

C O N F I D E N T I A L

BALM PAINTS LIMITED

DEVELOPMENT AND PROGRESS OF
THE BALM GROUP OF COMPANIES

1950-1969

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PREFACE

At the request of Milton Bridgland, Managing Director of the Company, I have brought up to date the history of the BALM Group, following on from the point at which the previous history concluded.

I have decided to cover the principal events of the two decades of the 1950's and the 1960's up to the time of my retirement on 31st December 1969.

Some of the events of the early 1950's have been to some extent covered in the previous history which was prepared in great detail by a former Managing Director, the late H. J. Barncastle. Although there may be some slight repetition, the coverage of the full twenty years was thought worthwhile as, during the period, the development and progress of the company was very considerable.

Probably the more important of the events which took place during the period and which extended the scope and potential of the company in a number of diversified spheres can be enumerated briefly:-

1. The revision of the financial structure of the organisation.
2. The reorganisation of the administrative structure.
3. The introduction of acrylic lacquer and the effect on the General Motors-Holden's contract.
4. The decision to secure the distribution of the company's paint products leading up to the establishment of Albert Nicholson Holdings Pty. Ltd. and the acquisition of distributing companies for this purpose.
5. The establishment of a wallcoverings distributing division.
6. The opening of new manufacturing plants at Melbourne, Perth, Brisbane and Lae in the Territory of Papua and New Guinea. Existing plants at Sydney and Adelaide were expanded and a comprehensive warehouse established at Launceston.
7. The acquisition in 1969/70 of The Walpamur Co. (Aust.) Ltd.

I have endeavoured to present the picture of events as near as possible in chronological order and to facilitate this the subjects have been divided into more or less specific chapters.

In addition, a set of annexures has been prepared in order to eliminate some detail in the written composition. These could be useful as points of reference in future years, as well as being of interest to the reader.

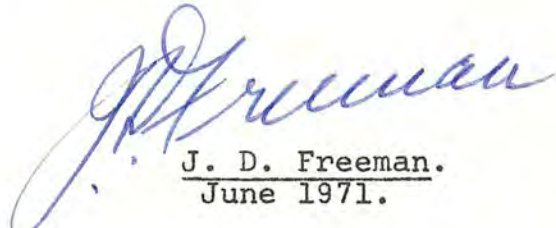
Preface

2.

In compiling the history the principal source of reference has been the Minutes of meetings of Directors and Shareholders of the various companies, together with detailed support from memoranda and correspondence in the confidential files. In addition, there have been personal recollections augmented by much information from many of my colleagues who were involved in the events of the period.

Basically, the history ends on the 31st December 1969, but this has been varied in several circumstances, for example, the acquisition of Hatherley & Horsfall Pty. Ltd. and the purchase from Broken Hill Associated Smelters Pty. Ltd. of its shareholding in Commonwealth Litharge & Red Lead Pty. Ltd. Both these important events took place in 1970.

There are many of my friends at BALM whom I wish to thank for their assistance. A special expression of gratitude goes to my former secretary, Miss Jean Assender, who has spent so much of her time drafting, typing and offering advice on the preparation of this history.



J. D. Freeman.
June 1971.

H.J.D.
BARNCASTLE

THE LATE H. J. D. BARNCASTLE

A FURTHER APPRECIATION

MR. H. J. D. BARNCASTLE - A FURTHER APPRECIATION

The late H. J. Barncastle, a former Managing Director of BALM Paints Ltd., wrote a very comprehensive history of the Company and its development over the 32 years of its existence from its incorporation on 28th May 1918 until about 1950. Following the Preface to the History there is an appreciation written by S. R. Heron, A General Manager of the Company who had been closely associated with H. J. Barncastle for a great number of years.

Although this appreciation is also very comprehensive and covers many of the admirable attributes of Barncastle, including his high standards of business ethics, it is now thought opportune to add a few extra facts relating to this gentleman.

H. J. Barncastle was born in The Glebe, Sydney, on 8th January 1877, and lived there for many years with his family which comprised several brothers and a sister, Mrs. Elizabeth McGregor who was still living in 1970. One of his brothers founded the previously well-known and successful wholesale jewellery business of A. P. Barncastle & Co. Ltd. which was voluntarily liquidated about 1969.

At an early age he joined the importing business of M. H. Lauchlan & Co., which held, amongst others, the agencies for U.K. White Lead from Lock Lancaster and W. W. & R. Johnson & Sons Ltd.; Linseed Oil, Oils and Colours and Varnishes from Blundell Spence & Co. Ltd., also of U.K. His association with M. H. Lauchlan, therefore, gave him a comprehensive knowledge of the products which BALM eventually manufactured and sold in Australia and subsequently in New Zealand. It was also his knowledge which enabled him to prepare the report to the U.K. White Lead Convention which preceded the decision by the Convention to first invest in BALM Paints Ltd. in conjunction with the Australian Barrier Companies.

Although he was deeply involved in the difficult discussions which took place in London prior to the formation of the Company, he did not join BALM until 1st July 1921, as Assistant Managing Director to the first Managing Director, J. D. Campbell, whom he succeeded on the death of that gentleman in October 1931. The delay may have been caused by his decision to withdraw from active participation in M. H. Lauchlan & Co. and A. P. Barncastle & Co. Ltd. and the necessity to re-arrange the management of these concerns.

The highlights during his career with BALM can be summarised:-

1. 1918 The acquisition, on his recommendation, of the Australasian United Paint Co. Ltd., Port Adelaide, and the retention of the previous shareholders in this company as the principal distributors in Australia of BALM products.

These shareholders were:-

2.

Clarkson Ltd., Adelaide, South
Australia
Brooks Robinson & Co. Ltd.,
Melbourne, Victoria
Jas. Sandy & Co. Ltd., Sydney,
New South Wales
R. S. Exton & Co. Pty. Ltd.,
Brisbane, Queensland

2. 1926 The establishment of a paint factory
at Cabarita, New South Wales
3. 1927/28 The establishment of C.L. & R.L. Pty.
Ltd., with a factory on BALM property
at Cabarita
4. 1928 The purchase of trade mark DUCO and
access to E. I. Du Pont de Nemours and
technical information on nitro-cellulose
lacquers
5. 1930/31 The acquisition from du Pont of DULUX
trade marks and technical knowhow
6. 1934/35 The establishment of an automotive
refinish outlet - DUCO DULUX Pty. Ltd.
7. A long association with General Motors-
Holden's and the profitable contracts
resulting
8. 1935 Establishment of distribution of BALM
products in New Zealand and subsequent
manufacture in New Zealand in 1939.
9. 1936 Establishment of factory at Port Melbourne
10. 1939/45 Wartime production of the Company was
around 90/95% for the Armed Services and
Government instrumentalities
11. Joint founder, and Chairman of the
Australian Paint Manufacturers Federation
over a period of some 25/30 years.

This list no doubt is incomplete, but the results emanating from the above in no small way contributed to BALM becoming the largest paint manufacturer in the southern hemisphere.

Mr. Barncastle retired from the Company, and as Managing Director, on 30th June 1951 at the age of 74 years, but remained a member of the Board of Directors in an advisory capacity until his eightieth birthday on 8th January 1957. He died on 19th April 1961 in his 85th year.

DIRECTORS

BOARDS OF DIRECTORS
1950/1969

AND

MANAGING DIRECTORS
SINCE INCORPORATION OF
THE COMPANY
1918/1969

BOARD OF DIRECTORS AND MANAGING DIRECTORS

There were many changes in the composition of the Board over the twenty years ended 31st December 1969, and it is considered that it may be of interest at some future date to know who were Directors of the Company and also the period in which they occupied their seats on the Board. The annexure schedule, therefore, shows the names of the Board members and the period of their responsibility.

At the end of the year 1949 the following comprised the Directorate:-

Sir Alex Stewart (Chairman)
Sir Lennon Raws
Dr. F. T. Meehan
Mr. W. A. Ince
Mr. H. J. Barncastle (Managing)

Sir Lennon Raws retired on 31st December 1949 and Mr. K. G. Begg was appointed at the first meeting in 1950.

Over the period 1950/69 the number of the Board was increased and this necessitated alterations in the Articles of Association to provide for the expansion.

In September 1950 the maximum number provided by the Articles was increased from 7 to 9 and in March 1955 from 9 to 12.

Managing Directors

Over the 52 years of the Company's existence there have been six Managing Directors and one Chief Executive, and their periods of office in this capacity were as follows:-

1. 1918/ 1931 John Dewar Campbell was appointed on 13th August 1918 and died on 13th October 1931.

J. D. Campbell was also the first Chairman of Directors from 13th August 1918 to 7th November 1919, when he resigned this position and Sir Arthur Robinson became Chairman.

2. 1931/ 1951 Henry James Douglas Barncastle was Assistant Managing Director to J.D.Campbell, but the actual date of his appointment to this position has not been recorded. However, as he joined BALM in a full time capacity on 1st July 1921, it is fairly safe to assume that the appointment took place on that date.

He was appointed sole Managing Director on 13th October 1931 and retired from the position on 30th June 1951. He remained a Director of the Company until 8th January 1957.

Managing
Directors

2.

3. 1951/
1952 Stanley Robert Heron, General Manager of the Company, was appointed Chief Executive on 1st July 1951, following the retirement of Barncastle as Managing Director. S. R. Heron had been elected a Director in August 1950.
4. 1952/
1954 Kenneth Gowan Begg was appointed Managing Director on 10th November 1952. K.G. Begg was also Chairman of the Board during and after his period as Managing Director, which position he relinquished on 9th June 1954.

The positions of S. R. Heron as Chief Executive and K. G. Begg as Managing Director are explained in the chapter dealing with "Re-organisation of the Administrative Structure of the Company."
5. 1954/
1962 Norman George Wilson was appointed Managing Director, in succession to K. G. Begg, on 9th June 1954. He resigned from the position and also from the Board on 10th October 1962 to take up the position of Managing Director of Fibremakers Ltd.
6. 1962/
1967 Eric Philip Sanford was appointed on 10th October 1962, and occupied the position until 1st May 1967 when he resigned from the Board to accept a directorate on the Board of ICIANZ Ltd.
7. 1967/ Milton Deane Bridgland was appointed Managing Director on 1st May 1967 and was occupying the position on 31st December 1969 when this history concluded.

(Note: Mr. M. D. Bridgland was appointed to the Board of ICIANZ Ltd. on 1st May 1971, when he resigned as Managing Director and from the Board of BALM.)

LONDON BOARD

THE LONDON BOARD OF DIRECTORS

AND

THE LONDON REPRESENTATIVE

FINAL TERMINATION

LONDON OFFICE

In late 1921 the Board of Directors in Australia decided that it was desirable to create a London Board of Directors for the management and conducting of the business of the Company in England. Prior to this decision these functions had been performed by a London Advisory Committee.

H. J. Barncastle in his History of the Company covered the operations and personnel of the London Board from the date of its formation until its dissolution on 30th June 1948.

The Australian Board, at a meeting held in December 1948, decided that a Director of Austral Development Ltd. be appointed to act as London Representative of the Company. Following this decision Austral Development Ltd. nominated Colonel H. S. Evans, with H. L. Evans as his alternate, and this nomination was approved.

Austral Development Ltd. thereupon managed the affairs of BALM in London from 1st July 1948, following the dissolution of the London Board of Directors on 30th June 1948 which took place some fourteen months after I.C.I.A.N.Z. Ltd. had acquired a 51% shareholding in BALM.

In early 1955 I.C.I.A.N.Z. Ltd. purchased the shareholdings of Broken Hill South Ltd. and North Broken Hill Ltd., to give it a percentage holding in BALM of 69.4%.

During a visit to England by N. G. Wilson in 1955 discussions took place with A. J. Quig (I.C.I. Ltd.) and J. L. McConnell (Goodlass Wall and Lead Industries) regarding the transfer of the London office functions from Austral Development Ltd. to I.C.I. Ltd. at Millbank. In February 1956 Wilson submitted a recommendation to the Board that this transfer should take place as soon as practicable. It was agreed that plans be implemented to bring about the transfer if this was acceptable to I.C.I. Ltd. After due consideration, I.C.I. Ltd. agreed to the move.

In March 1956 a letter was received and tabled at a Board Meeting in which H. L. Evans offered to terminate the arrangement with Austral Development in view of the changed shareholding. The offer was accepted by the Board as from 1st January 1956 and a fee of £1,000 sterling was paid to Austral Development Ltd. as an appreciation of past services.

Col. Evans tendered his resignation as London Representative and this was also accepted and a letter of appreciation sent to him.

At the same time steps were taken to deregister BALM under the United Kingdom Companies Act.

ADMINISTRATIVE
STRUCTURE

ADMINISTRATIVE STRUCTURE OF
THE COMPANY

RE-ORGANISATION IN 1954

CHANGE OF NAME IN 1955

RE-ORGANISATION OF THE ADMINISTRATIVE
STRUCTURE OF THE COMPANY

On the retirement of H. J. Barncastle as Managing Director on 30th June 1951, S. R. Heron was appointed Chief Executive of the Company. Heron had been elected a Director on 7th August 1950.

As Chief Executive of the Company Heron virtually exercised the powers of a Managing Director and this administrative situation continued until 10th November 1952 when the Board appointed K. G. Begg as Managing Director. Begg also took over the position of Chairman of Directors from Sir Alex Stewart on that date, following the latter's resignation from the position.

Until the resignation of H. J. Barncastle, the top executives of the Company had graduated to their positions in a straight line related to their respective qualifications with very little 'cross fertilisation' into company fields outside these qualifications. This tended to preclude them from obtaining the necessary experience to qualify for the top position in the BALM Group.

Due to rapid expansion of the Company and the great change in the technology of paint manufacture, following the end of the war, the need arose for the appointment of a person with overall technical and commercial ability who could convert BALM into a large company concept as opposed to the one-man company situation existing at the time of Barncastle's resignation. It was therefore decided that K. G. Begg would remain as Managing Director until such time as a suitable person was engaged to fill the requirements of this position.

The affairs of the Group were conducted on this basis until the appointment, at a meeting of Directors on 9th June 1954, of N. G. Wilson as Managing Director to succeed K. G. Begg. Prior to his appointment to the BALM Board N. G. Wilson had been the Controller of the Plastic Division of I.C.I.A.N.Z. and brought to BALM a wealth of experience for the development of the Company.

One of Wilson's first moves in the re-organisation of the administrative structure of the Company was to allocate to Executive Directors fields of responsibility. At the same time the Board considered that the name of the parent company should be changed from the unwieldy appellation of British Australian Lead Manufacturers Pty. Ltd. to BALM Paints Pty. Ltd.

Board approval was given to both these moves and, on the appointment to the Board of J. D. Freeman on 9th March 1955, the Executive Directors were given the following responsibilities for Group administration.

| | |
|---------------|--|
| S. R. Heron | General Manager and Director |
| E. P. Sanford | Technical Director (including Production) |
| D. P. Wines | Sales Director |
| J. D. Freeman | Finance Director |

2.

The name of the parent company was changed to BALM Paints Pty. Ltd. on 1st January 1955, following general agreement received from the U.K. shareholders in May 1954. The organisation behind this change of name was considerable, and it was found that many facets of the Company's procedures had to be altered in order to comply with the Company's legal obligations within the changed name status.

The next major move in the re-organisation was the establishment of a Head Office organisation. Hitherto, the Head Office of the Company had been situated at the site of the Cabarita factory where, in some cases, personnel carried a dual responsibility for the operations in the State of New South Wales and for overall functions associated with the successful running of the Companies in Australia and New Zealand.

At the same time, Regional General Managers were established with direct responsibility for the profitability of their respective Regions, and functional departments were created at Head Office to guide and advise on the policies approved by the Managing Director and his executive committee in relation to the many facets of the Company's business.

In order to make a clean cut in this set-up it was arranged for personnel carrying out Head Office functions at Cabarita to be transferred to Melbourne where, in many instances, it could operate in conjunction with corresponding departments in I.C.I.A.N.Z. Ltd. Commencing in April 1956 and extending over a period of more than a year the transfer of approximately 35 personnel and their families to Melbourne was effected.

One of the problems arising from the transfer of Head Office was the temporary location of staff until office space became available at ICI House, which was then under construction. As a consequence, the office building at Port Melbourne was enlarged to provide for an executive suite for the Executive Directors and the canteen was enlarged to accommodate an executive and visitors dining room which was subsequently used to good purpose as an adjunct to the public relations drive.

The Victorian Accounts Department was moved from Port Melbourne to leased premises in Fitzroy Street, St. Kilda, where they remained until the completion of the office at the new Clayton factory.

Further offices were leased at Town House in Queens Road, Melbourne, and these housed most of the headquarters staff involved in the interstate move.

In February 1957 alternative schemes were submitted to the Board covering the economics of extending accommodation at Port Melbourne for all Head Office staff or, alternatively, moving everyone to ICI House. The latter was considered preferable as, although rental charges would have been higher, capital outlay was much less. There were other advantages in the ICI House move, including the possible integration of some BALM departments with I.C.I.A.N.Z., either immediately or in the future.

3.

Provision was made at ICI House for BALM to have its own self-contained services, such as a Board Room, Executive dining room and service kitchen, and, in addition, a suite of offices for the Executive Directors.

ICI House was completed for occupation late in 1958 and BALM Head Office was established in its new quarters in December. The first Board Meeting at ICI House was held on 10th December 1958.

Prior to the move of the Head Office employees the Company did not operate a centralised Personnel Department, and it was decided that this should be established immediately along the lines of the similar department in I.C.I.A.N.Z. G. W. Barrenger, who was engaged as Personnel Manager in Victoria, was appointed Personnel Manager at Head Office and the responsibility was added to the portfolio of the Finance Director. This department launched the personnel re-organisation of the Company following the exodus from Sydney, and was deeply involved in the individual arrangements relating to the people transferred. For the first time, staff records were established on a Head Office basis, as well as centralising salary records and reviews for presentation to the Managing Director and his Executive Directors. Barrenger proved to be an excellent Manager and brought to bear a great amount of the experience he had obtained during the 1939/45 war as Colonel in the security division of the A.I.F. He retired from the Company on 31st August 1961, having attained the age of 62 years. J.H. Gibson was appointed Personnel Manager, a position which he still held at 31st December 1969, by which time the techniques in personnel matters had been considerably developed in fields of staff assessment and the setting of objectives. The function of the department was removed from the portfolio of the Finance Director and became directly responsible to the Managing Director when E. P. Sanford was appointed to that position on 10th October 1962.

A further department created in the organisation by N. G. Wilson was that of Public Relations, which he considered to be poor, or non-existent, and in any case unco-ordinated at the time of his appointment. A firm of P.R. Consultants, W. H. Heicher & Co., was appointed to actively promote the Company image in three principal fields:

1. With the general public
2. With its employees
3. Associated with the trade marks
DUCO and DULUX.

The function was added to the portfolio of the Finance Director.

Heichers' methods proved to be very successful in all three respects and during the early part of their engagement produced three publications on a regular basis, namely:-

BALM News
DULUX Digest
Refinisher

4.

In addition to the various other modes of P.R. developed over the years, they were also actively involved in the organising of ceremonies to mark the occasion of the opening of four new factories at:-

Clayton, Victoria
Rocklea, Queensland
O'Connor, West Australia
Auckland, New Zealand

Elaborate brochures were prepared in each case and the maximum opportunity taken to promote the image of the company, which by then was acknowledged as the largest and leading paint manufacturer in Australia and New Zealand.

After a period of some 7-8 years, the promotion had achieved its objects and Heicher's services were discontinued. However, public relations promotions continued on a modified scale and eventually came under the jurisdiction of the Publicity Department at Head Office.

Concurrent with the re-organisation process was the introduction of a punch card system. During an overseas visit in 1954 the Finance Director was impressed with the possibilities of such a system for BALM, after having seen the procedures adapted to the machines at I.C.I. Ltd., Slough, and also their modified use by C-I-L Paints Division in Toronto, Canada.

On his return he recommended that consideration be given to an installation within BALM which had reached the stage of detailed routines sufficient to make the operation an economic proposition.

Board approval was given and, after the conclusion of feasibility studies, a contract with IBM was approved in December 1955 for installations at Cabarita and subsequently at Clayton. This move was the forerunner of development into IBM 1401 computers in 1963 which were superseded in 1968/69 by IBM 360-30 series.

FINANCE

F I N A N C E

1. Difficulties associated with post war financing of expansion
2. Debenture issue in 1965
3. Sundry share issues
4. BALM Paints (N.Z.) Ltd. and proceeds of sale of shares to ICI (NZ) Ltd.

FINANCE → 1950/1969 AND REORGANISATION OF CAPITAL STRUCTURE

1950-1954

In the year immediately following the end of World War II the paint industry was still subject to wartime restrictions, particularly regarding imported raw material supplies which were still under licence. On the other hand, industry generally was gradually reorganising to peace time conditions, with considerable change taking place in relation to the demand and nature of paint requirements. In the domestic paint market volume requirements were rapidly mounting because of (a) the poor quality of paint manufactured under Government decree during the war years and (b) the desire of consumers to return to high quality materials.

During the years 1939/45 BALM had been declared a "protected undertaking" and for most of the time had manufactured 90/95% of its output for the Armed Services and government instrumentalities.

In the circumstances, the capital requirements had been geared to this form of manufacture and trading and, with the gradual lifting of restrictions towards the end of 1949, increased pressure was placed on available cash resources, both in respect of working capital and fixed capital additions required to increase output to meet the demand for DULUX. This pressure was reflected in the change in the bank position where the credit balance was £51,000 in August 1949 compared with an overdraft of £85,000 one year later. By December 1950 the overdraft had increased to £267,000, and was covered by an official overdraft limit of £350,000 obtained in September of that year. The overdraft continued to increase and by June 1951 reached a figure of £496,000.

During this period the Board was supplied with cash forecasts at regular intervals and in July 1951 instructions were given to submit a request to the Capital Issues Control Board, Canberra, for permission to raise a loan of £500,000 in order to alleviate the strain on the Company's bankers, who were becoming concerned with the amount in excess of the overdraft limit.

The Capital Issues Control Board rejected the request to borrow, their ruling being based on a recent report by the Commonwealth Secondary Industries Department which had indicated that the productive capacity of the paint industry, as a whole, was well in excess of demand. This was little consolation to BALM whose quality products continued to attract strong demand in excess of productive capacity.

The case to borrow was then pressed personally with the Chairman of the Capital Issues Control Board, W. Balmford, but was again unsuccessful, after which an interview was obtained with the Federal Treasurer, Sir Arthur Fadden, but here again there was a negative response. Sir Arthur subsequently wrote to the BALM Chairman, Sir Alex Stewart, explaining the reasons for his inability to accede to the BALM request, i.e., a strict Government policy.

2.

In the meantime, specific instructions were given by the Board to reduce raw material holdings and also finished stock reserves. In addition, all capital expenditure was stopped with the exception of current contracts.

Nevertheless, the overdraft continued to increase, rising to £791,000 by November 1951, when a further approach was made to the Bank for an increased limit, which was refused. This also led to the Bank's refusal in January 1952 to agree to the payment of the dividend of £110,000 declared at the Shareholders meeting in respect of the profits for the year ended 30th June 1951. This dividend was subsequently rescinded in April 1952, following a still further unsuccessful approach to W. Balmford through an introduction to the subject by W. J. McMahon, member for the Federal electorate of Lowe in the House of Representatives (subsequently Federal Treasurer, Minister for External Affairs and Prime Minister.)

At this time it became known that another and much smaller paint manufacturer, Glazebrooks Pty. Ltd., had been successful in obtaining a permit to borrow funds. W. Balmford was again interviewed, but he indicated that the Glazebrooks' permit had been fully justified and was based on a case submitted well before the first application by BALM.

By June 1952 the overdraft had been reduced to £604,000 from its peak of £828,000 in February 1952. A further meeting was held with Balmford at which the original request to borrow was reduced from £500,000 to £300,000. This was also rejected.

In addition to reductions in raw materials and finished stocks, a retrenchment of personnel was put into effect from February 1952 and by July of that year a reduction of 193 staff and factory workers was made.

These economies were reflected in the reduced overdraft figure which by February 1953 was down to £415,000 after the payment of a dividend of £118,415 in respect of the 1952 financial year. With the further easing of the Reserve Bank financial restrictions, the Bank agreed in December 1953 to increase the Company's overdraft limit to £750,000.

It was rather ironical that in November 1952, following a further interview, the Capital Issues Control authorities advised a change in policy and indicated that, if BALM represented its original request for permission to borrow £500,000, it would receive favourable consideration. In view of the improved financial position of the Company, the Board decided not to proceed with the matter for the time being.

During the early part of 1953 the Board reviewed the financial position of the Company in relation to anticipated sales over the next five years and also the projected figure for expansion of fixed capital to meet the situation. After the difficulties experienced through various controls by Capital Issues Control and also by the Reserve Bank in relation to bank advances, it was decided in December 1954 to endeavour to raise a fixed mortgage loan of £500,000 from one of the Assurance Companies and also to obtain, if possible, an increase in bank overdraft limit. It was noted that the bank overdraft had remained around the £400,000 figure during most of the year, with peaks above this figure apparent at certain times during the year. These were covered by the new overdraft limit of £750,000 but did not in any way allow for the projected expansion over the next few years.

As a result of the Board decision on the loan of £500,000, various Assurance Companies were approached and finally the amount was arranged with the A.M.P. Society after the necessary consent had been received from the Capital Issues Control Board.

The loan was secured by fixed mortgage on freehold properties at Concord, New South Wales, and Port Adelaide, South Australia, and was for a period of ten years bearing interest at the rate of 5% per annum. The first instalment of £250,000 was received in mid June 1955 and the second for a similar amount in December 1955.

At the same time (December 1955) negotiations were completed with the Bank to increase the Company's overdraft in Australia to £1,100,000.

At the time of the decision to borrow £500,000 (December 1954) the Board also decided to issue the balance of the unissued capital of the Company, i.e., 815,850 shares, with an amount payable on application of 5/- per share. These shares were taken up pro rata to existing holdings with the exception of Mersey White Lead Co. Ltd. and Champion Druce & Co. Ltd., who transferred their rights to I.C.I.A.N.Z. and Goodlass Wall & Lead Industries Ltd. on a proportionate basis. The application moneys, £203,963, were received in April 1955. (Balance of 15/- per share, £611,887, was called up in June 1956.)

These three steps ensured that the current liquid position of the Company was secured and allowed executive management to proceed with more definite plans for Company expansion.

In addition to the above issue of 815,850 shares other issues were made during this five year period.

In October 1950 a consolidated report was made to the Board which showed Reserves and Funds which would be available for capitalisation if the shareholders decided on this course. A recommendation was made accordingly, but strong objection was made by the United Kingdom shareholders because of the incidence of U.K. taxation on such a method to issue bonus shares.

It was therefore decided at a Board Meeting in December 1950 not to proceed on this basis, but instructions were given to obtain a revaluation of land and buildings of BALM, Australasian United Paint Co. Ltd. and DUCO DULUX Pty. Ltd. (wholly-owned subsidiaries of BALM) with a view to increasing the capital by a bonus issue from the reserve created by writing up the assets to the revaluation figure obtained.

At the same time, it was decided to recommend to the shareholders that the authorised capitals of the companies be increased:-

| | <u>£</u> | | <u>£</u> |
|------------|-----------|----|-----------|
| BALM | 1,000,000 | to | 2,000,000 |
| A.U.P. Co. | 400,000 | to | 500,000 |
| DUCO DULUX | 150,000 | to | 200,000 |

These were agreed by shareholders on 13th November 1950. The assets were duly revalued and the revalued figures in respect of BALM and A.U.P. written up in the books of the companies.

Very careful accounting and legal procedures were followed and resulted in the shareholders at an extraordinary meeting held on 4th June 1951 agreeing to a bonus issue of 350,000 shares of £1 each by the capitalisation of £350,000 from the revaluation reserves.

It is of some interest to record the shareholders who took part in this bonus issue:-

| | <u>No. of shares</u> |
|---------------------------------|----------------------|
| I.C.I.A.N.Z. Ltd. | 178,500 |
| Broken Hill South Ltd. | 38,063 |
| North Broken Hill Ltd. | 26,195 |
| Goodlass Wall & Lead Industries | 88,721 |
| Alexander Fergusson & Co. Ltd. | 11,704 |
| Cox Bros. & Co. (Derby) Ltd. | 482 |
| The Mersey White Lead Co. Ltd. | 4,878 |
| Brandram Bros. & Co. Ltd. | 759 |
| T. & W. Farmiloe Ltd. | 246 |
| John Hare & Co. (Colours) Ltd. | 52 |
| Champion Druce & Co. Ltd. | 400 |
| | 350,000 |

The consent of the Capital Issues Control Board was obtained for these moves.

The authorised capital was again increased to £5 by shareholders on 9th February 1955 by the creation of three million new ordinary shares of £1 each.

Muralo Co. (Aust.) PTY. Ltd.

In April 1951 the Managing Director reported to the Board that he had received a verbal offer from the Muralo Co. Inc., New York, to sell its majority interest in Muralo Co. (Aust.) Pty. Ltd. (with the exception of 5% of its holding) for the sum of \$7 per share.

After consideration, the Board decided to counter the approach by offering to buy the entire holding of the American company or, alternatively, to sell the BALM holding, for the sum of £5 per share.

In the event of agreement to the former, the Australian company should retain brands, formulae and manufacturing rights of specified products in the current agreement.

After much negotiation, the American company agreed to sell its entire shareholding of 13,200 shares for £6/7/6 per share under the conditions outlined in the preceding paragraph. The Exchange Control authorities of the Commonwealth Bank agreed to the remittance of the funds, £A84,150 to the U.S.A.; settlement was arranged through ICI (New York) Ltd. as agents for BALM and Muralo Co. (Aust.) Pty. Ltd. then became a wholly-owned subsidiary company.

To assist the tight liquid position of the company existing during 1951, an approach was made to Capital Issues Control for consent for BALM to raise the cash for the Muralo share purchase by an issue of 84,150 shares of £1 each at par to existing shareholders on a pro rata basis. The consent was given and the Board on 21st January 1952 allotted the shares to the appropriate shareholders and the shares were issued on receipt of remittances in full.

Wesco (Aust.) Pty. Ltd.

During a visit to England in 1951, K. G. Begg, a Director of BALM, received an enquiry through ICI Ltd. from Wesco Waterpaints Inc., U.S.A., as to whether BALM would be interested in purchasing their Australian subsidiary Wesco (Aust.) Pty. Ltd. The tentative price suggested was £202,000 for the 50,000 shares in the company.

At a Board Meeting in November 1951 the standing of the company in the paint industry and its activities were outlined. It was considered that the acquisition would give BALM a very good position in the water paint market in conjunction with the BALM water paint company, Muralo Co. (Aust.) Pty. Ltd.

However, the financial position of BALM at that time virtually made the purchase impossible but, as an alternative, it was suggested that I.C.I.A.N.Z. should

be the buyer, as their financial position was not suffering from the same restrictions through Government controls. The company was to be subsequently sold to BALM when the time was opportune. Flack and Flack, Chartered Accountants, were requested by I.C.I.A.N.Z. to submit a report on the financial aspects of Wesco to assist in the assessment of worth.

The Wesco factory at Parramatta, New South Wales, was inspected by executives of BALM, who reported fully on its possibilities and shortcomings.

In June 1952 Robert McDonald of the American parent company visited Australia with a view to completing negotiations for the sale of the Australia company. In the meantime, an approach was made to Capital Issues Control to obtain their reaction to raising capital to cover the purchase. They advised that a permit would be given to raise the required capital for the purchase but would not contemplate a further permit to finance any additional working capital which may be required.

After due consideration of all aspects, the Board decided to make an offer of £125,000 following advice from I.C.I.A.N.Z. that they would not proceed with the purchase. Conditions relating to this offer were recorded in Board Minutes of 7th July 1952, one condition being that the consent of the United Kingdom shareholders would need to be obtained.

A cable from the U.K. shareholders was subsequently received and, in view of its contents, it was decided not to proceed with the purchase.

Although the acquisition of this company did not eventuate and therefore did not affect the financial position of BALM, it is considered that, had finance been freely available, the purchase would have been completed. Wesco (Aust.) Pty. Ltd. continued to operate, presumably with the American company as its owner and was still in existence in 1970.

1955-1959

During this five years considerable expansion of manufacturing and technical facilities took place, the principal venture requiring large capital outlay being the erection of the Clayton factory and, subsequently, the additions to the site of an administrative building, research laboratory and technical service centre.

In addition, the warehouse and thinner mixing plant on the newly acquired land in Brisbane was completed and in Fremantle modified manufacturing facilities were added to the site of the warehouse completed in 1953.

The Board policy to acquire available land around the Port Adelaide factory also became operative with the purchase of the Gadsden property, Charlick property and the Ex Naval Men's Association building.

In 1957 BALM also acquired from Goodlass Wall & Lead Industries Ltd. its two Australian subsidiaries - Alexander, Fergusson Pty. Ltd. and Goodlass Wall & Co. Pty. Ltd.

At the 1956 February Board Meeting a financial forecast was submitted showing the effect of this large capital expenditure on the finances of the Company during the five years ending June 1960.

Total fixed capital expenditure during the period was estimated at £3.22, and it became necessary to make some decision to provide sufficient funds to cover this expansion and also for the working capital requirements which would emanate from expanded sales.

In December 1955 representations to the Bank were successful in raising the overdraft limit to £M1.1 but the forecast indicated this figure would be greatly exceeded, particularly in 1958 when the bank overdraft was estimated to rise to a figure in excess of £M1.8.

It was therefore decided in March 1956 to make a new issue of 1,000,000 ordinary shares of £1 each, subject to U.K. Treasury consent in respect of the amount to be subscribed by the English shareholders. The issue was to be made at par with 5/- payable on application pro rata to existing shareholdings. Advice was subsequently received that the London authorities had withheld their consent and the issue was deferred for the time being.

However, it was decided in the circumstances to call up the balance of 15/- per share on the 815,850 shares issued in 1955, and the money from this action was received in June 1956 amounting to £11,887. At the time of this call the shareholders contributing were:-

Alexander Fergusson & Co. Ltd.
Brandram Bros. & Co. Ltd.
Cox Bros. & Co. (Derby) Ltd.
T. & W. Farmiloe Ltd.
Goodlass Wall & Lead Industries Ltd.
John Hare & Co. (Colours) Ltd.
I.C.I.A.N.Z. Ltd.

The rights attributable to Mersey White Lead Co. Ltd. and Champion Druce & Co. Ltd. had been transferred to I.C.I.A.N.Z. Ltd. and Goodlass Wall & Lead Industries Ltd.

This infusion of share capital again stabilised the bank overdraft position throughout 1956 well below the approved limit. However, the capital expenditure mentioned earlier was starting to have its effect as progress instalments on the Clayton factory were becoming due for payment.

By October 1956 advice was received from U.K. that approval had now been given to the issue of the 1,000,000 shares refused earlier in the year. The consent was valid until 18th March 1957 and it was decided to make the issue on 1st March 1957 payable 5/- per share on

application pro rata to existing holdings. In connection with this issue Brandram Bros. & Co. Ltd. decided to sell their rights to ICIANZ Ltd. together with their entire holding of 4,336 shares, and Mersey White Lead Co. Ltd. also arranged to sell their entitlement of 6,000 shares in this issue to ICIANZ Ltd. Champion Druce & Co. Ltd. eventually sold its holding of 1,354 shares to Goodlass Wall & Lead Industries Ltd. in August 1958.

The allotment of shares was made by the Board on 6th March 1957 after 5/- per share application had been received (£250,000). The shareholders participating in the issue were:-

Alexander Fergusson & Co. Ltd.
Cox Bros. & Co. (Derby) Ltd.
T. & W. Farmiloe Ltd.
Goodlass Wall & Lead Industries Ltd.
ICIANZ Ltd.

At the same meeting the transfer of Brandram Bros. shares to ICIANZ was approved.

Although the issue again stabilised the amount of the overdraft for the time being, there was a steady increase of the capital expenditure segment and by June 1957 the bank position showed an adverse balance of £1,072,000 compared with the authorised limit of £1,100,000. After further negotiations with the bank the limit was raised to £1,350,000 in August, by which time, however, the actual drawings were £1,301,000.

With the assistance of ICIANZ, endeavours were made to obtain outside loan money of £500,000 to ease the tight liquid position. Although the Board was notified that ICIANZ had negotiated a loan for this amount, the arrangements fell through and it was then decided to call up £750,000, being the uncalled amount after the issue of the 1,000,000 shares. This call was made in April 1958 and the fully paid share capital became £M3.0. The bank was kept advised of the Board's intentions regarding share capital and in the meantime the actual overdraft rose to a figure just under £M2 in January/February 1958.

With the extra money from the above call the overdraft fell to £1,044,000 by June 1958 and was well within the authorised bank limit of £1,350,000.

The difficulties surrounding the capital structure of the company made it imperative that steps be taken to stabilise the situation through a policy of long term borrowing, as opposed to the great reliance being placed on bank borrowing and its inherent uncertainty of funds being available at any given time.

In May 1958 instruction were given by the Board for the raising of a loan of £M1.0 from the A.M.P. Society in addition to the current loan which, at that time, amounted to £480,000. Accordingly, terms of such a loan from the Society were obtained, but the Board considered them unacceptable and further action was deferred for six months in view of the improved overdraft position.

By September 1958 it was decided in principle to proceed with the erection of the research laboratory, technical service centre and administrative building at Clayton, and in November Capital Expenditure Requisitions were approved for this expansion at a total cost of £354,000. A short term loan of £500,000 was negotiated with ICIANZ at an interest rate of 6½% and the cash received in September 1958. In June 1959 the amount of short term loan from ICIANZ Ltd. had increased to £900,000. The short term nature of this amount still posed an uncertainty and in December 1959 two loans of £500,000 each for an eighteen months term were accepted from ICIANZ. This tended to stabilise the situation for the time being, and the search for long term funds was deferred for reconsideration in one year's time.

Arrangements were also made with the Board of Commonwealth Litharge & Red Lead Pty. Ltd. to borrow available funds from that Company on a short call basis. The constant amount of these surplus funds was of the order of £100,000.

1960-1964

Long term finance was again discussed by the Board late in 1960 in view of the repayment of the two loans from ICIANZ falling due in June 1961, and negotiations were again started with insurance companies to raise £M1.0 by fixed mortgage or by the issue of unsecured notes. Approaches were made to the A.M.P. Society, National Mutual Life Association of A/sia. Ltd. and the Mutual Life and Citizens Ass. Co. Ltd., with the assets of the new Clayton factory offered as security. Agreement was sought from I.C.I. Ltd., London, for fund raising by a private issue of unsecured notes in the amount of £1,500,000 at 7½% interest with an "open ended" arrangement to cover further borrowings if required. This was agreed by London and negotiations commenced with the National Mutual Life Association of A/sia. Ltd.

Up to the end of 1960 it will be seen that the financial situation of the company had virtually been kept in balance by large amounts made available from ICIANZ and considerable dependence on bank overdraft. The Federal Government, through the Reserve Bank, by this time had imposed restrictive financial policy decisions on the business community in an endeavour to halt the boom conditions prevailing at that time.

At the February 1961 Board Meeting advice was received that the National Mutual Life Association was unlikely to be able to provide the full amount of the proposed loan and, in any case, the interest rate would be 8% instead of 7½% as originally intended. In view of this factor and the general curb on liquidity, it was decided that a full appraisal of the Company's position be made having regard to the possible retarding of general trading conditions by Government action. The question of borrowing from outside sources at 8% interest was considered undesirable, and it was decided to increase the paid capital of the Company by £500,000 by issuing 500,000 shares at par; the issue to coincide with the withdrawal of the ICIANZ loans totalling £M1.0.

The A.N.Z. Bank by this time had extended its overdraft facilities to industry well in excess of the guidelines laid down in the recent Reserve Bank restrictions. With loans from ICIANZ and C.L. & R.L., the Company overdraft had fallen well below the limit of £ 1,340,000 allowed by the Bank, and to assist the Bank it was decided to reduce this limit by £ 500,000 on a temporary basis to help them in their position opposite the Reserve Bank. This gesture was greatly appreciated and gave BALM a distinct advantage in future negotiations with the Bank when discussions took place relating to limits. By arrangement, the overdraft limit was ultimately restored to £1,200,000. In fact, for a short time the figure was established at £1,700,000.

In May 1961 it was reported that the U.K. Treasury consent had been received to issue the 500,000 shares mentioned previously, and the issue was made payable in full on application on 1st July 1961. Allotments were made at the Board Meeting in July 1961. The Paid Capital of the Company then reached £M3.5 and shareholders participating in the issue were:-

Alexander Fergusson & Co. Ltd.
Cox Bros. & Co. (Derby) Ltd.
T. & W. Farmiloe Ltd.
Goodlass Wall & Lead Industries Ltd.
ICIANZ Ltd.
The Mersey White Lead Co. Ltd.

By October 1962, following the submission of a long term cash forecast and having regard to inter-company funds available, it was decided to rely on bank finance to cover requirements for the following two years. This followed the submission of figures which indicated that the actual overdraft figure had become minimal due to the incidence of inter-company borrowings.

In February 1963 Cox Bros. & Co. (Derby) Ltd. sold its shares to Goodlass Wall & Lead Industries Ltd.

By March 1963 ICIANZ had loaned £1,250,000 to the Company.

During 1963 ICIANZ Ltd. decided to regroup its investments in New Zealand and it was decided to revalue the BALM Paints Ltd. shareholding in BALM Paints (N.Z.) Ltd. prior to their sale to ICI (NZ) Ltd. BALM Paints (N.Z.) Ltd. had in the meantime issued 300,000 shares of £1 each as a bonus issue.

In consequence of the revaluation of the New Zealand shares an amount of £ 372,000 was transferred to the Revaluation of Assets Reserve and, with the balance previously held in this Reserve, enabled a bonus issue on shares to be made by BALM Paints Ltd.

This move was recommended to the Board and subsequently approved at an extraordinary meeting of shareholders on 11th April, 1963, whereby an issue of 1,000,000 shares of £1 each was made as a bonus issue

utilising the undivided profits standing to the credit of the Reserve. The issue was made on 10th April 1963 and ranked for dividend from 1st July 1962.

Participants in the bonus issue were:-

Alexander Fergusson & Co Ltd.
T. & W. Farmiloe Ltd.
Goodlass Wall & Lead Industries Ltd.
ICIANZ Ltd.
The Mersey White Lead Co. Ltd.

At this stage it was again recommended to the Board that endeavours be made to obtain £M1.0 on a long term basis from lenders outside the Group. This move was deferred for the time being but regular submissions were requested to support the contention in the light of developing conditions.

In October 1963 the Board was advised that commencing in June 1964 provision would have to be made for the repayment of approximately £M1.0 in fixed and semi-fixed loans to the Company. It was recommended that a loan from an outside source amounting to £M1.5 be obtained and that an overdraft limit of £M1.5 be established to cover the forecast position. This recommendation was agreed and in addition the conversion of the Company from a proprietary company to an unlisted public company was investigated. In view of the changed requirements of the Registrar of Joint Stock Companies under the amended Companies Act, it was considered that there was very little advantage to be gained by remaining a proprietary company and also that registration under the Public Companies section of the Act could facilitate negotiations for the outside loan which was contemplated. The Company was registered as a Public Company on 10th April 1964.

The loan proposition was submitted to the A.M.P. Society, Mutual Life & Citizens Ass. Co. Ltd., T. & G. Mutual Life Ass. Society and the Commonwealth Superannuation Board, but the negotiations proved abortive. In the meantime, the Bank was approached for the establishment of a limit of £M1.5.

1965-1969

During December 1964 arrangements were made for an issue of debentures amounting to £M1.5 through share-brokers A. C. Goode & Co., who underwrote the issue on a private placement basis.

The Trustees Executors & Agency Co. Ltd. were appointed Trustees for the debenture holders and the terms of the Trust Deed were approved by the BALM Board on 10th February 1965. The terms and security of the debenture holders were basically as follows:-

12.

| | |
|------------------|--|
| Price of issue | Par £100 |
| Rate of interest | 6 ³ / ₄ % per annum |
| Currency | 12, 15 or 20 years at the option of the applicant at time of applying |
| Time of issue | The issue to be completed (apart from payment of instalments if any) prior to 28th February 1965 |
| Brokerage | 10/- per cent |
| Underwriting fee | 11/3 per cent |

The security of the debenture holders provided in the Trust Deed was covered (inter alia) by the following basic wording:-

- (a) Total liabilities shall not exceed 1½ times shareholders funds shown in the consolidated balance sheet.
- (b) Total liabilities ranking equally with or prior to the debenture to be limited to 40% of total assets of BALM Paints Ltd.
- (c) The following subsidiary companies to guarantee -

Auto Refinish Supplies Pty. Ltd. (later Albert Nicholson Holdings Pty. Ltd.)

Goodlass Wall & Co. Pty. Ltd. (later Comdec Pty. Ltd.)

Alexander, Fergusson Pty. Ltd.

No other Australian subsidiaries would be included as guarantors unless and until aggregate assets owned by Australian non-guarantor subsidiaries exceed 20% of total Australian assets of BALM Group.

- (d) The company may lend up to 20% of total Australian Group assets to non-guaranteeing subsidiaries (Australian and non-Australian) provided that any loan to non-guarantor subsidiaries is secured by a debenture specifying that total liabilities for the subsidiary concerned ranking equal with or prior to the loan are limited to 40% of the total assets of that subsidiary.
- (e) The parent company would be permitted the right to liquidate any of the guaranteeing subsidiaries provided the funds of any such liquidation flow to BALM Paints Ltd.

The Trust Deed was signed and sealed by the parties during March 1965 and debentures were allotted on 7th April 1965. The receipt of money from the issue tended to place the bank balance in credit for the time being and surplus funds were invested with I.C.I.A.N.Z. and on the short term money market in order that the overdraft limit authorised by the bank should not be reduced or cancelled.

The issue of the debentures for the first time in many years gave BALM long term capital stability as opposed to the condition of heavy reliance on bank overdraft which had prevailed since the immediate postwar years.

The terms of the Trust Deed also enabled BALM to borrow further funds, if required, provided such additional funds fell within the Trust Deed control formulae. Further debentures were issued to some of the sellers of shares when the Company purchased the distributing companies of Williamson, Croft Pty. Ltd. (£185,000) and C. H. Adlide Pty. Ltd. (£20,000). A Canberra register of debentures was opened for these issues. It also enabled the repayment of the loan from the A.M.P. Society to be made without undue strain being placed on overall finances. This loan amounting to £410,000 (original amount £500,000) was repaid on 1st June 1965. Furthermore, it provided the necessary financing for the acquisition of Williamson, Croft Pty. Ltd. and C. H. Adlide, which were negotiated during 1965.

It should be mentioned that, prior to the appointment of A. C. Goode & Co. as underwriters for the issue, propositions were submitted by J. B. Were & Sons, Ian Potter & Co. and Delfin Industrial Finance Ltd. However, the terms and rates of interest (6³/₄%) submitted by Goode were considered to be the most acceptable. The total cost of the issue was £23,000.

In February 1966 T. & W. Farmiloe Ltd. agreed to sell its shareholding in the Company to I.C.I.A.N.Z. and Goodlass Wall & Lead Industries and also to repay the interest-free loan arising from the disposal of the BALM interest in BALM Paints (N.Z.) Ltd. (see later.) The shares were sold on a proportionate basis to the current shareholding of the two principal shareholders, viz.:-

| | |
|---------------------------------|-------------------------|
| I.C.I.A.N.Z. | 2,233 |
| Goodlass Wall & Lead Industries | 927 |
| | <hr/> |
| | 3,160 shares of £1 each |
| | <hr/> |

The loan was repaid by way of a proportionate transfer to the same companies, thereby increasing their indebtedness to BALM under the loan arrangements:-

| | |
|---------------------------------|---------|
| I.C.I.A.N.Z. | £1,231 |
| Goodlass Wall & Lead Industries | 511 |
| | <hr/> |
| | £ 1,742 |
| | <hr/> |

This sale was the final stage of the elimination of the smaller U.K. shareholders, some of whom, including Farmiloe, were original shareholders in the Company.

The following is the list of shareholders after the sale. These were the current shareholders at the termination of this history in 1969.

| | | |
|-------------------------------------|------------------|---------------|
| <u>Australian</u> | | |
| I.C.I.A.N.Z. Ltd. | 3,167,752 | 70.4% |
| <u>United Kingdom</u> | | |
| Alexander Fergusson & Co. Ltd. | 150,480 | 3.3 |
| Goodlass Wal & Lead Industries Ltd. | 1,163,768 | 25.9 |
| The Mersey White Lead Co. Ltd. | 18,000 | 0.4 |
| | <u>1,332,248</u> | <u>29.6</u> |
| | <u>4,500,000</u> | <u>100.0%</u> |

At the same time Farmiloe sold its shareholding in BALM Paints (N.Z.) Ltd. to ICI (NZ) Ltd. and Goodlass Wall & Lead Industries Ltd.

Later in 1966 Goodlass Wall & Lead Industries Ltd. changed its name to Lead Industries Group Ltd.

As mentioned earlier, the debenture issue greatly assisted the liquid position of the Company and it is interesting to note the following cash position reported to the Board at the April 1966 meeting.

| | | |
|-----------------------|------------------|-----------------|
| | \$ | |
| Bank overdraft | 818,000 | |
| Loan from C.L. & R.L. | 400,000 | |
| | <u>1,218,000</u> | |
| Debit position | \$1,218,000 | 31st March 1966 |

This compared favourably with the overdraft limit of \$M2.6 established with the Bank on 1st April 1966.

From this time onwards the cash flow of the Company showed a gradual improvement and was greatly assisted by the annual dividend paid to shareholders being established at around 10/11%, as compared with higher rates declared in the past. This enabled a retention of profits to offset the ever-increasing working capital requirements. In addition, the heavy capital expenditure of earlier years on factories and plant and the acquisition of distributing outlets had considerably diminished.

The Board policy of completely writing out all plant and equipment acquired prior to 1953 also assisted in the improvement of cash flow. The total amount involved in this action was \$205,000 and applied to the financial years 1968 and 1969. As a result no plant or equipment with a life longer than sixteen years was shown in the Balance Sheet.

The cash position at the end of March 1967 compared with the figures shown above was slightly in excess of \$M1.0.

By February 1968 the cash position had improved to the point where it was becoming difficult to justify with the Bank the authorised limit of \$M2.6 and \$500,000 was lent to I.C.I.A.N.Z. on a short call basis in order to keep the Bank account in overdraft to a comparatively small amount.

In February 1968 the Board was advised that a majority of the debenture holders had agreed to amend the Trust Deed in relation to the elimination of the half yearly audit of the Company's accounts.

At the time of drawing up the Trust Deed it was compulsory under the Victorian Companies Act to submit each six months an Auditor's certificate to the Trustees for the debenture holders. This section of the Act was later amended, but unfortunately the Trust Deed included the compulsion clause, hence the request to the debenture holders. The elimination of the half yearly audit resulted in a saving of the order of \$10,000 per annum in audit fees and administrative costs. The Trustees, however, retained the right to request an interim audit if thought desirable.

The low usage of the Bank overdraft facilities was still causing some concern to executive management and, in addition to the short call loan of \$500,000 to I.C.I.A.N.Z., a further \$200,000 was placed on the short term money market by the end of March 1968.

These conditions still prevailed in August 1968 and, as the Bank had introduced a fee to be charged on the unused portion of the overdraft limit, a considerable amount was being paid in this category. In view of the difficulties of earlier years in obtaining a suitably large overdraft limit from the Bank, the Directors were loth to agree to any reduction in the current limit of \$M2.6 in case this amount should be required for some future contingency.

However, in view of the high Bank charges, it was decided to approach the Bank with a view to a temporary reduction in the overdraft limit but with some proviso that the full amount would be restored if required. This followed a similar arrangement made by I.C.I.A.N.Z. Ltd. with the Bank. The Bank agreed to accept a quarterly estimate of overdraft requirements during the ensuing twelve months within which the Company would operate from quarter to quarter. This proved acceptable and the Company was relieved of paying the current high fee per annum for the unused portion of the limit.

It was tentatively agreed with the Bank that the full limit would be available if required and, as the June quarter included large payments for taxation and interim dividend, the actual overdraft tended to rise temporarily to a figure approximately the full limit.

The wisdom of not agreeing to a permanent reduction in the limit was apparent when the purchase of Walpamur (Australia) Ltd. required financing early in 1970, together with the acquisition of Hatherley and Horsfall Pty. Ltd.

Disposal of Shares in BALM Paints (N.Z.) Ltd.

Towards the end of 1965 it was decided that ICI (NZ) Ltd. should become a public listed company and at the same time the finances of subsidiary companies in the I.C.I. Group in New Zealand would be consolidated within ICI (NZ) Ltd. orbit.

In order to comply with this policy it was decided that BALM Paints Ltd. should sell the shares in its wholly owned subsidiary BALM Paints (N.Z.) Ltd. to ICI (NZ) Ltd.

As a first step in the move, the Board of BALM Paints (N.Z.) Ltd. decided to make a bonus issue of 800,000 shares by utilising available reserves. In consequence, the BALM Australia shareholding increased to 1,600,000 shares of £NZ1 each. As the sale of shares involved the disposal of a major asset by BALM Paints Ltd., the U.K. shareholders were advised of the proposal, and after consideration they indicated that they agreed with the move on the condition that they were allowed to purchase a proportion of the shares in BALM Paints (N.Z.) Ltd. similar to their current shareholding in BALM Paints Ltd. This proviso was accepted and at a meeting of Directors of BALM Paints Ltd. held on 3rd November 1965 it was agreed to sell the New Zealand shares on the following basis:-

| | | | |
|---|------------------|------------------------|---------------|
| ICI (NZ) Ltd. | 1,125,518 | (ICI/NZ proportion) | 70.4% |
| Goodlass Wall & Lead Industries Ltd. | 413,454 | | 25.8 |
| Alexander Fergusson & Co. Ltd. | 53,504 | | 3.33 |
| The Mersey White Lead Co. Ltd. | 6,400 | | .40 |
| T. & W. Farmiloe Ltd. | 1,124 | | .07 |
| | <u>1,600,000</u> | | <u>100.00</u> |

The total amount realised by the sale was £A2,480,000. A Canberra register was established by BALM Paints (N.Z.) Ltd. to minimise any duty payments on the sale of the shares.

All the above procedure was subject to the consent of the U.K. Treasury, which was duly received during the course of the proceedings.

The receipt of such a large amount of money was not required by BALM Paints Ltd. following the recent issue of debentures, and the Board decided that it be treated as though it was a return of capital to Australian company shareholders without, in fact, progressing the matter in the normal manner covering such a return.

17.

To conform with this decision the amount of £2,480,000 was loaned to the Australian company shareholders interest free in proportion to their shareholding in the company. On this basis the amounts were as follows:-

| | | | |
|--------------------------------------|-------------------|----------|----------|
| I.C.I.A.N.Z. Ltd. | 1,744,552 | 14 | 0 |
| Goodlass Wall & Lead Industries Ltd. | 640,854 | 11 | 11 |
| Alexander Fergusson | 82,931 | 4 | 0 |
| The Mersey White Lead Co. | 9,920 | 0 | 0 |
| T. & W. Farmiloe | 1,741 | 10 | 1 |
| | <u>£2,480,000</u> | <u>0</u> | <u>0</u> |

The shareholders were given the undertaking that the amounts on loan would not be recalled so long as the borrowers remained shareholders of BALM Paints Ltd. of the number of shares held at 3rd November 1965, and the loans should be retained by the borrowers pending subsequent cash requirements of BALM Paints Ltd. for future capital expansion.

In the event of any of the borrowers selling all or any of their shareholding in the company their respective loans would be repayable on demand.

These conditions were accepted by the shareholders and enabled the U.K. shareholders to pay for the purchase of their shares in BALM Paints (N.Z.) Ltd. without transferring any funds from U.K. for the purpose.

The Trustees for the debenture holders were kept advised of the moves involved, and the Board signed a certificate to the effect that the sale of the shares in BALM Paints (N.Z.) Ltd. was considered to be commercially desirable and that the action taken was not in any way detrimental to the debenture stockholders. (The terms of the Trust Deed contained a clause (7(iv)) relating to the selling of an asset in the normal course of business.) The Trustees fully agreed with these contentions.

An extraordinary meeting of shareholders held on 8th December 1965 confirmed the action of the Directors relating to the sale of the shares and the lending of the proceeds to the shareholders on an interest-free basis.

Arising out of the disposal of the New Zealand company BALM was able to arrange with the Mutual Life & Citizens Assurance Co. Ltd. to transfer to ICI (NZ) Ltd. a guarantee of moneys borrowed by the New Zealand Company. As this guarantee had been taken into account in assessing liabilities under the formulae of the Debenture Trust Deed, its release improved the margin for potential borrowing under the respective control formulae of the Deed. Previous attempts to have this guarantee cancelled at the time of the debenture issue had been rejected by Mutual Life & Citizens Association.

ACQUISITION
Alexander Ferguson
Goodlass Wall

ACQUISITION OF COMPANIES
FROM GOODLASS WALL & LEAD INDUSTRIES LTD. U.K.

ALEXANDER, FERGUSSON PTY. LTD.

GOODLASS WALL & CO. PTY. LTD.

ACQUISITION OF ALEXANDER, FERGUSON PTY. LTD.
AND GOODLASS WALL & CO. PTY. LTD.

During a visit to the United Kingdom in mid-1957 the Managing Director, N. G. Wilson, approached the main U.K. shareholder, Goodlass Wall & Lead Industries Ltd., with the proposition that BALM should buy from Goodlass Wall & Lead Industries Ltd. its two wholly-owned subsidiary companies in Australia - Alexander, Fergusson Pty. Ltd. and Goodlass Wall & Co. Pty. Ltd.

The former company was owned by Alexander, Fergusson & Co. Ltd. of Glasgow, a wholly-owned subsidiary of Goodlass Wall & Lead Industries Ltd. and had been incorporated in Victoria on 2nd March 1909. John Dewar Campbell was appointed the first Managing Director of the company, a position he held until he was appointed the first Managing Director of BALM in 1918. David Alexander Beath was appointed Secretary of the company and when J. D. Campbell transferred to BALM, Beath was also appointed Secretary of that company. He subsequently became General Manager of BALM.

Alexander, Fergusson Pty. Ltd. in the intervening years became a prosperous distributor of paints, oils and colours, wallpapers, etc., and at the time of acquisition by BALM was under the guidance of W.H. Trompf as Managing Director. At that time Trompf was also Managing Director of the other company purchased, Goodlass Wall & Co. Pty. Ltd.

Goodlass Wall & Co. Pty. Ltd. was a paint manufacturing company which had been incorporated in Victoria on 5th July 1922 and was formed to take over as a going concern the assets and liabilities of Goodlass Wall & Co. (Australia) Ltd., a company incorporated in England in 1913 and subsequently liquidated. The new company's manufacturing plant was established in Rokeby Street, Collingwood, in Melbourne, at the time of the BALM acquisition. For many years the two companies operated under separate control and responded direct to the U.K. principals. Until his death in December 1950 W. Osbaldistone was Managing Director of Goodlass Wall & Co. Pty. Ltd. and was succeeded by W. H. Trompf.

At the meetings in London N. G. Wilson emphasised the fact that it appeared impractical for BALM to be in direct competition with its principal U.K. shareholder through its Australian subsidiaries. Furthermore, it was considered that the absorption of these companies into the BALM Group would be of distinct benefit to all parties concerned.

At a final meeting held in London on 26th July 1957 it was agreed by Goodlass Wall & Lead Industries Ltd. on behalf of itself and its subsidiary Alexander, Fergusson & Co. Ltd. that the two Australian companies would be sold to BALM for a consideration of £225,000. Those present at this meeting were N. G. Wilson and Dr. John Clarke representing BALM and I.C.I.A.N.Z., and R. L. H. Lancaster and J. L. McConnell representing Goodlass Wall & Lead Industries Ltd. In addition to the acquisition of the companies as going concerns, it

was agreed that BALM should acquire all trade marks registered in Australia and New Zealand either by outright transfer of ownership or by the granting of 'registered user' rights by the U.K. owners. BALM gave the undertaking that employees involved in the purchase would be adequately protected.

U.K. Treasury consent to the transaction was received in due course, and the necessary agreement signed by both parties. The companies came under BALM control on 8th November 1957, BALM Board approval of the acquisition having been obtained on 9th October 1957.

The shares in the companies were purchased for:-

| | | |
|--------------------------------|----------|----------------|
| Alexander, Fergusson Pty. Ltd. | £150,000 | 130,000 shares |
| Goodlass Wall & Co. Pty. Ltd. | £75,000 | 80,000 shares |

and the following loans to the parent company were repaid:-

| | |
|--------------------------------|---------|
| Alexander, Fergusson Pty. Ltd. | £43,250 |
| Goodlass Wall & Co. Pty. Ltd. | £77,675 |

As soon as control passed to BALM steps were taken to integrate the two companies into the BALM Group. This embraced rationalisation of stocks and the disposal of freehold properties following the gradual transfer of functions to the BALM factory at Clayton.

So that the existing customers of the two companies would not be upset during the stock rationalisation, particularly in respect of the current stocks held by them, a firm, The Goodlass Fergusson Co., was registered and for the time being business was conducted under this name.

The integration and rationalisation proved very successful and resulted in a capital profit of £138,000 arising from the acquisition and running down of the companies.

The companies were not totalled liquidated but retained as non-trading entities for further use if required. Goodlass Wall & Co. Pty. Ltd. was eventually used when it was decided to convert the Comdec wall-coverings division of BALM to a limited company, and the name was changed to Comdec Pty. Ltd.

The disposal of the freehold acquired in the deal is covered in a special section of this history relating to "Freehold Properties and Factories."

PROPERTIES

FREEHOLD PROPERTIES

AND FACTORIES

FREEHOLD PROPERTIES AND FACTORIES 1950/1969

This chapter on Freehold Properties and Factories has been divided into two phases, viz.,

1950/1955 During this period important purchases of factory land were made in Victoria, West Australia, Queensland and South Australia;

and

1956/1969 When these properties were developed and a change of policy adopted in relation to removal from the Port Adelaide site in South Australia.

1950/1955

During the 1950's considerable expansion of the Company's manufacturing and distributing facilities took place, resulting in the leasing and purchasing of various sites throughout Australia to provide for the future factories and warehouses. The three principal events which took place in this decade were the erection of factories at Clayton, Victoria; Rocklea, Queensland, and O'Connor, West Australia.

VICTORIA

Since 1936 the Company had been operating on Crown lease land of 4 acres and 23 perches on the corner of Williamstown Road and Salmon Street, Fishermen's Bend. In late 1949 an adjoining lease of 1 acre 23 perches with a frontage to Plummer Street became available. In view of increasing output at the Fishermen's Bend factory, conditions were becoming congested and it was decided to take up this additional land on a 35 year lease. This was approved by the Board in February 1950. When ultimately manufacturing operations were moved to Clayton, the combined leasehold was sold for £175,000, the period of the lease in the meantime having been extended to 50 years from 22nd January 1955.

The rapid increase in the Victorian market and particularly in regard to General Motors-Holden's requirements caused consideration to be given by the Board as early as 1951 to the possibility of moving to a larger site. Instructions were therefore given in March 1952 that capital expenditure at Fishermen's Bend should be kept to a minimum with an early move to a freehold site in view.

By March 1953 the Board gave instruction to the executive management to commence inspecting freehold of not less than ten acres in areas not as congested as those prevailing around Port Melbourne. The inspection narrowed to two blocks of 14 acres at Dandenong Road, Clayton, and 11 acres at Westall. Finally, it was decided to negotiate for the 14 acres owned by Peek Freans Ltd. and a contract was signed in October 1953, the cost of the land being £11,900. It was afterwards decided

2.

that the Company should buy a bigger and more regular shaped block of 23 acres in McNaughton Road, Clayton, in close proximity to the land purchased from Peek Freans Ltd. An option was obtained in October 1954 and the agreement to buy signed in November of that year. The price was £46,000.

In March 1956 authority was given to purchase an adjoining block of land for £20,000 with an area of 9 acres, 3 roods, 37 perches. The total area then formed an "L" shaped property, with an additional outlet to Centre Road, Clayton. On this land the Clayton factory was subsequently erected.

The Peek Frean block was sold to the Sheffield Corp. of Aust. Pty. Ltd. for £25,000 in August 1955.

WEST AUSTRALIA

In February 1950 the Board decided that preliminary investigations be made and costs ascertained for the erection of a small manufacturing plant on the land owned by the Company at O'Connor, a suburb of Fremantle, West Australia. This land had been purchased from the Crown at £1 per acre on the condition that a suitable factory would be established as soon as electric power became available in the area or within a period of three years. The area of land was approximately 11 acres and the purchase was made in early 1949.

In April 1951 a proposal was placed before the Board intimating that the total outlay on the proposed factory would be of the order of £15,000. The understanding at that time was that power would be available about October 1951. In view of the tight liquid position of the Company, it was decided to defer for the time being the erection of the O'Connor factory. However, a modified factory was envisaged in early 1952 at a cost of £8,650 for buildings and tank installations. A request was made to the Fremantle Council to suspend for the time being the terms of the conditional purchase and this was granted until 31st December 1952.

A start on the factory was again deferred by the Board until September 1952, and by November 1952, following a visit to West Australia by two Directors, the Board was advised of the urgency of the establishment of at least a warehouse to service local customers. The Board was advised that the necessary buildings and amenities would cost approximately £10,000, and approval was given to proceed with detailed estimates. Tenders were subsequently called early in 1953 and by April of that year building erection was in progress. The warehouse was completed in July and the temporary warehouse in Hay Street, Perth, discontinued. The Fremantle Council was kept informed of the Company's moves.

The abovementioned start/stop situation emphasises the difficulties of the Board through the incidence of the financial controls of the period.

NEW SOUTH WALES

During the six year period ending in December 1955 the principal event was the removal of the DUCO DULUX Pty. Ltd. Sydney operation from its location in Castlereagh Street to 54/66 Wentworth Avenue. The Company was a tenant in the Castlereagh Street premises and also owned a vacant block of land adjoining the rented property, Citroen House.

The Company was advised in June 1948 that Citroen House had been sold to the Gramophone Company Ltd. and vacant possession was requested as soon as possible.

It was initially decided to erect a modified but suitable building on the adjoining company-owned land but a permit to build was refused by the Department of Building Materials, a wartime department which was still operative. Consequently, several buildings in the vicinity were inspected with a view to purchase but in most cases vacant possession could not be obtained.

Finally, it was learned that suitable premises were to be auctioned in Wentworth Avenue and Board approval was given to bid at the auction up to £65,000, although it was considered that the property would bring about £45,000. The property with frontages on Wentworth Avenue and Foster Street was eventually purchased before the auction for £55,000 in April 1950, from the Sheffield Corp. Ltd. Considerable alterations were necessary to the property to make it suitable for the Company's use and the Board approved a sum of £50,000 to cover this expenditure.

It was also decided to dispose of the vacant land in Castlereagh Street and negotiations were commenced with the Gramophone Co. to sell at a figure of £30,000. Contracts of sale for this amount were exchanged on 31st July 1950.

QUEENSLAND

Until the early 1950's BALM had no facilities in the Brisbane area for servicing its Queensland customers. With the passage of time and a considerable increase in sales, it became obvious that the establishment of a warehouse was necessary, and steps were taken to locate a suitable freehold property which would provide sufficient space on which to erect a warehouse and also provide for the ultimate building of a manufacturing establishment.

In mid 1951 a suitable property was located at Nundah, a suburb of Brisbane, with an area of approximately 12 acres, and authority was given to purchase at an approximate price of £3,500. However, the Brisbane City Council withheld the permit to erect a factory on the area and the acquisition was then rejected.

A further suitable site was located at Toombul but again the factory building permit was refused by the Council.

In July 1952 the Company was offered a lease of a suitable warehouse of 3,300 square feet at Yerongpilly, and it was decided to accept this as a short term expedient and also because of the Company's liquidity problems at that time. A lease was drawn up by the owners, Northern Plastics Pty. Ltd., and signed by the Company in November 1952 when the branch warehouse commenced operations.

In the meantime, the search for freehold on which to erect a warehouse and factory proceeded. A suitable area of approximately 12 acres was eventually located at Rocklea on the Ipswich Road approximately ten miles from the city of Brisbane. The owners had indicated a selling price of £8,700. After offering £6,500 as a starting point the purchase was effected at £6,750, below which the owner would not sell. The owner, J. J. McGrath of J. J. McGrath Ltd., proved a very difficult person and the contracts for the sale of the land were not signed until June 1954.

The area purchased was 13 acres, 2 roods, 14 perches, and the Queensland factory was subsequently built on this site. Approximately $2\frac{3}{4}$ acres of the site is subject to flooding from a nearby creek and until this watercourse is properly drained this area is unsuitable for building.

In February 1955 the Company purchased the warehouse then occupied for £22,000 from Northern Plastics Pty. Ltd.

SOUTH AUSTRALIA

The Company's factory in South Australia was situated in a very congested area at Lipson Street, Port Adelaide, which did not provide suitable room for long term expansion in manufacture. A detailed report was submitted to the Board in June 1955 on anticipated future expansion of South Australian activities. Executive management, in the meantime, had been endeavouring to locate a suitable freehold site to which current manufacturing and warehouse facilities could be moved at a convenient time. Such a site was found at Windsor Gardens comprising an area of 30 acres at a price of £650 per acre and an option was taken.

Authority to purchase was given by the Board in September 1955 and the area was subsequently acquired in April 1956.

1956/1969

VICTORIA

Following the purchase of the land at Clayton, the stage was set for the development of a complete manufacturing establishment at this site. This expansion was envisaged by the Board in early 1954, particularly as G.M-H. had decided on the establishment at Dandenong of a large assembly plant for motor cars and refrigerators in addition to their plant at Fishermen's Bend. The Dandenong plant subsequently went into operation in 1956.

In May 1954 it was decided to send a technical mission to Europe and U.S.A. to ensure that new projects planned for the future would be built according to the best modern practice. The mission, which comprised the Technical Director, Technical Manager and Maintenance Engineer, left Australia in June 1954 and was overseas for approximately four months during which time a comprehensive survey was made of paint factories in England, the Continent and North America.

By the end of November 1955 the proposal for the erection of the new factory on the recently purchased site in McNaughton Road, Clayton, was completed and approval was given in principle by the Board in December 1955 to proceed with the construction. However, the original proposal was for a factory with a production capacity of 1,400,000 gallons of paint per annum at a cost of approximately £2,100,000, and the Board requested that the plans be modified with a view to reducing the immediate capital outlay but with the intention of subsequently completing the project as originally presented. The modification reduced the estimated output to 1,070,000 gallons and the cost to £1,544,000. The erection of the administrative and laboratory buildings was deferred and a reduction in size of the resin manufacturing building effected. The modified requisition was approved by the Board in March 1956, subject to favourable comment by ICI London, which was subsequently received.

In April 1956 the tender of Prentice Builders Pty. Ltd. was accepted. The Architects for the project were Hassell and McConnell.

The factory was opened by the Premier of Victoria, Mr. Henry Bolte (later Sir Henry) at a large ceremony on 25th November 1957.

During 1958 it became apparent that it was desirable for BALM to have a centralised Research Laboratory in view of the rapid increase in paint manufacturing technology and the overall size of the Company's operations. Considerable discussion took place with ICIANZ on the subject of integration of the functions with those at the Ascot Vale Research Laboratory, and research programmes were compared.

Victoria (Cont.)

It was eventually decided that BALM would establish its own laboratory and a memorandum was submitted to the BALM Board in September 1958, covering all aspects of the discussions with ICIANZ together with estimates of capital expenditure involved. The memorandum was agreed in principle and also included estimates covering an administrative building at Clayton and the establishment of a Technical Service Centre to be used in conjunction with development work.

Dr. J. S. Gourlay and Mr. R. C. Todhunter, Directors of I.C.I. Ltd., attended the Board Meeting in October 1958 and expressed the view that it was desirable that research facilities and a technical service centre should be located at a major manufacturing site as proposed.

In February 1959 capital expenditure requisitions were approved at the undermentioned costs:-

| | |
|---|--------------|
| Group Research and Development Laboratory | £ 213,000 |
| Technical Service Centre | 86,000 |
| Administrative building | 64,000 |

The successful tender was submitted by Prentice Builders Pty. Ltd. with Hassell and McConnell as Architects.

On completion of these buildings Clayton became virtually the best laid out and most up to date factory in the world for paint manufacture.

By 1961 studies commenced on the subject of the transfer of the Port Melbourne factory to Clayton, as the former site was now becoming somewhat redundant with the Clayton factory coming on full stream. A preliminary memorandum was submitted to the Board in August of that year and in September agreement in principle was given on the understanding that the sale of the Port Melbourne site should first be finalised. However, it was subsequently decided in October to effect the transfer forthwith and offer the site for sale. The factory was closed in June 1962.

To sell this leasehold proved to be somewhat difficult and it was not until November 1963 that a firm buyer was located. The Department of Interior was the eventual purchaser at a figure of £175,000 in February 1964. The site was occupied by the C.S.I.R.O.

In early 1964 it became known that the Cyclone Co. subsidiary, K. M. Steel Ltd, were to offer for sale the property adjoining the Clayton factory site. This site included a large building and it was considered at the time that if it could be purchased at a reasonable price it could prove a valuable addition. However, the BALM negotiations with Cyclone proved abortive and were subsequently broken off after the property went to auction and did not reach reserve.

Victoria (Cont.)

There were two other purchases of property in Victoria during the 1950's both in relation to the subsidiary company DUCO DULUX Pty. Ltd.

The Company was offered, and purchased, the property adjoining the freehold owned by DUCO DULUX Pty. Ltd. in City Road, South Melbourne, at a cost of £29,500. This extended a very valuable corner block and allowed for expansion of the business at this site for some years to come. The purchase was approved in July 1958.

In order to increase the supply potential of DUCO DULUX Pty. Ltd. it was decided to open a depot on the north side of the city of Melbourne, and a suitable site was located in Leveson Street, North Melbourne, which was purchased in September 1959 for £19,500. When the Refinish Department was subsequently moved to Clayton, the Leveson Street property was sold at auction in November 1967 for £37,500. In the interim period it was used by Comdec Pty. Ltd. as a bulk warehouse for wall-papers.

With the purchase in 1957 of the two Australian subsidiaries of Goodlass Wall & Lead Industries Ltd., freehold land was acquired in the Collingwood area of Melbourne and in Lonsdale Street, City. After the rationalisation and integration of the business of these companies with BALM, it was decided to dispose of the properties. Sales of the three lots in Rokeby Street, Collingwood, were effected in due course. Lot 1 was sold to Barrett Bros. and Burston Ltd. for £20,000, Lot 2 to the C.S.I.R.O. for £44,000 and Lot 3 to Joe White Ltd. for £55,000. These sales took place between June 1959 and March 1960.

The sale of the Lonsdale Street property was completed with George Taylor & Staff Pty. Ltd. for £150,000 in October 1960, with vacant possession on 1st April 1961.

WEST AUSTRALIA

With the completion of the warehouse at O'Connor in mid 1953 the Company was able to indicate to the Fremantle Council its intent to complete the development of the site with the addition of full manufacturing facilities in due course, and thus justify the conditional purchase of the land for £1 per acre.

Business continued to expand in the West and by 1957 was placing strain on the manufacturing facilities at Port Adelaide from which factory its main supplies were drawn. It was therefore decided in December 1957 that plans be drawn up to expand the site to provide for manufacture and honour the earlier undertaking given to the Fremantle Council, and also to assist sales policy by the production of locally manufactured goods, particularly in respect of Government contracts which at that time gave a 10% preference in price to local manufacturers.

WEST AUSTRALIA (Cont.)

In February 1958 the Technical Director submitted to the Board a plan of development for the site which was agreed in principle. The completed capital requisition for £86,510 was approved in March.

The factory was officially opened by the Premier of West Australia (Mr. D. Brand, M.L.A.) on 16th September 1959. K. R. McNaught was Manager, West Australia, having been appointed to that position in May 1955.

NEW SOUTH WALES

Although the Wentworth Avenue/Foster Street premises adequately served the purpose of refinish product distribution (DUCO DULUX Pty. Ltd.) in New South Wales, it was realised that the capital value of the properties was far in excess of requirements and, if sold, they would provide liquidity which could be better used in other avenues of BALM operations.

The Wentworth Avenue section (Sheffield House) contained the company shop section on the ground floor and had tenants on the upper floors. The rentals from these tenants were not adequate but, due to Government rent controls, could not be increased to improve the return on investment.

The Foster Street building contained the warehouse and despatch section of the Company, as well as administrative offices and, in the event of sale being effected, was capable of being separated from Sheffield House if necessary.

For some time the question of moving the Refinish Division to Cabarita had been considered, and at a Board Meeting in October 1958 it was proposed that Sheffield House be sold as a first step in this direction, as well as improving the liquidity of the Group. This was examined in more detail with the Property Department of ICIANZ, and in June 1959 it was decided to sell the Sheffield House on a tenanted basis for £35,000 with a lower limit of negotiation at £30,000.

The tenants of Sheffield House endeavoured to form a syndicate company to purchase the building, but after negotiations carrying through to early 1960 this proved abortive.

Negotiations were then commenced with Smart-Eez Pty. Ltd., who purchased the building for £36,000, with a lease back of the shop premises to DUCO DULUX Pty. Ltd. for a period of ten years.

The business was continued from the Foster Street building until February 1963, when it was sold for £38,500. The Refinish Division was then moved to a new warehouse erected for its purpose on the Cabarita factory site.

QUEENSLAND

Following the purchase of the land at Rocklea the Company was in a position to proceed at any time with the establishment of a manufacturing unit for servicing the Queensland market. About this time, 1956, information was received that General Motors-Holden's Ltd. were planning to erect a comparatively large and up-to-date assembly plant at a location north of the city of Brisbane. Inherent in this decision was the fact that far greater service would be required by G.M-H. from suppliers compared with their relatively small plant then operating in Brisbane. As one of the main strengths of BALM in retaining the G.M-H. contract over the years had been the ability to give "on the spot" technical service and delivery, Executive Management considered it essential that this particular form of goodwill should not be jeopardised through the lack of a paint manufacturing unit in Queensland.

Accordingly, a plan of development was submitted to the Board in November 1956 and agreement was given to immediately proceed with earthworks at the Rocklea site with a view to completion of a factory before G.M-H. went into the assembly operation.

By March 1957 approval in principle was given for the erection of a warehouse and thinner mixing plant as a first step towards the full development of the site and to provide additional space to the Yerongpilly warehouse where the storage situation was proving inadequate. The new warehouse was based on a square footage of 15,500 and for the time being would accommodate offices and amenities. The cost was estimated at £99,000, and this was to be partially offset by the sale of Yerongpilly for a price of the order of £20,000. A thinner mixing plant was also approved at an estimated cost of £22,000.

By December 1957 it was reported that, due to the large and unexpected sales through the new warehouse, storage would be inadequate to meet requirements within eighteen months. It was therefore decided to erect a separate building to house offices and amenities and so free additional warehouse space.

In April 1958 an abortive agreement was reached to sell the Yerongpilly warehouse at a price of £25,000. It was eventually sold to the Queensland Can Co. for £21,500 cash in April 1959.

The new warehouse at Rocklea commenced operations in July 1958.

In the meantime, G.M-H. had sold its site in the northern suburbs and purchased land at Acacia Ridge, a location adjacent to the BALM site, which provided the required rail transport facilities unavailable at the northern site. The cost of this new plant was of the order of £M7.9 and was due for completion early in 1966.

At the April 1964 Board Meeting agreement was given to the establishment of a manufacturing section at Rocklea, also the erection of a completely new office block to cope with the current position and provide for future expansion. The total cost of the requisition was £641,000 and this was subsequently approved by the ICIANZ Board in June 1964.

QUEENSLAND (Cont.)

The proposed development by BALM at Rocklea produced a very favourable reaction from customers in Queensland, and at an official function attended by the Premier of Queensland full publicity was given to the venture in conjunction with the ICIANZ and General Motors-Holden's proposed developments.

SOUTH AUSTRALIA

Although provision had been made for future expansion of manufacture in South Australia by the purchase of 30 acres at Windsor Gardens, it was realised that a move from Port Adelaide to this new site would be a disrupting and costly operation. By 1958 demands on the production at Port Adelaide were very great, particularly as a relatively large proportion of output was going to West Australia. It was considered that any disruption in production could jeopardise this business as well as placing strain on the manufacturing resources of Clayton and Cabarita.

The Board, therefore, requested a survey of the possible "life" of the Port Adelaide site, the outcome of which indicated that 25 years appeared to be the period, having regard to the technological development of paint manufacture anticipated in the foreseeable future. This report caused a change in policy regarding a move and it was decided in principle that endeavours should be made to purchase land around the Port Adelaide site as and when it became available.

In May 1958 it was made known that a property owned by J. Gadsden Pty. Ltd. was being offered for sale. This property faced Lipson Street, was separated from the original factory site by Butler Street and was occupied by an extremely old building. It was decided to negotiate for the purchase of the property which was subsequently acquired for £18,000 and contracts were exchanged in February 1959.

The Board at the July 1958 meeting also decided that the Windsor Gardens property be held until some more suitable area of land became available. At that time other properties adjoining the Port Adelaide site were not for sale but, following the submission of a memorandum by the Technical Director in March 1959, it was decided to negotiate for land on the opposite side of Lipson Street owned by Associated Millers Ltd. (Charlick). In addition, there was a small property at the rear of the original factory owned by a produce merchant which, if acquired, would considerably enhance that particular area of the overall factory. It was also decided to open negotiations with the owner of this property. The Board at this meeting (March 1959) also approved the sale of the Windsor Gardens block. This was sold in June 1959 to the South Australian Housing Trust under the terms of the original conditional purchase for £21,381. This figure included an amount for interest of £2,641 in accordance with the original agreement.

SOUTH AUSTRALIA (Cont.)

In the meantime, valuations had been obtained for properties with frontages to Lipson Street but separated from the DULUX factory site by Charlotten Street. The properties were occupied by a Presbyterian Church and Smith Motor Coy., and were valued at £35,000 and £27,500 respectively. It was decided to open negotiations for their purchase.

In August 1959 the Board was advised that negotiations had been commenced with Smiths and the Church, the former being willing to sell at an undisclosed price and the latter were considering the BALM approach. Endeavours were also made to acquire properties adjoining the Gadsden block, owned by the Ex Naval Mens Association, plus three shops (in one lot) adjoining the Association building for £8,000 and £6,500 respectively. The Board also approved a price limit of £28,000 on the Charlick's block, and this was purchased in October 1959 for £27,000, with the proviso that the owner would remove the grain silos from the property and plant and equipment from the building.

By December 1959 advice was received from the Church authorities that they were willing to sell at a price of £107,000 which was rejected as too high. However, it was decided to pursue negotiations and also, in conjunction with the possible purchase of the Church property and that of Smith Motors, to ascertain whether the Port Adelaide Council would also entertain the sale of Charlotten Street which separated these properties from the existing DULUX factory.

At the February 1960 meeting the Board was advised that the Council was willing to sell Charlotten Street for £20,000 whether or not the adjoining properties were acquired by BALM. This price was considered too high but it was decided not to break off negotiations in view of the possibility of adjoining purchases. In subsequent negotiations £12,500 was offered for the street.

The Council rejected the Company offer of £12,500 for Charlotten Street in July 1960 but intimated they would reconsider the offer in the event of the Company owning the properties on both sides of the street.

In the meantime, the Ex Naval Men's Association property had been purchased for £10,000 on the resumption of negotiations. Regarding the Charlick's block, a small portion was sold to the South Australian Government Railways to cover a right-of-way which they required for trains. This did not affect the development of the site in any way.

The Company also owned in South Australia a block of land at Rosewater comprising six acres. This had been used for bulk storage of solvents and had a small bund type building in a section of the area. The Port Adelaide Council required some of the area for playing fields and it was agreed in September 1963 to sell four acres to the Council for £9,000.

The Company was unable to arrive at any satisfactory price for the Presbyterian Church property and, in consequence, negotiations were eventually broken off. As Smiths Motors property was more or less dependent on the acquisition of the Church property, these negotiations were also concluded, as also were the negotiations for the three shop sites on Lipson Street.

The old building on the Gadsden block was demolished with a view to building on this site an up-to-date administrative building and canteen. The Capital Expenditure Requisition for £86,000 for this addition was approved by the Board in August 1962. The contract for the building was approved on 6th March 1963.

Although the layout at Port Adelaide is far from ideal from a manufacturing point of view, with roadways separating sections of the factories, a considerable degree of efficiency has been achieved. With the possibility of eventual purchase of the Smiths Motors and Church sites at some future date an overall consolidation of the area may be possible.

NEW GUINEA AND FIJI

Towards the end of 1965 considerable thought was given by the Executive Directors to the Company's export business to Fiji and New Guinea. Over the years considerable export gallonage had been made to these Territories but, with the gradual progress towards independence, the respective Governments were endeavouring to attract industry by offering incentives or, alternatively, by imposing duties on imports to protect established industry.

Due to the establishment in Fiji of some four or five paint manufacturers from Australia and New Zealand, an examination of the economics of the country indicated that the presence of a further manufacturer was not a viable proposition, and the Board decided not to proceed with the building of a manufacturing unit in these Islands.

In New Guinea, however, the situation was quite different as Taubmans and Walpamur were the only established manufacturers and the potential development of Papua and New Guinea was considerable.

Through its two principal agents, Robert Gillespie Pty. Ltd. and Steamships Trading Co. Ltd., BALM exported to the Territory some 60,000 gallons of paints per annum, with a sales value of \$220,000, and unless action was taken fairly promptly it was considered that most of this business could be lost. It was estimated that this gallonage represented approximately 25% of the Territory paint market and that the erection of a factory in the area would increase this to 33% of an increasing market over the next five years.

The Administration of Papua and New Guinea had recently raised the import duty from 15% to 17½% and was giving preference to local manufacturers on Government

contracts. In addition, suitable and available land for the economic establishment of a factory, particularly in Lae, was becoming scarce. Company rates of taxation were approximately one half of those operating in Australia and, providing a company was classed as a "pioneer" industry, there was a tax "Holiday" for the first five years of trading.

There was therefore considerable inducement for BALM to commence manufacture and, after a survey of best localities, Lae in the Territory of New Guinea was selected as the place to establish the factory.

A memorandum was submitted to the BALM Board in April 1966 and agreement in principle was given to proceed with the project. A tender was submitted in May 1966 for the acquisition of lease of 7 acres 2 roods and 21 perches on the basis of 99 years' tenure and situated on the corner of Air Corps Road and Mangola Street, Lae. Although the area was more than immediate requirements, the tender was supported by ICIANZ, who were contemplating establishing a factory for the manufacture of agricultural chemicals and proposed to use part of the land (2 acres) and the BALM facilities provided.

The tender was successful and the lease was acquired for \$19,000 with an annual rental of \$640.

BALM Paints (New Guinea) Pty. Ltd. was incorporated on 26th May 1966, with an authorised capital of \$100,000. The registered office was established at Port Moresby in the offices of the Company's solicitors, J. Irwin Cromie & McCubbery. C. P. McCubbery was appointed a Director and Secretary of the new company. C. S. Cannon, E. P. Sanford and J. D. Freeman were appointed Directors; Cannon having been appointed the Manager of the Company.

An Expenditure Requisition was submitted to the BALM Board on 1st June 1966 and approval given to an amount of \$288,000 covering the factory building, employees' residences, native quarters, plant and equipment and cost of the purchase of the lease.

Construction of the factory was completed early in 1967 and production commenced in May 1967.

Arrangements were subsequently made for the residences of employees and the land on which they were erected to be purchased as an investment by ICIANZ Staff Pension Fund which then leased the properties to the Company.

In December 1966 the authorised capital was increased from \$100,000 to \$500,000 and approval was given to issue \$280,000 to be called up as and when required to cover progress payments on the factory and to provide working capital. \$20,000 had been called up earlier to cover the purchase of the lease.

A social function was held at the Lae Hotel on 12th July 1967 to mark the occasion of the opening of the factory.

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The guest of honor was Mr. Des. Ashton, Acting District Commissioner, Morobe District, who formally declared the factory open and congratulated the Company on its establishment in the Territory. The Managing Director, M. D. Bridgland, responded.

Prior to the decision to establish the factory at Lae consideration had been given to the acquisition of Robert Gillespie Pty. Ltd., who were in financial difficulties. However, this move was not agreed and the company was sold to another purchaser not interested in paint distribution.

The weight of Company's product distribution was then placed behind the other customer in the Territory, Steamships Trading Co. Ltd.

It is interesting to note that the BALM application for declaration as a "pioneer industry" for taxation purposes was rejected, but this was not unexpected in view of the prior establishment of Taubmans and Walpamur in the Territories.

The results achieved by the new company were far in excess of the requisition estimates and proved a very useful addition to the consolidated profits of the BALM Group.