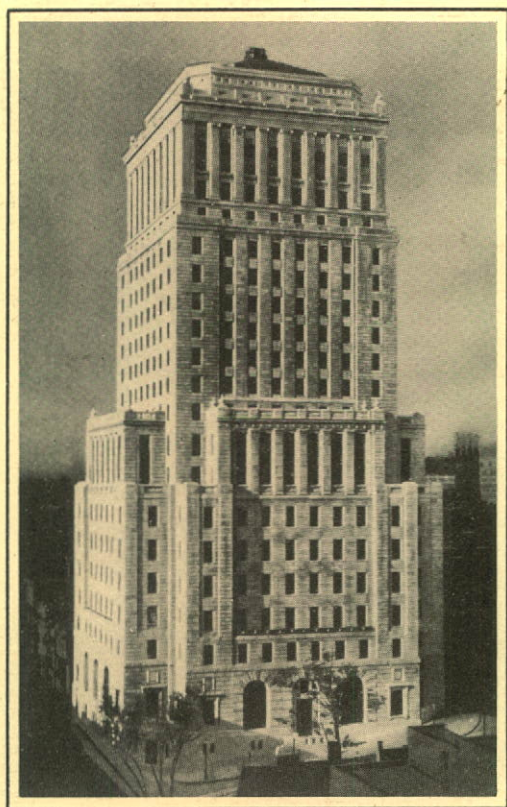


ANNUAL REPORT

YEAR ENDED DECEMBER 31, 1941



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
1941

THE BELL TELEPHONE COMPANY OF CANADA

BEAVER HALL BUILDING
MONTREAL

DIRECTORS

*WILLIAM F. ANGUS	-	-	-	Montreal
HON. HENRY COCKSHUTT	-	-	-	Brantford
*HON. CHARLES A. DUNNING, P.C.	-	-	-	Montreal
*JAMES A. ECCLES	-	-	-	Montreal
SIR GEORGE GARNEAU	-	-	-	Quebec
*C. EDOUARD GRAVEL	-	-	-	Montreal
WILLIAM H. HARRISON	-	-	-	New York
*FREDERICK JOHNSON	-	-	-	Montreal
JAMES M. MACDONNELL	-	-	-	Toronto
*PAUL A. MCFARLANE	-	-	-	Montreal
HON. SIDNEY C. MEWBURN, K.C.	-	-	-	Hamilton
GLYN OSLER, K.C.	-	-	-	Toronto
ARTHUR 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>
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>

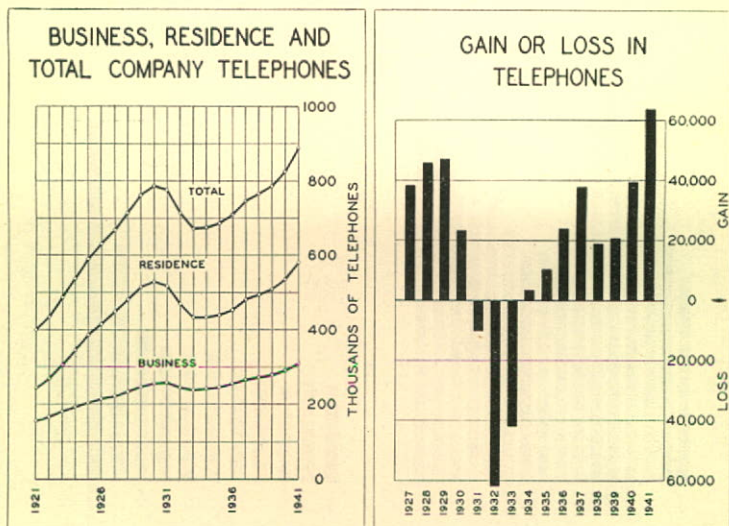
Sixty-second Annual Report of the Directors

FOR THE YEAR ENDED 31st DECEMBER, 1941

To the Shareholders:

The continued enlargement of Canada's war effort, with the consequent expansion of industrial operations and employment, greatly increased the demand for both local and long distance telephone service in our territory. The Income Statement and Balance Sheet herewith, amplified to show comparable data from the previous year's report, reflect this unprecedented demand.

Telephones connected during the year totalled 243,530, and 179,879 were disconnected, resulting in a net gain of 63,651, the largest for any year in the Company's sixty-two years of operation. The previous record was established in 1925 when the net gain was 52,473.



There were 888,348 telephones in service at the end of the year of which 308,845 were business and 579,503 residence instruments.

Other telephone systems in Ontario and Quebec with which we interchange service now number 888 serving 156,916 telephones.

There are now more than one million telephones in service in Ontario and Quebec.

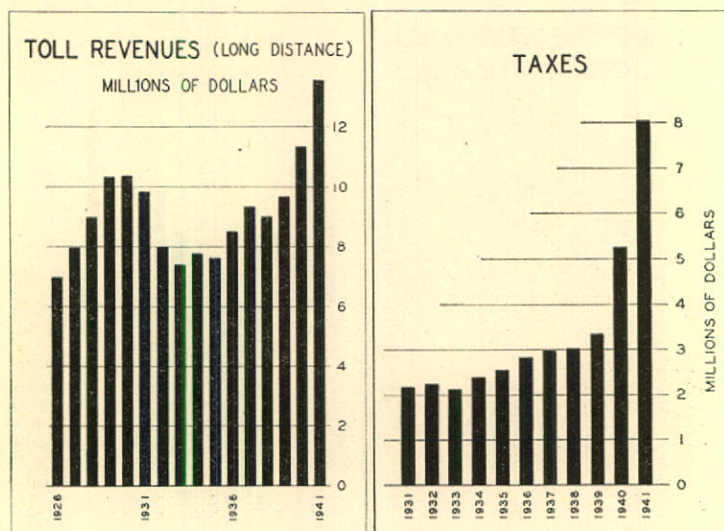
Revenues

Local service revenue was \$35,265,795, an increase of 7.7 per cent over 1940.

Long distance revenue was \$13,553,302, an increase of 19.3 per cent.

Miscellaneous revenue amounted to \$2,658,943, an increase of 10.1 per cent.

The gross revenue from all sources amounted to \$51,478,040, an increase of \$4,969,428 or 10.7 per cent.



Expenses

Operation and maintenance expenses for the year 1941 were higher by \$1,585,418 or 7.1 per cent than in 1940. Approximately half of this increase was due to an increase in the pay roll chargeable to these accounts occasioned mainly by necessary additions to our staff. Towards the latter part of the year, the Company began the payment of a cost-of-living bonus, in conformity with the Dominion Government's war-time wage policy.

Taxes, including provision for Provincial Corporation Taxes, amounted to \$8,091,000 for the year 1941, an increase of \$2,626,000 or 48 per cent. Taxes for 1941 were over $2\frac{2}{3}$ times those for the year prior to the outbreak of the war.

In addition to these taxes, the Company collected directly from telephone users for various governments an amount of \$1,778,000.

Fixed Charges

Fixed charges for the year 1941 decreased \$251,389 due principally to the financing effected on August 1, 1939 and the redemption of Series A Bonds which matured on March 1, 1940.

Net Income and Dividends

The net income available for dividends amounted to \$7,302,907 or \$8.82 per share of average outstanding capital stock. Quarterly dividends at the rate of \$2.00 per share were paid and totalled \$6,621,993, leaving a balance of \$680,914 carried to surplus.

Financing

The only permanent financing during 1941 was the issue of 11,343 shares of capital stock, of a par value

of \$1,134,300, to employees who had completed installment payments on subscriptions under the Employees' Stock Plan.

Distribution of Stock

As of December 31, 1941, there were 23,276 shareholders, an increase of 1,810 during the year. The number of shareholders is now larger than at any previous time.

Shareholders living in Canada number 22,062, or 94.8 per cent, and hold 71.2 per cent of the outstanding stock—a greater proportion than ever before. 5.2 per cent of the shareholders are non-residents of Canada and hold 28.8 per cent of the stock. This includes the American Telephone and Telegraph Company's holding of 22.5 per cent.

The average holding per shareholder (excluding American Telephone and Telegraph Company) is 28 shares. Employees numbering 4,171 hold 45,571 shares, representing 5.5 per cent of the shares outstanding.

Plant

New construction amounting to \$14,200,000 was completed in 1941. This exceeded the 1940 total by \$1,500,000 or 12 per cent. Most of the expenditure was to provide for the very rapid growth in war-time industrial activity. Replacement and modernization projects were deferred where possible.

After deducting the original cost of plant removed and not re-used, net additions to the Company's Fixed Capital accounts amounted to \$9,760,000, compared with \$5,539,000 in the previous year.

Buildings

Buildings to house new dial central offices were completed at Kingston, Welland, Port Colborne and

Farnham. Building extensions were completed in Brockville, Longueuil, St. Lambert, Sorel and Valleyfield.

Repeater stations were erected in Ste. Anne de Beaupre and St. Pie to house the terminal equipment for the Quebec-St. Anne de Beaupre and Montreal-St. Pie toll cables.

Equipment

A number of existing dial offices were extended during the year and some necessary manual central office replacements were begun. As of December 31, 1941, there were 622,737 dial operated telephones, constituting 97.4 per cent of the telephones in those cities and towns where dial service is given and 70.1 per cent of the total company telephones.

A further conversion from manual to dial service was made at Ottawa, which eliminated the "Carling" exchange. Manual equipments were also replaced by dial at Sudbury, Shawinigan Falls and Grand'Mere.

Expansion in long distance telephone traffic made necessary the addition of much toll switchboard and terminal equipment. New toll switchboards were installed in Barrie and Sudbury, and additional switchboard extensions were completed in Montreal, Ottawa, Toronto, Oshawa and St. Catharines. Carrier and repeater equipment associated with additional toll circuits was installed at a number of points.

Long Distance Plant

Rapid increase in toll traffic necessitated a considerable increase in the number of long distance circuits. The principal routes affected were Montreal-Ottawa, Ottawa-Toronto, Montreal-Quebec and Toronto-North Bay.

Most of the additional toll circuits were obtained by superimposing high frequency carrier systems on existing open wire lines. The principal open wire project during the year was the completion of the Ottawa-North Bay line. This line provides a valuable alternate route from Montreal and Ottawa to Toronto and to Western Canada. Toll cables were completed between London and St. Thomas, Welland and Port Colborne and from Oshawa north for a distance of 25 miles. In this latter case, the cable was laid by a process new to this Company. A tractor train digs the trench, lays the cable and fills in the earth covering in one operation. Note the illustration on page 20.

The placing of toll cable from Montreal to St. Pie and from Quebec to Ste. Anne de Beaupre was commenced during the year. The Montreal-St. Pie cable forms the first section of an alternate route from Montreal to Quebec and the Maritime provinces, which will be considerably shorter than existing routes.

Plans are under way, and some expenditure has been incurred, for the provision during 1942 of toll cable facilities from Montreal to Ottawa and from Toronto to Port Hope. These cables will ultimately form part of an all-cable route connecting Montreal, Toronto and Ottawa.

Supplies

The expansion of Canada's war effort has absorbed an increasing proportion of metals and other materials used for war purposes. Supplies available for non-war use have been restricted and largely placed under Government control. Plant and equipment used for telephone purposes require substantial quantities of copper, steel, lead, rubber and other basic materials. The supplies problem has, therefore, been an active

one for the Company during the year. The various factors involved, namely, the Company's requirements, the availability of raw materials and the manufacturing effort, are being closely studied.

Restrictions on materials as applied during the latter part of the year have already caused curtailment of construction. The scarcity of materials is being offset by various means. Plant is added in smaller units in order to spread available supplies, full advantage being taken of used material. A continuous effort is being made to make use of substitute materials. Some have already been adopted and others are under study.

Trans-Canada Telephone System

Traffic over the Trans-Canada System continued to expand at an increasing rate. The volume of traffic handled was approximately 60 per cent greater than in the previous year. Five additional toll circuits were placed in service between our territory and Winnipeg, and three to the Maritime provinces were added. To facilitate the handling of traffic between the larger cities, direct circuits were established from Ottawa to Halifax and Winnipeg, and between Toronto and Halifax.

The heavy loads imposed on the Trans-Canada circuits resulted in some slowing up in the speed of service notwithstanding the additional facilities provided.

Maintenance

Plant and equipment have been maintained in good condition. Troubles reported by customers were at the rate of one per telephone in 14 months, which is about the same as in 1940. The average trouble required one hour and 30 minutes to clear, 15 minutes

less than in 1940. Troubles on long distance circuits were at a reasonably low level and were cleared promptly.

Service

Heavy growth has resulted in reducing the margin of spare plant. As a result, the year's performance in terms of completion of local and long distance calls and speed of connection has been slightly below the level attained in recent years. However, service is good, prompt and reliable and has not yet suffered seriously from the increased load put upon it by heavier usage. 92.5 per cent of toll calls were completed as compared with 93.1 in 1940. The average time required to establish long distance connections was 89 seconds compared with 87 seconds in 1940, and 91.2 per cent of all toll calls were handled while the customer remained at the telephone as against 90.3 per cent in 1940.

Prompt installation of telephones continued throughout the year. Fifty-four per cent of all subscribers' orders were completed by the end of the first business day from receipt of the order.

Sales Promotion

Due to the greatly increased demand for service and the need for conserving facilities, our sales forces during the year were directed primarily to ensuring maximum usefulness from existing equipment. The service arrangements and telephone habits and practices of large users were studied with a view to determining how increased traffic could be accommodated with a minimum of additional equipment.

We were able to meet promptly the demand for switchboards and special installations for army camps,

airports and factories engaged in the manufacturing of war supplies.

Toll Rate Reductions

Toll rate reductions representing a saving to customers of \$500,000 annually were introduced July 10. Basic rates for Trans-Canada and Canada-United States traffic were reduced over the medium and longer routes. Person-to-person overtime rates were reduced and report charges discontinued.

Employees' Pension and Benefit Plan

During the year 1941, pensions and benefits were paid in 2,908 cases under the Plan for Employees' Pensions, Disability Benefits and Death Benefits, amounting to \$741,794 divided as follows:

	No. of	
	Cases	Amount
Service Pensions.....	598	\$403,839
Disability Pensions.....	87	26,333
Accident Benefits (including expenses)	260	11,806
Sickness Benefits.....	1,879	256,354
Death Benefits.....	84	43,462

Employees' Stock Plan

Of 10,258 employees eligible to subscribe for stock under the Plan, 5,612 are now subscribing for 34,677 shares. In order to permit employees to transfer some of their savings to the purchase of War Savings Certificates, a plan was introduced during the year whereby instalment payments under the Stock Plan can be suspended for an indefinite period.

Life Insurance

Under the Employees' Life Insurance Plan whereby premiums are paid through deductions from pay,

3,190 employees are carrying \$11,994,000 of Life Insurance—an average of \$3,760 per insured employee.

War Savings Certificates

Since the adoption of the pay roll deduction plan in July, 1940, the employees have purchased a total of \$924,000 face value of War Savings Certificates. During the same period sales of War Savings Stamps and Certificates to telephone customers by employees on the sales force and in business offices of the Company amounted to \$209,710.

War Service

As of December 31, 1941, 643 men and four women employees had left the Company for war service. Of the total, 27 had returned and four had died on active service, two having been killed in action. Provision for dependents of employees on active service is being continued in accordance with the plan adopted at the outbreak of the war.

During the year, there was a net increase of 1,087 employees. Vocational training for new employees and development courses for other employees continue to be important features of our personnel activity.

The record of efficient telephone service maintained throughout the year is due to the excellent work of employees of all ranks. They have been called upon, in a great many instances, to add very substantially to their accustomed tasks, and for the splendid results achieved they merit the highest commendation.

Health Activities

Through the year, continued attention was paid to raising the standard of health of the employee body.

The careful selection of new employees on the basis of their physical fitness for telephone work, and studies of the health of employees already in the service, contributed to the desired end.

Board of Directors

On August 14, Canada—indeed the whole democratic world—was shocked by the announcement of the tragic death in an aeroplane disaster in Britain of Rt. Hon. Arthur B. Purvis, P.C., who had been a Director of your Company for more than fourteen years. To a career of great activity and outstanding achievement in the world of business, Mr. Purvis added in the later years of his life a period of distinguished public service. As first Director General of the British Purchasing Commission in the United States and later Chairman of the British Supply Council in North America, his contribution to the cause of liberty was invaluable. Your Directors record their sense of profound sorrow in the loss of a valued colleague.

At the September meeting of the Board, Hon. Charles A. Dunning, P.C., was appointed a Director to succeed Mr. Purvis.

Mr. Walter S. Gifford, President of the American Telephone and Telegraph Company, who had been a member of the Board since March, 1924, felt obliged, due to the pressure of other duties, to tender his resignation which was accepted with regret.

Mr. Arthur W. Page, Vice-President of the American Telephone and Telegraph Company, was appointed a Director at the November meeting of the Board in succession to Mr. Gifford.

For the Board of Directors,

C. F. SISE,

MONTREAL, February 11, 1942.

President.

THE BELL TELEPHONE COMPANY OF CANADA

COMPARATIVE BALANCE SHEET

ASSETS

	Dec. 31, 1941	Dec. 31, 1940
Fixed Capital:		
LAND AND BUILDINGS— at cost	\$ 22,351,607.33	\$ 21,905,014.19
TELEPHONE PLANT AND EQUIPMENT	194,302,247.89	185,527,833.45
Cost of central office and subscribers' station equipment, poles, wire, cable, underground conduit, right-of-way, etc.		
GENERAL EQUIPMENT	4,101,307.44	3,562,468.40
Cost of office furniture and fixtures, storeroom and garage equipment, motor vehicles and tools and implements.		
	<u>\$220,755,162.66</u>	<u>\$210,995,316.04</u>
 Investment Securities:		
SUBSIDIARY COMPANIES	\$ 13,940,941.26	\$ 13,919,548.26
OTHER INVESTMENT SECURITIES	516,443.12	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.		
	<u>\$ 14,457,384.38</u>	<u>\$ 14,436,748.97</u>
 Current Assets:		
CASH	\$ 827,595.80	\$ 839,919.99
SPECIAL CASH DEPOSIT	99,587.50	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	699,760.43	622,074.54
Cost of short term securities. Market value as of December 31, 1941, \$699,597.51.		
MATERIAL AND SUPPLIES	4,313,104.78	3,919,517.90
Material and supplies, principally for construction and maintenance purposes, held at cost in storerooms and yards less a reserve of \$14,467.44 at December 31, 1941. Physical inventories were taken during September and October, 1941.		
NOTES RECEIVABLE FROM SUBSIDIARY COMPANIES	332,000.00	328,000.00
ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS	4,765,988.45	4,280,470.45
SUBSIDIARY COMPANIES	\$ 108,376.02	
CUSTOMERS AND OTHERS AND OTHER CURRENT ASSETS	4,657,612.43	
Current accounts due the Company for service (less provision for uncollectible accounts), interest, dividends, rents and other items; also cash held by employees and agents as working funds.		
	<u>\$ 11,038,036.96</u>	<u>\$ 10,197,970.38</u>
 Deferred Debits:		
PREPAYMENTS	\$ 870,291.26	\$ 805,017.38
Rents, taxes, insurance, cost of directories and other expenses prepaid and applicable to period subsequent to December 31.		
DISCOUNT ON LONG TERM DEBT	332,515.58	353,828.66
Balance of unamortized discount and expense pertaining to bonds outstanding.		
DISCOUNT AND PREMIUM ON BONDS REDEEMED	1,980,580.56	2,130,972.10
Unamortized discount, redemption premium and expense pertaining to Series "A" bonds redeemed.		
OTHER DEFERRED DEBITS	137,489.57	207,048.89
Miscellaneous items, the final disposition of which had not been determined at December 31.		
	<u>\$ 3,320,876.97</u>	<u>\$ 3,496,867.03</u>
 Total Assets	<u><u>\$249,571,460.97</u></u>	<u><u>\$239,126,902.42</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

	Dec. 31, 1941	Dec. 31, 1940
Capital Stock:		
COMMON STOCK—Authorized 1,500,000 shares, par value \$150,000,000.00—Outstanding fully paid 1941—832,492 shares	\$ 83,249,200.00	\$ 82,114,900.00
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—3¼%	25,000,000.00	25,000,000.00
Notes—Maturing August 1, 1947—2¾%	3,000,000.00	3,000,000.00
	\$ 65,500,000.00	\$ 65,500,000.00
Notes Sold to Trustee of Pension Fund	\$ 11,042,157.66	\$ 9,933,053.57
Current Liabilities:		
BONDS CALLED FOR REDEMPTION	\$ 99,587.50	\$ 207,987.50
Balance of Series "A" bonds presently payable, including premium and interest.		
NOTES PAYABLE TO SUBSIDIARY COMPANIES	106,195.03	104,987.26
ADVANCE BILLING AND PAYMENTS FOR TELEPHONE SERVICE	1,270,024.61	1,150,606.48
ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES	2,573,337.49	1,967,684.68
SUBSIDIARY COMPANIES	\$1,073,764.84	
OTHER ACCOUNTS PAYABLE AND OTHER		
CURRENT LIABILITIES	1,499,572.65	
Amounts owing for supplies, pay rolls and other items which are in process of settlement.	\$ 4,049,144.63	\$ 3,431,265.92
Accrued Liabilities not due:		
TAXES	\$ 5,334,498.31	\$ 3,536,515.52
Dominion, Provincial and Municipal taxes applicable to period ended December 31, but not due until after that date.		
OTHER	2,322,968.83	2,299,651.94
Interest, dividends and rents applicable to period ended December 31, but not due until after that date.	\$ 7,657,467.14	\$ 5,836,167.46
Deferred Credits:		
EMPLOYEES' STOCK PLAN	\$ 1,845,588.82	\$ 2,083,043.00
Installments paid by employees subscribing for capital stock, with interest thereon.		
PREMIUM ON LONG TERM DEBT	344,094.12	359,330.76
Balance of unamortized premium less expense pertaining to bonds outstanding.		
OTHER DEFERRED CREDITS	8,379.56	4,698.47
Miscellaneous items, the final disposition of which had not been determined at December 31.	\$ 2,198,062.50	\$ 2,447,072.23
Depreciation Reserve	\$ 63,122,375.72	\$ 58,010,004.73
Provision for the ultimate retirement of depreciable plant when it has served its useful life.		
Premiums on Capital Stock	\$ 7,210,043.74	\$ 7,039,898.74
Amount received in excess of par value.		
Unappropriated Surplus:		
CAPITAL SURPLUS	\$ 2,266,794.06	\$ 2,219,554.44
Miscellaneous additions (net) Year 1941	\$ 47,239.62	
EARNED SURPLUS	3,276,215.52	2,594,985.33
Surplus for Year 1941 (after dividends)	\$680,914.03	
Miscellaneous additions (net) Year 1941	316.16	
	\$681,230.19	
	\$ 5,543,009.58	\$ 4,814,539.77
Total Liabilities	\$249,571,460.97	\$239,126,902.42

J. CLEUGH, *Comptroller.*

THE BELL TELEPHONE COMPANY OF CANADA

COMPARATIVE INCOME STATEMENT

	Year 1941	Year 1940
Telephone Operating Revenues	\$ 50,820,823.30	\$ 45,899,832.66
Revenues from local and toll service, telephone directory advertising and miscellaneous telephone operations.		
Less: Uncollectible Operating Revenues	110,248.12	125,079.68
Total Operating Revenues	<u>\$ 50,710,575.18</u>	<u>\$ 45,774,752.98</u>
Telephone Operating Expenses:		
OPERATION EXPENSES	\$ 13,997,413.21	\$ 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. (1941—Salaries paid to Executive Officers \$144,500.40; Salaries and fees paid to Counsel and other legal advisers \$32,040.24; and fees paid to Directors and members of the Executive Committee \$26,924.00 of which \$7,324.00 was paid and accounted for by Subsidiary Companies.)		
CURRENT MAINTENANCE	10,040,962.03	9,328,328.72
Cost of inspection, repairs and rearrangements required to keep the telephone plant and equipment in good operating condition.		
DEPRECIATION	8,304,308.00	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	<u>\$ 32,342,683.24</u>	<u>\$ 30,350,399.81</u>
Net Operating Revenues	<u>\$ 18,367,891.94</u>	<u>\$ 15,424,353.17</u>
OPERATING TAXES:		
Income Taxes	\$ 6,242,000.00	\$ 3,483,000.00
Other Taxes	1,834,000.00	1,962,000.00
Dominion, Provincial and Municipal taxes applicable to the year.		
	<u>\$ 8,076,000.00</u>	<u>\$ 5,445,000.00</u>
Net Operating Income	<u>\$ 10,291,891.94</u>	<u>\$ 9,979,353.17</u>
NET NON-OPERATING INCOME:		
Income from Investment Securities	611,185.89	563,908.18
Dividends and interest received from investment securities owned by the Company.		
Other Non-Operating Income (Net)	46,031.13	44,871.48
Interest on temporary cash investments and other miscellaneous income less expenses incident thereto including, in 1941, Income Taxes of \$15,000.00 on non-operating income.		
Income Available for Fixed Charges	<u>\$ 10,949,108.96</u>	<u>\$ 10,588,132.83</u>
FIXED CHARGES:		
Bond and Note Interest	\$ 2,770,000.00	\$ 3,009,887.50
Interest charges on bonds and notes outstanding.		
Other Interest	514,999.04	502,888.18
Interest charges on other debt obligations.		
Amortization of Discount on Long Term Debt	21,313.08	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	150,432.17	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—Credit	15,236.64	15,257.08
Proportion of premium less expense applicable to the year in connection with outstanding bond issue.		
Other charges	204,694.45	245,330.40
Premium on United States funds required for bond interest payments.		
	<u>\$ 3,646,202.10</u>	<u>\$ 3,897,590.64</u>
Balance Available for Dividends	<u>\$ 7,302,906.86</u>	<u>\$ 6,690,542.19</u>
DIVIDENDS	6,621,992.83	6,524,680.46
Dividends to owners of outstanding common stock.		
Balance for Earned Surplus	<u>\$ 680,914.03</u>	<u>\$ 165,861.73</u>

J. CLEUGH, Comptroller.

MONTREAL, QUE.,

February 4, 1942.

AUDITORS' REPORT

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, 1941, 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, 1941, 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, 1941, 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, 1940		\$10,346,016.91
Additions to Fund during 1941—		
Payments into Fund by Company	\$1,091,524.76	
Interest Revenue, less amortization of premium on investments	421,097.88	
Total Additions	\$1,512,622.64	
Disbursements for Pensions during 1941	403,838.55	
Net Increase in Fund		1,108,784.09
Balance in Fund—December 31, 1941		<u>\$11,454,801.00</u>
Comprised of—		
4% Demand Note of The Bell Telephone Company of Canada		\$11,042,157.66
Bonds of The Bell Telephone Company of Canada—at cost less amortization of premium to date		407,226.67
Bond Interest accrued but not due		5,416.67
Total		<u>\$11,454,801.00</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.*

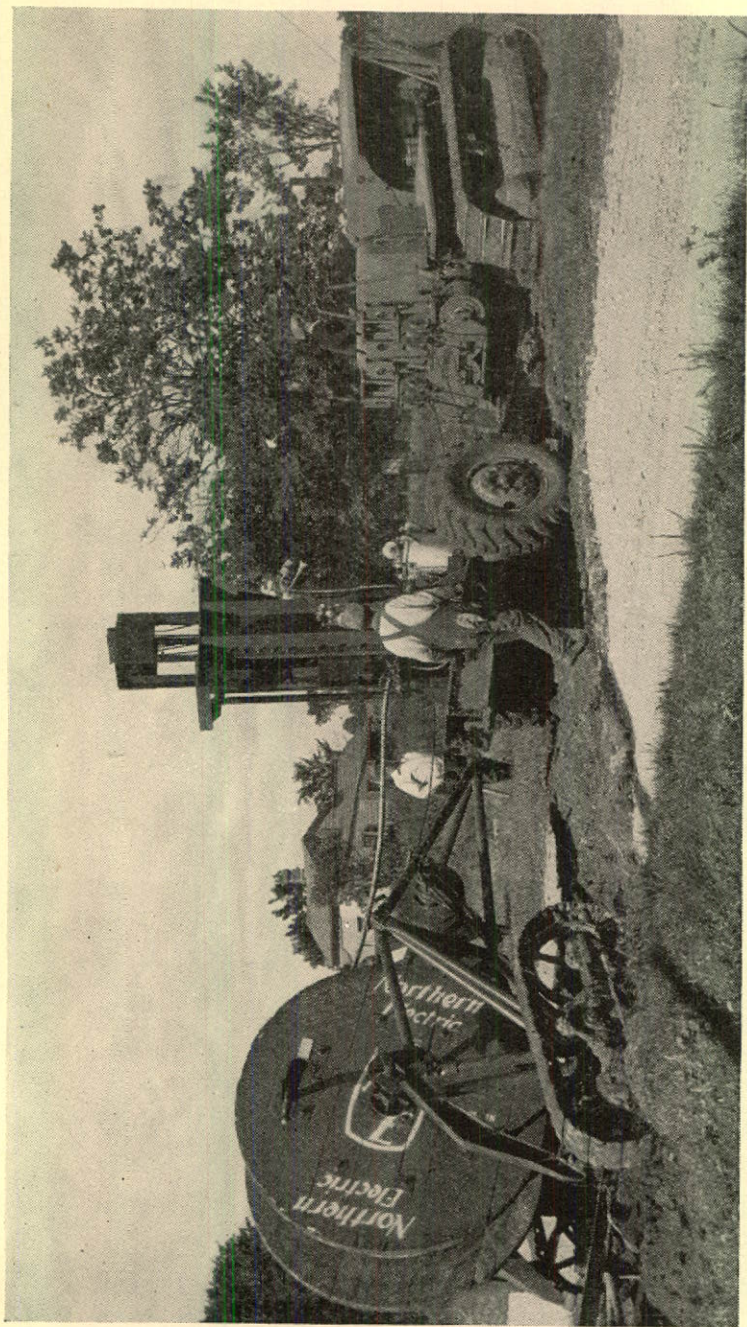
By: R. P. JELLETT,
General Manager.

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

MONTREAL, 2nd January, 1942.

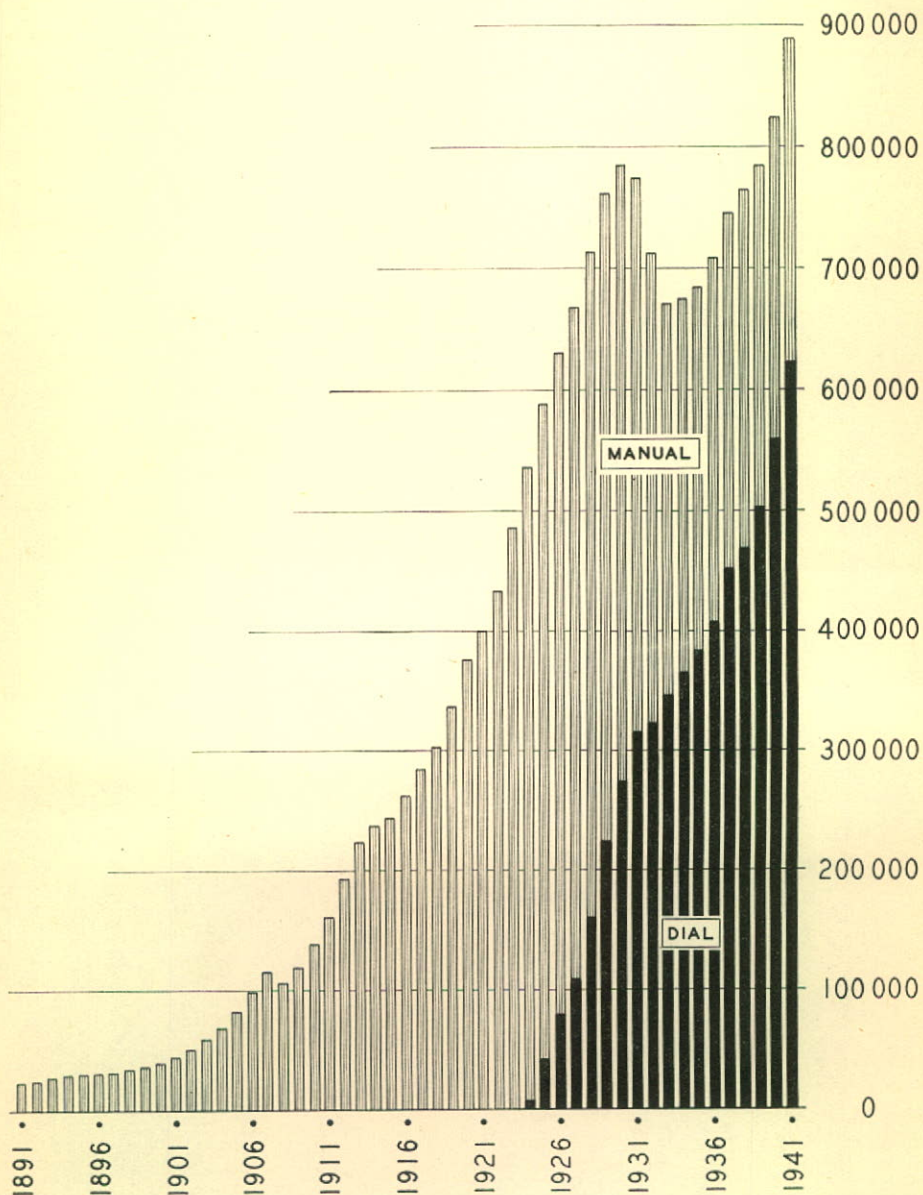
STATISTICS

Number of Telephones:		<i>Dec. 31, 1941</i>	<i>Dec. 31, 1940</i>
Company Owned—Manual Service		265,611	264,992
“ “ —Dial Service		622,737	559,705
“ “ —Total		888,348	824,697
Connecting and Miscellaneous		156,916	150,540
Total Telephones		1,045,264	975,237
Number of Central Offices		413	417
Number of Owned Buildings		150	145
Miles of Pole Lines		23,003	22,898
Miles of Wire:			
In Underground Cable		2,731,545	2,627,439
In Aerial Cable		954,244	928,562
Open Wire		230,329	223,591
Total Miles of Wire		3,916,118	3,779,592
Miles of Subway (Length of Street Occupied)		1,075	1,036
Miles of Duct		5,291	5,170
Average Daily Connections for Year:			
Local		6,486,000	6,187,000
Toll		77,000	67,000
Number of Employees:			
Male		5,506	5,037
Female		6,259	5,641
Total Employees		11,765	10,678
Total Pay Roll for Year		\$ 18,529,581	\$ 17,376,237
Number of Shareholders:			
In Canada		22,062	20,151
Elsewhere		1,214	1,315
Total Shareholders		23,276	21,466



Lead-covered cable, carrying Long Distance telephone wires, is now buried direct in the ground. In a continuous operation this tractor train digs the trench, lays the cable and fills in the earth covering, completing a workman-like job at a speed hitherto unapproached.

GROWTH IN NUMBER OF TELEPHONES OWNED BY COMPANY



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