

NET PROFIT

The most noticeable decline is in net profit, this being due to the transfer of investments to the Canteen Fund Board and the consequent loss of interest to the Canteen Board. As an illustration, in the previous year the net profit of £25,356 included £21,356 interest on investments, therefore the present net profit, which at first glance appears to be alarming, is not due to an inordinate increase in operational expenses. Instead, the reverse is the case, as reference to the foregoing table and the Profit and Loss Account will show a reduction in operational expenses in relation to sales.

Reference has been made in previous reports to an important obligation of the Canteen Board imposed by section 4 : 9 of the Defence Canteen Emergency Regulations 1939, which reads :—

After such provision has been made as the Board thinks proper for liabilities, whether accrued or contingent, for reserves, and for future activities of the Board, the profits arising from the operations of the Board shall be disposed of in such manner as the Board, with the approval of the Minister, thinks fit, by way of grant to regimental funds or in any other manner for the benefit of members past and present of the military forces serving or enrolled for service during the present war (including the Naval, Army, and Air Forces of the Crown), and their dependants.

Consequently, the bulk of the profits earned in the years 1940–48 and aggregating £1,232,480, virtually were held in trust for the benefit of past servicemen and their dependants.

It having been deemed appropriate by the Government that the disbursement of these profits should be controlled by an organization composed of ex-servicemen, the evolution of such an organization—namely, the Canteen Fund Board (constituted under the Patriotic and Canteen Funds Act, 1947, which came into force on 1st May, 1948)—made it possible for the Canteen Board to transfer its profits and devote its attention to the future operation of canteens in the interests of serving personnel. With this objective in mind, negotiations with the Canteen Fund Board resulted in an agreement, duly approved by Cabinet, whereby the assets of the Canteen Board were divided between the newly formed Canteen Fund Board and the Canteen Board.

The accounts were reconstructed to reveal the financial situation of the Canteen Board as at 30th November, 1948, at which date assets were shown to have been worth £917,498. Allowing for interest accrued, £810,665 composed of investments at maturity value and cash were transferred to the Canteen Fund Board, leaving the Canteen Board £106,833. Thus, of the available assets the Canteen Fund Board received 88·4 per cent. and the Canteen Board retained 11·6 per cent.

The Canteen Board, to be known in future as the Armed Forces Canteen Council, therefore commenced the ensuing year on a sound financial footing and expects to be able to provide reasonable canteen facilities from within its own resources for many years to come. The institution of compulsory military training portends a stimulus to trading which it is hoped will offset to some extent the present disproportionate expenses of wages to gross profit which has become increasingly evident during the years since wartime forces were disbanded.

In the year ended 31st March, 1948, wages absorbed 77·7 per cent. and in the next year 87·29 per cent. of gross profit.

With other operational charges to be met out of the remaining small percentage an appreciable improvement in net profits cannot be anticipated until sales increase, and this will depend principally upon the numbers of servicemen located on establishments to which the Board's canteens are attached.