Brazilian Traction, Light and Power Company, Limited

(Incorporated under the Laws of the Dominion of Canada)

SECOND ANNUAL REPORT OF THE BOARD OF DIRECTORS

TO THE SHAREHOLDERS For the Year Ended 31st December, 1914

To the Shareholders:

THE Board of Directors beg to submit the Second Annual Report and Balance Sheet and Profit and Loss Account of the Company for the calendar year of 1914.

During the year a few of the outstanding shares of The Rio de Janeiro Tramway, Light, and Power Company, Limited, and The Sao Paulo Tramway, Light and Power Company, Limited, were acquired, and a large controlling interest was secured by the Company in the Companhia Rede Telephonica Bragantina, a telephone company carrying on business throughout the State of Sao Paulo. This was a very desirable acquisition, having in view the telephone business carried on by The Rio de Janeiro Tramway, Light and Power Company, Limited, through the Rio de Janeiro and Interurban Telephone Companies. This investment was made without the necessity of providing cash for the purpose, the Bragantina shares being acquired on the basis of the purchase price being satisfied by the issue of fully-paid ordinary shares of this company's capital stock. The Company has also acquired an important interest in the Cia Telephonica do Estado de Sao Paulo. The total share capital of this company issued on the 31st December, 1914, was $116,217,500, divided into 1,062,175 Ordinary Shares of $100 each and 100,000 Six per Cent. Cumulative Preference Shares of $100 each.

On 2nd January, 1914, The Rio de Janeiro Tramway, Light and Power Company, Limited, and The Sao Paulo Tramway, Light and Power Company, Limited, created issues of Five per Cent. General Mortgage Bonds, secured by a general charge on the undertakings of the respective companies subject to their existing mortgages, under the provisions of Trust Deeds in favor of National Trust Company, Limited; that of The Rio de Janeiro Tramway, Light and Power Company, Limited, being for an authorized amount of £2,000,000, and The Sao Paulo Tramway, Light and Power Company, Limited, for an authorized amount of £1,000,000. These bonds were created by the directors of these companies to be used as collateral security for the purpose of raising moneys for capital requirements when necessary. During the year a portion of each of these securities was issued by the respective companies for the purpose mentioned. The amounts borrowed on them are included in the Balance Sheets of the respective companies.

The year 1914 has been one of general business depression in Brazil on account of the local conditions, both financial and commercial. At the early part of the year there were indications that a financial crisis was impending, but it was hoped that the unsatisfactory conditions would be overcome, and probably there would have been a very material change for the better but for the European war, which enormously aggravated the difficulties in Brazil.

After war was declared, the conditions in Brazil became very serious and the monetary stringency was so acute that the Government declared in the month of August a moratorium which continued until the end of the year. During this period the Government made an issue of currency which helped to relieve the stringency, but caused great fluctuations in exchange, the value of the milreis dropping as low as 10 1/8d. during the second week in September.

Coffee Shipments.

The outbreak of the European war had also the effect of stopping the usual method of remittances by means of bills of exchange, and for several months it was practically impossible to remit money from Brazil for the purpose of the payment of coupons and dividends. As this situation did not improve, the Board decided in October to remit its funds—which by that time had accumulated to a very large amount—in coffee, as they felt that this method of remittance was a sound and safe procedure, and one which, under the circumstances, should prove satisfactory.

As The Rio de Janeiro Tramway, Light and Power Company has under charter a fleet of steamers for the purpose of carrying the coal and other material required by the Companies in Rio de Janeiro and Sao Paulo, the Board employed such steamers on their return journeys for freighting the coffee purchased in Brazil to the New York and European markets, and as coffee is a staple product in commerce, it offered a safe, and at that time the only practical means of remitting the Companies' funds.

Up to the end of the year there had been purchased and shipped from Rio de Janeiro and Santos 278,400 bags of coffee to the value of 11,695 contos of reis, all of which has since been disposed of in New York at prices which have enabled the Company to net an average of 13 54-64d. per milreis, which is materially in excess of the average rate of exchange during the same period, even if it had been possible to buy bills for such a large amount of money.

The result of this Company's operations for the year have not been as satisfactory as anticipated. As a result of the monetary stringency and other adverse conditions in Brazil, the factories began to run on short time or suspend business completely, and with the large number of employees thrown out of work, due to the cessation of commercial activity, the earnings of the tramway systems in Rio de Janeiro and Sao Paulo were seriously affected, but notwithstanding such bad business conditions the gross income of the combined Companies in Brazilian currency has shown an increase over the previous year. The revenue in gold has, of course, been unfavorably affected by the drop in exchange.

Revenue From the Year's Operation:

Revenue from Securities owned and under contracts with Subsidiary Companies		$7,523,695.85
Interest on Advances to Subsidiary Companies		535,117.25
		$8,058,813.10
General and legal expenses, administration charges and interest on loans.		392,280.91
Surplus available for dividends		$7,666,532.19
Dividends Nos. 4, 5, 6 and 7, on 6% Preference Shares at 1½% each	$600,000.00	
Dividends Nos. 6, 7, 8 and 9 on Common Shares at 1½% each	6,257,119.50	
		6,857,119.50
Surplus carried to Profit and Loss		$809,412.69

It will be observed from the accounts that after payment of the regular dividend of six per cent. per annum on the ordinary shares, a credit balance of $3,822,410.48 has been carried forward in the Profit and Loss Account.

In view of the serious financial conditions developing in Brazil, and later the much more serious financial situation throughout the world, all possible expenditures on capital account in connection with the development of the property were suspended, but there was a large amount of work under way which it was necessary for the different Subsidiary Companies to complete. A considerable amount of construction work had also to be carried out in order to comply with the obligations of the different concessions. In this connection the different companies have performed all of the necessary work, both for capital account and as regards maintenance and renewals.

It is with the utmost regret that the Board have to inform the Shareholders of the death of Dr. F. S. Pearson, the late President of the Company, whose life was lost when the steamship "Lusitania," on which he and Mrs. Pearson were passengers, was sunk by a German torpedo in May last. The Board feel poignantly the loss of one whom they esteemed so highly for his attractive personal qualities as well as for his sagacity and ability in dealing with the large affairs entrusted to his care. The Board desire to record their appreciation of the great services of the late Dr. Pearson to the Company, and to extend their deepest sympathy to his family who were doubly bereaved by the death of Mrs. Pearson at the same time.

At a meeting of the Board held on the 14th May, 1915, Mr. Alexander Mackenzie was unanimously elected President of the Company to fill the vacancy caused by Dr. Pearson's death. Mr. Mackenzie has been connected with the Company's enterprises since their inception, and was for many years resident Vice-President and General Counsel in Brazil for The Rio de Janeiro Tramway, Light and Power Company, Limited, and The Sao Paulo Tramway, Light and Power Company, Limited. He is therefore well qualified by his long experience in the Company's affairs, and by his undoubted ability, to fill well the important office of President.

Mr. Mackenzie was also elected President of The Rio de Janeiro Tramway, Light and Power Company, Limited, The Sao Paulo Tramway, Light and Power Company, Limited, and Sao Paulo Electric Company, Limited, by the respective boards of these Companies.

Mr. Mackenzie is at the present time in Brazil representing the Company in connection with important matters pertaining to the Subsidiary Companies' affairs.

The Boards of The Rio de Janeiro Tramway, Light and Power Company, Limited, and The Sao Paulo Tramway, Light and Power Company, Limited, have also suffered the loss of one of their valued members by the death of Dr. Alfredo Maia, of Rio de Janeiro, on the 23rd March, 1915. Dr. Maia has for many years been actively interested in the affairs of the allied Companies and his knowledge and experience have always been of great benefit in furthering the interests of the Companies in Brazil. The Board express deep regret at Dr. Maia's death.

The Board append a Report drafted by the late President, Dr. F. S. Pearson, on the operations and finances of the Subsidiary Companies during the year 1914. This report was prepared by him while on the "Lusitania" and has been adopted by the Board, with such additions and changes as seemed necessary. It was found in his pocket after the recovery of his body and represents therefore his last work for the Company. Copies of the Balance Sheets and Profit and Loss Accounts of the Subsidiary Companies, with operating statistics, are also attached.

The Board take great pleasure in recording their appreciation of the efficient services rendered by Mr. F. A. Huntress, Vice-President; Mr. C. A. Sylvester, General Manager, and the other officials resident in Rio de Janeiro of The Rio de Janeiro Tramway, Light and Power Company, Limited; and of Mr. W. N. Walmsley, General Manager, Mr. W. G. McConnell, Assistant Manager, and the other officials resident in Sao Paulo of The Sao Paulo Tramway, Light and Power Company, Limited, and the Sao Paulo Electric Company, Limited.

The Board also have pleasure in stating that the relations of the Subsidiary Companies with the Federal, State and Municipal Government officials are of the most cordial character.

By order of the Board,

J. M. SMITH, Secretary.

Toronto, Canada, August 5th, 1915.