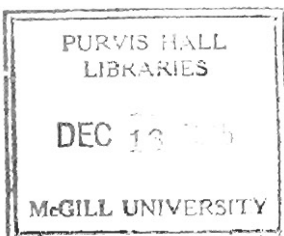


BRAZILIAN TRACTION
LIGHT and POWER
COMPANY
LIMITED

1943

THIRTY-FIRST ANNUAL REPORT
FOR THE YEAR ENDED 31ST DECEMBER 1943



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. (96,066 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.*

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

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

S. G. CROWELL, K.C.

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.
D. H. CROMAR

Treasurer.
G. R. F. TROOP

Asst. to the President.
F. A. SCHULMAN

Asst. Secretary (LONDON)
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, ANGLIN, OSLER & CASSELS, TORONTO.

Auditors.

CLARKSON, GORDON, DILWORTH & NASH, TORONTO.

Offices.

HEAD OFFICE - - - - - 25 KING STREET WEST, TORONTO 1, 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

THIRTY-FIRST ANNUAL REPORT.

To the Shareholders:

Your directors submit herewith the following report on the Company's affairs, together with the audited accounts for the year 1943 including the consolidated balance sheet of the Company and its operating subsidiary companies in Brazil as at 31st December, 1943.

Attention is drawn to certain alterations in the form of the present report to meet the government's war time request for economy. This has been done without eliminating any essential information.

As will be seen from the statistics and charts on pages 14 and 15, the year has been one of continuous progress in spite of restrictions in materials available and to a lesser degree labour shortages resulting directly or indirectly from the allied war effort. The sole exception to the foregoing is the gas service which has been strictly rationed throughout the whole year, whereas in 1942 rationing commenced in the month of July.

COMPARATIVE STATEMENT OF EARNINGS 1940-1943

The following statement shows the combined earnings and charges of the operating companies and of Brazilian Traction (expressed in terms of United States currency) for the past four years.

It will be observed that the statement has one new set of figures showing the balance of revenue of the operating companies (*before* deducting capital charges—bond interest, sinking funds, etc.) expressed as a percentage on the average capital investment in plant plus working capital. This rate of return, though showing a substantial improvement over the past four years, is still a very moderate figure, especially so in relation to rates of return current in Brazil generally.

EXCLUDING INTER-COMPANY ITEMS	Year ended 31st December			
	1940	1941	1942	1943
Gross Earnings from operation - - - - -	\$37,737,986	\$42,770,608	\$46,570,250	\$52,162,244
Miscellaneous Revenue of operating companies - - - - -	399,733	655,488	1,270,243	803,175
Total Revenue of operating companies - - - - -	\$38,137,719	\$43,426,096	\$47,840,493	\$52,965,419
Less: Operating expenses - - - - -	\$18,601,618	\$19,736,952	\$21,710,503	\$24,090,982
Depreciation - - - - -	6,951,242	7,197,250	6,839,512	6,484,567
General amortization - - - - -	700,000	700,000	700,000	700,000
Total Operating expenses, depreciation and amortization - -	\$26,252,860	\$27,634,202	\$29,250,015	\$31,275,549
Balance of Revenue before capital charges - - - - -	\$11,884,859	\$15,791,894	\$18,590,478	\$21,689,870
“ “ “ “ “ <i>expressed as percent- age on companies' investment in plant plus working capital employed in Brazil</i> - - -	3.65%	4.71%	5.44%	6.14%
Less: Bond interest - - - - -	\$ 1,534,048	\$ 1,543,711	\$ 1,537,610	\$ 1,511,927
Sinking funds and other financial charges - - - - -	595,420	624,385	603,852	745,508
Total Capital charges (<i>excluding interest on temporary advances from Brazilian Traction</i>) - - - - -	\$ 2,129,468	\$ 2,168,096	\$ 2,141,462	\$ 2,257,525
Balance, being Revenue to Brazilian Traction* - - - - -	\$ 9,755,391	\$13,623,798	\$16,449,016	\$19,432,345
Miscellaneous Revenue of Brazilian Traction - - - - -	93,634	105,818	179,450	300,371
	\$ 9,849,025	\$13,729,616	\$16,628,466	\$19,732,716
Less: General and administration expenses - - - - -	\$ 289,218	\$ 280,932	\$ 262,376	\$ 280,504
General amortization - - - - -	300,000	300,000	300,000	300,000
	\$ 589,218	\$ 580,932	\$ 562,376	\$ 580,504
Net Revenue, Brazilian Traction - - - - -	\$ 9,259,807	\$13,148,684	\$16,066,090	\$19,152,212

*NOTE: Attention is drawn to the fact that in the above tabulation the revenue of Brazilian Traction includes interest due by the operating companies on temporary advances made necessarily by Brazilian Traction pending permanent financing when the same becomes practicable. It is, of course, obvious that this sum, which forms part of the revenue of Brazilian Traction, is likewise a charge against the operating companies.

The increase in the gross earnings for 1943 over 1942 of the companies operating in Brazil shows an improved rate of growth, namely 12.01% (\$5,591,994) as compared with 8.88% (\$3,799,642) for the year 1942 over 1941.

The ratio of operating expenses to gross revenue in 1943 is fractionally less than it was in 1942; also a trend in the right direction.

In passing, it may be of interest to mention that the gross revenue for 1943 is the highest in the history of the Company although the earnings per share on the average outstanding ordinary shares for this year are lower than the corresponding figure for the year 1929,—\$2.72 against \$2.93.

At the same time it should be remembered that in the intervening years the amount invested in properties, plant, etc., has increased by over \$100 million.

Capital Expenditure

The cash expenditure on capital account by the operating companies during the past four years is as follows:

1940	1941	1942	1943
\$11,840,488	\$11,036,103	\$9,219,239	\$13,773,168

The variation between the expenditure shown in 1942 as compared with the previous and succeeding years is more apparent than real due to the fact that an abnormal volume of work in progress in the first mentioned year carried over into 1943 and appeared in the figure for that year. A truer picture is obtained by taking the average over the four-year period which works out at \$11,467,249.

Depreciation and Amortization

An amount of \$6,484,567 has been set aside by the operating companies for depreciation in the year 1943, pending the completion of the study of the subject referred to in last year's report.

As in previous years, \$1,000,000 has been allocated for general amortization.

Brazilian Exchange—1943

Exchange rates remained practically stationary during the year. Control of exchange through the Bank of Brazil continued in effect. 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) on December 31st, 1943, the same as at the close of 1942.

The corresponding special free market rates for general remittances duly authorized by the Bank of Brazil were 4.93 cents and 3-1/64d. (sterling area) at the end of the year as compared with 4.88 cents and 3-1/64d. (sterling area) at the close of 1942.

The 5% tax charged on all remittances is excluded from the rates quoted above.

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 of the operating companies expressed in dollars (as published monthly) which appear in total in the tabulated statement on page 3 of this report are also calculated at the officially published monthly average sight rates on the special free market, due provision being made for the remittance tax.

Dividends paid

In addition to the usual quarterly dividends on the small outstanding balance of the preference shares, two dividends were paid during the year on the ordinary shares of the Company, viz:—75 cents on June 15th and \$1.00 on December 1st (Canadian funds).

Taxation

During the year various changes have occurred in the laws affecting taxation in Brazil with the net result that taxes in respect of 1943 increased by approximately one-third.

Since the end of the year the Brazilian Government has instituted an Excess Profits Tax. Although full details as to the incidence of this new tax are not yet available, it is believed that the same will not have any marked effect in respect of 1943 income. While it is as yet impossible to accurately predict the future effect, it would appear that so far as the tax relates to expanding businesses such as those in which the companies are engaged, it bears some resemblance to the compulsory savings features of taxation in the North.

Labour Costs—Wage Rates

In accordance with the companies' regular practice, wages were adjusted from time to time during the year, the additional cost of which amounted to more than \$900,000.

In November, 1943 certain decree-laws were promulgated which affected the minimum wage or basic rate for all labour, the direct result of which on the companies' payrolls was relatively small. The indirect effect is, however, great because of the reduction, or in some cases even the elimination of the wage spread between unskilled and semi-skilled or skilled men. As a consequence, extensive adjustments were necessary and the resultant increase due to the various items above mentioned is estimated to cost the companies close to \$2,750,000 during the year 1944. The effect is already apparent in the published earnings of the Company for the expired portion of the current year.

In addition to the wage question there has been a shortage of labour from time to time during the year which has been accentuated by competitive bidding for skilled help by concerns whose selling prices are not subject to the same rigid restrictions as those applied to a public utility company.

Length of Service of Employees

Among the many studies made during the year in connection with various labour problems is one showing the length of service of the companies' employees in Brazil which will be of interest to shareholders. Of the 42,000 (odd) employees on the payrolls at the end of 1943 and after eliminating the 2,700 men engaged on hydro-electric development construction, 14,356 had served for 10 years or over, a further 2,951 for 20 years or over; 641 for 30 years or over; 39 for 40 years or over and 1 for more than 50 years. Expressed in another way, nearly 46% of the employees in the operating departments of the companies have served for over 10 years.

Electric Power Supply

In spite of difficulties resulting from the war this service has been maintained without appreciable restrictions, although our companies are still under orders from the authorities to

supply other distributing companies who, for one reason or another, are short of the required production capacity to serve their customers.

To accomplish this has involved encroaching on reserve capacity, which until recently has been maintained in accordance with our companies' policy of ensuring the regularity and sufficiency of the supply to consumers served under their concessions.

In September, 1943 the National Council of Water and Electric Energy passed an Act which provides that in the Rio region applications for a supply of 40 K.W. or over and extensions of service of like amount by existing consumers shall be subject to prior authorization by the Council. The sole exception to the foregoing is military establishments.

Mention was made in last year's report of certain work at the Serra plant (serving the São Paulo area) the completion of which will result in an increase of 55,000 K.W. in the generating capacity and also of work at Lages (serving the Rio system) to increase its effective capacity. Steady progress has been made in both cases in spite of marked shortages of materials and labour.

The difficulties inherent in carrying on this kind of work while the plants are operating at peak capacity are great. At Lages, for example, where the reservoir is being raised to double the height with six times the effective storage, two intake openings are being made through the concrete dam far below the lake level. This involves many problems including the training of local divers to work at a depth of over 135 feet, also the construction and placing in position of 75 ton welded caissons designed to withstand a total pressure of nearly four thousand tons. Two tunnels each over twenty feet in diameter and 7,300 in length are being driven.

Reference was also made in last year's annual report to applications for the necessary priority ratings for the purchase of the third unit "C" of 35,000 K.W. normal rating for the Lages plant, which have been granted.

An auxiliary plant of about one eighth the output of the Lages plant was recently authorized by the authorities in Brazil, but the necessary priorities have not yet been obtained and the arrangements though under way are still in the preliminary stage.

The application for an additional Serra unit of 67,000 K.W. maximum capacity, similarly referred to, has not yet been finally passed.

Transportation—Tramways

In connection with the reference in last year's report to Decree-law 5162 of 31st December, 1942, a further Decree-law 5404 was published on 13th April, 1943. The latter provides that the basis of valuation of the properties used for the tramways service and the determination of the fares applicable to such service under any contract resulting from the negotiations between the authorities and the company shall be governed by the law—yet to be promulgated—regulating Article 147 of the Brazilian Constitution, which Article provides for a fair return on the capital invested in public services.

There has been no appreciable change in the difficulties connected with the transportation service referred to in last year's report. The gasoline shortage with the resultant greatly increased riding on the tramways continued throughout the year. Various steps have been taken in

Rio as elsewhere throughout the world to reduce congestion but the situation is unlikely to be materially relieved until the gasoline shortage ceases and materials are again freely available.

The above remarks re congestion apply also to the service in São Paulo, except that 17 additional cars (including trailers) were built from materials or equipment available in the company's stock or by improvisation and added during the year to the rolling stock in operation.

Telephone Service

The impossibility of obtaining the necessary materials required to expand the service, especially in the city of São Paulo and the Federal District, referred to in last year's report still continues although some of the new equipment ordered many months ago has been received and installed. After exhausting all possibilities from improvisation including the use of spares ordinarily held in reserve and including extension of two-party lines, etc., facilities available unfortunately continue to be far less than business offering. At the end of the year there were over 22,000 prospective subscribers awaiting connections. These conditions, which are worldwide and not confined to Brazil, are, of course, beyond the control of the company as they are fundamentally due to the war.

Reference was made in last year's report to a decree published in December, 1942 extending to the end of the following year existing concessions, authorisations or licenses for intermunicipal service in the State of São Paulo. On April 13th, 1944 Decree-law 13938 was issued, signed by the Interventor of that state extending the above mentioned concessions, etc. for a further period of a year, namely to December 31st, 1944.

Gas Service

Rationing which commenced in Rio, São Paulo and Santos in July, September and October respectively of 1942 continued in effect throughout the whole of 1943 by order of the authorities.

As a result, the combined output of gas in the three cities for 1943 was practically 12% less than in 1942 and nearly 25% less than in 1941 when the service was not rationed.

With the approval of the President of the Republic the Co-ordinator of Economic Mobilization on August 27th issued Ordinance No. 27, applying to the gas services in São Paulo and Santos the principle effective in Rio since September 1940, whereby the price of gas to consumers varies in accordance with the cost of coal delivered at the gas works. The new rates came into force in São Paulo and Santos in September.

Offices

In March, 1943 the extension of the office building in the city of São Paulo, which is the headquarters of the group of companies supplying electrical energy in that city and state, was opened. This extension which gives improved facilities to the public was much needed to accommodate the staff necessary to deal with the rapid growth of the companies' business.

Due also to similar causes the headquarters of Brazilian Telephone Company, formerly located with the other companies of the Rio group at Rua Larga in the Federal District, were moved to new premises on Avenida Almirante Barroso. The new offices are well situated and give better facilities for service to the public.

Foreign Trade of Brazil

Since the date of the last annual report summarized figures for the foreign trade of Brazil have become available. Comparative statistics (in thousands of cruzeiros) for the years 1939 to 1943 inclusive are as follows:

	1939	1940	1941	1942	1943
Exports.....	5,615,519	4,961,518	6,725,401	7,499,556	8,728,569
Imports.....	4,983,632	4,964,149	5,514,417	4,644,348	6,073,328
Balance of trade..	<u>631,887</u>	<u>2,631</u>	<u>1,210,984</u>	<u>2,855,208</u>	<u>2,655,241</u>

NOTE: To facilitate consideration by those not familiar with Brazilian currency, the approximate equivalent of 1000 cruzeiros may be taken as \$50.00 U.S.

Exports and imports for 1943 both constitute all-time records. Imports, however, in 1943 showed a larger rate of growth than exports, which is understandable in view of the back-log of imports coupled with the somewhat improved shipping situation compared with that in previous war years. Thus, imports in 1943 increased more rapidly than exports, consequently the favourable balance of trade for the year, though still very large, is not quite equal to that of 1942.

The past year again shows marked progress in the export of manufactured goods, especially textiles and to a substantial though lesser extent rubber goods, chemical and pharmaceutical supplies, iron and steel, porcelain and glassware. In the case of the first mentioned—textiles—the value exported in 1943 was five times that of 1941 and totalled over 1,292,650,000 cruzeiros—about \$65 million. These figures have an added interest when it is remembered that in 1939 the value of such exports was 29,387,000 cruzeiros—under \$1½ million—or less than one-fortieth of the 1943 total.

Industrial Sufficiency in Brazil

The policy of attaining industrial sufficiency in Brazil continues to make rapid strides towards its objective.

The most outstanding illustration is still the important government sponsored steel plant—Cia Siderurgica Nacional—at Volta Redonda (mentioned in previous reports) which it is hoped will be in production later this year. The capacity of the plant is over 340,000 tons per annum—to be reached at the end of 3 years—a figure not far short of the present combined capacity of existing plants in Brazil, though such plants have been largely extended during the war.

Apart from the importance of this plant itself, the allied or subsidiary industries which will inevitably locate in the district, which is served by the companies, will themselves require electrical energy and telephone service.

Another indication of industrial activity is the increase of 600 in the number of factories in the state of São Paulo during 1943, the total at the end of that year being over 33,900.

Brazil in the War

The past year has seen further evidence of the whole-hearted co-operation of Brazil with the Allied war effort as shown by the mobilization of her Forces and the successful organization of anti-submarine measures in co-operation with the United States in the South Atlantic and her entry into the United Nations Relief and Rehabilitation Conference. This latter step will not only

serve altruistic ends but should also facilitate the resumption of Brazil's trade with Europe temporarily interrupted by the war.

Brazilian-Canadian Diplomatic Representation

On April 6th, 1944, an important event occurred in Brazilian-Canadian relations when the status of these countries' respective legations was raised to embassies. Mr. Jean Désy on that date presented his credentials as first Canadian Ambassador to Brazil and Dr. Cyro de Freitas-Valle likewise presented his credentials to the Governor-General in Ottawa.

Sir Alexander Mackenzie, K.B.E., 1860-1943

A great loss was sustained by the associated group of companies through the death of Sir Alexander Mackenzie, K.B.E., at Kincardine, Ontario, on the 12th day of July, 1943. When The São Paulo Tramway, Light and Power Company, Limited, the first of the group of companies now controlled by Brazilian Traction, Light and Power Company, Limited, was established in 1899, Sir Alexander went to Brazil as the company's legal adviser. In 1902 he was appointed the company's chief representative in Brazil and elected a director and vice-president; later he was elected to similar offices by The Rio de Janeiro Tramway, Light and Power Company, Limited after its formation in 1904. In 1915 after the death of Dr. F. S. Pearson, Sir Alexander was appointed to succeed him as President of this company and of its subsidiary companies. In August, 1928, he found it necessary, owing to the condition of his health, to resign from the active direction of the companies, but continued until his demise as a director and consultant. He saw the enterprise grow from modest beginnings to its present stature and was intimately concerned with every step in its onward progress. Extending over a period of upwards of 40 years he gave unstintingly of his talents to the service of the companies and his death has left a great void.

Staff

Your directors take this opportunity of renewing their appreciation of the loyal and efficient service of the staffs in Brazil and elsewhere, performed under specially difficult conditions.

For the Board of Directors,

TORONTO,
25TH MAY, 1944.

H. H. COUZENS,
President.

NOTE: The above report this year includes the main features heretofore dealt with under a separate report of the President, which latter has consequently been omitted.

COMPARATIVE 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
 AS AT 31st DECEMBER, 1943 AND 1942.
 (Expressed in terms of United States Currency)

	31st December 1943	31st December 1942
ASSETS.		
Capital Account—		
Properties, Plant and Equipment, Construction Expenditure, at cost, including interest during construction, etc. - - - - -	\$302,253,090	\$291,581,042
Cost of Shares and Securities of and Advances to Companies owned or controlled by Subsidiary Companies - - - - -	<u>31,164,983</u>	<u>30,955,231</u>
	\$333,418,073	\$322,536,273
Sinking Fund Holdings, at cost—		
São Paulo Electric Company, Limited, First Mortgage Bonds - - - - -	\$ 3,428,485	\$ 3,195,238
Current Assets—		
Stores in hand and in transit, including construction material - - - - - As determined and certified by the management, at prices not exceeding cost.	\$ 13,139,590	\$ 13,564,525
Sundry Debtors and Debit Balances after provision for doubtful accounts - - - - - This account includes bonds of subsidiary companies held for sinking fund purposes and 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.	4,801,098	15,430,013
Temporary Investments in Securities of the Dominion of Canada and the United States of Brazil at book value (Market value at 31st December, 1943, \$18,709,424) - - - - -	18,664,412	9,489,972
Cash, including Brazilian currency - - - - -	<u>34,190,249</u>	<u>30,362,844</u>
	<u>\$ 70,795,349</u>	<u>\$ 68,847,354</u>
	<u>\$407,641,907</u>	<u>\$304,578,865</u>

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 Canadian dollars and in sterling 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—		
7,029,893 Ordinary Shares of no par value - - - - -	\$179,358,229	\$179,358,249
3,934 Six per cent. Cumulative Preference Shares of the par value of \$100 each - - - - -	393,400	393,400
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
14,543 Six per cent. Cumulative Preference Shares of £10 each (£145,430) - - - - -		707,760
200,000 Six per cent. Cumulative Preference Shares of £1 each (£200,000) - - - - -	1,684,193	1,684,193
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 - - - - -		
	<u>\$181,435,822</u>	<u>\$181,435,842</u>
Funded Debt—		
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 (£2,654,144) - - - - -	\$ 12,916,836	\$ 13,670,890
Five per cent. 22-Year Bonds (1st October, 1950) (£271,334) - - - - -	1,320,493	1,320,493
	<u>\$ 14,237,329</u>	<u>\$ 14,991,383</u>
The São Paulo Tramway, Light and Power Company, Limited—		
Five per cent. Perpetual Consolidated Debenture Stock (£821,917) - - - - -	3,999,996	3,999,996
São Paulo Electric Company, Limited—		
Five per cent. 50-Year First Mortgage Bonds (1st January, 1962) (£2,000,000) - - - - -	9,733,333	9,733,333
In addition, there are bonds outstanding, chiefly in sterling, of companies owned or controlled by a subsidiary company, equivalent at 31st December, 1943 to \$6,821,053 at par of exchange, on which the interest and sinking fund charges for the year 1943 amounting to \$332,892 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.		
\$ 27,970,658		\$ 28,724,712
Current Liabilities—		
Sundry Creditors - - - - -	\$ 12,238,452	\$ 17,009,157
Bond, Debenture and Share Warrant Coupons and Dividend Cheques outstanding - - - - -	6,781,973	3,706,408
Accrued Charges on Funded Debt - - - - -	415,770	346,099
Credit Balances (Provisions for Contingencies and Insurance Funds for Injuries and Damages) - - - - -	5,827,933	5,253,972
	<u>\$ 25,264,128</u>	<u>\$ 26,315,636</u>
Reserves—		
*Provisions for Depreciation (balance after meeting retirements to date) - - - - -	\$ 96,704,583	\$ 91,362,236
Sinking Fund Reserves - - - - -	13,828,213	12,840,912
General Amortization Reserves - - - - -	24,494,539	23,494,539
General Reserves - - - - -	10,538,050	10,940,058
	<u>\$145,565,385</u>	<u>\$138,637,745</u>
Profit and Loss - - - - -		
	27,405,914	19,464,930
	<u>\$172,971,299</u>	<u>\$158,102,675</u>
	<u>\$407,641,907</u>	<u>\$394,578,865</u>

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

On behalf of the Board:
H. H. COUZENS, }
WALTER GOW, } *Directors.*

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 other Chartered Accountants covering the capital and revenue accounts and provisions for depreciation in Brazil for the year ended 31st December, 1943. We have obtained all the information and explanations which we have required.

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.

Subject to the foregoing we report that, in our opinion, the attached Comparative Consolidated Balance Sheet, Comparative Profit and Loss Account and Profit and Loss Surplus Account are properly drawn up so as to exhibit a true and correct view of the state of the combined companies' affairs at 31st December, 1943, and of their operations for the year ended on that date, according to the best of our information, the explanations given to us, the certified reports of the auditors in Brazil and as disclosed by the books of the companies.

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

Toronto, May 25th, 1944.

BRAZILIAN TRACTION, LIGHT AND POWER COMPANY, LIMITED.

COMPARATIVE PROFIT AND LOSS ACCOUNT

(Expressed in terms of United States Currency)

	<u>Year 1943</u>	<u>Year 1942</u>
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 - - - - -	\$19,432,345	\$16,449,016
Interest on temporary investments - - - - -	\$ 189,015	\$ 104,206
Miscellaneous income - - - - -	111,356	75,244
	<u>\$ 300,371</u>	<u>\$ 179,450</u>
	<u>\$19,732,716</u>	<u>\$16,628,466</u>
General and administration expenses — including remuneration of counsel, solicitors and legal advisers and executive officers of Brazilian Traction, Light and Power Company, Limited, amounting in 1943 to \$18,957 - - - - -	\$ 280,504	\$ 262,376
Provision for general amortization - - - - -	300,000	300,000
	<u>\$ 580,504</u>	<u>\$ 562,376</u>
Balance transferred to Profit and Loss Surplus Account - -	<u>\$19,152,212</u>	<u>\$16,066,090</u>

Note—

Remuneration of Directors including payments by subsidiary companies (excluding executive officers) amounted in 1943 to \$32,413.

Remuneration of counsel, solicitors and legal advisers and executive officers in Brazil and elsewhere of subsidiary and associated operating companies amounted in 1943 to \$429,773.

PROFIT AND LOSS SURPLUS ACCOUNT, 31st December, 1943.

(Expressed in terms of United States Currency)

Balance, 31st December, 1942 - - - - -		\$19,464,930
Transferred from Profit and Loss Account - - - - -	\$19,152,212	
Less Dividends:		
Preference Shares—paid in Canadian funds - - - - -	\$23,604	
Equivalent in United States dollars - -	\$ 21,479	
Ordinary Shares—paid in Canadian funds		
75c per share 15th June, 1943	\$ 5,269,869	
\$1.00 per share 1st Dec., 1943	7,026,558	
	<u>\$12,296,427</u>	
Equivalent in United States dollars - -	\$11,189,749	\$ 7,940,984
Balance, 31st December, 1943 - - - - -		<u>\$27,405,914</u>

STATISTICS OF COMBINED COMPANIES.

SERVICE	1939.	1940.	1941.	1942.	1943.
TRACTION					
<i>Tramways:</i>					
Total Track (miles) -	536.74	534.13	531.50	529.74	529.65
Rolling Stock:					
Passenger Cars -	2,039	2,042	2,044	2,046	2,061
Freight and Service Cars -	283	283	283	279	274
<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>Buses:</i>					
Route (miles) -	161.08	161.08	161.70	121.34	124.60
Number of Buses -	149	149	143	142	142
<i>Car Miles Run:</i>					
Tramways -	74,718,946	73,784,344	73,187,032	74,699,318	77,818,387
Funicular Railway -	17,757	16,330	15,152	15,091	15,550
Buses -	7,426,738	7,153,115	6,957,261	5,782,266	4,883,952
Total -	82,163,441	80,953,789	80,159,445	80,496,675	82,717,889
Total Passengers Carried -	978,561,798	1,024,933,081	1,070,737,408	1,160,506,565	1,253,073,742

ELECTRIC LIGHT AND POWER

Kilowatt Hours Sold -	1,555,197,493	1,658,197,427	1,816,992,420	1,984,507,419	2,148,027,358
Capacity of Generating Plants (K.W.) -	524,484	554,234	556,509	591,509	612,570
Total Connected Load (K.W.) -	1,121,011	1,202,809	1,236,890	1,392,522	1,482,911
Total Consumers -	332,003	361,868	391,985	422,051	454,375
Transmission Lines (miles of circuit) -	2,059.08	2,009.92	2,052.26	2,082.92	2,063.08
Distribution Lines (miles of wire) -	27,786.91	29,733.08	31,063.13	32,066.90	33,118.17

GAS

Gas Sold (cubic metres) -	144,480,023	157,945,279	161,620,413	144,082,607	125,387,787
Total Consumers -	138,359	148,503	158,191	162,745	165,413
Mains Laid (miles) -	1,176.68	1,197.99	1,227.64	1,238.17	1,245.92
Stoves, Water Heaters and Other Appliances -	176,647	180,772	184,787	185,691	186,271

WATER

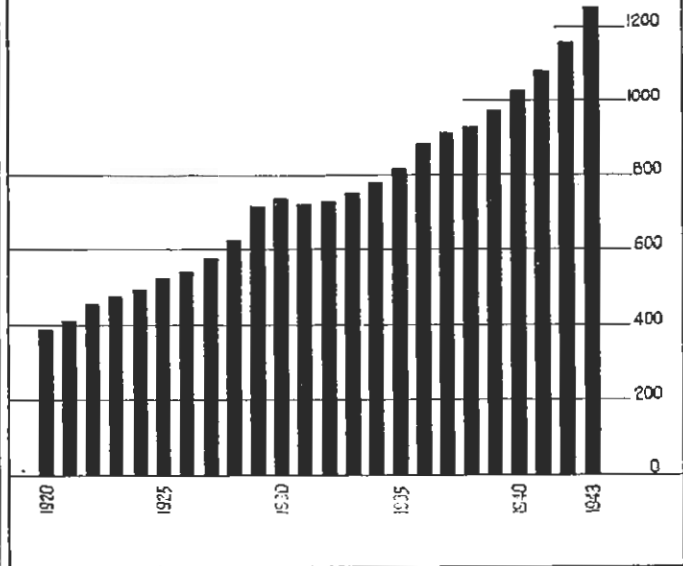
Water Sold (cubic metres) -	12,213,149	12,476,117	12,609,857	12,533,660	12,737,644
Total Consumers -	22,651	23,493	24,205	23,497	23,834
Trunk Mains Laid (miles) -	37.84	38.05	37.86	37.91	37.96
Distribution Mains Laid (miles) -	254.10	258.89	262.60	265.95	267.69

TELEPHONES

Total Number of Telephones in Service -	208,633	224,069	244,993	261,549	277,734
Average Daily Calls -	3,886,307	4,044,246	4,242,847	4,432,723	4,684,549
Wire Strung (miles) -	1,060,133	1,122,905	1,166,838	1,218,008	1,280,776
Pole Lines (miles) -	7,231	7,477	7,439	7,683	7,740

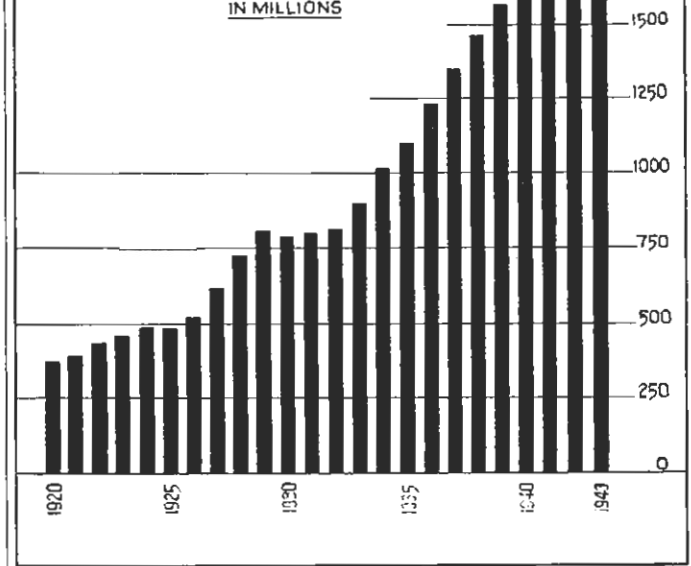
TRACTION SERVICES

PASSENGERS
CARRIED
IN MILLIONS



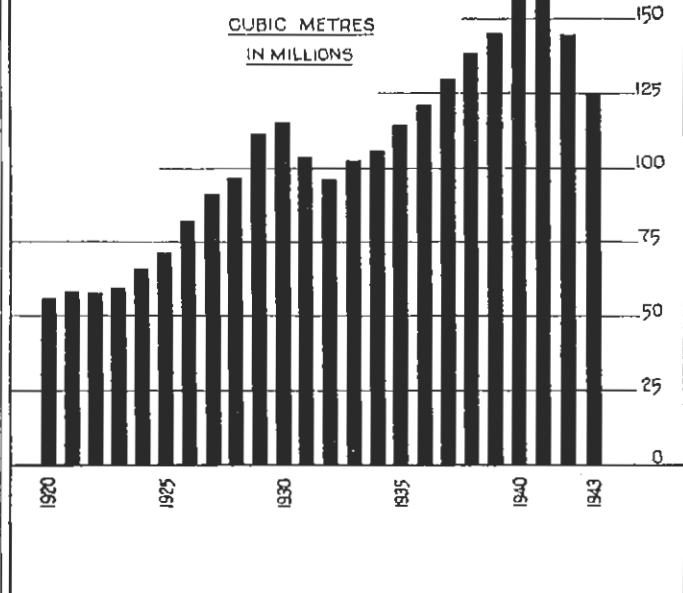
SALES OF ELECTRICAL ENERGY

KW. HRS.
IN MILLIONS



GAS SALES

CUBIC METRES
IN MILLIONS



TELEPHONES IN SERVICE

IN THOUSANDS

