

BRAZILIAN TRACTION
LIGHT and POWER
COMPANY
LIMITED

1941

TWENTY-NINTH ANNUAL REPORT
FOR THE YEAR ENDED 31ST DECEMBER 1941



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.

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

H. MALCOLM HUBBARD, *Vice-President.*

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

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

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

S. G. CROWELL, K.C.

SIR ALEXANDER MACKENZIE, K.B.E.

JOHN DAVIDSON.

A. P. HOLT.

THE HON. G. HOWARD FERGUSON.

S. H. LOGAN.

JAMES A. ECCLES.

C. D. MAGEE.

THE RIGHT HON. THE VISCOUNT GREENWOOD, P.C.

DAVID SMITH.

Secretary and Treasurer.

A. W. ADAMS.

Assistant Secretaries.

D. H. CROMAR.

W. D. HOOPER.

F. A. SCHULMAN.

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-NINTH ANNUAL REPORT OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS

For the Year ended 31st December, 1941.

THE Board of Directors beg to submit their Twenty-ninth 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	\$13,623,797.91	
Interest on investments and other miscellaneous income	105,818.19	
		\$13,729,616.10
General and administration expenses	\$ 280,931.85	
Provision for general amortization	300,000.00	
		580,931.85
Net Revenue		\$13,148,684.25
<i>Less:</i> Four Quarterly Dividends on Preference Shares paid in Canadian funds		
\$23,004.00 –Equivalent in United States dollars	\$ 21,479.64	
Dividend on Ordinary Shares:—10 cents per share paid 22nd December, 1941 in Canadian funds \$2,810,547.07 –Equivalent in United States dollars	2,557,597.83	2,579,077.47
Balance		\$10,569,606.78

The net revenue shown in the above statement (less the dividends paid on the preference shares) is equivalent to approximately \$1.86 $\frac{3}{4}$ 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			
	1938.	1939.	1940.	1941.
Gross earnings from operation - - - - -	\$38,078,934	\$37,199,350	\$37,737,986	\$42,770,608
Miscellaneous revenue of operating companies - - - - -	100,499	314,390	399,733	655,488
Total Revenue of operating companies - - - - -	\$38,179,433	\$37,513,740	\$38,137,719	\$43,426,096
Less: Operating expenses - - - - -	\$17,826,269	\$17,864,752	\$18,601,618	\$19,736,952
Charge for depreciation and renewals - - - - -	6,823,339	6,929,253	6,951,242	7,197,250
Bond interest - - - - -	1,908,553	1,736,361	1,534,048	1,543,711
Sinking funds and other charges - - - - -	772,214	616,077	595,420	624,385
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) - - - - -	\$28,030,375	\$27,846,443	\$28,382,328	\$29,802,298
Balance being revenue to Brazilian Traction, Light & Power Company, Limited - - - - -	\$10,149,058	\$ 9,667,297	\$ 9,755,391	\$13,623,798
Interest on temporary investments - - - - -	\$ 93,241	\$ 74,883	\$ 71,530	\$ 76,549
Miscellaneous income - - - - -	73,906	35,770	22,104	29,269
	\$ 167,147	\$ 110,653	\$ 93,634	\$ 105,818
Gross revenue, Brazilian Traction, Light & Power Company, Limited - - - - -	\$10,316,205	\$ 9,777,950	\$ 9,849,025	\$13,729,616
General and administration expenses - - - - -	\$ 346,524	\$ 311,842	\$ 289,218	\$ 280,932
Provision for general amortization - - - - -	300,000	300,000	300,000	300,000
Total charges, Brazilian Traction, Light & Power Company, Limited - - - - -	\$ 646,524	\$ 611,842	\$ 589,218	\$ 580,932
Net revenue, Brazilian Traction, Light & Power Company, Limited - - - - -	\$ 9,669,681	\$ 9,166,108	\$ 9,259,807	\$13,148,684

As will be seen by reference to the statistics appended to this report, increases in the volume of business were again recorded during 1941 in all services of the operating companies. While a considerable increase is also shown in net revenue, it must be remembered that the earnings of the operating companies are received in Brazilian currency and exchange restrictions prevent the free transfer of funds. Moreover, due to intensified war conditions, increased operating expenses appear inevitable.

The foreign trade of Brazil showed much improvement during the year with a consequent effect on the exchange situation although this improvement was reflected only to a slight extent in the exchange quotations. General control of exchange through the Bank of Brazil continued in effect as described in the annual reports for 1939 and 1940.

As heretofore, exchange has been readily procurable to meet imports of supplies and equipment. In addition, during the year under review limited amounts of exchange were made available to our subsidiary companies chiefly to provide for specified requirements such as bond interest, sinking funds, etc. Similar allotments of exchange have also been made during the current year. These movements of funds, however, although an improvement as compared with recent preceding years, have only provided to a limited extent for the transfer of sums available for remittance, but it is hoped that if the improvement in the foreign trade position continues and no unforeseen obstacles occur, the exchange situation may in turn become better.

On 31st December, 1941, 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 5.09 cents and 3-1/64d. (sterling area) as compared with 5.06 cents and 3d. (sterling area) at the close of 1940, these rates being exclusive of the 5% remittance tax. In the special free market (for dealings in letters of credit, etc., and general remittances which may be permitted by the Bank of Brazil) the corresponding rates were 4.85 cents and 3-1/64d. (sterling area) as compared with 4.83 cents and 3d. (sterling area) at the close of 1940, also exclusive of tax.

All payments have been punctually made to date under the plan formulated in April, 1940, referred to in previous reports, under which deposits were made in the Bank of Brazil by the participants in the plan, including our subsidiary companies, of certain milreis accumulations to be liquidated abroad in dollars or sterling in monthly instalments over a period of four years.

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.

During the past several years various income tax questions have arisen between our operating subsidiaries and the authorities in Brazil. These questions have centred chiefly on the proper interpretation of legislation, the liability or non-liability to taxation on certain important items and the deductions properly allowable against revenue. This dispute culminated last July in demand for payment by the taxing authorities of claims relating to taxation in the period 1930 to 1939, inclusive, which the companies considered very inequitable. It became necessary, pending appeal, to deposit cash or securities for the very large additional amounts claimed totalling approximately 161,000 contos of reis (equivalent at current exchange to approximately \$7,800,000). The matter has been the subject of much discussion and negotiation with the authorities and finally in January of this year an agreement was come to, to submit the dispute to a board of arbitration consisting of three persons, one chosen by the Treasury Department, one by the companies, and the third by the President of the Republic. The arbitration is now in progress and it is expected that the matter will be finally disposed of in the relatively near future. Appropriate reserves have been set up to cover the amount in dispute.

Out of the year's revenue a total of \$7,197,250 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 \$11,000,000 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.

During the year the customary quarterly dividends at the rate of 6% per annum were paid on the small balance of preference shares outstanding and on 22nd December, 1941, a dividend at the rate of 40 cents (Canadian) per share was paid on the ordinary shares.

During the year the associated group of companies suffered the loss through death of their President, Mr. Miller Lash, K.C., and of one of their Vice-Presidents, Mr. E. R. Wood. Both had been actively associated with the companies from their inception and had served them throughout with great ability and untiring devotion. They saw the undertaking grow from a modest beginning to the great and important place it now occupies in the economic development of Brazil, and the part they played in that development will be long and gratefully remembered.

Shortly after the death of Mr. Lash, the Board unanimously elected Sir Herbert Couzens, K.B.E., as President of the company and similar action was taken by the subsidiaries. As the shareholders know, Sir Herbert was for many years the Vice-President in executive charge of the subsidiary companies in Brazil. In 1936 he relinquished these duties but continued as director and Vice-President of this company, acting in a general advisory capacity, and has kept in constant touch with the several companies' affairs. The Board feel they and the shareholders are very fortunate that Sir Herbert has been persuaded to take over the arduous duties pertaining to such a responsible post.

In December, 1941, and in February, 1942, vacancies on the Board of Directors were filled by the appointment of Mr. James A. Eccles of Montreal and The Right Honourable The Viscount Greenwood, P.C., of London, England, respectively. These appointments bring added strength to the Board and are a source of great satisfaction to the other members thereof as they are sure also they will be to the shareholders of the company.

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 21st, 1942.

A. W. ADAMS,
Secretary.

REPORT OF THE PRESIDENT.

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

The net result of the Companies' operations for the year 1941, though still substantially below the Companies' record years, is the best since 1930. In 1930, however, the value of the milreis in terms of cents was 10.88 as compared with 4.86 in 1941. In spite of this decrease in the dollar value of the milreis plus the extra cost of materials, labour, taxation and other handicaps since 1930, the above result has been rendered possible due to the increased volume of business obtained and the closest attention to operating efficiency and economy.

It may be of interest to show the increase in the volume of business during the past ten years, which, expressed in percentages, is as follows:—

Light and Power (K.W. Hrs. sold) - - - - -	128%
Telephones (Number in service) - - - - -	130%
Gas (Cubic metres sold) - - - - -	58%
Traction (Passengers carried) - - - - -	47%
Water (Cubic metres sold) - - - - -	33%

It must, however, be borne in mind that in order to cope with this additional volume of business the Companies' capital account in the same ten year period has increased to the extent of over 70 million dollars, which has been spent in expansion of plant and other facilities necessary to take care of the growth of the services.

In this connection, it is interesting to note that the staff and employees of the Companies in Brazil numbered approximately 42,000 at December 31st last.

It is to be hoped that the slight improvement in exchange in 1941 may increase progressively.

Turning to details of the year's operations:—

ELECTRIC LIGHT AND POWER.

Generating Plants - Serra do Cubatão Development.

In connection with the Serra development, which serves the São Paulo system, a house service unit of 3,500 KVA capacity was installed to furnish power for the excitors and station auxiliary machinery. The Pinheiros and Rio Grande rectification was continued, excavation for the canal during the year amounted to 1,500,000 cubic yards of earth and 21,000 cubic yards of rock.

The Retiro structure near the confluence of the canal with the Tietê river, referred to in last year's report was nearly completed at the end of the year.

Lages Modernization.

The modernization of the Lages plant serving the Rio system proceeded slowly due to difficulties in obtaining delivery of equipment.

The second unit—“B”—of 35,000 KW, some parts of which were delivered in an unfinished condition and subsequently completed in the Company's Rio shops, has now been erected and it is hoped will be ready for operation in June.

Work on the raising of the dam and tunnel construction at Lages is continuing actively.

Distribution System.

In order to take care of increased demands, the distribution systems were extended and reinforced during the year. There were no outstanding features to which attention should be specially drawn. The following tabulation gives an idea of the extent of the general work done, in considering which, however, the difficulties and delays in obtaining materials should be kept in mind:—

	Added during year.	Total at end of year.
Transmission lines - - - - -	42.34 miles	2,052.26 miles
Overhead distribution lines - - -	1,330.05 “	31,063.13 “
Transformer capacity - - - - -	51,618 KVA.	1,610,828 KVA.
Poles set - - - - -	4,267	220,803
Duct lines - - - - -	132.32 miles	1,730.63 miles
Underground cables - - - - -	188.79 “	2,019.69 “

During the year, 936 and 375 lamps were added to the public illumination systems in the Federal District of Rio de Janeiro and the city of São Paulo respectively bringing the totals connected at December 31st to 36,569 and 21,127.

The load on the São Paulo and Rio systems gives evidence of abnormally rapid growth, which if continued along the lines at present indicated will be difficult to take care of under war conditions due to shortage of available materials. The difficulties are much greater with high head plants and very large units such as exist at the Serra. The matter is being actively discussed with the Authorities in Brazil.

One important factor contributing to the situation above referred to is the service which by orders of the National Council of Waters and Electrical Energy the Companies in Rio and São Paulo have been ordered to furnish to other supply companies operating in areas adjacent to those in which our Companies operate under concession but who for one reason or another lack the power required by their own consumers. Another factor is that due to conditions arising as a result of the war, great impetus is being given to the establishment of new industries in Brazil in order to render that country more independent of outside supplies and so on.

In this connection, the most noteworthy recent development is the large and important steel mill at Volta Redonda in the state of Rio de Janeiro on which work is actively proceeding. Negotiations are in progress relative to the supply of power to this plant.

An ably organized, well laid out, basic industry such as this, should prove to be of great direct and indirect benefit to Brazil.

Tramways.

TRANSPORTATION.

There have been no further developments of importance in connection with the Tramways in the Federal District of Rio de Janeiro.

In last year's report reference was made to the discussions then proceeding with the Authorities relative to the tramway service of The São Paulo Tramway, Light and Power Co., Limited in the city of São Paulo, the exclusive privilege for which expired in July last. For a considerable time prior to the expiry date negotiations were carried on between the municipality and the Company for the transfer to the former of the tramway assets, which resulted in a tentative agreement being reached. However, following a change in the state government, a decree was issued on the 25th June, 1941, signed by the President of the Republic, making it obligatory on the Company to continue the service and the Company had no option but to obey. Since that date the service has been continued as before.

General.

During the year 13.29 miles of tramway track were reconstructed. Various small extensions were made and some track removed resulting in a net decrease of 2.63 in the mileage at the end of the year. There was a net increase of 2 cars in the rolling stock.

Buses.

The fleet operated in Rio at the end of the year was reduced to 143, of which 100 are equipped with Diesel engines.

SHOPS.

The settled policy of broadening the scope of work done in the shops has been continued to the maximum extent possible.

In this connection, as mentioned earlier in this report, some important work in connection with Lages "B" unit was carried out successfully in the Rio shops. The work was on a scale beyond anything theretofore attempted in Brazil but thanks to the ingenuity displayed by the Companies' staff the difficulties were overcome and the work successfully completed. Failing this the whole unit would have been incapable of operation.

GAS.

Due to conditions arising directly or indirectly out of the war, progressively increasing difficulty has been experienced throughout the year in

securing an adequate supply of coal and other materials necessary to maintain the gas service to consumers. In spite of the great consideration and invaluable help given by the U.S. Maritime Commission and other Authorities, the position continues to be critical, but up to the present the Authorities in Brazil have decided against the introduction of rationing of the supply of gas to consumers, although certain restrictions have been placed on mains extensions and consumers have been urged to reduce their demands in every way possible.

A great deal of experimental work and investigation has been conducted by the Companies' staff in Brazil in the endeavour to find suitable substitutes for coal and though some measure of success has been achieved the problem still remains without a satisfactory solution.

In Rio the provisional rates referred to in last year's report continue in force under which the price charged for gas varies with the cost of coal.

In the city of São Paulo the Authorities authorized a reduction of 5% in the calorific value of the gas which became effective in August last. In São Paulo and in Santos, however, in spite of the greatly increased cost of materials, etc., fixed gas prices remain in effect. Representations have been made to the Authorities in the hope of obtaining more appropriate and equitable rate schedules.

TELEPHONES.

After protracted negotiations a settlement was finally reached in August last of the long delayed question of the adjustment of telephone rates in the city of São Paulo, which rates under the concession were subject to periodical revision. Under the supplementary agreement entered into, increased rates were fixed for residential telephones with measured service for business telephones including those used by the liberal professions, subject to a minimum and maximum charge. Provisional rates were also authorized for business service pending the installation of the necessary metering equipment which has been on order for some time. Under the agreement the Company undertook to provide promptly certain additional facilities (which has been done) and to carry out a programme of improvement and extension of the service within a period of 32 months. The equipment required for this programme is on order in the United States and a priority rating therefor was obtained at the end of the year, but it must be remembered that the requirements of the War Programme have of necessity first call on materials, etc., and some delay may be unavoidable.

The supplementary agreement with the state of Rio de Janeiro entered into in November, 1939, provided for a new schedule of rates for cities having automatic installations of over 3000 lines and the Company undertook to substitute automatic service for manual in Niteroi, the capital of the State, to which such new rate schedule applies. The new exchange

consisting of 7000 lines was completed and successfully inaugurated on 1st November, 1941, in the presence of the Interventor of the State.

In accordance with the same agreement, the Company connected its toll system to Cabo Frio and São João da Barra during the year and also proceeded with the connection to Angra dos Reis, which latter, however, is not yet completed.

In order to provide additional toll facilities between Rio and Petropolis an underground cable is in process of installation between Caixas (near the boundary of the state of Rio) and Petropolis.

The Exchange building in Petropolis was completed and is ready to accommodate the automatic equipment ordered, for which a priority rating was obtained, and it is hoped that delivery will be made in the near future.

In Sorocaba in the state of São Paulo additional equipment was installed for 300 lines.

GENERAL.

Foreign Trade of Brazil.

As a preface to a few observations on the subject of the Foreign Trade of Brazil it may be mentioned that in past reports foreign currency equivalents have been used. Until last year the Brazilian official figures were published in Brazilian currency and also in foreign currency, but now this practice has been discontinued and only Brazilian currency is used.

As an illustration of the confusion arising from the use of two currencies, it may be mentioned that the balance of trade for the year 1940 expressed in Brazilian currency was unfavourable, but in U.S. currency favourable!

Another similar illustration is that in comparing the balance of trade for 1941 with previous years, it is the best since 1931 if figured in Brazilian currency and the best since 1934 if converted to foreign currency.

The unit of currency used in the Brazilian statistics is the conto of reis, which at present exchange value is in round figures \$50.

The official figures for the year 1941 show a most remarkable recovery, the favourable trade balance amounting to 1,214,984 contos of reis as against an unfavourable balance of 3,611 contos of reis for 1940. This result is due to an increase of 36% in the value of exports and an increase of 11% in the value of imports.

Of the exports the United States took nearly 57% and supplied over 60% of the imports. The gain in exports to the United States—eliminating coffee, etc., supplied for many years past—largely consists of materials used for defence purposes.

An interesting feature of the improvement shown for the year 1941 is that the value per ton of exports shows an increase of about 24% over 1940,

whereas the corresponding increase in the value per ton of imports was approximately 19% only.

As illustrating the changing character of Brazilian exports the following figures are submitted:—

		1939,	% of	1940,	% of	1941,	% of
			total		total		total
Raw Materials	Tons - - - -	1,848,587	44.2%	1,465,191	45.3%	2,216,210	62.7%
	Cantos - - - -	2,928,444	41.5%	2,142,557	43.2%	3,247,736	48.3%
Foodstuffs	Tons - - - -	2,318,351	55.4%	1,742,655	53.8%	1,270,289	35.9%
	Cantos - - - -	3,239,348	57.7%	2,687,807	54.2%	3,112,319	46.2%
Manufactures	Tons - - - -	16,053	0.4%	28,907	0.9%	48,849	1.4%
	Cantos - - - -	47,554	0.8%	129,802	2.6%	369,091	5.5%

The success achieved in Brazil's efforts to diversify her exports and not place so much reliance on coffee—as in the old days—or on coffee and cotton more recently, is shown in the following figures (by value):—

	Coffee	Cotton	Coffee and Cotton	All other Products
1935 - - - - -	52.6%	15.8%	68.4%	31.6%
1936 - - - - -	45.5%	19.1%	64.6%	35.4%
1937 - - - - -	42.0%	18.5%	60.5%	39.5%
1938 - - - - -	45.0%	18.2%	63.2%	36.8%
1939 - - - - -	39.9%	20.5%	60.4%	39.6%
1940 - - - - -	32.1%	16.9%	49.0%	51.0%
1941 - - - - -	29.9%	15.0%	44.9%	55.1%

Materials and Supplies.

One of the outstanding problems during the year has been to obtain materials and supplies necessary to enable the Companies to fully carry out their contractual obligations. Thanks largely to the good-neighbour policy of the United States this has been accomplished throughout the past year, though not without much extra work and added expense. Every effort has been made to keep requirements to the minimum necessary to comply with the Companies' obligations and much has been done in the way of adaptation of existing materials, the use of available substitutes, the salvage of old material, scrap, etc. and improvisation in many directions. The enthusiasm and skill displayed by the staff in Brazil has accomplished much more than we had previously believed to be possible.

A census of the population of Brazil was taken in September, 1940, but final official figures are not yet available. Provisional though unofficial statements indicate a total of about 42 million—an increase of approximately 35% in the last twenty years.

In this connection, it may be of interest to give the following data, compiled by the staff in Brazil:—

Of the total area of Brazil, less than one half of one per cent—inhabited by about 10% of the total population—forms the area served by the Brazilian Traction group of companies known in Brazil as “The Light.” Yet of the total K.W.Hrs. supplied by public utilities throughout Brazil about 65% is produced by the group, whose generating plants represent something over 50% of the total installations of such utilities in Brazil.

In the case of telephone and gas services, the proportions furnished by the group are much higher.

Brazilian-Canadian Trade.

Mention should be made of an important step looking to closer economic relations between Brazil and Canada which took place during the year when a Brazilian Legation was opened in Ottawa and a Canadian Legation in Rio de Janeiro. The representative in Ottawa is Minister João Alberto Lins de Barros, an ex-President of the Committee for Defence of National Economy and of the Federal Council of Foreign Trade in Brazil. The Canadian representative in Rio is Minister Jean Désy, formerly Canadian Minister to Belgium and the Netherlands.

Another important step was the visit of a Canadian Trade Commission, headed by the Hon. James A. MacKinnon, to Brazil in October, 1941, followed by the signing of a trade agreement between the two countries.

The passing of Mr. Miller Lash caused profound grief to the staff and employees of the Companies in Brazil, London, New York and Toronto. Those of us who were associated with him in business recall the kindly tolerance and extraordinary patience he displayed towards the views of others, the great fund of common sense he brought to bear on the multitude of problems submitted to him, his never failing sense of humour and his refusal to be stampeded in times of stress. There is none among the staff who does not feel the loss of a valued friend and a respected chief.

During the year Mr. C. A. Sylvester, Vice-President of The Rio de Janeiro Tramway, Light and Power Co., Limited, Brazilian Telephone Company and Director of Brazilian Hydro Electric Co., Limited, resigned on completion of 30 years devoted service to the Companies. Mr. Sylvester's resignation was accepted with much regret and the best wishes of his colleagues and many friends inside and outside the Company go with him on his well earned retirement.

H. H. COUZENS,
President.

May 18th, 1942.

AUDITORS' REPORT.

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

We have audited the Head Office accounts 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, 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, 1941. 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 Brazilian Traction, Light and Power Company, Limited.

CLARKSON, GORDON, DILWORTH AND NASH, } *Auditors.*
Chartered Accountants, }

Toronto, May 18th, 1942.

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, 1941.

EXPRESSED IN TERMS OF UNITED STATES CURRENCY.

ASSETS.

Capital Account—		
Properties, Plant and Equipment, Construction Expenditure, at cost, including interest during construction, etc. - - - - -	\$285,387,847.48	
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 - - - - -	87,346,071.92	
Rights, Franchises, Contracts, Goodwill, etc. - - - - -	\$40,752,888.44	
Discount and Issue Expenses on Bonds and Debentures - - - - -	4,626,643.63	
	15,379,532.07	
		\$418,113,451.47
Sinking Fund Holdings, at cost—		
São Paulo Electric Company, Limited, First Mortgage Bonds - - - - -		2,973,525.41
Current Assets—		
Stores in hand and in transit, including construction material - - - - -	\$ 11,491,021.83	
As determined and certified by the management, at prices not exceeding cost.		
Sundry Debtors and Debit Balances after provision for doubtful accounts - - - - -	17,565,499.79	
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 a period of 4 years of certain milreis accumulations awaiting remittance; also temporary investments in Government Securities in Brazil having a market value of \$344,899.13.		
Temporary Investments in Bonds of the Dominion of Canada or guaranteed by the Dominion of Canada, at book value (Market value \$4,137,580.29) - - - - -	4,137,580.29	
Cash, including Brazilian currency - - - - -	23,864,709.34	
		57,058,811.25
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.		\$478,145,788.13

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	-	-	\$179,358,248.36
3,934 Six per cent. Cumulative Preference Shares of the par value of \$100 each	-	-	393,400.00
<i>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.</i>			
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)	-	-	973,333.33
		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			
			\$181,435,841.92
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 (£2,953,395)	-	-	\$14,373,189.92
Five per cent. 22-Year Bonds (1st October, 1950) (£271,306) Unsecured	-	1,320,354.65	\$ 15,693,544.57
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
		29,426,873.95	
<i>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 \$332,096 are provided out of the revenue of the subsidiary company.</i>			
<i>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.</i>			
Current Liabilities—			
Sundry Creditors	-	-	\$ 17,070,532.83
<i>This includes \$7,812,135.04 in connection with income tax dispute, the milreis equivalent of which is secured by the deposit in Brazil of bonds and cash, such assets being included in Sundry Debtors and Debit Balances above.</i>			
Bond, Debenture and Share Warrant Coupons and Dividend Cheques outstanding	-	-	1,933,190.01
Accrued Charges on Funded Debt	-	-	432,171.51
Credit Balances (Provisions for Contingencies and Insurance Funds for Injuries and Damages)	-	-	3,854,257.24
			23,290,151.59
Reserves—			
*Provisions for Depreciation and Renewals (balance after meeting renewals to date)	-	-	\$86,973,932.65
Sinking Fund Reserves	-	-	11,916,898.73
General Amortization Reserves	-	-	22,494,539.00
General Reserves	-	-	77,647,769.80
		\$199,033,140.18	
Profit and Loss—Balances 31st December, 1944			
Brazilian Traction, Light and Power Company, Limited	-	-	\$44,814,369.29
Subsidiary Companies	-	-	145,412.10
		44,959,781.39	243,992,921.57
			\$478,145,788.13

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

On behalf of the Board:

H. H. COUZENS,
WALTER GOW,

Directors.

BRAZILIAN TRACTION, LIGHT AND POWER COMPANY, LIMITED.

*PROFIT AND LOSS ACCOUNT for the year ended 31st December, 1941.
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 - - - - -	\$13,623,797.91	
Interest on temporary investments - - - - - \$	76,549.12	
Miscellaneous income - - - - -	29,269.07	
	105,818.19	
	\$13,729,616.10	
General and administration expenses (including \$39,755.73 covering remuneration of counsel, solicitors and legal advisers and executive officers of Brazilian Traction, Light and Power Company, Limited) - - - - - \$	280,931.85	
Provision for general amortization - - - - -	300,000.00	
	580,931.85	
Balance transferred to Profit and Loss Surplus Account - - -	\$13,148,684.25	

Note—

Remuneration of Directors including payments by subsidiary companies (excluding executive officers) \$46,259.06.

Remuneration of counsel, solicitors and legal advisers and executive officers in Brazil and elsewhere of subsidiary and associated operating companies \$503,031.15.

*PROFIT AND LOSS SURPLUS ACCOUNT, 31st December, 1941.
Expressed in terms of United States Currency.*

Balance, 31st December, 1940 - - - - -	\$34,244,762.51	
Transferred from Profit and Loss Account - -	\$13,148,684.25	
Less Dividends:		
Preference Shares—paid in Canadian funds \$23,604.00—Equivalent in United States dollars - - - - - \$	21,479.64	
Ordinary Shares—40 cents per share paid 22nd December, 1941 in Canadian funds \$2,810,547.07—Equivalent in United States dollars - - -	2,557,597.83	2,579,077.47
	10,569,606.78	
Balance, 31st December, 1941 - - - - -	\$44,814,369.29	

STATISTICS OF COMBINED COMPANIES.

TRACTION					
SERVICE	1937.	1938.	1939.	1940.	1941.
<i>Tramways:</i>					
Total Track (miles) - - - - -	543.61	540.88	536.74	534.13	531.50
Rolling Stock:					
Passenger Cars - - - - -	2,000	2,042	2,039	2,042	2,044
Freight and Service Cars - - - - -	299	298	283	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) - - - - -	161.55	161.55	161.98	161.08	161.70
Number of Buses - - - - -	149	149	149	149	143
<i>Car Miles Run:</i>					
Tramways - - - - -	79,829,314	73,425,567	71,748,946	73,784,344	73,187,032
Funicular Railway - - - - -	15,804	17,273	17,757	16,330	15,152
Buses - - - - -	7,935,854	7,582,936	7,426,738	7,153,115	6,957,261
Total - - - - -	78,771,972	81,025,776	82,163,441	80,953,789	80,159,445
Total Passengers Carried - - - - -	913,663,950	931,474,961	978,561,798	1,024,933,081	1,070,737,408

ELECTRIC LIGHT AND POWER

Kilowatt Hours Sold - - - - -	1,352,491,613	1,462,387,889	1,555,197,493	1,658,197,427	1,816,992,420
Capacity of Generating Plants (K.W.) - - - - -	412,484	524,484	524,484	554,234	556,509
Total Connected Load (K.W.) - - - - -	962,812	1,047,456	1,121,011	1,202,809	1,286,890
Total Consumers - - - - -	472,563	500,551	532,003	561,868	591,935
Transmission Lines (miles of circuit) - - - - -	1,913.16	1,977.69	2,059.08	2,009.92	2,052.26
Distribution Lines (miles of wire) - - - - -	24,855.96	26,319.31	27,786.91	29,733.08	31,063.13

GAS

Gas Sold (cubic metres) - - - - -	129,496,900	137,460,964	144,480,023	157,945,279	161,620,413
Total Consumers - - - - -	117,167	127,462	138,359	148,503	158,191
Mains Laid (miles) - - - - -	1,138.89	1,158.71	1,176.68	1,197.99	1,227.64
Stoves, Water Heaters and Other Appliances - - - - -	158,148	171,615	176,647	180,772	184,787

WATER

Water Sold (cubic metres) - - - - -	11,268,409	11,652,484	12,213,149	12,476,117	12,609,357
Total Consumers - - - - -	20,954	21,786	22,651	23,493	24,205
Trunk Mains Laid (miles) - - - - -	38.68	38.68	37.84	38.05	37.86
Distribution Mains Laid (miles) - - - - -	245.83	249.91	254.10	258.39	262.60

TELEPHONES

Total Number of Telephones in Service - - - - -	182,810	195,367	208,633	224,069	244,993
Average Daily Calls - - - - -	3,025,194	3,356,967	3,886,307	4,044,246	4,242,847
Wire Strung (miles) - - - - -	910,290	1,007,380	1,060,133	1,122,905	1,166,838
Pole Lines (miles) - - - - -	6,203	6,857	7,231	7,477	7,439

TRACTION SERVICES-PASSENGERS CARRIED

1921	412,176,127
1922	454,486,999
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	728,497,735
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
1941	1,070,737,408

SALES OF ELECTRICAL ENERGY - K.W. HRS

1921	379,156,000
1922	426,918,000
1923	468,211,000
1924	485,241,000
1925	479,541,000
1926	526,318,000
1927	629,550,000
1928	721,437,000
1929	816,558,000
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
1941	1,816,992,000

GAS SALES-CUBIC METRES

1921	57 457 000
1922	57 144 000
1923	59 457 000
1924	65 044 000
1925	71 020 000
1926	81 571 000
1927	91 591 000
1928	96 127 000
1929	111 837 000
1930	114 368 000
1931	102 435 000
1932	96 226 000
1933	102 044 000
1934	105 290 000
1935	113 144 000
1936	120 328 000
1937	129 497 000
1938	137 461 000
1939	144 480 000
1940	157 945 000
1941	161 620 000

NUMBER OF TELEPHONES IN SERVICE

1921	67 862
1922	71 514
1923	74 359
1924	77 977
1925	81 752
1926	83 677
1927	86 053
1928	99 155
1929	105 499
1930	105 828
1931	106 208
1932	113 588
1933	122 253
1934	134 886
1935	149 034
1936	165 852
1937	182 840
1938	195 367
1939	208 633
1940	224 069
1941	244 993

