

QUEBEC TELEPHONE AND POWER CORPORATION



EIGHTEENTH ANNUAL REPORT

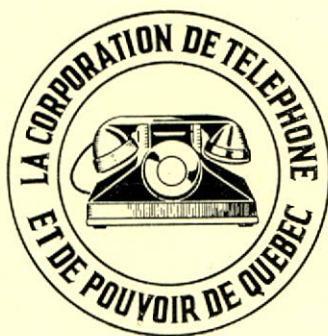
FOR THE YEAR ENDED
31st DECEMBER 1946

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QUEBEC TELEPHONE AND POWER CORPORATION



EIGHTEENTH ANNUAL REPORT

FOR THE YEAR ENDED
31st DECEMBER 1946

QUEBEC TELEPHONE & POWER CORPORATION

AND SUBSIDIARY COMPANIES

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

BOARD OF DIRECTORS

J. A. BRILLANT
RIMOUSKI

J. ERNEST BEAUBIEN
QUEBEC

F. C. DOAK
RIMOUSKI

T. A. BERNIER
RIMOUSKI

P. E. GAGNON
RIMOUSKI

J. H. BROCHU
RIMOUSKI

NORMAN GENDREAU
RIMOUSKI

EXECUTIVE OFFICERS

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

J. ERNEST BEAUBIEN
President

NORMAN GENDREAU
Treasurer

T. A. BERNIER, C.E.
Vice-President

P. E. GAGNON, K.C.
Secretary

F. C. DOAK
Engineer

HEAD OFFICE

46 Cathedral Avenue, Rimouski, Quebec, Canada

QUEBEC TELEPHONE & POWER CORPORATION

EIGHTEENTH ANNUAL REPORT

OF THE

BOARD OF DIRECTORS

TO THE

SHAREHOLDERS

FOR THE YEAR ENDED 31ST DECEMBER, 1946

The Board of Directors beg to submit their Eighteenth Annual Report and Accounts, together with a review of the operation and condition of your service for the year 1946.

The revenue of the Corporation resulting from the year's operations was as follows :

Revenue from operations	\$546,389.01	
Interest on Investments and other miscellaneous Income	3,988.12	\$550,377.13
Operating, Administration and General Expenses	349,907.10	
Interest on Funded Debt, Depreciation, Contribution to Pension Plan, Income and Excess Profits Taxes	145,563.12	495,470.22
Net Revenue		54,906.91
Miscellaneous Additions to Surplus		2,826.39
		57,733.30
Dividend on Class A Shares		14,514.40
Surplus		\$ 43,218.90

The following comparative statement shows the consolidated Gross and Net Revenue of the Corporation for the past four years.

	Year ended 31st December :			
	1943	1944	1945	1946
Gross Earnings from Operation	\$312,002	\$378,965	\$453,150	\$550,377
Net Earnings from Operation	\$117,187	\$130,993	\$117,354	\$200,470
<u>Less:</u>				
Depreciation	50,383	52,431	55,233	62,297
Interest on Funded Debt	17,675	17,329	16,500	16,861
Income and Excess Profits Taxes	29,601	40,694	21,316	66,405
Net Revenue	\$ 19,528	\$ 20,539	\$ 24,305	\$ 54,907

As will be seen from the above there was an increase in the gross earnings as compared with the corresponding earnings of the previous year of \$97,227, or 21.5%.

Total operating expenses at \$349,907.10 were up \$14,110.69. Payrolls amounted to \$225,641.36 an increase of \$64,117.82, or 39.7%. At the end of the year, there were 340 employees, largest in the Company's history.

There was also an increase in the net earnings from operations of \$83,116, or 71%, and an increase in net revenue of \$30,602, or 125%, as compared with the corresponding earnings of the previous year.

Despite reductions in federal income and excess profit taxes, there was an increase in this item of \$45,089 over 1945. Total taxes of \$66,405 were equivalent to \$7.97 for each telephone in service.

Dividends in the amount of \$14,514.40 were paid during the year on Class A Shares. The surplus revenue for the year after payment of the dividends referred to amounts to \$43,218.90 which added to the balance of \$53,884.89 brought forward from 1945 gives a total of \$97,103.79.

During the year the net additions to Capital Account of the Corporation, after allowance for the original cost of plant removed from service and not reused, amounted to \$200,907.06 distributed as follows :

Outside Plant Construction	\$92,904.69
Central Office Equipment	25,490.35
Telephone Station Installations	38,022.61
Radio Telephone Systems	21,640.91
Miscellaneous	22,848.50
	\$200,907.06

The outside plant construction referred to above includes the construction of ninety-five miles of pole line involving the erection of 3,104 new telephone poles. A large part of this new construction is located on private right and is employed to replace old construction located on the public highway.

Exchange cable systems were constructed in the towns of Causapsca and Donnacona to replace open wire construction and to provide additional facilities to meet the demand for our service.

Our construction program for the year included the erection of 240 circuit miles of toll and rural lines. However only 70 miles of this construction was completed due to difficulties in procuring material.

New telephone exchanges were established at Causapscal and St. Charles de Bellechasse. Service was modernized at Donnacona and St. Joseph de Beauce by the conversion of our exchange systems at these points from Magneto to Central Battery operation. This involved the replacement of switchboards and telephone station instruments on these two exchanges.

During the year a franchise was granted to your Corporation by la Corporation de la Ville de Forestville covering local and long distance telephone service in that community. A new exchange with a central battery switchboard was established and an aerial cable plant was constructed in the town of Forestville.

Carrier telephone equipment was installed to increase our toll facilities between the following exchanges: — Rimouski — Matapedia, Matane — Quebec, St. Malachie — St. Anselme and Beauceville — Quebec.

On the whole system there was an increase of 1,381 subscribers, or 19.9% over the year 1945. At the end of the year there were 781 deferred applications for local telephone service. Your management is making every effort to fill this demand as quickly as material conditions will permit.

On March 1st, 1946, a Frequency Modulated Radio Telephone system was placed in service between Rimouski and Baie Comeau. This system provides facilities to handle three telephone messages simultaneously. A similar radio telephone system was established in April between Rimouski and Forestville. The high grade transmission and reliable service rendered by these radio systems warrants the further employment of radio to extend our service to other points on the North shore of the St. Lawrence river.

Toll traffic shows an increase of 185,000 messages, or 26.3% resulting in an increase in revenue from this service of \$73,837.00, or 27.7% as compared with the corresponding earnings of the previous year.

Your Directors are pleased to report that an employee pension plan was established during the year. Pensions at normal retirement age to a maximum of \$1,200.00 per year are to be purchased from the Annuity Branch of the Federal Department of Labour. The Corporation contributed the full amount of the cost of the annuities covering past service and will contribute an amount equal to the contribution of an employee for future service.

The Group Assurance Plan was extended during the year to cover hospitalization and surgeons' fees for our employees and their dependents.

GENERAL OBSERVATIONS

The year 1946 was a very critical period for your Corporation due to difficulties in obtaining sufficient material and labour to fill the greatly increased demand for our services. However, it has been a period of activity and expansion without precedent in the history of the Corporation.

The Board wish to record their appreciation of the services of our Officers and Staff who have so zealously contributed to the successful operation of the Corporation's services.

A map showing the Companies' facilities, together with statistics and charts showing the growth in our service, are appended to this report.

Submitted on behalf of the Board.



Chairman of the Board.

QUEBEC TELEPHONE

AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

ASSETS

FIXED ASSETS:

Plant, Equipment, Buildings, etc. as per appraisal or book figures in 1930, plus subsequent additions at cost	\$1,909,173.73	
Office Furniture and General Equipment, at cost	59,394.86	\$1,968,568.59

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

Stocks	\$ 37,527.00	
Miscellaneous Loans	2,528.54	
Refundable Portion of Excess Profits Tax	8,053.21	48,108.75

CURRENT ASSETS:

Cash in Bank	\$ 7,593.16	
Miscellaneous accounts due by Subscribers and Others, less Reserve for Doubtful accounts	50,238.08	
Inventories of Materials and Supplies, as determined and certified by officers of the company, valued at cost or market value whichever the lower	62,056.31	
Prepayments	967.35	120,854.90

Approved on behalf of the Board of Directors

F. C. DOAK }
J. H. BROCHU } *Directors*

\$2,137,532.24

AUDITOR

We have made an examination of the Consolidated Balance Sheet at 31st December 1946. In connection therewith, we tested accounting records, explanations from officers and employees of the Companies; we also made inquiries of the transactions.

According to this examination, we report that the above Consolidated state of the consolidated affairs of the Corporation and its subsidiaries, as shown by the books of the Companies.

QUEBEC, 28th February 1947.

POWER CORPORATION

BY COMPANIES

ET AS AT 31st DECEMBER 1946

LIABILITIES

CAPITAL STOCK :

No par value shares	Class "A"	Class "B"	
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" — 3-1/2% 1st August 1947 to 1957			
Authorized and issued		\$ 100,000.00	
Less : Redeemed		8,000.00	\$ 92,000.00
Series "B" — 4% Twenty year Sinking Fund, 1st August 1965			
Authorized and issued		\$ 400,000.00	
Less : Held by Bank as Collateral Security		15,000.00	385,000.00
			477,000.00

MINORITY SHAREHOLDERS' EQUITY :

In Capital and Surplus of Subsidiary Company	2,313.08
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CURRENT LIABILITIES :

Bank Loan	\$ 25,000.00	
Miscellaneous Accounts Payable	43,264.57	
Interest accrued on Bonds	7,758.33	
Provision for Income and Excess Profits Tax, less prepayments	36,419.17	
Reserve for Repairs of Damages caused by storm	13,021.63	
Accrued Liabilities	1,462.32	126,926.02

RESERVE FOR DEPRECIATION OF FIXED ASSETS

658,047.14

SURPLUS

97,103.79

DEFERRED SURPLUS — Refundable Portion of Excess Profits Tax

8,053.21

\$2,137,532.24

REPORT

of the Quebec Telephone & Power Corporation and its Subsidiary Companies as of the Companies and other supporting evidence and obtained information and general review of the accounting methods but we did not make a detailed audit

ated Balance Sheet is drawn up so as to exhibit a true and correct view of the ding to the best of our information and the explanations given to us and as shown

CHARTRE, SAMSON, BEAUVAIS, GAUTHIER & CIE
Chartered Accountants.

QUEBEC TELEPHONE & POWER CORPORATION

AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF SURPLUS ACCOUNT

for year ended 31st December 1946

Balance, 31st December 1945	\$ 53,884.89
Add :	
Profit on realization of investments and fixed assets	<u>2,826.39</u>
	\$ 56,711.28
Deduct :	
Dividend declared and paid in 1946 on class "A" shares	<u>14,514.40</u>
	\$ 42,196.88
Add :	
Net Income from operations for year 1946	<u>54,906.91</u>
Balance, 31st December 1946	<u><u>\$ 97,103.79</u></u>

QUEBEC TELEPHONE & POWER CORPORATION

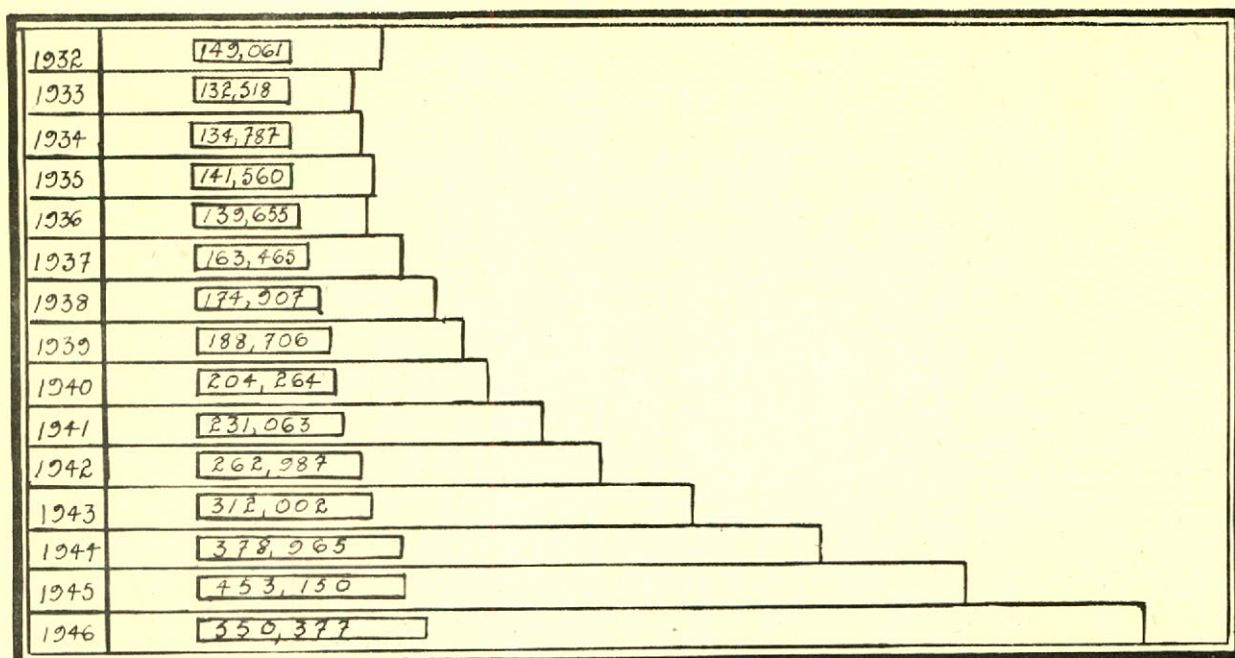
AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

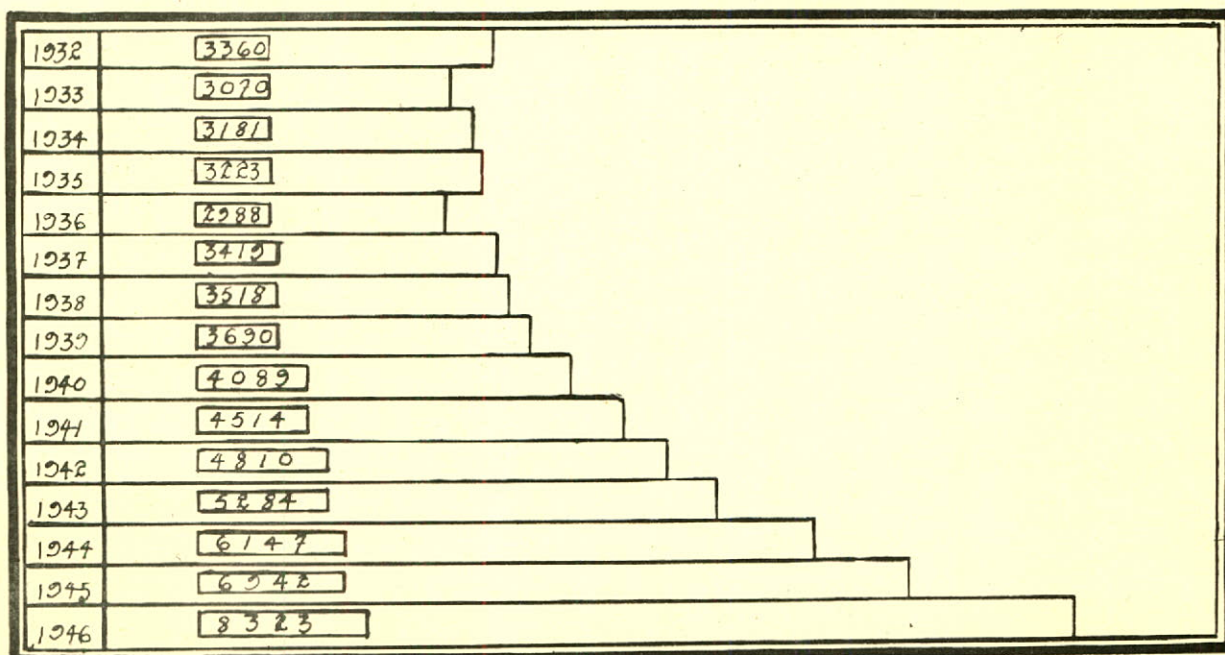
for year ended 31st December 1946

Telephone Operating Revenues	\$ 546,389.01
Other Revenues	3,988.12
TOTAL REVENUES	\$ 550,377.13
Total Operating and General Expenses	349,907.10
NET REVENUE, before financial expenses and depreciation	\$ 200,470.03
Deduct :	
Interest on Funded Debt	\$ 16,860.96
Depreciation on Fixed Assets :	
Plant and Equipment	56,019.99
Other Assets	6,277.50
	79,158.45
NET PROFIT, before income tax	\$ 121,311.58
Deduct : Provision for Income and Excess Profits Taxes on 1946 profit	66,404.67
NET INCOME for the year 1946	\$ 54,906.91

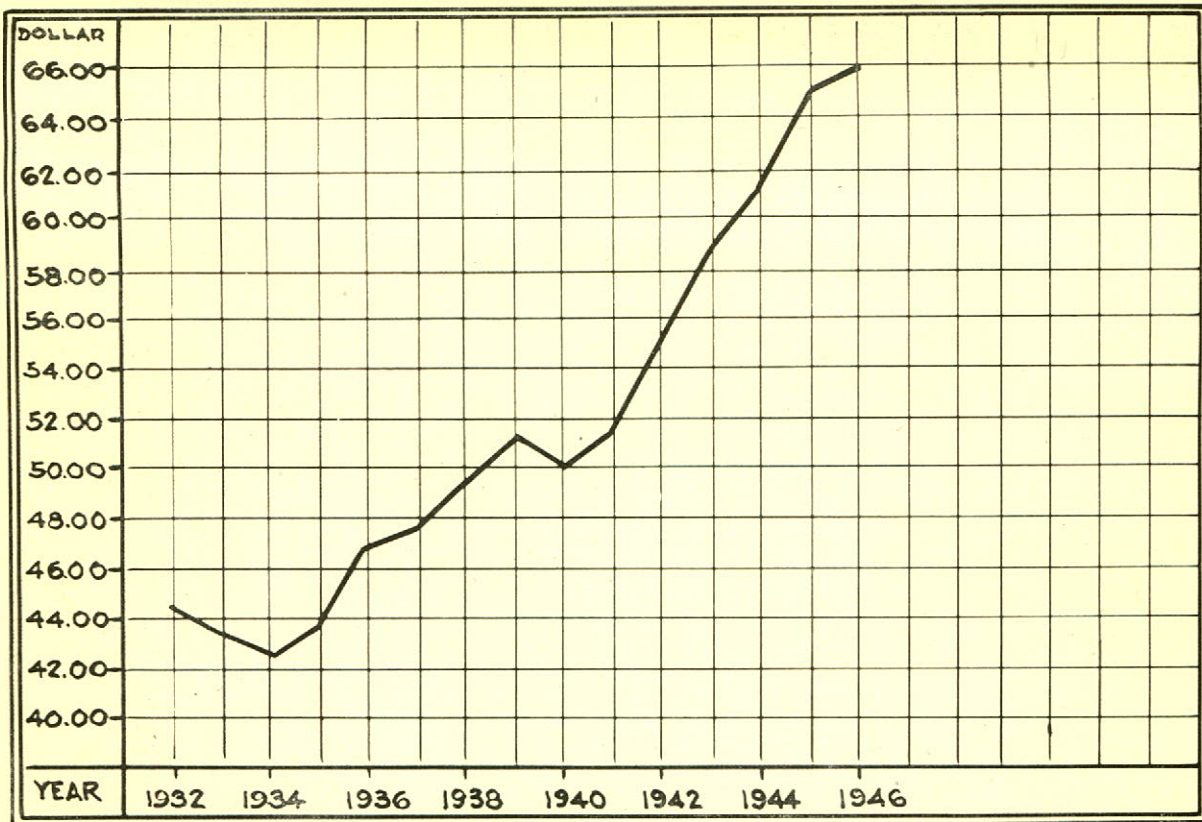
GROSS REVENUE



NUMBER OF TELEPHONES IN SERVICE



AVERAGE YEARLY GROSS REVENUE PER TELEPHONE



SOURCE AND DISPOSITION OF DOLLAR-INCOME

