

THE ENFIELD CYCLE COMPANY LIMITED

SPEECH OF CHAIRMAN (MAJOR F. W. SMITH, C.B.E., J.P., M.I.MECH.E.) AT THE FIFTY-NINTH ANNUAL GENERAL MEETING, HELD ON FRIDAY, 28TH JANUARY, 1955.

As recorded in the Directors' Report issued with the Accounts, the Board has recently lost a valued colleague by the death in November of Alderman Charles Terry.

We should like to place on record the great value of his services, and the important contribution Alderman Terry made to our deliberations during the 15 years he was a Director.

As you have seen from the Accounts under review, the Company's Trading Balance was £220,356, being a reduction of £7,000 compared with the previous year.

In the latter part of the year in particular, our total production was adversely influenced by a shortage of labour which restricted turnover. In addition, increases in costs due to the advance in wages to the engineering industry were absorbed, and our ratio of profit was slightly less.

While, of course, the manufacture of cycles and motor-cycles occupy the main part of our business, I am pleased to say that the diesel engine department again made an increased contribution to our results.

Government contracts for intricate engineering requirements have also provided very useful additions to our figures. In past years we have referred to the latter in the notes on our accounts, but this has been discontinued in the present accounts as these contracts, we hope, are now a continuing part of the Company's normal activities, and do not need any special report. I would, however, remind stockholders that the contracts referred to extend over long periods, and that profits are only brought in on completion, so that one year can vary with another to quite a considerable extent.

As will be seen on the Balance Sheet, our stocks have been very materially reduced. We are carrying lower stocks of cycle and motor-cycle parts because, during the year, raw materials and factored goods could be obtained over shorter delivery periods.

This situation is, unfortunately, changing, and we expect to see our stocks rising again on account of delivery dates extending and thus necessitating the holding of larger quantities.

Such writing down of stocks for obsolescence, etc., as has been necessary has been effected without recourse to the Stock Reserve, which still stands at £150,000. Sundry debtors are also considerably less than last year, and this reduction, as well as the stock reduction, has resulted in a big increase in our Bank Balance. With the prospect, however, of stocks rising, much of this will be needed.

In view of the fact that the allowances made by the Inland Revenue now approximate closely to the depreciation being written off the fixed assets in our accounts, the allocation to or withdrawal from the Tax Equalisation Account has been discontinued, and the balance of this account carried to the contingencies reserve. A further amount has been taken from profits this year to bring the reserve to £50,000. The Directors propose to draw on this Contingencies Account for any special expenditure which it is felt would not be a fair charge on any particular year's trading.

It has been considered advisable also to make an allocation to plant replacement reserve, as this was absorbed wholly in the recent capitalisation of reserves when further ordinary capital was issued.

Taxation absorbs more than half our profits each year, but we have now set aside in tax reserve certificates more than sufficient to cover our liabilities in January, 1955, and January, 1956.

Although the Company subscribes annually a limited sum to a fund to provide certain pensions and benevolent payments to employees, the Directors have felt for some time the need of having some available account under their control to cover payments to employees to implement pensions, and cases of emergency where assistance ought to be given and, to this end, an allocation of £5,000 has been made to a benevolent account.

In view of the Company's liquid resources and the strength of its reserves, the Directors are recommending a dividend distribution which will give a small increase on the previous year, the increased dividend being covered more than twice by earnings. We are continuing the policy of retaining in the business a substantial part of the annual profits earned, so that full advantage may be taken of acquiring the most modern plant available, and developing new products when favourable opportunity arises.

As regards our future prospects, I have already referred to the labour shortage which still persists, and still affects our total production. We are, naturally, making such arrangements as are possible to remedy the position, and in addition we are overhauling our internal organisation with the object of increasing our productive efficiency.

I am pleased to say that there is a continuing demand for all the products we manufacture. The market for our air-cooled diesel engines continues to grow and, while the cycle and motor-cycle part of our business is working to the capacity possible under present labour and material supply conditions, we are meeting with increasing competition both at home and abroad, with a tendency for very keen prices to be quoted in overseas markets.

In recent months we have entered into an undertaking with the Indian company of America—a wholly owned subsidiary of J. Brockhouse and Company, of West Bromwich—to manufacture for them a range of Indian motor-cycles for sale in North America. These motor-cycles will follow Enfield standard practice, with such modifications as are considered necessary to meet the requirements of the American markets.

We have every reason to believe that the result of this arrangement will be satisfactory to all concerned, and from our point of view to lead to an increasing demand for our motor-cycles.

Production of the Indian motor-cycles has commenced and deliveries have been made.

To ensure success very close co-operation between the Enfield and Indian companies will be necessary, and your Directors have invited Mr. John L. Brockhouse, Chairman of J. Brockhouse and Company, to join the Enfield Board. Mr. Brockhouse has recently accepted the invitation, and it is proposed to appoint him at our next Board Meeting. Mr. Brockhouse's acceptance was received too late for his election to be brought forward to-day.

In conclusion, I should like to thank, on behalf of the Board, all those members of our staff and workpeople who have by their efforts contributed towards the year's results, and to express the hope that all will co-operate in assisting to meet the competition which is ahead of us.