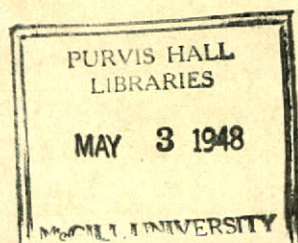


Corporation
File

ANNUAL
1947
REPORT

QUEBEC TELEPHONE
CORPORATION



BOARD OF DIRECTORS
AND
EXECUTIVE OFFICERS

Directors

HON. J. A. BRILLANT, L.C., C.B.E.

T. A. BERNIER, C.E.

J. H. BROCHU

F. C. DOAK, C.E.

P. E. GAGNON, K.C.

N. GENDREAU

J. THUOT

Officers

HON. J. A. BRILLANT, L.C., C.B.E., President

T. A. BERNIER, C.E., Vice President & General Manager

N. GENDREAU, Vice President & Treasurer

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

F. C. DOAK, C.E., General Superintendent

PRESIDENT'S REPORT TO SHAREHOLDERS

The Board of Directors of your Company take pleasure in presenting this, the Nineteenth Annual Report of the Quebec Telephone Corporation.

The year 1947 has proven to be one of the most outstanding in the company's history. On August 5th, 1947 under authority of Supplementary Letters Patent, the name of the Corporation was changed from the Quebec Telephone and Power Corporation to its present form "The Quebec Telephone Corporation".

EXPANSION

On the 25th of February, 1947 a new subsidiary was formed under the name of The Gulf St. Lawrence Telephone Company Limited. This subsidiary will operate the telephone and telegraph service in the counties of North Gaspé and of Saguenay (North Shore of the St. Lawrence River and of the Gulf of St. Lawrence.) The Gulf St. Lawrence Telephone Company purchased and took over the operation of the following telephone exchanges: Cloridorme, Grande Vallée, Mont-Louis, Petite Madeleine, Rivière à Marthe and St. Maurice in the county of North Gaspé, Forestville, in the county of Saguenay. A Toll Office was established at Baie Comeau and telephone exchanges were opened at Seven Islands, Trinity Bay, Shelter Bay and Outardes Falls, in Saguenay County. Direct toll lines were constructed between Forestville and Baie Comeau and between Trinity Bay, Shelter Bay and Seven Islands. The latter is the first link in the march of progress which is joining the rich iron ore fields of Northern Quebec with the telephone networks of the world. The Gulf St. Lawrence Telephone Company purchased, during the year, the telegraph service extending from La Malbaie to the straits of Belle Isle: 1855 circuit miles of telegraph lines. This telegraph service was formerly owned and operated by the Federal Government. Many modern features will be added to the telephone and telegraph services in this area so that they can play their part in opening up the new frontiers. As at December 31st, 1947, The Gulf St. Lawrence Telephone Co. was operating eleven telephone exchanges, four hundred and fifty-six telephones and three radio-telephone terminals together with the telegraph system. In December with the cooperation of the Canadian Pacific Communications Department a direct printer telegraph service was installed between Baie Comeau and Montreal which will considerably improve the communication service of the entire North Shore.

Your Corporation actively entered the leased wire service field during the year and at present eight hundred and sixty-six miles of circuit provide private teletype service to our subscribers. In 1947 new switchboards were installed and the exchange systems modernized at Ste. Marie, Ste. Anne des Monts and St. Ubald. Further toll facilities were established between Quebec City and Rimouski, Baie Comeau, Matane, L'Islet, Montmagny and Beauceville; in all the circuit mileage of our toll system network was increased by 830 miles during the year.

Your local telephone system now serves a population of over 250,000 of whom only four per hundred have telephones, which provides an ever increasing field for the extensions of the Corporation activities. A guide to the possibilities of growth is shown in the fact that at the end of 1946 there were 781 persons awaiting telephones and over 1500 at the end of 1947 despite the fact that the telephones in service increased by 2037 during the year 1947.

REVENUES AND EXPENDITURES

Total revenues for the Corporation amounted to \$723,546.09 of which \$38,768. came from the new subsidiary, The Gulf St. Lawrence Telephone Company Ltd. This compares with total revenue of \$550,377 in 1946, an increase of \$173,169. Local service revenues of the parent company were \$238,501. an increase of \$46,747 over 1946. Toll revenues were \$413,042. an increase of \$84,262. over 1946.

Total operating expenses were \$488,705 an increase of \$138,798 over 1946. These expenses do not include depreciation which amounted to \$73,684, taxes amounting to \$64,872. nor interest on the Company's debt amounting to \$27,133. \$69,151 being the Consolidated Net Profit was carried to Surplus account.

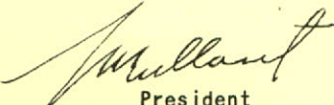
FINANCING

During the year the Corporation retired \$484,000. of funded debt and issued \$1,200,000. 3½% First Mortgage Bonds due 1st August 1967, the increase to be used for expansion, present and future and for the purchase of new equipment.

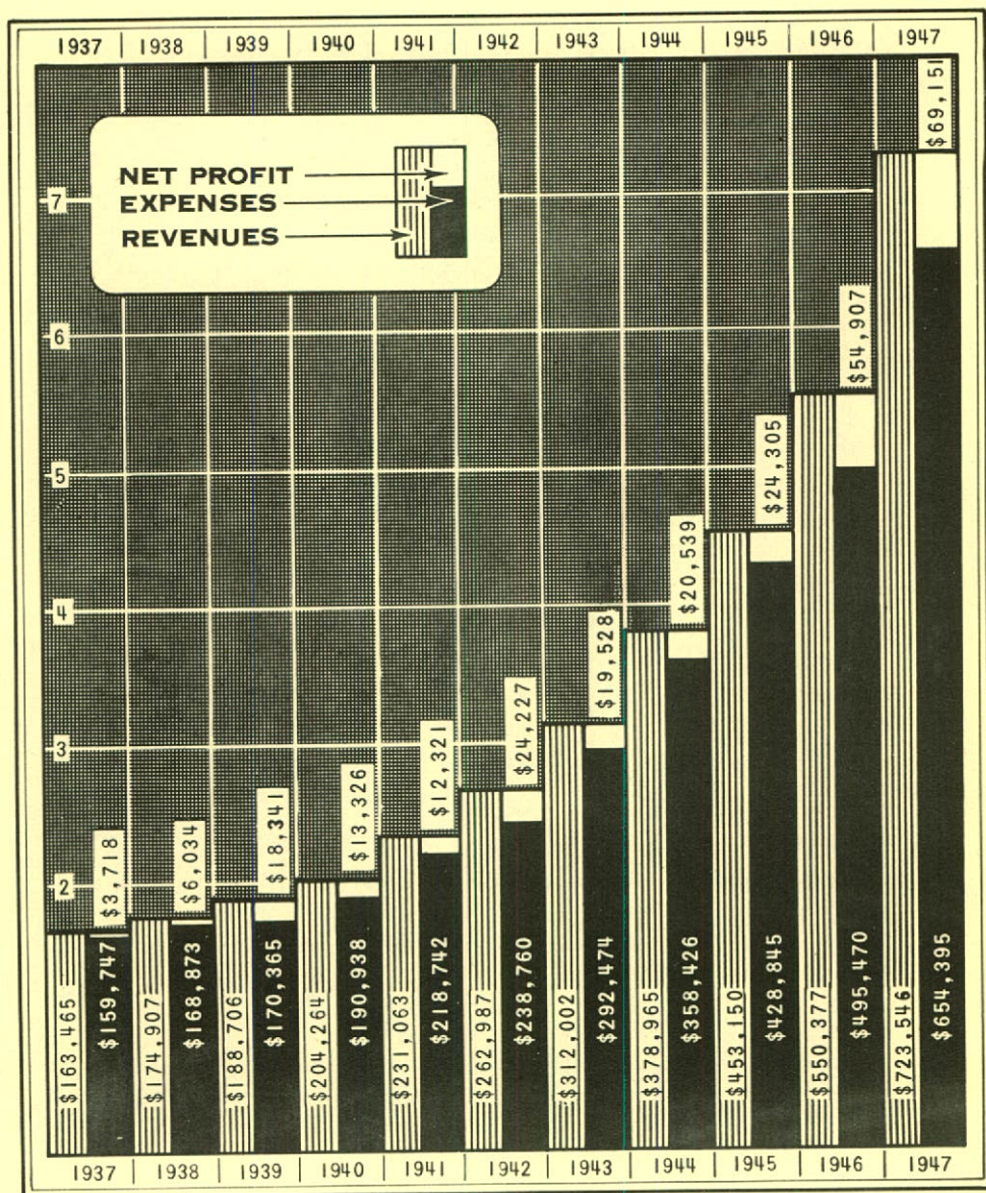
PERSONNEL

The relations between all ranks of the employees have been excellent throughout the year. In December the total number of employees rose to an all time high of 389.

Submitted on behalf of the Board,


President

REVENUE AND DISTRIBUTION OF REVENUE



QUEBEC TELEPHONE CORPORATION
AND SUBSIDIARY COMPANY

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND SURPLUS
for the years ended 31st December 1946 & 1947

	1 9 4 7	1 9 4 6
OPERATING REVENUE	\$ 719,711.40	\$ 546,389.01
OTHER REVENUE	3,834.69	3,988.12
TOTAL REVENUE	\$ 723,546.09	\$ 550,377.13
TOTAL OPERATING AND GENERAL EXPENSES	488,705.54	349,907.10
NET REVENUE BEFORE FINANCIAL EXPENSE AND DEPRECIATION	\$ 234,840.55	\$ 200,470.03
DEDUCT:		
INTEREST ON FUNDED DEBT	\$ 24,954.99	
AMORTIZATION OF BOND DISCOUNT AND EXPENSES AND OF PREMIUM PAID ON BONDS REDEEMED	2,178.02	
DEPRECIATION:		
PLANT AND EQUIPMENT	62,086.81	
OTHER FIXED ASSETS	11,597.53	100,817.35
NET PROFIT, BEFORE INCOME TAXES	\$ 134,023.20	\$ 121,311.58
DEDUCT:		
PROVISION FOR INCOME AND EXCESS PROFITS TAXES	64,871.93	66,404.67
NET PROFIT, FOR THE YEAR 1947	\$ 69,151.27	\$ 54,906.91
ADD:		
CONSOLIDATED SURPLUS, AS AT 31ST DECEMBER 1946	97,103.79	56,711.28
	\$ 166,255.06	\$ 111,618.19
DEDUCT:		
DIVIDEND DECLARED AND PAID IN 1947 ON CLASS "A" SHARES	\$ 14,514.40	
ADJUSTMENT OF DEPRECIATION FOR PREVIOUS YEARS	1,566.17	
REDUCTION IN BOOK VALUE OF INVESTMENTS, LESS SUNDRY ADJUSTMENTS	5,614.13	21,694.70
CONSOLIDATED SURPLUS, AS AT 31ST DECEMBER	\$ 144,560.36	\$ 97,103.79

THE 1946 PROFIT & LOSS STATEMENT IS SHOWN FOR INFORMATION PURPOSES
ONLY AS IT IS NOT DIRECTLY COMPARABLE TO 1947 DUE TO CHANGES IN THE
PARENT COMPANY AND SUBSIDIARIES.

**QUEBEC TELEPHONE
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET**

A S S E T S

FIXED ASSETS :

Plant, equipment, buildings, etc., at values as of 1st January 1947, as established in deeds of sale from former subsidiary companies, with subsequent additions at cost	\$ 2,566,751.44	
Office Furniture and general equipment at cost	92,192.55	\$ 2,658,943.99

INVESTMENTS :

Shares and bonds	\$ 32,816.00	
Miscellaneous loans	2,587.81	
Refundable portion of excess profits tax	8,053.21	43,457.02

CURRENT ASSETS :

Cash on hand and on deposit	\$ 266,669.21	
Miscellaneous accounts and advances due by subscribers and others, less reserve for doubtful accounts	157,866.03	
Inventories of materials and supplies, as determined and certified by employees of the companies and valued at the lower of cost or market	71,690.78	
Prepayments	4,425.19	500,651.21

UNAMORTIZED DEBT DISCOUNT AND EXPENSES

AND PREMIUM PAID ON BONDS REDEEMED

39,267.03

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS :

\$ 3,242,319.25

J. A. BRILLANT

T. A. BERNIER

Directors.

AUDITORS' REPORT

We have made an examination of the Consolidated Balance Sheet of The Quebec Telephone Corporation and Subsidiary Company as at 31st December 1947. In connection therewith, we tested the accounting records of the companies and other supporting evidence and obtained all the information and explanations which we required 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.

The fixed assets are shown at their respective acquisition prices which includes an increase of a net amount of \$ 121,336.77 which is credited to Reserve for Depreciation.

ONE CORPORATION

ARY COMPANY

T AS AT 31ST DECEMBER 1947

LIABILITIESCAPITAL 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 :

Authorized	\$ 5,000,000.00		
Issued:			
3½% first mortgage serial bonds due 1948 to 1957, series "A"		\$ 150,000.00	
3½% first mortgage sinking fund bonds due 1st August 1967, series "B"		<u>1,050,000.00</u>	1,200,000.00

BALANCE OF PURCHASE PRICE OF FIXED ASSETS :

Payable in instalments from 1948 to 1960	53,600.73
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CURRENT LIABILITIES :

Note payable	\$ 100,000.00	
Miscellaneous accounts payable and accrued charges	84,392.21	
Interest accrued on bonds	17,500.00	
Provision for income and excess profits taxes, less payments on account	36,789.99	
Reserve for repairs of damages caused by storm	<u>8,314.80</u>	246,997.00

RESERVE FOR DEPRECIATION OF FIXED ASSETS

821,018.95

SURPLUS as per attached statement

144,560.36

DEFERRED SURPLUS - Refundable portion of excess profits tax8,053.21\$ 3,242,319.25

- NOTES: (1) Under the terms of an agreement the company is obligated to spend approximately \$ 95,000.00 on extensions and improvements before the end of 1949.
- (2) Pending the issue of assessments for 1942 and subsequent years, the calculation of income and excess profits taxes has been based on the company's figures.

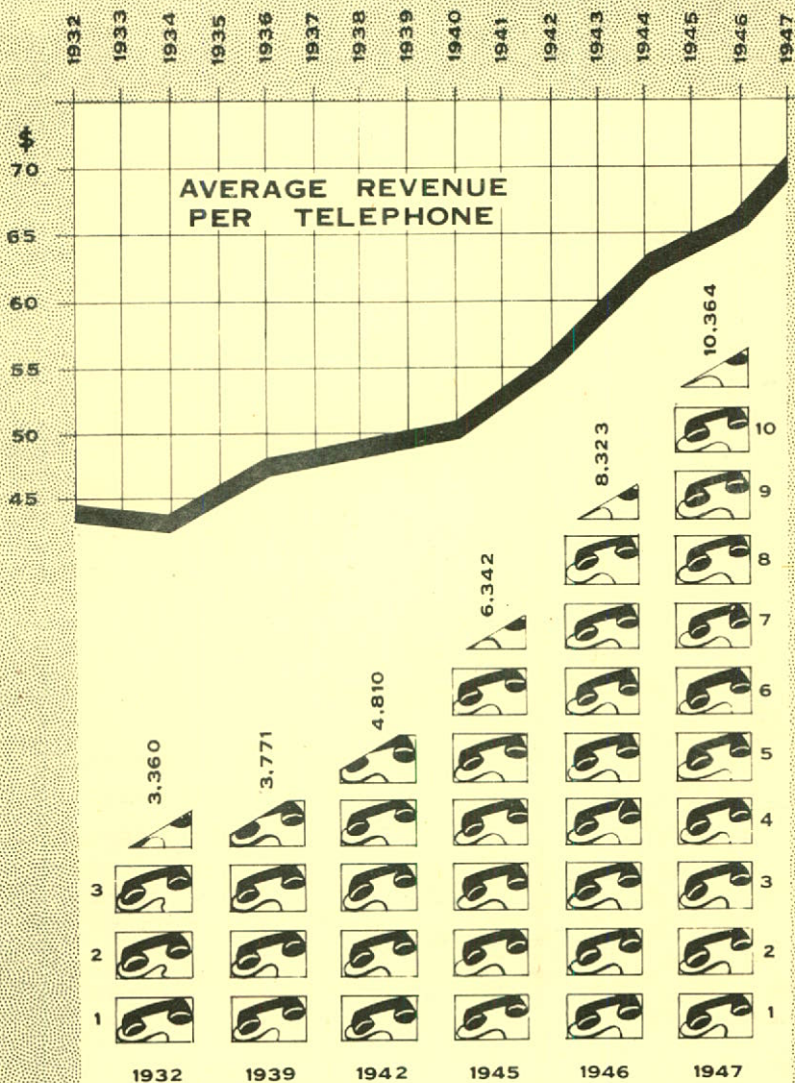
We report that, in our opinion, the above Consolidated Balance Sheet is drawn up so as to exhibit a true and correct view of the state of the consolidated affairs of the Corporation and its subsidiary, according to the best of our information and the explanations given to us and as shown by the books of the companies.

CHARTRE, SAMSON, BEAUVAIS, GAUTHIER & CIE,

MCDONALD, CURRIE & CO.

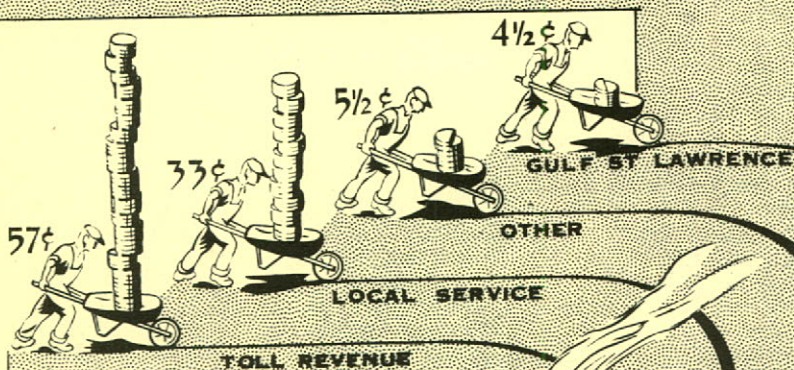
Chartered Accountants

QUEBEC, 5th April 1948.



TELEPHONES IN SERVICE

SOURCE OF INCOME DOLLAR



\$1.00

DISPOSITION OF INCOME DOLLAR

UNEMPLOYMENT
SALARIES GROUP
INSURANCE INTEREST SUPPLIES TAXES SURPLUS
PENSIONS DEPRECIATION

41½¢

2¢

4½¢

23¢

9½¢

10¢

9½¢

1947 HIGHLIGHTS



FORMATION OF A NEW SUBSIDIARY
"GULF ST. LAWRENCE TELEPHONE COMPANY"

FORMATION OF THE NEW CORPORATION
"QUEBEC TELEPHONE CORPORATION"



REDEMPTION OF \$480,000 OF BONDS
ISSUE OF \$1,200,000 OF NEW BONDS AT $3\frac{1}{2}\%$

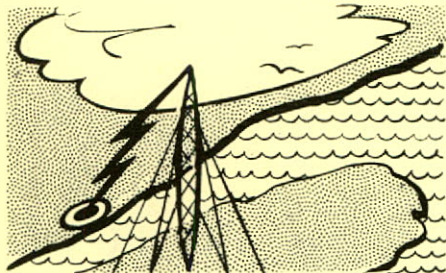


INCREASED THE NUMBER
OF TELEPHONES BY 2037



IMPROVEMENTS MADE TO
THE CIRCUITS AND SYSTEM
ADDED 830 MILES TO OUR TOLL NETWORK

1947 HIGHLIGHTS



NEW RADIOTELEPHONE CHANNEL ESTABLISHED
BETWEEN MATANE AND TRINITY BAY



TELETYPE SERVICE INAUGURATED
FOR THE USE OF NEWS SERVICES,
INDUSTRY, AND FOR AIRPORT NETWORK



1,111,000 LONG DISTANCE CALLS COMPLETED
20,000,000 LOCAL CALLS COMPLETED



EMPLOYEE STRENGTH REACHED A NEW HIGH -
389 PERSONS EMPLOYED IN DECEMBER 1947

QUEBEC TELEPHONE CORPORATION

TERRITORY SERVED BY TELEPHONE



TERRITORY SERVED BY TELEGRAPH



Prepared under the direction
of
CANADIAN BUSINESS MANAGEMENT
266 St. James St.W., Montreal

