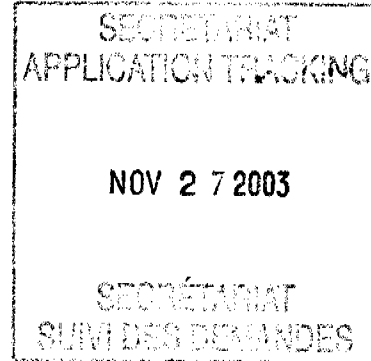




Northwestel Inc.  
 P.O. Box 2727  
 Whitehorse, YT  
 Y1A 4Y4

November 26, 2003

Ms. Shirley Soehn  
 Executive Director – Telecommunications,  
 Canadian Radio-television and  
 Telecommunications Commission  
 Ottawa, Ontario  
 K1A 0N2



Dear Ms. Soehn:

**Subject: Phase III Audited Financials**

Northwestel submits one copy of its Phase III Audited Results attached hereto.

Yours truly,

A handwritten signature in black ink, appearing to read 'Dallas Yeulett'.

Dallas Yeulett  
 Manager, Regulatory Affairs

Attachments

**NORTHWESTEL INC.**

**PHASE III RESULTS**

*December 31, 2002*

# Deloitte & Touche

## Auditors' Report

Chief Financial Officer  
Northwestel Inc.

We have audited the statements of Presentation of Balance Sheet Items, Presentation of Income Statement Items, Supplementary Presentation of Income Statement Items, and Supplementary Presentation of Balance Sheet Items - Working Capital for the year ended December 31, 2002. These statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. These standards require that we plan and perform an audit to obtain reasonable assurance whether the statements are free of material misstatement. Our audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements. Our audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation.

In our opinion, these statements present fairly, in all material respects, the Balance Sheet Items and the Income Statement Items for the year ended December 31, 2002, in accordance with the assignment procedures described in the Northwestel Inc. Cost Inquiry Phase III Manual approved by the Canadian Radio-television and Telecommunications Commission (the Commission) in Telecom Decision CRTC 90-14, dated July 10, 1990, and all subsequent changes that have been approved by the Commission.

*Deloitte & Touche LLP*

Chartered Accountants

November 14, 2003

Deloitte  
Touche  
Tohmatsu

Table I

**NORTHWESTEL INC.**  
**PHASE III RESULTS**  
**Presentation of Balance Sheet Items**  
 December 31, 2002  
 (yearly average)

Account Number	Assets (A)	Stocks and Aggregations (A-SWAD)	Monopole Local (ML)	Monopole Toll (MT)	Competitive Network (CN)	Competitive Terminal A/D (CT-AD)	Competitive Terminal Other (CT-O)	Common (C)	Plant Under Construction (PUC)	Investment in Subsidiaries and Affiliates (USA)	TOTAL
1. GROSS PLANT INVESTMENT	Various \$ 168,558,484	\$ 76,409,618	\$ 19,757,044	\$ 84,647,795	\$ 89,946,870	\$ 3,346,185	\$ 1,152,572	\$ 4,482,780	\$ -	\$ -	\$ 473,146,933
2. ACCUMULATED DEPRECIATION	Various (74,903,067)	(40,854,916)	(11,204,740)	(42,686,009)	(46,312,060)	(1,691,212)	(963,542)	(8,734,115)	-	-	(230,179,698)
3. NET PLANT INVESTMENT (Line 3 minus Line 2)	85,655,417	35,554,702	18,552,304	41,959,786	53,634,810	1,654,973	2,187,643	2,748,665	-	-	242,967,235
4. DEFERRED TAXES	2602-2605 (2,361,298)	(3,018,311)	(1,593,143)	(3,607,317)	(4,611,288)	(159,432)	(288,848)	(234,559)	-	-	(20,159,250)
5. SUBTOTAL (Line 3 minus Line 4)	78,294,119	32,536,391	16,959,161	38,557,069	49,023,528	1,495,541	2,177,795	2,494,106	9,535,908	-	222,817,985
6. PLANT UNDER CONSTRUCTION	1791-1192	-	-	-	-	-	-	-	9,535,908	-	9,535,908
7. SUBSIDIARY AND AFFILIATES	Various	-	-	-	-	-	-	-	-	22,789,983	22,789,983
8. MATERIALS AND SUPPLIES	Various 1,535,642	733,542	256,616	180,743	923,856	332,233	15,381	20,500	-	-	4,477,803
9. ACCOUNTS RECEIVABLE (NET)	Various 3,314,817	-	3,780,616	8,079,116	978,778	2,367,617	136,781	819,038	-	-	20,177,780
10. DEFERRED CHARGES	Various 2,571,110	628,115	1,632,411	2,071,616	1,722,300	542,461	232,736	1,063,456	-	-	10,595,938
11. CAPITAL ACCRUAL	Various (451,805)	(187,616)	(97,838)	(221,335)	(282,907)	(9,781)	(32,167)	(14,389)	-	-	(1,281,576)
12. DEFERRED INCOME TAXES DEBIT	1402 2,567,281	1,064,156	534,944	1,255,114	1,604,404	55,471	31,274	18,682	-	-	7,268,029
13. PROVISION FOR FUTURE LOSSES	2611-2612	-	-	-	-	-	-	-	-	-	-
14. WORKING CAPITAL DEFICIENCY	Various (13,871,710)	(5,761,281)	(3,084,588)	(6,295,782)	(8,686,080)	(308,314)	(385,864)	(441,902)	-	-	(39,348,050)
15. AVERAGE NET INVESTMENT	\$ 73,781,574	\$ 28,993,167	\$ 10,680,612	\$ 44,422,190	\$ 45,283,866	\$ 4,682,678	\$ 2,704,966	\$ 3,283,331	\$ 9,534,908	\$ 22,789,983	\$ 256,411,765

Table II

**NORTHWESTEL INC.**  
**PHASE III RESULTS**  
**Presentation of Income Statement Items**  
 December 31, 2002

	Access (A)	Switching and Aggregation (ASWAG)	Monopoly Local (ML)	Minimally Toll (MT)	Competitive Network (CN)	Competitive Terminal MD (CTMD)	Competitive Terminal Other (CT-O)	Other (O)	Common (C)	Plant Under Construction (PUC)	Investment in Subsidiaries and Affiliates (ISA)	Supplemental Funding	TOTAL
1. TOTAL OPERATING REVENUE	\$ 16,638,559	\$ -	\$ 40,554,382	\$ 30,075,920	\$ 32,473,858	\$ 4,124,183	\$ 2,500,797	\$ 2,389,552	\$ -	\$ -	\$ -	\$ 14,140,000	\$ 141,878,235
2. DEPRECIATION	(7,950,432)	(4,452,794)	(4,865,583)	(6,338,079)	(6,813,099)	(2,673,382)	(468,406)	(286,181)	(246,645)	-	(500,692)	-	(31,198,620)
3. OPERATING EXPENSES	(15,965,460)	(7,499,200)	(8,598,160)	(11,753,427)	(15,482,751)	(2,841,676)	(1,134,680)	(744,562)	(7,086,815)	-	-	-	(69,105,640)
4. COST OF SALES	-	-	-	-	-	(1,768,628)	(43,818)	-	-	-	-	-	(1,304,446)
5. ADMINISTRATION EXPENSES	(3,025,081)	(216,593)	(657,840)	(1,030,532)	(590,409)	(26,777)	(73,926)	(10,606)	(1,201,918)	-	-	-	(6,422,290)
6. TOTAL OPERATING EXPENSES	(24,926,978)	(12,167,588)	(14,471,633)	(19,122,039)	(28,886,241)	(4,655,379)	(1,720,130)	(1,081,349)	(8,535,370)	-	(500,692)	-	(101,011,496)
7. NET OPERATING REVENUE (Line 1 minus Line 6)	(8,300,428)	(2,167,548)	26,113,155	6,933,894	11,581,612	670,993	(220,833)	1,307,203	(8,535,370)	-	(500,692)	14,140,000	31,846,759
8. OTHER INCOME	172,621	73,807	48,994	109,038	112,749	18,189	4,892	3,109	275,629	742,836	44,475	-	1,597,870
9. DEFERRED CREDIT	-	-	-	-	-	-	-	-	-	-	-	-	-
10. NET INCOME BEFORE TAXES AND INTEREST (Line 7 to Line 9)	(8,127,807)	(2,093,741)	26,162,149	11,062,932	11,699,832	(570,805)	(215,141)	1,310,312	(8,259,741)	742,836	(456,217)	14,140,000	35,644,589
11. INTEREST EXPENSE	3,761,402	1,478,082	1,023,717	2,264,671	2,308,589	238,725	112,410	71,689	163,008	486,144	1,160,313	-	13,071,971
12. INCOME TAXES	3,084,821	1,216,442	842,298	1,863,336	1,899,470	196,419	92,689	61,387	134,167	-	-	-	9,480,727
13. NET INCOME (Line 10 to Line 12)	4,270,407	1,678,132	1,162,232	2,571,101	2,021,043	271,035	121,024	81,707	185,610	-	-	-	12,971,991
14. FINANCIAL EXPENSES (Line 11 to 13)	11,126,311	4,312,856	3,028,217	6,699,186	6,829,102	706,179	332,522	228,703	453,085	486,144	1,600,311	-	31,644,589
15. SUBSIDIES (TOTAL BEFORE OTS ADJUSTMENT (Line 10 minus Line 14))	(19,334,518)	(16,466,337)	23,132,812	4,365,746	4,870,730	(1,226,984)	(3,476,641)	4,089,809	(8,742,826)	236,692	(1,616,330)	14,140,000	-
16. OTS PROVIDED	3,084,111	(284,977)	971,351	1,190,098	3,621,980	161,558	47,469	94,326	-	-	-	-	4,397,193
17. OTS CONSUMED	(974,022)	(284,977)	(620,217)	(669,081)	(2,870,106)	(178,100)	(81,262)	(31,151)	(470,002)	-	-	-	(6,397,293)
18. OTS ADJUSTMENT (Line 16 minus Line 17)	(666,111)	(284,977)	341,064	340,413	761,775	(16,546)	(33,793)	31,175	(470,002)	-	-	-	-
19. SUBSIDIES (TOTAL (Line 15 plus Line 18))	(19,920,429)	(16,751,314)	23,474,076	4,704,161	5,632,525	(1,243,530)	(565,457)	4,121,984	(9,212,828)	236,692	(1,616,330)	14,140,000	\$ -

**NORTHWESTEL INC.**  
**PHASE III RESULTS**  
**Supplementary Presentation of Income Statement Items**  
 December 31, 2002

	Access (A)	Switching and Aggregation (S-W-A-G)	Monopoly Local (ML)	Monopoly Toll (MT)	Competitive Miscel. (C-M)	Competitive Terminal AD (C-T-AD)	Competitive Terminal Other (C-T-O)	Other (O)	Common (C)	TOTAL
1. MAINTENANCE	\$ 12,222,684	\$ 6,569,101	\$ 7,170,671	\$ 4,827,026	\$ 9,096,270	\$ 1,212,502	\$ 557,374	\$ 59,158	\$ 368,787	\$ 37,511,574
2. TELEPHONE TRAFFIC	-	-	553,083	1,338,481	-	-	-	-	-	1,891,564
3. MARKETING AND SALES	952,088	-	748,129	1,006,140	1,619,797	865,177	42,383	276,431	290,585	5,628,730
4. PLANNING AND ENGINEERING	121,540	200,611	104,381	227,240	262,406	9,309	8,785	3,026	11,769	1,241,063
5. ACCOUNTING	63,672	20,499	470,258	433,432	41,534	9,341	3,918	74,024	806,636	1,871,864
6. CUSTOMER SERVICES	93,284	-	1,611,157	725,034	354,523	235,425	179,995	79,451	-	3,228,869
7. GENERAL ADMINISTRATION	1,942,188	562,289	2,919,473	3,047,994	1,704,712	403,883	267,315	239,875	5,604,966	16,721,835
8. SYRISIS	270,060	145,700	50,978	155,080	183,502	65,998	129,710	1,047	4,072	1,004,147
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 15,945,466</b>	<b>\$ 7,598,200</b>	<b>\$ 8,598,100</b>	<b>\$ 17,253,427</b>	<b>\$ 17,482,754</b>	<b>\$ 2,811,636</b>	<b>\$ 1,134,680</b>	<b>\$ 741,562</b>	<b>\$ 7,086,815</b>	<b>\$ 69,103,640</b>

**NORTHWESTEL INC.****PHASE III RESULTS****Supplementary Presentation of Balance Sheet Items - Working Capital**

December 31, 2002

(yearly average)

<u>Description</u>	<u>Balance January 1</u>	<u>Balance December 31</u>	<u>Average</u>
<b>CURRENT ASSETS</b>			
1. Cash and cash equivalents	\$ 2,440,988	\$ -	\$ 1,220,494
2. Other current assets	1,505,286	1,567,885	1,536,585
3. Total current assets	3,946,274	1,567,885	2,757,079
<b>CURRENT LIABILITIES</b>			
4. Cash and cash equivalents	-	(4,193,794)	(2,096,897)
5. Other current liabilities	(36,516,513)	(43,499,963)	(40,008,238)
6. Total current liabilities	(36,516,513)	(47,693,757)	(42,105,135)
Total working capital deficiency (Line 3 minus Line 6)	\$ (32,570,239)	\$ (46,125,872)	\$ (39,348,056)

**NORTHWESTEL INC.**  
**PHASE III RESULTS**  
**Presentation of Balance Sheet Items**  
 December 31, 2002  
 (yearly average)

**Table III***ABRIDGED VERSION*

	<u>Account Number</u>	<u>Internet Services (CN - Internet)</u>
1. GROSS PLANT INVESTMENT	Various	#
2. ACCUMULATED DEPRECIATION	Various	#
3. NET PLANT INVESTMENT (Line 1 minus Line 2)		#
4. DEFERRED TAXES	2603 - 2605	#
5. SUBTOTAL (Line 3 minus Line 4)		#
6. PLANT UNDER CONSTRUCTION	1791 - 1792	#
7. SUBSIDIARY AND AFFILIATES	Various	#
8. MATERIALS AND SUPPLIES	Various	#
9. ACCOUNTS RECEIVABLE (NET)	Various	#
10. DEFERRED CHARGES	Various	#
11. CAPITAL ACCRUAL	Various	#
12. DEFERRED INCOME TAXES DEBIT	1602	#
13. PROVISION FOR FUTURE LOSSES	2611 - 2612	#
14. WORKING CAPITAL DEFICIENCY	Various	#
15. AVERAGE NET INVESTMENT		#

The items noted on this table are included within the Competitive Network (CN) column on the Presentation of Balance Sheet Items Statement - Table I.



**NORTHWESTEL INC.**  
**PHASE III RESULTS**  
**Presentation of Income Statement Items**  
**December 31, 2002**

**Table III***ABRIDGED VERSION*

	Internet Services (CN - Internet)
1. TOTAL OPERATING REVENUE	#
2. DEPRECIATION	#
3. OPERATING EXPENSES	#
4. COST OF SALES	#
5. ADMINISTRATION EXPENSES	#
6. TOTAL OPERATING EXPENSES	#
7. NET OPERATING REVENUE (Line 1 minus Line 6)	#
8. OTHER INCOME	#
9. DEFERRED CREDIT	#
10. NET INCOME BEFORE TAXES AND INTEREST (Line 7 to Line 9)	#
11. INTEREST EXPENSE	#
12. INCOME TAXES	#
13. NET INCOME	#
14. FINANCIAL EXPENSES (Line 11 to 13)	#
15. SURPLUS/SHORTFALL BEFORE OTS ADJUSTMENT (Line 10 minus Line 14)	#
16. OTS PROVIDED	#
17. OTS CONSUMED	#
18. OTS ADJUSTMENT (Line 16 minus Line 17)	#
19. SURPLUS/SHORTFALL (Line 15 plus Line 18)	#

The items noted on this table are included within the Competitive Network (CN) column on the Presentation of Income Statement Items Statement - Table II.

PROTECTED  
PROTÉGÉ

**NORTHWESTEL INC.  
PHASE III RESULTS  
INTERNET SERVICES**

**Filed in Confidence**

*December 31, 2002*

**Deloitte  
& Touche**

PROTECTED  
PROTÉGÉ**Deloitte  
& Touche****Accountant's Report in Connection with Internet Services  
(CN - Internet)**

To the Canadian Radio-television and Telecommunications Commission (the Commission)

We have reported on the Phase III Results of Northwestel Inc. (the Company) for the year ended December 31, 2002, under our report dated November 14, 2003.

The accompanying Table III - Presentation of Balance Sheet Items and Table III - Presentation of Income Statement Items disclose the Company's Internet Services (CN - Internet) balances, which are included in the Competitive Network (CN) balances in the aforementioned audited Phase III Results.

Our audit of the Company's Phase III Results for the year ended December 31, 2002, was not directed to the determination of Internet Services balances. We have not performed an audit and accordingly do not express an opinion on the amount of Internet services.

It is understood that this report is filed in confidence to be used solely by the Commission and is not to be referred to or distributed to any person who is not a member of the Commission staff or Northwestel's management.



Chartered Accountants

November 14, 2003

**Deloitte  
Touche  
Tohmatsu**

**NORTHWESTEL INC.**  
**PHASE III RESULTS**  
**Presentation of Balance Sheet Items**  
 December 31, 2002  
 (yearly average)

**Table III**  
**PROTECTED**  
**PROTÉGÉ**

*FILED IN CONFIDENCE*

	<u>Account Number</u>	<u>Internet Services (CN - Internet)</u>	
1. GROSS PLANT INVESTMENT	Various	\$ 7,155,005	(#)
2. ACCUMULATED DEPRECIATION	Various	(2,131,638)	(#)
3. NET PLANT INVESTMENT (Line 1 minus Line 2)		5,023,367	(#)
4. DEFERRED TAXES	2603 - 2605	(431,887)	(#)
5. SUBTOTAL (Line 3 minus Line 4)		4,591,480	(#)
6. PLANT UNDER CONSTRUCTION	1791 - 1792	-	(#)
7. SUBSIDIARY AND AFFILIATES	Various	-	(#)
8. MATERIALS AND SUPPLIES	Various	52,600	(#)
9. ACCOUNTS RECEIVABLE (NET)	Various	115	(#)
10. DEFERRED CHARGES	Various	223,913	(#)
11. CAPITAL ACCRUAL	Various	(26,497)	(#)
12. DEFERRED INCOME TAXES DEBIT	1602	150,266	(#)
13. PROVISION FOR FUTURE LOSSES	2611 - 2612	-	(#)
14. WORKING CAPITAL DEFICIENCY	Various	(813,524)	(#)
15. AVERAGE NET INVESTMENT		\$ 4,178,353	(#)

**NORTHWESTEL INC.**  
**PHASE III RESULTS**  
**Presentation of Income Statement Items**  
**December 31, 2002**

**Table III**  
**PROTECTED**  
**PROTÉGÉ**

*FILED IN CONFIDENCE*

	Internet Services (CN - Internet)	
1. TOTAL OPERATING REVENUE	\$ 5,353,632	(#)
2. DEPRECIATION	(255,266)	(#)
3. OPERATING EXPENSES	(1,384,984)	(#)
4. COST OF SALES	-	(#)
5. ADMINISTRATION EXPENSES	(63,049)	(#)
6. TOTAL OPERATING EXPENSES	(1,703,299)	(#)
7. NET OPERATING REVENUE (Line 1 minus Line 6)	3,650,333	(#)
8. OTHER INCOME	9,548	(#)
9. DEFERRED CREDIT	-	(#)
10. NET INCOME BEFORE TAXES AND INTEREST (Line 7 to Line 9)	3,659,881	(#)
11. INTEREST EXPENSE	213,014	(#)
12. INCOME TAXES	175,265	(#)
13. NET INCOME	241,844	(#)
14. FINANCIAL EXPENSES (Line 11 to 13)	630,123	(#)
15. SURPLUS/SHORTFALL BEFORE OTS ADJUSTMENT (Line 10 minus Line 14)	3,029,758	(#)
16. OTS PROVIDED	231,149	(#)
17. OTS CONSUMED	(2,321,825)	(#)
18. OTS ADJUSTMENT (Line 16 minus Line 17)	(2,090,676)	(#)
19. SURPLUS/SHORTFALL (Line 15 plus Line 18)	\$ 939,082	(#)