

Treasurer's Report for year ended 30th September 2023

Ilmington Community Shop

I am pleased to present my report on the shop and café financial performance for the year ended 30th September 2023

Financially, this has been another good year with overall net profit achieved of £20387; an increase of £7346 on the previous years net profit of £13041. The overall turnover increased by £20961 (5.7%) from £367421 to £388382 – a significant increase in the cafe of 31% and a modest increase in the shop of 2.4%. Margin increased by £10546 (9.65%) from £109283 to £119829 due to the increased portion of café sales in the mix. Administrative expenses increased by £2980 (2.98%) from £99797 to £102777. Increased salary costs, in line with inflation, were offset by a reduction in none salary costs of £1495.

As required the accounts for the year ending 30th September 2023 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

- Increase in the trading position of the business. Profit before tax for the year was £20387, an increase of £7346 compared to the previous year's profit of £13041.
- Increase in revenue in the overall business compared to last year increasing from £367421 to £388382 (+5.7%). There was a significant increase in cafe sales of 31% and a more modest increase of 2.4% in shop sales.
- Shop revenue continues to be higher than pre-pandemic levels of 2019 but in real terms is showing a modest contraction from year to year when inflation is factored in. This is in line with expectations.
- Café revenue continues to show impressive growth year on year of 31% as it re-establishes itself following a year of closedown during the pandemic. This is particularly pleasing given the decision in 2021 to move from paid staff to volunteers and a more limited menu.
- The margin has increased by £10546 this year from £109283 to £119829, with the margin percentage increasing from 29.1% to 29.7%. The change in the margin is almost entirely due to the increasing café revenue within the mix.
- Administrative expenses were £2980 higher in the year increasing from £99665 to £102777. Salary related increases, in line with inflation, were offset by a reduction in none salary overheads of £1492. Savings were made in coffee machine hire and also telephone / internet costs.
- 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 6000 volunteer hours were recorded in the financial year.

- There was continued investment in the business during the year with capital expenditure of £5816 made on the Coronation Terrace, Artex tiles on the café roof to reduce noise and a new notice board. There was also a continued program of repairs and maintenance.
- Cash and Bank balances increased during the year by £30467 from £110779 to £141246. 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 2023 v 2022				
	Year ended 30/09/2023	Year ended 30/09/2022	Variance	Comments
Turnover	388382	367421	20961	Large increase in café revenue
Gross Profit	119829	109283	10546	Increase due to higher proportion of café margin
% Gross Profit	30.85	29.74		
Overheads (including salaries)	-84897	-81699	-3198	Reductions in none salary related overheads
Earnings before depreciation and Other Income (EBITDA)	34932	27584	7348	
Depreciation	-17880	-18098	218	
Capital Grant	3135	2873	262	
Donations & Other Income	200	682	-482	Income from farmers market and supplier promotions
Profit before tax	20387	13041	7346	
Revenue Analysis				
Shop	334141	326099	8042	
Café & Events	54241	41322	12919	

Outlook for 2023-24

The current year turnover shows a similar pattern to last year; shop revenue is showing some reduction while café revenue continues to increase compared to last year and against this year's forecasts. The higher-level café sales have the effect of increasing the margin year on year. Shop sales however remain significantly above pre-covid levels.

Our forecast for this year is that we will achieve a profit before tax of £22471 which is an increase of £2024 on last year. The reasons for this increase are improved overall margins due to the forecast café sales. Overheads are expected to be £4471 higher this year than last year. There will be some increases in non-salary overheads but we continue to look for savings where possible and continue to benefit from a fixed electricity contract which lasts to September 2024.

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

The table below shows our projections for this year.

Projections for 2024					
	Forecast for year ended 30/09/24	Actual year ended 30/09/23	Forecast for year to 31/12/2023	Actual year to 31/12/2022 (3 months)	Actual year to 31/12/23 (3 months)
	Forecast	Actual	Forecast	Actual	Actual
Turnover	407801	388382	100536	95579	96760
Gross Profit	127859	119829	29293	27983	29731
% Gross Profit	31.35	30.85	29.14	29.28	30.73
Overheads (incl salaries)	-89368	-84897	-21832	-18985	-21308
Earnings before depreciation and Other Income (EBITDA)	38491	34932	7461	8998	8423
Depreciation	-19320	-17880	-4830	-4500	-4650
Capital Grant & other income	3300	3335	825	980	936
Profit before tax	22471	20387	3456	5478	4709
Revenue Analysis					
Shop	350848	334141	90308	86007	84816
Café & Events	56953	54241	10051	9572	11944

Financial challenges for this year and next

Our financial challenges for the community shop and café 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 business.

Actions to support this include

- To retain custom and encourage increased custom by communicating with customers as to the range of products we can supply and by identifying and responding to customers changing / specific requirements. To undertake appropriate supplier promotions.
- 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.
- 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 review and manage the non-salary overheads. Plan for a new electricity contract for next year.

- 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.
- Continue to and enhance support for the volunteers who do so much for the Community Shop and Café.

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 the report and forecasts.
- Approve the Annual Accounts for the year ended 30-09-2023

Fiona Dakin

Treasurer – Ilmington Community Shop Limited