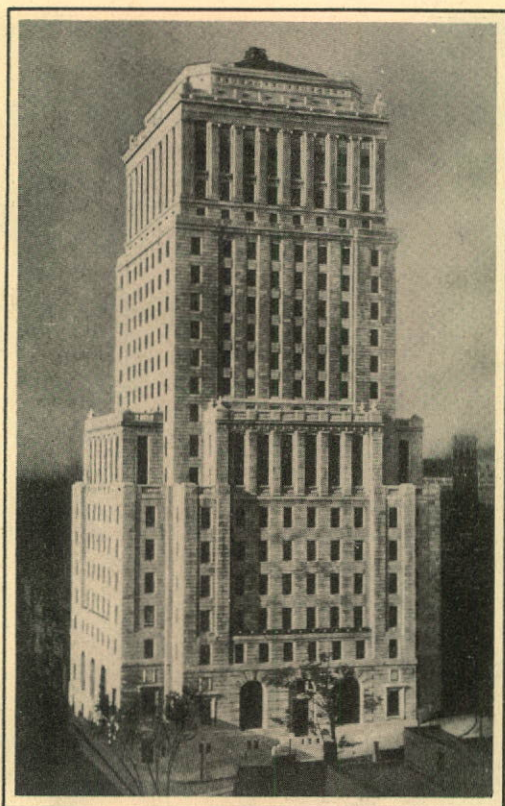


ANNUAL REPORT

YEAR ENDED DECEMBER 31, 1943



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
DECEMBER 31
1943

THE BELL TELEPHONE COMPANY OF CANADA

BEAVER HALL BUILDING

MONTREAL

DIRECTORS

*WILLIAM F. ANGUS	-	-	-	-	Montreal
HON. HENRY COCKSHUTT	-	-	-	-	Brantford
CLEO F. CRAIG	-	-	-	-	New York
*HON. CHARLES A. DUNNING, P.C.	-	-	-	-	Montreal
*JAMES A. ECCLES	-	-	-	-	Montreal
SIR GEORGE GARNEAU	-	-	-	-	Quebec
*C. EDOUARD GRAVEL	-	-	-	-	Montreal
*FREDERICK JOHNSON	-	-	-	-	Montreal
JAMES M. MACDONNELL	-	-	-	-	Toronto
*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

**Member 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>
G. H. ROGERS	-	-	-	-	-	<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-fourth Annual Report of the Directors

FOR THE YEAR ENDED DECEMBER 31, 1943

To the Shareholders:

Rigid conservation of telephone material throughout 1943, in order to provide for essential services, resulted in a marked reduction in the installation of new telephones. New construction was substantially below that of the previous year, being limited to the more urgent extensions of long distance facilities. We were sorry to have to disappoint many applicants for service but very few failed to appreciate the circumstances which made it necessary.

Telephones connected during the year totalled 134,059 and 103,360 were disconnected, a net increase of 30,699. In 1942 the net increase was 37,066.

There were 956,113 telephones in service at December 31, of which 333,314 were business and 622,799 residence instruments.

Other telephone systems in Ontario and Quebec with which we interchange service now number 926, serving 169,801 telephones.

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

Revenues

Local service revenue was \$39,027,612, an increase of 3.3 per cent over 1942.

Long distance revenue was \$18,277,995, an increase of 16.2 per cent.

Miscellaneous revenue amounted to \$2,917,207, a decrease of 3.9 per cent.

The gross revenue from all sources amounted to \$60,222,814, an increase of \$3,682,807 or 6.5 per cent.

Expenses

The cost of living bonus paid to employees was increased on July 1, 1943 to the maximum amount allowable under government regulations. Prior to that date the cost of living bonus paid amounted to one-half the rate allowed by government regulations. There were further adjustments of wage schedules together with an increase in the number of female employees which more than offset the reduction in male force. These factors are reflected in Operation expense which shows an increase of \$1,953,751 or 12.3 per cent. Despite increases in the cost of living bonus, adjustment in wage schedules and charges on account of severe storm damage, Maintenance expense was only slightly greater than last year. This result is due to the shortage of manpower and of many items of material and is consistent with the Company's policy of avoiding expenditures not absolutely essential under present war conditions.

Taxes applicable to the year 1943, excluding the refundable portion of the Excess Profits Tax, amounted to \$11,955,000, an increase of \$1,951,000 or 19.5 per cent. This reflects the application of the present Excess Profits Tax for a full year as compared with only one-half of the year 1942. There are various questions under discussion with the Dominion Income Tax

Department concerning a number of items, the taxability of which under both the Dominion Income and the Excess Profits Tax Acts is in doubt. The aggregate amount of tax involved in regard to these items is approximately \$500,000 relating to past operations.

The refundable portion of the Excess Profits Tax applicable to the year 1943 amounts to \$1,654,000. Under the provisions of the Act this amount will be refunded to the Company, without interest, three years after the cessation of hostilities.

In addition to the taxes payable by the Company amounting to \$13,609,000 the Company collected \$7,046,000 in taxes for the various governments of which \$3,144,000 was directly from telephone users, and \$3,902,000 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 \$7,539,808. After the reservation of \$1,654,000, being the refundable portion of the Excess Profits Tax, the balance available for dividends amounted to \$5,885,808 or \$6.95 per share of average outstanding capital stock. Quarterly dividends at the rate of \$2.00 per share were paid and it was necessary to draw upon Surplus to the extent of \$893,381 in order to pay the total dividends to shareholders of \$6,779,189.

Financing

The only permanent financing during 1943 was the issue of 9,049 shares of capital stock, of a par value of \$904,900, to employees who had completed instal-

ment payments on subscriptions under the Employees' Stock Plan.

Distribution of Stock

For the fourth successive year the number of shareholders has increased, and at December 31, 1943 was 24,491. This is 534 higher than a year ago and 3,907 more than at December 31, 1939.

Shareholders living in Canada number 23,288, or 95.1 per cent, and hold 72.1 per cent of the outstanding stock. There are now more shareholders in Canada and they hold a greater proportion of the stock than at any previous time in the Company's history.

The last four years have witnessed a yearly drop in the percentage of shareholders residing outside of Canada. This group holds 27.9 per cent of the stock, inclusive of the 22 per cent held by the American Telephone and Telegraph Company.

The average holding per shareholder (excluding the American Telephone and Telegraph Company) is 27 shares.

Employees and pensioners numbering 4,684 hold 63,318 shares, representing 7.4 per cent of the outstanding stock.

Plant

New construction during 1943 amounted to \$6,200,000 which is less than half the figure for the previous year. This reflects measures taken to limit construction to essential services in accordance with the various restrictive orders issued by the Federal authorities. Most of the expenditure was to provide additional long distance circuits necessitated by activities arising

out of the war. Extensions and replacements of local exchange plant were at a low level.

After deducting the original cost of plant removed from service and not re-used, net additions to the Company's Fixed Capital accounts amounted to \$4,332,000 compared with \$9,168,000 in the previous year.

Buildings

Building activity during the year was restricted. The extension to the O'Connor Street building in Ottawa, started during the previous year, was completed. Construction of a new toll building at Belleville was begun and four small repeater stations were erected in connection with the Montreal-Ottawa-Toronto toll cable project.

Equipment

As a result of limitations placed on new construction, equipment extensions were restricted during the year. Some small extensions to existing dial and manual exchanges started during the previous year were completed and a few new projects were undertaken. There were no manual offices converted to dial operation.

At the end of the year dial-operated telephones totalled 690,082 constituting 72 per cent of the total company telephones. Extensions to the toll switchboards at Toronto and London were necessary due to the continued expansion in long distance traffic. Carrier equipment was installed at a number of locations to provide additional toll circuits. The repeater installations associated with the Montreal-Ottawa toll cable were completed.

Long Distance Plant

Progress was made with the construction of the long distance cable between Montreal, Ottawa and Toronto to provide additional circuits and to safeguard service on these important routes. The cable between Montreal and Ottawa was placed in service. Installation of long distance cable extending east from Toronto was completed to Port Hope and was well advanced in the Port Hope-Kingston section.

Some increase in our long distance circuits was provided by installing carrier systems which afforded additional channels over existing open wire facilities, thus conserving essential materials.

Storm Damage

Early in the year severe damage was done to open wire long distance and exchange facilities in the area between Montreal and Ottawa by a heavy sleet storm. The full resources of the Company were needed to restore service at the earliest possible date. Emergency use of the long distance cable between Montreal and Ottawa, then approaching completion, made it possible to restore service quickly between the two cities.

Supplies

The supplies problem continued to be acute. Government controls with respect to the use of metals and other materials required for war purposes were more restrictive. The Company intensified its programme of conserving strategic materials and of making the maximum use of existing facilities. An example is the use of new copper which was reduced from 2,250 tons

in 1941 to approximately 400 tons in 1943. The quantity used in 1943 was more than offset by old copper recovered from our plant and turned over to the government's stock.

Trans-Canada Telephone System

Growth in the traffic handled over the Trans-Canada System continued at a rapid rate and amounted to about 28 per cent increase over the 1942 volume. Three additional circuits were provided from Montreal to Halifax by the installation of a carrier system. Loads on the Trans-Canada circuits were very heavy. The speed of service was somewhat lower than in 1942.

Maintenance

The Company's plant and equipment has been maintained generally in good operating condition subject however to the deferment of some upkeep work due to war time conditions. Upon release of material and men from requirements of the war this deferred upkeep work will have to be undertaken. Troubles reported by customers amounted to 68 per 100 telephones as compared with 76 for 1942. Troubles on long distance lines were at a reasonably low level and were cleared promptly.

Service

The telephone service furnished by the Company has been kept at a satisfactory standard. Continuing heavy demands for service combined with a large staff turnover and a difficult supply situation imposed severe operating problems. Eighty-nine per cent of long distance calls filed were completed as compared with 91 per cent in 1942. The average time required to estab-

lish long distance connections was 124 seconds which was 22 seconds longer than for the previous year, and the proportion of calls handled while the customer remained at the telephone was 88 per cent as against 90 per cent in 1942.

Installation of telephones was carried out with reasonable promptness during the year. Nearly 42 per cent of all subscribers' orders were completed by the end of the first business day from receipt of the order.

Post-War Planning

A committee is making a survey of conditions likely to confront the company in the post-war period. Plans are being developed which contemplate expanding employment, a construction programme to meet post-war service demands, a return to pre-war service levels and the restoration of normal margins of plant.

Employees' Pension and Benefit Plan

The Plan for Employees' Pensions, Disability Benefits and Death Benefits has operated as a valuable aid to the business since its adoption over twenty-six years ago—on July 1, 1917. The Plan is provided without cost to the employees. Payments thereunder are included in expenses as incurred with the exception of service pensions which are provided for in advance on an actuarial basis with payments made semi-annually into a Trust Fund established and irrevocably dedicated to service pension purposes. The actuarial basis of the Plan is reviewed at intervals not exceeding five years, the latest study being as of December 31, 1942.

During the year 1943, benefits and pensions amounting to \$891,622, were paid in 3,634 cases under the Plan, divided as follows:

	No. of Cases	Amount
Pensions:		
Service.....	636	\$422,105
Disability.....	97	30,133
Accident Benefits (including expenses).....	234	18,514
Sickness Benefits.....	2,556	341,880
Death Benefits.....	111	78,990

Employees' Stock Plan

Of 10,585 employees eligible to subscribe for stock under the Plan, 4,232 are now subscribing for 28,027 shares.

Life Insurance and Annuities

At December 31, 1943, 3,012 employees were carrying \$11,635,000 of Life Insurance under the Plan—an average of \$3,863 per insured employee.

Effective October 1, 1943, a pay roll deduction plan was inaugurated for the payment of premiums on Canadian Government Annuities purchased by employees.

Blue Cross Hospital Service Plan

The Company has entered into arrangements with the Quebec Hospital Service Association and the Ontario Plan for Hospital Care which makes available hospital care of employees and their families under a pay roll deduction plan. Some 5,450 employees have already taken advantage of these plans.

War Savings Certificates and Victory Loan Bonds

War Savings Certificates with a face value of \$2,993,000 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 1943 was \$972,000. Sales of War Savings Stamps and Certificates to telephone customers by employees amounted to \$210,100 during the year 1943 bringing the cumulative sales to a total of \$534,600 since July, 1940. Subscriptions by employees in 1943 for Fourth and Fifth Victory Loan Bonds amounted to \$1,861,000. In connection with both of these issues of Victory Loan Bonds, payment by instalments through a pay roll deduction plan was made available to employees.

In Memoriam

Lewis Brown McFarlane, who became an official of the Company at its inception in 1880, and who served as President from 1915 to 1925 and as Chairman of the Board from 1925 to 1930, died on June 9. He was in his 92nd year. The story of Mr. McFarlane's outstanding contribution to the telephone industry in Canada has often been told. His career, first in the telegraph field and then in telephone service, compassed the entire era of electrical communication in this country. It is appropriate here again to pay tribute to his high character, his great ability, and his invaluable service to this Company.

Staff

Of our staff, 1,998 men and 201 women have enlisted for war service. Of these 101 have returned and 22 have given their lives. During the past two years

upwards of 5,400 new employees have been engaged to offset resignations and losses to the war services, necessitating an extensive programme of staff training. Problems facing all departments through the difficult conditions imposed by the war have been met with commendable resourcefulness and efficiency. Your Directors record their sincere appreciation.

For the Board of Directors,

MONTREAL, February 7, 1944. C. F. SISE,
President.

THE BELL TELEPHONE COMPANY OF CANADA

COMPARATIVE BALANCE SHEET

ASSETS

	December 31, 1943	December 31, 1942
Fixed Capital:		
LAND AND BUILDINGS—at cost	\$ 22,949,156.05	\$ 22,769,371.99
TELEPHONE PLANT AND EQUIPMENT	206,696,084.28	202,559,885.61
Cost of central office and subscribers' station equipment, poles, wire, cable, underground conduit, right-of-way, etc.		
GENERAL EQUIPMENT	4,610,232.87	4,594,217.68
Cost of office furniture and fixtures, storeroom and garage equipment, motor vehicles and tools and implements.		
	<u>\$234,255,473.20</u>	<u>\$229,923,475.28</u>
 Investment Securities:		
SUBSIDIARY COMPANIES	\$ 13,942,784.26	\$ 13,942,181.26
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.		
	<u>\$ 14,459,164.38</u>	<u>\$ 14,458,561.38</u>
 Current Assets:		
CASH	\$ 714,683.76	\$ 306,772.92
TEMPORARY CASH INVESTMENTS	6,025,175.52	2,513,150.00
Dominion Government securities at cost. Market value as of December 31, 1943, \$6,014,330.53.		
MATERIAL AND SUPPLIES	4,105,624.88	4,477,729.30
Material and supplies, principally for construction and maintenance purposes, held at cost in storerooms and yards less a reserve of \$57,156.28 at December 31, 1943. Physical inventories were taken during September and October, 1943.		
NOTES RECEIVABLE FROM SUBSIDIARY COMPANIES	308,000.00	325,000.00
ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS	5,581,380.38	6,038,513.49
SUBSIDIARY COMPANIES	\$ 123,988.54	
CUSTOMERS AND OTHERS AND OTHER CURRENT ASSETS	5,457,391.84	
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, 1943, of \$71,362.50 with Trustee for redemption of Series "A" bonds.		
	<u>\$ 16,734,864.54</u>	<u>\$ 13,661,165.71</u>
 Other Assets:		
REFUNDABLE PORTION OF EXCESS PROFITS TAX	\$ 2,363,000.00	\$ 709,000.00
 Deferred Debits:		
PREPAYMENTS	\$ 933,471.98	\$ 883,911.61
Rents, taxes, insurance, cost of directories and other expenses prepaid and applicable to period subsequent to December 31.		
DISCOUNT ON LONG TERM DEBT	289,889.42	311,202.50
Balance of unamortized discount and expense pertaining to bonds and long term notes outstanding.		
DISCOUNT AND PREMIUM ON BONDS REDEEMED	1,679,736.90	1,830,159.64
Unamortized discount, redemption premium and expense pertaining to Series "A" bonds redeemed.		
OTHER DEFERRED DEBITS	87,289.86	52,038.98
Miscellaneous items, the final disposition of which had not been determined at December 31.		
	<u>\$ 2,990,388.16</u>	<u>\$ 3,077,312.73</u>
 Total Assets	<u><u>\$270,802,890.28</u></u>	<u><u>\$261,829,515.10</u></u>

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, 1943	December 31, 1942
Capital Stock:			
COMMON STOCK—Authorized 1,500,000 shares, par value \$150,000,000.00—Outstanding fully paid 1943—851,151 shares		\$ 85,115,100.00	\$ 84,210,200.00
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		
		7,500,000.00	7,500,000.00
Series D—Maturing August 1, 1964—3½%		25,000,000.00	25,000,000.00
NOTES—Maturing August 1, 1947—2½%		3,000,000.00	3,000,000.00
NOTES SOLD TO TRUSTEE OF PENSION FUND		12,607,829.01	12,232,069.66
		\$ 78,107,829.01	\$ 77,732,069.66
Current Liabilities:			
BANK LOAN (Secured)		\$ —	\$ 1,000,000.00
NOTES PAYABLE TO SUBSIDIARY COMPANIES		109,721.04	107,884.34
ADVANCE BILLING AND PAYMENTS FOR TELEPHONE SERVICE		1,432,992.79	1,318,111.28
ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES		2,230,114.13	2,545,926.26
SUBSIDIARY COMPANIES	\$ 477,267.66		
OTHER ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES	1,752,846.47		
Amounts owing for supplies, pay rolls and other items which are in process of settlement, including balance payable on unredeemed Series "A" bonds of \$71,362.50, as of December 31, 1943.		\$ 3,772,827.96	\$ 4,971,921.88
Accrued Liabilities Not Due:			
TAXES		\$ 6,585,338.77	\$ 5,670,226.56
Dominion, Provincial and Municipal taxes applicable to period ended December 31, but not due until after that date.			
OTHER		2,359,555.89	2,336,617.41
Interest, dividends and rents applicable to period ended December 31, but not due until after that date.		\$ 8,944,894.66	\$ 8,006,843.97
Deferred Credits:			
EMPLOYEES' STOCK PLAN		\$ 1,391,939.46	\$ 1,597,013.55
Installments paid by employees subscribing for capital stock, with interest thereon.			
PREMIUM ON LONG TERM DEBT		313,620.84	328,857.48
Balance of unamortized premium less expense pertaining to bonds outstanding.			
OTHER DEFERRED CREDITS		292,395.60	231,807.84
Miscellaneous items, the final disposition of which had not been determined at December 31.		\$ 1,997,955.90	\$ 2,157,678.87
Depreciation Reserve		\$ 76,913,613.66	\$ 69,756,596.09
Provision for the ultimate retirement of depreciable plant when it has served its useful life.			
Premiums on Capital Stock		\$ 7,489,928.74	\$ 7,354,193.74
Amount received in excess of par value.			
Surplus:			
RESERVED SURPLUS		\$ 2,363,000.00	\$ 709,000.00
Addition Year 1943	\$1,654,000.00		
Surplus reserved in respect of refundable portion of Excess Profits Tax.			
UNAPPROPRIATED SURPLUS:			
CAPITAL SURPLUS		2,393,038.58	2,332,733.36
Miscellaneous additions (net) Year 1943	\$ 60,305.22		
EARNED SURPLUS		3,704,701.77	4,598,277.53
Balance charged for Year 1943 (after dividends)	\$ 893,380.84		
Miscellaneous deductions (net) Year 1943	194.92		
	\$ 893,575.76		
		\$ 8,460,740.35	\$ 7,640,010.89
Total Liabilities		\$270,802,890.28	\$261,829,515.10

J. CLEUGH, Comptroller.

THE BELL TELEPHONE COMPANY OF CANADA
COMPARATIVE INCOME STATEMENT

	Year 1943	Year 1942
Telephone Operating Revenues	\$ 59,648,986.31	\$ 55,809,030.12
Revenues from local and toll service, telephone directory advertising and miscellaneous telephone operations.		
Less: Uncollectible Operating Revenues	54,144.53	72,648.04
Total Operating Revenues	\$ 59,594,841.78	\$ 55,736,382.08
Telephone Operating Expenses:		
OPERATION EXPENSES	\$ 17,789,089.17	\$ 15,835,338.61
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. (1943—Salaries paid to Executive Officers \$151,500.40; Salaries and fees paid to Counsel and other legal advisers \$35,166.78; and fees paid to Directors and members of the Executive Committee \$27,500.00 of which \$7,600.00 was paid and accounted for by Subsidiary Companies).		
CURRENT MAINTENANCE	10,244,600.95	10,207,519.29
Cost of inspection, repairs and rearrangements required to keep the telephone plant and equipment in good operating condition.		
DEPRECIATION	8,895,851.00	8,721,473.00
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	\$ 36,929,541.12	\$ 34,764,330.90
Net Operating Revenues	\$ 22,665,300.66	\$ 20,972,051.18
OPERATING TAXES:		
Income and Excess Profits Taxes	\$ 10,159,000.00	\$ 8,190,000.00
Excluding refundable portion of Excess Profits Tax of \$1,654,000.00 for 1943.		
Other Taxes	1,796,000.00	1,769,000.00
Dominion, Provincial and Municipal taxes applicable to the year.	\$ 11,955,000.00	\$ 9,959,000.00
Net Operating Income	\$ 10,710,300.66	\$ 11,013,051.18
NET NON-OPERATING INCOME:		
Income from Investment Securities	731,649.70	646,229.49
Dividends and interest received from investment securities owned by the Company.		
Other Non-Operating Income (Net)	157,821.73	84,747.75
Interest on temporary cash investments and other miscellaneous income after deducting expenses of a non-operating nature. (In 1943 Non-Operating Expense exceeded Other Non-Operating Income.)		
Income Available for Fixed Charges	\$ 11,284,128.63	\$ 11,744,028.42
FIXED CHARGES:		
Bond and Note Interest	\$ 3,272,018.38	\$ 3,223,610.90
Interest charges on bonds and long term notes outstanding.		
Other Interest	112,887.93	104,468.12
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	150,424.93	150,425.77
Proportion of discount, redemption premium and expense applicable to the year in connection with Series "A" bonds redeemed.		
Other charges	202,913.18	203,760.32
Premium on United States funds required for bond interest payments.	\$ 3,744,320.86	\$ 3,688,341.55
Net Income	\$ 7,539,807.77	\$ 8,055,686.87
RESERVATION OF INCOME	1,654,000.00	709,000.00
Refundable portion of Excess Profits Tax.		
Balance Available for Dividends	\$ 5,885,807.77	\$ 7,346,686.87
DIVIDENDS	6,779,188.61	6,706,095.99
Dividends to owners of outstanding common stock.		
Balance Credited to Earned Surplus	\$ —	\$ 640,590.88
Balance Charged to Earned Surplus	\$ 893,380.84	\$ —

J. CLEUGH, Comptroller.

MONTREAL, QUE.,

February 5, 1944.

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, 1943, 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, 1943, resulted in an aggregate net profit.

We are informed that several matters concerning Income and Excess Profits Taxes are now under discussion with the Income Tax Department, upon which no assessment 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, 1943, 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, 1942	\$12,644,393.00
Additions to Fund during 1943—	
Payments into Fund by Company	\$1,287,777.21
Interest Revenue, less amortization of premium on investments	514,780.57
Total Additions	<u>\$1,802,557.78</u>
Disbursements for Pensions during 1943	<u>422,104.73</u>
Net Increase in Fund	<u>1,380,453.05</u>
Balance in Fund—December 31, 1943	<u><u>\$14,024,846.05</u></u>
Comprised of—	
4% two year Note of The Bell Telephone Company of Canada	\$12,607,829.01
The Bell Telephone Company of Canada Bonds—at cost less amortization of premium to date	406,586.67
Dominion of Canada 5th Victory Loan Bonds at cost	1,000,000.00
Bond Interest accrued but not due	<u>10,430.37</u>
Total	<u><u>\$14,024,846.05</u></u>

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.

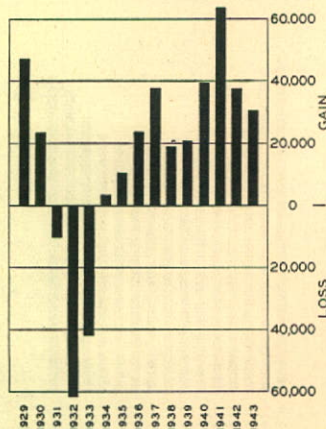
THE ROYAL TRUST COMPANY, *Trustee.*

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

By: A. G. M. MILLER,
For Assistant Secretary.

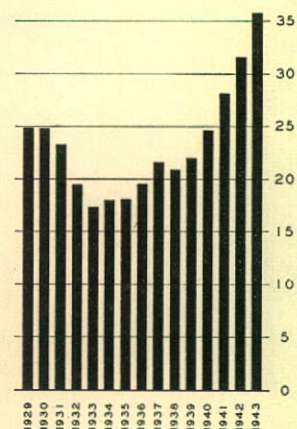
MONTREAL, 4th January, 1944.

GAIN OR LOSS IN TELEPHONES



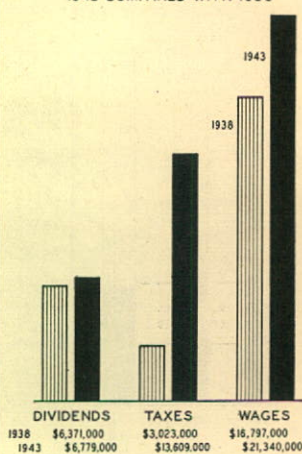
LONG DISTANCE MESSAGES

MILLIONS OF MESSAGES

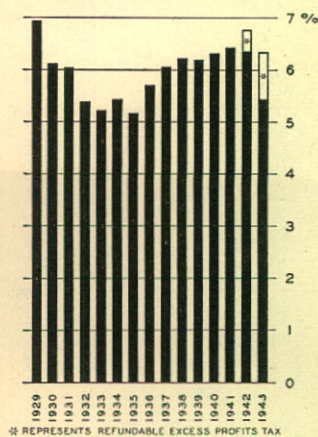


DIVIDENDS · TAXES · WAGES

1943 COMPARED WITH 1938

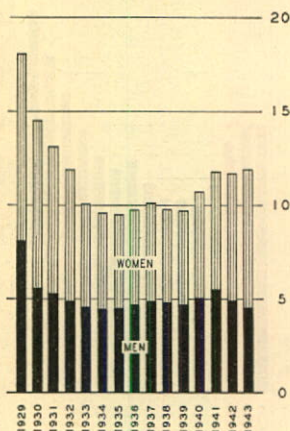


NET EARNINGS IN PER CENT OF LONG TERM DEBT AND STOCKHOLDERS' EQUITY



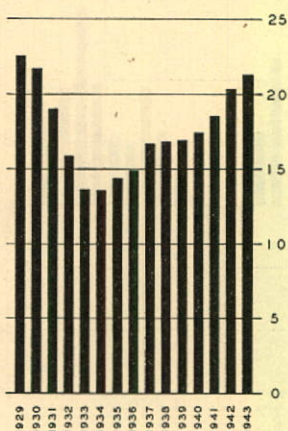
EMPLOYEES AT END OF YEAR

THOUSANDS OF EMPLOYEES

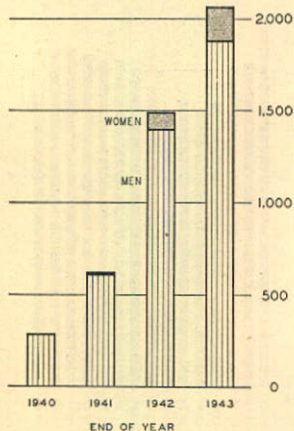


ANNUAL PAYROLL

MILLIONS OF DOLLARS

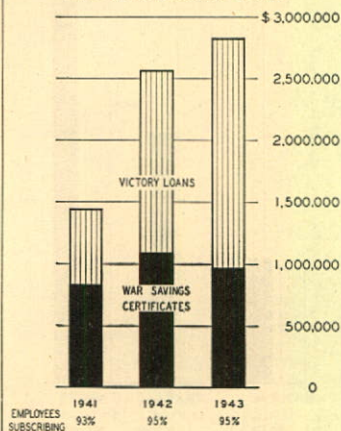


EMPLOYEES ON WAR SERVICE



EMPLOYEE SUBSCRIPTIONS

VICTORY LOANS AND
WAR SAVINGS CERTIFICATES



STATISTICS

	<i>December 31, 1943</i>	<i>December 31, 1942</i>
Number of Telephones:		
Company Owned—Manual Service	266,031	256,414
“ “ —Dial Service	690,082	669,000
“ “ —Total	956,113	925,414
Connecting and Miscellaneous	169,801	161,243
Total Telephones	1,125,914	1,086,657
 Number of Central Offices	419	415
Number of Owned Buildings	165	159
Miles of Pole Lines	22,858	22,989
Miles of Wire:		
In Underground Cable	2,810,566	2,799,924
In Aerial Cable	979,636	973,808
Open Wire	232,202	232,505
Total Miles of Wire	4,022,404	4,006,237
Miles of Subway (Length of Street Occupied)	1,118	1,113
Miles of Duct	5,453	5,434
Average Daily Connections for Year:		
Local	6,219,000	6,432,000
Toll	98,000	87,000
Number of Employees:		
Male	4,579	4,914
Female	7,336	6,819
Total Employees (excluding War Service)	11,915	11,733
Employees on War Service	2,067	1,490
Total Pay Roll for Year	\$21,340,257	\$20,369,030
Number of Shareholders:		
In Canada	23,288	22,728
Elsewhere	1,203	1,229
Total Shareholders	24,491	23,957

GROWTH IN NUMBER OF TELEPHONES OWNED BY COMPANY

