

1950
NEW ZEALAND

CANTEEN BOARD

REPORT AND STATEMENT OF ACCOUNTS FOR THE YEAR ENDED 31st MARCH, 1949

Laid on the Table of Both Houses of the General Assembly by Leave

A REPORT on the operations of the Canteen Board, together with the principal accounts and Balance-sheet, herein is submitted as required by the Defence Canteen Emergency Regulations 1939, under which the Canteen Board was constituted.

During the financial year under review the Canteen Board was reconstituted as the Armed Forces Canteen Council under the Armed Forces Canteens Act, 1948, which came into force on 1st December, 1948. Section 3 (2) of the Act states "the Council hereby constituted shall be deemed to be the same body corporate as the Canteen Board established under the Defence Canteen Emergency Regulations 1939."

As eight months of the twelve months' activities were conducted prior to the change of title and appointments to the new Council did not take place until after 31st March, 1949, this report is presented as the final one in the name of the Canteen Board, but future annual reports and accounts will be presented in the name of the Armed Forces Canteen Council.

During the year ended 31st March, 1949, the affairs of the Board were conducted by—

Hon. F. Jones (Chairman).
Commander (S) H. R. Sleeman, O.B.E.
Brigadier R. C. Queree, C.B.E., D.S.O.
Wing Commander G. Carter, O.B.E.
D. Barker, Esq.
K. B. Longmore, Esq.
Mr. A. G. Hedgman is Secretary of the Board.

The Board in its tenth year of operations has continued to provide canteen facilities on Armed Forces establishments out of its own resources, and by executing its policy through the Secretary who with his officers are members of the Public Service. The Canteen Staff, numbering approximately sixty, are not public servants, but all salaries and wages are met by the Board.

As forecast in the last annual report, the year's activities have not resulted in a large net profit, but it is pleasing to report that after providing a service commensurate with present needs and meeting all commitments a net profit of £3,302 has been earned, and that in each of the ten years' life of the Board (1939-49) no trading losses have been experienced. Profits aggregating £1,231,181 are for the benefit of past servicemen and their dependants and servicemen *pro tempore*.

The essential results of the past year's operations appear in the following table:—

Year Ended 31st March,	(1) Sales.	(2) Net Profit.	(3) Gross Profit.	(4) All Expenditure.	(5) Net Profit.	(6) Adminis- tration Expenses Included in Expenses.
	£	£	Per Cent.	Per Cent.	Per Cent.	Per Cent.
1940	85,626	11,608	26·88	13·32	13·56	3·83
1941	338,623	51,066	29·08	14·00	15·08	1·97
1942	574,739	87,739	26·67	11·40	15·27	0·95
1943	1,742,871	278,514	21·99	6·01	15·98	0·40
1944	2,284,962	307,101	18·69	5·32	13·37	0·36
1945	1,810,897	265,866	20·57	6·09	14·68	0·39
1946	1,151,944	143,072	18·60	7·56	12·42	0·59
1947	393,732	62,157	23·25	13·62	15·79	1·28
1948	198,751	25,357	19·49	17·74	12·75	2·40
1949	171,427	3,302	15·49	15·29	1·94	2·24
	8,753,572					
Total net profit	1,235,782				
Add sundry recovery	83				
		1,235,865				
Distributed to—						
Defence services	310,375					
Canteen Fund Board—						
Cash	90,680					
Investments	708,868					
Contingent liability settled	4,684					
		1,114,607				
Undistributed	121,258				

The obvious discrepancy between the results of the 1948 and 1949 financial years is simply explained.

SALES

The recession in sales is a normal consequence of the closing of uneconomic canteens and the cessation of business with organizations such as Returned Services Associations, Y.M.C.A., and Red Cross Societies. The closing of the Board's bulk stores made the servicing of the aforementioned organizations impracticable and the Board was required by the new Act to function only on Service establishments.

GROSS PROFIT

As the gross profit necessarily is affected by the value of stock on hand, the reduced gross profit reflects the careful revaluation of stock as a prerequisite to ascertaining the worth of the organization before the important occasion of dividing the Board's funds to which reference is made in a later section of this report. Certain stock distributed throughout the ramifications of the canteen service hitherto have been valued in relation to cost price less usual depreciation, but it will be apparent that by their nature a large proportion of canteen goods procured for use in wartime have become obsolescent either through deterioration, supersession by up-to-date goods of popular demand, the reversion to peacetime packaging, and their general uselessness in peacetime. Consequently, at this stocktaking, following the assembly of stocks from bulk stores which have been closed and the marshalling of unwanted canteen goods, special care has been exercised to value stock on hand at its current disposal value. Hence the percentage of gross profit shows to disadvantage in comparison with former years, but even so it is reconcilable with the generally restricted profit margins applicable to the class of goods to be found in canteens.

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.

Canteens, unlike businesses which can attract trade from the floating population, are dependent solely upon servicemen for the revenue whereby the canteen service is maintained. The demand is mainly for “non essentials” on which the spending-power of servicemen usually is limited by the same considerations as those of the average citizen. Until the profits from increased business widen the gap between gross profit and wages the Board necessarily will follow a conservative policy.

The minimum canteen staff is employed to meet the reasonable needs of the various Service establishments, but extreme difficulty has been experienced in maintaining the strength of canteen operatives to the bare minimum. Although their remuneration is fair, in many cases the availability of more congenial and remunerative work and the objection to performing constant night work causes discontent which leads to undue staff turnover with consequential adverse effects on efficiency and expenditure.

The responsibilities of the Board's executive staff have been particularly onerous during the financial year under review. The passage of the Armed Forces Canteens Act necessitated careful planning to carry out the intentions of the Act without disturbing the normal canteen operations. Much work was involved in the marshalling and valuation of stocks, the production of special financial statistics, the transfer of funds, and the adjustment of various activities and personnel to conform with future policy.

Mention must also be made of the efforts of various members of the canteen staff whose work has contributed substantially to maintaining a service highly valued by the Armed Forces.

To both the executive and operative staff I wish to extend thanks for their continued endeavours.

It is also appropriate in presenting this final annual report of the Canteen Board that I extend to all the Board's past members and staff appreciation of their services whereby canteens have functioned most satisfactorily.

As a result of their efforts the intentions of the Defence Canteen Emergency Regulations 1939 have been most commendably executed, not only in rendering a necessary and important service to the Armed Forces since 1939, but in returning for the benefit of servicemen a sum considerably in excess of £1,000,000.

T. L. MACDONALD, Minister of Defence.

CANTEEN BOARD

TRADING ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1949

Dr.	Per Cent.	£	s.	d.	Cr.	Per Cent.	£	s.	d.
Stock, 1st April, 1948 ..		60,694	7	0	Gross sales ..	100·00	171,426	13	3
Plus purchases ..		111,026	5	3					
		171,720	12	3					
Less stock on hand, 31st March, 1949 ..		26,841	8	3					
Cost of goods sold ..	84·51	144,879	4	0					
Gross profit transferred to Profit and Loss Account ..	15·49	26,547	9	3					
		£171,426	13	3			£171,426	13	3

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1949

<i>Dr.</i>	Per Cent.	£	s.	d.	<i>Cr.</i>	Per Cent.	£	s.	d.
Canteen salaries and wages	11.28	19,345	13	6	Gross profit transferred from Trading Account	15.49	26,547	9	3
Depreciation Account ..	0.08	134	5	4	Commission on shipments to Japan	0.09	155	11	10
Canteen freights, cartage, postages, and sundry expenses	1.69	2,937	12	6	Interest on investments	1.61	2,762	11	8
Administrative expenses	2.24	3,828	18	9	Profit on realization of assets	0.04	83	1	10
Net profit transferred to Appropriation Account	1.94	3,302	4	6					
	17.23	£29,548	14	7		17.23	£29,548	14	7

PROFIT AND LOSS APPROPRIATION ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1949

<i>Dr.</i>	£	s.	d.	<i>Cr.</i>	£	s.	d.
Transfers to Canteen Fund Board under section 32, Patriotic and Canteen Funds Act, 1947—				Balance brought forward ..	928,356	17	9
Cash	90,680	0	0	Sundry recovery	83	0	0
Investments (nominal value, £710,985)	708,868	1	7	Net profit from Profit and Loss Account	3,302	4	6
Freight and wages paid in respect of services rendered in previous years	4,683	17	10				
Distribution of profits to defence services	6,252	7	6				
Balance forward to next year ..	121,257	15	4				
	£931,742	2	3		£931,742	2	3

BALANCE-SHEET AS AT 31ST MARCH, 1949

<i>Liabilities</i>	£	s.	d.	<i>Assets</i>	£	s.	d.
Sundry creditors	8,406	16	1	Plant, equipment, furniture and fittings, less depreciation ..	1,166	11	2
Profit and Loss Appropriation Account	121,257	15	4	Stock on hand and in transit ..	26,841	8	3
				Sundry debtors	7,098	13	11
				Cash at bank, in hand, and in transit	94,557	18	1
	£129,664	11	5		£129,664	11	5

A. G. HEDGMAN, Secretary.

I hereby certify that the Balance-sheet and supporting accounts have been duly examined and compared with the relative books and documents submitted for audit, and correctly state the position as disclosed thereby.—J. P. RUTHERFORD, Controller and Auditor-General.

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