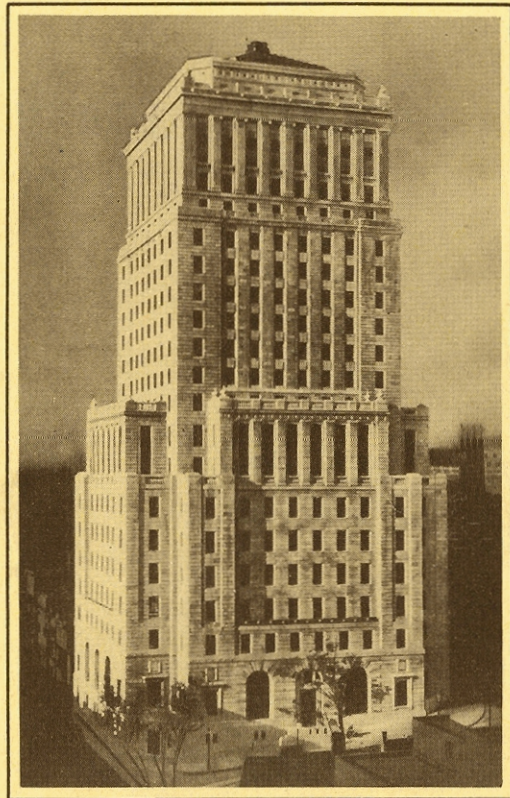


B.

ANNUAL REPORT

YEAR ENDED DECEMBER 31, 1944



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THE BELL TELEPHONE COMPANY
OF CANADA

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

FOR THE YEAR ENDED
DECEMBER 31
1944

THE BELL TELEPHONE COMPANY OF CANADA

BEAVER HALL BUILDING
MONTREAL

DIRECTORS

L. J. ADJUTOR AMYOT	-	-	-	Quebec
*WILLIAM F. ANGUS	-	-	-	Montreal
C. GORDON COCKSHUTT	-	-	-	Brantford
CLEO F. CRAIG	-	-	-	New York
*HON. CHARLES A. DUNNING, P.C.	-	-	-	Montreal
*JAMES A. ECCLES	-	-	-	Montreal
*C. EDOUARD GRAVEL	-	-	-	Montreal
*FREDERICK JOHNSON	-	-	-	Montreal
*PAUL A. MCFARLANE	-	-	-	Montreal
HON. SIDNEY C. MEWBURN, K.C.	-	-	-	Hamilton
GLYN OSLER, K.C.	-	-	-	Toronto
ARTHUR W. PAGE	-	-	-	New York
*CHARLES F. SISE	-	-	-	Montreal
*PAUL F. SISE	-	-	-	Montreal
†VICTOR R. SMITH	-	-	-	Toronto

**Member of Executive Committee*

†Appointed January 24, 1945

OFFICERS

C. F. SISE	-	-	-	<i>Chairman of the Board</i>
F. JOHNSON	-	-	-	<i>President</i>
P. A. MCFARLANE	-	-	-	<i>Vice-President</i>
J. H. BRACE	-	-	-	<i>Vice-President</i>
G. H. ROGERS	-	-	-	<i>Secretary</i>
J. R. LOGAN	-	-	-	<i>Treasurer</i>
J. CLEUGH	-	-	-	<i>Comptroller</i>
N. A. MUNNOCH, K.C.	-	-	-	<i>General Counsel</i>
J. N. GROLEAU	-	-	-	<i>General Manager, Montreal</i>
H. G. YOUNG	-	-	-	<i>General Manager, Toronto</i>

Sixty-Fifth Annual Report of the Directors

FOR THE YEAR ENDED DECEMBER 31, 1944

To the Shareholders:

The insistent demands of war for communication equipment and supplies of all kinds in 1944 made necessary the continuation of the policy of rigid conservation in order that essential services might be provided. Although applications for telephones exceeded those of previous war years, our net gain was very little in excess of that for 1943, and there are now over 70,000 waiting applicants. Fortunately, there is evidence of general understanding of the causes which have made so many deferments inevitable.

Telephones connected during the year totalled 138,708, and 107,291 were disconnected, a net increase of 31,417. In 1943 the net increase was 30,699.

There were 987,530 telephones in service at December 31, 1944, of which 348,396 were business and 639,134 residence instruments.

We are interchanging service with 922 other telephone systems in Ontario and Quebec serving 180,440 telephones.

The Income Statement and Balance Sheet, with comparative data, are submitted herewith.

Revenues

Local service revenue was \$40,595,599, an increase of 4.0 per cent over 1943.

Long distance revenue was \$20,562,318, an increase of 12.5 per cent.

Miscellaneous revenue amounted to \$3,089,611, an increase of 5.9 per cent.

The gross revenue from all sources amounted to \$64,247,528, an increase of \$4,024,714 or 6.7 per cent.

Expenses

An increase in the number of employees, upward adjustments of wage schedules, and the change in the cost of living bonus which became effective during the second half of 1943 have contributed to the increase in operation and current maintenance expense. Operation Expense was higher by \$2,182,262 or 12.3 per cent and Current Maintenance by \$871,183, or 8.5 per cent.

Total pay rolls for all purposes amounted to \$23,773,000, an increase of \$2,433,000 over 1943.

Taxes applicable to the year 1944, including the refundable portion of the Excess Profits Tax, amounted to \$14,289,000, an increase of \$680,000 or 5 per cent. Reference was made in last year's Report to various questions which were under discussion with the Dominion Income Tax Department concerning the taxability of certain items. These questions involve, in the aggregate, approximately \$500,000 relating to the operations of 1943 and prior years and have not yet been settled.

The refundable portion of the Excess Profits Tax applicable to the year 1944 amounts to \$1,755,000. Under the provisions of the Act this amount will be

refunded to the Company, without interest, four years after the cessation of hostilities.

In addition to the taxes payable by the Company we collected \$7,828,000 in taxes for the various governments of which \$3,488,000 was directly from telephone users, and \$4,340,000 from employees and the owners of the Company's outstanding bonds and shares.

Net Income and Dividends

Net Income, after provision for Fixed Charges, amounted to \$7,721,966 or \$9.03 per share of average outstanding capital stock. After the reservation of \$1,755,000, being the refundable portion of the Excess Profits Tax, the balance available for dividends amounted to \$5,966,966 or \$6.98 per share. Quarterly dividends at the rate of \$2.00 per share were paid and it was necessary to draw upon Surplus to the extent of \$875,662 in order to pay the total dividends to shareholders of \$6,842,628.

Financing

During the year 7,208 shares of capital stock, of a par value of \$720,800, were issued to employees who had completed instalment payments on subscriptions under the Employees' Stock Plan.

Distribution of Stock

For the fifth successive year the number of shareholders has increased, and at December 31, 1944 was 25,022, the highest figure in the Company's history. This total is 531 more than a year ago and 4,438 greater than at December 31, 1939.

Shareholders living in Canada number 23,685 (94.7 per cent) and hold 71.8 per cent of the stock. More residents of Canada are shareholders, and own a greater number of shares of your Company's stock than ever before. The percentage of shareholders residing outside of Canada is 5.3. They hold 28.2 per cent of the stock. This includes the 21.8 per cent held by the American Telephone and Telegraph Company.

The average holding per shareholder was 34 shares. Employees and pensioners numbering 4,633 hold 65,862 shares.

Plant

New construction in 1944 amounted to \$8,200,000 as compared with the 1943 total of \$6,200,000. This level of construction continues to reflect the limited volume of material and supplies available under the Federal restrictive orders. As was the case last year, expenditures to provide facilities for long distance service were the most important factor in the construction programme.

Net additions to the Company's Fixed Capital accounts, after the deduction of the original cost of plant removed from service and not re-used, amounted to \$6,539,000 compared with \$4,332,000 in the previous year.

Buildings

Building expenditures during the year remained at a low level. Construction of the new toll building at Belleville was completed, and work was well advanced on an extension to the Lyndhurst dial office in Toronto. Four small repeater stations were erected to house equipment associated with the Montreal-Ottawa-Toronto toll cable.

Equipment

Equipment additions were confined largely to those required to meet the continuing expansion in long distance traffic. Delays in equipment deliveries adversely affected the completion of a number of projects.

Extensions to the toll switchboards at Montreal and Quebec were completed. A number of three-channel carrier systems were installed on existing open wire lines to provide additional facilities on several of the more important long distance routes. Further progress was made with the repeater installations associated with Montreal-Toronto toll cable.

Installations of P.B.X. and other equipment were carried out to provide the special telephone service requirements for the conference of the United Nations held at Quebec during the summer.

Dial-operated telephones in service at the end of the year totalled 710,459, or 72 per cent of the total company telephones. No manual offices were converted to dial operation during the year.

Long Distance Plant

Work on the Montreal-Toronto cable proceeded throughout the year. The Toronto-Kingston section of the cable is now finished, and the installation of the last link between Kingston and Chesterville is rapidly approaching completion.

Open wire construction was again restricted. The only major project completed provided additional circuits between Kingston and Smiths Falls.

Supplies

While there was some relaxation in government controls affecting the use of certain essential materials, the provision of necessary supplies presented many problems. The programme of material conservation was effectively continued, with emphasis on the re-use of equipment to furnish additional facilities.

Maintenance

The condition of your Company's plant continued to be satisfactorily maintained in spite of the limitations imposed by restricted material and manpower. Subscribers' reports of trouble affecting their service continued at a low level, and were cleared within an average interval of 100 minutes, which is about the same as the previous year.

Service

The standard of telephone service has been well maintained under difficult operating conditions and a further reduction in the margin of spare plant.

Long distance calls completed amounted to 88 per cent of the total as compared with 89 per cent in 1943. Long distance connections were established on the average in less than two minutes, and 88 per cent of the connections were made while the customer remained at the telephone.

Year by year a growing proportion of our long distance wire plant is in cable, much of it underground. The unprecedented snowfalls in many parts of our territory have greatly increased telephone traffic, and the dependability of the service has called forth many expressions of appreciation.

Trans-Canada Telephone System

The volume of traffic handled over the Trans-Canada System was approximately 17 per cent greater than for the previous year. The demands for service have increased rapidly during the war and the volume of traffic last year was almost five times that handled in 1939.

Twelve additional circuits were placed in service during the year. Of these five were between our territory and the Maritime Provinces. To facilitate the handling of traffic between the larger cities, new direct circuit groups were established from Regina to Toronto and Vancouver.

Employees' Pension and Benefit Plan

The Plan for Employees' Pensions, Disability Benefits and Death Benefits established July 1, 1917, has been progressively developed for the purpose of helping employees to meet problems of sickness, accident and death and to provide a substantial degree of security for retired employees. The entire cost is borne by the Company and the benefits of the Plan are applied to all employees alike according to length of service and rate of pay. With the exception of service pensions, expenditures under the Plan are charged to expense as incurred. Service pensions are provided for in advance by payments into a Trust Fund irrevocably dedicated to service pension purposes.

In order to bring the Fund into closer relationship with the Company's liability under the Pension Plan as determined by actuarial studies it is proposed to make additional payments to the Fund each year for a period of years. The first of these additional

payments amounting to \$540,050 was made to the Trustee in 1944.

During the year 1944, benefits and pensions amounting to \$920,658, were paid in 3,607 cases under the Plan, divided as follows:

	No. of Cases	Amount
Pensions:		
Service (Paid from Pension Trust Fund).....	666	\$430,910
Disability.....	100	33,434
Accident Benefits (including expenses).....	235	12,273
Sickness Benefits.....	2,483	380,839
Death Benefits.....	123	63,202

Employees' Stock Plan

Of 11,659 employees eligible to subscribe for stock under the Plan 5,052 are now subscribing for 32,553 shares.

Life Insurance

At December 31, 1944, 3,200 employees were carrying \$12,089,000 of Life Insurance under the pay roll deduction Plan—an average of \$3,778 per insured employee.

Blue Cross Hospital Service Plan

The Hospital Plan, inaugurated during 1943, whereby provision for necessary hospital care is made available to employees and their families through a pay roll deduction plan, has now enrolled over 6,000 or 47 per cent of the employee body eligible to participate therein.

Victory Loan Bonds and War Savings Certificates

Subscriptions by employees in 1944 for Sixth and Seventh Victory Loan Bonds amounted to \$2,518,000 as compared with \$1,861,000 subscribed to Victory Loan Bonds in 1943. Payment for Victory Loan Bonds is made in most cases by instalments through a pay roll deduction plan available to employees.

War Savings Certificates with a face value of \$3,947,000 have been purchased by employees since the adoption of the pay roll deduction plan in July, 1940. The face value of certificates purchased during the year 1944 was \$954,000. Sales of War Savings Stamps and Certificates to telephone customers by employees amounted to \$216,700 during the year 1944 bringing the cumulative sales to a total of \$751,300 since July, 1940.

Executive and Board of Directors

Mr. Charles F. Sise, having expressed his wish to retire from the office of President, his resignation, effective October 31, was accepted with regret. Mr. Sise's career in telephone service began in 1897. The Board felt that his long and valuable experience should still be available to the Company and he accordingly continues as Chairman of the Board.

Mr. Frederick Johnson, a Vice-President since 1935, was elected President, effective November 1.

In the death of Sir Georges Garneau at Quebec on February 5, 1944, and of Hon. Henry Cockshutt at Brantford on November 26, your directors were deprived of the valued counsel and fellowship of two distinguished and able colleagues. The careers of both

were noteworthy for conspicuously able service in public life as well as in the industrial field. Sir Georges Garneau had served on the Board for seventeen years, and Hon. Henry Cockshutt for fifteen years. Their experience and sound judgment have been of outstanding value to your Company.

Mr. L. J. A. Amyot of Quebec was appointed on February 24, 1944 to the seat on the Board made vacant by the death of Sir Georges Garneau, and on December 20, Mr. C. Gordon Cockshutt of Brantford was appointed to succeed Hon. Henry Cockshutt.

Mr. James M. Macdonnell of Toronto, having decided to relinquish a business career to enter public life, resigned from the Board on October 25. Mr. Macdonnell was appointed a Director in 1938. His counsel has been very highly esteemed by his colleagues.

Mr. Victor R. Smith of Toronto was appointed on January 24, 1945 to the seat vacated by Mr. Macdonnell.

Staff

The statement appearing earlier in this report that service has been maintained at a satisfactory level suggests a further word of explanation. During the past three years upwards of 8,900 new employees have been engaged to offset resignations, losses to the war and to other industries.

Extensive programmes of staff training have been carried on with thoroughness and efficiency, and the many problems created by war conditions have been met by the employee body with commendable resourcefulness.

Of the 2,427 employees who have enlisted for war service, 242 have returned to the Company. We mourn the loss of 56 of our employees who have given their lives in the cause of freedom.

The directors feel that the record of employee achievement, particularly in the difficult months of the war, merits their sincere appreciation.

For the Board of Directors,

F. JOHNSON,

President.

MONTREAL, February 5, 1945.

THE BELL TELEPHONE COMPANY OF CANADA
COMPARATIVE BALANCE SHEET

ASSETS

	<i>December 31, 1944</i>	<i>December 31, 1943</i>
Fixed Capital:		
LAND AND BUILDINGS—at cost	\$ 23,118,744.05	\$ 22,949,156.05
TELEPHONE PLANT AND EQUIPMENT	212,898,154.63	206,696,084.28
Cost of central office and subscribers' station equipment, poles, wire, cable, underground conduit, right-of-way, etc.		
GENERAL EQUIPMENT	4,777,081.59	4,610,232.87
Cost of office furniture and fixtures, storeroom and garage equipment, motor vehicles and tools and implements.		
	\$240,793,980.27	\$234,255,473.20
Investment Securities:		
SUBSIDIARY COMPANIES	\$ 13,943,325.26	\$ 13,942,784.26
OTHER INVESTMENT SECURITIES	516,380.12	516,380.12
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.		
	\$ 14,459,705.38	\$ 14,459,164.38
Current Assets:		
CASH	\$ 563,966.53	\$ 714,683.76
TEMPORARY CASH INVESTMENTS	7,642,761.14	6,025,175.52
Dominion Government securities at cost. Market value as of December 31, 1944, \$7,639,993.06.		
MATERIAL AND SUPPLIES	3,603,076.26	4,105,624.88
Material and supplies, principally for construction and maintenance purposes, held at cost in storerooms and yards less a reserve of \$61,262.70 at December 31, 1944. Physical inventories were taken during September and October, 1944.		
NOTES RECEIVABLE FROM SUBSIDIARY COMPANIES	281,500.00	308,000.00
ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS	6,056,471.83	5,581,380.38
SUBSIDIARY COMPANIES	\$ 107,709.56	
CUSTOMERS AND OTHERS AND OTHER CURRENT ASSETS	5,948,762.27	
Current accounts due the Company for service (less provision for uncollectible accounts), interest, dividends, rents and other items; cash held by employees and agents as working funds; also deposit, as of December 31, 1944, of \$71,237.50 with Trustee for redemption of Series "A" bonds.		
	\$ 18,147,775.76	\$ 16,734,864.54
Other Assets:		
REFUNDABLE PORTION OF EXCESS PROFITS TAX	\$ 4,118,000.00	\$ 2,363,000.00
Deferred Debits:		
PREPAYMENTS	\$ 928,854.06	\$ 933,471.98
Rents, taxes, insurance, cost of directories and other expenses prepaid and applicable to period subsequent to December 31.		
DISCOUNT ON LONG TERM DEBT	268,576.34	289,889.42
Balance of unamortized discount and expense pertaining to bonds and long term notes outstanding.		
DISCOUNT AND PREMIUM ON BONDS REDEEMED	1,529,312.70	1,679,736.90
Unamortized discount, redemption premium and expense pertaining to Series "A" bonds redeemed.		
OTHER DEFERRED DEBITS	172,297.43	87,289.86
Miscellaneous items, the final disposition of which had not been determined at December 31.		
	\$ 2,899,040.53	\$ 2,990,388.16
Total Assets	\$280,418,501.94	\$270,802,890.28

Approved for Board of Directors:

W. F. ANGUS, *Director.*

C. E. GRAVEL, *Director.*

THE BELL TELEPHONE COMPANY OF CANADA
COMPARATIVE BALANCE SHEET

LIABILITIES

	December 31, 1944	December 31, 1943
Capital Stock:		
COMMON STOCK—Authorized 1,500,000 shares, par value \$150,000,000.00—Outstanding fully paid 1944—858,359 shares	\$ 85,835,900.00	\$ 85,115,100.00
Long Term Debt:		
BONDS—First Mortgage:		
Series B—Maturing June 1, 1957—5%	\$ 30,000,000.00	\$ 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>	<u>7,500,000.00</u>
Series D—Maturing August 1, 1964—3¼%	25,000,000.00	25,000,000.00
NOTES—Maturing August 1, 1947—2¾%	3,000,000.00	3,000,000.00
NOTE SOLD TO TRUSTEE OF PENSION FUND	12,176,918.93	12,607,829.01
	<u>\$ 77,676,918.93</u>	<u>\$ 78,107,829.01</u>
Current Liabilities:		
NOTES PAYABLE TO SUBSIDIARY COMPANIES	\$ 112,820.68	\$ 109,721.04
ADVANCE BILLING AND PAYMENTS FOR TELEPHONE SERVICE	1,477,015.92	1,432,992.79
ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES	2,689,967.77	2,230,114.13
SUBSIDIARY COMPANIES \$ 587,632.75		
OTHER ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES 2,102,335.02		
Amounts owing for supplies, pay rolls and other items which are in process of settlement, including balance payable on unredeemed Series "A" bonds of \$71,237.50, as of December 31, 1944.	<u>\$ 4,279,804.37</u>	<u>\$ 3,772,827.96</u>
Accrued Liabilities Not Due:		
TAXES	\$ 6,524,663.64	\$ 6,585,338.77
Dominion, Provincial and Municipal taxes applicable to period ended December 31, but not due until after that date.		
OTHER	2,381,405.84	2,359,555.89
Interest, dividends and rents applicable to period ended December 31, but not due until after that date.	<u>\$ 8,906,069.48</u>	<u>\$ 8,944,894.66</u>
Deferred Credits:		
EMPLOYEES' STOCK PLAN	\$ 1,526,116.94	\$ 1,391,939.46
Instalments paid by employees subscribing for capital stock, with interest thereon.		
PREMIUM ON LONG TERM DEBT 298,384.20	313,620.84	
Balance of unamortized premium less expense pertaining to bonds outstanding.		
OTHER DEFERRED CREDITS 406,509.58	292,395.60	
Miscellaneous items, the final disposition of which had not been determined at December 31.	<u>\$ 2,231,010.72</u>	<u>\$ 1,997,955.90</u>
Depreciation Reserve	\$ 84,514,592.15	\$ 76,913,613.66
Provision for the ultimate retirement of depreciable plant when it has served its useful life.		
Premiums on Capital Stock	\$ 7,598,048.74	\$ 7,489,928.74
Amount received in excess of par value.		
Surplus:		
RESERVED SURPLUS	\$ 4,118,000.00	\$ 2,363,000.00
Addition Year 1944 \$1,755,000.00		
Surplus reserved in respect of refundable portion of Excess Profits Tax.		
UNAPPROPRIATED SURPLUS:		
CAPITAL SURPLUS	2,428,912.65	2,393,038.58
Miscellaneous additions (net) Year 1944 \$ 35,874.07		
EARNED SURPLUS	2,829,244.90	3,704,701.77
Balance charged for Year 1944 (after dividends) \$ 875,661.74		
Miscellaneous additions (net) Year 1944 204.87	<u>\$ 875,456.87</u>	
	<u>\$ 9,376,157.55</u>	<u>\$ 8,460,740.35</u>
Total Liabilities	<u>\$280,418,501.94</u>	<u>\$270,802,890.28</u>

J. CLEUGH, *Comptroller.*

THE BELL TELEPHONE COMPANY OF CANADA
COMPARATIVE INCOME STATEMENT

	Year 1944	Year 1943
Telephone Operating Revenues	\$ 63,513,101.74	\$ 59,648,986.31
Revenues from local and toll service, telephone directory advertising and miscellaneous telephone operations.		
<i>Less: Uncollectible Operating Revenues</i>	58,842.64	54,144.53
Total Operating Revenues	<u>\$ 63,454,259.10</u>	<u>\$ 59,594,841.78</u>
Telephone Operating Expenses:		
OPERATION EXPENSES	\$ 19,971,351.13	\$ 17,789,089.17
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. (1944—Salaries paid to Executive Officers \$144,667.04; Salaries and fees paid to Counsel and other legal advisers \$32,583.40; and fees paid to Directors and members of the Executive Committee \$26,760.00 of which \$7,760.00 was paid and accounted for by Subsidiary Companies).		
CURRENT MAINTENANCE	11,115,784.30	10,244,600.95
Cost of inspection, repairs and rearrangements required to keep the telephone plant and equipment in good operating condition.		
DEPRECIATION	9,114,079.00	8,895,851.00
Provision to meet the loss when depreciable property is retired from service, based on rates of depreciation for the different classes of property which spread this loss uniformly over the service life of the property.		
Total Operating Expenses	<u>\$ 40,201,214.43</u>	<u>\$ 36,929,541.12</u>
Net Operating Revenues	<u>\$ 23,253,044.67</u>	<u>\$ 22,665,300.66</u>
OPERATING TAXES:		
Income and Excess Profits Taxes	\$ 10,632,000.00	\$ 10,159,000.00
Excluding refundable portion of Excess Profits Tax of \$1,755,000.00 for 1944.		
Other Taxes	1,902,000.00	1,796,000.00
Dominion, Provincial and Municipal taxes applicable to the year.		
Total Operating Taxes	<u>\$ 12,534,000.00</u>	<u>\$ 11,955,000.00</u>
Net Operating Income	<u>\$ 10,719,044.67</u>	<u>\$ 10,710,300.66</u>
NET NON-OPERATING INCOME:		
Income from Investment Securities	736,334.95	731,649.70
Dividends and interest received from investment securities owned by the Company.		
Other Non-Operating Income (Net)	1,908.33	157,821.73
Interest on temporary cash investments and other miscellaneous income after deducting expenses of a non-operating nature. (Non-Operating Expense exceeded Other Non-Operating Income).		
Total Non-Operating Income	<u>738,243.28</u>	<u>889,471.43</u>
Income Available for Fixed Charges	<u>\$ 11,457,287.95</u>	<u>\$ 11,284,128.63</u>
FIXED CHARGES:		
Bond and Note Interest	\$ 3,268,989.57	\$ 3,272,018.38
Interest charges on bonds and long term notes outstanding.		
Other Interest	101,726.88	112,887.93
Interest charges on other debt obligations.		
Amortization of Discount and Premium on Long Term Debt	6,076.44	6,076.44
Proportion of discount, premium and expense applicable to the year in connection with bonds and long term notes outstanding.		
Amortization of Discount and Premium on Bonds Redeemed	150,424.83	150,424.93
Proportion of discount, redemption premium and expense applicable to the year in connection with Series "A" bonds redeemed.		
Other charges	204,287.41	202,913.18
Premium on United States funds required for bond interest payments.		
Total Fixed Charges	<u>\$ 3,731,505.13</u>	<u>\$ 3,744,320.86</u>
Net Income	<u>\$ 7,721,966.16</u>	<u>\$ 7,539,807.77</u>
RESERVATION OF INCOME	1,755,000.00	1,654,000.00
Refundable portion of Excess Profits Tax.		
Balance Available for Dividends	<u>\$ 5,966,966.16</u>	<u>\$ 5,885,807.77</u>
DIVIDENDS	6,842,627.90	6,779,188.61
Dividends to owners of outstanding common stock.		
Balance Charged to Earned Surplus	<u>\$ 875,661.74</u>	<u>\$ 893,380.84</u>

J. CLEUGH, *Comptroller.*

MONTREAL, QUE.,
January 31, 1945.

AUDITORS' REPORT

TO THE SHAREHOLDERS OF
THE BELL TELEPHONE COMPANY OF CANADA,
MONTREAL.

We have made an examination of the Balance Sheet of The Bell Telephone Company of Canada as at December 31, 1944, and the related Income Statement for the year then ended. 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, 1944, resulted in an aggregate net profit.

We are informed that the several matters concerning Income and Excess Profits Taxes, referred to in our report for the year ended December 31, 1943, have not been settled with the Income Tax Department, and no assessment in regard thereto has been received. Provision for additional taxes which may be imposed in respect thereof has not been made in the attached Balance Sheet.

In our opinion, based upon such examination, and subject to the foregoing, 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, 1944, 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, 1943	\$14,024,846.05
Additions to Fund during 1944—	
Payments into Fund by Company	\$1,982,726.99
Interest Revenue (including amortization of premium and discount on investments)	557,518.90
Total Additions	<u>\$2,540,245.89</u>
Disbursements for Pensions during 1944	<u>430,910.08</u>
Net Increase in Fund	<u>2,109,335.81</u>
 Balance in Fund—December 31, 1944	 <u><u>\$16,134,181.86</u></u>
Comprised of—	
4% two-year Note of The Bell Telephone Company of Canada	\$12,176,918.93
Dominion Government Bonds	3,050,000.00
Bonds of The Bell Telephone Company of Canada	406,310.61
Cash and Accrued Interest Not Due	500,952.32
Total	<u><u>\$16,134,181.86</u></u>

NOTE: Securities shown on amortized basis.

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.

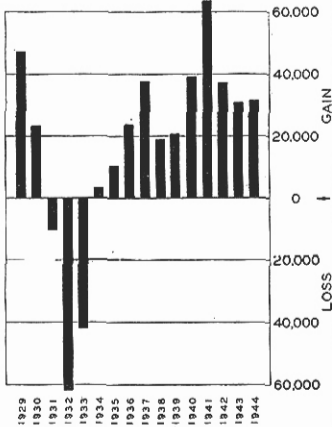
THE ROYAL TRUST COMPANY, *Trustee.*

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

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

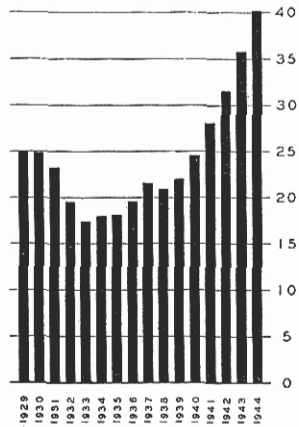
MONTREAL, 18th January, 1945.

GAIN OR LOSS IN TELEPHONES



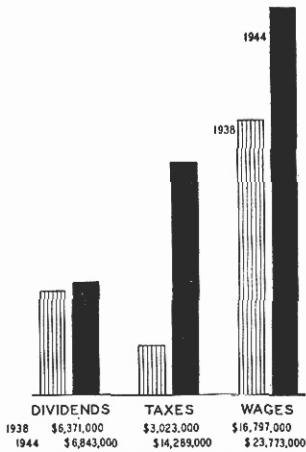
LONG DISTANCE MESSAGES

MILLIONS OF MESSAGES



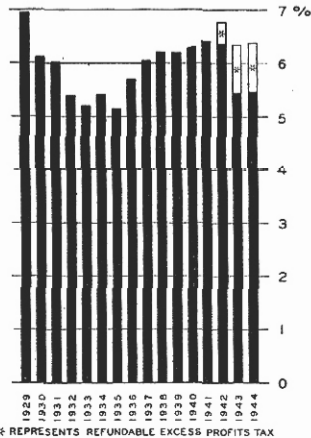
DIVIDENDS · TAXES · WAGES

1944 COMPARED WITH 1938



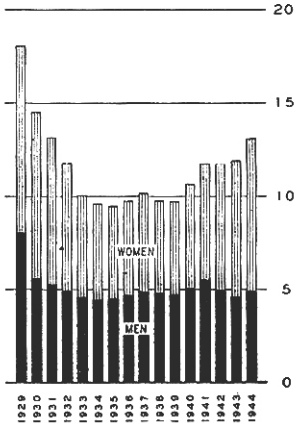
NET EARNINGS

IN PER CENT OF LONG TERM DEBT AND STOCKHOLDERS' EQUITY



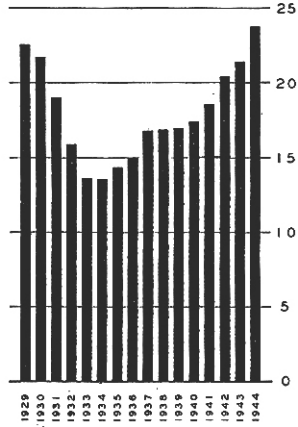
EMPLOYEES AT END OF YEAR

THOUSANDS OF EMPLOYEES

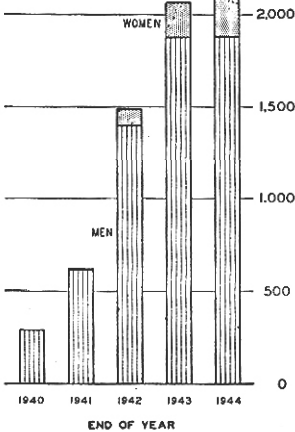


ANNUAL PAYROLL

MILLIONS OF DOLLARS

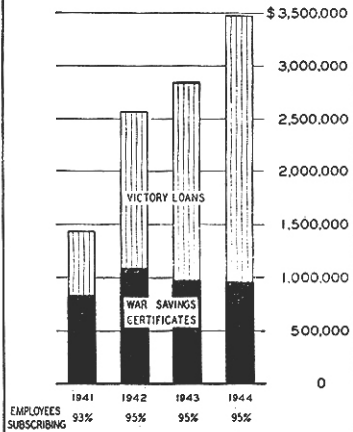


EMPLOYEES ON WAR SERVICE



EMPLOYEE SUBSCRIPTIONS

VICTORY LOANS AND
WAR SAVINGS CERTIFICATES



EMPLOYEES
SUBSCRIBING

93%

95%

95%

95%

STATISTICS

	<i>December 31, 1944</i>	<i>December 31, 1943</i>
Number of Telephones:		
Company Owned—Manual Service	277,071	266,031
" " —Dial Service*	710,459	690,082
" " —Total	987,530	956,113
Connecting and Miscellaneous	180,440	169,801
Total Telephones	1,167,970	1,125,914
Number of Central Offices	420	419
Number of Owned Buildings	167	165
Miles of Pole Lines	22,884	22,858
Miles of Wire:		
In Underground Cable	2,838,271	2,810,566
In Aerial Cable	992,931	979,636
Open Wire	234,065	232,202
Total Miles of Wire	4,065,267	4,022,404
Miles of Subway (Length of Street Occupied)	1,151	1,118
Miles of Duct	5,570	5,453
Average Daily Connections for Year:		
Local	6,271,000	6,219,000
Toll	110,000	98,000
Number of Employees:		
Men	4,871	4,579
Women	8,231	7,336
Total Employees (excluding War Service)	13,102	11,915
Employees on War Service	2,100	2,067
Total Pay Roll for Year	\$23,773,155	\$21,340,257
Number of Shareholders:		
In Canada	23,685	23,288
Elsewhere	1,337	1,203
Total Shareholders	25,022	24,491

GROWTH IN NUMBER OF TELEPHONES OWNED BY COMPANY

