

TREASURER'S REPORT FOR YEAR ENDED 30TH SEPTEMBER 2022

Ilmington Community Shop

I am pleased to present my report on the shop and café financial performance for the year ended 30th September 2022.

Financially, this has been another good year with overall net profit achieved of £13,041; a reduction of £25,889 on the previous year's exceptional result of £38,930. As expected, the overall turnover decreased by £18,030 from £385,451 to £367,421 – a reduction in the shop of 10% partially offset by an increase in the café of 93% which resulted in an overall decreased margin of £3,055.

Administrative expenses increased by £22,832 from £76,965 to £99,797. The increase was mainly due to increased salary costs being the effect of the full year costs of the assistant manager.

As required the accounts for the year ending 30th September 2022 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

- Decrease in the trading position of the business. Profit before tax for the year was £13,041, a reduction of £25,889 compared to the previous year's profit of £38,930.
- Decreased revenue in the overall business compared to last year reducing from £385,451 to £367,421 (-4.7%). The decrease in shop sales was -10.4% offset by an increase in café sales 93.0%.
- Café revenue was almost double the previous year but this was due to the café being open all year compared to the 6 months of the previous year.
- The margin has decreased by £3,055 this year from £112,338 to £109,283, with the margin percentage increasing from 29.1% to 29.7%. Margins in the shop were under pressure during the year due to higher wastage and also increasing inflation. Increasing revenue from the café, with the much higher margins helped offset the reduced shop margins.
- Administrative expenses were significantly higher in the year increasing from £76,965 to £99,665. The increase was mainly salary resulting from the full year cost of the new assistant manager (from August 2021). Depreciation also increased due to the level of investment in the previous year. Savings were made in the year on professional fees.
- There was no corporation tax on our profit for the year due to the application of the Peterhead principle which can be used when you have a volunteer workforce. Over 6,000 volunteer hours were recorded in the financial year.



- There was continued investment in the business during the year with capital expenditure on a replacement freezer and a new vegetable chiller (£4,893) and a storage shed (£4,224). There was also a continued program of repairs and maintenance which included a replacement water heater in the café.
- Cash and Bank balances increased during the year by £7,343 from £103,436 to £110,779. This solid cash position has enabled us to continue investing both during this year and as a basis for future investment plans.

The table below summarises the performance:

Comparison 2020 v 2019				
	Year ended 30-09-22	Year ended 30-09-21	Variance	Comments
Turnover	367,421	385,451	-18,030	Decreased shop turnover partially offset by increased café and events turnover
Gross Profit	109,283	112,338	-3,055	Mix change with increased café margin
% gross margin	29.74%	29.14%		
Overheads (incl. salaries)	-81,699	-62,939	-18,760	The full year cost of the assistant manager
	27,584	49,399	-21,815	
Depreciation	-18,098	-14,026	-4,072	Increased investment in 2021
Capital grant	2,873	2,160	713	
Government grants	0	1,197	-1,197	
Donations / Other Income	682	200	482	Income from the farmers markets and supplier promotions
Profit / Loss pre tax	13,041	38,930	-25,889	
Revenue analysis				
Shop	326,099	364,034	-37,935	
Café & Events	41,322	21,417	19,905	

Outlook for this year

The current year has started well with turnover to the end of January 2023 of £121,392, a slight increase overall of 1.2% compared to last year. The pattern this year is expected to be that shop sales will be the same as last year with café sales increasing by about 17%. Shop sales remain significantly above pre-covid levels with weekly shop sales for this year running 55% ahead of pre covid levels.



Our forecast for this year is that we will achieve a profit before tax of £14,687 which is an increase of £1,646 on last year. The reasons for this increase are improved overall margins due to the forecast café sales. There are some forecast pressures forecast on overheads. A significant increase has been agreed on salaries. We have been fortunate in securing a 3-year electricity contract before much of the current increase in prices and which lasts to September 2024. We forecast no overall increase in overheads, excluding salaries, as savings forecast will offset increases.

Our cash position will remain strong and we anticipate continued investment in the business this year.

The table below shows our projections for this year.

Projections for 2023			
	Forecast for year ended 30/09/23	Actual year ended 30/09/22	Actual year to 31/01/23 (4 months)
	Forecast	Actual	Actual
Turnover	374,577	367,421	121,392
Gross Profit	114,883	109,283	36,083
% Gross Profit	30.67	29.74	29.72
Overheads (incl salaries)	-85,518	-81,699	-26,021
Earnings before depreciation and Other Income (EBITDA)	29,365	27,584	10,062
Depreciation	-18,000	-18,098	-6,000
Capital Grant	3,136	2,873	1,040
Donations & Other Income	186	682	200
Profit before tax	14,687	13,041	5,302
Revenue Analysis Shop	326,088	326,099	108,184
Café & Events	48,489	41,322	13,209

Financial challenges for this year and next

Our financial challenges for the shop are to continue 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

- Retaining 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
- Managing suppliers and products to effectively meet customer requirements while maintaining our margin levels.



- Continue to develop better reporting and working practices to manage the level of waste and reductions.
- Continue to manage the café and its overall direction in a financially sustainable way.
- Continue to develop events that provide benefit and enjoyment to the local community as well as being financially sustainable.
- Continue to engage with the local community to promote and develop the benefits of the community shop and café and make it an enjoyable place to visit. In doing so continue to achieve the longer-term financial sustainability of the business.

Members are invited to:

- Consider and vote on the Management Committee's recommendation that Ilmington Community Shop Limited does not require the appointment of an auditor
- Consider and raise any questions arising from the report and forecasts.
- Approve the Annual Accounts for the year ended 30-09-2022

Fiona Dakin
Treasurer – Ilmington Community Shop Limited