</u>	<u>(3,861,457)</u>
Working capital (Deficiency) at end of year	<u>(4,244,180)</u>	<u>(3,285,273)</u>

NORTHERN TELEPHONE LIMITED  
statement of retained earnings

for the years ended December 31

	1983	1982
	\$	\$
BALANCE AT BEGINNING OF YEAR .....	10,686,828	9,733,633
Add:		
Net Income .....	<u>3,799,332</u>	<u>3,483,280</u>
	14,486,160	13,216,913
Deduct:		
Dividends - Preference shares .....	551,717	559,317
- Common Shares .....	<u>2,069,687</u>	<u>1,970,768</u>
	<u>2,621,404</u>	<u>2,530,085</u>
BALANCE AT END OF YEAR .....	<u><u>11,864,756</u></u>	<u><u>10,686,828</u></u>

NORTHERN TELEPHONE LIMITED  
notes to financial statements

### 1. Accounting Policies

The Company is subject to regulation, including examination of accounting practices, by the Ontario Telephone Service Commission for the Province of Ontario. The system of accounts and accounting practices are similar to those being used by other companies in the telecommunications industry.

#### DEPRECIATION

Depreciation is computed on the straight line method using rates based on the estimated useful lives of the assets. When depreciable telecommunication property is retired, the amount at which such property has been carried in Telecommunications Plant is charged to Accumulated Depreciation.

The composite depreciation rate for the year ended December 31, 1983, was 5.77% (5.92% in 1982).

#### INCOME TAXES

The Company uses the tax allocation basis of accounting for income taxes. Deferred income taxes result principally from deductions for tax purposes, in respect of plant, being in excess of amounts currently charged to operations.

#### INVESTMENT TAX CREDIT

The investment tax credit has been deferred and is being amortized by credits to income, as a reduction of income taxes, over the average estimated service life of telecommunications property.

### 2. Income Taxes

A reconciliation of the statutory income tax rate to the effective income tax rate is as follows:

	1983	1982
Statutory income tax rate .....	51.5%	51.8%
i) Allowance for funds used during construction .....	(0.6)	(1.1)
ii) Non taxable dividend income .....	(9.7)	(10.9)
iii) Other .....	<u>0.2</u>	<u>0.1</u>
Effective income tax rate .....	<u><u>41.4%</u></u>	<u><u>39.9%</u></u>

Details of the Company's income taxes are as follows:

	\$	\$
Current .....	1,592,673	1,162,936
Deferred .....	<u>1,089,822</u>	<u>1,145,440</u>
	<u><u>2,682,495</u></u>	<u><u>2,308,376</u></u>

### 3. Investment in Affiliated Company, at cost:

#### INVESTMENT IN TELEBEC LTÉE.

	1983 \$	1982 \$
Debentures* .....	12,583,200	14,079,700
Non-voting Class A Preferred Shares		
454,574 Series 1, cumulative, dividend of \$2.625, redeemable at \$25.00 each** .....	11,364,350	11,364,350
42,464 Series 2, non-cumulative, dividend of \$0.60, redeemable at \$10.00 each .....	424,640	424,640
Total .....	24,372,190	25,868,690
Less: Portion of investment redeemable within one year .....	1,499,500	1,496,500
Total .....	<u>22,872,690</u>	<u>24,372,190</u>

\* The weighted average interest rate on these debentures at December 31, 1983, was 8.62% (8.37% in 1982).

At December 31, 1983, the amount of debenture redemptions receivable in the following years are \$1,499,500 in 1984; \$522,500 in 1985; \$802,500 in 1986; \$3,140,200 in 1987; \$773,500 in 1988; \$3,867,500 in 1989-93; and \$1,977,500 in 1994-95.

\*\* Telebec Ltée. has the option to redeem 75,762 Class A shares (stated value \$1,894,050) on April 1 of each year. No shares were redeemed on April 1, 1983.

### 4. Capital Stock

	No. of Shares	Series	Dividend Per Share \$	Stated Capital	
				1983 \$	1982 \$
Authorized					
Preference shares					
First preference	500,000	—	—	10,000,000	10,000,000
Second preference	128,200	—	—	2,564,000	2,564,000
	<u>628,200</u>	—	—	<u>12,564,000</u>	<u>12,564,000</u>
Common shares	<u>6,500,000</u>	—	—	<u>35,000,000</u>	<u>35,000,000</u>
Issued and Outstanding					
Preference shares					
First preference - Cumulative, Redeemable					
	75,000	A	1.10	1,500,000	1,500,000
	50,000	B	1.10	1,000,000	1,000,000
	100,000	C	1.10	2,000,000	2,000,000
	25,000	D	1.10	500,000	500,000
	<u>72,000*</u>	E	1.90	<u>1,440,000</u>	<u>1,520,000</u>
	<u>322,000</u>			<u>6,440,000</u>	<u>6,520,000</u>
*76,000 in 1982					
Second preference - Cumulative, Redeemable					
	7,853	A	1.00	157,060	157,060
	<u>120,347</u>	B	1.05	<u>2,406,940</u>	<u>2,406,940</u>
	<u>128,200</u>			<u>2,564,000</u>	<u>2,564,000</u>
Total preference	<u>450,200</u>			<u>9,004,000</u>	<u>9,084,000</u>
Common Shares	<u>3,043,657</u>			<u>14,934,772</u>	<u>14,934,772</u>

Effective July 29, 1983, the new Ontario Business Corporations Act came into force. Preference shares authorized and outstanding on the effective date became shares without par value at a stated capital equal to the former par value.

All the preference shares, with the exception of the First Preference Series "E" shares, are redeemable at the Company's option at \$20.40 per share.

The First Preference Series "E" shares are not redeemable, except for sinking fund purposes, prior to October 1, 1983, but may be redeemed thereafter, at the Company's option, at \$20.00 per share plus a premium of 7% diminishing by 1% in each subsequent year to October 1, 1990, and thereafter at \$20.00 per share. Pursuant to the conditions attached to the issue of these shares the Company shall call for redemption, for sinking fund purposes, on the first day of October of each year, 4,000 of these shares at a price of \$20.00 per share, plus any accrued and unpaid dividends to the date of redemption. To meet this requirement, on October 1, 1983, 4,000 shares were redeemed (4,000 in 1982).

## 5. Long-term Debt

Maturity Date	Rate of Interest	Series	1983 \$	1982 \$
20 year Sinking Fund Debentures				
May 1, 1983	5.75 %	F	—	2,414,500
December 15, 1984	5.625%	G	1,615,000	1,637,500
May 1, 1987	6.5 %	H	4,162,000	4,203,000
December 15, 1994	10.625%	J*	2,267,000	2,292,000
20 year Serialized Debentures				
April 30, 1993	8.25 %	I	7,000,000	7,000,000
January 15, 1995	11.0 %	K	4,000,000	4,000,000
15 year Serialized Debentures				
May 31, 1997	17.5 %	L	<u>4,000,000</u>	<u>4,000,000</u>
Total			23,044,000	25,547,000
Less: Debt due within one year			<u>2,344,000</u>	<u>2,452,000</u>
Total			<u>20,700,000</u>	<u>23,095,000</u>

\* Subject to repayment at option of holders thereof, on June 15, 1985

Sinking fund and maturity payments required in the following years with respect to the above debt are; \$2,344,000 in 1984; \$1,000,000 in 1985; \$1,400,000 in 1986; \$5,425,000 in 1987; \$1,375,000 in 1988; \$7,075,000 1989-93; and \$4,425,000 in 1994-97.

## 6. Debt Due Within One year

	1983 \$	1982 \$
Long-term debt due within one year .....	2,344,000	2,452,000
Bank demand notes .....	<u>1,759,000</u>	<u>1,398,000</u>
Total .....	<u>4,103,000</u>	<u>3,850,000</u>

## 7. Pensions

The Company has contributory pension plans which provide for service pensions. The latest actuarial valuation as of January 1, 1981, established an unfunded liability of \$45,599, which was paid by the Company in 1981. Changes to the pension plan benefit provisions for pensioners in 1982 and 1983 and for early retirements in 1983 generated unfunded liabilities of \$384,646, based on interim actuarial reviews, which were paid by the Company in 1983. The total provisions for the cost of the pension plans were \$590,618 for the year ended December 31, 1983 (\$172,177 in 1982).

## 8. Related Party Transactions

In April 1983, Bell Canada Enterprises Inc. (B.C.E.) replaced Bell Canada as parent of Northern Telephone Limited.

### GOODS AND SERVICES

For the year ended December 31, 1983, the Company purchased goods and services amounting to \$21,600 (nil in 1982) from B.C.E., the parent company, \$1,220,761 (\$1,399,083 in 1982) from Bell Canada, also a subsidiary of B.C.E., and \$1,253,923 (\$3,134,851 in 1982) from other affiliated companies. The Company earned \$1,133 (\$416,625 in 1982) for data processing services supplied to an affiliated company.

### INVESTMENT TRANSACTIONS

For the year ended December 31, 1983, the Company declared \$539,081 (\$2,088,002 in 1982) of dividends payable to Bell Canada, the then parent company, and \$1,647,612 (nil in 1982) to B.C.E., the parent company. The Company earned \$1,218,735 (\$1,218,735 in 1982) in preferred share dividends and \$1,139,067 (\$1,182,579 in 1982) in debenture interest from Telebec Ltée., an affiliated company.

### ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE

As at December 31, 1983, the accounts receivable from affiliated companies were \$609,421 (\$632,913 in 1982). The net amount payable to B.C.E., the parent company, was \$575,868 (nil in 1982) and to Bell Canada and other affiliated companies was \$384,009 (\$778,335 in 1982).

*To the Shareholders of Northern Telephone Limited*

We have examined the balance sheet of Northern Telephone Limited as at December 31, 1983 and the statements of income, retained earnings, and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

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

Timmins, Ontario,  
January 23, 1984.

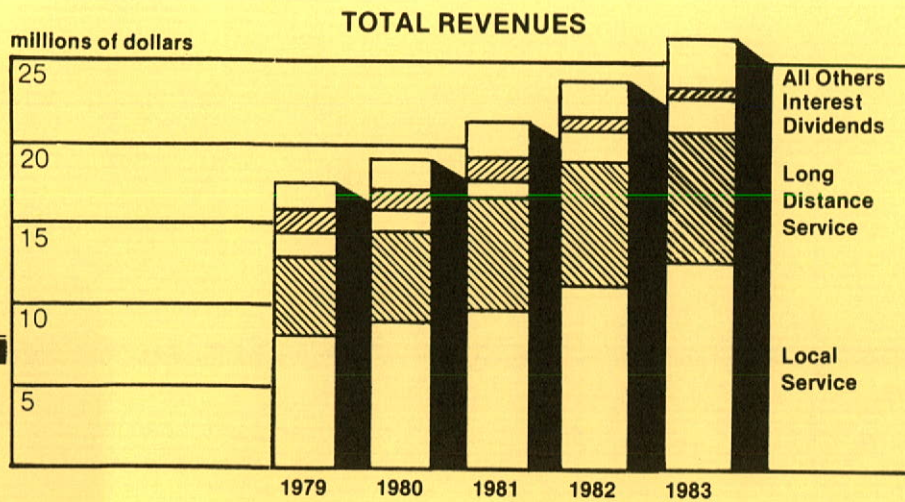
ROSS, POPE & COMPANY,  
CHARTERED ACCOUNTANTS.

# statistics

	1983	1982	1981	1980	1979
<b>FINANCIAL RESULTS (\$)</b>					
Operating revenues .....	23,609,038	21,052,296	18,636,360	16,216,373	14,472,612
Operating expenses .....	16,988,806	15,353,732	13,672,225	12,186,348	10,796,331
Other income .....	2,441,780	2,564,694	2,627,780	2,788,051	2,943,423
Other charges .....	2,580,185	2,471,602	2,062,907	1,944,095	1,971,193
Income taxes .....	2,682,495	2,308,376	2,173,221	1,852,326	1,510,288
Net income .....	3,799,332	3,483,280	3,355,787	3,021,655	3,138,223
Total payroll .....	9,064,900	8,171,997	7,203,314	6,484,796	5,668,218
Construction expenditures .....	5,944,000	7,742,000	7,004,000	5,760,000	5,708,000
<b>FINANCIAL RATIOS (\$)</b>					
Earnings per common share	1.07	.96	.92	80	84
Dividends declared per common share	.68	.6475	.58	50	405
<b>BALANCE SHEET DATA (\$)*</b>					
Total investment in plant & equipment .....	68,054,242	64,019,306	57,701,675	52,015,255	48,167,160
Plant & equipment less depreciation .....	45,483,859	43,158,636	38,849,741	34,989,360	32,597,765
Common equity .....	26,799,528	25,621,600	24,668,405	23,644,928	22,719,619
Preferred equity .....	9,004,000	9,084,000	9,164,000	9,244,000	9,324,000
Long-term debt .....	23,044,000	25,547,000	21,593,500	24,011,500	24,128,000
(Including due within 1 year)					
<b>ADDITIONAL STATISTICS</b>					
Number of employees* .....	313	311	314	314	312
Number of telephones* .....	76,793	77,310	76,104	73,905	71,395
Business .....	21,367	21,642	21,520	20,804	19,918
Residence .....	55,426	55,668	54,584	53,101	51,477
Percentage residence of total .....	72.2	72.0	71.7	71.9	72.1
Percentage dial of total .....	100.0	100.0	100.0	100.0	100.0
Long distance calls (thousands) .....	6,890	6,756	6,753	6,321	5,816
<b>Number of shareholders</b>					
(preferred and common)*					
In Canada .....	1,559	1,625	1,685	1,805	1,894
Elsewhere .....	36	34	33	33	35
Total shareholders .....	1,595	1,659	1,718	1,838	1,929

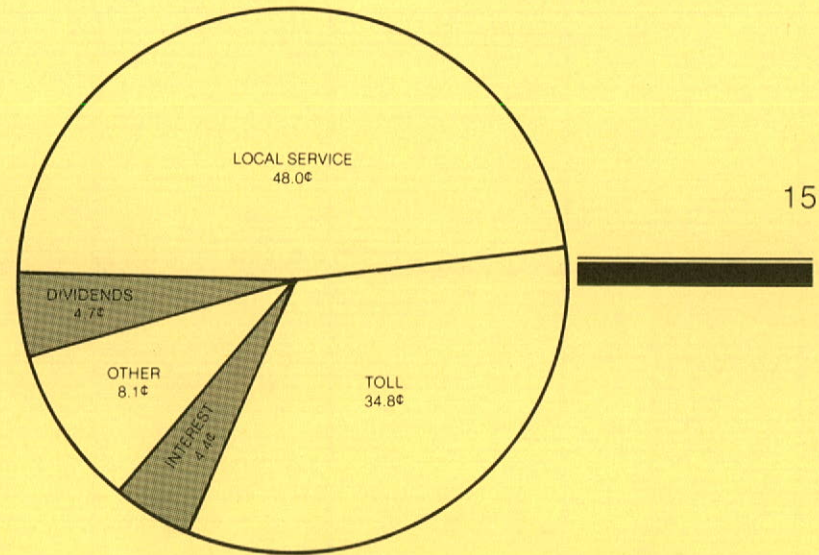
\*as at December 31



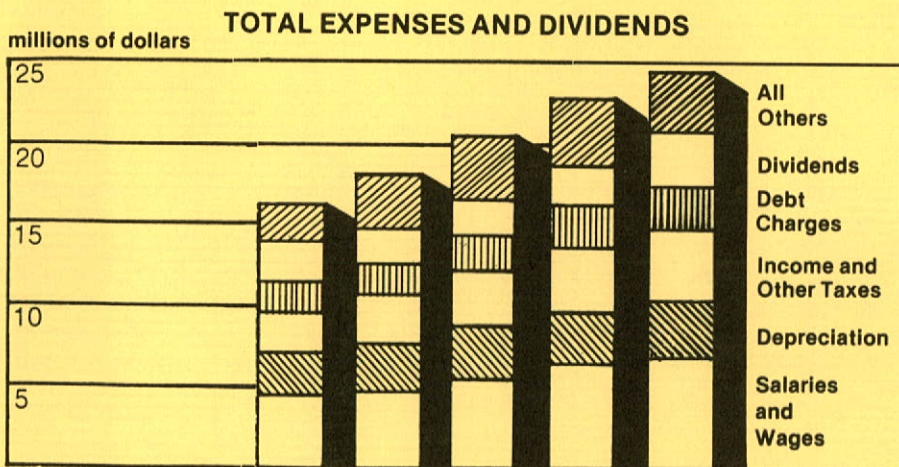


millions of dollars

	1979	1980	1981	1982	1983
Local Service	8.1	8.9	9.9	11.1	12.5
Long Distance Service	4.9	5.6	6.8	7.8	9.1
Dividends	1.5	1.3	1.2	1.2	1.2
Interest	1.3	1.4	1.3	1.2	1.1
All Others	1.6	1.8	2.1	2.3	2.2
<b>Total</b>	<b>17.4</b>	<b>19.0</b>	<b>21.3</b>	<b>23.6</b>	<b>26.1</b>

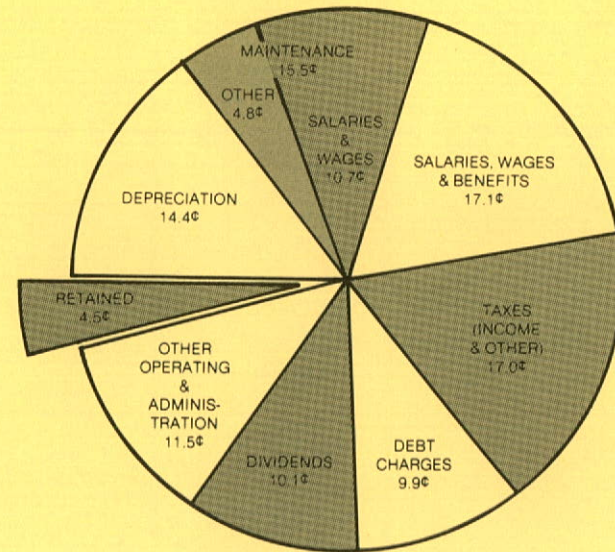


"where each dollar came from"



millions of dollars

	1979	1980	1981	1982	1983
Salaries and Wages	4.4	4.8	5.3	6.1	6.7
Depreciation	2.5	2.8	3.3	3.5	3.8
Income and Other Taxes	2.5	3.0	3.4	3.8	4.4
Debt Charges	2.0	1.9	2.1	2.5	2.6
Dividends	1.8	2.1	2.3	2.5	2.6
All Others	2.9	3.5	3.8	4.3	4.8
<b>Total</b>	<b>16.1</b>	<b>18.1</b>	<b>20.2</b>	<b>22.7</b>	<b>24.9</b>



"where each dollar went"

# a changing industry

16

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There was a time, not so long ago, when people did not have a choice. As commonplace as the telephone is, the governments of the day felt it was much too important a service to allow just anyone to provide it. The responsibility for providing this essential service was restricted to the telephone companies and the companies were heavily regulated by the government.

But times changed. With advancements in technology came an expansion of telecommunication equipment offerings. People appeared to want a choice in the supplier of telephone equipment and eventually the governments obliged. Nowadays, there is a multitude of companies, some manufacturing telephone equipment and some selling telephone products and services directly to the consumer.

The Ontario Telephone Service Commission, which regulates all independent telephone companies in Ontario, put Orders into effect in late 1982 and 1983 allowing competition in the supply of terminal equipment in the industry.

This competitive market place has existed for more than a year now and Northern Telephone Limited has fared well. We have continued to maintain our position as the major provider of residential and business telephone services in our own area.

But it has not come about without some changes in the way we do business. Basically, competition has resulted in a wider variety of choice for the customer and because of this, customer demands are changing.

To meet these changing demands, Northern Telephone's work force has gone through internal reorganizations and one of the big results of this is a streamlining of customer response time.

Over the last year, a number of new products and systems have been introduced, thereby enhancing the Company's offering to its business and residential customers. These latest, state-of-the-art products utilize high technology and can be custom-ordered and installed to suit the individual's exact needs.

As well, Northern Telephone now has a variety of payment options available to the customer.

Looking to the future, Northern Telephone Limited will continue to be the major provider of residence and business telephone services in its own area by keeping abreast of new products and services, by meeting the changing needs of its customers and by continuing to provide good quality telephone service at reasonable rates.



