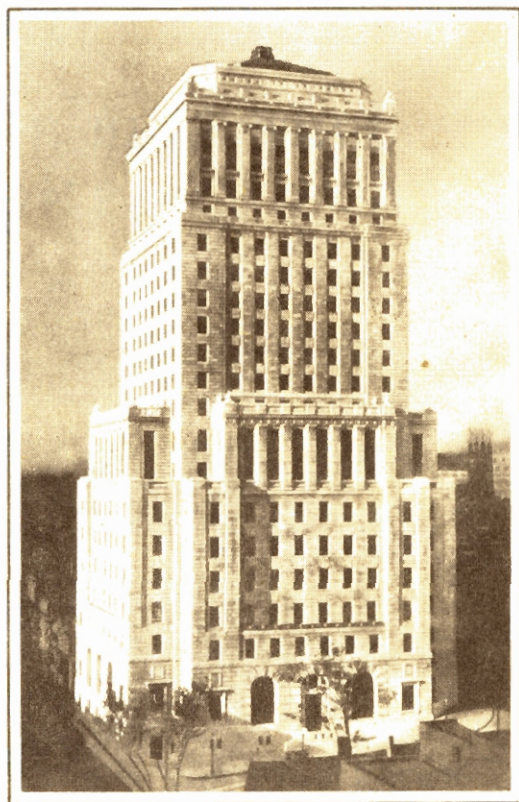


ANNUAL REPORT

YEAR ENDED DECEMBER 31, 1940



THE BELL TELEPHONE COMPANY
OF CANADA

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

FOR THE YEAR ENDED
31ST DECEMBER
1940

THE BELL TELEPHONE COMPANY OF CANADA

BEAVER HALL BUILDING
MONTREAL.

✓

DIRECTORS

*WILLIAM F. ANGUS	-	-	-	-	Montreal
HON. HENRY COCKSHUTT	-	-	-	-	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
*RT. HON. ARTHUR B. PURVIS, P.C.	-	-	-	-	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>

Sixty-first Annual Report of the Directors

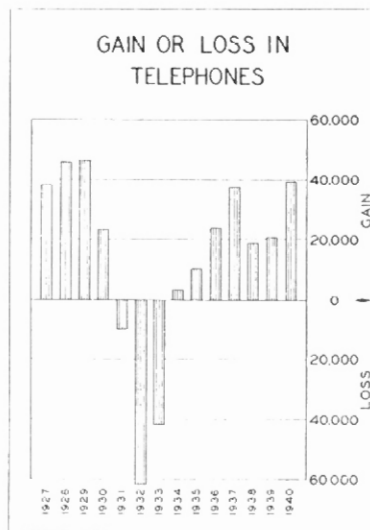
FOR THE YEAR ENDED 31st DECEMBER, 1940

To the Shareholders:

Your Directors herewith submit their report for the year 1940, together with the Income Statement for the year and the Balance Sheet as of December 31, 1940.

General business activity, augmented and accelerated by war conditions throughout the whole of 1940, was substantially higher than in 1939 and resulted in a greatly increased demand for both local and long distance telephone service.

During the year 223,478 telephones were connected and 184,236 disconnected, a net gain of 39,242 as compared with 20,600 in 1939.



At the end of the year 824,697 telephones were in service of which 289,767 were business and 534,930 residence instruments. The number of telephones in service, both business and residence, is the highest in the history of the Company. In November the gain in residence telephones brought the total of this class above the previous maximum of 528,467 attained in December 1930. Business telephones at the end of the year were 11.7 per cent above the previous maximum

development reached in June 1931. Total telephones in service are 39,901 above the previous peak of December 1930 and 155,794 greater in number than the depression low reached in July 1934.

Other telephone systems in Ontario and Quebec with which we interchange service now number 883, serving 150,540 telephones.

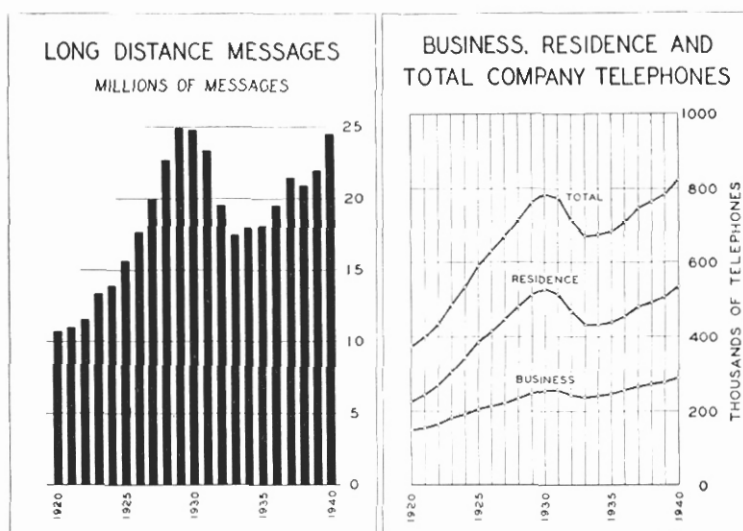
Revenues

Local service revenue was \$32,737,603, an increase of 4.6 per cent over 1939.

Long distance revenue was \$11,356,004, an increase of 17.4 per cent.

Miscellaneous revenues and other income were \$2,415,005, an increase of 11.8 per cent over 1939.

The gross revenue from all sources amounted to \$46,508,612, an increase of \$3,370,550 or 7.8 per cent over 1939, and the highest in the history of the Company.



Expenses

Operation and maintenance expenses for the year 1940 were higher by \$1,242,145 or 5.9 per cent than in 1939 due to the cost of handling the increased local and long distance business and to maintaining the added plant and equipment required to meet the expansion in the demand for service.

Taxes, including taxes on non-operating income, amounted to \$5,465,000 for the year 1940, an increase of \$2,352,000 or 75 per cent over the previous year. Income taxes and the new Excess Profits tax account for practically the entire increase, the latter amounting to approximately \$1,480,000.

In addition, taxes levied by various governments and totalling \$1,033,000 were collected directly from telephone users by inclusion in the regular bills for service. Thus, the total taxes paid by and through this Company amounted to \$6,498,000 for the year 1940.

Fixed Charges

Fixed charges for the year 1940 decreased \$541,535 due principally to the new financing effected on August 1, 1939, whereby Series A bonds were redeemed and replaced by bonds and notes payable only in Canadian funds. This saving was partially offset by an increase in the cost of United States funds required for the payment of interest on bonds still payable in that currency and by the amortization of the redemption premium and expenses incurred in the retirement of Series A bonds.

Net Income and Dividends

The net income available for dividends amounted to \$6,690,542 or \$8.20 per share of average outstanding capital stock.

Quarterly dividends at the rate of \$2.00 per share were paid and totalled \$6,524,680, leaving a balance of \$165,862 carried to surplus.

Financing

On February 29, 1940, the shareholders authorized the Directors to issue \$10,000,000 of obligations ranking junior to the Company's First Mortgage bonds.

Acting on this authority, in June 1940, the Directors issued \$3,000,000 seven and one-half year $2\frac{3}{4}\%$ Notes to the Company's bankers; these Notes are dated February 1, 1940, mature August 1, 1947, and are redeemable at the Company's option, in whole or in part, on any interest date. In this manner the Company exercised its option in connection with the \$3,000,000 one-year $2\frac{3}{4}\%$ bank loan, made on August 1, 1939. This completed the final phase of the successful financing entered into on August 1, 1939, leading to the redemption of \$30,000,000 Series A bonds as of March 1, 1940.

The only other permanent financing during 1940 was the issue of 12,353 shares of capital stock, of a par value of \$1,235,300, to employees who had completed instalment payments on subscriptions under the Employees' Stock Plan.

Distribution of Stock

As of December 31, 1940, there were 21,466 shareholders, an increase of 882 during the year. This was the greatest increase in any year since 1931. Shareholders living in Canada number 20,151, or 93.9 per cent, and hold 70.3 per cent of the outstanding stock. The percentage of stock held by shareholders in

Canada continues to grow and is now the highest in the Company's history.

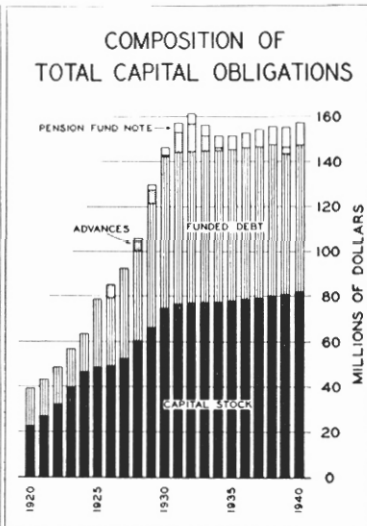
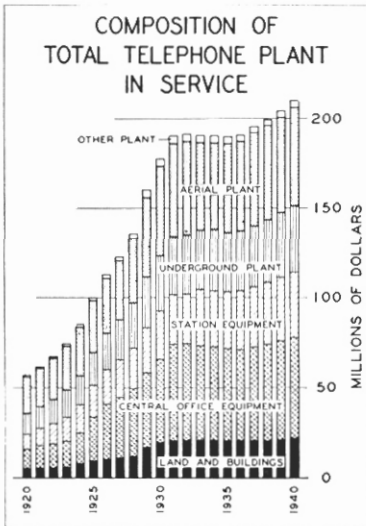
The percentage of shareholders residing in the United Kingdom and other parts of the British Empire is 1.4, holding 1.4 per cent of the stock, while 4.7 per cent of shareholders live in the United States and other foreign countries and hold 28.3 per cent of the stock. The latter figure includes the American Telephone and Telegraph Company's holding of 22.8 per cent.

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

The proportion of women shareholders is 56.5 per cent. They hold 23.3 per cent of the stock.

Employees numbering 4,077 hold 41,297 shares, representing 5.0 per cent of the total shares outstanding.

During the latter months of 1940 the holdings of the majority of United Kingdom shareholders were taken over by the British Treasury, and placed in the name



of its Canadian nominee. This stock, comprising some 30,000 shares, is being sold to residents of Canada through a syndicate of prominent investment dealers. The effect of this redistribution of shares will be to further increase the number of Canadian shareholders.

Plant

Expenditures in 1940 for new construction amounted to \$12,700,000, a substantial increase over the previous year. After deducting the original cost of plant removed from service and not re-used, the net additions to the Company's Fixed Capital accounts amounted to \$5,539,000, as compared with \$5,096,000 in the year 1939.

Buildings

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

Beloeil	Hespeler	Ridgetown
Buckingham	Huntingdon	Ste. Genevieve
Chesterville	Kitchener	Shawinigan Falls
Finch	Montebello	Stirling
Gatineau	Montreal	Sudbury
Grand'Mere	(Bywater)	

A combined office and equipment building was completed in London. An extension was made to the Granby dial office and a building to house manual central office equipment erected in Winchester.

Equipment

Several extensions to existing dial offices were made during the year, and some manual equipments were replaced with dial apparatus. At the end of the year, there were 559,705 dial-operated telephones, constituting 96 per cent of the telephones in those ex-

changes where dial service is given, and 67.9 per cent of the total Company telephones.

In Montreal, the new Clairval dial unit replaced the manual office of that name, while in Hamilton, the No. 4 and No. 5 manual units (formerly Garfield office) were replaced with dial equipment. A new dial central office in Kitchener replaced the Kitchener and Waterloo manual equipments.

The program of conversion of our smaller central offices was continued, through the replacement of magneto switchboards by central energy dial or manual equipment. During 1940, magneto equipment was replaced by dial at:

Bedford	Dresden	Hespeler
Beloil	Elmira	Huntingdon
Blenheim	Finch	Magog
Buckingham	Gatineau	Ridgetown
Chesterville		Stirling

Morin Heights, Ste. Genevieve, and Montebello were established as new exchange areas, served by small dial equipments. Central energy manual offices replaced magneto equipments at Napanee, Campbellford, St. Marys, and Winchester. Total new small office installations involved 21 centres and about 10,300 telephones.

Long Distance Plant

The rapid increase in toll traffic due mainly to activities arising out of the war necessitated the expansion of the long distance circuits on a number of our main routes. The more important groups affected by this increase in facilities were: Montreal-Ottawa, Montreal-Quebec, Ottawa-Toronto, and London-Windsor.

Trans-Canada Telephone System

Traffic over the Trans-Canada System continued to expand at a rapid rate during 1940. The number of calls handled was approximately 36 per cent greater than in the previous year. During the year additional circuits were established between Montreal and the Maritime Provinces and between Toronto and Winnipeg. A direct circuit was established between Toronto and Vancouver involving a total distance of over 3,000 route miles.

Radio Telephone Service

Telephone service to Newfoundland, which was discontinued at the outbreak of war, was re-established in June 1940.

Maintenance

The Company's plant and equipment have been maintained in good condition. Troubles reported by subscribers were at the rate of one per telephone in 14 months, the same level as the previous year. On the average, it required 1 hour and 45 minutes to clear trouble in 1940, an improvement of about 5 minutes from the 1939 average.

Service

Notwithstanding heavier demands on telephone service due to war activity, service rendered by the Company has been kept at a high standard throughout the year. Over 93 per cent of long distance calls were completed. The average time required to establish long distance connections was 87 seconds, and 90.3 per cent of the connections were established while the customer remained at the telephone.

Work on 51 per cent of all subscribers' installation orders was completed by the end of the first business day after the order was received.

Employees' Pension and Benefit Plan

During the year 1940, benefits and pensions were paid in 2,822 cases under the Plan for Employees' Pensions, Disability Benefits and Death Benefits, amounting to \$677,772 divided as follows:

	No. of Cases	Amount
Service Pensions	554	\$370,204
Disability Pensions	84	23,044
Accident Benefits (including expenses)	211	12,441
Sickness Benefits	1,893	226,329
Death Benefits	80	45,754

Employees' Stock Plan

Of 9,362 employees eligible to subscribe for stock under the Plan, 6,552 are now subscribing for 40,023 shares.

Life Insurance

Under the Employees' Life Insurance Plan whereby premiums are paid through deductions from pay, 2,980 employees are carrying \$11,609,000 of life insurance—an average of \$3,906 per employee.

War Savings Certificates

In July, a pay-roll deduction plan for the purchase of War Savings Certificates was instituted by the Company.

War Service

The development of Canada's war preparations naturally has made extraordinary demands on every phase

of telephone operations. The rapid construction of military establishments, air fields, and training grounds; the expansion of governmental staffs and the necessary accommodation for them, have called for prompt provision of adequate telephone facilities. This is true also of the great expansion of manufacturing plants of all kinds.

Our officers, construction and operating forces have met the needs of these critical times and have won warm commendation, not only because demands for telephone service have been met promptly, but for their foresight in anticipating requirements well in advance.

In addition to the 270 employees who have enlisted for war service, and whose dependents are provided for under the Company's plan, a large proportion of our workers—both men and women—are associated with various civilian organizations. Their activities range from active training for home defence to providing entertainment and comforts for the armed forces. They give assistance to needy dependents of men on active service and to overseas guests in Canada for the war's duration. Workrooms have been provided on the Company's premises in the larger cities with facilities for sewing and knitting, and for packing, storing and distributing the output. Six tons of wool were converted into necessary articles of clothing and comfort in the year just closed. Among major contributions were two fully-equipped ambulances presented to the Canadian Red Cross for duty in England.

Diamond Jubilee Observance

Nineteen-forty being our sixtieth anniversary, public attention was directed throughout the year to the

progress of the telephone industry and more particularly of your Company. On April 29th last, the 60th anniversary of incorporation, gatherings of telephone workers and their friends were held in eighteen important centres of Quebec and Ontario. Telephone circuits linked these points in a widespread hook-up making it possible for upwards of 6,200 employees to participate in a general program of addresses and appropriate historical numbers.

This review of the achievements of the past sixty years, we believe, was a wholesome reminder to both employees and the general public of the unique place the telephone has attained in present-day life.

Health Service

Dr. A. R. Pennoyer resigned as Medical Director in August, after seventeen years' service. It was under Dr. Pennoyer's very capable direction that our employees' Medical and Health Service developed to its present high standard of usefulness, and his retirement called forth widespread appreciation of his splendid work.

Dr. A. Grant Fleming, former Dean of the Faculty of Medicine of McGill University, was appointed to succeed Dr. Pennoyer. Dr. Fleming, in addition to his other qualifications, has had wide experience in the field of public health and we look to him for able direction of the Company's health activities.

During the year classes were formed in both our Eastern and Western Areas for the promotion of health amongst women employees. Special training courses were given to selected instructors, and these in turn imparted useful guidance in healthful living to a large proportion of our women employees.

First Aid and Safe Driving Record

During the year, 1,840 of the Company's employees passed First Aid examinations conducted under the auspices of the Bell Telephone Centre of the St. John Ambulance Association. This compares with 1,214 in 1939, a gain of over 50 per cent. The Association's Dominion-wide competitions, in which Bell Telephone teams have been notably successful in recent years, were suspended because of the war, but Company team competitions were continued.

In 1940, the Company's motor vehicles travelled over 7 million miles. Some seven hundred of the drivers of these trucks and automobiles qualified for safe driving awards. Some of these awards were in recognition of nine years at the wheel without an accident of any kind and none was for less than one year's safe driving.

Staff

Vocational training of new employees and courses for existing staff continue to be important features of our Personnel activity.

This type of training was supplemented during the year by supervisor education designed to establish a broader appreciation of Company policies.

Our Jubilee celebration served to emphasize anew the part our employees continue to play in the success of the Company. Last year, as more and more telephone workers became engaged in war service, the responsibilities of those remaining were substantially increased. All have appreciated the vital part the telephone plays in every phase of the war effort and have carried on in a manner that is in every way creditable, maintaining the service at a high standard. Your Directors wish to record their sincere appreciation.

For the Board of Directors,

C. F. SISE,
President.

MONTREAL, February 12, 1941.

STATISTICS

December 31, 1940

NUMBER OF TELEPHONES:

Company Owned—Manual Service	264,992	
“ “ —Dial Service	559,705	
	824,697	
Connecting and Miscellaneous		150,540
Total Telephones		975,237

NUMBER OF CENTRAL OFFICES..... 417

NUMBER OF OWNED BUILDINGS..... 145

MILES OF POLE LINES..... 22,898

MILES OF WIRE:

In Underground Cable	2,627,439	
In Aerial Cable	928,562	
Open Wire	223,591	
	3,779,592	

MILES OF SUBWAY (Length of Street Occupied)..... 1,036

MILES OF DUCT..... 5,170

AVERAGE DAILY CONNECTIONS: (Year 1940)

Local		6,187,000
Toff.		67,000

NUMBER OF EMPLOYEES:

Male	5,037	
Female	5,641	
	10,678	

TOTAL PAY ROLL FOR YEAR 1940..... \$17,376,237

NUMBER OF SHAREHOLDERS:

In Canada	20,151	
Elsewhere	1,315	
	21,466	

THE BELL TELEPHONE COMPANY OF CANADA

DESCRIPTIVE BALANCE SHEET—DECEMBER 31, 1940

Assets

FIXED CAPITAL:

Land and Buildings	\$ 21,905,014.19	
Cost of real estate owned by the Company.		
Telephone Plant and Equipment	185,527,833.45	
Cost of central office and subscribers' station equipment, poles, wire, cable, underground conduit, right-of-way, etc.		
General Equipment	3,562,468.40	
Cost of office furniture and fixtures, storeroom and garage equipment, motor vehicles and tools and implements.		
		\$210,995,316.04

INVESTMENT SECURITIES:

Subsidiary Companies	\$ 13,919,548.26	
Other Investment Securities	517,200.71	
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.		
		14,436,748.97

CURRENT ASSETS:

Cash	\$ 839,919.99	
Cash available for current needs.		
Special Cash Deposit	207,987.50	
Balance of cash deposited with Trustee for the purpose of redeeming Series "A" bonds called for redemption, including premium and interest.		
Temporary Cash Investments	622,074.54	
Cost of short term securities. Market value as of December 31, 1940, \$622,019.77.		
Material and Supplies	3,919,517.90	
Material and supplies, principally for construction and maintenance purposes, held at cost in storerooms and yards less a reserve of \$13,264.39. Physical inventories were taken during September and October 1940.		
Notes Receivable from Subsidiary Companies	328,000.00	
Notes due on demand or within one year from date of issue.		
Accounts Receivable and Other Current Assets:		
Subsidiary Companies	\$ 99,057.66	
Customers and Others and Other Current Assets	4,181,412.79	
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.		
		4,280,470.45
		10,197,970.38

DEFERRED DEBITS:

Prepayments	\$ 805,017.38	
Rents, taxes, insurance, cost of directories and other expenses prepaid and applicable to period subsequent to December 31, 1940.		
Discount on Long Term Debt	353,828.66	
Balance of unamortized discount and expense pertaining to bonds outstanding.		
Discount and Premium on Bonds Redeemed	2,130,972.10	
Unamortized discount, redemption premium and expense pertaining to Series "A" bonds redeemed.		
Other Deferred Debits	207,048.89	
Miscellaneous items, the final disposition of which had not been determined at December 31, 1940.		
		3,496,867.03

TOTAL ASSETS		\$239,126,902.42
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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, 1940

Liabilities

CAPITAL STOCK:

Common Stock—Authorized 1,500,000 shares, par value \$150,000,000.00—Outstanding fully paid 821,149 shares.....	\$ 82,114,900.00
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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
	7,500,000.00
Series D—Maturing August 1, 1964—3¼%.....	25,000,000.00
Notes—Maturing August 1, 1947—2¾%.....	3,000,000.00
Notes Sold to Trustee of Pension Fund.....	9,933,053.57
	75,433,053.57

CURRENT LIABILITIES:

Bonds Called for Redemption.....		\$ 207,987.50
Balance of Series "A" bonds presently payable, including premium and interest.....		
Notes Payable to Subsidiary Companies.....		104,987.26
Notes payable on demand.....		
Advance Billing and Payments.....		1,150,606.48
Advance billing and payments for telephone service.....		
Accounts Payable and Other Current Liabilities:		
Subsidiary Companies.....	\$ 954,221.43	
Other Accounts Payable and Other Current Liabilities.....	1,013,463.25	
Amounts owing for supplies, pay rolls and sundry miscellaneous items which are in process of settlement.....	1,967,684.68	3,431,265.92

ACCRUED LIABILITIES NOT DUE:

Taxes.....		\$ 3,536,515.52
Dominion, Provincial and Municipal taxes applicable to period ended December 31, 1940, but not due until after that date.....		
Other.....		2,299,651.94
Interest, dividends and rents applicable to period ended December 31, 1940, but not due until after that date.....		
		5,836,167.46

DEFERRED CREDITS:

Employees' Stock Plan—Instalment Payments.....		\$ 2,083,043.00
Instalments paid by employees who are subscribing for capital stock, together with interest thereon.....		
Premium on Long Term Debt.....		359,330.76
Balance of unamortized premium less expense pertaining to bonds outstanding.....		
Other Deferred Credits.....		4,698.47
Miscellaneous items, the final disposition of which had not been determined at December 31, 1940.....		
		2,447,072.23

DEPRECIATION RESERVE.....

Provision for the ultimate retirement of depreciable plant when it has served its useful life.....	58,010,004.73
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PREMIUMS ON CAPITAL STOCK.....

Amount received in excess of par value.....	7,039,898.74
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UNAPPROPRIATED SURPLUS:

Capital Surplus:

Balance at January 1, 1940.....		\$ 2,188,842.31
Miscellaneous Additions (net).....		30,712.13
		2,219,554.44
Balance at December 31, 1940.....		\$ 2,219,554.44

Earned Surplus:

Balance at January 1, 1940.....		\$ 2,428,791.87
Surplus for year (after dividends).....		165,861.73
Miscellaneous Additions (net).....		331.73
		2,594,985.33
Balance at December 31, 1940.....		2,594,985.33

		4,814,539.77
TOTAL LIABILITIES.....		\$239,126,902.42

J. CLEUGH, Comptroller.

THE BELL TELEPHONE COMPANY OF CANADA

DESCRIPTIVE INCOME STATEMENT

Year Ended December 31, 1940

TELEPHONE OPERATING REVENUES.....	\$ 45,899,832.66	
Revenues from local and toll service, telephone directory advertising and miscellaneous telephone operations.		
Less:		
Uncollectible Operating Revenues.....	125,079.68	
Revenues which have proved to be uncollectible.		
TOTAL OPERATING REVENUES.....		\$ 45,774,752.98
TELEPHONE OPERATING EXPENSES:		
Operation Expenses.....	\$ 13,124,628.09	
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 \$138,416.96; Salaries and fees paid to Counsel and other legal advisers \$31,556.88; and fees paid to Directors and members of the Executive Committee \$25,300.00 of which \$5,800.00 was paid and accounted for by Subsidiary Companies.)		
Current Maintenance.....	9,328,328.72	
Cost of inspection, repairs and rearrangements required to keep the telephone plant and equipment in good operating condition.		
Depreciation.....	7,897,443.00	
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.....		30,350,399.81
NET OPERATING REVENUES.....		\$ 15,424,353.17
Operating Taxes:		
Income Taxes.....	\$ 3,483,000.00	
Other Taxes.....	1,962,000.00	
Dominion, Provincial and Municipal taxes applicable to the current year.		
NET OPERATING INCOME.....		\$ 9,979,353.17
Net Non-Operating Income:		
Income from Investment Securities.....	\$ 563,908.18	
Dividends and interest received from investment securities owned by the Company.		
Other Non-Operating Income (net).....	44,871.48	
Interest on temporary cash investments and other miscellaneous income less expenses incident thereto including Income Taxes of \$20,000.00 on non-operating income.		
INCOME AVAILABLE FOR FIXED CHARGES....		\$ 10,588,132.83
Fixed Charges:		
<i>Bond and Long Term Note Interest</i>	\$ 3,009,887.50	
Interest charges on bonds and long term notes outstanding.		
Other Interest.....	502,888.18	
Interest charges on other debt obligations.		
Amortization of Discount on Long Term Debt.....	29,391.93	
Proportion of discount and expense applicable to the year in connection with outstanding bond issues.		
Amortization of Discount and Premium on Bonds Redeemed.....	125,349.71	
Proportion of discount, redemption premium and expense applicable to the year in connection with Series "A" bonds redeemed.		
Amortization of Premium on Long Term Debt— <i>Credit</i>	15,257.08	
Proportion of premium less expense applicable to the year in connection with outstanding bond issue.		
Other charges.....	245,330.40	
Principally premium on United States funds required for bond interest payments.		
BALANCE AVAILABLE FOR DIVIDENDS.....		\$ 6,690,542.19
Dividends.....		6,524,680.46
Dividends to owners of outstanding common stock.		
BALANCE FOR EARNED SURPLUS.....		\$ 165,861.73

J. CLEUGH, Comptroller.

MONTREAL, QUE.,

January 31, 1941.

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, 1940. 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, 1940, 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, 1940, 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, 1939.....	\$9,292,219.13
Additions to Fund during 1940—	
Payments into Fund by Company.....	\$1,045,474.10
Interest Revenue, less amortization of premium on investments.....	378,527.32
Total Additions.....	\$1,424,001.42
Disbursements for Pensions during 1940.....	370,203.64
Net Increase in Fund.....	1,053,797.78
BALANCE IN FUND—December 31, 1940.....	\$10,346,016.91
Comprised of—	
4% Demand Note of The Bell Telephone Company of Canada.....	\$ 9,933,053.57
Bonds of The Bell Telephone Company of Canada—at cost less amortization of premium to date.....	407,546.67
Bond Interest accrued but not due.....	5,416.67
Total.....	\$10,346,016.91

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.

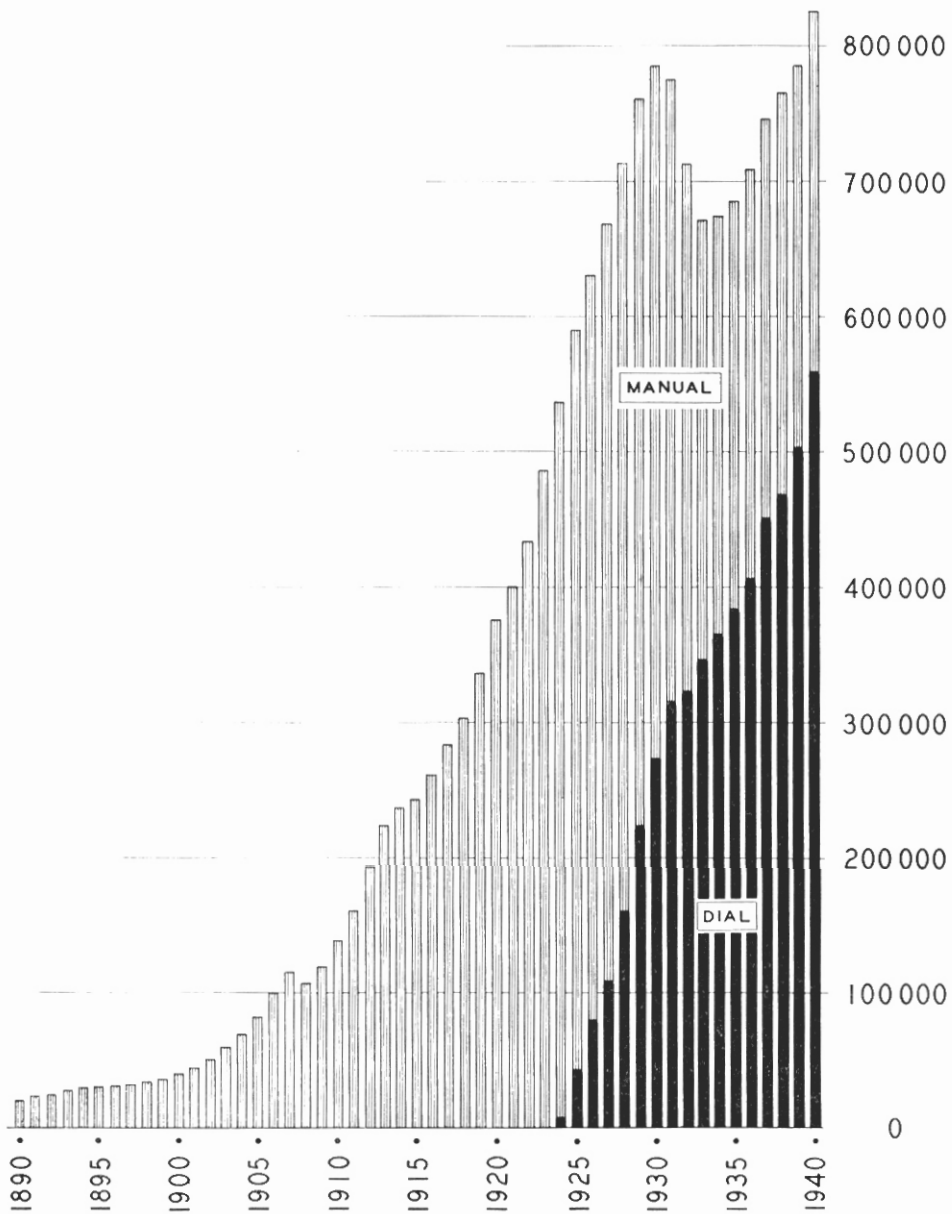
THE ROYAL TRUST COMPANY, *Trustee.*

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

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

MONTREAL, 3rd January, 1941.

GROWTH IN NUMBER OF TELEPHONES OWNED BY COMPANY



PRINTED IN CANADA

