

Quebec Telephone and Power Corporation



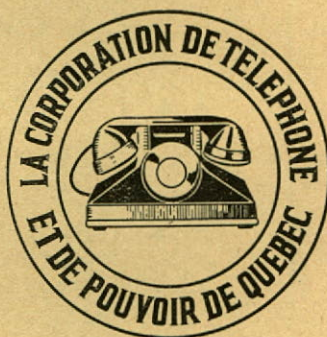
**ANNUAL REPORT
1945**

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Quebec Telephone and Power Corporation



**ANNUAL REPORT
1945**

QUEBEC TELEPHONE & POWER CORPORATION

AND SUBSIDIARY COMPANIES

La Cie de Téléphone Nationale — La Cie de Téléphone Portneuf & Champlain

OFFICERS:

Honourable J. A. BRILLANT, L.C., C.B.E.
President of the Board

J.-ERNEST BEAUBIEN, *President*

T. A. BERNIER, C.E., *Vice-president*

P. E. GAGNON, K.C., *Secretary*

J. H. BROCHU, *Treasurer*

DIRECTORS:

Hon. J. A. BRILLANT.....	Rimouski	P. E. GAGNON.....	Rimouski
J. E. BEAUBIEN.....	Québec	L. R. D'ANJOU.....	Rimouski
T. A. BERNIER.....	Rimouski	J. H. BROCHU.....	Rimouski

NORMAN GENDREAU, Rimouski

General Offices
Rimouski, Que.

Seventeenth Annual Report
of the
BOARD OF DIRECTORS
of
QUEBEC TELEPHONE & POWER CORPORATION
AND SUBSIDIARY COMPANIES.

To the Shareholders :

Your Directors take pleasure in submitting herewith the Seventeenth Annual Report of your Company for the fiscal year ended December 31, 1945.

We would be grateful if you would study the Certified Report of the Company's activities submitted by the Auditors in conjunction with the Graph which follows this statement, showing the truly remarkable progress made by our Company during the decade from 1935 to 1945.

As you are well aware, the Southeastern section of the Province of Quebec, in which our Company and subsidiaries operate, possibly because of its geographical situation, little enjoyed the War Orders which afforded **temporary** prosperity to other more favored sections of the Dominion.

Since there was no War Boom in our territory, it is logical to foresee it will be little affected by the Post-War slump which is, at present, being experienced elsewhere in Canada.

Your Company's Part in the War

Though Industry, as a whole, in the territory we serve, was not to an appreciate extent favorably affected by War Orders, our Company was called upon to do its share of indispensable War Work.

Our territory, because of its geographical and tactical situation in Southeastern Quebec, was largely considered a defence zone, and our Company was called upon to provide the Army, the Navy and the Air Forces with extensive telephonic and other communication facilities.

Private branch exchanges were installed at No. 9 Bombing and Gunnery School, located at Mont-Joli and at the Basic Army Training Centre at Montmagny. Carrier telephone systems had to be provided for the Air Force between Mont-Joli and Campbellton and for the Navy between Rimouski and Trois Pistoles. Teletype service between Rimouski and Mont-Joli also had to be provided under contract with Defence Communications Limited.

These War Communication services were provided at standard rental rates, **without capital assistance from the Canadian Government.**

In addition to the above described Communication facilities, the Company constructed for the Department of National Defence, two circuits between Mont Joli and St. Anne des Monts for Aircraft Detection and Radio Direction Finding purposes.

Telephone control lines were constructed to the Air Firing and Bombing Ranges and local telephone service was provided to the many Military establishments in our territory.

Therefore your Company can feel that, it too, had a part in helping our Arms to achieve Victory and proudly point out to its part in War Work.

Conversion of our Bonded Debt and its Effect on the Company's Future Profits.

The Auditors' statement naturally shows the changes resulting of the conversion operations effected during the last fiscal year, but we would like to call your particular attention to the favourable reaction such refinancing will have on your Company's future earnings.

Bonds to the extent of \$400,000. were sold at par, in two series. The first series — \$100,000. — bearing 3½%, refundable yearly until maturity in 1957. The second series — \$300,000. — bearing 4%, with sinking fund, maturing August 1st, 1965. These operations increased the Company's working capital while decreasing its fixed charges for interest. The proceeds from the new Bond issue were used to recall the older issue amounting to \$344,000. at 5%, due in 1955.

The Year's Operations as Reflected by the Auditors' Statement.

Our Gross Revenue, as shown by the Auditors' statement, has passed from \$378,965. in 1944 to \$453,150. — an increase of 19.6%.

The Net Profits totalled \$45,621. After deducting interest on Funded Debt, Depreciation on Fixed Assets as well as provision for Income and Excess Profits Taxes, the Revenue totals \$24,305. compared to \$20,539. in 1944.

A sum of \$14,514.40 was paid in dividends to holders of "Class A" shares.

Operating, Maintenance and Improvement Expenses.

The cost of operating and ordinary maintenance shows an increase of \$87,824. over 1944. This increase is largely due to the cost of repairing extensive damages to our pole lines resulting from an exceptional severe sleet storm in the autumn of 1945.

In addition, maintaining in excellent condition and, in numerous cases, modernizing and otherwise improving our plants and equipment, represent a considerable item of expense.

During the fiscal year just concluded, Capital expenses have totalled \$186,165. — an increase of \$99,438. over 1944. These expenses are largely represented by purchases of lines and improvements at the Exchanges, as well as on the inter-urban circuits, this as a result of the Expansion and Improvement Program decided upon a few years ago, calling for more modern equipment at the Company's principal Exchanges as well as the simplifying and speeding-up of operations on its local and inter-urban circuits.

Thus our toll circuit mileage was increased during the year by 350 miles; these additional facilities being required to handle the increase in toll traffic as well as changes in points of connection with

Connecting Companies. As a result, the Company will secure a larger proportion of revenue from toll traffic interchanged with other Companies. These changes in points of connection are a continuation of the Company's policy to provide all toll facilities in its service area and connect with the Connecting Companies only at the boundary of our territory instead of within it.

It will be noted in the Auditor's Statement that the wise policy of maintaining a substantial Reserve for Depreciation has been continued.

At the end of the fiscal year, the number of connected customers reached 6,942. This represents an increase of 795 stations for 1945. It is to be noted that during the six year war period, the total number of connected customers has increased by 90%, this, notwithstanding the difficulties that have existed and **still exist** in securing required materials.

A comparatively large back log of applications for service — well over 500 — are still on hand for installations to be completed as soon as conditions permit.

We cannot conclude this report without expressing to the Officers and Staff of our Company a well merited tribute for efficient and loyal service throughout a rather difficult period. To them we extend our sincere thanks and deep appreciation for the co-operation received.

Respectfully submitted on behalf of the Board.

J. E. Beaubien,
President.

**QUEBEC TELEPHONE &
AND SUBSIDIARY
Rimouski,**

Consolidated Balance Sheet

ASSETS

Fixed Assets

Plant, Equipment, Buildings, etc. as per appraisal or book figures in 1930, plus subsequent additions at cost.....	\$1,744,079.66	
Office Furniture and General Equipment, at cost less depreciation.....	23,581.87	\$1,767,661.53

Investments, at cost values which do not purport to be real or realizable values

Stocks	\$ 37,527.00	
Bonds	4,328.50	
Miscellaneous Loans	2,337.64	
Refundable Portion of Excess Profits Tax	8,053.21	52,246.35

Current Assets

Cash in Bank and on deposit.....	\$ 36,607.22	
Miscellaneous accounts due by Subscribers and Others, less Reserve for Doubtful accounts	23,178.89	
Inventories of Materials and Supplies, as determined and certified by officials of the company, valued at cost or market value whichever the lower.....	35,271.54	
Prepayments	1,925.73	96,983.38
		<u>\$1,916,891.26</u>

AUDITORS' REPORT

We have made an examination of the Consolidated Balance Sheet of the Quebec Telephone & Power Corporation and its Subsidiary Companies as at 31st December 1945. In connection therewith, we tested the accounting records of the Companies and other supporting evidence and obtained information and explanation from officers and employees of the Companies; we also made a general review of the accounting methods but we did not make a detailed audit of the transactions.

According to this examination, we report that the above Consolidated Balance Sheet is drawn up so as to exhibit a true and correct view of the state of the consolidated affairs of the Corporation and its subsidiaries, according to the best of our information and the explanations given to us and as shown by the books of the Companies.

(Signed) Chartré, Samson, Beauvais, Gauthier & Cie,
Chartered Accountants.

QUEBEC, 26th February 1946.—

POWER CORPORATION
COMPANIES
P. Q.

as at 31st December 1945

LIABILITIES

Capital Stock

No par value shares

	<u>Class "A"</u>	<u>Class "B"</u>	
Authorized	50,000 shares	50,000 shares	
Subscribed and paid-up.....	36,286 "	35,196 "	\$ 768,089.00

Funded Debt

First Mortgage and Collateral Trust Bonds

Authorized \$1,500,000.00

Series "A" - 3½% 1st August 1946 to 1957

Authorized and issued \$ 100,000.00

Series "B" - 4% Twenty year Sinking Fund,
1st August 1965

Authorized \$ 400,000.00

Issued 300,000.00 400,000.00

Minority Shareholders' Equity

In Capital and Surplus of Subsidiary Co. 2,313.08

Current Liabilities

Miscellaneous Accounts Payable	\$ 22,470.58	
Interest accrued on Bonds	6,458.33	
Provision for Income Tax and Excess Profits Tax, less prepayments	1,311.62	
Reserve for Repairs of Damages caused by storm	52,012.94	
Accrued Liabilities	<u>1,573.50</u>	83,826.97

Reserve for Depreciation of Fixed Assets..... 600,724.11

Surplus 53,884.89

**Deferred Surplus — Refundable Portion of
Excess Profits Tax.....** 8,053.21
\$1,916,891.26

Approved on behalf of the Board or Directors

(Signed) T. A. BERNIER }
 " J. H. BROCHU } Directors.

Quebec Telephone & Power Corporation

AND SUBSIDIARY COMPANIES

Consolidated Statement of Surplus Account

for year ended 31st December 1945

Balance, 31st December 1944..... \$ 57,527.30

Add :

Profit on realization of investments..... \$ 15,544.59

Adjustment of 1944 provision for Income

Tax 1,333.08 16,877.67

\$ 74,404.97

Deduct :

Dividend declared and paid in 1945 on

class "A" shares \$ 14,514.40

Premium on redemption of bonds..... 10,320.00

Unamortized bond discount and expenses

written off 19,990.36 44,824.76

\$ 29,580.21

Add :

Net income from operations for year 1945

24,304.68

Balance, 31st December 1945.....

\$ 53,884.89

Quebec Telephone & Power Corporation

AND SUBSIDIARY COMPANIES

Consolidated Statement of Profit and Loss

for year ended 31st December 1945

Telephone Operating Revenues	\$ 448,664.81
Other Revenues	4,485.25
Total Revenues	<u>\$ 453,150.06</u>
Total Operating and General Expenses	<u>335,796.41</u>
Net Revenue before financial expenses and depreciation	\$ 117,353.65
Deduct :	
Interest on Funded Debt	\$ 16,500.00
Depreciation on Fixed Assets :	
Plant and Equipment	51,426.57
Other Assets	3,806.58
	<u>71,733.15</u>
Net Profit, before income tax	\$ 45,620.50
Deduct: Provision for Income Tax and	
Excess Profits Tax on 1945 profit	<u>21,315.82</u>
Net Income for year 1945	<u>\$ 24,304.68</u>

A Brief History of

QUEBEC TELEPHONE AND POWER CORPORATION

(Incorporated)

The Company known as Quebec Telephone and Power Corporation, is a holding Company which, through its subsidiaries, does a telephone business serving a population well over 350,000 persons in 12 counties of Eastern Quebec — Matapedia, Matane, North Gaspé, Rimouski, L'Islet, Montmagny, Bellechasse, Dorchester, Lotbinière, Beauce, Champlain and Portneuf.

The lines of the operating companies have connections with the Bell Telephone Company, the New Brunswick Telephone Company and several other independent Companies thus rendering to our subscribers a worldwide telephone service.

A radio telephonic service gives direct communication between the North and South shores of the St. Lawrence River.

The Company operates 3,500 miles of toll circuits and has almost 7,000 subscribers.

Originally incorporated on June 7, 1927, under the name of Quebec Telephone and Public Service Securities Corporation, the Company's name was changed by supplementary letters patent, in November 1927, to Quebec Telephone and Power Corporation.

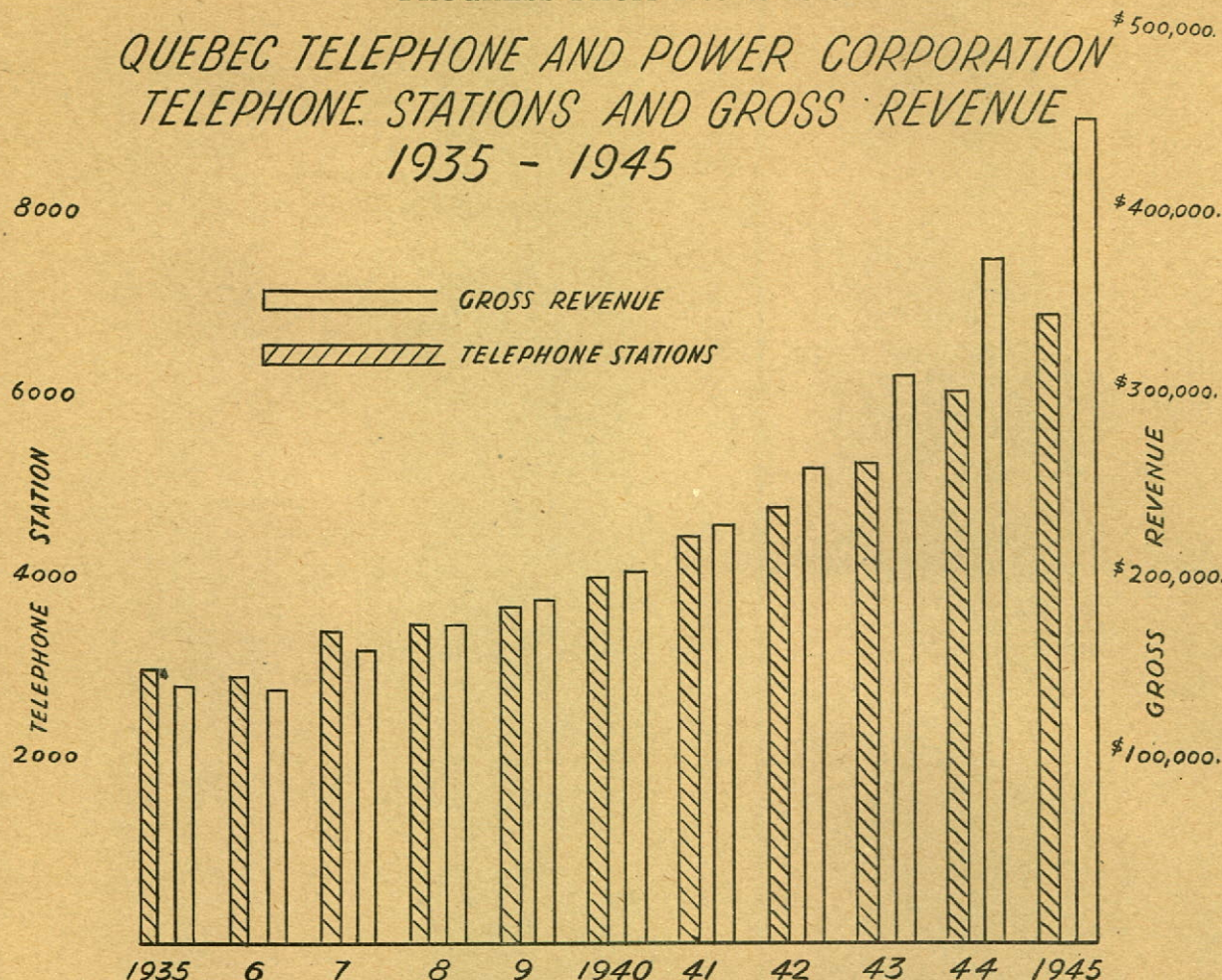
In July 1927 the Company acquired control of La Cie de Telephone Nationale and subsequently acquired Matane and Gaspé Telephone Company, La Cie de Telephone de Beauce, La Cie de Telephone de Portneuf, La Cie de Telephone St. Maurice & Champlain, La Cie de Telephone Rural de St. Joseph, La Cie de Telephone de St. Ephrem de Tring, La Cie de Telephone Rural de Ste-Marie.

In 1931, La Cie de Telephone de Beauce, one of its subsidiaries, absorbed la Cie de Telephone Rural de St. Joseph de Beauce and acquired the plant of the Bell Telephone Company of Canada at Ste-Marie de Beauce.

What this Company, serving a mostly rural area, has achieved during the decade closing December 31, 1945 is more eloquently shown by the graph appearing on page 11 of this Report than any comment we might make.

PROGRESS FROM 1935 to 1945

QUEBEC TELEPHONE AND POWER CORPORATION TELEPHONE STATIONS AND GROSS REVENUE 1935 - 1945



As shown in above Graph, the number of local telephone stations operated by your Company has increased from 3,039 in 1935 to 6,942 in 1945 — and the Gross Revenue has passed from \$141,560. in 1935 to \$453,150. in 1945. This remarkable progress is largely due to improvement in service and a higher wage rate paid to labour throughout our service area. Moreover, since a large portion of our telephone plant was installed during the past ten years it is of latest design, thus affording excellent transmission.

During the decade just concluded, the Company converted the Exchange service at Rimouski, Montmagny and Mont-Joli from magneto to common battery service. It is proposed to extend the modernization policy to even the smaller centres in our territory.

On March 1st, 1945, the Company established a new frequency modulation Radio Telephone link between Rimouski and Baie Comeau. It is expected that the improved service will greatly contribute to increase the toll traffic on this circuit.

A franchise for local telephone service has been granted to your Company by the Municipal authorities of the town of Forestville and a second radio link will be established between Rimouski and Forestville during 1946.

