

BRAZILIAN TRACTION
LIGHT and POWER
COMPANY
LIMITED

1939

TWENTY-SEVENTH ANNUAL REPORT
FOR THE YEAR ENDED 31ST DECEMBER 1939

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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.

THE HON. GORDON W. SCOTT.

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,
3 LONDON WALL BUILDINGS, E.C. 2.

Brazilian Traction, Light and Power Company, Limited.

TWENTY-SEVENTH ANNUAL REPORT OF THE BOARD OF DIRECTORS TO THE SHAREHOLDERS For the Year ended 31st December, 1939.

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

Under the Company's accounting practice of long standing the major items in the accounts including the earnings of the operating companies in Brazil are recorded in United States currency and having regard to this and to the decline in the exchange value of the Canadian dollar it has been considered desirable with the approval of the Company's auditors to set out the figures in the Consolidated Balance Sheet and Profit and Loss account and Surplus account in terms of United States currency. These financial statements and the results for 1939 on this and the next following page are therefore shown in such currency which the Board feels will give a clearer understanding of the position.

The revenue of the Company resulting from the year's operations was as follows:

Revenue from Operating Companies	- - - - -	\$ 9,667,296.91	
Interest on Investments and other Miscellaneous Income	- - - - -	110,652.79	
			\$ 9,777,949.70
General and Administration Expenses	- - - - -	\$ 311,841.96	
Provision for General Amortization	- - - - -	300,000.00	
			611,841.96
Net Revenue	- - - - -	\$ 9,166,107.74	
Four Quarterly Dividends on Preference Shares paid in Canadian Funds—\$23,604.00			
Equivalent in United States Dollars	- - - - -		22,531.09
Balance	- - - - -	\$ 9,143,576.65	

The net revenue shown in the above statement (less the dividends paid on the preference shares) is equivalent to approximately \$1.30 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			
	1936.	1937.	1938.	1939.
Gross Earnings from Operation - - - - -	\$32,197,610	\$38,555,900	\$38,078,934	\$37,199,350
Miscellaneous Revenue of Operating Companies - - -	196,070	442,145	100,499	314,390
Total Revenue of Operating Companies - - - - -	\$32,393,680	\$38,998,045	\$38,179,433	\$37,513,740
Less: Operating Expenses - - - - -	\$14,507,503	\$17,379,793	\$17,826,269	\$17,864,752
Charge for Depreciation and Renewals - - - -	8,286,742	6,809,016	6,823,339	6,929,253
Bond Interest - - - - -	1,984,786	1,979,221	1,908,553	1,736,361
Sinking Funds and other Charges - - - - -	667,670	754,911	772,214	616,077
Provision for General Amortization - - - - -	500,000	700,000	700,000	700,000
Total Charges of Operating Companies (excluding Interest on Advances from Brazilian Traction, Light & Power Company, Limited) - - - - -	\$25,946,701	\$27,622,941	\$28,030,375	\$27,846,443
Balance being Revenue to Brazilian Traction, Light & Power Company, Limited - - - - -	\$ 6,446,979	\$11,375,104	\$10,149,058	\$ 9,667,297
Interest on Temporary Investments - - - - -	\$ 96,978	\$ 107,141	\$ 93,241	\$ 74,883
Miscellaneous Income - - - - -	92,417	105,286	73,906	35,770
	\$ 189,395	\$ 212,427	\$ 167,147	\$ 110,653
Gross Revenue, Brazilian Traction, Light & Power Company, Limited - - - - -	\$ 6,636,374	\$11,587,531	\$10,316,205	\$ 9,777,950
General and Administration Expenses - - - - -	\$ 392,486	\$ 401,250	\$ 346,524	\$ 311,842
Provision for General Amortization - - - - -	300,000	300,000	300,000
Total Charges, Brazilian Traction, Light & Power Company, Limited - - - - -	\$ 392,486	\$ 701,250	\$ 646,524	\$ 611,842
Net Revenue, Brazilian Traction, Light & Power Company, Limited - - - - -	\$ 6,243,888	\$10,886,281	\$ 9,669,681	\$ 9,166,108

NOTE: The figures for 1939 expressed in United States currency can be fairly compared with preceding years as any necessary adjustments to United States currency in these 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 1939 in all services of the operating companies.

The exchange situation in Brazil which for some time has been a cause of deep concern showed basically a very encouraging improvement during 1939. This improvement however has not been reflected in the exchange value of the milreis, in fact rates at the close of 1939 showed a decline in comparison with those at the close of 1938, the latter however (due to the shortage of cover at that time) being largely nominal with exchange pur-

chases restricted entirely to payment for imports through the Bank of Brazil often with considerable delay.

As mentioned in last year's report exchange was partially freed by decree published on 10th April, 1939, under which however the Bank of Brazil continues to exercise general control. Under this decree export bills may be purchased freely by duly authorized banks who are however obliged to deliver 30% of this exchange to the Bank of Brazil at official rates for Government requirements, the remaining 70% being available for sale by the banks but for the purpose only of payment for imports, exchange for other purposes being limited to the Bank of Brazil. As a result of this decree two exchange markets were established apart from official exchange which is confined to the purchase of the 30% proportion referred to above by the Bank of Brazil at official rates fixed by it. These two markets called respectively the "free market" and the "special free market" have different purposes and also different quotations, namely, free market—for purchase of export bills and the sale only of exchange to pay for imports; special free market—for dealings by all banks in letters of credit, travellers' cheques and foreign paper currency. In addition the Bank of Brazil at rates corresponding to those of the last mentioned market have released from time to time a certain amount of exchange for remittance for other purposes in which our subsidiary companies have shared.

The improvement in the exchange market which has been noted above is doubtless due to a combination of factors some of the most important being (a) the remarkable change in the foreign trade position—the favorable balance of trade being £10,050,388 paper in 1939 as compared with £81,950 paper in 1938—(b) the credit facilities provided under the financial agreements with the United States of America in aid of trade expansion and (c) the relaxing of exchange restrictions resulting from the April, 1939, decree referred to above. In view however of intensified war conditions with the resulting dislocation of markets and shipping, it is impossible to predict the future Brazilian trade or exchange position.

On 31st December, 1938, the closing rates of the Bank of Brazil for sight drafts on New York and London respectively for exchange in payment for imports were 5.65 cents and 2-59/64d., being largely nominal as previously indicated. On 31st December, 1939, in the free market where purchases are limited to payment for imports the closing rates for sight drafts were 5.04 cents and 3-3/64d. and in the special free market for dealings in letters of credit, etc., and remittances permitted by the Bank of Brazil, the closing rates for sight drafts were 4.83 cents and 2-15/16d. In all cases the rates

mentioned are exclusive of the tax on purchases of foreign exchange which is now 5% for all purposes, the rate on purchases for purposes other than payment of imports having been reduced in July, 1939, from 10% to 5%, the latter rate continuing unchanged for exchange for imports.

During the year the final payment was made under the agreement dated 29th June, 1933, referred to in previous reports, between the Bank of Brazil on behalf of the Government and N. M. Rothschild & Sons, which provided for the liquidation in sterling by monthly instalments over six years, of certain milreis accumulations deposited with the Bank of Brazil by the participants in the arrangement which included our companies.

Early in April, 1940, a new plan was formulated by the authorities in Brazil with a view to the liquidation of certain accumulations of funds awaiting remittance abroad. Under this plan deposits in milreis were made in the Bank of Brazil in respect of the participation of our subsidiary companies and the corresponding equivalents partly in dollars and partly in sterling are to be paid in equal monthly instalments over a period of four years, promissory notes of the Bank of Brazil having been given in respect thereof. The rate of exchange for conversion was approximately the current rate on the special free market. As a result of their participation, the subsidiary companies in Brazil have provided for a considerable portion of their milreis accumulations.

On 9th March, 1940, the Brazilian Government announced the resumption of partial payments on Brazil's foreign debt for a four-year period from 1st April, 1940, based on the former "Aranha plan" which was suspended in November, 1937, but on a considerably reduced scale.

The rates for certain services arbitrarily fixed by the authorities as described in previous reports still remain in effect and the Board regret they are unable yet to report any adjustment of this situation.

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 for part of the year at the officially published average sight rates on the free market for exchange transactions on New York and for the remainder of the year at lower rates reflecting generally the

limited special free market for New York exchange. Due provision is made in the accounts for the remittance tax. The method of dealing with the above-mentioned items in the accounts follows past procedure under which similar items have been expressed in terms of United States currency. In addition it may be mentioned that following the practice initiated many years ago the capital expenditure accounts in Brazil are expressed in United States currency, expenditures in other currencies being converted to that basis.

Out of the year's revenue a total of \$6,929,253 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 \$12,000,000 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.

At the last annual meeting of shareholders The Hon. G. Howard Ferguson, President of the Crown Life Insurance Company, Toronto, The Hon. Gordon W. Scott of Messrs. P. S. Ross & Sons, Montreal, and Mr. S. H. Logan, President of The Canadian Bank of Commerce, Toronto, were added to the Board of Directors.

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,

A. W. ADAMS,

Secretary.

TORONTO, CANADA,
May 16th, 1940.

REPORT OF THE PRESIDENT.

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

TRANSPORTATION.

There has been little change in the transportation situation in the city of Rio de Janeiro and, while studies and discussions have been proceeding, the traffic commission appointed to examine the matter, as mentioned in last year's report, has not reached definite conclusions.

There is also nothing further to report regarding the city of São Paulo where, as explained in previous reports, the exclusive tramway privilege will terminate in 1941.

Tramways.

Sundry minor track extensions were constructed and certain track removed with the result that at the end of the year there was a net decrease of 4.14 miles of track in operation.

During the year there was a net decrease in the companies' rolling stock of 18 cars, 22 old passenger and freight cars having been withdrawn from service and 4 new 60-seater passenger cars, built in the companies' shops, having been added.

Buses.

The number of buses in operation at the end of the year was 149, the same as at the end of 1938. Of this fleet 51 buses have been equipped for and are operating with fuel oil.

SHOPS AND STORES.

As in previous years the companies continued the policy of extending the scope of manufacture in the shops of equipment required for the various services, thereby reducing imports and increasing employment in Brazil.

ELECTRIC LIGHT AND POWER.

Generating Plants.

Construction of the Serra development near São Paulo continued actively. The modernization of the two turbines first installed was half completed at the end of the year and should be finished by June, 1940. The rectification work on the Pinheiros river and its affluents advanced satisfactorily, 1,120,000 cubic yards of earth and rock excavation having been done during the year making a total on this canal of 8,360,000 cubic yards.

In connection with the work of modernization of the Lages power plant referred to in last year's report and in order to provide for the growth of load in Rio de Janeiro a new reaction turbine of 48,000 H.P. has been installed and was tested and put into service in February, 1940.

Distribution System.

The connected transformer capacity was increased during the year by the addition of 106,905 K.V.A. bringing the total up to 1,453,908 K.V.A. The construction of new duct lines and extensions of the underground cable system during the year increased the totals to 1,478.92 and 1,603.49 miles respectively.

The mileage of transmission lines in service at the end of the year totalled 2,059.08 miles, an increase of 81.39 miles. Overhead distribution lines showed an increase of 1,467.60 miles, the total mileage in service at the end of the year being 27,786.91.

The number of poles set at the end of the year was 210,680, compared with 206,946 in 1938.

In the Federal District of Rio de Janeiro 637 electric lamps were added to the public illumination bringing the total number connected at the end of the year to 34,441.

In the city of São Paulo the net gain in electric lamps for public illumination was 440, the total number in service at the end of the year being 20,257.

GAS.

In Rio de Janeiro the Hammermill-type coal crusher acquired in 1938 was erected complete with elevators and automatic blending feeders. This

plant has made possible the manufacture of foundry coke employing national coal as part of the ingredients. Other work was limited to certain additions and improvements necessary to maintain the efficiency of the service pending the outcome of negotiations with a view to improving the inequitable rates at present in force for gas service in the Federal District. Extensions of mains laid during the year totalled 2.31 miles.

In São Paulo the two centrifugal washers acquired in 1938 for use in connection with national coal were erected and put into operation in May. A new high-pressure holder and two heavy-duty compressors complete with 40 H.P. electric motors were installed during the year. In addition there were other small modifications and improvements made to the plant. Additional mains laid in São Paulo totalled 11.06 miles.

In Santos the total increase in mains laid during the year was 4.60 miles.

TELEPHONES.

The increase in the number of telephones in service during 1939 was 13,266 making a total of 208,633.

In the Federal District of Rio de Janeiro the erection of three buildings was completed to provide space for the installation of additional automatic equipment for the Grajahú, Beira Mar and Ramos exchanges.

In the state of Rio de Janeiro a new supplementary agreement was signed in November, 1939, providing for additional rates in cities having automatic installations of more than 3,000 lines. The basic toll charge was also increased. On the other hand the company has undertaken to install a 7,000 line automatic unit to service Nictheroy and São Gonçalo and also to connect at specified intervals six other towns.

In the state of Minas Geraes the installation of an 8,000 line automatic equipment in Bello Horizonte, referred to in last year's report, was completed and has replaced the original 5,000 line unit.

In the city of São Paulo 10,000 lines of dial Central office equipment were installed in the automatic exchange No. 4 and put into service in December, and 3,800 lines, together with additional equipment, were installed at exchange No. 3 to bring this up to 10,000 lines.

In the state of São Paulo additional automatic equipment of 400 lines was installed in Santos. Rate increases were put into effect in 35 municipalities throughout the state where local service was furnished.

The number of automatic telephones in service on the company's system at the end of the year was 154,684, an increase of 19,456 over 1938. During the year, throughout the area served by the company, the net increase in toll line extensions placed in service totalled 1,608.04 miles, underground conduit constructed 104.9 miles, underground cable laid 41.2 miles and 54.7 miles of aerial cables strung. The net increase in the number of poles set at the end of the year was 7,881.

The international radio telephone service was by agreement with the local authorities made available to the municipality of Rio Preto in the state of São Paulo.

GENERAL.

The combined companies' services continued to show growth. Compared with 1938 there was an increase in passengers carried by the combined transportation services of 5.06% and in kilowatt-hours sold an increase of 6.33% while the gas sales and telephone services showed increases of 5.11% and 6.79% respectively. Whilst these indications of growth are satisfactory in themselves it must be borne in mind, as stated in last year's report, that the low rates imposed in certain of the services, together with the increasing costs of operation (more marked than ever as a result of the war in Europe particularly in the case of gas manufacture) have considerably affected the operating results of these services.

There was a great improvement in Brazil's foreign trade position as compared with the previous year. The official statistics for the year 1939 show a net balance of trade in Brazil's favour expressed on a gold basis of £5,497,184 as against £28,760 in 1938 an increase of £5,468,424, while expressed on a sterling paper basis the corresponding figures were £10,050,388 and £81,950 an increase of £9,968,438. This favourable result is due to a decrease in the sterling gold value of imports of 11.46% and to an increase in the sterling gold value of exports of 3.76%, the latter owing largely to a rise in prices of most commodities as a result of the war.

Exports of raw cotton from Brazil in 1939 continue to occupy an increasingly prominent place in Brazil's foreign trade there being an

increase over the 1938 figures in volume and value of 54,820 tons or 20.4% and £1,086,000 gold or 16.5%. Expressed as a percentage of Brazil's total exports the sterling gold value of cotton was 20.5%.

Shipments of fruit, tobacco, manganese, sugar and other Brazilian products during the year also showed considerable increase compared with 1938.

The quantity of coffee exported during the year amounted to 16,498,525 bags, a decrease of 613,999 bags or 3.59% as compared with 1938 during which year coffee shipments were considerably larger than usual. The sterling gold value of coffee shipments also showed a decrease compared with 1938 of £1,300,000 or 8.02%, the price of coffee not having followed the general upward trend shown by most commodities since the outbreak of war. Expressed as a percentage of Brazil's total exports, the sterling gold value of coffee in 1939 was 39.9%. During the year 3,520,000 bags of coffee were destroyed, bringing the total quantity eliminated up to December 31st, 1939, to 68,253,000 bags.

With regard to Brazil's new water code referred to in last year's report, the President of the Republic by authority of decree-law appointed a permanent commission entitled the "National Council of Waters and Electric Energy" consisting of five members to study the questions involved and with wide powers in connection therewith. This commission, responsible only to the President of the Republic himself, was organized during the year and has been actively functioning and it is hoped that this responsible body fully realizing the great importance of the problems confronting it will be able to find solutions mutually satisfactory and in the best interests of the country at large.

On November 22nd the portion of the work which the company undertook in connection with the government project for the supply of additional water to the city of Rio de Janeiro was officially inaugurated by the Minister of Education and Public Health, much favourable comment being expressed then and subsequently in the press at the energetic and efficient co-operation given by the company in this connection, water being supplied well in advance of the contracted date. This water is supplied from the discharge outlets of the turbines at the company's power plant at Lages and the company was glad to assist the government in this highly important and urgent public work.

In the companies' general offices in Rio de Janeiro a restaurant has been installed for the use of the staffs of the associated companies there and was officially inaugurated in May in the presence of many government officials and representatives of the press. Restaurants have been operated also in Rio de Janeiro for many years past for the use of the employees by the Telephone Company, the Gas Company and on a much larger scale in the general shops which have proved of very great value to them and an important factor contributing to good employee relations.

MILLER LASH,

April 30th, 1940.

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, 1939. 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, DILWORTH AND NASH, }
Chartered Accountants, } *Auditors.*

Toronto, May 10th, 1940.

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, 1939.

EXPRESSED IN TERMS OF UNITED STATES CURRENCY.

ASSETS.

Capital Account—

Properties, Plant and Equipment, Construction Expenditure, at cost, including interest during construction, etc.	\$269,624,092.14
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	86,279,037.28
Rights, Franchises, Contracts, Goodwill, etc.	\$40,752,888.44
Discount and Issue Expenses on Bonds and Debentures	4,626,643.63
	<u>45,379,532.07</u>
	\$401,282,661.49

Sinking Fund Holdings, at cost—

São Paulo Electric Company, Limited, First Mortgage Bonds	2,564,139.26
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Current Assets—

Stores in hand and in transit, including construction material	\$ 12,800,465.08
As determined and certified by the management, at prices not exceeding cost.	
Sundry Debtors and Debit Balances after provision for doubtful accounts	7,042,289.25
This account includes bonds of subsidiary companies held for sinking fund purposes; also temporary investments in Government Securities in Brazil having a market value of \$708,598.35.	
Temporary Investments in Bonds of the Dominion of Canada, or guaranteed by the Dominion of Canada, at book value (\$3,562,445.38)	3,576,816.32
Cash, including Brazilian currency	15,464,512.80
	<u>38,884,083.45</u>
	\$442,730,884.20

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	- - - - -	\$179,358,245.92
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)	- - - - -	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 - - - - -

\$181,435,838.58

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 (£3,224,588)	- - - - -	\$15,692,997.07
Five per cent. 22-Year Bonds (1st October, 1950) (£271,306) Unsecured	- - - - -	1,320,354.65
\$ 17,013,351.72		

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
30,746,681.10		

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 \$356,646 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	- - - - -	\$ 13,145,224.71
Bond, Debenture and Share Warrant Coupons and Dividend Cheques outstanding	- - - - -	215,816.10
Accrued Charges on Funded Debt	- - - - -	439,494.13
Credit Balances (Provisions for Contingencies and Insurance Funds for Injuries and Damages)	- - - - -	4,231,451.35
18,031,986.29		

Reserves—

*Provisions for Depreciation and Renewals (balance after meeting renewals to date)

Sinking Fund Reserves	- - - - -	\$79,481,459.73
General Amortization Reserves	- - - - -	10,187,705.43
General Reserves	- - - - -	20,494,539.31
77,200,827.02		

Profit and Loss—Balances 31st December, 1939—

Brazilian Traction, Light and Power Company, Limited	- - - - -	\$25,006,434.64
Subsidiary Companies	- - - - -	145,412.10
25,151,846.74		

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

On behalf of the Board:

MILLER LASH,
WALTER GOW, } Directors.

\$442,730,884.20

212,516,378.23

BRAZILIAN TRACTION, LIGHT

PROFIT AND LOSS ACCOUNT for the year ended 31st December, 1939.

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 - - - - -	\$ 9,667,296.91	
Interest on Temporary Investments - - - - -	\$ 74,882.82	
Miscellaneous Income - - - - -	35,769.97	
	<hr/>	110,652.79
		\$ 9,777,949.70
General and Administration Expenses (including \$33,400.95 covering remuneration of counsel, solicitors and legal advisers and executive officers of Brazilian Traction, Light and Power Company, Limited) - - - - -	\$ 311,841.96	
Provision for General Amortization - - - - -	300,000.00	
	<hr/>	611,841.96
Balance transferred to Profit and Loss Surplus Account - - -	\$ 9,166,107.74	
	<hr/> <hr/>	

Note—

Remuneration of Directors including payments by subsidiary companies (excluding executive officers) \$52,280.21.

Remuneration of counsel, solicitors and legal advisers and executive officers in Brazil and elsewhere of subsidiary and associated operating companies \$456,406.51.

AND POWER COMPANY, LIMITED.

PROFIT AND LOSS SURPLUS ACCOUNT, 31st December, 1939.

Expressed in terms of United States Currency.

Balance, 31st December, 1938	- - - - -	\$40,862,857.99
Transferred from Profit and Loss Account	- - \$ 9,166,107.74	
Less Dividends on Preference Shares paid in Canadian Funds—\$23,604.00—		
- Equivalent in United States Dollars	- - - 22,531.09	9,143,576.65
		<hr/>
		\$50,006,434.64
Transferred to General Reserve Account	- - - - -	25,000,000.00

Balance, 31st December, 1939	- - - - -	<hr/>
		\$25,006,434.64
		<hr/>

STATISTICS OF COMBINED COMPANIES.

SERVICE	TRACTION				
	1935.	1936.	1937.	1938.	1939.
<i>Tramways:</i>					
Total Track (miles) - - - - -	545.15	545.44	543.61	540.88	536.74
Rolling Stock:					
Passenger Cars - - - - -	1,937	1,962	2,000	2,042	2,039
Freight and Service Cars - - - - -	311	301	299	298	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) - - - - -	13.13	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) - - - - -	194.29	177.30	161.55	161.55	161.08
Number of Buses - - - - -	160	164	149	149	149
<i>Car Miles Run:</i>					
Tramways - - - - -	64,358,950	68,822,189	70,820,314	73,425,567	74,718,946
Funicular Railway - - - - -	16,043	16,413	15,804	17,273	17,757
Buses - - - - -	7,535,277	8,087,038	7,935,854	7,582,936	7,426,738
Total - - - - -	71,910,270	76,925,640	78,771,972	81,025,776	82,163,441
Area Served (square miles approximate) - - - - -	154	154	154	154	154
Population Served (approximate) - - - - -	3,262,540	3,415,600	3,576,300	3,712,000	3,848,000
Total Passengers Carried - - - - -	823,796,758	882,882,798	913,663,950	931,474,961	978,561,798

ELECTRIC LIGHT AND POWER

Kilowatt Hours Sold - - - - -	1,119,893,048	1,235,689,195	1,352,491,613	1,462,587,889	1,555,197,493
Capacity of Generating Plants (K.W.) - - - - -	321,484	367,934	412,484	524,484	524,484
Total Connected Load (K.W.) - - - - -	797,396	870,182	962,812	1,047,456	1,121,011
Total Consumers - - - - -	413,526	442,057	472,563	500,551	532,003
Transmission Lines (miles of circuit) - - - - -	1,731.60	1,886.82	1,913.16	1,977.69	2,059.08
Distribution Lines (miles of wire) - - - - -	22,322.05	23,528.54	24,855.26	26,319.31	27,786.91
Area Supplied (square miles approximate) - - - - -	11,472	11,533	11,610	11,681	11,682
Population Served (approximate) - - - - -	4,546,000	4,761,000	4,939,000	5,109,000	5,293,000

GAS

Gas Sold (cubic metres) - - - - -	113,143,923	120,328,276	129,496,900	137,460,964	144,480,023
Total Consumers - - - - -	96,963	106,448	117,167	127,462	138,359
Mains Laid (miles) - - - - -	1,099.18	1,118.59	1,138.89	1,158.71	1,176.68
Stoves, Water Heaters and Other Appliances - - - - -	131,417	144,013	158,148	171,615	176,647
Area Supplied (square miles approximate) - - - - -	96	96	97	97	97
Population Served (approximate) - - - - -	2,206,300	2,341,300	2,424,000	2,471,000	2,524,000

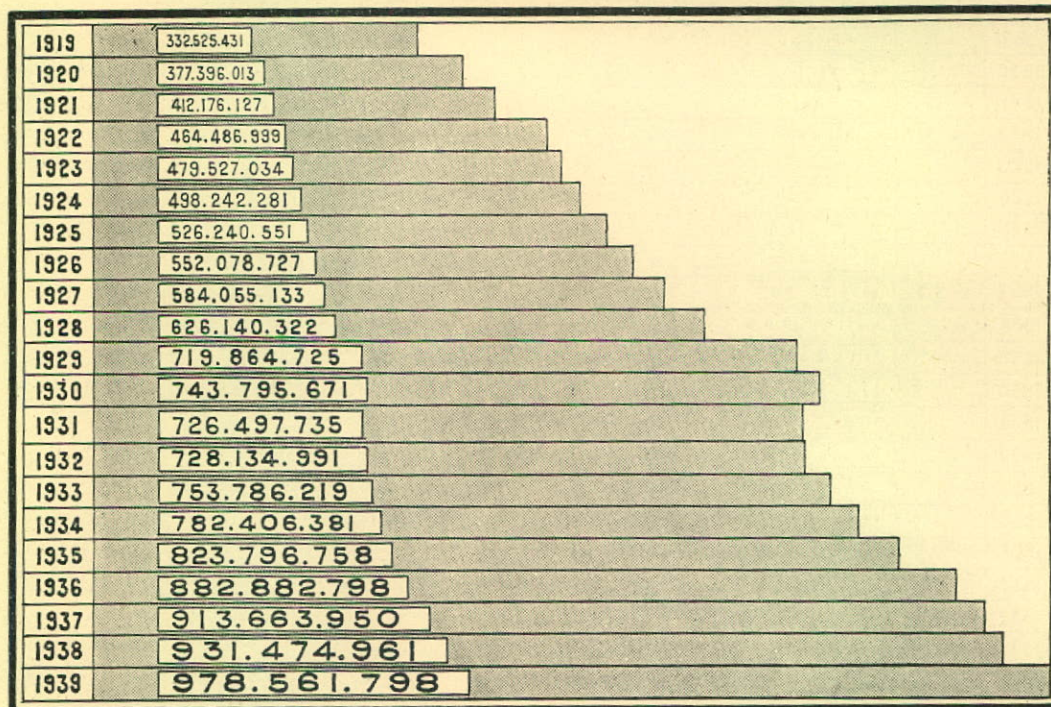
WATER

Water Sold (cubic metres) - - - - -	10,487,893	10,801,942	11,268,409	11,652,484	12,213,149
Total Consumers - - - - -	19,121	20,066	20,954	21,786	22,651
Trunk Mains Laid (miles) - - - - -	38.68	38.68	38.68	38.68	37.84
Distribution Mains Laid (miles) - - - - -	231.87	239.57	245.83	249.91	254.10
Area Supplied (square miles approximate) - - - - -	52	53	53	54	54
Population Served (approximate) - - - - -	170,000	179,000	179,000	179,000	179,000

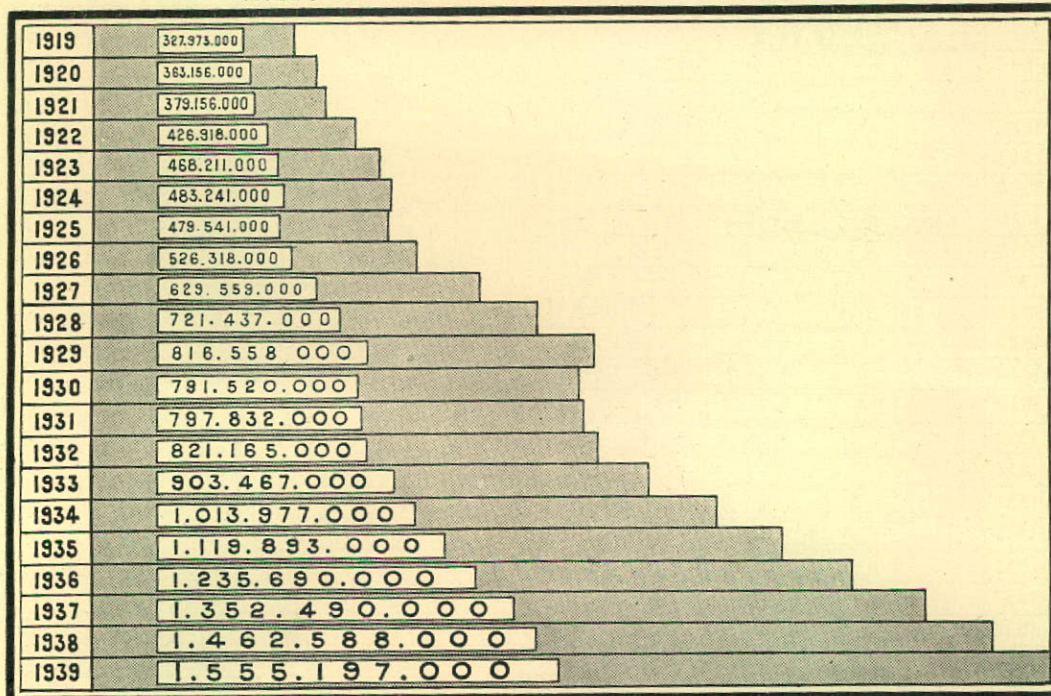
TELEPHONES

Total Number of Telephones in Service - - - - -	149,034	165,852	182,840	195,367	208,633
Average Daily Calls - - - - -	2,195,476	2,487,875	3,025,194	3,356,967	3,886,307
Wire Strung (miles) - - - - -	669,999	783,942	910,290	1,007,380	1,060,133
Pole Lines (miles) - - - - -	5,865	6,158	6,203	6,857	7,231
Area Served (square miles approximate) - - - - -	85,946	85,946	88,896	94,960	103,452
Population Served (approximate) - - - - -	9,673,000	9,781,000	10,121,000	10,483,000	11,140,000

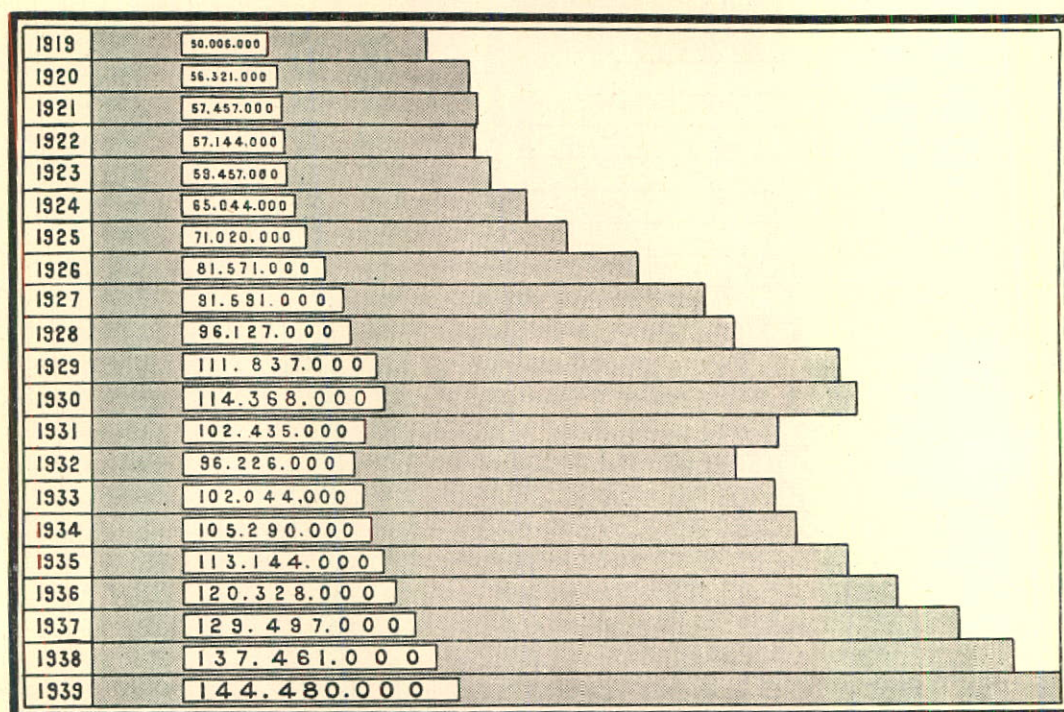
TRACTION SERVICES-PASSENGERS CARRIED



SALES OF ELECTRICAL ENERGY-K.W.HRS.



GAS SALES-CUBIC METRES



NUMBER OF TELEPHONES IN SERVICE

