

Treasurer's Report for year ended 30th September 2020

Ilmington Community Shop Limited

I am pleased to present my report on the shop and café financial performance for the year ended 30th September 2020.

Overall, this has been a very good year financially but with contrasting results between the shop and café. The effect of the Covid-19 lockdown, which came into force at the end of March, was to sharply increase the revenue through the shop, while at the same time reducing the café revenue to zero with the café being compulsorily closed. The shop revenue remained buoyant for the remainder of the financial year, while the café remained closed.

As required the accounts for the year ending 30th September 2020 have been reviewed by accountants David Cadwallader & Co Limited to provide an independent opinion. You will see their report on page 2 of the Annual Accounts.

Financial Highlights for the year

The following are the financial highlights for the year:

- Significant change to the trading position of the business. Profit before tax for the year was £22,391, an improvement of £42,625 compared to the previous year's loss of **-£20,234**.
- 61% increased revenue in the shop this year specifically from March 2020 onwards with year-on-year revenue increasing by £127,820, from £209,368 to £337,188.
- Café revenue showed a significant reduction for the year to £20,823 as a result of closure from March 2020 onwards. The café currently remains closed.
- Although overall margin has reduced this is due to the change in mix between the shop and café (the café has much higher margins than the shop). Improved margins from the shop in 2019/20 compared with the previous year. This is as a result of improved supplier and product management as well as reduced waste.
- During the first Covid-19 lockdown the Café Manager was retained by the business helped by the government furlough scheme. As there was little prospect of the café reopening in the immediate future, and with regret, the decision was made to make the Café Manager redundant. Jeanette Pepe, Café Manager left at the end of October 2020. All costs associated with this are included in the financial results.

- £19,200 government grants were received in the year. This was partly to support café wages (through furlough grants) and also from a one off £10,000 Covid-19 small business grant.
- Cash and Bank balances increased during the year from £20,098 to £58,602, a very sound cash position.
- Investment was made in the computer systems this year – replacing the computer and upgrading the software.

The table below summarises the performance:

Comparison 2020 v 2019				
	Year ended 30-09-20	Year ended 30-09-19	Variance	Comments
Turnover	358,011	269,508	88,503	
Gross Profit	100,294	90,641	9,653	
% gross margin	28.01%	33.63%		Reduction due to mix change between café and shop. Shop margin has increased in year
Overheads (incl. salaries)	-83,542	-89,929	6,387	Reduction in café salaries in second half
	16,752	712	16,040	
Depreciation	-16,123	-25,526	9,403	Lower as many assets reached end of life
Capital grant	2,160	2,160	0	
Government grants	19,502	0	19,502	Grants for furlough and one off £10,000
Donations / Other Income	100	2,420	-2,320	
Profit / Loss pre tax	22,391	-20,234	42,625	
Revenue analysis:				
Shop	337,188	209,368	127,820	
Café	20,823	60,140	-39,317	

Outlook for this year 2020/21

The current year has started very well with turnover to the end of January 2021 at £121,887, an increase of 39.9% compared to last year and 16.8% ahead of this year forecast. Our forecast for this year is that we will achieve a profit before tax of £13,169. This forecast currently includes no revenue from the café. We are hoping to reopen the café during this year, but we took decision to leave it out of the forecast until we know the timing.

The table below shows our projections for this year:

Forecast for year to 30-09-21		
	Year ended 30-09-21	Year ended 30-09-20
	Forecast	Actual
Turnover	297,618	358,011
Gross Profit	77,335	100,294
% gross margin	25.98%	28.01%
Overheads (incl. salaries)	-52,598	-84,171
	24,737	16,752
Depreciation	-13,728	-16,123
Capital grant	2,160	2,160
Government grants	0	19,502
Donations / Other Income	0	100
Profit / Loss pre tax	13,169	22,391
Revenue analysis:		
Shop	297,618	337,188
Café	0	20,823

Financial challenges for this year and next

Our financial challenges for the shop are to retain some of the higher levels of revenue that have been achieved during the lockdown and in doing so retain a financial return that facilitates the continued development of the shop.

Actions to support this include:

- To recreate a friendly social environment where customers want to shop and socialise as Covid-19 restrictions recede.
- To develop our marketing to and communication with our customers to allow them to feel part of the shop and café.



- To retain custom by communicating with customers as to the range of products we can supply and by identifying and responding to customers' changing requirements. To undertake appropriate supplier promotions to support our customers.
- To manage suppliers and products to effectively meet customer requirements while maintaining our margin levels.
- To continue to develop better reporting and working practices to manage the level of waste and reductions.

Our objective is also to reopen the café in a financially sustainable way, when we are able to do so. Our plans to achieve this are currently being developed based on the responses to our recent community survey.

Members are invited to

- Consider and vote on the Management Committees recommendation that Ilmington Community Shop Limited does not require the appointment of an auditor.
- Consider and raise any questions arising from this report.
- Approve the Annual Accounts for the year ended 30-09-2020.

Fiona Dakin

Treasurer

Ilmington Community Shop Limited