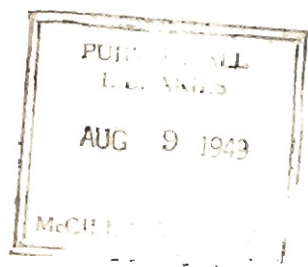


BRAZILIAN TRACTION
LIGHT and POWER
COMPANY
LIMITED

1940

TWENTY-EIGHTH ANNUAL REPORT
FOR THE YEAR ENDED 31ST DECEMBER 1940



Brazilian Traction, Light and Power Company, Limited.

(Incorporated under the Laws of the Dominion of Canada.)

AUTHORIZED SHARE CAPITAL.

ORDINARY SHARES -- 7,600,000 shares of No Par Value, subject to increase up to a total of 7,933,333 shares of No Par Value by conversion of Preference Shares.

PREFERENCE SHARES -- 100,000 shares of the Par Value of \$100 each, convertible into Ordinary Shares of No Par Value on the basis of 3 Preference Shares for 10 Ordinary Shares. (Approximately 96% of these shares have been converted at the date of this report.)

Board of Directors.

MILLER LASH, K.C., *President.*

E. R. WOOD, *Vice-President.*

H. MALCOLM HUBBARD, *Vice-President.*

SIR HERBERT COUZENS, K.B.E., *Vice-President.*

THE RIGHT HON. SIR THOMAS WHITE, G.C.M.G.

S. G. CROWELL, K.C.

JOHN DAVIDSON.

WALTER GOW, K.C., *Vice-President.*

A. W. K. BILLINGS, *Vice-President.*

SIR ALEXANDER MACKENZIE, K.B.E.

A. P. HOLT.

C. D. MAGEE.

S. H. LOGAN.

THE HON. G. HOWARD FERGUSON.

Secretary and Treasurer.

A. W. ADAMS.

Assistant Secretaries.

D. H. CROMAR.

W. D. HOOPER.

Bankers.

THE CANADIAN BANK OF COMMERCE,
TORONTO, NEW YORK AND LONDON.

LLOYDS BANK LIMITED, LONDON.

THE BANK OF SCOTLAND,
EDINBURGH AND LONDON.

Solicitors.

BLAKE, LASH, ANGLIN & CASSELS, TORONTO.

Auditors.

CLARKSON, GORDON, DILWORTH & NASH, TORONTO.

Offices.

HEAD OFFICE 25 KING STREET WEST, TORONTO 2, CANADA.

LONDON AGENTS CANADIAN & GENERAL FINANCE CO., LIMITED.

TEMPORARY WAR ADDRESS: H. MALCOLM HUBBARD, REPRESENTATIVE,
99, THE DRIVE,
HOVE, SUSSEX, ENGLAND.

Brazilian Traction, Light and Power Company, Limited.

TWENTY-EIGHTH ANNUAL REPORT
 OF THE
BOARD OF DIRECTORS TO THE SHAREHOLDERS
 For the Year ended 31st December, 1940.

THE Board of Directors beg to submit their Twenty-eighth Annual Report and Accounts, together with a report by the President on the enterprises in Brazil.

The revenue of the Company resulting from the year's operations expressed in terms of United States Currency was as follows:

Revenue from Operating Companies	\$ 9,755,390.95	
Interest on Investments and other Miscellaneous Income	93,634.12	
		\$ 9,849,025.07
General and Administration Expenses	\$ 289,217.56	
Provision for General Amortization	300,000.00	
		589,217.56
Net Revenue		\$ 9,259,807.51
Four Quarterly Dividends on Preference Shares paid in Canadian Funds --\$23,604.00		
Equivalent in United States Dollars		21,479.64
Balance		\$ 9,238,327.87

The net revenue shown in the above statement (less the dividends paid on the preference shares) is equivalent to approximately \$1.31½ per share on the outstanding ordinary share capital at the end of the year.

The following comparative statement shows the combined earnings and charges of the operating companies and of this Company, and the resulting net income of this Company for the past four years.

EXCLUDING INTER-COMPANY ITEMS.	Year ended 31st December			
	1937.	1938.	1939.	1940.
Gross Earnings from Operation - - - - -	\$38,555,900	\$38,078,934	\$37,199,350	\$37,737,986
Miscellaneous Revenue of Operating Companies - - - - -	442,145	100,499	314,390	399,733
Total Revenue of Operating Companies - - - - -	\$38,998,045	\$38,179,433	\$37,513,740	\$38,137,719
Less: Operating Expenses - - - - -	817,379,793	\$17,826,269	\$17,864,752	\$18,601,618
Charge for Depreciation and Renewals - - - - -	6,809,016	6,823,339	6,929,253	6,951,242
Bond Interest - - - - -	1,979,221	1,908,553	1,736,361	1,534,048
Sinking Funds and other Charges - - - - -	754,911	772,214	616,077	595,420
Provision for General Amortization - - - - -	700,000	700,000	700,000	700,000
Total Charges of Operating Companies (excluding Interest on Advances from Brazilian Traction, Light & Power Company, Limited) - - - - -	\$27,622,941	\$28,030,375	\$27,846,443	\$28,382,328
Balance being Revenue to Brazilian Traction, Light & Power Company, Limited - - - - -	\$11,375,104	\$10,149,058	\$ 9,667,297	\$ 9,755,391
Interest on Temporary Investments - - - - -	\$ 107,141	\$ 93,241	\$ 74,883	\$ 71,530
Miscellaneous Income - - - - -	105,286	73,906	35,770	22,104
	\$ 212,427	\$ 167,147	\$ 110,653	\$ 93,634
Gross Revenue, Brazilian Traction, Light & Power Company, Limited - - - - -	\$11,587,531	\$10,316,205	\$ 9,777,950	\$ 9,849,025
General and Administration Expenses - - - - -	\$ 401,250	\$ 316,524	\$ 311,842	\$ 280,218
Provision for General Amortization - - - - -	300,000	300,000	300,000	300,000
Total Charges, Brazilian Traction, Light & Power Company, Limited - - - - -	\$ 701,250	\$ 616,524	\$ 611,842	\$ 580,218
Net Revenue, Brazilian Traction, Light & Power Company, Limited - - - - -	\$10,886,281	\$ 9,669,681	\$ 9,166,168	\$ 9,259,807

NOTE: The figures for 1939 and 1940 expressed in United States currency can be fairly compared with preceding years as any necessary adjustments to United States currency in the last mentioned years if made would be negligible.

As will be seen by reference to the statistics appended to this report increases in the volume of business were again recorded during 1940 in all services of the operating companies.

There has been little alteration in the exchange situation during the year and the exchange regulations and procedure, exercised under the general control of the Bank of Brazil as described in last year's report, continued in effect. As anticipated however the loss of the European

markets for Brazil's products has greatly intensified the difficulties. On the other hand it is said that due to war conditions there has been a considerable flow of foreign money to Brazil for investment purposes including funds brought in by refugees. Also the credits extended to Brazil by the United States of America for trade purposes have undoubtedly been of great assistance in alleviating the exchange shortage. Reference also should be made to the clearing agreement of June, 1940, between Great Britain and Brazil relating to commercial and financial transactions between Brazil and countries in the sterling area in which Canada is not included. All such transactions are limited to official pounds (\$4.025 U.S. to the pound sterling) for which purpose special accounts are carried between the Bank of Brazil and the Bank of England. This agreement is based on the trade between the respective countries and the availability in Brazil of sterling exchange thereunder is therefore dependent upon the extent of exports from Brazil to the sterling area.

Exchange has been available freely to meet imports of supplies and equipment, but during the year, with the exception of one allotment of exchange in the month of January, no exchange was obtainable for remittance by our subsidiaries for other purposes. In recent months, however, some improvement has occurred and a limited amount of exchange has been made available to the companies. Under present conditions with the war uncertainties and complete disruption of many trade markets it is impossible to hazard a forecast as to the future.

On 31st December, 1940, the closing rates in the free market (where purchases are limited to payment for imports) for sight drafts on New York and London respectively were 5.06 cents and 3d. (sterling area) as compared with 5.04 cents and 3-3/64d. (free sterling) at the close of 1939, these rates being exclusive of the 5% tax. In the special free market (for dealings in letters of credit &c. and general remittances which may be permitted by the Bank of Brazil) the corresponding closing rates were 4.83 cents and 3d. (sterling area) as compared with 4.83 cents and 2-15/16d. (free sterling) at the close of 1939, also exclusive of tax.

All payments have been punctually made to date under the plan formulated in April, 1940, referred to in last year's report, under which deposits were made in milreis in the Bank of Brazil in respect of the participation of our subsidiary companies in such plan, with a view to the liquidation of certain accumulations of funds awaiting remittance abroad, the corresponding equivalents in dollars or sterling to be paid in monthly instalments over a period of four years.

For some years past reference has been made in the annual reports to the failure to secure adjustment in the temporary rates for certain services arbitrarily imposed by the authorities. These temporary rates were fixed following the decree issued in November, 1933, abrogating all contractual clauses providing for rates variable with exchange. The directors are able to report that some progress has now been made towards rectifying this unsatisfactory situation as during the past year increased rates referred to in the President's report were authorized for both the gas supply and the telephone service in the Federal District of Rio de Janeiro.

Rates for certain other services which are unsatisfactory continue under discussion and it is hoped that relief in this respect may be granted.

The current assets and liabilities of the operating companies in Brazil were valued at the end of the year in dollars at the closing sight rate on the special free market for exchange on New York. The combined earnings in dollars of the operating companies, which were published monthly and appear in total in the tabulated statement on page 3 of this report, represent the milreis figures calculated at the officially published average sight rates on the special free market for exchange on New York, due provision being made for the remittance tax.

Out of the year's revenue a total of \$6,951,242 has been provided by the operating companies for depreciation of their physical properties and a total of \$1,000,000 has been set aside for general amortization.

The cash expenditure on the properties of the operating companies during the year amounted to approximately \$11,800,000 representing additions, improvements and replacements essential to the proper carrying on of the services. The necessary adjustments have been made in plant and depreciation accounts in respect of works renewed or replaced.

The Board record with deep regret the untimely death of their colleague The Honourable Gordon W. Scott due to enemy action while en route to England in December, 1940, on a special mission in the service of his country.

Your directors desire to express their continued sense of appreciation of the loyal and efficient services rendered by all of the executive officers, heads of departments and other officials of the operating companies in Brazil.

Statistics and charts showing the growth of the different services are appended to this report.

By Order of the Board,

TORONTO, CANADA,
May 20th, 1941.

A. W. ADAMS,
Secretary.

REPORT OF THE PRESIDENT.

*To the Board of Directors of the Brazilian Traction,
Light and Power Company, Limited.*

TRANSPORTATION.

In Rio de Janeiro the traffic commission which has been sitting has made certain recommendations to the Prefect of the City looking to the improvement of traffic conditions. These involve adjustments in connection with the Company's service and the whole situation is now under consideration. It is hoped that ultimately a mutually satisfactory solution will be found.

As stated in the annual report for the year 1937, The São Paulo Tramway, Light and Power Company, Limited informed the authorities of the city of São Paulo that the Company was not prepared to continue the tramway service after the termination of its exclusive privilege in 1941. Subsequently a Commission was appointed by the municipal authorities to assist them in the study of the whole urban transportation problem. There has been much discussion of the situation between the municipality and the Company and negotiations are now proceeding with the municipality looking to the acquisition by the latter of the Company's tramway system on the termination of the existing concession in July next.

Tramways.

During the year small track extensions were laid and other track removed resulting in a net decrease of 2.61 miles of track in operation at the end of the year. This decrease is due principally to the removal of track now out of service on certain streets in the city of São Paulo. 13.95 miles of track were reconstructed.

4 passenger cars and 4 passenger trailers were added to the companies' tramway rolling stock, all of which were built in the companies' shops. 3 passenger cars and 2 passenger trailers were withdrawn from service, making a net increase for the year of 1 car and 2 trailers.

Buses.

The number of buses in operation remained unchanged throughout the year. Of the 149 in service 98 have been equipped for and are operating on fuel oil.

SHOPS AND STORES.

The policy of extending the scope of manufacture in the shops of equipment required for the various services has been continued, thereby increasing employment in Brazil and reducing imports.

ELECTRIC LIGHT AND POWER.

Generating Plants.

Construction of the Serra do Cubatão development near São Paulo continued actively. The modernization of the first two turbines was completed and these were placed in operation during April and October respectively. The Pinheiros rectification work continued satisfactorily, the canal excavation during the year amounting to 1,330,000 cubic yards making a total to date on this canal of 9,690,000 cubic yards. The Traição pumping structure was practically completed and the first pump of 6,500 H.P. was placed in operation in September. The Retiro structure, near the confluence of the canal with the Tietê River, was started in August and should be completed by the end of this year. This structure serves in part to remove the great amount of floating vegetation which otherwise would enter the canal from the Tietê River. Temporary closures are provided for use during the flood season in the Tietê River until the rectification of that river is completed by the municipality, in order to prevent the inundation of the Pinheiros valley by the Tietê flood.

During the year Federal decrees were issued authorizing increased storage capacity at both the Lages and Parahyba power plants supplying the Rio system. In connection with the modernization of the Lages power plant referred to in previous reports, the first 48,000 H.P. unit was put into regular service during 1940. Another unit of the same size has been delivered in part, but considerable delay has been and still is being experienced in obtaining the remainder of this unit on account of the difficulties arising out of the war. Active preparation for raising the Lages dam and the driving of additional tunnels to supplement the present steel feeders is proceeding but the progress of this work naturally depends upon the ability to secure material under war conditions.

Distribution System.

During the year the transformer capacity was increased by the addition of 105,302 K.V.A. bringing the total up to 1,559,210 K.V.A. The construction of new duct lines and extensions of the underground cable system during the year increased the totals to 1,598.31 and 1,830.90 miles respectively.

The total mileage of transmission lines in service at the end of the year shows a decrease of 49.16 miles due to rearrangement and consequent transference to distribution of certain lines following the construction of the Serra-Santos 88 K.V. connection.

Overhead distribution lines showed an increase of 1,946.17 miles, the total mileage in service at the end of the year being 29,733.08. This increase is partly accounted for by the transfer from transmission lines to distribution lines as referred to above.

The total number of poles set at the end of the year was 216,536 compared with 210,680 in 1939.

In the Federal District of Rio de Janeiro 1,192 electric lamps were added to the public illumination system bringing the total lamps connected at the end of the year to 35,633.

In the city of São Paulo the net gain in electric lamps for public illumination was 495 making a total of 20,752 lamps in service at the end of the year.

In the city of Santos the new terminal station at Villa Mathias was placed in service during the year.

Gas.

After negotiations extending over many months a new provisional basis of rates with a minimum bill for the gas supply in the city of Rio de Janeiro was agreed to in September last and a Commission was at the same time appointed to study a general revision of the gas contract. Under the new provisional basis which has been established the rates are to vary in accordance with the cost of coal as determined quarterly. This adjustment will afford a measure of relief as the production cost of gas has risen very materially due to the much enhanced cost of coal and other materials used in the manufacture of gas.

In Rio de Janeiro various additions and improvements were made. A fully automatic water gas plant of the latest design was acquired and the piling for the foundations of same completed. A reinforced coke bunker of 700 tons capacity was designed and constructed in connection with which a coke handling and screening auxiliary was acquired. An oxide crusher complete with elevator, for preparing oxide from Brazilian limonite for the dry purification plant was installed. Net additions in mains laid during the year totalled 6.27 miles.

In São Paulo the construction of a new 100,000 cubic feet high pressure holder was completed. Two compressors each of 100,000 cubic feet per hour capacity were installed. A new exhaustor of 250,000 cubic feet per hour capacity was put into operation shortly before the end of the year although some subsidiary work remained to be done. Other small additions, modifications and improvements were made to the plant. An extension of the office building was also completed. Additional mains laid in São Paulo totalled 10.12 miles.

In Santos, the principal addition made during the year consisted of an electrostatic tar precipitation plant with a capacity of 1,500,000 cubic feet. 4.92 miles of additional mains were laid in the Santos area during 1940.

TELEPHONES.

It is gratifying to report that an adjustment of the telephone rates in the Federal District of Rio de Janeiro has been granted. A Commission was appointed in the latter part of 1939 and as a result of their study and recommendations a supplementary agreement was executed on 30th September, 1940, covering a period of five years. Increased rates are provided for residential telephones and measured service for business telephones subject to a minimum and maximum charge. The latter service is being placed on the new basis gradually as meters are available and installed; at the end of the year about half the city was being served on this basis.

The last remaining manual exchange (Beira-Mar) in the Federal District was replaced in October by a new automatic exchange of 9,720 line capacity. This replacement completes the conversion of the service from manual to automatic, started in 1929.

In the state of Rio de Janeiro a new central office building at Nietheroy for housing a 7,000 line automatic equipment was commenced in March and almost completed by the end of the year. In Petropolis 400 additional lines of automatic equipment were put into service during the year and work was commenced re-modelling and extending the existing buildings to provide space for additional equipment.

In the state of Minas Geraes magneto switchboards and additional lines were installed in various towns to keep pace with the growth. The construction of a new stores building in Bello Horizonte was completed and the outside plant in São Lourenço was rehabilitated.

No settlement of the long outstanding question of an adjustment of rates in the city of São Paulo having been reached, no work of major importance was carried out in that city during the year.

In the state of São Paulo an addition was made to the Santos exchange building for the installation of 1,000 additional lines of automatic equipment, 200 of which had been put into service by the end of the year. In Campinas an addition of 600 lines of automatic equipment was completed. A new building was constructed at Marília for an 800 line automatic installation, which installation was completed during the year. The local plants at Aguas Prata, Itapetininga, São José dos Campos, Ourinhos, Lorena and Piratininga were rehabilitated.

The number of telephones in service increased in 1940 by 15,436 making a total of 224,069 at the end of the year of which 176,611 were automatic. During the year, throughout the area served by the company, the net increase in toll line extensions placed in service totalled 906.33 miles, underground conduit constructed 57.8 miles, underground cable laid 31.3 miles and 52 miles of aerial cable strung. The net increase in the number of poles set at the end of the year was 6,566.

GENERAL.

The combined companies' services continued to show growth. Compared with 1939 there was an increase in passengers carried by the transportation services of 4.74%, and in kilowatt-hours sold an increase of 6.62%, while the gas sales and telephone services showed increases of 9.32% and 7.40% respectively. While these indications of growth are in themselves satisfactory it must be borne in mind, as stated in last year's report, that the low rates in certain of the services, together with ever-increasing costs of operation especially under war conditions detrimentally affect the operating results.

The foreign trade of Brazil during the year 1940 was seriously affected by the course of the war, namely the invasion of the Low Countries, the collapse of France and the subsequent gradual domination of Continental Europe by Germany, as, apart from Japan, virtually the only countries with which any substantial volume of trade could be carried out were those of the British Empire and the Americas. The improved possibilities of exports from Brazil - a neutral country producing raw materials - that had earlier been anticipated were, therefore, not realized.

In past years Brazilian exports, imports and trade balances have been expressed in sterling, but due to fluctuations in the value of that currency

and the rate for sterling fixed in the Anglo-Brazilian Payments Agreement, comparisons in sterling would be somewhat misleading and it has, therefore, seemed desirable to give the figures in United States dollars where possible, otherwise in Brazilian currency. On this basis the official figures for the year 1940 disclose a balance of trade in Brazil's favour of \$12,980,324 as against a similar balance in 1939 of \$44,382,318. While the decline was severe, yet, all things considered, this result must be regarded as not unsatisfactory. There was a progressive decline in imports, coupled with increased exports in the latter part of the year.

Exports of coffee during the year amounted to 12,097,584 bags with a value in Brazilian currency of 1,595,209 contos as compared with 16,498,525 bags and 2,234,280 contos in 1939, a decrease in quantity of approximately 27% (1 conto is equal at present rates to slightly less than \$50.00 U.S.). This decline is, of course, due to the loss of European markets. Exports which in the early months of the year had averaged over a million bags a month dwindled rapidly, prices also falling to a new low in August, 1940.

Late in November, 1940, an agreement was entered into between the U.S.A. and fourteen coffee producing countries of Latin America. Under this agreement, which runs for three years effective from 1st October, 1940, the quantities of coffee imported by the former from the latter are fixed, the quota for Brazil being 9,300,000 bags per annum. As the North American Continent is now virtually the only buyer of coffee in large quantities, this agreement tended to limit disastrous competition and the price immediately steadied particularly under the influence of Colombian coffee, as that country, following the signature of the quota agreement, placed a minimum price on export coffee. This minimum has been raised from time to time with the result that prices of other types of coffee have followed until, for example, at the end of 1940 Santos (Brazil) "futures" in New York had increased by 1.32 cents a pound, or over 25% since August, 1940, and this has been followed by further marked increases in 1941, thus considerably altering the coffee outlook.

Expressed as a percentage of Brazil's total exports the value of coffee was 32.1% in 1940 as compared with 39.9% in 1939 and 45% in 1938.

During the year 2,816,063 bags of coffee were destroyed under the plan for eliminating surpluses.

Due to the contraction in trade above referred to, the export of cotton suffered in comparison with the year 1939. This may be illustrated in the case of Germany, formerly one of the largest purchasers of Brazilian cotton,

where shipments in round figures were only 3,000 tons in 1940 as compared with 65,000 tons in 1939. In volume the quantity of cotton exported in 1940 was 224,265 tons valued at 837,955 contos compared with 323,539 tons valued at 1,159,420 contos in 1939 or a decrease in tonnage and value, respectively, of 30.68% and 27.73%.

As an interesting example of the steps Brazil is taking in an attempt to overcome the loss of European markets arising from the war, mention may be made of cotton piece goods manufactured in Brazil in which there was an increase in exports in 1940 as compared with 1939 of 963 tons or 122%, the chief markets developed being in other South American countries. It is also interesting to note that Canada has appeared as a substantial importer of Brazilian cotton for the first time; the figures for 1940 being approximately 26,000 tons compared with only approximately 500 tons in the year 1939. This brings Canada into fourth place as an importer of Brazilian cotton.

The value of cotton exported expressed as a percentage of Brazil's total exports was 16.9% in 1940 as compared with 20.5% in 1939.

Similarly, the combined value of coffee and cotton, Brazil's two most important exports, was 49% of the total exports in 1940 compared with 60.4% in 1939.

As regards other commodities, shipments of vegetable oils, manganese ore, sugar and frozen meats showed increases over the year 1939, especially the last mentioned item due to greatly increased shipments for Great Britain's account. The tonnage of meat exported shows an increase compared with the year 1939 of 77.74%.

Great Britain paid £3,742,000 more for meat purchases from Brazil in 1940 than in 1939, and from the point of view of balance of trade it may be noted that Great Britain was Brazil's most satisfactory customer in 1940, the balance of trade in Brazil's favour being £4,065,921 against £1,165,014 for 1939; this surplus to a large extent offsetting Brazil's unfavourable trade balance with the United States (a complete reversal of the usual trend) which for the year 1940 amounted to £4,695,968.

MILLER LASH,

May 5th, 1941.

President.

AUDITORS' REPORT.

To the Shareholders of the Brazilian Traction, Light and Power Company, Limited:

We have audited the Head Office accounts of the Brazilian Traction, Light and Power Company, Limited, The Rio de Janeiro Tramway, Light and Power Company, Limited (and its subsidiary, Brazilian Telephone Company), The São Paulo Tramway, Light and Power Company, Limited, São Paulo Electric Company, Limited (and its subsidiary, The San Paulo Gas Company, Limited), The City of Santos Improvements Company, Limited and Brazilian Hydro Electric Company, Limited, and have examined the certified reports and statements of Messrs. McAuliffe, Turquand, Youngs & Co., Chartered Accountants, in connection with all the subsidiary companies above enumerated except The City of Santos Improvements Company, Limited, in respect of which company we have examined the certified report and statement of Messrs. Deloitte, Plender, Griffiths & Co., Chartered Accountants, covering the capital and revenue accounts and provisions for depreciation in Brazil for the year ended 31st December, 1940. We have obtained all the information and explanations which we have required. Subject to the foregoing we report that, in our opinion, the attached Consolidated Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the combined companies' affairs at that date, according to the best of our information, the explanations given to us and as disclosed by the books of the companies.

The net revenues of the operating companies owned or controlled by Brazilian Traction, Light and Power Company, Limited, after provision for or payment of all losses, expenses and charges including depreciation, bond interest and sinking funds, as provided under contracts with them, are payable to and are included in the profit and loss account of the Brazilian Traction, Light and Power Company, Limited.

CLARKSON, GORDON, DELWORTH AND NASH, {
Chartered Accountants, } *Auditors.*

Toronto, May 17th, 1941.

CONSOLIDATED BALANCE SHEET OF
BRAZILIAN TRACTION, LIGHT AND POWER COMPANY, LIMITED,
 THE RIO DE JANEIRO TRAMWAY, LIGHT AND POWER COMPANY, LIMITED,
 (and its Subsidiary, BRAZILIAN TELEPHONE COMPANY),
 THE SÃO PAULO TRAMWAY, LIGHT AND POWER COMPANY, LIMITED,
 SÃO PAULO ELECTRIC COMPANY, LIMITED,
 (and its Subsidiary, THE SAN PAULO GAS COMPANY, LIMITED),
 THE CITY OF SANTOS IMPROVEMENTS COMPANY, LIMITED and
 BRAZILIAN HYDRO ELECTRIC COMPANY, LIMITED.

31st December, 1940.

EXPRESSED IN TERMS OF UNITED STATES CURRENCY.

ASSETS.	
Capital Account—	
Properties, Plant and Equipment, Construction Expenditure, at cost, including interest during construction, etc. - - - - -	8277,253,079.52
Cost of Shares and Securities of and Advances to Companies owned or controlled by Subsidiary Companies, including premium paid on Shares of Subsidiary and Sub-subsidiary Companies acquired - - - - -	86,904,528.80
Rights, Franchises, Contracts, Goodwill, etc. - - - - -	840,752,888.44
Discount and Issue Expenses on Bonds and Debentures - - - - -	4,626,643.63
	45,379,532.07
	8409,537,140.39
Sinking Fund Holdings, at cost—	
São Paulo Electric Company, Limited, First Mortgage Bonds - - - - -	2,760,825.04
Current Assets—	
Stores in hand and in transit, including construction material - - - - -	\$ 11,004,699.30
As determined and certified by the management, at prices not exceeding cost.	
Sundry Debtors and Debit Balances after provision for doubtful accounts - - - - -	14,829,689.40
This account includes bonds of subsidiary companies held for sinking fund purposes; promissory notes of The Bank of Brazil in dollars and sterling received under the plan formulated in 1940 by authorities in Brazil for liquidation over period of 4 years of certain milreis accumulations awaiting remittance; also temporary investments in Government Securities in Brazil having a market value of \$1,674,347.37.	
Temporary Investments in Bonds of the Dominion of Canada or guaranteed by the Dominion of Canada, at book value (Market value \$3,454,586.82) - - - - -	3,485,968.73
Cash, including Brazilian currency - - - - -	16,542,606.13
	45,862,963.56
	\$458,160,928.99

Note—The current assets and liabilities of the operating companies in Brazil were valued for the purposes of this balance sheet at the end of the year in dollars at the closing sight rate on the special free market for exchange on New York.

The current assets and liabilities in Canada and the United Kingdom were valued for the purposes of this balance sheet at the end of the year at the official rates for United States dollars.

The transfer of cash balances is subject to the exchange regulations in Brazil, Canada and the United Kingdom as the case may be.

LIABILITIES.

Capital Stock—issued and outstanding—			
7,029,894 Ordinary Shares of no par value	- - - - -	\$179,358,247.14	
3,934 Six Per Cent. Cumulative Preference Shares of the par value of \$100 each	- - - - -	393,400.00	
In addition to the above, 16,011 Preference Shares have been transferred to the Secretary on behalf of the Company in respect of the conversion of 96,066 Preference Shares into Ordinary Shares.			
Shares of Subsidiary and Sub-subsidiary Companies outstanding—			
31 Ordinary Shares of the par value of \$100 each	- - - - -	\$ 3,100.00	
14,543 Six Per Cent. Cumulative Preference Shares of £10 each (£145,430)	- - - - -	707,759.33	
200,000 Six Per Cent. Cumulative Preference Shares of £1 each (£200,000)	- - - - -	1,684,192.66	
Total Capital Stock outstanding taken for the purposes of this balance sheet in United States dollars at par of exchange for Canadian Dollars and Sterling	- - - - -	\$181,435,839.80	
Funded Debt—(Secured by Trust Deeds)—			
The Rio de Janeiro Tramway, Light and Power Company, Limited—			
Five per cent. 50-Year Mortgage Bonds (1st April, 1958)—Balance after Sinking Fund Redemptions (£3,093,995)	- - - - -	\$15,057,443.25	
Five per cent. 22-Year Bonds (1st October, 1950) (£271,306) Unsecured	- - - - -	1,320,554.65	\$ 16,377,997.90
The São Paulo Tramway, Light and Power Company, Limited—			
Five per cent. Perpetual Consolidated Debenture Stock (£821,917)	- - - - -	3,999,996.05	
São Paulo Electric Company, Limited—			
Five per cent. 50-Year First Mortgage Bonds (1st January, 1962) (£2,000,000)	- - - - -	9,733,333.33	30,111,127.28
In addition, there are bonds outstanding, chiefly in sterling, of companies owned or controlled by a subsidiary company, equivalent to \$6,824,720 at par of exchange, on which the interest and sinking fund charges for the year amounting to \$323,827 are provided out of the revenue of the subsidiary company.			
Note: The Funded Debt which is expressed in sterling is taken for the purposes of this balance sheet in United States dollars at par of exchange.			
Current Liabilities—			
Sundry Creditors	- - - - -	\$ 14,794,013.78	
Bond, Debenture and Share Warrant Coupons and Dividend Cheques outstanding	- - - - -	346,812.81	
Accrued Charges on Funded Debt	- - - - -	438,877.37	
Credit Balances (Provisions for Contingencies and Insurance Funds for Injuries and Damages)	- - - - -	4,470,806.26	20,050,510.22
Reserves—			
*Provisions for Depreciation and Renewals (balance after meeting renewals to date)	- - - - -	\$82,172,684.91	
Sinking Fund Reserves	- - - - -	11,019,945.03	
General Amortization Reserves	- - - - -	21,494,539.00	
General Reserves	- - - - -	77,486,108.14	\$192,173,277.08
Profit and Loss—Balances 31st December, 1940—			
Brazilian Traction, Light and Power Company, Limited	- - - - -	\$34,244,762.51	
Subsidiary Companies	- - - - -	145,412.10	34,390,174.61
			226,563,451.69
			\$458,160,928.99

*This Reserve includes Provision for Depreciation and Renewals of physical assets of companies owned or controlled by subsidiary companies.

On behalf of the Board:

MULLER LASH,
WALTER GOW, *Directors.*

BRAZILIAN TRACTION, LIGHT AND POWER COMPANY, LIMITED.

*PROFIT AND LOSS ACCOUNT for the year ended 31st December, 1940.
Expressed in terms of United States Currency.*

Revenue from operating companies including interest on advances after payment of or provision for all their charges and expenses including Depreciation, Bond and Debenture Interest and Sinking Funds - - - - -	\$ 9,755,390.95	
Interest on Temporary Investments - - - - \$	71,530.03	
Miscellaneous Income - - - - -	22,104.09	
	93,634.12	
	\$ 9,849,025.07	
General and Administration Expenses (including \$38,727.14 covering remuneration of counsel, solicitors and legal advisers and executive officers of Brazilian Traction, Light and Power Company, Limited) - - - - -	\$ 289,217.56	
Provision for General Amortization - - - -	300,000.00	
	589,217.56	
Balance transferred to Profit and Loss Surplus Account - - -	\$ 9,259,807.51	
	\$ 9,849,025.07	

Note—

Remuneration of Directors including payments by subsidiary companies (excluding executive officers) \$53,661.89.

Remuneration of counsel, solicitors and legal advisers and executive officers in Brazil and elsewhere of subsidiary and associated operating companies \$474,116.47.

*PROFIT AND LOSS SURPLUS ACCOUNT, 31st December, 1940.
Expressed in terms of United States Currency.*

Balance, 31st December, 1939 - - - - -	\$25,006,434.64	
Transferred from Profit and Loss Account - - \$	9,259,807.51	
Less Dividends on Preference Shares paid in Canadian Funds—\$23,604.00—		
Equivalent in United States Dollars - - -	21,479.64	9,238,327.87
	9,238,327.87	
Balance, 31st December, 1940 -	\$34,244,762.51	
	\$34,244,762.51	

STATISTICS OF COMBINED COMPANIES.

SERVICE	TRACTION				
	1936.	1937.	1938.	1939.	1940.
<i>Tramways:</i>					
Total Track (miles) - - - - -	545.44	543.61	540.88	536.74	534.13
Rolling Stock:					
Passenger Cars - - - - -	1,962	2,000	2,042	2,039	2,042
Freight and Service Cars - - - - -	301	299	298	283	283
<i>Funicular Railway:</i>					
Total Track (miles) - - - - -	2.56	2.56	2.56	2.56	2.56
Rolling Stock:					
Electric Locomotives - - - - -	4	4	4	4	4
Passenger Cars - - - - -	4	4	4	4	4
Freight and Service Cars - - - - -	2	2	2	2	2
<i>Steam Railway (Cubatão):</i>					
Total Track (miles) - - - - -	13.20	13.20	13.20	13.20	13.20
Rolling Stock:					
Steam Locomotives - - - - -	3	3	3	3	3
Passenger Cars - - - - -	2	2	2	2	2
Freight and Service Cars - - - - -	42	42	42	42	42
<i>Buses:</i>					
Route (miles) - - - - -	177.30	161.55	161.55	161.08	161.08
Number of Buses - - - - -	161	149	149	149	149
<i>Car Miles Run:</i>					
Tramways - - - - -	68,822,189	70,820,314	73,425,567	71,718,946	73,784,344
Funicular Railway - - - - -	16,413	15,804	17,273	17,757	16,330
Buses - - - - -	8,087,038	7,935,854	7,582,936	7,426,738	7,153,115
Total - - - - -	76,925,640	78,771,972	81,025,776	82,163,441	80,953,789
Population Served (approximate) - - - - -	3,415,600	3,576,300	3,712,000	3,848,000	3,993,000
Total Passengers Carried - - - - -	882,882,798	913,663,950	931,474,961	978,561,798	1,024,933,081

ELECTRIC LIGHT AND POWER

Kilowatt Hours Sold - - - - -	1,235,689,195	1,352,491,613	1,462,587,889	1,555,197,493	1,658,197,127
Capacity of Generating Plants (K.W.) - - - - -	367,934	412,484	524,484	524,484	554,234
Total Connected Load (K.W.) - - - - -	870,182	962,812	1,047,456	1,121,011	1,202,809
Total Consumers - - - - -	442,057	472,563	500,551	532,003	561,868
Transmission Lines (miles of circuit) - - - - -	1,886.82	1,913.16	1,977.69	2,059.08	2,009.92
Distribution Lines (miles of wire) - - - - -	23,528.54	24,855.26	26,319.31	27,786.91	29,733.08
Population Served (approximate) - - - - -	4,761,000	4,939,000	5,169,000	5,293,000	5,477,000

GAS

Gas Sold (cubic metres) - - - - -	120,328,276	129,496,900	137,460,964	144,480,023	157,945,279
Total Consumers - - - - -	106,448	117,167	127,462	138,359	148,503
Mains Laid (miles) - - - - -	1,118.59	1,138.89	1,158.71	1,176.68	1,197.99
Stoves, Water Heaters and Other Appliances - - - - -	144,013	158,148	171,615	176,647	180,772
Population Served (approximate) - - - - -	2,341,300	2,424,000	2,471,000	2,524,000	2,577,000

WATER

Water Sold (cubic metres) - - - - -	10,801,942	11,268,409	11,652,484	12,213,149	12,476,117
Total Consumers - - - - -	20,066	20,954	21,786	22,654	23,493
Trunk Mains Laid (miles) - - - - -	38.68	38.68	38.68	37.84	38.05
Distribution Mains Laid (miles) - - - - -	239.57	245.83	249.91	254.10	258.89
Population Served (approximate) - - - - -	179,000	179,000	179,000	179,000	179,000

TELEPHONES

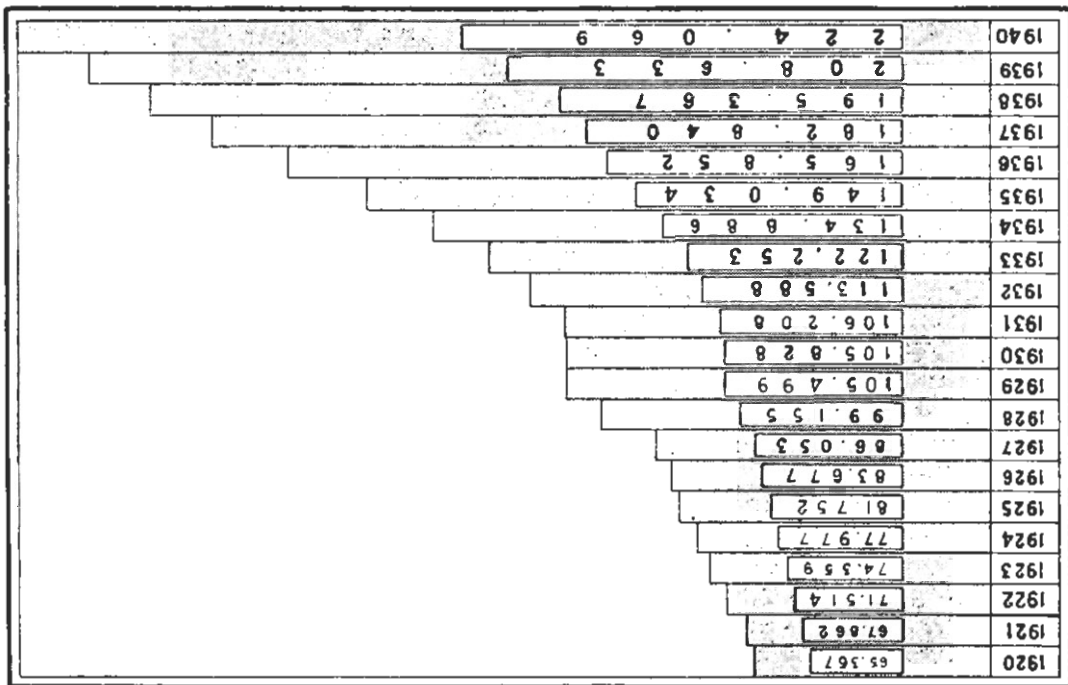
Total Number of Telephones in Service - - - - -	165,852	182,840	195,367	208,633	224,069
Average Daily Calls - - - - -	2,487,875	3,025,194	3,356,967	3,886,307	4,044,246
Wire Strung (miles) - - - - -	783,942	910,290	1,007,380	1,060,133	1,122,935
Pole Lines (miles) - - - - -	6,158	6,203	6,357	7,231	7,477
Population Served (approximate) - - - - -	9,781,000	10,121,000	10,483,000	11,140,000	13,260,000

TRACTION SERVICES—PASSENGERS CARRIED

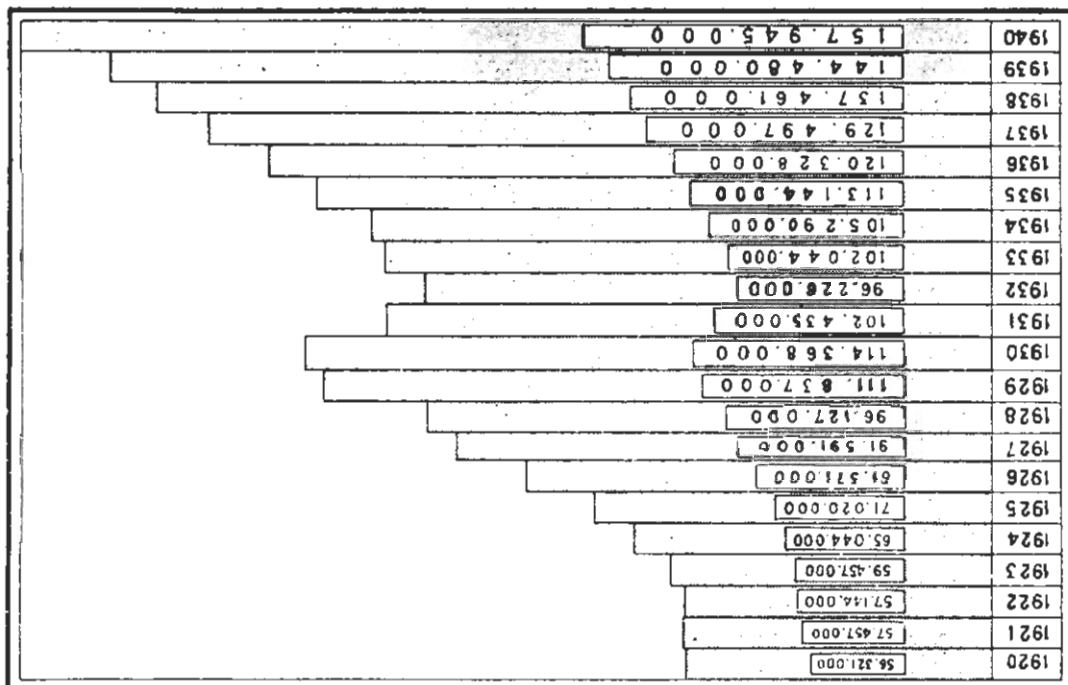
1920	377,596,013
1921	412,176,127
1922	464,406,999
1923	479,527,034
1924	498,242,281
1925	526,240,551
1926	552,078,727
1927	584,055,133
1928	626,140,322
1929	719,864,725
1930	743,795,671
1931	726,497,735
1932	728,134,991
1933	753,786,219
1934	782,406,381
1935	823,796,758
1936	882,882,798
1937	913,663,950
1938	931,474,961
1939	978,561,798
1940	1,024,933,081

SALES OF ELECTRICAL ENERGY—K.W.HRS.

1920	363,156,000
1921	379,156,000
1922	426,910,000
1923	468,211,000
1924	483,241,000
1925	479,541,000
1926	526,318,000
1927	629,559,000
1928	721,437,000
1929	818,558,000
1930	791,520,000
1931	797,832,000
1932	821,165,000
1933	903,467,000
1934	1,013,977,000
1935	1,119,893,000
1936	1,235,690,000
1937	1,352,490,000
1938	1,462,588,000
1939	1,555,197,000
1940	1,658,197,000



NUMBER OF TELEPHONES IN SERVICE



GAS SALES-CUBIC METRES

