

*northern telephone*

# ANNUAL REPORT 1982





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# corporate information

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ADDRESS  
25 Paget Street  
New Liskeard, Ontario  
P0J 1P0

TRANSFER AGENT  
CROWN 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

# highlights of the report

## FINANCIAL RESULTS

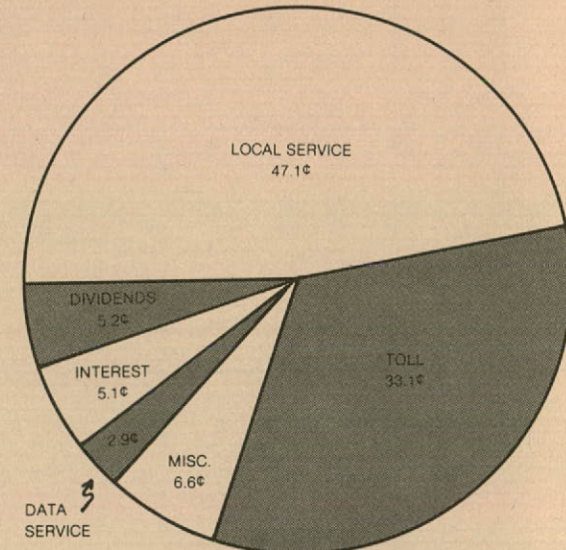
	1982 \$	1981 \$
Total operating revenues .....	21,052,296	18,636,360
Operating and general expenses .....	11,819,729	10,407,014
Debt interest and discount .....	2,187,782	1,814,081
Depreciation .....	3,534,003	3,265,211
Income taxes .....	2,308,376	2,173,221
Net income .....	3,483,280	3,355,787
Dividends - preferred .....	559,317	566,917
- common .....	1,970,768	1,765,393
Earnings per common share .....	0.96	0.92

### BALANCE SHEET

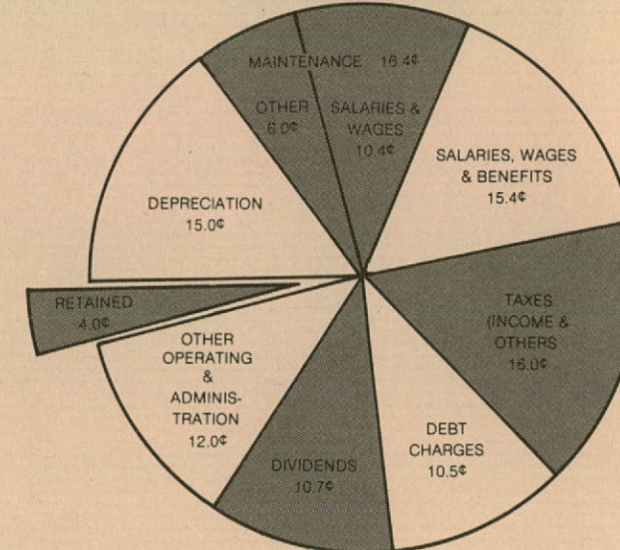
Gross fixed assets .....	64,019,306	57,701,675
Net fixed assets .....	43,158,636	38,849,741
Accumulated depreciation .....	20,860,670	18,851,934
Long-term debt (including due within 1 year) .....	25,547,000	21,593,500
Shareholders' equity .....	34,705,600	33,832,405

### ADDITIONAL STATISTICS

Telephones in service .....	77,310	76,104
Percentage dial operated .....	100	100
Number of long distance calls (thousands) .....	6,756	6,753
Number of central offices .....	31	30
Number of employees at December 31 .....	311	314
Number of shareholders .....	1,659	1,718



"where each dollar came from"



"where each dollar went"

**J. Dean Archer**  
Vice-President and General Manager,  
Archers Dairy Limited

**Rene Brunelle**  
Consultant - Spruce Falls Pulp & Paper

**Murray W. Cooper**  
President and General Manager  
Northern Telephone Limited

**Robert M. Fensom**  
Assistant Vice-President, Bell Canada

**J. Conrad Lavigne**  
Chairman of the Board, Northern Telephone Limited

**Donald McKelvie**  
Former Chairman of the Board  
Northern Telephone Limited

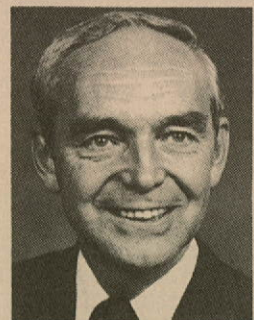
**Hubert A. Roth**  
Vice-Chairman & Chief Executive Officer  
Northern Telephone Limited  
Vice-President, Bell Canada

**C. Wesley M. Scott**  
Assistant Vice-President  
Bell Canada

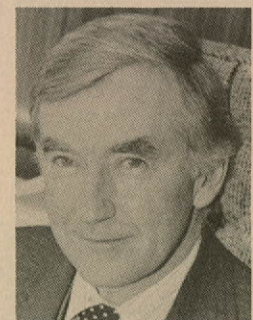
**Richard A.H. Taylor**  
Chairman of the Board  
Morissette Diamond Drilling Limited



J. D. Archer



R. Brunelle



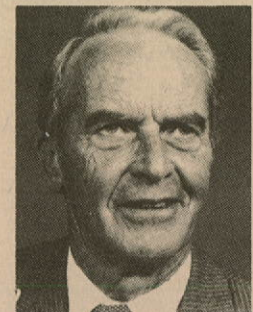
M. W. Cooper



R. M. Fensom



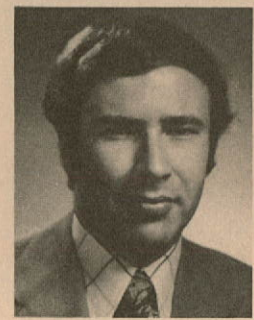
J. C. Lavigne



D. McKelvie



H. A. Roth



C. W. M. Scott



R. A. H. Taylor

## Financial & Statistical

Net income in 1982 increased by \$127,000 or 3.8% from \$3,356,000 in 1981 to \$3,483,000 in 1982. The earnings per common share also increased to 96¢ compared to 92¢ in 1981. The dividend declared on common shares for the Fourth Quarter 1982 was increased from 16¢ per share to 16 3/4¢ per share, resulting in total dividends declared in 1982 of 64 3/4¢ per share. The rate of return on average common equity was 11.7% for 1982 compared to 11.5% for 1981, and the rate of return on average total capital was 10.0% and 9.5% for 1982 and 1981 respectively. The rate of return on average common equity for regulatory purposes on telephone operations was 14.7%, which is below the allowed range of 15.5% to 16.5% (14.7% in 1981).

The operating revenues for 1982 increased by \$2,416,000 from \$18,636,000 to \$21,052,000, an increase of 13.0%. Operating expenses increased by 12.3% from \$13,672,000 in 1981 to \$15,354,000 in 1982.

### Local Services

There were 77,310 telephones in service as of December 31, 1982, a gain of 1,206 or 1.6% over 1981. The Company connected 12,818 telephones and disconnected 11,612 telephones during 1982 to achieve this gain.

Local service revenues were \$11,131,000, a gain of \$1,202,000 or 12.1% over 1981. This increase is due in part to higher rates, effective July 1, 1982, which accounts for approximately \$706,000 of the increase and the balance is from growth in services.

### Long Distance Services

During 1982 the number of long distance messages increased only 3,000 messages, less than 0.1% over 1981 for a total of 6,756,000 messages. This major decline in growth of messages is due to adverse economic conditions. Long distance revenues rose by \$1,016,000 to \$7,807,000 in 1982, an increase of 15.0% over 1981. This increase is primarily due to the Bell Canada toll rate increases which were implemented by Ontario Northland Telecommunications.

### Data Processing Services

Data processing service revenues increased by \$34,000 to \$699,000, an increase of 5.1% over 1981. The Company offers to the public the advantage of a reliable computer facility. Services per-

## Résultats Financiers et Données Statistiques

*En 1982, le bénéfice net a augmenté de \$127,000, soit 3.8%, passant de \$3,356,000 en 1981 à \$3,483,000 en 1982. Le bénéfice par action ordinaire a aussi augmenté, atteignant 96¢ comparativement à 92¢ en 1981. Au quatrième trimestre de 1982, le dividende déclaré par action ordinaire est passé de 16¢ à 16 3/4¢, ce qui donne un dividende total déclaré en 1982 de 64 3/4¢ par action. Le taux de rendement de l'avoir moyen des détenteurs d'actions ordinaires a été de 11.7% en 1982 (11.5% en 1981) et le taux de rendement du capital total a été de 10.0% et de 9.5% en 1982 et en 1981, respectivement. Le taux de rendement de l'avoir moyen des détenteurs d'actions ordinaires provenant des services de télécommunications, calculé sur la base réglementée, a été de 14.7%, ce qui est en-dessous du taux permis qui va de 15.5% à 16.5% (14.7% en 1981).*

*En 1982, les revenus d'exploitation ont augmenté de \$2,416,000, passant de \$18,636,000 à \$21,052,000, soit une augmentation de 13.0%. Les dépenses d'exploitation ont augmenté de 12.3%, passant de \$13,672,000 en 1981 à \$15,354,000 en 1982.*

### Service Local

*Au 31 décembre 1982, il y avait 77,310 téléphones en service, ce qui équivaut à un gain de 1,206 téléphones, soit 1.6% par rapport à 1981. Pour réaliser ce gain, la compagnie a dû effectuer 12,818 branchements de téléphones et 11,612 débranchements en 1982.*

*Les revenus du service local ont été de \$11,131,000, soit une augmentation de \$1,202,000 ou 12.1% par rapport à 1981. Cette hausse est en partie attribuable aux quelque \$706,000 produits par l'effet du redressement tarifaire entré en vigueur le 1er juillet 1982. Le reste est attribuable à l'accroissement des services.*

### Services Interurbains

*En 1982, le nombre de communications interurbaines n'a augmenté que de 3,000, soit moins de 0.1% par rapport à 1981, pour un total de 6,756,000 communications interurbaines. Cette baisse importante de l'accroissement des communications est attribuable aux conditions économiques défavorables. Les revenus provenant des services interurbains ont augmenté de \$1,016,000, se chiffrant à \$7,807,000 en 1982, soit une augmentation de 15.0% par rapport à 1981. Cette augmentation est principalement attribuable aux hausses tarifaires du service interurbain accordées à Bell Canada et que l'Ontario Northland Telecommunications a mises en vigueur.*

### Services de Traitement de Données

*Les revenus attribuables aux services de traitement de données ont atteint \$699,000, soit une augmentation de \$34,000 ou 5.1% par rapport à 1981. La*

formed in 1982 included toll processing for another telephone company, a remote terminal in Northeastern Ontario for various Government services, municipal tax billings, accounts receivable and telephone billings for other independent telephone companies and a public utility commission.

## Capital Expenditures

Capital expenditures for 1982 totalled \$7,742,000 compared to \$7,004,000 in 1981.

The rural upgrade programme, which began in 1976 on a ten year completion plan, has progressed to the point where 82% of rural customers are now on lines with four parties or less. In 1982, a total of \$562,000 or 27% of the \$2,119,000 designated for outside plant was spent on rural upgrade. The project is planned for completion in 1985 at a total estimated cost of \$10,200,000.

In December 1982, a new Digital Multiplex System (DMS-100) was placed in service in Timmins. The total cost of this state-of-the-art equipment, including the cost of remote digital equipment at Cook's Lake and South Porcupine, was \$2,251,000. These facilities will be used to expand and upgrade existing switching facilities in the Timmins area.

New modern digital equipment was installed in Moonbeam in 1982 to replace step-by-step equipment. The cost of this installation was \$616,000, which, in addition to offering customers more reliable service, will also provide toll free calling between Moonbeam and Kapuskasing.

The Company spent a total of \$2,911,000 in 1982 on Central Office equipment, including the establishment of new dial exchange service to Detour Lake. This exchange is located 145 kilometers northeast of Cochrane and services a new gold mining development. The cost of this installation, which will serve the mine site and surrounding area, was \$167,000.

Expenditures of \$2,136,000 were incurred in 1982 for customer equipment.

## Regulation

On June 9, 1982 the Ontario Telephone Service Commission granted the Company additional local revenues of \$1,412,000 annually (ap-

*compagnie offre au public l'avantage d'une installation informatique des plus fiables. Parmi les services rendus en 1982, on note le traitement des appels interurbains d'une autre compagnie téléphonique, l'utilisation d'un terminal distant dans le nord-est de l'Ontario pour divers services gouvernementaux, la facturation de taxes municipales, les comptes à recevoir et la facturation pour d'autres compagnies téléphoniques indépendantes ainsi que pour une commission de service public.*

## Dépenses en Capital

*Les dépenses en capital se sont élevées à \$7,742,000 en 1982 comparativement à \$7,004,000 en 1981.*

*Le programme d'amélioration du service dans les régions rurales, un programme de dix ans qui a débuté en 1976, a fait des progrès. Maintenant, 82% des abonnés des régions rurales ont des lignes partagées ayant quatre abonnés ou moins par ligne. Le programme d'amélioration du service dans les régions rurales a nécessité un total de \$562,000 en 1982. Ceci représente 27% des dépenses de \$2,119,000 attribuables au réseau extérieur. L'achèvement de ce projet, dont le coût total estimatif est de \$10,200,000, est prévu pour 1985.*

*En décembre 1982, un nouvel autocommutateur numérique (DMS-100) a été mis en service à Timmins. Le coût total de cet équipement des plus avancés, y compris le coût de l'équipement numérique distant de Cook's Lake et South Porcupine, a été de \$2,251,000. Ces installations seront utilisées pour l'expansion et l'amélioration des installations de commutation actuelles de la région de Timmins.*

*Un nouvel équipement numérique moderne a été installé à Moonbeam en 1982 pour remplacer l'équipement pas-à-pas. Cet équipement, dont l'installation a coûté \$616,000, permettra d'effectuer des appels interurbains sans frais entre Moonbeam et Kapuskasing, en plus d'offrir un service plus fiable aux abonnés.*

*La compagnie a dépensé une somme totale de \$2,911,000 en 1982 en ce qui concerne l'équipement de central, incluant l'établissement d'un nouveau central automatique à Detour Lake. Ce central est situé à 145 kilomètres au nord-est de Cochrane et dessert une nouvelle exploitation minière aurifère. Le coût de cette installation, qui servira le chantier minier ainsi que la région environnante, a été de \$167,000.*

*Les dépenses d'équipements d'abonné se sont élevées à \$2,136,000 en 1982.*

proximately \$706,000 in 1982), the first increase in two years. This resulted in a 13.3% overall increase in local rates, effective July 1, 1982. The Commission also approved a range for rate of return on average common equity of 15.5% to 16.5% for the telephone operations.

On July 23, 1982 the Company filed an application with the Commission seeking increased rates to be effective on January 1, 1983 to provide an additional \$2,024,000 of local service revenue in 1983. As of February 4, 1983 an order has not been issued by the Ontario Telephone Service Commission.

### **Customer Provided Equipment:**

In 1982 the Company participated in all phases of the Ontario Telephone Service Commission's general review, initiated in late 1981, on the issues related to the attachment of customer provided terminal equipment.

As a result of the issuance of Ontario Telephone Service Commission Interim Order No. 4188 dated November 18, 1982, under certain terms and conditions, customers are permitted the attachment of certain customer provided telephone equipment.

The Company is aggressively marketing its competitive offerings in its service area. The customers are also being offered a wider variety of services and more payment options.

### **Labour Relations**

The current collective labour agreement with the Communications Workers of Canada, which was signed on July 8, 1982, expires on May 31, 1983. Negotiations with the Union will commence early in 1983 towards a new agreement.

### **Safety Accomplishments**

Northern Telephone Limited employees received awards for their safety performances throughout the year, and by November 1982 had achieved another safety record - working two years (1,475,328 hours) without a lost time accident. The Directors recognize the efforts of the employees in this noteworthy achievement.

### **Réglementation**

*Le 9 juin 1982, l'Ontario Telephone Service Commission a accordé à la compagnie des revenus de service local additionnels de \$1,412,000 par année (environ \$706,000 en 1982), ce qui est la première augmentation en deux ans. Ceci a produit une augmentation globale de 13.3% des tarifs du service local, le 1er juillet 1982. La Commission a également approuvé un taux de rendement de l'avoir moyen des détenteurs d'actions ordinaires allant de 15.5% à 16.5% en ce qui concerne l'exploitation téléphonique.*

*Le 23 juillet 1982, la compagnie a déposé une requête demandant une hausse tarifaire devant prendre effet le 1er janvier 1983. Les tarifs proposés produiraient des revenus de service local additionnels de \$2,024,000 en 1983. Le 4 février l'Ontario Telephone Service Commission n'avait pas rendu de décision.*

### **Équipement Fourni par l'Abonné**

*En 1982, la compagnie a participé à toutes les phases de la révision générale, entreprise à la fin de 1981 par l'Ontario Telephone Service Commission, concernant le raccordement de l'équipement terminal appartenant à l'abonné.*

*Suite à la décision provisoire (no. 4188) du 18 novembre 1982 de l'Ontario Telephone Service Commission, les abonnés peuvent, en vertu de certaines conditions, raccorder certains équipements téléphoniques fournis par l'abonné.*

*Dans son territoire, la compagnie commercialise ses produits destinés aux marchés concurrentiels de façon agressive. Un plus vaste choix de services et de modalités de paiement est aussi offert aux abonnés.*

### **Relations Syndicales**

*L'actuelle convention collective avec le Syndicat des travailleurs en communication du Canada, qui a été signée le 8 juillet 1982, prendra fin le 31 mai 1983. Les négociations avec le syndicat en vue d'une nouvelle convention commenceront au début de 1983.*

### **Sécurité**

*Les employés de Téléphone du Nord Limitée ont reçu des prix en raison de leurs exploits au cours de l'année au domaine de la sécurité.*

*En effet, en novembre 1982, ils comptaient plus de deux années (1,475,328 heures) de travail sans arrêt pour cause de blessures, ce qui est un record. Les administrateurs reconnaissent les efforts des employés dans la réalisation de cet exploit remarquable.*



## **Proposed Merger with Ontario Northland Telecommunications**

The proposal submitted to the Government of Ontario on February 3, 1982 proposing to merge the telecommunication assets of the Ontario Northland Transportation Commission with Northern Telephone Limited, was denied by the Government of Ontario.

The Company will continue to work co-operatively with the Ontario Northland Telecommunications toward providing the customers in Northeastern Ontario with efficient and modern telecommunications.

## **Director Change**

Mr. M.W. Cooper was appointed a Director of the Company on January 1, 1982 to fill the vacancy created by the resignation of Mr. R.T. Hutchinson. Mr. Cooper continues to serve as President and General Manager.

## **Director - Engineering & Planning**

Mr. D.B. Sirola became Director - Engineering and Planning on July 5, 1982, replacing Mr. P.A. Paquette who returned to Bell Canada.

## **Employees**

The Directors wish to express their appreciation to all employees for their continued contributions and loyalties throughout another very difficult year.

J.C. Lavigne - Chairman of the Board  
M.W. Cooper - President and  
General Manager

## **Fusion Proposée avec l'Ontario Northland Telecommunications**

*Le projet soumis au gouvernement de l'Ontario le 3 février 1982, visant à fusionner les actifs affectés aux télécommunications de l'Ontario Northland Transportation Commission avec ceux de Téléphone du Nord Limitée, a été rejeté par le gouvernement de l'Ontario.*

*La compagnie continuera de travailler en coopération avec l'Ontario Northland Telecommunications pour fournir aux abonnés du nord-est de l'Ontario un système de télécommunications moderne et efficace.*

## **Changement au Sein du Conseil d'Administration**

*Le 1er janvier 1982, M. M.W. Cooper a été élu au poste d'administrateur de la compagnie et a succédé à M. R.T. Hutchinson qui a démissionné du conseil d'administration. M. Cooper continuera de remplir les fonctions de président et directeur général.*

## **Directeur - Ingénierie et Planification**

*M. D.B. Sirola a été nommé directeur - ingénierie et planification le 5 juillet 1982, pour succéder à M. P.A. Paquette qui est retourné à l'emploi de Bell Canada.*

## **Employés**

*Les administrateurs désirent remercier tous les employés de leurs efforts soutenus et de leur loyauté au cours d'une autre année très difficile.*

J.C. Lavigne - Président du Conseil  
M.W. Cooper - Président et  
Directeur Général

NORTHERN TELEPHONE LIMITED  
**statement of income**

for the year ended December 31, 1982

	1982 \$	1981 \$
<b>OPERATING REVENUES</b>		
Local service .....	11,131,312	9,929,176
Long distance service .....	7,807,296	6,791,445
Data processing services .....	699,164	664,584
Miscellaneous .....	<u>1,414,524</u>	<u>1,251,155</u>
<b>TOTAL OPERATING REVENUES .....</b>	<u><b>21,052,296</b></u>	<u><b>18,636,360</b></u>
<b>OPERATING EXPENSES</b>		
Maintenance and repairs .....	3,883,230	3,441,152
Depreciation .....	3,534,003	3,265,211
Marketing and commercial .....	1,559,942	1,307,513
Accounting .....	967,914	843,595
Business information systems .....	1,031,179	963,366
Pensions and other employee benefits .....	587,531	543,922
Taxes other than income taxes .....	1,463,800	1,264,711
Other .....	<u>2,326,133</u>	<u>2,042,755</u>
<b>TOTAL OPERATING EXPENSES .....</b>	<u><b>15,353,732</b></u>	<u><b>13,672,225</b></u>
Net operating revenues .....	<u>5,698,564</u>	<u>4,964,135</u>
<b>OTHER INCOME</b>		
Dividends .....	1,218,735	1,218,735
Debenture interest and other income .....	1,222,586	1,312,711
Allowance for funds used during construction .....	<u>123,373</u>	<u>96,334</u>
<b>TOTAL OTHER INCOME .....</b>	<u><b>2,564,694</b></u>	<u><b>2,627,780</b></u>
Income before underlisted items .....	<u>8,263,258</u>	<u>7,591,915</u>
<b>INTEREST CHARGES</b>		
Interest on long-term debt .....	2,176,867	1,803,990
Other .....	<u>294,735</u>	<u>258,917</u>
<b>TOTAL INTEREST CHARGES .....</b>	<u><b>2,471,602</b></u>	<u><b>2,062,907</b></u>
Income before income taxes .....	5,791,656	5,529,008
Income taxes (note 2) .....	<u>2,308,376</u>	<u>2,173,221</u>
<b>NET INCOME .....</b>	<u><b>3,483,280</b></u>	<u><b>3,355,787</b></u>
Dividends on preference shares .....	<u>559,317</u>	<u>566,917</u>
<b>NET INCOME APPLICABLE TO COMMON SHARES .....</b>	<u><u><b>2,923,963</b></u></u>	<u><u><b>2,788,870</b></u></u>
<b>EARNINGS PER COMMON SHARE* .....</b>	<u><u><b>0.96</b></u></u>	<u><u><b>0.92</b></u></u>
Dividends declared per common share .....	<u>0.6475</u>	<u>0.58</u>
*Based on average number of common shares outstanding .....	<u><u>3,043,657</u></u>	<u><u>3,043,657</u></u>

NORTHERN TEL  
(Incorporated Under  
**balance**  
as at Decem

**ASSETS**

	1982 \$	1981 \$
<b>TELECOMMUNICATION PROPERTY, AT COST</b>		
Buildings, plant and equipment .....	62,205,855	56,035,589
Less: Accumulated depreciation .....	<u>20,860,670</u>	<u>18,851,934</u>
	41,345,185	37,183,655
Land .....	411,198	400,300
Plant under construction .....	1,402,253	1,265,786
Materials and supplies .....	<u>537,560</u>	<u>429,237</u>
	<u>43,696,196</u>	<u>39,278,978</u>
<b>INVESTMENTS, AT COST</b>		
Affiliated company (note 4) .....	24,372,190	25,868,690
Mortgage receivable .....	<u>33,198</u>	<u>34,086</u>
	<u>24,405,388</u>	<u>25,902,776</u>
<b>CURRENT ASSETS</b>		
Accounts receivable (note 3) .....	3,909,830	3,748,454
Investment redeemable within one year .....	1,496,500	77,500
Other .....	<u>370,679</u>	<u>290,017</u>
	<u>5,777,009</u>	<u>4,115,971</u>
<b>DEFERRED CHARGES</b>		
Unamortized financing expenses .....	<u>212,408</u>	<u>180,447</u>
<b>TOTAL ASSETS .....</b>	<u><u><b>74,091,001</b></u></u>	<u><u><b>69,478,172</b></u></u>

On behalf of the Board of Directors:  
J.C. Lavigne, Director  
R. Brunelle, Director

### LIABILITIES AND SHAREHOLDERS' EQUITY

	1982 \$	1981 \$
<b>SHAREHOLDERS' EQUITY</b>		
Capital Stock (note 5)		
Preference shares	9,084,000	9,164,000
Common shares	14,934,772	14,934,772
Retained earnings	10,686,828	9,733,633
	<u>34,705,600</u>	<u>33,832,405</u>
<b>LONG-TERM DEBT (note 6)</b>	<u>23,095,000</u>	<u>21,580,500</u>
<b>CURRENT LIABILITIES</b>		
Bank overdraft	51,277	1,146,264
Accounts payable (note 3)	3,500,132	2,616,806
Advance billing for service	451,213	370,735
Dividends payable	684,905	662,496
Taxes accrued	65,753	409,220
Interest accrued	459,002	405,907
Debt due within one year (note 7)	3,850,000	2,366,000
	<u>9,062,282</u>	<u>7,977,428</u>
<b>DEFERRED CREDITS</b>		
Income taxes	7,172,710	6,027,270
Unamortized investment tax credit	55,409	60,569
	<u>7,228,119</u>	<u>6,087,839</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u><u>74,091,001</u></u>	<u><u>69,478,172</u></u>

C.F. Shepherdson, Secretary-Treasurer

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

for the year ended December 31, 1982

	1982 \$	1981 \$
<b>SOURCE OF FUNDS</b>		
Operations		
Net income	3,483,280	3,355,787
Items not affecting current funds		
Depreciation	3,534,003	3,265,211
Deferred income taxes	1,145,440	635,445
Allowance for funds used during construction	(123,373)	(96,334)
Other	16,955	18,588
Total funds from operations	<u>8,056,305</u>	<u>7,178,697</u>
Reduction in investments in affiliated company	1,496,500	77,500
Proceeds from issue of long-term debt	4,000,000	—
Reduction in mortgage receivable	888	730
	<u>13,553,693</u>	<u>7,256,927</u>
<b>DISPOSITION OF FUNDS</b>		
Capital Expenditures		
Gross capital expenditures	7,741,898	7,003,592
Other charges (credits) - net	(22,373)	25,666
Increase in material and supplies	108,323	91,448
Net capital expenditures	<u>7,827,848</u>	<u>7,120,706</u>
Dividends	2,530,085	2,332,310
Redemption of preference shares	80,000	80,000
Reduction in long-term debt	2,485,500	151,000
Long-term debt issue costs	54,076	—
	<u>12,977,509</u>	<u>9,684,016</u>
Increase (Decrease) in working capital	<u>576,184</u>	<u>(2,427,089)</u>
<b>WORKING CAPITAL CHANGES</b>		
Increase (decrease) in current assets:		
Accounts receivable	161,376	325,424
Other	80,662	46,198
Portion of investment redeemable within one year	1,419,000	(1,183,000)
(Increase) decrease in current liabilities:		
Bank overdraft	1,094,987	(1,023,443)
Accounts payable	(883,326)	(319,394)
Advance billing for service	(80,478)	(9,782)
Dividends payable	(22,409)	(58,551)
Taxes accrued	343,467	(170,781)
Interest accrued	(53,095)	52,240
Debt due within one year	(1,484,000)	(86,000)
Increase (Decrease) in working capital, as above	<u>576,184</u>	<u>(2,427,089)</u>

NORTHERN TELEPHONE LIMITED  
statement of retained earnings

for the year ended December 31, 1982

	1982	1981
	\$	\$
BALANCE AT BEGINNING OF YEAR .....	9,733,633	8,710,156
Add:		
Net Income .....	<u>3,483,280</u>	<u>3,355,787</u>
	<u>13,216,913</u>	<u>12,065,943</u>
Deduct:		
Dividends - Preference shares .....	559,317	566,917
- Common shares .....	<u>1,970,768</u>	<u>1,765,393</u>
	<u>2,530,085</u>	<u>2,332,310</u>
BALANCE AT END OF YEAR .....	<u><u>10,686,828</u></u>	<u><u>9,733,633</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, 1982 was 5.92% (5.91% in 1981).

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.

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## 2. Income Taxes

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

	1982	1981
Statutory income tax rate .....	51.8%	51.8%
i) Allowance for funds used during construction .....	(1.1)	(0.9)
ii) Non taxable dividend income .....	(10.9)	(11.4)
iii) Other .....	<u>0.1</u>	<u>(0.2)</u>
Effective income tax rate .....	<u>39.9%</u>	<u>39.3%</u>

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

	\$	\$
Current .....	1,162,936	1,537,776
Deferred .....	<u>1,145,440</u>	<u>635,445</u>
	<u>2,308,376</u>	<u>2,173,221</u>

## 3. Related Party Transactions

### GOODS AND SERVICES

For the year ended December 31, 1982, the Company purchased goods and services, mainly material, amounting to \$1,399,083 (\$1,346,149 in 1981) from Bell Canada, the parent company, and \$3,134,851 (\$1,789,153 in 1981) from other affiliated companies. The company earned \$416,625 for data services supplied to an affiliated company (\$433,024 in 1981).

### INVESTMENT TRANSACTIONS

For the year ended December 31, 1982, the Company declared \$2,088,002 (\$1,883,035 in 1981) in dividends payable to Bell Canada, the parent company and earned \$1,218,735 (\$1,218,735 in 1981) in preference share dividends and \$1,182,579 (\$1,230,534 in 1981) in debenture interest from Telebec Ltée., an affiliated company.

### ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE

As at December 31, 1982, the accounts receivable from affiliated companies were \$632,913 (\$735,641 in 1981). The net accounts payable to Bell Canada, the parent company, were \$718,667 (\$713,267 in 1981) and accounts payable to other affiliated companies were \$59,668 (\$53,225 in 1981).

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

### INVESTMENT IN TELEBEC LTÉE.

	1982 \$	1981 \$
Debentures* .....	14,079,700	14,157,200
Non-voting Preferred Shares		
Class A 10.5% Par Value \$25** .....	11,364,350	11,364,350
Class B 6.0% Par Value \$10 .....	<u>424,640</u>	<u>424,640</u>
Total .....	25,868,690	25,946,190
Less: Portion of investment redeemable within one year .....	<u>1,496,500</u>	<u>77,500</u>
Total .....	<u>24,372,190</u>	<u>25,868,690</u>

\* The weighted average interest rate on these debentures at December 31, 1982 was 8.37% (8.37% in 1981).

At December 31, 1982 the amounts of debenture redemptions receivable in the following years are \$1,496,500 in 1983; \$1,499,500 in 1984; \$522,500 in 1985; \$802,500 in 1986; \$3,140,200 in 1987; \$3,867,500 in 1988-92; and \$2,751,000 in 1993-95.

\*\* Telebec Ltée. has the option to redeem 75,762 Class A shares (par value \$1,894,050) on April 1 of each year. No shares were redeemed on April 1, 1982.

## 5. Capital Stock

	1982 \$	1981 \$
Preference Shares		
Authorized - with par value of \$20 each, issuable in series, voting		
First preference 500,000 shares . . . . .	10,000,000	10,000,000
Second preference 128,200 shares . . . . .	<u>2,564,000</u>	<u>2,564,000</u>
	<u>12,564,000</u>	<u>12,564,000</u>
Issued and Outstanding		
First preference - Cumulative, Redeemable		
75,000 5.5% Series A . . . . .	1,500,000	1,500,000
50,000 5.5% Series B . . . . .	1,000,000	1,000,000
100,000 5.5% Series C . . . . .	2,000,000	2,000,000
25,000 5.5% Series D . . . . .	500,000	500,000
76,000 9.5% Series E (80,000 in 1981) . . . . .	<u>1,520,000</u>	<u>1,600,000</u>
	<u>6,520,000</u>	<u>6,600,000</u>
Second preference - Cumulative, Redeemable		
7,853 5.0% Series A . . . . .	157,060	157,060
120,347 5.25% Series B . . . . .	<u>2,406,940</u>	<u>2,406,940</u>
	<u>2,564,000</u>	<u>2,564,000</u>
Total preference shares . . . . .	<u>9,084,000</u>	<u>9,164,000</u>
Common Shares		
Authorized - 6,500,000 shares without par value to be issued for a consideration not to exceed \$35,000,000		
Issued and outstanding 3,043,657 common shares . . . . .	<u>14,934,772</u>	<u>14,934,772</u>

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 par plus a premium of 7% diminishing by 1% in each subsequent year to October 1, 1990, and thereafter at par. 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 per share plus any accrued and unpaid dividends to the date of redemption. To meet this requirement, on October 1, 1982, 4,000 shares were redeemed (4,000 in 1981).

## 6. Long-term Debt

Maturity Date	Rate of Interest	Series	1982 \$	1981 \$
20 year Sinking Fund Debentures				
May 1, 1983	5.75 %	F	2,414,500	2,423,500
December 15, 1984	5.625%	G	1,637,500	1,653,000
May 1, 1987	6.5 %	H	4,203,000	4,225,000
December 15, 1994	10.625%	J*	2,292,000	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>	—
Total			25,547,000	21,593,500
Less: Debt due within one year			<u>2,452,000</u>	13,000
Total			<u>23,095,000</u>	<u>21,580,500</u>

\* Subject to repayment at option of holders thereof, on June 15, 1995

Sinking fund and maturity payments required in the following years, with respect to the above debt are: \$2,452,000 in 1983; \$2,395,000 in 1984; \$1,000,000 in 1985; \$1,400,000 in 1986; \$5,425,000 in 1987; \$7,025,000 in 1988-92, and \$5,850,000 in 1993-97.

## 7. Debt due within one year

	1982 \$	1981 \$
Long-term debt due within one year . . . . .	2,452,000	13,000
Bank demand notes . . . . .	<u>1,398,000</u>	<u>2,353,000</u>
Total . . . . .	<u>3,850,000</u>	<u>2,366,000</u>

## 8. Remuneration of Directors and Senior Officers

For the year ended December 31, 1982 the aggregate direct remuneration paid or payable by the Company to the Directors and Senior Officers of the Company was \$316,481 (\$267,000 in 1981).

## 9. Pensions

The Company has contributory pension plans which provide for service pensions based on the contributions of the Company and the employees. The latest actuarial study as of January 1, 1981 established an unfunded liability of \$45,599, which was paid by the Company during 1981. There was no unfunded liability as at December 31, 1982. The total provisions for the cost of the pension plans were \$172,177 for the year ended December 31, 1982 (\$206,759 in 1981).

*To the Shareholders of Northern Telephone Limited*

We have examined the balance sheet of Northern Telephone Limited as at December 31, 1982 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, 1982 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 21, 1983.

ROSS, POPE & COMPANY,  
CHARTERED ACCOUNTANTS.

# statistics

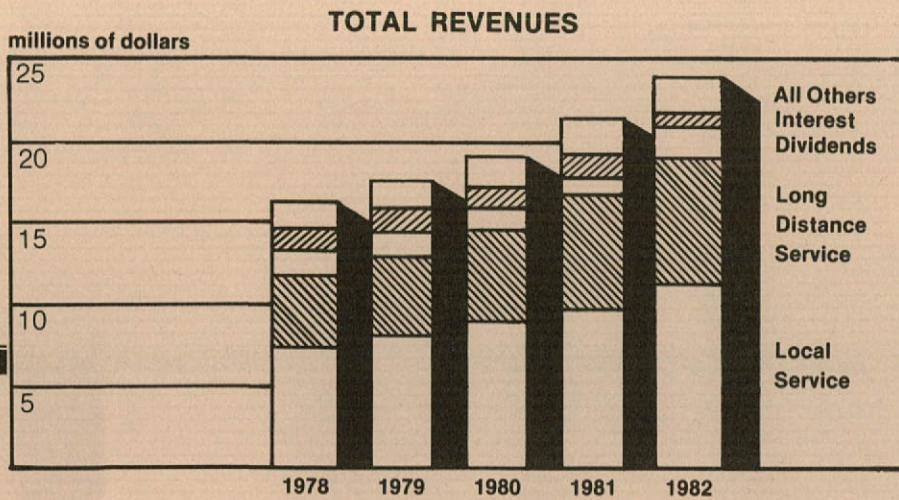
	1982	1981	1980	1979	1978
<b>FINANCIAL RESULTS (\$)</b>					
Operating revenues . . . . .	21,052,296	18,636,360	16,216,373	14,472,612	12,927,774
Operating expenses . . . . .	15,353,732	13,672,225	12,186,348	10,796,331	9,681,506
Other income . . . . .	2,564,694	2,627,780	2,788,051	2,943,423	3,035,260
Other charges . . . . .	2,471,602	2,062,907	1,944,095	1,971,193	2,127,714
Income taxes . . . . .	2,308,376	2,173,221	1,852,326	1,510,288	1,187,684
Net income . . . . .	3,483,280	3,355,787	3,021,655	3,138,223	2,966,130
Total payroll . . . . .	8,171,997	7,203,314	6,484,796	5,668,218	4,871,262
Construction expenditures . . . . .	7,742,000	7,004,000	5,760,000	5,708,000	4,232,000
<b>FINANCIAL RATIOS (\$)</b>					
Earnings per common share	.96	.92	.80	.84	.78
Dividends declared per common share	.6475	.58	.50	.405	.32
<b>BALANCE SHEET DATA (\$)*</b>					
Total investment in plant & equipment . . .	64,019,306	57,701,675	52,015,255	48,167,160	43,116,691
Plant & equipment less depreciation . . . .	43,158,636	38,849,741	34,989,360	32,597,765	29,309,199
Common equity . . . . .	25,621,600	24,668,405	23,644,928	22,719,619	21,396,194
Preferred equity . . . . .	9,084,000	9,164,000	9,244,000	9,324,000	9,404,000
Long-term debt (Including due within 1 year)	25,547,000	21,593,500	24,011,500	24,128,000	24,204,500
<b>ADDITIONAL STATISTICS</b>					
Number of employees* . . . . .	311	314	314	312	316
Number of telephones* . . . . .	77,310	76,104	73,905	71,395	68,951
Business . . . . .	21,642	21,520	20,804	19,918	19,164
Residence . . . . .	55,668	54,584	53,101	51,477	49,787
Percentage residence of total . . . . .	72.0	71.7	71.9	72.1	72.2
Percentage dial of total . . . . .	100.0	100.0	100.0	100.0	100.0
Long distance calls (thousands) . . . . .	6,756	6,753	6,321	5,816	5,266
<b>Number of shareholders (preferred and common)*</b>					
In Canada . . . . .	1,625	1,685	1,805	1,894	1,966
Elsewhere . . . . .	34	33	33	35	41
Total shareholders . . . . .	1,659	1,718	1,838	1,929	2,007

\*as at December 31

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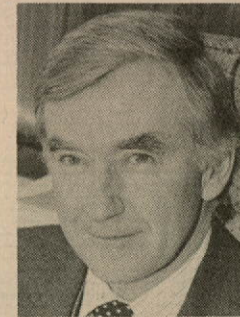


# president and department heads



millions of dollars

Local Service	7.4	8.1	8.9	9.9	11.1
Long Distance Service	4.2	4.9	5.6	6.8	7.8
Dividends	1.7	1.5	1.3	1.2	1.2
Interest	1.3	1.3	1.4	1.3	1.2
All Others	1.4	1.6	1.8	2.1	2.3
	16.0	17.4	19.0	21.3	23.6



M. W. Cooper

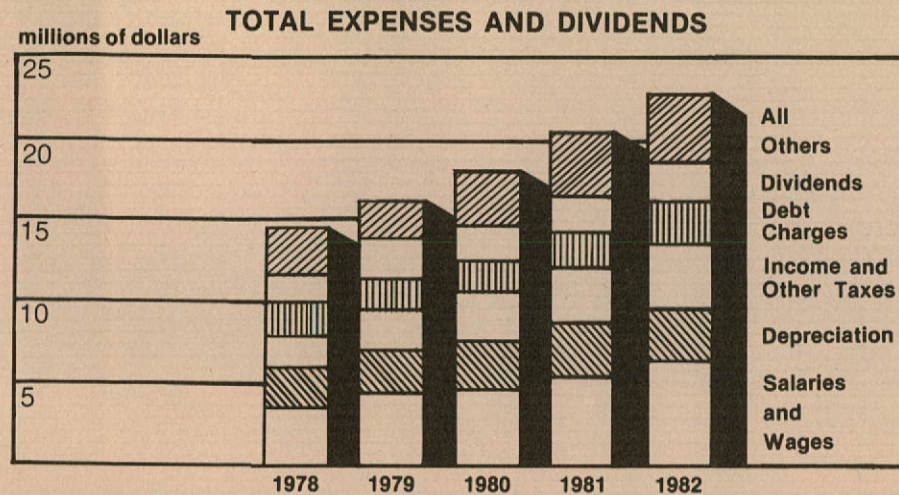
**Murray W. Cooper**  
President and General Manager

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

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

**Clair F. Shepherdson**  
Secretary-Treasurer

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



millions of dollars

Salaries and Wages	3.7	4.4	4.8	5.3	6.1
Depreciation	2.2	2.5	2.8	3.3	3.5
Income and Other Taxes	2.0	2.5	3.0	3.4	3.8
Debt Charges	2.1	2.0	1.9	2.1	2.5
Dividends	1.6	1.8	2.1	2.3	2.5
All Others	3.0	2.9	3.5	3.8	4.3
	14.6	16.1	18.1	20.2	22.7



D. D. McCarty



J. A. Parker



C. F. Shepherdson



D. B. Sirola

# bringing the north together

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Northern Telephone Limited's long-standing theme, "Bringing The North Together", is more than just a catchy phrase. It is a commitment by the Company to provide quality telecommunications services to the people of Northeastern Ontario.

It is a commitment that is not taken lightly, especially when one considers that Northern Telephone operations cover an area of approximately 83,000 square kilometers.

A company such as ours must have a strong and dedicated work force supporting it not only by maintaining present services but also by keeping up to date with ever-changing technology, planning for necessary modernization and by always keeping customer needs in the forefront.

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Northern Telephone Limited has all these qualities in its employees, and more. That is why this 1982 Annual Report and all 1983 telephone directories carry photographs of our employees. A representative cross-section of the various services we offer and of the employees who provide those services, combined with our corporate logo and colour scheme, visually displays the importance of having a strong, dependable and dedicated work force.

As of the end of 1982, Northern Telephone employed 350 full-time and part-time people. Their efforts, and the efforts of those before them, have brought Northern Telephone Limited from rather humble beginnings in 1905 on up through many changes and challenges to where it is today, a respected Northern Ontario enterprise, dedicated to "Bringing The North Together".



