

Tuesday, 11th June, 1935

INVESTMENTS

General Motors-Holden's Ltd

(By A. J. JOBSON.)

General Motors Holden's Ltd is an amalgamation of General Motors (Australia Pty, Ltd. which was registered in Victoria in May, 1926, as the Australian company of the famous American car manufacturing firm, and of Holden's Motor Body Builders Ltd., which was registered in South Australia in September, 1920. In March, 1931, General Motors acquired the assets and liabilities of Holden's for a consideration of £1,111,600. Of this, shareholders in Holdens received £330,000 in cash with which the A and B preference shareholders were repaid and 361,600 £1 6 per cent preference shares in General Motors Pty Ltd. These were issued to holders of 624,000 £1 ordinary shares in Holden's in the proportion of 9 preference shares fully paid for every 10 ordinary shares then held. The proportion of preference shares in General Motors-Holdens Ltd. as the amalgamation became, is not at any time to be enlarged, beyond the proportion of 37 per cent of the total capital. The preference shares carry the right to a cumulative preference dividend of 6 per cent per annum with priority as to capital and dividend without participation in surplus assets and profits. During depression years the company suffered severe setbacks, as is shown by the account for the first year ended June 30, 1932, when a loss of £340,914 was made.

The next accounts appeared for the six months ended December of the same year, and disclosed a distinct improvement, in that the loss was but £2,721, making a total deficit of £333,178. During these 18 months no dividends were paid on the preference shares. The year ended December 1933 showed an even greater improvement and gave signs of a lifting of the depression, for the net profit amounted to £134,161, out of which the preference dividend of 6 per cent was declared in payment of arrears to March, 1932.

The large wool cheque for 1933-34 season brought with it inevitable improvement in the spending. Cars are today a necessity, but during the depression people had to be content with cars which were two or three years past their normal replacement stage.

This brought about a large improvement in the earnings, which increased to £402,332, wiping out the deficit, and, after the directors had declared a dividend of 8 per cent in payment of all arrears and the current dividend to March 1, 1935, there were left in reserves £48,531. The reduced wool cheque this year will naturally reflect earnings slightly, but the car trade is doing well, and it would not be expecting too much to find this company paying an ordinary dividend for the year ended December next.

Of the net profit for the past year, but £18,000 was represented by the earnings of the body manufacturing division at Woodville, South Australia, in which £832,100 is invested so that an improvement in the profit was entirely due to car, truck, and parts sales, which increased 104 per cent during the year. It would seem from the accounts that liberal depreciation has been provided for despite capital expenditure of over £60,000 there has been a reduction of £901,360 in fixed assets,

and apart from properties, plant and machinery, and furniture, etc, was shown at £192,176, which, of the above figure of £80,130, was down £70,482. The funds provided by this reduction and a sale of leasehold property in Brisbane, together with the year's surplus profit, have been absorbed by a growth of £920,773 in stocks which on December 31 last totalled £1,330,008. Whether this figure is temporarily high or of necessity, it makes the exchange factor a vital one for the company. Allowing for the increase in stocks, the financial position has been considerably improved, but it is much less liquid than a year ago, and an excess of £452,204 in liabilities over book debts and cash has replaced the previous year's surplus of £63,624 in the latter assets. This excess was covered nearly three times by stocks. The company must, however, be assisted by the fact that America in 1934 left gold and is now 4.95 dollars to the pound sterling as compared with the previous parity of 4.83 dollars. The improvement in business enabled the company to reopen its assembly works in Brisbane, Sydney, and Perth, and partially re-establish assembly operations in Adelaide.

There are certain disabilities in the latter State, and the Chairman last month told shareholders that unless some concession is granted to make up these disabilities it is possible that the whole of the plant would be transferred from Adelaide over a period of years. Land is to be purchased for an assembling plant in one of the Eastern States. The effect of the recent amendment to the tariff on body plants is not yet clear, but the directors are confident of the future of the body building division since its efficiency has been improved, and an important export business to the East is being built up.

The preference shares are secured by net tangible assets of £216s 1d per £1 preference share fully paid after liabilities of £683, 316. At 23s. 3d. the annual return on these shares is £5 3s. 2d, per cent, and they appear to be reasonably valued.

The ordinary shares are not listed, and are held by General Motors Corporation