

The net profits—before deduction of income-tax—increased between 1914 and 1920 by an amount of £70,255, or 636 per cent. The rate of net profit on turnover was in 1920 nearly four times as great as in 1914.

As in the case of the general warehouses, this increased rate of net profit was secured as a result of (1) the higher rate of gross profit taken in 1920, and (2) the decrease in overhead expenses (excluding income-tax) relatively to turnover.

The substantial increase in the rate of gross profit has already been noticed. The decline in the percentage rate of overhead expenses is shown by the following figures :—

	Sales. £	Overhead Expenses (excluding Income-tax). £	Percentage.
Trading-year 1914	172,301	28,603	16·60
„ 1919	204,315	26,295	12·87
„ 1920	345,625	32,898	9·32

The overhead expenses, in absolute amount, were in 1920 only slightly in excess of the amount for 1914, while the 1919 figures were actually less than the 1914 expenses. This was doubtless brought about by the reduction in the quantity of goods handled in 1919 as compared with 1914. Relatively to sales, the rate of overhead expenses in 1920 was little more than half the rate in 1914. Income-taxes paid or payable by the firms in question for the three years under review were :—

	£
Trading-year 1914	587
„ 1919	13,515
„ 1920	30,463

While the deduction of this tax from the profits shown above materially reduced the profit figures, a substantial margin remained. The net profits, after allowing for the payment of income-tax and the rates of such net profits on turnover, were as follows :—

	Net Profit from Trading after Deduction of Income-tax. £	Percentage on Turnover.
Trading-year 1914	10,463	6·07
„ 1919	28,633	14·01
„ 1920	50,842	14·71

These figures indicate that in 1920, on the average, an absolute clear net profit of nearly 3s. was taken in respect of each £1 of sales, and that in total nearly five times as much net profit was taken in 1920 as in 1914. In addition to the net profits from trading shown above, the firms also secured incidental profits of a relatively small amount, which increased the absolute net profits to the following figures :—

	£
Trading-year 1914	10,688
„ 1919	29,071
„ 1920	52,116

The foregoing summarized results disclose a somewhat startling position ; but before making a more intensive analysis of the figures the profits in their relation to capital investment will be dealt with.

The following table shows (1) the gross capital investment, and (2) the reserves as at the end of the trading-years 1914, 1919, and 1920 :—

	Gross Capital. £	Reserves. £
Trading-year 1914	119,238	5,600
„ 1919	120,169	18,354
„ 1920	161,653	25,603

The totals of gross capital as shown above indicate, on the basis of values of assets as shown in traders' books, the total capital (including borrowed capital) actually employed in carrying on the trading operations. Any amounts invested outside the normal operations of the firms have been omitted from the totals.

The remarks in regard to the reserves of general warehouses apply equally in respect to the above-stated reserves of "tweed" firms.

The gross capital increased between 1914 and 1920 by an amount of £42,415, or 35 per cent. During the same period the sales increased, as previously mentioned, by just over 100 per cent. In 1914 the turnover was £172,301, or £144 per £100 of gross capital, whereas in 1920 the turnover was £345,625, or £214 per £100 of gross capital. This increase in turnover relative to capital was, of course, due to the rise in values of goods handled, and cannot be taken as an indication that a much greater quantity of goods was sold by businesses using only a slightly increased capital. In other words, the increase in turnover relative to capital is *not* in this case an indication of increased business efficiency and enterprise.

The total absolute net profits, after payment of income-tax, showed the following percentage relation to gross capital investment :—

	Percentage Net Profit to Gross Capital.
Trading-year 1914	9·71
„ 1919	23·60
„ 1920	31·52