MT&T

Maritime Telegraph & Telephone Co Ltd.

A Year Worth Talking About

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MAR 14 1984
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MT&T's Mission Statement

"The Company will strive to maintain its position as a leader in terms of financial performance among comparable Canadian companies, by maintaining its leadership in the provision of regulated and non-regulated information network and related services in Nova Scotia, and in developing significant, profitable positions in other selected activities and markets."

Key implications of this mission are:

Leadership will only be achieved by maintaining a high level of customer satisfaction.

Leadership and profitable operations will be maintained only by continuing to meet the concerns of employees, investors and lenders.

Comparable Canadian companies are a significant number of companies in the same or unrelated industries with which MT&T may be compared, using financial measurements.

Significant and profitable positions may be in areas other than the traditional purview of a telecommunications carrier/ supplier.

This statement of the Company's mission is the result of a comprehensive strategic planning process. This process also provides mechanisms by which we will measure our success in attaining our objectives and determine the continued relevence of those objectives in the light of ongoing internal and external change.

1983 Annual Report of the Directors to the Shareholders of Maritime Telegraph and Telephone Company, Limited
Incorporated under the laws of the Province of Nova Scotia

The 1983 Annual Report is a summary of the operations of the Company in its 74th year of serving Nova Scotia. It is prepared for those who have invested in our Company, for those who are interested in the Company's performance, and for our employees.

Maritime Tel & Tel is an investor-owned, provincially-regulated company, providing telephone and a wide range of other telecommunications services throughout Nova Scotia. The Company has over half a million telephones in service, connected through a $750 million network of local and long distance switching, transmission and terminal equipment, in more than 170 equipment offices throughout the province.

OUR COVER

The analogy drawn between a telephone and an annual report is an appropriate one. Both are an immediate source of information, both keep you in touch with things you want and need to know. They give you access and make us accessible. That's what our cover, and this report, are all about — accessibility: to customers and services; to the future and technology; to the atmosphere and quality of a year, and to its facts and figures; to a company's aspirations and to its corporate personality.

REPORT HIGHLIGHTS

	1983	1982
Operating Statistics (thousands)		
Revenues	$ 253 253	$ 235 861
Expenses	166 393	154 418
Net income applicable to common shares	28 440	25 987
Common dividends	15 700	13 634
Construction program expenditures	64 611	70 091
Telecommunications property	762 489	715 540
Financial Statistics		
Earnings per common share	$ 4.42	$ 4.23
Dividends declared per common share	$ 2.43	$ 2.22
Return on average common equity	16.1%	16.4%
Return on average invested capital	13.1%	13.0%
Equity per common share, at December 31	$ 28.34	$ 26.60
Average common shares (thousands)	6 440	6 139
Debt ratio, at December 31	49.2%	51.6%
Other Statistics		
Telecommunications property per telephone, at December 31	$ 1 386	$ 1 344
Telephones in service, at December 31	550 044	532 470
Employees, at December 31	3 322	3 375
Salaries and wages (thousands)	$ 83 956	$ 81 689
Long distance messages (thousands)	51 221	52 756

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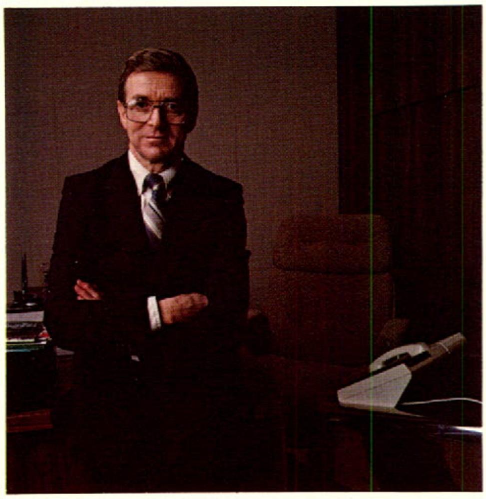
For a number of reasons, 1983 was a significant year for MT&T and in terms of performance it may well prove to be unique in the history of the Company. We can't claim responsibility for all the factors — the general economic recovery helped in some respects — but for much we are corporately proud.

There were no rate increases in 1983. In fact, it has been 18 months since the last rate increase in out-of-province long distance calls and almost two years since in-province local service or long distance rates were increased. In this we stand alone among Canadian telcos.

At an MT&T board meeting. *From left:* Directors Howard Fuller, Catherine Wallace, John MacDonald, Andrew Eisenhauer, Derek Oland and vice president *finance,* Ed Hicks.

For the ninth straight year your equity as shareholders increased as the earnings per share continued to increase. Each common share earned $4.42 in 1983 compared to $4.23 in 1982. The rate of return on average common equity for 1983 was 16.1%, down from 16.4% last year. Effective in the first quarter of 1983, the dividend rate was increased to 60¢ from 57¢, or, on an annual basis, from $2.28 to $2.40 per common share. In November, the Board of Directors approved an increase, from 60¢ to 63¢, or to $2.52 annually, which will be effective with the January 16, 1984 payment.

The steady improvement in earnings is the result of an added resolve on the part of our Company in the mid 70s, to stress its responsibility to our investors. In these times few companies, certainly not regulated utilities, can increase revenues at will by increasing prices, and telephone companies' regulated markets are, to all intents and purposes, finite. This means that improved corporate performance in earnings has to come largely from intelligent fiscal and program planning and by striving for the maximum internal efficiency and expense curtailment. We believe that our performance proves the success of our efforts in these areas.



While being pleased about our present performance, I would also stress that MT&T is not complacent about the future. We have many challenges ahead; for instance, the entry of Nova Scotia into the world of terminal attachment, an issue which is currently before the Public Utilities Board, will test our mettle in areas of business where we're unaccustomed to competing. Our search for new and profitable markets for our expertise and resources will play an important part in our future prosperity.

These are watershed years in the telecommunications industry: technology and changes in business thinking are drastically changing an industry which has, until now, progressed in a relatively linear and predictable fashion. Major practical and philosophical issues face Canadian telephone companies and their various regulators. We must learn from those who have undergone radical changes before us and we must be prepared to be pathfinders for change ourselves. MT&T will inevitably be part of this process. Years such as 1983 put us in a position of confidence from which to confront this future.

In this report you'll find many facts and figures about our operations in 1983 and some thoughts of the future. We've also tried to show you a few of those incidents which test a company's ability to respond with ingenuity, perseverence or just plain speed. These are slices of everyday business life but the intelligent handling of them is just as vital to a company's success as its long-term strategies. Not every project goes completely according to plan and the unforeseen happens fairly frequently.

On behalf of the Company, I should like to thank everyone who helped contribute to our successful year and I hope that we will share a similar success in 1984.

Struan Robertson

Struan Robertson
Chairman of the Board
and President
Halifax, Nova Scotia
February 14, 1984

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The Work Continues

Often overshadowed by advances on the exciting frontiers of technology, telephone companies continue to work diligently to improve basic services for all their customers. This work continues, year by year, regardless of the fluctuations in the general economy or the other pressures of doing business.

Locally Speaking

The year started slowly for MT&T. The rate of growth in most types of telecommunications services was reduced, reflecting the general state of the country's economy. As the economy improved so did the demand for services. By year-end 1983, the Company had 550,044 telephones in service, an increase of 3.3% over year-end 1982. The number of residential extension telephone sets in service increased far less than we had forecast (in Halifax-Dartmouth the number actually decreased by 755), a trend we attribute to customers buying telephones from other suppliers, in anticipation of a decision by the Public Utilities Board to allow the connection of customer-owned equipment in Nova Scotia.

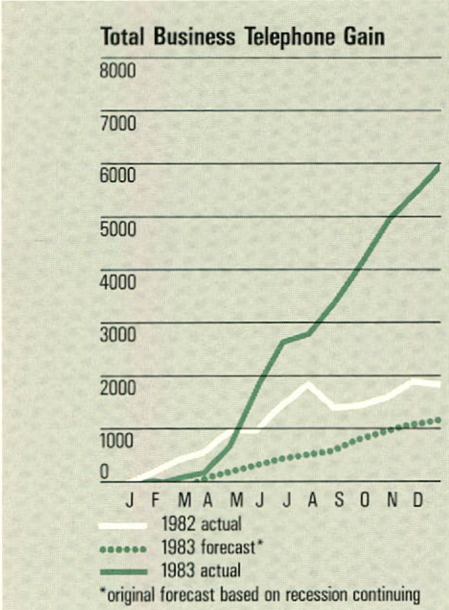
In the fourth quarter of 1982, the demand for residential telephone service started to improve from its late 1981-82 recession levels. This was a result of government housing incentives and other economic factors. This improvement continued in 1983 when we gained 7,612 residential telephone services compared to 4,163 in 1982.

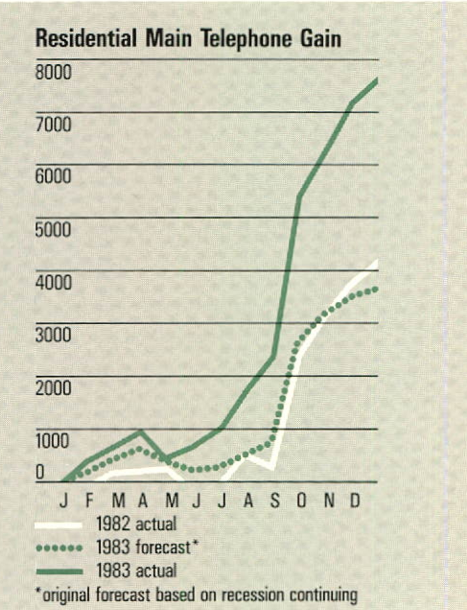
Business service recovery, which was based on general economic improvement, started in April 1983 and by year-end we had installed a total of 5,963 additional business telephone sets compared to 1,804 the year before. In fact, in the last three quarters of 1983, the business gain of 5,759 telephones was the highest for the equivalent period of the year since 1974.

On our total telecommunications network, in 1983, we spent $64.6 million in capital programs to improve service quality and provide for growth throughout the province. This spending was increased from an original estimate of $61.6 million, as demand increased after the first quarter.

We are installing digital switching systems wherever they are needed to accommodate growth or because a conversion to new equipment is more economical than maintaining existing plant. In 1983 we converted one exchange at a cost of $0.7 million and between 1984 and 1987 we plan to spend $44.8 million on 17 digital conversions throughout Nova Scotia.

In 1983 the Company spent $3.7 million on service improvement programs, upgrading service for close to 30,000 customers. Eight exchanges received expansions to their local calling areas (the areas that can be reached without long distance charge) and 2,368 customers in nine exchanges benefitted from base-rate area enlargements. (A base-rate area is the more densely populated area in an exchange within which customers can obtain single-party service without monthly mileage charges.)





MT&T's alarm surveillance computer, which continuously monitors the facilities and equipment at 164 switching offices and 64 microwave sites, will soon be connected to a national network surveillance system. This improvement, which will cost $2.0 million, is scheduled for completion early in 1985. Not only will it give our network facilities added security by being part of a national as well as a provincial surveillance system but it will give us a performance record of all our facilities on a continuing

basis. The stored data will enable us to identify facilities or components that are starting to degrade in performance, so that they can be replaced before the network is affected.

For 1984 MT&T has service improvement programs planned which will benefit almost half of our customers in one way or another. Close to 140,000 customers will have their local calling areas extended to other communities; six exchanges will be upgraded from operator to automatic number identification for long distance calls, and in eleven exchanges the base rate areas will be expanded to encompass an additional 3,200 premises. In total, $7.2 million worth of service improvement around Nova Scotia.

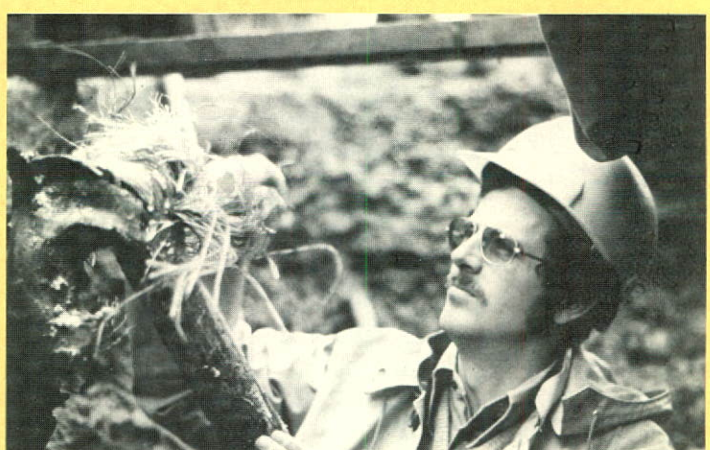
Long Distance Measures Up

During 1983, long distance calling volumes dropped 2.9%, from 52.8 million in 1982 to 51.2 million. This reduction was due to a massive program in Industrial Cape Breton at the end of 1982, which converted

Down to the Wire

Somewhere under a main street in Sydney, in the middle of the night, a water line fractures. At daybreak the City's crews are on the scene and at 7 a.m. the edge of a backhoe bucket snaps through a conduit and snags two older-type telephone cables. Bubbles surface through the water in the hole as the air pressure drops around the 1,800 ruptured pairs of wires in the cable: in the Pitt Street switching office an alarm sounds. The next two hours are a scramble for repair forces as the cable records are checked for vital services, people are dispatched to alert the hospital and ambulance facilities, emergency calls are rerouted to another hospital, temporary cable feeds are set up for the vital services and the public is notified by radio and TV. By 11 a.m. the water line is repaired, the hole pumped out and the splicers can begin the 26-hour, around-the-clock job of drying the cable interior with a chemical dessicant, testing and splicing the severed pairs and sealing it all up in a repair sleeve.

This unfortunate accident had a price tag of $11,000 and involved 130 hours of MT&T technicians' time to fix it. It was just one of the many human and nature-caused catastrophes to which our cable repair forces have to respond swiftly and appropriately. In an average year, we estimate this takes more than 15,000 labour hours, involves more than a quarter of a million cable pairs and costs in excess of $200,000 — not all of which can be recovered. Motorists sometimes hit our poles and run, and not even the Maritimes Weather Office will accept responsibility for Nova Scotia's deluges and ice storms!



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approximately five million long distance calls per year to local calls. If these calls are excluded, all other long distance calling increased 7.3%. The revenues from long distance calling over the year rose 6.3%, from $133.2 million to $141.6 million.

During 1983 MT&T finished another in its continuing program of long distance facility improvements using digital microwave radio systems. A route costing $1.0 million was created from Halifax to Kentville. This route, which serves the Annapolis Valley, also used fiber optic technology for the 5.6 km link from Port Williams to the Kentville switching office. A $2.1 million Halifax to Bridgewater route will be completed in the autumn of 1984 and MT&T's largest digital radio project so far, a $6.5 million undertaking, was started in December 1983 and will be ready for service in January 1985. This project adds a further 1,344 circuits to the new Halifax to Moncton digital radio route and will replace all the 1960s-vintage, vacuum-tube technology, analog radio facilities on the Halifax to Sydney route with new digital facilities. This project calls for five new microwave towers and will provide an additional 384 circuits between Halifax and Sydney. Plans are also in the works for a new $1.2 million system from Halifax to Charlottetown for 1985.

In February 1983, MT&T completed the next stage of its long-term program to convert the province to the latest technology for operator-assisted, long distance calling. The program involves reduction of regional long distance centres from eight to four and replacement of all equipment for processing operator-handled long distance calls in the remaining centres with fully computerized equipment. This system enables customers to dial their own operator-assisted calls and make direct-dialed calls to more than 60 overseas countries.

In February, the long distance centre in Truro closed, and calls from customers in the Truro area were routed through Halifax which was converted to the Zero-Plus con-

The Princess' Phone

June, 1983.
The buildings are bright with Union Jacks, Maple Leaves and Provincial flags; the streets are clean and people are poring over the itineraries printed in the newspapers. Halifax is ready for the visit of the Prince and Princess of Wales. MT&T has filled all the complex media and security needs for telecommunications services but still has a perplexing problem. The Royal Yacht, *Britannia*, is due shortly and the authorities are unable to tell us which type of switchboard system she has on board. This knowledge is necessary if suitably adapted lines are to be ready for her when she docks. For security reasons, the place where she'll berth has also not been announced.

The story had a happy ending, of course. B.C. Tel had supplied service to *Britannia* last year and was able to assist with technical specifications, and a resourceful last-minute team threaded 300 feet of cable around the waterfront sides of several wharves to connect the *Britannia*. The Prince and Princess had no difficulty phoning home!

Each year MT&T responds to thousands of requests for media, security and administrative telecommunications services at special events. From sporting functions to ministerial conferences, in Halifax and across the province. The big event for 1984 will be the visit of Pope John Paul II.

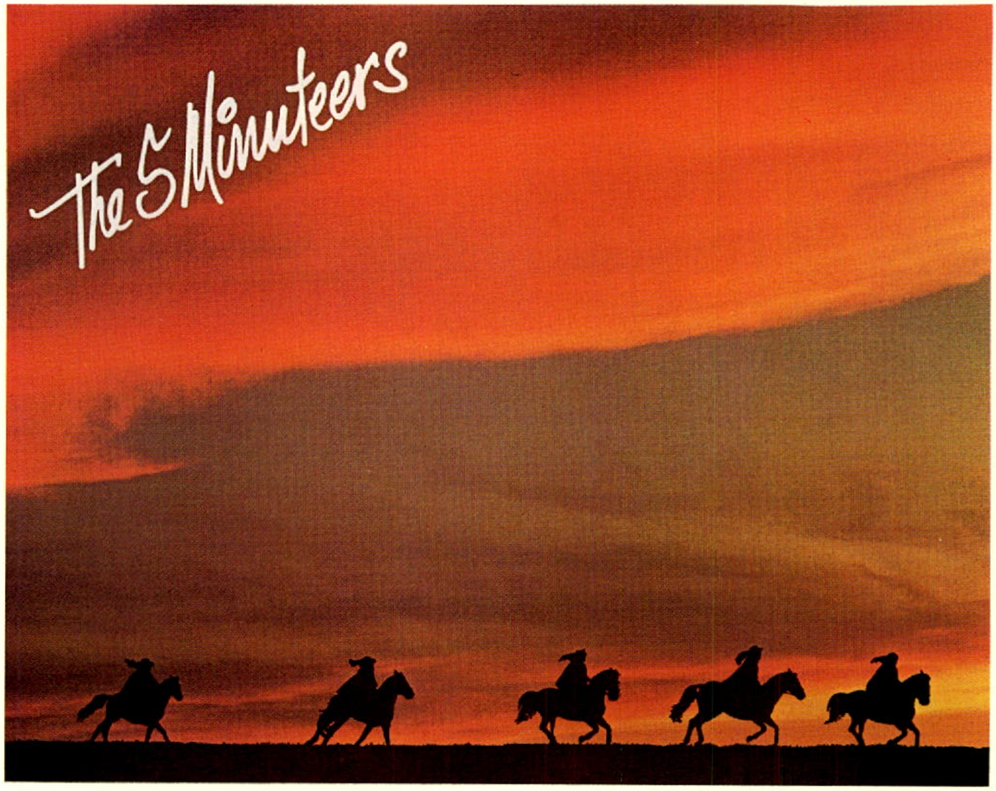
WAMBOLDT WATERFIELD

cept in 1982. Now, just under half of the customers in Nova Scotia have access to the improved long distance calling options. The remaining conversions will be done between 1985 and 1987 at a cost of $21.5 million. When completed, the operator-assisted calls for the whole province will be distributed amongst the remaining four centres on a flexible basis designed to make the most efficient use of the Company's human and equipment resources.

In 1983 MT&T tried a new approach to long distance promotion. Between April and June, the ***Everyone's Talking*** car contest invited Nova Scotia residential customers to make three direct distance dialed calls and enter them in a draw for one of three cars supplied courtesy of The Ford Motor Company. Our tracking shows that contest entrants made 2.6% more calls than non-entrants during the contest period and that they have continued to make 2.2% more calls per month since the contest finished. And 56% more people entered the contest than we had anticipated. The three people who received brand-new Escorts were not the only winners of the contest!

And, in September, the Company started a six-to-twelve-month long distance market program promoted by five exotic horsemen, dressed like Musketeers, who gallop across the countryside, reminding Nova Scotians that between 6 p.m. and 8 a.m. daily they can have five free minutes after ten minutes of conversation on every direct-dialed in-province call. Bizarre, maybe, but customers seem to be catching on and early results show a definite trend towards more calls and longer conversations.

We get coupons in our mail boxes, when we buy toothpaste, and when we fill up the car. Now they're in the Yellow Pages too. MT&T was quick to pick up on a revenue-producing idea recently initiated by two other Canadian telcos — clip-out coupons in the Yellow Pages. They're purchased by the advertiser and cashed by the customer — benefitting business, consumer and telephone company in the process. Many a good business idea is borrowed from another industry!



The Bus Stops Here

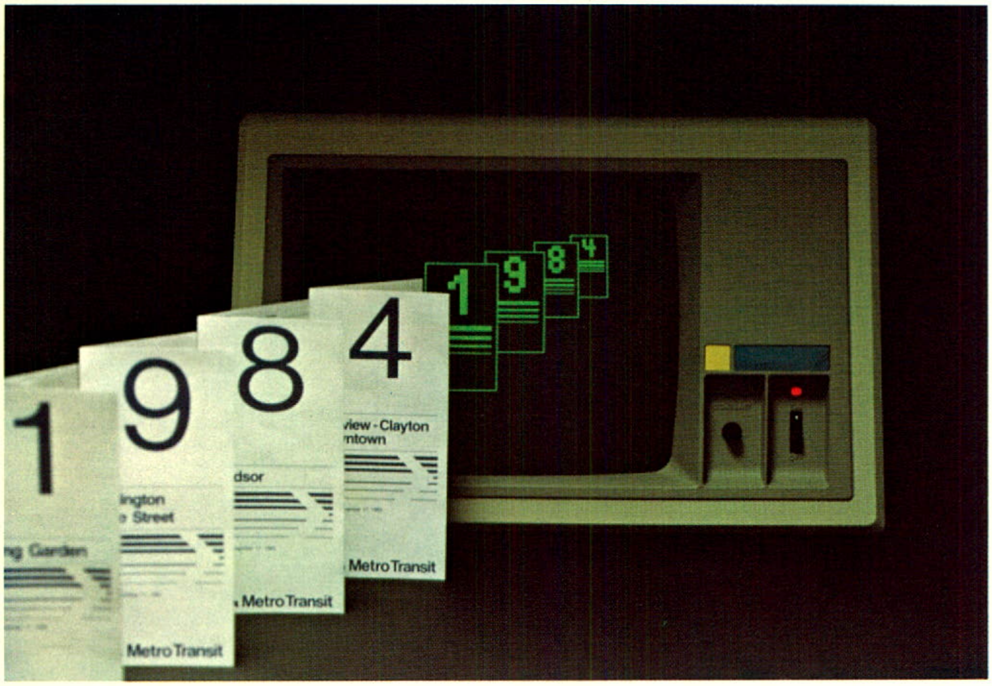
Provision of home and business telephone service is traditional telephone company business. Just as important, though, to many customers are the services available from our mobile and data sales groups. These groups are competing with major local and national suppliers for customers' business — competing very successfully.

Following on the heels of a profitable 1982, the Company's Mobile Communications sales group had a very successful 1983, topping their 1982 sales total by 21.0%: they had a sales total of $3.0 million for the year.

Following the complex installation of a package comprising 120 mobile units, portable receivers and repeater equipment plus a computerized dispatch system, for the Dartmouth Police and Fire Departments, the Mobile Sales group won a contract on a system which will be another Canadian first — a computerized communications control system for Metro Transit's fleet of 142 buses in the greater Halifax-Dartmouth & suburban areas.

Due for commissioning in the last quarter of 1984, the Transinfo system, which is worth $1.5 million, will continuously track and monitor every bus by means of a number of electronic sensors on the vehicle. It will measure passenger volumes, engine conditions, and the location of every vehicle as the buses are polled in rotation and will feed all this information into a computer at Transit headquarters on a real-time basis. The buses will also be equipped with voice communications and alarm devices. In addition, each bus stop will have an associated telephone number which passengers will be able to call from the comfort of their homes or offices, to check the time of the next bus. (The computer knows by the number of wheel rotations exactly where each bus is on its route and a synthesized speech announcement will tell the caller.) There will be call-up address systems mounted at the 49 major bus stops and video displays in the shopping malls. This is public transit 80's style! Metro Transit expects that this will increase its number of riders, and the system will also provide the managers with a complete statistical information package for all phases of their fleet operation.

Early in 1984 the Company will have its new mobile telephone system, Autotel, up and running. Designed to bridge the gap between the present public mobile system and cellular radio, in whatever form it evolves, Autotel will offer private, full-duplex service with dial-in, dial-out capability and it will be available in the greater Halifax-Dartmouth area initially. There are later plans to install a roaming option to accommodate customers from NB Tel and Newfoundland Tel travelling in our area and using similar equipment.



GEORGE GEORGAKAKOS

My House Can Be Your House

MT&T's Data Sales group didn't rest on its 1982 laurels either! The group's revenue total for the year was $2.1 million, 17.3% higher than last year.

One of the data group's most innovative applications of new technology involves the Nova Scotia Real Estate Association and multiple listing of properties for sale. Salespeople in the field used to write the descriptions of properties offered for sale and mail them to the office of the Multiple Listing Service in Halifax, where master lists were created which, in turn, were mailed back out to the real estate offices. This process used to take between two and four weeks . . . and the same when a property was sold. Now there are close to 200 terminals in real estate offices across the province and the salespeople are entering the information onto a formatted 'Envoyscript' which is transmitted instantly to Halifax. A database is created from all listings and the agents are able to retrieve, simply, those listings which match their clients' needs, without having to flip through thousands of pages of listings. Just under a quarter of a million dollars in revenue for MT&T; turnaround time slashed for the real estate industry, not to mention a much more efficient image to its customers, and a quicker match of home-sellers and home-hunters.

Maritime Tel & Tel sales groups have again been active in many of our customers' pioneering projects. For example, in 1983 we helped Acadia University expand its Distance Education program. We installed dedicated circuits for

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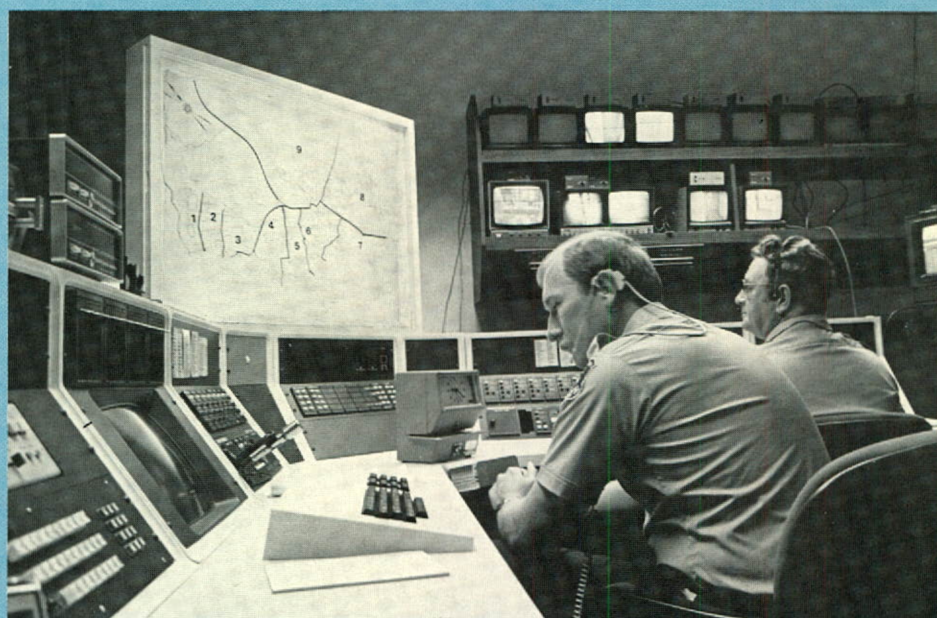
audio conferencing between Acadia's location in Wolfville and 10 classroom sites around the western end of the province. In the 1983-84 academic year, Acadia offers five credit courses from Philosophy to Computer Education, and MT&T's Phone Power group was able to instruct the five professors and their students in the best techniques for using audio conferencing in a classroom application. The system is also equipped with a dial-in link so that one of the professors, who is unable to travel, can teach from her home. Every year, more school goes to the students.

In 1983 MT&T ended its public demonstration of videotex technology which started in 1982. While learning a lot about the management and operation of videotex systems, the Company has no immediate plans for the development of videotex on a commercial basis. It feels that the markets, public acceptance and commercial participation have to mature before videotex will become a suitable venture for MT&T.

System Under Surveillance



ANTHONY MONSARRAT

As technology surges forward at an unprecedented rate, the job of suppliers of technical answers to communications problems, is made both easier and more difficult. Science now makes possible things that even a year ago were a sci-fi dream. The answers themselves, however, may be made up of many smaller solutions joined together; they may only have been tested in theory, in the laboratory, separately, or in limited test circumstances. A supplier doesn't have the luxury of being able to bid only for those systems that are within the company's past experience — its competitors don't.

What happens when, after comprehensive planning and installation, small and elusive problems remain in a customer's system? MT&T had this experience in 1983 with the installation of a complex computerized emergency reporting and dispatch system for the City of Dartmouth Police and Fire Departments — the first of its kind in North America. After 18 months of planning and three months of installation, this $1 million system was successfully cut into service — almost.

The months that followed were spent tracking down and eliminating stubborn problems — the unplanned and sometimes inexplicable. MT&T believes that open lines of communication between customer, manufacturer and company, and dedication to solving problems, are essential at such times if business credibility and trust are to be maintained.

Situations like this frustrate us and test us but they also develop invaluable expertise.

Customers' National Needs Vital

"*No man is an island, entire of itself; every man is a piece of the continent...*" *John Donne, 1573-1631*

As individuals we are part of scattered families and our businesses are part of national and international trading circles. The TransCanada Telephone System with member companies across the country has worked for many years to ensure a national integrity of service; to meet our customers' national and international needs for communications — in essence, to take over where the provincial carrier, for regulatory and practical reasons, has to leave off. These needs have become increasingly complex and sophisticated and the efforts to meet them have been stepped up.

In September 1983, Telecom Canada emerged from the 52-year-old chrysalis of the TransCanada Telephone System. Not just a sleek new name but an indication to customers across Canada that the member companies across the country are national in their thinking, capabilities and commitment — and they're more than just telephone services.

Proving to major customers whose operations span the country, that your concern for their needs is more than lip service, isn't easy. MT&T and the other Telecom Canada members started by forming special groups within their several organizations to handle the needs of these national customers. National Systems Groups, as they are known, provide 'one-stop shopping' for the national customers by giving them one point of contact for their voice, data and image needs. They also seek to minimize regional differences and eliminate roadblocks between different jurisdictions — all things that the major national customers told us we needed to do in order to be a viable supplier. That, of course, is just the start!

In conjunction with the announcement of its new name, Telecom Canada unveiled two new services. Stratoroute 2000, a satellite-based business communications service, is geared to the communications needs of medium-to-big businesses with large volumes of inter-city traffic. Stratoroute 2000 will offer cost and efficiency benefits to those customers by merging their voice, data and image transmission needs into multiple-use digital facilities. MT&T will be working with its major customers in Nova Scotia over the coming years to develop applications for Stratoroute 2000 services.

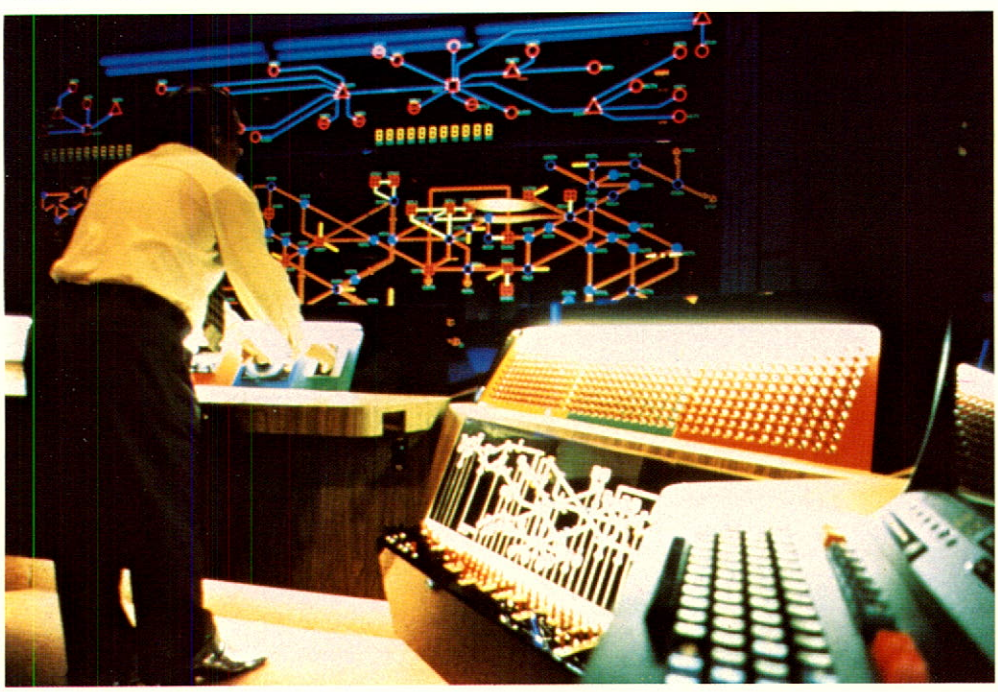
Conference 600 is Telecom Canada's other big trump. It's also a satellite-based service, one which provides nation-wide, two-way, interactive color video conferencing between two points. Telecom Canada will introduce this service in the major Canadian cities over the next three years.

When you are the only show in town, aggressive promotion of your services is largely a matter of choice. Now, with several suppliers eager for a share of the lucrative markets opened up by electronic switching and increasing computer sophistication, it is a matter of survival. During 1983, MT&T's customer base on Telecom Canada's electronic mail system, Envoy 100, increased substantially with better than twice the expected market penetration. Canada-wide, Envoy now links about 488 organizations with around 4,800 individual users, and now that electronic mail as a concept seems to be gaining acceptance rapidly, we expect this number to mushroom. MT&T forecasts more than 150 user-organizations in Nova Scotia by year-end 1984.

EnvoyPost, a shared trial with Canada Post, which allowed Envoy users in 25 major centres to send next-day-delivery messages, by Canada Post, to non-Envoy users, was undertaken early this year. The results are still being evaluated but both partners seem pleased with the service and its potential.

JOSEPH ROBICHAUD

In another trial, undertaken with other Telecom Canada members, Time Division Multiple Access (TDMA) technology was put through its paces. Incorporating the Federal Government, the Bank of Nova Scotia and Dome Petroleum, this trial was geared to the inter-city transmission needs of major customers. It tested a technique of simultaneously transmitting voice, data and image signals in an integrated stream of digital information by satellite and it has paved the way for development of an Integrated Satellite Business Network (ISBN). The trial encountered some hardware problems which are still being resolved and, although far from abandoned, the trial participants will eventually have their inter-city needs filled by the new Stratoroute 2000 service.



GEORGE GEORGAKAKOS

There are some exciting services on or near the launch pad. Many are designed for our business customers. Telecom Canada member companies will soon be able to offer their customers services such as iNet, a system enabling people with computer terminals to access a variety of databases in host computers across the country. Their various systems will be made compatible by the iNet Gateway terminal.

And MT&T's wholly-owned subsidiary, Maritime Computers Limited (MCL), is also looking aggressively for national and international markets for its products. On December 31, 1983, MCL took a new name, MCL Enterprises Inc., and has been recapitalized to include some investment from non-MT&T sources. This reorganization allows MCL, as well as continuing its normal data processing and business systems operations, to enter an international applications software development and marketing field. This business thrust originated with sales of systems, such as customer records and billing and fleet management, developed for telco use and having sales potential outside MT&T. It has now expanded to the development of applications software systems in health care, behavioural learning systems and industrial fields, with international market potential. MCL's business name for these 'high-tech' systems is **Force Ten** — an appropriate name for an aggressive, profit-making venture in a highly competitive field.

PIN's Provide Protection

In 1982, responding to an explosion in the amount of fraud involving their long distance calling cards, the telephone companies in the United States encoded Personal Identification Numbers (PINs) into their credit card numbers and placed all the numbers in a central data base. Operators verified the number on each calling card call by checking the computer. The calling card criminals, frustrated in their pursuits, turned their attention to Canadian calling cards which still used a relatively simple numbering code and by mid-1983 the losses due to fraudulent use of Canadian card numbers in the States was estimated to be over $1 million each day.

Unable to verify their numbers, the U.S. telephone companies started to refuse Canadian cards and Canadians travelling in the States suffered considerable inconvenience. Taking up the challenge, each Canadian telco started the conversion of its entire calling card program — a job which normally would have taken six months to a year. MT&T's customers had brand-new cards, complete with totally random, fraud-resistant PIN numbers and these numbers registered in the U.S. master computer, within three months.

Investing with Optimism

Canada watches and waits as test holes are drilled on the Scotian Shelf. There may be jubilation or disappointment at the end of each individual project but MT&T and other Nova Scotian companies are supporting the present exploration and investing with optimism for the future.

MT&T will spend $2.0 million on offshore services in 1984. We will replace the existing earth stations on Sable Island with a single one of greater capacity and we will install our own earth station in Harrietsfield, just outside Halifax. This will enable us to transmit various communication forms by satellite, directly to and from Sable, and the rigs which are equipped with dishes, without having to use terrestrial facilities between Halifax and Ontario. This means better service for the offshore customers and more cost-effective and efficient service for MT&T.

By 1986 our investment in offshore facilities will be close to $4.0 million and we will be able to offer a variety of services such as voice, analog and digital data, mobile services, freeze-frame and slow-scan TV, word processing and specialized applications services. Just about anything the offshore customer might need in communications, and we'll be doing it with our own facilities and the powerful 14/12 GHz transmission capabilities of Anik C.

Drilling rigs are being built in many parts of the world and brought to Nova Scotia for exploration on the Scotian Shelf. So that the rigs can be taken straight to the drilling sites without coming into a Nova Scotia port to have communications equipment installed, drilling companies have contracted for our technicians to go where the rigs are being built. In 1983 MT&T technical teams travelled to Dunkirk, France, to install VHF radio and an internal switching system on the Glomar Labrador and

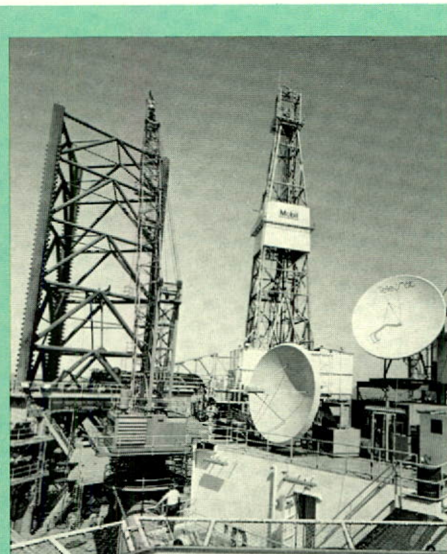
ANTHONY MONSARRAT

to New Orleans, Louisiana, for a similar installation, plus TV facilities, on the biggest jack-up rig yet built, the Rowan Gorilla. This rig will be drilling in the East Sable Block in early 1984.

Shift to Shore

Time is Money.
Nowhere is this more the case than in the offshore exploration industry. Space, too, is at a premium on these self-contained worlds-on-legs standing out in the ocean.

It came as quite a shock in mid-1983 when one of our offshore customers asked for immediate removal of the portable satellite earth station they were leasing.



JOSEPH ROBICHAUD

The rig superintendent had an urgent need for the space that the dish occupied — a need greater than the rig's communications requirements, which still existed.

After some imaginative and quick thinking, and within a week, that dish was anchored a few miles away, amongst the dunes on Sable Island alongside MT&T's first earth station and the rig was already receiving its voice, teletype and low-speed data transmissions via VHF radio from Sable. The extra facilities also have been made available to other rigs and the resulting demand for services has led to an expansion of our offshore plans for 1984.

A Corporate Concern

MT&T's presence in the communities throughout Nova Scotia is not limited to its switching offices, cables and telephones. Its resources, employees and imagination enable the Company to be much more than just a supplier of communications.

MT&T is only one of thousands of Canadian companies which contribute annually a percentage of their pre-tax income to support fund-raising programs. We try to follow the national average, which is 0.5%, in our program of corporate donations. The Company receives as many as 500 requests for donations each year and we have a policy for dealing with them which, briefly stated, is that we may support well-administered, non-profit, non-sectarian, non-political organizations which have general public interest and support and whose activities are of direct or indirect benefit to the community.

JOSEPH ROBICHAUD

In 1983 MT&T donated in excess of $300,000 under the broad categories of health and welfare, education, arts and culture, civic, sports and recreation, and non-specific. In addition to cash donations we also are able, from time to time, to donate materials such as surplus vehicles and furniture, or services such as printing and typing. And we loan employees on a regular basis to organizations such as the United Way.

They play hockey, give blood, lead cubs and sing in choirs; they spend evenings serving on committees, weekends building playgrounds and innumerable hours raising funds; in rural communities many are volunteer firefighters and in cities many are block parents. Throughout the province, wherever people are working to create a better quality of life, for their neighbours, their families and for disadvantaged groups or individuals, you'll find MT&T employees. This spirit goes back to earlier days and to the traditions of telephone people living and working in the community: it is still alive and well in Nova Scotia today, thanks to our employees.

JOSEPH ROBICHAUD

Every home and business in the province — not to mention a number in other places — has at least one phone book. For several years, working with the Art Gallery of Nova Scotia, we've featured paintings by Nova Scotia artists on our directory covers and we've just started reproducing artifacts from the Nova Scotia Museum on the back covers too. Helping to extend artistic and cultural awareness and to bring people and provincial institutions together, is what it's all about.

Throughout the province, wherever people are working to create a better qualify of life . . . you'll find MT&T employees.

WAMBOLDT WATERFIELD

The collapse, in late 1982, of the Atlantic Symphony Orchestra caused distress in many circles in Nova Scotia. MT&T was pleased to be able to help financially and administratively, along with other corporate sponsors, in creating an interim season and a temporary orchestra for the players and audiences until a permanent solution could be found.

A. Murray MacKay 1886-1983

JOSEPH ROBICHAUD

The qualities of generosity, public-spiritedness and humanitarianism are exemplified by a man who also spent a great deal of his life involved with Maritime Tel & Tel. Dr. A. Murray MacKay, who died on October 6, 1983, joined MT&T in 1912 when the company was less than two years old. When he retired officially in 1968, as Chairman of the Board, he had experienced almost every sector of the Company's operations in capacities from contract clerk to president, as it grew from a business of a few hundred telephones to one of over a quarter of a million. Dr. MacKay never lost his interest in MT&T and the telecommunications business, maintaining an office in the Head Office building, which he visited almost daily, right to the end of his life.

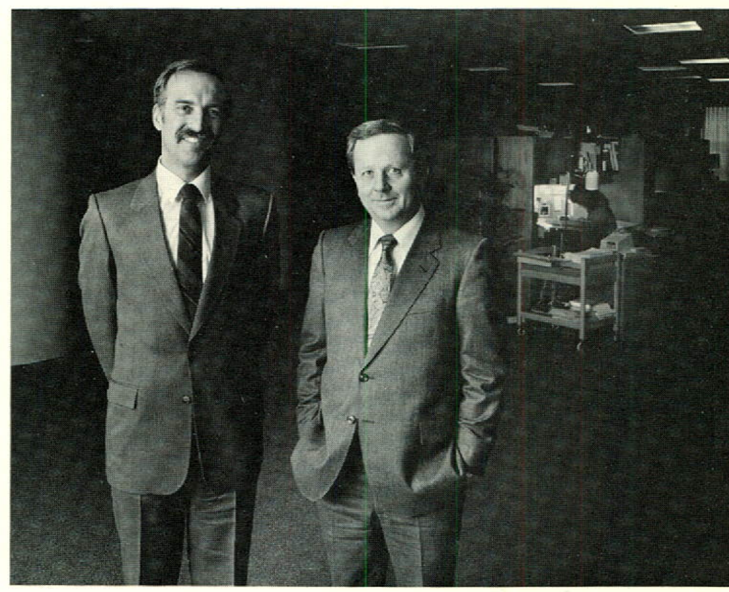
In the community, the list of his interests and sponsorship was extraordinary and his energy and enthusiasm legendary. He was committed to causes as diverse as the Nova Scotia College of Art, the Nova Scotia Highway Safety Council, the Y.M.C.A. and the Salvation Army, as a small example. He served 21 years on the Halifax-Dartmouth Bridge Commission, oversaw the development and building of two bridges, the second of which was named in his honour and he served as a Halifax City councillor and Deputy Mayor. He was honoured in 1981 after long association with the Boy Scout movement, particularly the 4th Halifax (North British) troop, with a trust fund set up in his name to finance scouting in general and the 4th Halifax in particular. Dr. A. Murray MacKay, the kind and generous man, will be missed but his example will remain with us.

The new outward directions that MCL Enterprises Inc. is pursuing will take a significant amount of the time and energies of Edward J. Hicks, MT&T's vice president of finance and administration and president of MCL. As a result, we've reorganized the Company's executive structure to accommodate this change.

Glen Geldert, formerly MT&T's general manager operations and previously chief engineer, has been appointed vice president planning, assuming responsibility for the planning, administration and personnel departments. Ivan E.H. Duvar remains vice president in charge of operations and engineering and Mr. Hicks remains vice president in charge of finance.

Paul D. Murphy moves from Administration to head the operations department and Donald F. Farmer is appointed general manager of the administration department. These changes were effective January 1, 1984.

During 1983 the improvement in demand for services enabled us to rehire all those employees (except two who had accepted jobs elsewhere) who had been laid off in 1982 due to the lower levels of business. The co-operation and support of the unions is acknowledged in this process. Attrition, however, has enabled us to keep the overall size of the organization stable.



Glen Geldert, vice president *planning* (left) and Ivan Duvar, vice president *operations.*

Technological improvement unavoidably changes the way we do certain jobs. MT&T, like most similarly affected organizations, is concerned about employees whose jobs disappear due to these changes and makes every effort to minimize the impact. When the long distance office in Truro closed, we were able to transfer or retrain about 30% of the operators affected by the closing.

Terminal Attachment
On July 18, 1983, MT&T filed an application with the Board of Commissioners of Public Utilities for the Province of Nova Scotia, dealing with the issues of attachment of customer-owned telecommunications equipment to telephone company lines in Nova Scotia. Briefly stated, MT&T's application proposes a splitting of its existing rate structure — into a network charge and a terminal equipment charge. The network charge would be the monthly service rate for access to, and use of, the switching network for local and long distance calls and would apply to all customers. The terminal charge is for equipment at the customer's house or business, which is used to access the network service. Customers will have the choice of continuing to obtain their terminal equipment from MT&T or obtaining it from other suppliers, as long as the equipment meets approved Canadian national standards. Hearings on this issue started on January 30, 1984.

Paging
On November 4, 1983, the Public Utilities Board issued a ruling on the rates, standards and tariff conditions submitted by MT&T in the matter of dial access paging and MT&T's provision of suitable facilities to other suppliers who wish to offer this service to their customers. The Board's ruling also included a 90-day waiting period before services could be offered by suppliers. MT&T anticipates offering dial access voice paging in the Halifax area and in Sydney in early March, 1984.

Cellular Radio
Early in 1983 the Federal Department of Communications invited applications from suppliers for cellular radio licences to serve 23 major cities across Canada. D.O.C. policy states that two licences will be awarded for each city; one is available to the telephone company, the other to a non-wireline carrier. Halifax is the only city in Nova Scotia on the list. The other carrier that will compete with the telephone companies, Cantel, has just recently been awarded its licence for all 23 cities. The D.O.C. is now starting to review the applications for telco licences, including MT&T's which was submitted in February 1983.

Telecommunications Regulation in Nova Scotia
In the Throne Speech to the 1983 Session of the Nova Scotia Provincial Legislature, mention was made of proposals for a new Telecommunications Act for Nova Scotia. This was not tabled during the 1983 Session and a government committee further studied the implications during the summer and autumn of 1983. There are indications now that changes will be introduced by way of amendments to the Public Utilities Act rather than through a new Telecommunications Act. These amendments probably will be tabled in the 1984 Session.

Over the past few years MT&T had adopted several new planning and management tools which have enabled the Company to react faster and more appropriately to changes in customer demand and other factors which affect our business. These systems have proved their worth: we were able to respond quickly to the sudden slump in business growth late in 1981 and again in mid-1983 when business activity rebounded.

We started 1983 anticipating that business growth would continue to be modest but, as the year progressed, the demand for existing and new services improved significantly. In 1983 these improved business levels supported the ongoing financial strategies of the past decade which have resulted in a steady, continual improvement in the Company's earnings. The improvement in 1983 was achieved without any general rate increases.

Earnings

Earnings per average common share rose 4.5% in 1983, from $4.23 to $4.42. The return on average invested capital increased from 13.0% last year to 13.1% and the rate of return on average common equity was 16.1% in 1983 compared to 16.4% last year. At year-end, equity per average common share was $28.34, up from $26.60 at year-end 1982. Dividends declared for the year, per common share, increased from $2.22 in 1982 to $2.43. The quarterly payment was increased from 57¢ to 60¢ in the first quarter of 1983. In November the Board of Directors approved an increase, effective with the January 16, 1984 payment, from 60¢ to 63¢.

Operating Revenues and Expenses

In 1983 operating revenues totalled $253.3 million, up 7.4% from the 1982 total of $235.9 million. Operating expenses increased 7.8% in 1983, to $166.4 million from $154.4 million in 1982. Income before taxes in 1983 was $64.5 million, up 9.0% from 1982; income taxes increased 10.2% to $32.9 million, resulting in net income of $31.6 million for 1983, up 7.8% from $29.3 million in 1982. After payment of $3.1 million in preferred share dividends, $28.4 million represented the net income applicable to common shares. This figure compares to $26.0 million last year. In 1983, $15.7 million was paid in common share dividends and the remaining $12.7 million was retained and reinvested in telecommunications plant and equipment. At year-end the total shareholder investment was $227.0 million compared to $210.2 million last year.

Financing and Capital Structure

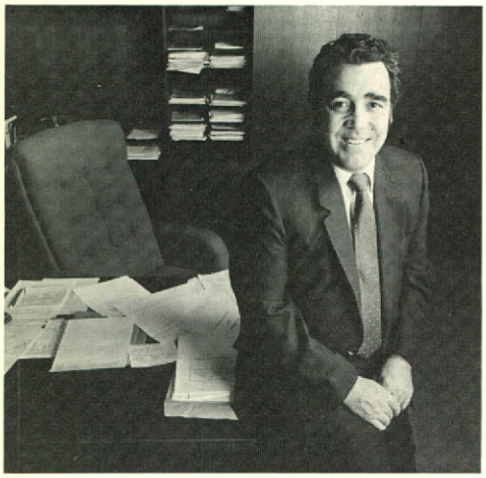
Except for the Employees' Stock Savings and Common Shareholder Dividend Reinvestment plans, the Company undertook no external financing, either equity or debt, in 1983. The current capital position, with 42.3% of the Company's capital being represented by common equity, is the strongest since 1973. At year-end 1983 the Company's debt ratio was 49.2% compared to 51.6% at year-end 1982.

In general, in comparison with the mid 70s when the Company's capital needs for growth and modernization were met substantially from external sources, the situation now is reversed and the greater portion of our requirement is generated internally.

Capital Programs 1983-1986

Early in 1983 capital programs for the year were forecast at $61.6 million but this was revised as business demand improved towards mid-year: capital expenditures totalled $64.6 million by year-end. The forecasts for the next three years show a return to the trends established before the 1981-82 recession: programs totalling $96.0 million are planned for each of 1984 and 1985, and 1986 is expected to require expenditures of $110 million.

Management's Responsibility for Financial Statements



The consolidated financial statements have been prepared by management, which is responsible for the integrity and objectivity of this information. The statements have been prepared in conformity with generally accepted accounting principles and, where appropriate, include amounts based on management's estimates. Financial information elsewhere in this Annual Report is consistent with that in the financial statements.

The Company has a system of internal accounting controls designed to provide reasonable assurance that transactions are recorded and executed in accordance with its authorizations, that assets are properly safeguarded, and that reliable financial records are maintained.

Clarkson Gordon, Chartered Accountants, the external auditors appointed by the shareholders, are engaged to provide an independent audit of the consolidated financial statements. Their report is set out below.

The Audit Committee of the Board of Directors, comprised entirely of outside Directors, meets periodically with management, the internal auditors and the external auditors to discuss audit and financial matters. In addition, this committee reviews the annual financial statements of the Company and submits its report to the Board of Directors. The financial statements are submitted to the Board for approval.

Vice President
Finance

AUDITORS' REPORT

To The Shareholders of Maritime Telegraph and Telephone Company, Limited

We have examined the consolidated financial position statement of Maritime Telegraph and Telephone Company, Limited as at December 31, 1983 and the consolidated 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 consolidated 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.

Clarkson Gordon

Chartered Accountants
Halifax, Canada
January 27, 1984

Consolidated Income Statement
for the year ended December 31

in thousands of dollars	1983	1982
Revenues		
Local service	$ 101 089	$ 93 945
Long distance service	141 627	133 176
Other, net of uncollectible revenue	10 537	8 740
	253 253	235 861
Expenses		
Depreciation	42 744	40 670
Operating including maintenance	68 897	65 858
General and administrative	42 521	37 833
Pensions and benefits	12 231	10 057
	166 393	154 418
	86 860	81 443
Other Income		
Allowance for funds used during construction	717	2 037
Other *(Note 2)*	2 962	1 439
	90 539	84 919
Interest and Other Debt Expenses *(Note 3)*	26 026	25 755
	64 513	59 164
Income Taxes	32 943	29 884
Net Income	31 570	29 280
Preferred dividends	3 130	3 293
Net Income Applicable to Common Shares	$ 28 440	$ 25 987
Earnings Per Common Share	$ 4.42	$ 4.23

See accompanying notes

Consolidated Retained Earnings Statement
for the year ended December 31

in thousands of dollars	1983	1982
Balance at Beginning of Year	$ 75 525	$ 62 736
Additions		
Net Income	31 570	29 280
Contributed surplus on preferred shares purchased for cancellation	205	454
Other	26	–
	31 801	29 734
Deductions		
Preferred dividends	3 130	3 293
Common dividends	15 700	13 634
Capital stock expenses	21	18
	18 851	16 945
Balance at End of Year	$ 88 475	$ 75 525

See accompanying notes

Consolidated Financial Position Statement
as at December 31

Assets in thousands of dollars	1983	1982
Telecommunications Property		
Buildings, equipment and facilities in service	$ 731 176	$ 695 735
Less accumulated depreciation	247 472	220 083
	483 704	475 652
Land, and property under construction	24 146	12 812
Construction materials inventory	7 167	6 993
	515 017	495 457
Investments *(Note 4)*		
Investment in affiliated company	8 854	8 376
Other investments	741	741
	9 595	9 117
Current Assets		
Cash	1 022	735
Temporary cash investments	–	10 544
Accounts receivable	41 778	36 599
Prepayments	5 171	6 225
	47 971	54 103
Deferred Charges		
Unamortized long-term debt expenses	2 528	2 920
Other deferred charges	3 514	3 760
	6 042	6 680
	$ 578 625	$ 565 357
Liabilities and Shareholders' Equity		
Shareholders' Equity		
Common stock *(Note 5)*	$ 66 762	$ 64 192
Premium on common stock *(Note 6)*	33 992	31 040
Retained earnings	88 475	75 525
	189 229	170 757
Preferred stock *(Note 5)*	37 722	39 414
	226 951	210 171
Long-Term Debt *(Note 7)*	217 364	217 364
Current Liabilities		
Accounts payable	22 499	15 008
Income taxes payable	2 231	12 422
Interest accrued	4 960	5 172
Dividends payable	4 885	4 303
Debt due within one year *(Note 8)*	2 614	6 997
Other current liabilities	5 398	5 205
	42 587	49 107
Deferred Credits		
Income taxes	91 595	88 539
Other deferred credits	128	176
	91 723	88 715
Commitments *(Note 10)*	–	–
	$ 578 625	$ 565 357

See accompanying notes

On behalf of the Board:

Director Stuart Rosenblum **Director** [signature]

Consolidated Statement of Changes in Financial Position

for the year ended December 31

in thousands of dollars	1983	1982
Source of Cash		
Operations		
Net income	**$ 31 570**	$ 29 280
Cash provided (used) by changes in working capital *(Note 11)*	**(10 645)**	(10 746)
Items not requiring cash		
Depreciation	**42 744**	40 670
Deferred income taxes	**3 056**	7 890
Allowance for funds used during construction	**(717)**	(2 037)
Other, net	**230**	257
	66 238	65 314
Employees' stock savings plan	**4 640**	4 180
Common shareholder dividend reinvestment plan	**882**	668
Long-term debt	**—**	30 000
	71 760	100 162
Application of Cash		
Cash used for construction		
Construction program expenditures	**64 611**	70 091
Change in construction materials inventory	**174**	318
	64 785	70 409
Less items not requiring cash		
Salvage and other	**1 792**	2 585
Allowance for funds used during construction	**717**	2 037
	2 509	4 622
	62 276	65 787
Dividends	**18 830**	16 927
Preferred shares purchased for cancellation	**1 487**	1 293
Current maturity of long-term debt	**—**	5 000
Other, net	**(576)**	418
	82 017	89 425
Cash and Temporary Cash Investments		
Increase (decrease)	**(10 257)**	10 737
Balance at beginning of year	**11 279**	542
Balance at End of Year	**$ 1 022**	$ 11 279

See accompanying notes

Notes to Consolidated Financial Statements

1. Summary of significant accounting policies

a) System of accounts:
The Company is subject to regulation, including examination of accounting practices, by the Board of Commissioners of Public Utilities for the Province of Nova Scotia. The system of accounts and accounting practices are similar to those being used by other companies in the telecommunications industry.

b) Consolidation:
The accompanying financial statements consolidate the accounts of the Company and its wholly-owned subsidiary, MCL Enterprises Incorporated.

c) Investment in affiliated company:
The investment in The Island Telephone Company Limited is accounted for by the equity method, whereby the investment is carried at its cost plus the Company's share of retained earnings since acquisition.

d) Telecommunications property:
Telecommunications property is recorded at cost.

Construction materials inventory consists of items which will be used in the construction program.

Depreciation is charged on a straight-line basis using rates for classes of property, determined by a continuing program of engineering studies, as approved from time to time by the Board of Commissioners of Public Utilities for the Province of Nova Scotia. These rates provide for depreciation of the assets over their estimated service lives and resulted in an average rate of 6.1% for 1983 (1982, 6.3%).

e) Income taxes:
Deferred tax accounting has been followed with respect to all timing differences. Income tax expense is based on income reported in the Income Statement. The Company defers the payment of a portion of the income tax expense in arriving at taxable income by deducting certain expenses in amounts greater than are charged in the Income Statement. Taxes deferred in this manner appear in the Financial Position Statement as a deferred credit.

f) Allowance for funds used during construction:
The Company is allowed a return on capital invested in new telecommunications property while under construction by including an "allowance for funds used during construction" as an addition to the cost of the property constructed. The allowance is calculated using a rate based on the cost of equity and the after tax cost of debt.

g) Unamortized long-term debt expenses:
Unamoritized long-term debt expenses are being amortized on a straight-line basis over the duration of the various debt issues.

h) Earnings per common share:
Earnings per common share are computed based on the average of the average number of shares outstanding each month during the year.

2. Other income

Consists principally of the Company's share of The Island Telephone Company Limited net income of $1 273 000 (1982, $1 224 000) which includes dividends received amounting to $794 000 (1982, $765 000).

3. Interest and other debt expenses

	1983	1982
Interest on long-term debt	**$ 24 934 000**	$ 23 319 000
Amortization of long-term debt expenses	**394 000**	352 000
Interest on bank and other	**410 000**	1 755 000
Interest on deposits held	**288 000**	329 000
	$ 26 026 000	$ 25 755 000

4. Investments

Investment in affiliated company consists of shares in The Island Telephone Company Limited. At December 31, 1983 the Company's ownership interest in The Island Telephone Company Limited was 38.3% (1982, 39.2%). Other investments consist principally of shares in Telesat Canada at a cost of $738 000.

5. Capital Stock

Par value $10 per share

	1983 Shares	1982 Shares
Authorized:	**13 764 366**	13 933 531

Issued:

	Shares Outstanding at Jan. 1, 1983	Issued for Cash	Redemptions and Purchases of Preferred Shares for Cancellation	Shares Outstanding at Dec. 31, 1983
Common	6 419 247	256 955	–	6 676 202
Preferred				
7.00%	150 000	–	–	150 000
7.10%	708 764	–	22 500	686 264
7.65%	1 318 475	–	45 000	1 273 475
8.60%	730 600	–	30 600	700 000
9.40%	1 033 565	–	71 065	962 500
	3 941 404	–	169 165	3 772 239
	10 360 651	256 955	169 165	10 448 441

As confirmed by order of the Supreme Court of Nova Scotia, the Company's authorized share capital as at December 31, 1983 was reduced from $139 335 310 to $137 643 660.

For the year 1983, the Company reserved 300 000 common shares for issuance under the Employees' Stock Savings Plan and during the year issued 227 645 shares to employees under the terms and conditions of the Plan. These shares are generally issued in December of each year after the completion of twelve months of contributions at a purchase price equivalent to 80% of the average market price of the stock.

The Company has a Common Shareholder Dividend Reinvestment Plan, whereby holders of common shares have the option to acquire additional common shares through the reinvestment of dividends. These shareholders may then elect to purchase additional common shares through the investment of specified amounts of cash. During the year 29 310 shares were issued under the terms and conditions of the Plan.

By amendment to the Company's Act of Incorporation in 1966 any shareholder or group of associated shareholders owning 1 000 or more voting shares (common or 7% cumulative preferred) is limited to 1 000 votes at any meeting of the shareholders.

Preferred Shares:
All series have a par value of $10.00 per share.

7% cumulative preferred carry one vote per share and are non-redeemable.

All series (7.10%, 7.65%, 8.60%, 9.40%) of cumulative, redeemable preferred shares are non-voting unless six quarterly dividends are in arrears. The other provisions attached to each series are:

7.10% — The Company shall attempt to purchase for cancellation 22 500 shares at or below par value in each calendar year. The Company may redeem all or part of the outstanding shares after April 15, 1981 at a premium of $0.40 per share. This premium applies until April 15, 1984 after which time the premium decreases $0.10 every three years until April 15, 1990 and thereafter may be redeemed at $10.10.

7.65% — The Company shall attempt to purchase for cancellation 45 000 shares at or below par value in each calendar year. The Company may redeem all or part of the outstanding shares after August 22, 1982 at a premium of $0.60 per share. This premium applied until August 22, 1983 after which time the premium decreases $0.075 every year until August 22, 1990 and thereafter may be redeemed at $10.00.

8.60% — The Company shall retire 30 000 shares by May 28 of each year, either by calling for redemption at par value or by purchasing for cancellation at a price not exceeding the price at which such shares are otherwise redeemable. The Company may redeem all or part of the outstanding shares after May 28, 1982 at a premium of $0.60 per share. This premium applies until May 28, 1985 after which time the premium decreases $0.10 every three years until May 28, 1997 and thereafter may be redeemed at $10.10.

9.40% — The Company shall retire 70 000 shares by April 15 of each year, either by calling for redemption at par value or by purchasing for cancellation at a price not exceeding the price at which such shares are otherwise redeemable. The Company has the option to redeem an additional 52 500 shares at par value by April 15 of each year. The Company may redeem all or part of the outstanding shares after April 15, 1980 at a premium of $0.70 per share. This premium applied until April 15, 1983 after which time the premium decreases $0.10 every three years until April 15, 1998 and thereafter may be redeemed at $10.10.

6. Premium on common stock

	1983	1982
Beginning of year	**$ 31 040 000**	$ 29 184 000
On shares issued during year	**2 952 000**	1 856 000
End of year	**$ 33 992 000**	$ 31 040 000

7. Long-term debt

Series	Rate	Maturing	1983 Principal	1982 Principal
M	5 1/2%	May 1, 1985	**$ 7 000 000**	$ 7 000 000
Y	16 1/2%	July 15, 1986	**30 000 000**	30 000 000
N	6 1/2%	March 15, 1987	**10 000 000**	10 000 000
Z*	15 3/4%	May 15, 1987	**30 000 000**	30 000 000
Q	9 1/4%	June 1, 1990	**1 364 000**	1 364 000
R	8 3/8%	May 1, 1991	**12 000 000**	12 000 000
T	8 3/4%	December 15, 1993	**20 000 000**	20 000 000
S	8 5/8%	August 1, 1994	**12 000 000**	12 000 000
U	10 3/4%	November 1, 1995	**20 000 000**	20 000 000
V	11 %	June 15, 1996	**25 000 000**	25 000 000
W	10 3/4%	March 15, 1997	**25 000 000**	25 000 000
X	10 3/8%	June 15, 1999	**25 000 000**	25 000 000
			$ 217 364 000	$ 217 364 000

* The holder of any Series Z Bond will have the right to elect that such Series Z Bond shall mature on May 15, 1992. Such right may be exercised only after August 15, 1986 and prior to February 15, 1987. The Company may, by notice given prior to January 15, 1987, increase the rate

of interest payable on the Series Z Bonds effective May 15, 1987.

The Bonds are secured by a trust indenture and mortgage and by deeds supplemental thereto containing a first fixed and specific mortgage and charge upon all real and immovable property of the Company and a first floating charge on all other property both present and future of the Company.

8. Debt due within one year

	1983	1982
Bank and other notes	$ 2 614 000	$ 1 997 000
First mortgage bonds, Series L 5 1/2%, due June 15, 1983	–	5 000 000
	$ 2 614 000	$ 6 997 000

Debt due within one year is normally refinanced out of the proceeds of longer term financing. This amount is included in total capital in computing capitalization ratios and rates of return on capital.

9. Pension fund

Pension fund obligations are accounted for and paid over the estimated future working lifetime of employees of the Company. The total contribution to the pension fund for the year ended December 31, 1983 amounted to $10 161 000 (1982, $9 551 000). The actuarial review as of December 31, 1982, based on earnings and service to that date, shows that all vested benefits are fully funded.

10. Commitments

At December 31, 1983, minimum operating lease commitments covering building space, tenant improvements and circuits are as follows:

1984	$ 5 483 000
1985	3 171 000
1986	3 059 000
1987	2 980 000
1988	2 685 000
Thereafter	21 782 000
	$ 39 160 000

11. Consolidated statement of changes in financial position

The consolidated statement of changes in financial position which previously reflected the source and application of working capital was changed in 1983 to reflect the source and application of cash and temporary cash investments. The 1982 comparative figures have been restated to conform with the current year's presentation.

Cash provided (used) by changes in working capital is computed as follows:

	1983	1982
(Increase) decrease in accounts receivable	$ (5 179 000)	$ (3 257 000)
(Increase) decrease in prepayments	1 054 000	(2 025 000)
Increase (decrease) in accounts payable	7 491 000	(1 300 000)
Increase (decrease) in income taxes payable	(10 191 000)	12 422 000
Increase (decrease) in interest accrued	(212 000)	465 000
Increase (decrease) in dividends payable	582 000	280 000
Increase (decrease) in debt due within one year	(4 383 000)	(17 943 000)
Increase (decrease) in other current liabilities	193 000	612 000
	$ (10 645 000)	$ (10 746 000)

12. Related party transactions

The Company has a contract to supply technical, administrative and management services to The Island Telephone Company Limited. Under the terms of the contract the Company received $1 036 000 during the year (1982, $1 025 000). This amount is included in other revenues.

Reporting the Effects of Changing Prices

unaudited

Introduction

High rates of inflation drew increased attention to the need to assess both the impact of inflation on business and the results of management's efforts in coping with it. Numerous reporting methods have been proposed to provide such an asessment, but no consensus has been reached either on the preferability of any one method or on the practical usefulness of the resulting data.

The Canadian Institute of Chartered Accountants (CICA) has issued a standard (Section 4510) on current cost accounting (Reporting the Effects of Changing Prices) establishing that supplementary information about the effects of changing prices be included in the annual reports of large, publicly held enterprises with fiscal years starting on or after January 1, 1983. In recognizing that there is a need for both flexibility and experimentation, the CICA has not recommended a comprehensive restatement of financial statements on a current cost basis. Instead, it has decided that the preparation and use of partial information, with the requirement to disclose information necessary to compute several versions of income, will contribute to the development of current cost concepts.

Current Cost Accounting

The data that follows has been prepared to comply with this CICA standard.

Table A presents the Company's Consolidated Income Attributable to Common Shares on a Current Cost Basis under an Operating Capability Concept of Capital, for the year 1983. Under this concept of capital, income is not available for distribution to common shareholders until the physical operating capacity of telecommunications property is maintained. The format used identifies the nature of adjustments to the historical cost income statement.

Table B shows other current cost and general purchasing power supplementary information.

Estimation Techniques

The current cost of telecommunications property has been calculated by applying indices to investments in each of the major telephone plant accounts. Central Office equipment has been adjusted to reflect technological improvements assuming that this class of plant will eventually be replaced with the latest technology. Other classes of plant have not undergone as significant a technological change, so they have not been adjusted for this factor. It is assumed that they will be replaced using existing technology.

Accumulated depreciation has been restated based on the current cost of telecommunications property. The current cost depreciation expense was then determined from the restated accumulated depreciation amounts.

Limitations of Current Cost Accounting

The Company recommends caution in interpreting these experimental disclosures for the following reasons:

a) No one method of stating current cost income has yet proved superior to any other. There is also the question of how the data should be used or interpreted. The Company believes that the data may provide useful insights into the measurement of operating results but for purposes of valuation of the corporation or for information based on traditional measures of financial returns, its suitability is limited.

b) The disclosures represent only a partial accounting model. For example, the CICA recommendations require that no adjustment be made to reflect any effects of inflation on provisions for income taxes or interest charges.

c) Determining current costs is largely a subjective process for which guidance and experience are limited. For instance, for property such as Central Office equipment where there have been significant technological changes, estimates and assumptions must be used to reflect these changes. The reader should also bear in mind that these assumptions assume replacing working capacity with what is available on the market today. Actual replacement will take place over many years and will use the appropriate equipment then available. It may not be possible to make comparisons among different companies, even among telephone companies, since their plants and plans for replacement may reflect different philosophies, programs and equipment.

Consolidated Income Attributable to Common Shares on a Current Cost Basis under an Operating Capability Concept of Capital.
for the year ended December 31, 1983
unaudited

Table A

in thousands of dollars

Historical Cost Net Income		$ 31 570
Less Current Cost Adjustments:		
Depreciation Expense *(Note 2)*	$ 18 807	
Equity Investment *(Note 3)*	543	19 350
Net Income on a Current Cost Basis		12 220
Financing Adjustment *(Note 4)*		6 685
Less Preferred Dividends		3 130
Net Income Attributable to Common Shares on a Current Cost Basis under an Operating Capability Concept of Capital		$ 15 775

The accompanying notes are an integral part of Table A.

1 In accordance with the requirements of the CICA, no adjustments have been made to reflect any effects of inflation on provisions for income taxes or interest charges. The current portion of income taxes is $29,887 and the deferred portion is $3,056.

2 The depreciation expense adjustment represents the additional amount that is chargeable to income to provide for the eventual replacement of the year's consumption of operating capability of telecommunications property measured at current cost. Most other operating expense items are current year transactions, therefore, they are already recorded at current cost amounts.

3 The equity investment adjustment reflects the Company's share of depreciation expense adjustment made in The Island Telephone Company Limited, net of the financing adjustment.

4 The financing adjustment represents that portion of the depreciation expense adjustment which may be provided by additional debt and need not be charged against income attributable to common shareholders. This adjustment assumes the continuance of the present proportions of debt and equity financing.

Other Current Cost and General Purchasing Power Supplementary Information.
unaudited

Table B

in thousands of dollars	1983
Amount by which current cost of telecommunications property would have increased if computed by reference to changes in general price levels, as measured by the consumer price index.	$ 33 972
Increase in current cost of telecommunications property as calculated by applying indexes.	21 738
Difference, due to benefits of new technologies and the price movements of telecommunications property.	$ 12 234
Gain In General Purchasing Power from having Net Monetary Liabilities. *(Note 1)*	$ 11 134
Financing Adjustment Based on the Amount of Change During 1983 of Telecommunications Property. *(Note 2)*	$ 7 727
Telecommunications Property, net of Accumulated Depreciation, at current cost.	$ 774 755
Net Assets (Common Shareholders' Equity) at current cost. *(Note 3)*	$ 463 443

The accompanying notes are an integral part of Table B.

1 During periods of inflation borrowers of money experience a gain due to the fact that the amounts owed by them will be repaid in dollars having less purchasing power than the dollars originally borrowed. This gain in general purchasing power (using the consumer price index) from having net monetary liabilities does not provide funds to the Company.

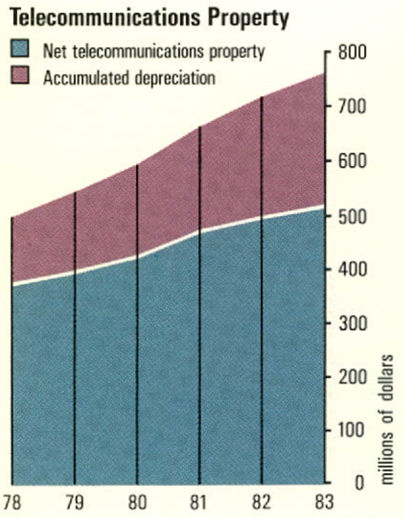
2 The CICA requires the calculation of two financing adjustments, one based on current cost adjustments made to income for the period, the other based on the amount of change during 1983 of telecommunications property. In the Company's opinion, the first approach is more relevant for income measurement purposes and it has therefore been used to calculate net income attributable to common shares on a current cost basis.

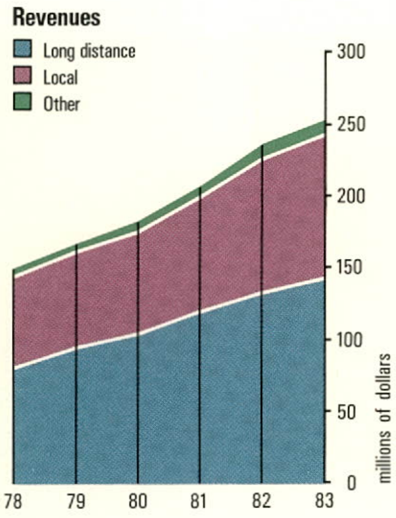
3 The CICA designates the amount of net assets as common shareholders' equity at historical cost plus the difference between net telecommunications property at current cost and net telecommunications property at historical cost.

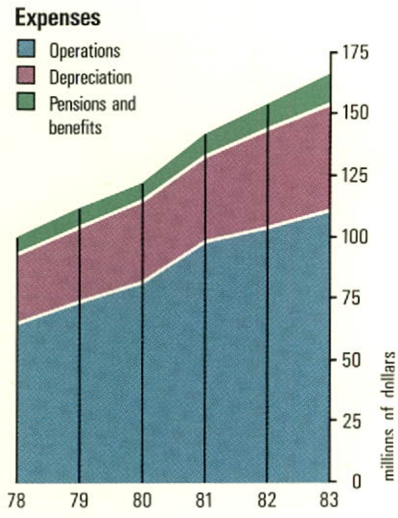
	1983	1982	1981	1980	1979	1978
Financial Position at December 31 (thousands)						
Telecommunications property	**$ 762 489**	$ 715 540	$ 664 145	$ 592 800	$ 542 686	$ 500 034
Accumulated depreciation	**247 472**	220 083	195 235	170 964	148 231	126 793
Investments	**9 595**	9 117	8 723	8 996	8 453	6 921
Current assets	**47 971**	54 103	38 084	30 262	27 044	24 475
Deferred charges	**6 042**	6 680	6 372	4 207	4 534	4 255
Shareholders' equity	**226 951**	210 171	194 281	182 842	174 877	166 893
Long-term debt	**217 364**	217 364	192 364	162 364	162 364	141 364
Current liabilities	**42 587**	49 107	54 571	49 009	32 079	41 286
Deferred credits	**91 723**	88 715	80 873	71 086	65 166	59 349
Income (thousands)						
Revenues						
Local service	**$ 101 089**	$ 93 945	$ 80 024	$ 70 481	$ 66 968	$ 63 183
Long distance service	**141 627**	133 176	119 676	104 171	93 854	81 412
Other, net of uncollectible revenue	**10 537**	8 740	7 602	6 912	6 102	4 611
	253 253	235 861	207 302	181 564	166 924	149 206
Expenses	**166 393**	154 418	142 019	122 046	111 801	99 563
Other income	**3 679**	3 476	2 563	1 597	1 127	1 008
Interest	**26 026**	25 755	22 690	17 679	15 838	14 803
Income taxes	**32 943**	29 884	21 627	21 500	19 033	16 953
Net income	**31 570**	29 280	23 529	21 936	21 379	18 895
Financial Statistics at December 31						
Equity per common share	**$ 28.34**	$ 26.60	$ 25.02	$ 23.93	$ 22.69	$ 21.43
Embedded debt cost	**11.6%**	11.5%	10.7%	9.6%	9.5%	9.3%
Capital structure						
Debt (including short term)	**49.2%**	51.6%	52.8%	50.8%	49.1%	49.2%
Preferred equity	**8.5%**	9.1%	10.0%	11.5%	13.4%	14.6%
Common equity	**42.3%**	39.3%	37.2%	37.7%	37.5%	36.2%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

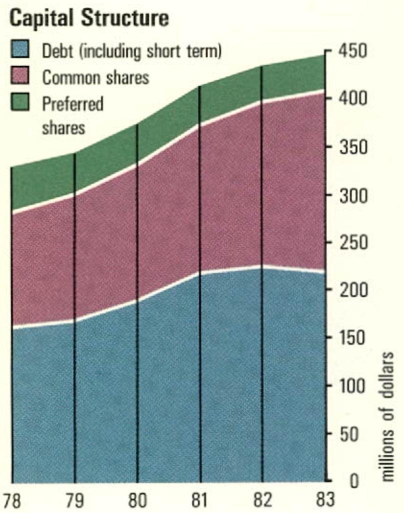
	1983	1982	1981	1980	1979	1978
Financial Statistics for the year						
Earnings per common share	**$ 4.42**	$ 4.23	$ 3.42	$ 3.22	$ 3.16	$ 2.74
Dividends declared per common share	**$ 2.43**	$ 2.22	$ 2.01	$ 1.84	$ 1.80	$ 1.60
Return on average common equity	**16.1%**	16.4%	13.9%	13.8%	14.3%	13.1%
Average common shares (thousands)	**6 440**	6 139	5 872	5 685	5 547	5 425
Return on average invested capital	**13.1%**	13.0%	12.0%	11.1%	11.2%	10.5%
Return on rate base	**10.6%**	10.3%	9.8%	9.1%	9.1%	8.7%
Times bond interest earned — before taxes	**3.6**	3.6	3.8	3.9	3.9	3.8
Times total interest charges earned — before taxes	**3.5**	3.3	3.0	3.5	3.6	3.4
Interest & preferred dividend coverage	**2.8**	2.6	2.3	2.5	2.4	2.3
Other Statistics at December 31						
Telephones in service						
Residence main	**283 978**	276 366	272 203	265 338	259 180	251 448
Residence extension	**118 853**	114 854	107 679	99 241	88 754	79 434
Business main	**73 011**	69 716	68 263	65 116	61 606	58 929
Business extension	**74 202**	71 534	71 183	68 544	64 768	61 818
	550 044	532 470	519 328	498 239	474 308	451 629
Employees	**3 322**	3 375	3 597	3 578	3 621	3 551
Employees per 1000 telephones	**6.0**	6.3	6.9	7.2	7.6	7.9
Telecommunications property per telephone	**$ 1 386**	$ 1 344	$ 1 279	$ 1 190	$ 1 144	$ 1 107
Total revenue per telephone	**$ 460.42**	$ 442.96	$ 399.17	$ 364.41	$ 351.93	$ 330.37
Other Statistics for the year						
Long distance messages (thousands)						
In-province	**35 716***	38 560	37 982	35 175	32 093	29 061
Out-of-province	**15 505**	14 196	13 695	12 170	10 707	9 379
	51 221	52 756	51 677	47 345	42 800	38 440
Construction program expenditures (thousands)	**$ 64 611**	$ 70 091	$ 84 067	$ 61 826	$ 52 693	$ 49 508
Salaries and wages (thousands)	**$ 83 956**	$ 81 689	$ 76 523	$ 65 326	$ 58 879	$ 51 992

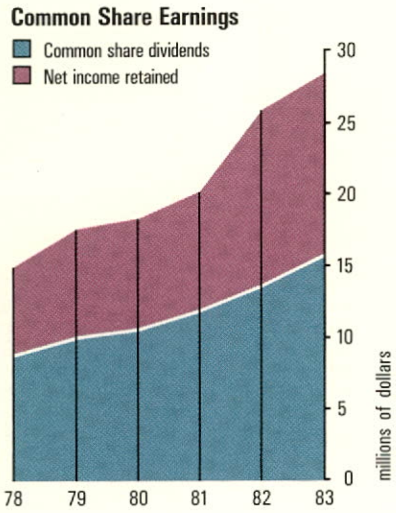
*A major expansion in Extended Area Service eliminated approximately five (5) million in-province long distance messages in 1983.

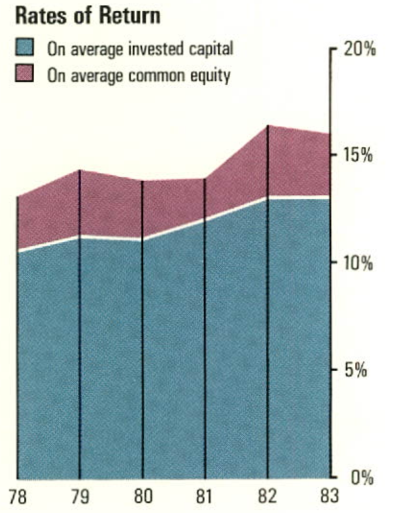

Telecommunications Property
Net telecommunications property
Accumulated depreciation
millions of dollars
78 79 80 81 82 83
0 100 200 300 400 500 600 700 800

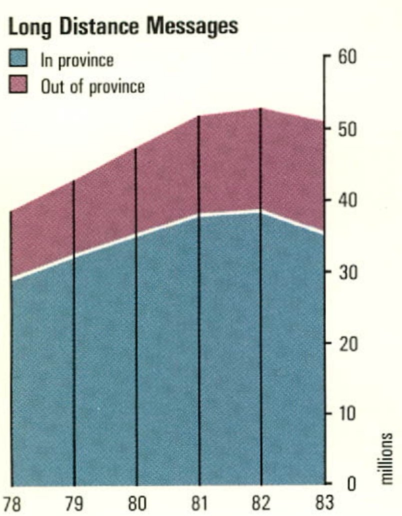

Revenues
Long distance
Local
Other
millions of dollars
78 79 80 81 82 83
0 50 100 150 200 250 300

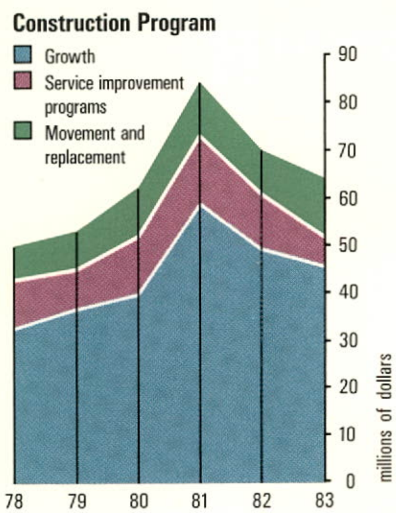

Expenses
Operations
Depreciation
Pensions and benefits
millions of dollars
78 79 80 81 82 83
0 25 50 75 100 125 150 175

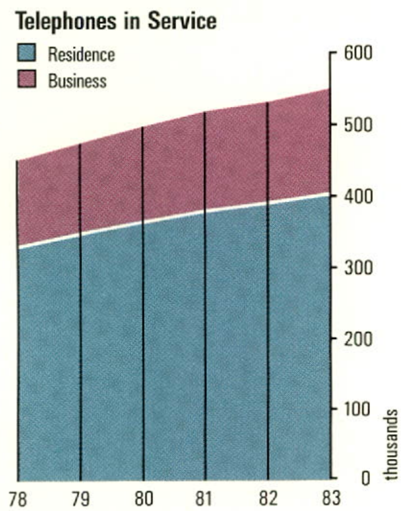

Capital Structure
Debt (including short term)
Common shares
Preferred shares
millions of dollars
78 79 80 81 82 83
0 50 100 150 200 250 300 350 400 450


Common Share Earnings
Common share dividends
Net income retained
millions of dollars
78 79 80 81 82 83
0 5 10 15 20 25 30


Rates of Return
On average invested capital
On average common equity
78 79 80 81 82 83
0% 5% 10% 15% 20%


Long Distance Messages
In province
Out of province
millions
78 79 80 81 82 83
0 10 20 30 40 50 60

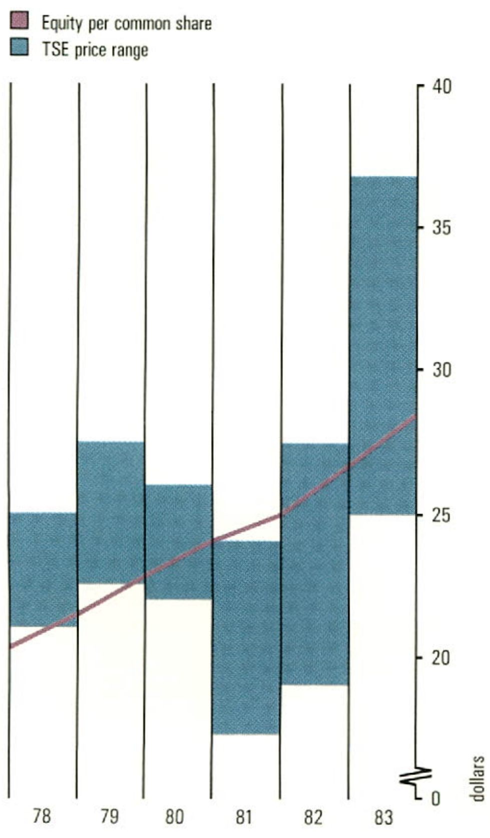

Construction Program
Growth
Service improvement programs
Movement and replacement
millions of dollars
78 79 80 81 82 83
0 10 20 30 40 50 60 70 80 90


Telephones in Service
Residence
Business
thousands
78 79 80 81 82 83
0 100 200 300 400 500 600

Selected Information for Shareholders

	1983	1982
Number of holders of common shares at December 31	**12 511**	12 481
Number of common shares outstanding at December 31	**6 676 202**	6 419 247
Distribution of shareholders		
Nova Scotia	**62.0%**	61.9%
Other Canadian	**36.9%**	36.9%
Other	**1.1%**	1.2%
	100.0%	100.0%
Volume of common shares traded		
Toronto	**662 470**	469 190
Montreal	**112 670**	10 300
	775 140	479 490
The Toronto Stock Exchange		
Price ranges (high-low)		
First quarter	**$ 28 3/4-25 1/4**	$ 21 3/4-20 1/2
Second quarter	**35 1/2-29 1/2**	22 1/2-20 1/2
Third quarter	**35 -30 1/2**	23 5/8-19
Fourth quarter	**36 7/8-33 1/8**	27 1/2-23

Equity per Common Share and Market Trading Range



Valuation Day Prices

December 22, 1971

Common shares	$ 22.13
7% preferred shares	$ 9.63

Directors

John L Bragg
President
Oxford Frozen Foods Limited
Oxford

D Andrew Eisenhauer*
President
ABCO Plastics Limited
Lunenburg

Howard B Fuller
President
Evangeline Farms Limited
Wolfville

Frederick E Ibey
Executive Vice President
Bell Canada
Montreal

Seymour W Kenney
President
Baken Realty Limited
Yarmouth

John J MacDonald*
Executive Vice President
St. Francis Xavier University
Antigonish

J William E Mingo, QC
Barrister
Stewart, MacKeen & Covert
Halifax

Derek Oland
President and
Chief Operating Officer
Moosehead Breweries
Dartmouth

George C Piercey, QC*
President and Managing Director
Piercey Investors Limited
Halifax

Sidney A Reeves
Chairman of the Board
Maritime Builders Limited
Sydney

*Member of the Audit Committee

Struan Robertson
Chairman of the Board
and President
Maritime Telegraph &
Telephone Company Limited
Halifax

Donald C R Sobey
President
Empire Company Limited
Stellarton

J Stuart Spalding
Executive Vice President, Finance
Bell Canada Enterprises Inc.
Montreal

F Thomas Stanfield
President
Stanfield's Limited
Truro

Catherine T Wallace
Retired, former President of
Mount Saint Vincent
University
Halifax

Officers

Struan Robertson
Chairman of the Board
and President

Ivan E H Duvar
Vice President
Operations

Glen H Geldert
Vice President
Planning

Edward J Hicks
Vice President
Finance

A Douglas Hartt
Secretary-Treasurer

David S Inkpen
General Manager
Accounting

James D Russell
Assistant Secretary

Operations

Donald F Farmer
General Manager
Administration

Philip G Henderson
General Manager
Planning

Ernest C Hicks
General Manager
Support Services

Herbert C Kingsbury
General Manager
Personnel

Colin Latham
General Manager
Business Services

M John McGrath
General Manager
Engineering

Paul D Murphy
General Manager
Operations

Donald B Quinn
General Manager
Internal Audits
and Security

Stock Registrar
Maritime Telegraph and Telephone Company, Limited, 1505 Barrington Street, Halifax, Nova Scotia is the Registrar for 7.0% preferred.

Canada Permanent Trust Company, at its offices in Halifax, Montreal, Toronto, Winnipeg, Regina, Calgary and Vancouver, is the Registrar of common shares of the capital stock of the Company.

Common shares, 7.10%, 8.60%, 9.40% and 7.65% preferred shares listed:
Montreal Stock Exchange
Toronto Stock Exchange

Stock Transfers Offices
Maritime Telegraph and Telephone Company, Limited, 1505 Barrington Street, Halifax, Nova Scotia (common shares, 7.0% preferred shares, 7.10% preferred shares, 8.60% preferred shares, 9.40% preferred shares and 7.65% preferred shares).

Common shares, 7.10%, 8.60%, 9.40% and 7.65% preferred can also be transferred at the offices of Canada Permanent Trust at the following locations:

600 Dorchester Boulevard West
Montreal, Quebec H3B 1N4

20 Eglington Avenue, West
Toronto, Ontario M4R 2E2

433 Portage Avenue
Winnipeg, Manitoba R3B 2E1

1778 Scarth Street
Regina, Saskatchewan S4P 2G1

311 Sixth Avenue, S.W.
Calgary, Alberta T2P 0R6

701 West Georgia Street
Vancouver, British Columbia
V7Y 1E5

Head Office
Maritime Centre
1505 Barrington Street
P.O. Box 880
Halifax, Nova Scotia
Canada B3J 2W3
Telephone (902) 421-4311

Notice of Annual Meeting
The annual general meeting of the shareholders of Maritime Telegraph and Telephone Company, Limited will be held at the Head Office of the Company, Maritime Centre, 1505 Barrington Street, Halifax, Nova Scotia on Tuesday the 27th day of March, 1984 at 11:00 a.m.

Additional information or copies of the Annual Report may be obtained by writing to the Treasury Department, Maritime Tel & Tel, P.O. Box 880, Halifax, Nova Scotia, B3J 2W3. Residents in the Halifax area may also call 421-4068, and residents elsewhere in Canada and the United States may call free of charge by dialing 1-800-565-7168.

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David Peters
Graphic Design
Associates Halifax

Printing
McCurdy Printing &
Typesetting Limited

Photography
George Georgakakos
p 2
David MacKenzie
pp 3 15 18

Photoengraving
Owen Innes
Lithographic Plate
Service Limited

Cover Illustration
Kevin Sollows

Cover film
Herzig Somerville
Limited

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Telephone Company, Limited
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