

REPORT
OF THE
DIRECTORS TO THE SHAREHOLDERS
OF
THE BELL TELEPHONE
COMPANY *of* CANADA

FOR THE YEAR ENDED
31st DECEMBER
1939

THE BELL TELEPHONE COMPANY OF CANADA

BEAVER HALL BUILDING
MONTREAL

DIRECTORS

*WILLIAM F. ANGUS	-	-	-	-	Montreal
HON. HENRY COCKSHUTT, LL.D.	-	-	-	-	Brantford
*JAMES A. ECCLES	-	-	-	-	Montreal
SIR GEORGE GARNEAU	-	-	-	-	Quebec
WALTER S. GIFFORD	-	-	-	-	New York
*C. EDOUARD GRAVEL	-	-	-	-	Montreal
WILLIAM H. HARRISON	-	-	-	-	New York
*FREDERICK JOHNSON	-	-	-	-	Montreal
JAMES M. MACDONNELL	-	-	-	-	Toronto
*PAUL A. MCFARLANE	-	-	-	-	Montreal
HON. SIDNEY C. MEWBURN, K.C.	-	-	-	-	Hamilton
GLYN OSLER, K.C.	-	-	-	-	Toronto
*ARTHUR B. PURVIS	-	-	-	-	Montreal
*CHARLES F. SISE	-	-	-	-	Montreal
*PAUL F. SISE	-	-	-	-	Montreal

**Members of Executive Committee*

OFFICERS

C. F. SISE	-	-	-	-	<i>President</i>
P. A. MCFARLANE	-	-	-	-	<i>Vice-President</i>
F. JOHNSON	-	-	-	-	<i>Vice-President</i>
J. H. BRACE	-	-	-	-	<i>Vice-President</i>
F. G. WEBBER	-	-	-	-	<i>Secretary</i>
J. R. LOGAN	-	-	-	-	<i>Treasurer</i>
J. CLEUGH	-	-	-	-	<i>Comptroller</i>
PIERRE BEULLAC, K.C.	-	-	-	-	<i>General Counsel</i>
J. N. GROLEAU	-	-	-	-	<i>General Manager, Montreal</i>
H. G. YOUNG	-	-	-	-	<i>General Manager, Toronto</i>

Sixtieth Annual Report of the Directors

FOR THE YEAR ENDED 31st DECEMBER, 1939

To the Shareholders:

Your Directors herewith submit their report for the year 1939, together with the Income Statement for the year and the Balance Sheet as of December 31, 1939. This is our Sixtieth Annual Report, the Company having been incorporated on the 29th of April, 1880.

Throughout 1939 general business activity improved steadily, the average for the entire year being substantially higher than in 1938. Some of the acceleration was due to the outbreak of the war in the latter part of the year. Consequently the business of the Company has been favourably affected both in respect to the demand for additional telephones and in long distance revenue.

During the year 193,983 telephones were connected and 173,383 disconnected, a net gain of 20,600 as compared with 18,804 in 1938.

At the end of the year 785,455 telephones were in service of which 277,634 were business and 507,821 residence telephones. The gain during the last week of December brought the total telephones to an all time high, the previous maximum being attained in December 1930, when the Company had 784,796 telephones in service. It has taken five and a half years to regain the loss of 115,893 telephones experienced during the preceding three and a half

years from the beginning of 1931 to the middle of 1934.

Other telephone systems in Ontario and Quebec with which we interchange service now number 884, serving 146,112 telephones.

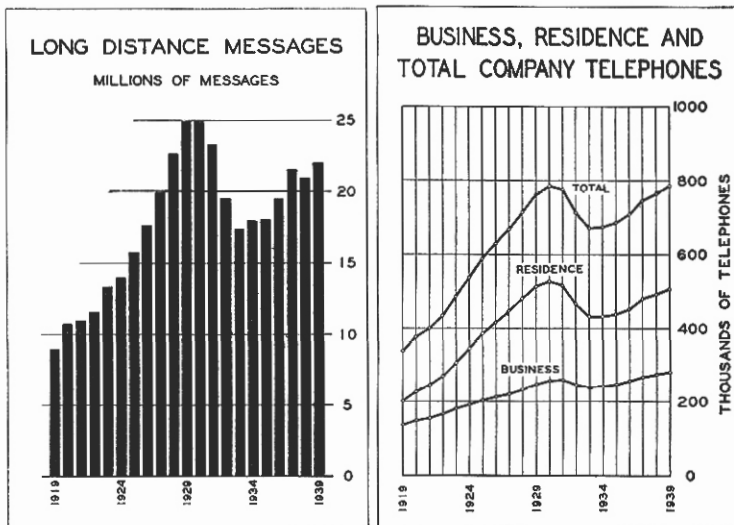
Revenues

Local service revenue was \$31,302,131, an increase of 2.6 per cent over 1938.

Long distance revenue was \$9,675,769, an increase of 7.7 per cent.

Miscellaneous revenues and other income were \$2,160,162, a decrease of 1.2 per cent from 1938.

The gross revenue from all sources amounted to \$43,138,062, an increase of \$1,443,083 or 3.5 per cent over 1938.



Expenses

Operation and maintenance expenses for the year 1939 were \$718,981 or 3.5 per cent higher than in 1938

due mainly to the cost of maintaining the added plant and equipment required to meet the additional service demands, and to higher contributions to the Employees' Pension Fund in accordance with an actuarial study of the Fund completed during 1938. Taxes, including taxes on non-operating income, amounted to \$3,113,000 for the year 1939, an increase of \$89,616 over the previous year.

Fixed Charges

There was an increase of \$570,585 in fixed charges over the year 1938. Of this amount, \$372,917 was the result of overlapping interest charges due to the new financing effected on August 1st, as described below. The balance of the increase was due mainly to the cost of United States funds required for the payment of interest on Series A, B, and C bonds.

Net Income and Dividends

The net income available for dividends amounted to \$6,509,448 or \$8.09 per share of average outstanding capital stock.

Quarterly dividends at the rate of \$2.00 per share were paid throughout the year and totalled \$6,440,338, leaving a balance of \$69,110 carried to surplus.

Financing

Acting on the authority given by the shareholders on February 23, 1939, the Directors issued on August 1, 1939, \$25,000,000 First Mortgage 3¼ per cent Twenty-five Year Bonds, Series D, payable in Canadian funds only. These bonds were sold privately to eight

Canadian and four American institutions at a price of 102 United States funds, for a total amount of \$25,500,000.

The purpose of this new issue was to provide the major portion of the \$31,500,000 required for the redemption at 105 per cent of \$30,000,000 Series A 5 per cent bonds which are payable as to principal and interest in Canadian or United States funds at the holder's option. The balance of \$6,000,000 was provided as follows: \$3,000,000 from the Company's treasury, and \$3,000,000 by a one-year bank loan in Canadian funds, at $2\frac{3}{4}$ per cent interest. The Company has the option of extending this loan to August 1, 1947, at the same rate of interest.

The sum of \$31,500,000 was deposited in United States funds with the Trustee of the Company's bond issues. Subsequently Series A bonds were formally called for redemption on March 1, 1940, at 105 per cent, accompanied by the Company's offer to pay the bonds, on and after December 15, 1939, with interest to March 1, 1940. To date the majority of Series A bonds have been surrendered, paid and cancelled.

To complete this programme it is desirable that the Company exercise its option to extend the one-year loan by issuing to its bankers \$3,000,000 $2\frac{3}{4}$ per cent unsecured obligations, maturing August 1, 1947, but redeemable by the Company in whole or in part on any interest date. For this purpose the Directors will ask the shareholders at the Special General Meeting called for February 29th for authority to issue obligations ranking junior to the Company's First Mortgage bonds. The amount of authority desired has been set at \$10,000,000 in order to cover not only

the \$3,000,000 bank loan but also possible future requirements.

Substantial annual savings in interest charges, as well as the elimination of the risk of high premiums on United States funds, will be effected by this financing. Under today's war-time conditions similar favourable financing would not be possible.

The only other permanent financing during 1939 was the issue of 8,355 shares of capital stock, of a par value of \$835,500, to employees who had completed instalment payments on subscriptions under the Employees' Stock Plan.

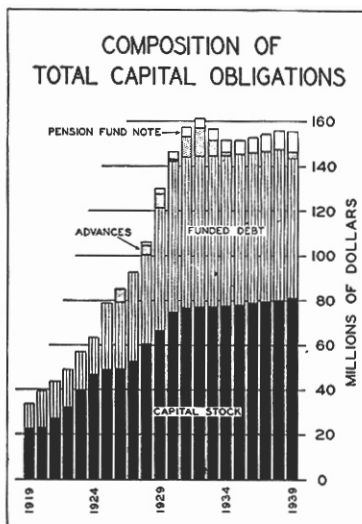
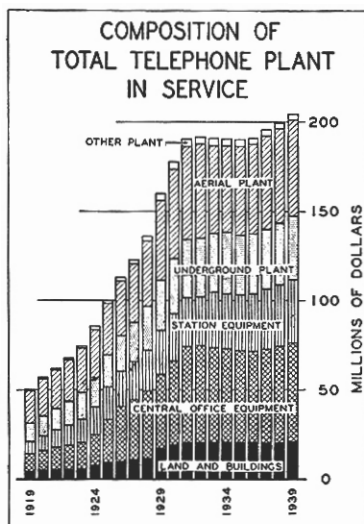
Distribution of Stock

As of December 31, 1939, there were 20,584 shareholders, a decrease of 16 during the year. Those living in Canada number 19,193, or 93.2 per cent, and hold 68.4 per cent of the outstanding stock. Over 86 per cent of all shareholders reside in Ontario and Quebec. The percentage of shareholders residing in the United Kingdom and other parts of the British Empire is 2.2 holding 4.0 per cent of the stock, while 4.6 per cent of shareholders live in the United States and other foreign countries and hold 27.6 per cent of stock. The latter figure includes the American Telephone and Telegraph Company's holding of 23.2 per cent.

The average holding per shareholder (excluding American Telephone and Telegraph Company) remains at 30 shares.

The proportion of women shareholders is 56.6 per cent. They hold 23.2 per cent of the stock.

Employees numbering 3,621 hold 36,620 shares, representing 4.5 per cent of the total shares outstanding.



Plant

Gross additions to the Company's plant in 1939 amounted to \$15,128,000 of which the principal items were:

Land and Buildings	\$ 584,000
Central Office Equipment	2,756,000
Subscribers' Station Equipment	6,974,000
Outside Plant	4,264,000

The gross construction for 1939 was above that for 1938 by \$1,003,000.

The original cost of plant retired from service during the year was \$10,032,000.

These additions and retirements resulted in a net increase of \$5,096,000 in plant and equipment as compared with net additions of \$4,004,000 in the year 1938.

Buildings

Buildings to house new dial central offices were completed at the following points:

Montreal (Clairval)
Hamilton
Peterborough
St. Lambert
Longueuil
Boucherville
Hudson
Rigaud

Vaudreuil
St. Vincent de Paul
L'Abord-a-Plouffe
Magog
Morin Heights
Ancaster
Penetanguishene

Buildings to house manual central office equipment were erected at Arnprior and Napanee.

Our principal commercial office in Toronto was completely remodelled. Approximately 50,000 customers have occasion to transact business there each month.

Equipment

At the end of the year there were 503,357 dial-operated telephones, constituting 93.4 per cent of the telephones in those places where dial service is furnished, and 64.1 per cent of the total telephones in service.

In Montreal, Toronto, and Ottawa, existing dial equipments were extended, the Ottawa installation replacing the "Rideau" manual office.

Magneto switchboards were replaced—in some cases by dial equipment, and in others by central energy manual switchboards—at the following points:

L'Abord-a-Plouffe
St. Vincent de Paul
Hudson
Rigaud
Vaudreuil
Longueuil
Ancaster
Penetanguishene
Huntsville
Bracebridge

Picton
Gravenhurst
Carleton Place
Clinton
Meaford
Seaforth
Arnprior
Parry Sound
Perth

Brownsburg and Boucherville were established as new exchange centres served by small dial offices. At Peterborough, St. Lambert, St. Johns, and Copper Cliff, dial equipment was introduced, replacing manual common battery service.

Long Distance Plant

Extensive reconstruction and enlargement of our facilities between Quebec and New Brunswick was completed during the year, providing improved service with all points in the Maritime provinces. These facilities will be further increased by the introduction of carrier systems during the present year.

Trans-Canada Telephone System

The volume of traffic handled over the Trans-Canada System during 1939 was 14.5 per cent greater than that for the previous year. The greater part of this increase occurred during the last four months of the year and was apparently due to activities arising out of the war. The increase during the first eight months was about 4 per cent.

The grade of service on traffic routed over the Trans-Canada System continued at a satisfactory level. More than 90 per cent of the calls offered were completed, and 80 per cent of the traffic was handled while the customer remained at the telephone.

Maintenance

The Company's plant and equipment have been well maintained. Troubles reported by customers were at the rate of one per telephone in 14 months, which is on a par with the previous year. Troubles on long distance lines were at a reasonably low level, and were cleared promptly.

Service

Service rendered by the Company has been kept at a high standard throughout the year. We were able to complete 93.4 per cent of long distance calls and the average time required to establish connection was 78 seconds. The number of calls handled while the customer remained at the telephone was 93.3 per cent—a factor contributing to speed of service.

More than 50 per cent of all subscribers' orders for telephone installations were completed by the end of the first business day following receipt of the order. Practically all installations were made at the time pre-arranged with the customer.

Employees' Pension and Benefit Plan

The Plan for Employees' Pensions, Disability Benefits and Death Benefits has now been in operation for twenty-two years. It is non-contributory, all the costs being paid by the Company. There was a balance of \$9,292,219 in the Pension Fund at the end of 1939. This Fund is irrevocably dedicated to service pension purposes. The Plan has been amended, effective January 1, 1940, to provide more liberal benefits in cases of Accident and Sickness Disability to employees of long service.

During the year 1939, \$680,615 was paid in 3,127 cases for Pensions, Disability Benefits, and Death Benefits divided as follows:

	No. of Cases	Amount
Pensions	573	\$347,657
Accident Benefits (including expenses)	178	16,546
Sickness Benefits	2,280	219,596
Death Benefits	96	96,816

Employees' Stock Plan

The Stock Plan, inaugurated in 1922, continues to be a popular medium for the investment of employees' savings. Of 9,345 employees eligible to subscribe, 6,853 are now subscribing for 41,321 shares.

Life Insurance

Under the Employees' Life Insurance Plan adopted in 1927, whereby premiums are paid through deductions from pay, 2,919 employees are carrying \$11,511,600 of life insurance—an average of \$3,953 per employee.

War Service

Upon the outbreak of war in September last, the Company established a policy of providing for the dependants of employees who enlist in the Militia or Active Service Forces.

Ninety-three employees had enlisted for war service up to the end of the year.

The Royal Tour

It was our privilege to contribute in a rather unique way to the comfort of Their Majesties, King George and Queen Elizabeth, during their historic visit to Canada and the United States in May and June of last year.

The Royal Train was equipped by your Company with a Private Branch Exchange telephone system, providing intercommunicating service 24 hours a day through the entire train for the whole period of the tour.

With the co-operation of other telephone systems in Canada and the United States, connection was established at all stops of more than two hours. Some 5,000 calls were handled during the trip including a large number to and from Great Britain.

First Aid and Safe Driving Record

In the Dominion-wide First Aid competitions conducted under the auspices of the St. John Ambulance Association, Bell Telephone teams won both the Montizambert Trophy and the Sir George Burn Trophy emblematic of the men's and women's championships of Canada. The Mountgarret Trophy, awarded annually to the individual making the highest score in these competitions was also won by a Bell employee. During the year the Company's fleet of trucks and motor cars travelled nearly 7,000,000 miles. Over 725 drivers of these vehicles who appreciate that safe, courteous, considerate driving is an important part of a telephone man's job, received safe-driving awards. Many of these awards were in recognition of six or more consecutive years of driving without an accident of any kind.

Board of Directors

In the death on March 7th last of Mr. J. E. Macpherson, a Vice-President, and member of the Board since 1930, your Company was deprived of the counsel and fellowship of one who was richly endowed and greatly esteemed. Mr. Macpherson's telephone career compassed a period of forty-seven years, twenty-eight of which were spent as the Company's representative at Ottawa. At the National Capital he entered with whole-hearted devotion into the business and social life of the community, giving unselfishly of his time and strength to countless projects of social welfare and national well-being. When he came to Montreal as Vice-President in 1925 he quickly made a place for himself in the business, social and welfare activities of the city. By the entire employee body of the Company he was looked upon as an especial friend and counsellor.

At the April meeting of the Board Mr. F. Johnson, Vice-President, was appointed to the seat made vacant by the death of Mr. Macpherson. Mr. Johnson was granted leave of absence by the Board at their November meeting, upon his appointment to the post of Director of Administration of the British Purchasing Commission at New York.

In May, Mr. Charles P. Cooper of New York, because of pressure of other duties, resigned from the Board. Mr. William H. Harrison, of New York, Vice-President and Chief Engineer of the American Telephone and Telegraph Company, was appointed to fill the vacancy.

Staff

In April last, Mr. J. H. Brace who had been General Manager since 1930 of your Company's Western Area with headquarters at Toronto, was appointed to succeed the late Mr. J. E. Macpherson as Vice-President in charge of Personnel and Public Relations.

The Company's great resources in efficient, intelligent and loyal men and women employees cannot be set down in the Balance Sheet. All the more it is appropriate to pay tribute to them in this report. Science and the precision of mechanical and electrical devices combine to carry us to a certain point in our task of providing a high standard of telephone service. Human hands then pick up and carry on. The Company has always been fortunate in the high character and skill of its workers, and it is a pleasure to acknowledge their part in the success of the year under review.

For the Board of Directors,

C. F. SISE,

MONTREAL, February 14, 1940.

President.

STATISTICS

December 31, 1939

NUMBER OF TELEPHONES:

Company Owned—Manual Service.....	282,098	
“ “ —Dial Service.....	503,357	
	785,455	
Connecting and Miscellaneous.....		146,112
Total Telephones.....		931,567

NUMBER OF CENTRAL OFFICES..... 412

NUMBER OF OWNED BUILDINGS..... 128

MILES OF POLE LINES..... 23,149

MILES OF WIRE:

In Underground Cable.....	2,526,872	
In Aerial Cable.....	903,878	
Open Wire.....	221,709	
	3,652,459	

MILES OF SUBWAY (Length of Street Occupied)..... 1,009

MILES OF DUCT..... 5,094

AVERAGE DAILY CONNECTIONS: (Year 1939)

Local.....		5,838,000
Toll.....		60,000

NUMBER OF EMPLOYEES:

Male.....	4,703	
Female.....	5,008	
	9,711	

TOTAL PAY ROLL FOR YEAR 1939..... \$16,928,845

NUMBER OF SHAREHOLDERS:

In Canada.....	19,193	
Elsewhere.....	1,391	
	20,584	

THE BELL TELEPHONE COMPANY OF CANADA
DESCRIPTIVE BALANCE SHEET—DECEMBER 31, 1939

Assets

FIXED CAPITAL:

Land and Buildings.....	\$ 21,204,018.93	
Cost of real estate owned by the Company.		
Telephone Plant and Equipment.....	180,911,720.67	
Cost of central office and subscribers' station equipment, poles, wire, cable, underground conduit, right-of-way, etc.		
General Equipment.....	3,340,573.43	
Cost of office furniture and fixtures, storeroom and garage equipment, motor vehicles and tools and implements.		
		\$205,456,313.03

INVESTMENT SECURITIES:

Subsidiary Companies.....	\$ 13,824,751.26	
Other Investment Securities.....	534,245.07	
Cost of shares in Subsidiary Companies and other investment securities. The aggregate of market values where available and book values where market values are not available exceeds the stated cost.		
		14,358,996.33

CURRENT ASSETS:

Cash.....	\$ 343,948.22	
Cash available for current needs.		
Special Cash Deposit.....	15,477,850.00	
Balance of cash deposited with Trustee for the purpose of redeeming Series "A" bonds called for redemption, including premium and interest.		
Temporary Cash Investments.....	146,620.00	
Cost of short term securities. Market value as of December 31, 1939, \$147,750.00.		
Material and Supplies.....	3,299,262.89	
Material and supplies, principally for construction and maintenance purposes, held at cost in storerooms and yards less a reserve of \$25,226.23. Physical inventories were taken during September and October, 1939.		
Notes Receivable from Subsidiary Companies.....	326,000.00	
Notes due on demand or within one year from date of issue.		

Accounts Receivable and Other Current

Assets:		
Subsidiary Companies.....	\$ 95,761.04	
Customers and Others and Other Current Assets.....	3,623,014.18	
Current accounts due the Company for service (less provision for uncollectible accounts), interest, dividends, rents and sundry miscellaneous items; also cash held by employees and agents as working funds.		
		3,718,775.22
		23,312,456.33

DEFERRED DEBITS:

Prepayments.....	\$ 731,498.84	
Rents, taxes, insurance, cost of directories and other expenses prepaid and applicable to period subsequent to December 31, 1939.		
Discount on Long Term Debt.....	1,110,237.92	
Balance of unamortized discount and expense pertaining to bonds.		
Redemption Premium on Long Term Debt.....	1,512,097.59	
Unamortized premium and expense pertaining to bonds called for redemption.		
Other Deferred Debits.....	505,478.08	
Miscellaneous items, the final disposition of which had not been determined at December 31, 1939.		
		3,859,312.43

TOTAL ASSETS.....		\$246,987,078.12
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Approved for Board of Directors:

W. F. ANGUS, Director.
C. E. GRAVEL, Director.

THE BELL TELEPHONE COMPANY OF CANADA
DESCRIPTIVE BALANCE SHEET—DECEMBER 31, 1939

Liabilities

CAPITAL STOCK:		
Common Stock—Authorized 1,500,000 shares, par value \$150,000,000.00—Outstanding fully paid 808,796 shares.....		\$ 80,879,600.00
LONG TERM DEBT:		
Bonds—First Mortgage:		
Series B—Maturing June 1, 1957—5%.....	\$ 30,000,000.00	
Series C—Maturing May 1, 1960—5%.....	\$14,500,000.00	
Less—Held in Treasury.....	7,000,000.00	
	<u>7,500,000.00</u>	
Series D—Maturing August 1, 1964—3¼%.....	25,000,000.00	
Notes.....	8,878,935.79	
Notes sold to Trustee of Pension Fund.....		<u>71,378,935.79</u>
LOANS		3,000,000.00
Loans from Bank.		
CURRENT LIABILITIES:		
Bonds Called for Redemption.....	\$ 15,477,850.00	
Balance of Series "A" bonds presently payable, including premium and interest.		
Notes Payable to Subsidiary Companies.....	102,689.39	
Notes payable on demand.		
Advance Billing and Payments.....	1,080,807.04	
Advance billing and payments for telephone service.		
Accounts Payable and Other Current Liabilities:		
Subsidiary Companies.....	\$1,060,845.75	
Other Accounts Payable and Other Current Liabilities.....	711,774.27	
Amounts owing for supplies, pay rolls and sundry miscellaneous items which are in process of settlement.		
	<u>1,772,620.02</u>	18,433,966.45
ACCRUED LIABILITIES NOT DUE:		
Taxes.....	\$ 1,429,159.85	
Dominion, Provincial and Municipal taxes applicable to period ended December 31, 1939, but not due until after that date.		
Other.....	2,305,273.88	
Interest, dividends and rents applicable to period ended December 31, 1939, but not due until after that date.		
		<u>3,734,433.73</u>
DEFERRED CREDITS:		
Employees' Stock Plan—Instalment Payments.....	\$ 2,205,680.68	
Instalments paid by employees who are subscribing for capital stock, together with interest thereon.		
Premium on Long Term Debt.....	379,198.90	
Balance of unamortized premium less expense pertaining to bonds outstanding.		
Other Deferred Credits.....	5,787.04	
Miscellaneous items, the final disposition of which had not been determined at December 31, 1939.		
		<u>2,590,666.62</u>
DEPRECIATION RESERVE		55,497,237.61
Provision for the ultimate retirement of depreciable plant when it has served its useful life.		
PREMIUMS ON CAPITAL STOCK		6,854,603.74
Amount received in excess of par value.		
UNAPPROPRIATED SURPLUS:		
Capital Surplus:		
Balance at January 1, 1939.....	\$ 2,182,143.94	
Miscellaneous Additions (net).....	6,698.37	
	<u>2,188,842.31</u>	
Balance at December 31, 1939.....	\$ 2,188,842.31	
Earned Surplus:		
Balance at January 1, 1939.....	\$ 2,359,203.88	
Surplus for year (after dividends)...	69,109.99	
Miscellaneous Additions (net).....	478.00	
	<u>2,428,791.87</u>	
Balance at December 31, 1939.....		<u>4,617,634.18</u>
TOTAL LIABILITIES		<u><u>\$246,987,078.12</u></u>

J. CLEUGH, Comptroller.

THE BELL TELEPHONE COMPANY OF CANADA

DESCRIPTIVE INCOME STATEMENT

Year Ended December 31, 1939

TELEPHONE OPERATING REVENUES	\$ 42,810,973.60	
Revenues from local and toll service, telephone directory advertising and miscellaneous telephone operations.		
Less:		
Uncollectible Operating Revenues.....	140,107.95	
Revenues which have proved to be uncollectible.		
TOTAL OPERATING REVENUES		\$ 42,670,865.65
TELEPHONE OPERATING EXPENSES:		
Operation Expenses.....	\$ 12,643,605.04	
Cost of operating the telephone property, including operators' wages and expense of handling messages, billing and collecting subscribers' accounts, directories, sickness, accident and death benefits, pensions, rents, etc. (Salaries paid to Executive Officers \$133,629.88; Salaries and fees paid to Counsel and other legal advisers \$29,340.16; and fees paid to Directors and members of the Executive Committee \$26,700.00 of which \$7,200.00 was paid and accounted for by Subsidiary Companies.)		
Current Maintenance.....	8,567,206.91	
Cost of inspection, repairs and rearrangements required to keep the telephone plant and equipment in good operating condition.		
Depreciation.....	7,735,068.00	
Provision to meet loss of investment when depreciable property is retired from service, based on rates of depreciation for the different classes of property which spread this loss of investment uniformly over its service life.		
TOTAL OPERATING EXPENSES		28,945,879.95
NET OPERATING REVENUES		\$ 13,724,985.70
Operating Taxes:		
Income Taxes.....	\$ 1,186,200.00	
Other Taxes.....	1,917,300.00	
Dominion, Provincial and Municipal taxes applicable to the current year.		
		3,103,500.00
NET OPERATING INCOME		\$ 10,621,485.70
Net Non-Operating Income:		
Income from Investment Securities.....	\$ 262,944.78	
Dividends and interest received from investment securities owned by the Company.		
Other Non-Operating Income (net).....	64,143.57	
Interest on temporary cash investments and other miscellaneous income less expenses incident thereto including Income Taxes of \$9,500.00 on non-operating income.		
		327,088.35
INCOME AVAILABLE FOR FIXED CHARGES ...		\$ 10,948,574.05
Fixed Charges:		
Bond Interest.....	\$ 3,708,693.56	
Interest charges on outstanding bonds.		
Other Interest.....	480,870.40	
Interest charges on other debt obligations.		
Amortization of Discount on Long Term Debt.....	69,556.92	
Proportion of discount and expense applicable to the year in connection with outstanding bond issues.		
Amortization of Premium on Long Term Debt—		
<i>Credit</i>	6,480.18	
Proportion of premium less expense applicable to the year in connection with outstanding bond issue.		
Other charges.....	186,485.64	
		4,439,126.34
BALANCE AVAILABLE FOR DIVIDENDS		\$ 6,509,447.71
Dividends.....		6,440,337.72
Dividends to owners of outstanding common stock.		
BALANCE FOR EARNED SURPLUS		\$ 69,109.99

J. CLEUGH, Comptroller.

MONTREAL, QUE.,

January 31, 1940.

AUDITORS' REPORT

THE BELL TELEPHONE COMPANY OF CANADA,
MONTREAL.

We have made an examination of the financial accounts of The Bell Telephone Company of Canada for the year ended December 31, 1939. In connection therewith we examined or tested accounting records of the Company and supporting evidence and made a general review of its accounting methods, but we did not examine the details of all transactions. We have obtained all the information and explanations we have required.

The Balance Sheet and the Income Statement of The Bell Telephone Company of Canada herewith submitted do not include the assets, liabilities or the operating results of the Subsidiary Companies otherwise than as investments and through inclusion of dividends received. The operations of the Subsidiary Companies for the year ended December 31, 1939, resulted in an aggregate net profit.

In our opinion, based upon such examination, the attached Balance Sheet and Income Statement are drawn up in accordance with accepted principles of accounting consistently maintained by the Company during the year under review so as to exhibit a correct view of the financial position of the Company at December 31, 1939, and of the results from operations for the year ended that date according to the information and explanations received by us and as shown by the books of the Company.

(Signed) P. S. ROSS & SONS,
*Chartered Accountants,
Auditors.*

**TRUSTEE'S REPORT OF PENSION TRUST FUND
ESTABLISHED BY
THE BELL TELEPHONE COMPANY OF CANADA**

BALANCE IN FUND—December 31, 1938.....	\$8,254,745.84
Additions to Fund during 1939—	
Payments into Fund by Company.....	\$1,025,130.73
Interest Revenue, less amortization of premium on investments.....	339,019.72
Total Additions.....	\$1,364,150.45
Disbursements for Pensions during 1939.....	326,677.16
Net Increase in Fund.....	\$1,037,473.29
BALANCE IN FUND—December 31, 1939.....	\$9,292,219.13
Comprised of—	
4% Demand Note of The Bell Telephone Company of Canada.....	\$8,878,935.79
Bonds of The Bell Telephone Company of Canada—at cost less amortization of premium to date.....	407,866.67
Bond Interest accrued but not due.....	5,416.67
Total.....	\$9,292,219.13

We certify that the above statement of the balance in the Pension Trust Fund established by The Bell Telephone Company of Canada, for which Fund this company is Trustee, is correct.

THE ROYAL TRUST COMPANY, *Trustee.*

By: GEO. G. W. GOODWIN,
Assistant Secretary.

By: M. T. F. LAVERTY,
Assistant Secretary.

MONTREAL, 6TH JANUARY, 1940.

GROWTH IN NUMBER OF TELEPHONES OWNED BY COMPANY

