UPPER TWEED COMMUNITY ENTERPRISE LTD

CHAIRMAN’S REPORT AND TREASURER’S REPORT FOR THE FIRST ANNUAL MEMBERS MEETING (AMM)

TUESDAY 18TH AUGUST 2020

**CHAIRMAN’S REPORT**

Our first AMM was scheduled for mid-March 2020, when lock-down was imminent, so it was cancelled. Under FCA rules we were due to have the meeting by the end of June, but all Community Benefit Societies have been granted an automatic extension of three months. Your committee has been busy trying to keep the shop running effectively under the exceptional cocktail of circumstances presented to us by Covid-19, so I hope you will excuse us for leaving the necessary but routine business of the AMM until quieter times.

This Chairman’s report should only really cover events up until the end of December 2019, the end of our first financial year (this has now been moved to the end of March, so the second AMM will be between April-September 2021). But since March we have experienced maybe the most extraordinary upheaval of our way of life in peacetime, and it would perverse to ignore recent events entirely.

Broughton’s community shop was conceived on 15th March 2018, when the previous owner closed the business and put the premises on the market. It took slightly less than a year to raise sufficient funds, principally from the Scottish Land Fund (£90,000) and shares (£66,000 from about 250 shareholders) to enable purchase, refurbishment, staffing, and stocking of the new community enterprise. Along the way we transformed from the nascent Broughton Shop Development Group into a fully-fledged Community Benefit Society: Upper Tweed Community Enterprise Ltd. Smaller grants from our local wind farms and other organisations provided the lever by which the larger grants were obtained, but pivotal to our early success was the enormous level of community support. I knew from the moment that well over 200 people crowded into the village hall for our first public meeting that we had a first class case to present to the funding authorities.

The new shop finally opened on 22nd June 2019 under the management of Jen McBeth. It traded strongly from the start, despite continuous challenges setting up supplier deliveries. Frustratingly we had to revert temporarily to the village hall for newspaper collection but the wholesalers were finally brought to heel in about September. We had many suggestions for items to stock, most of which were fulfilled in due time. The treasurer’s report notes a loss over the first six months to the end of the financial year, which is why it is reassuring to note that over the subsequent six months trading levels have almost doubled and the shop is now keeping its head above water. The pandemic brought a huge swell in business, coupled with a dramatic expansion of stock, which means that as well as essentials you can now buy things in Broughton that are not available in any of our local supermarkets. UTCE Ltd received a number of Covid-related grants and bought a Fiat van to assist with supplies. We introduced account cards which have been a great success.

The shop management committee meets monthly to assess progress, look at the figures, and address any concerns. The meeting minutes are published under UTCE Ltd on the shop website <http://broughtonvillagestore.co.uk/>. Full contact details are available on the website – if anyone has any concerns they would like to address please let us know as soon as possible. In the meantime I commend to you the resolutions in the AMM agenda and hope these receive your full support.

It only remains for me to thank the shop staff for their dedicated service and for the large amount of work done by the Management Committee over the lifetime of this project.

***Christopher Lambton***

**TREASURER’S REPORT**

**Broughton Village Store - First 6 months trading to 31 December 2019**

* The accounts (please download separately) cover all Income and Expenditure for the shop as a trading entity and are separate from pre-trading costs – i.e. capital expenditure – fridges, point of sale terminal all the way through to refurbishment costs.
* Total sales are £108K or on average £18K per month.
* Cost of sales – i.e. purchases are £93K.
* Add on closing stock (we had no opening stock) and we have a Gross profit of £23K
* Expenditure (Salaries and admin expenses) totals £50K.
* Salaries, including NI & Tax have been higher than estimated at £33K rather than the £23K forecast
* Operating Loss of £15K is noted.

**Notes to Balance Sheet**

* Shop is ‘Heritable Property’ with SLF grant funding noted
* Net Worth of £50K evidenced
* Note 5 – once shop is re-valued, we can increase net worth by at least £70K as per accountant’s advice.

**Comments**

* Whilst the shop opened in June 2019, it did not provide the full range that it does now.
* Pre-trading costs are now no more. Cap-expenditure in the last 4/5 months has been minimal and out of necessity.
* Shareholder Cash Reserves are £37K as at 18 August 2020.
* Shop account balance trades in credit i.e. we have no bank borrowings.
* Pricing is reviewed constantly to ensure that the shop remains attractive to all, but covers the higher costs that we have, being a smaller/more rural entity.
* UTCE Ltd committee plus Jen McBeth & Helen Kinstry, meet on a monthly basis to review performance and address any issues.

**So why the loss?**

* Staff salaries accounted for circa 75% of expenditure.
* This was circa 50% more than forecast.
* All staff are now fully trained up.
* Staff costs will always remain the major outgoing but are now manageable.

**Performance for the first 6 months of 2020**

* January and February 2020 saw average sales of £20K.
* With Covid-19 sales rose dramatically with March to July 2020 averaging £35K
* In short, huge support and effort from the staff and the community.
* Used van bought to manage picking up supplies and deliveries.
* Shop attracted £22.5K in grants from 3 sources YTD (£10K direct to shareholder account)
* Projections for July to December 2020 provided.
* It is hoped that support and therefore sales will remain at levels seen in H1 2020. Difficult to predict with ongoing Covid-19 issues.
* Sales estimated to be £398K for 2020

Estimated Gross Profit of £29K and a Net Profit of £2.5K

**Appointment of Auditors**

* We appointed Charles Gray & Co Accountants to assist us with the accounts, payroll, NIC and pension. This has been invaluable and Charles and his team have provided excellent support knowing that this is a community effort.
* That said, UTCE’s governing rules state that we ask the AMM whether or not we wish to appoint an independent auditor. This would take time and give rise to extra fees, so your management committee recommends that on the basis that we are already employing a professional accountant the society should exercise its right (under the Community Benefit Societies Act 2014) NOT to appoint an auditor. This is listed as a resolution under the agenda.

**Change of Financial Year-end**

* We approached the FCA to move the year-end to end March rather than end December as not ideal for stock taking etc.
* FCA agreed, but we did need to provide accounts for the first 6 months trading.

**Plans for the forthcoming year**

* ‘Steady progress and develop the shops offering’ was the motto early 2020
* With Covid-19 it became clear very quickly that the re-opening of the shop could not have been more timely.
* Providing a comprehensive array of products from fresh produce to staples to fine wines and cheeses has been hugely successful. This will continue to be developed
* Retain staff
* Continue to encourage customer feedback
* Consider further grant options for revenue and capital purposes as and when.
* Seek new committee members to assist either on specific projects, ad-hoc or on a more involved basis.

***Donald Stewart***