

THE SAO PAULO TRAMWAY, LIGHT AND POWER COMPANY, LIMITED.

Third Annual Report of the President and Directors for the Year Ending 31st December, 1903.

Submitted at the 3rd Annual Meeting of the Shareholders, Held on Wednesday, the 20th Day of April, 1904.

REPORT.

Your directors beg to submit to the shareholders their annual report, together with the financial statement for the year ending 31st December, 1903.

The earnings of the company have been most satisfactory, showing gross income amounting to \$1,303,175.16, as compared with \$1,123,285.17 for the previous year, an increase of \$179,889.99, or 16.1 per cent.

The net income, after deducting all expenses and fixed charges, is equivalent to 9 per cent. on the issued capital stock of the company, the figures for the year being \$612,543.33, as compared with \$455,369.22 in 1902, an increase of \$157,174.11, or 34.5 per cent. The operating expenses have decreased from 37.2 to 31 per cent.

There has been declared out of the net profits, one quarterly dividend at the rate of one and one-quarter per cent., and three quarterly dividends at the rate of one and one-half per cent., aggregating \$391,378.95, leaving the sum of \$221,164.38 to be carried forward.

The total expenditure on capital account during the year amounted to \$537,295.78. This expenditure includes the construction of additional track, a duplicate pipe line, the installation of a 1,000-K.W. generator at Parnahyba (capable of generating 1,000-h.p.) and the extension of the overhead and light and power systems.

As will be seen by the attached report of the manager, Mr. James Mitchell, the fourth generator and turbine were installed at Parnahyba and put in service in April, 1903.

The duplicate pipe line was completed and put into service in the early part of the year.

Two additional circuits of transmission line were extended from the power house at Parnahyba to Sao Paulo.

During the year the rolling stock has been increased by thirty new cars, twenty of which were built of native wood and were constructed at Rio de Janeiro. There were also constructed in the company's shops a number of cars for use in freight traffic, an important and growing department in our railway service.

Owing to the increased demand for light and power, primary lighting circuits have been extended to all the populous sections of the city and to the most important suburbs.

The company's power plant, tracks, rolling stock and other property have been maintained in a high state of efficiency.

Statistical statements will be found attached to the report which show the continued increase in the different branches of the system.

I would also refer you to the attached report of our resident vice-president, Mr. Alexander Mackenzie. This report is particularly interesting as dealing not only with the company's affairs in Sao Paulo, but also with the general condition and future prospects of the United States of Brazil.

The books of the company have been carefully audited. Certificate of auditors will be found attached to the balance sheet.

In moving the adoption of the report now presented for your approval, I do so with great pleasure.

The year has been a most successful one, showing, as it does, remarkable progress in all branches of the system. I may say the prospects for the year 1904 are exceedingly bright. I quote from a letter recently received from our resident vice-president, Mr. Alexander Mackenzie, as the result of the company's advertisements, setting forth the advantages that Sao Paulo offers to manufacturers, a Scotch shoe firm has decided to locate in Sao Paulo, also that a cable has been received stating that manufacturers in Sao Paulo have contracted for 600 additional horse-power. We are to begin supplying this power within six months. This means an increase of 25 per cent. in horse-power now supplied and contracted for and an increase of at least \$40,000 in our annual income from the power department.

It is gratifying to note that our list of shareholders is steadily increasing, the number on our register at the present time is over 650.

I would further call your attention to the statistical statement in which you will notice the excellent showing for the year, as compared with previous years. It will be seen that the gross income for the year 1903 exceeded that of 1901 by \$550,000, that the net income for 1903 exceeded the gross income of 1901 by \$150,000, and the net income of that year by \$640,000.

Owing to last evening's most regrettable and disastrous conflagration, in Toronto. I am sorry to say there will be a delay in getting out the full complement of our printed report. When ready a copy will be mailed each shareholder.

I now beg to move that the report for the year ending

31st December, 1903, be adopted and distributed amongst the shareholders.

Respectfully submitted,

WILLIAM MACKENZIE, President.

The report of the manager, Mr. James Mitchell, dealt with the power house, pipe lines, machinery, etc., all of which are in perfect condition. As to the traction department, it also was in good shape and new opportunities for additional earnings were constantly appearing. He reported the prospects for public lighting as very good, and closed by stating that the company's plant and property have been well maintained throughout.

RESIDENT VICE-PRESIDENT'S REPORT.

WILLIAM MACKENZIE, Esq.,

President, The Sao Paulo Tramway, Light and Power Co., Limited, Toronto, Ont.

Dear Sir,—In making a general report to you upon the company's properties in Sao Paulo, I may say, as to the future, I see no reason why we should not show considerably better results this year. The general condition of the country is improving. Brazil controls the coffee and rubber trade of the world, producing 75 to 80 per cent. of the world's supply of both, and must continue to do so. It is also a large producer of sugar, cotton and tobacco. Each year of late, the output of national factories has been increasing and new industries are constantly starting. Notwithstanding almost prohibitive import duties, comparatively little has as yet been done in the line of national manufacturing. Here are some samples of existing duties: Cotton textiles from 100 to 200 per cent.; hessians and jute manufactures about 100 per cent.; woolen textiles from 100 to 200 per cent.; shoes from 80 to 120 per cent.; furniture about 100 per cent.

Formerly coffee was almost the sole product of the State and the adjoining State of Rio, all other necessities being imported from abroad. Since the price of coffee became so much reduced, farming has become more diversified, and today many products are cultivated, of which immense quantities used to be imported.

The National Government is faithfully keeping up all its obligations, and its credit in London is so good that it recently floated a loan there of some eight millions sterling for the new port works in Rio, which was many times oversubscribed. What applies to the National Government applies with greater force to the Government of this State, which is the backbone of the country, and has always taken the leading part in national affairs.

Brazil is taking great interest in the St. Louis Exposition, having appropriated \$600,000 towards expenses of its exhibit. This State will have its own separate exhibit. At the request of the Government, we are having large photographs taken of our plant at Parnahyba, which will be sent there.

Political conditions are stable, and whatever may be heard about revolutions in republics like Uruguay, Paraguay and Bolivia, Brazil must not be confounded with such countries. Any one of the least important of the twenty States of Brazil is of at least equal importance with these other republics.

Exchange has been steady around 12d. throughout the year. Many people expect higher exchange this year on account of the sudden rise in coffee. This, however, is pure guessing. The best that can be said is that indications are for at least as good exchange as obtained during last year. I believe it is to be the policy of the Government to favor high exchange, and gradually bring the milreis back to par. This, however, must be a very gradual process. Last year our remittances were made at an average exchange of slightly over 12d.

The city has made extraordinary strides since we began work in 1889. In 1902 there were over five hundred new houses built. Last year there were about one thousand, and the licenses asked for so far show that there will be considerably more building this year than last. The city is conducting public improvements on a large scale, and paying for the same out of the ordinary revenue. These works are chiefly in the way of pavements and other street improvements. In the centre of the city, where the streets are narrow and locomotion difficult, buildings are being expropriated, old streets widened, and new ones opened. Altogether, Sao Paulo is by far the most progressive city in Brazil, and outside of Buenos Ayres, the most up-to-date city in South America, and there is no doubt that having regard to the climate, its position as the distributing point of the chief state of the Republic, it is bound in the near future to increase greatly in size and importance. Its population to-day is somewhere between 285,000 and 300,000.

Faithfully yours,

ALEXANDER MACKENZIE, Vice-President.

Sao Paulo, 30th January, 1904.

STATEMENT OF GROSS EARNINGS. MONTHLY.

| | Tramway. | Light. | Power. | Miscellaneous. | Total. |
|-------|-------------|-------------|-------------|----------------|--------------|
| 1903. | | | | | |
| Jan. | \$78,670 46 | \$15,385 27 | \$ 8,076 07 | \$ 446 34 | \$102,587 14 |
| Feb. | 75,730 90 | 15,445 82 | 7,709 17 | 432 86 | 99,318 75 |