

AUSTRALIAN CONSOLIDATED INDUSTRIES LIMITED

Chairman's Address at Twenty-seventh Annual Meeting of Shareholders held on 30th September, 1949

The Chairman (Sir Alexander Stewart) in moving the adoption of the Directors' Report and Accounts said:

Ladies and Gentlemen,

Before commencing my review of the Company's affairs, I apologise for the absence of Mr. W. J. Smith, our Managing Director, and Mr. A. E. Smith, General Manager, who are unable to be present today.

I also wish to offer apologies on behalf of our Director, Mr. S. G. Garnsworthy, who is at present visiting Singapore.

During the year the Board sustained a severe loss in the death of Major-General H. W. Grimwade, after a lengthy illness. Major-General Grimwade had been associated with the Company for approximately forty years and was a major factor in its development and progress. At the time of his death, he was Chairman of the Company, a position he had held with distinction since May, 1945. We miss him both as a colleague and as a friend.

Mr. John Grimwade, son of Major-General Grimwade, was invited to join the Board to fill the vacancy caused by the death of his father, and his appointment makes him the third generation of his family to be associated with the Company on the Board of Directors.

The Consolidated Profit of the A.C.I. Group of Companies for the year ended June 30, 1949, was £548,569, an increase of £72,054 compared with the result of the previous year. The return on the average shareholders' funds employed during the year is 5½%, which is slightly higher than that for the previous year, viz., 5.2%.

Out of this profit, the Parent Company received dividends which, together with other income, enabled it to show a profit of £441,214, as compared with £379,167 for the previous thirteen months.

Dividends of 9% on both the Preference and Ordinary Shares were paid for the year, the Ordinary Dividend being 1% higher than that paid in the previous period.

Turning now to the Balance Sheet, you will notice that there have been substantial alterations in some of the figures, which I consider warrant some explanations, and I propose to review the Consolidated Balance Sheet first, using round figures for the sake of brevity.

ON THE ASSETS SIDE:—

The first item—Debtors £1,058,000—is £358,000 higher than at June 30, 1948, which is due principally to the higher monetary value of turnover.

Stock on Hand—

The amount this year is £3,290,000, being £665,000 more than at the same date last year. It is interesting to note that the stocks may be divided in value almost equally into three categories, as follows:

- (1) Raw Materials.
- (2) General stores and spare machine parts.
- (3) Finished and partly-finished stocks.

With reference to finished and partly-finished stocks, I would point out that the demands for the Companies' products are such that stocks are at a minimum figure, consistent with the service necessary from our Companies to our customers.

Investments—

The total value of our investments this year, viz., £1,496,000, is £334,000 in advance of the amount shown in the previous Balance Sheet. Since 30th June, 1949, some of our holdings have been realised to finance our expansion programme.

As regards our investment in shares, a larger amount is now held in Public Companies, which have been favorably purchased, and the increase is mainly due to additional holdings acquired by our Insurance Company from time to time.

The investments in Public Companies and in other securities are a solid backing to your Company's financial strength. They are mostly in concerns with which your Companies do much business or have kindred interests, and are regularly

earning substantial revenue, justifying their purchase and retention.

Fixed Assets—

Under this heading are included Freehold and Leasehold Land and Buildings, Machinery and Plant, and also Patent Rights and Licences, amounting, in all, to £4,345,000.

This represents a net increase of £329,000 during the year, the expenditure on Fixed Assets for the year being £961,000.

Depreciation, totalling £632,000, has been written off for the year at rates not less than those allowed by the Taxation Commissioner, including the 20% Special Depreciation on the purchase of new machinery.

The Fixed Assets are stated at a conservative figure, and today's replacement cost would be substantially more than the amount shown in the Balance Sheet.

Goodwill—

The value of this asset has increased this year by £54,000, due to the acquisition of a new Subsidiary Company and to exchange differences in overseas Subsidiaries.

ON THE LIABILITIES SIDE:—

Bank Overdraft—

The bank overdraft stands at £93,000. On June 30 last year the overdraft was £317,000. This overdraft fluctuates from time to time, due to financing the trading of the different Companies.

Shareholders' Funds—

Referring to the Shareholders' funds, you will note the Paid-up Capital now stands at £5,109,856, and that the Premiums on Shares Reserve has increased to £899,738. These two accounts show the effect of the new Share Issue made in 1948. The Shareholders' funds, for the first time in the history of the Company, have passed £10,000,000 and now total £10,522,517.

As regards the Parent Company's own Balance Sheet, there is no necessity to deal with the items in detail except to say that you will notice that the total amount in shares and advances to Subsidiary Companies has increased by approximately £1,200,000, and this shows that the whole of the proceeds of the new Share Issue has been passed on to the operating Companies.

I will now proceed to acquaint you with the highlights of the established industries, together with the developments of the new industries, and also something about the new ventures which your Board intends to establish.

Before referring individually to different industries, two matters common to most of them—especially in Australia—were the shortages of labour and coal. All our industries have suffered from these two deficiencies, retarding production and increasing costs. Consequently, these two subjects need not be referred to when dealing with the individual industries.

Glass Manufacturing

(a) Containers:

(i) Australia—

With the object of meeting the full demand for glass containers, we have two new furnaces at present in the course of construction, one in Melbourne and one in Sydney. They are of our latest design, and, when completed, each will deliver a greater tonnage of glass than any other bottle furnace in the world. Construction has been hindered by the lack of sufficient tradesmen and the shortage of building materials. However, better progress is now being made, and the Sydney furnace will be operating early in the New Year, with Melbourne to follow later.

(ii) New Zealand—

A good demand for glass containers continues, and our capacity is severely taxed, this position being accentuated by a period in which production ceased, owing to a general transport strike. We do, however,

expect to overcome the pressure on our manufacturing resources in the near future.

The Board has decided to establish a new works for the manufacture of glass containers and pressed ware in the South Island of New Zealand, a factory site having been purchased at Christchurch. This project will be proceeded with in the near future.

(iii) Singapore—

This Factory commenced production during the year under review.

In the early stages, many initial difficulties were encountered, including the heavy cost involved in training the local labour.

However, everything is now going smoothly. Orders in hand justified the Company increasing its production capacity, and a second furnace is being constructed, and will be operating in the course of a few weeks.

(iv) Tasmania—

I mentioned last year that it had been decided to erect a factory in Hobart. Building operations have been commenced, and to date very satisfactory progress has been made.

(b) Window Glass:

We have plans in hand for the development of the Window Glass Section which, when completed, should result in meeting the whole of the demand.

Production of Glass Bricks has been recommenced, and they are, as before the war, keenly sought after by the building trade.

(c) Flint Blown And Pressed Glassware And Lightingware:

The sales have reached an all-time record, and I would say that the prospects for the year are excellent. The orders booked show an increase in demand for the Companies' products, and provision is now being made for increased output and a larger range of their different products; such increase should be available by the end of this year.

Engineering:—

Our Engineering Companies have continued to concentrate on the manufacture of plant and machinery, equipment, moulds and dies for Associated Companies, and also their engineering maintenance. A large number of new type bottle-baking machines has been manufactured, and are now working in our various glass factories, in addition to glass-making equipment for the pressed-ware industries.

Plant was completed in the Sydney Branch for the Redondo Tile Company. They are also making the equipment for the new glass furnaces previously mentioned and for Singapore Glass Manufacturers Company, Limited.

The Company's long-established policy of equipping engineering plants with modern machine tools has been continued during the year, regardless of the heavy capital cost involved.

Aerex Fans:—

Our Subsidiary—Aerex (Australia) Company—is working to capacity in producing "Aerex" Axial Flow Fans and Ventilation Equipment. Several large mining fans are in course of construction, and important orders for similar equipment are continually being received.

Plastics:—

During the year our Factories, which are established in Victoria, New South Wales, South Australia, and New Zealand, continued to expand their manufacturing activities of a wide range of industrial, commercial, and domestic articles.

A matter of interest is the purchase by A.C.I. Plastics Pty., Ltd., of a 5000-ton Moulding Press. This Press is constructed to mould large-sized articles, and is one of the three largest Plastic Moulding Presses in the world. It is being installed in our Spotswood, Victoria, Factory.

Tiles:—

The manufacture of glazed wall tiles, which I mentioned last year as

being well in hand, has been in operation in Sydney for some months.

The Plant is working satisfactorily and is producing tiles of excellent quality.

"Redondo Tiles" are being well received by the trade, and the future prospects of this new development are considered to be good.

Plant for the Melbourne Factory has been designed, and some is already in store awaiting a favorable opportunity to erect the building, the site for which was recently acquired.

The remaining industries, which I have not mentioned in detail, have functioned steadily, subject to the present-day manufacturing problems, and the demand for their products is strong, though a disappointing factor is the still rising cost of production caused through the continual increases in wages, absenteeism, fuel, and raw materials. However, every effort is being made to absorb these costs in the industry by the constant development of improved methods, the Company's policy being to refrain from increasing the price of its products to its customers until every other means to meet the position has been exhausted.

Crockery:—

You were informed at the last Meeting that this industry was in the course of being established, and I want to inform you what is the present position.

A site for the factory has been purchased in Melbourne, and plans for the lay-out of the factory completed, and certain machinery has been acquired.

Materials for factory construction and permits to build—as is generally known—are difficult to obtain, but we are hopeful that the erection of the buildings will not be long delayed.

The work is being proceeded with, but it is not possible to indicate a specific date when the factory will be completed, this being governed by our ability to obtain the necessary priorities for materials, particularly steel, but you can be assured it will be pushed ahead just as fast as prevailing conditions will permit.

CONCLUSION—

The value to the Company of its employees needs no explanation, and I am sure Shareholders will agree that the results that have been achieved in the year just completed reflect the loyal support and helpful co-operation of all our employees. It was a splendid achievement in spite of many problems and difficulties, and I would like to pass on to them on your behalf an expression of thanks for their loyalty, co-operation, and enthusiasm.

In this Address, I have been able to give you only a brief view of the Company's activities over the last financial year, but, from the foregoing, you will realise that we can look forward to the future with renewed confidence and the assurance that your Company will continue to expand and make its full contribution to the developments of the countries which it serves.

The motion of the Chairman for the adoption of the Report and Accounts was seconded by Mr. L. L. Evans, who congratulated the Company on the progress and expansion that is being continually achieved.

The retiring Directors, Mr. A. E. Smith and Mr. S. G. Garnsworthy, were re-elected Directors of the Company on the motion of Mr. W. Sydney Jones, which was seconded by Mr. F. S. Grimwade.

Mr. G. O. Simcock moved and Mr. F. J. Hutton seconded that Mr. John F. T. Grimwade be elected a Director to the Board to fill the casual vacancy caused by the death of the late Major-General H. W. Grimwade.

On the motion of Mr. A. E. Presswell and seconded by Mr. H. Engelbert, Mr. A. G. Hooke, F.C.A. (Aust.), the retiring Auditor, was re-elected auditor to the Company for the ensuing year.