

CARRERAS.

IN writing of this remarkable enterprise we have always emphasised the realisation that in business there is no substitute for stark efficiency. It was on that foundation that the business was created and built up, and it is that foundation which will enable it to endure whatever the storms to which it may be subjected. Profits may vary. It is not in human experience that prosperity expands continuously. But the essential remains; and so long as the company's vast business continues to be animated by the same genius of organisation and of thoroughness, so long will the shareholders be able to rely upon an ample measure of reward.

We have said before, in commenting upon the annual accounts, that efficiency must be all round if it is to be thoroughly effective. It would not be much use to turn out a first-class article if the raw materials were bought at extravagant prices, for instance. Weakness in selling methods might easily destroy all the advantages of successful buying and first-class manufacture. Ineffective packing could conceivably countervail complete efficiency in other directions. It is the completeness of efficiency that makes sure of success.

It has already been announced in our pages that the earnings of the financial year which ended on October 31 last amounted to £975,366 on trading account. Adding dividends on investments and incidental income, we arrive at a total of £1,001,370, exclusive of £1,059,165 brought in from the preceding year. Against this sum of £1,001,370, depreciation on buildings, plant and machinery, etc., is allowed to the extent of £32,213; £204,655 is provided for income tax, etc.; £5,242 passes into the staff superannuation fund; while a modest £953 is charged for directors' fees. A further debit is £3,831 of expense arising out of an issue of A ordinary shares last January, to which we allude again later on in this article.

There remains an amount of £1,813,641, inclusive of the balance brought forward. The payments made from this sum are £3,000 of dividend on £50,000 of 6 per cent. cumulative preference shares;

£3,000 on a like amount of 6 per cent. A cumulative preference shares; and £14,000 on £200,000 of 7 per cent. B cumulative preference shares. Thus the whole of the preference dividends involve only £20,000, leaving, of the year's profit, over £700,000 for internal purposes, for taxation, and for the remuneration of the three classes of ordinary capital.

The total capital authorised is £2,100,000, including the £300,000 of preference shares to which we have referred. Of the ordinary shares, £240,000 are called ordinary shares pure and simple, all issued and fully paid up. There are A ordinary shares of £1 each to the amount of £1,035,000 authorised, £1,011,563 being issued; and the B ordinary, which are 2s. 6d. each, amount to £525,000 in authorised total, while the issued sum is £520,002. All the issued capital is fully paid up, the total being £2,071,565.

The three preference classes rank, for both capital and revenue, in the order in which they are here mentioned; and the relationship between the three classes of ordinary shares is interesting and somewhat unusual. When the A ordinary class was created some six years ago it was laid down that they should bear no voting rights nor should their possession qualify for directorship; and so, too, with the B class, which were made of small nominal amounts in order that they might be within the reach of people of relatively moderate means.

Having thus explained, shortly, the capital position we return to the disposition of the profits of 1929-30. The ordinary shares all rank together in regard to dividend, and their return is 50 per cent., less income tax. It was more than earned, so that £50,000 is transferred to development fund and at £1,057,160 the balance carried forward differs little from the net balance brought in twelve months ago.

We use the word "net" because on January 2 last it was resolved to capitalise £351,563 of undivided profit in the form of A ordinary shares, which were allotted as fully paid to the holders of ordinary, A ordinary, and B ordinary shares, in a scrip bonus