

**UPPER TWEED COMMUNITY ENTERPRISE LTD**  
**CHAIRMAN'S REPORT AND TREASURER'S REPORT FOR THE THIRD**  
**ANNUAL MEMBERS' MEETING (AMM)**  
**THURSDAY 15<sup>TH</sup> SEPTEMBER 2022**

**CHAIRMAN'S REPORT**

The previous (second) Chairman's report covered the period from the end of December 2019 until the end of March 2021 to accommodate a change in our financial year end. This report therefore covers the standard period of a year from April 1<sup>st</sup> 2021 until March 31<sup>st</sup> 2022.

Although most of the period in question falls within various phases of the Covid pandemic, I am delighted that this third Annual Members' Meeting is in fact our first in person meeting since our first public meetings and share launch in 2018-19.

The trading year 2021-22 was dominated, as was the previous year, by the Covid crisis, but thankfully as the year progressed we gradually returned to some sense of normality as masks were dropped and restrictions on those allowed in the shop were lifted. In common with other retail and hospitality businesses, certain Covid precautions, such as the availability of hand sanitizer and Perspex screens at the till, were retained as sensible measures for public health.

We continue to do local deliveries for those unable or unwilling to come into a busy shop. We have also retained the Broughton Village Store welfare fund, set up at the height of the pandemic, which is available in the form of free groceries to those who are struggling to meet bills. The Welfare Fund is supported by individuals who make entirely voluntary contributions, some occasionally, and others on a regular basis. We are grateful to those who contribute – please get in touch if you would like to help out. Although the Welfare Fund has not made many payments over the last six months, we do expect more claims to be made this coming winter.

I'll let Donald talk you through the accounts in detail, but the financial position is sound – we have traded at a modest profit over the twelve month period without the benefit of any revenue grant funding (though we have received some capital grants). We have largely held onto the extra business that came our way with the Covid-19 pandemic but we are by no means complacent. We recognize that a village shop is by its nature a vital social hub, information exchange, and a lifeline for those without transport, but all of these attributes are just hot air if the shop does not have a strong and sustainable trading position.

**THE PLAN FOR EXPANSION**

When Broughton Village Store reopened in June 2019 as a Community-owned Shop, it was always envisaged that at some point the fabric of the shop would require some serious improvement. The building acquired by Upper Tweed Community Enterprise Ltd is wind and

watertight, but the rear extension is of primitive construction and the garden boasts a collection of multi-level concrete and timber sheds linked by an uneven set of concrete steps. There is no insulation and few concessions to the safety or comfort of staff having to carry shop produce up and down icy steps with no handrail.

After purchase, the Board of UTCE Ltd decided to put these significant shortfalls to one side in order to reopen the shop as quickly as possible, as every day that passed without a village shop eroded the future viability of the enterprise. That said, there was a massive voluntary effort to refurbish the shop's interior to create a new and welcoming environment for customers.

The new shop quietly picked up trade for the first 8 months after opening, but the otherwise unwelcome arrival of Covid-19 in early 2020 had a transformative effect on sales, which practically doubled overnight, from about £19,000 monthly to £37,000. The range of goods rapidly expanded, especially fresh fruit, meat, and vegetables. Volunteers scoured the country for elusive loo roll and with additional voluntary support we started deliveries of essentials to isolating households. Soon we had acquired a van.

As the pressures of the pandemic eased, the shop successfully retained and built on the enhanced level of sales. The Board of UTCE decided that this would be a good moment to establish the feasibility of digging out the steeply sloping garden and extending the shop into the space behind. Quite apart from the commercial imperative, it was considered vital to address staff safety issues as soon as possible. With the generous support of SSE's Clyde Borders Wind Farm we were able to employ an architect, engineer, and quantity surveyor. Drawings subsequently produced showed a much-enlarged shop, with a manager's office, staff toilet, and stockroom all under cover on one level. Planning permission was granted.

But there was much work still to do. Board members negotiated diplomatically with up to eight close neighbours to get access to the garden for machinery. It was soon apparent that the shop could not possibly trade while the extension was being built, so the Board sought alternative locations for a temporary shop. After some discussion, the Management Committee of the Village Hall kindly agreed that the shop could occupy the currently vacant cottage annexed to the south end of the hall, but this too would require some minor modifications to make a serviceable retail space. Once again SSE stepped in with a generous grant not only to enable plans to be drawn up and permissions sought, but to pay for the work itself.

This is where we find ourselves now: almost all permissions are in place and work should begin on the Village Hall cottage within a couple of months. At the same time we will begin the all important fundraising for the main work on the shop, which is expected to cost around £240,000. Part of this will be the much anticipated second share issue, which we will discuss later this evening after the formal business of the AMM is completed.

### **ELECTION OF THE UTCE BOARD**

The existing Board members include myself (Chairman); Simon Edwards (Secretary); Donald Stewart (Treasurer); Bill Sheridan (elected at last year's AMM); Camilla Younger (elected at

last year's AMM); and Jen McBeth (in her capacity as shop manager). Inasmuch as there are any defined roles within the Board structure, Bill has taken charge of the practical aspects of the building work associate with the expansion, and Camilla has acted as our liaison with the committee of the Village Hall. All Board members are willing to stand for re-election. There has been so much to discuss to do with the expansion plans that the entire Board now meets monthly, effectively incorporating the monthly meeting of the shop management committee.

The Board 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 UTCE Board over the lifetime of this project.

***Christopher Lambton***

## **TREASURER'S REPORT**

### **Third trading period for 12mths from 1 April 2021 to 31 March 2022**

- Firstly, please note the figures for the financial year-ended are for 12mths trading, whereas the previous financial year-end figures were for 15mths trading.
- Total sales were £380K
- Cost of sales – i.e. purchases were £287K
- Stock levels have slightly risen from £23K to £27K
- Gross profit is £97K
- Expenditure (Salaries and admin expenses) totals £98K.
- Add in donations of £2K
- Net Profit after tax is £422

### **Comments on Trading**

- Sales continue to be strong at an average of £31K per month
- Some slippage in Turnover was anticipated as Covid-19 restrictions eased. However, monthly sales are actually up from previous trading period (£30K per month).
- Cost of sales remains key, and increases in purchase costs is a trend we have been noticing since summer 2021, but has been more widely documented in the last 6mths.
- That said margins on sales once all costs have been taken into consideration show that the shop has seen a minimal reduction here (some 2% back at 25%).
- Whilst a small net profit is shown, we are all very much pleased with this, given the inflationary pressures we have been facing from all quarters for a prolonged period.

### **Notes to Balance Sheet**

- Net Assets - £83K
- Cash balances are £85K
- The Shop continues to be classed as 'Heritable Property' and valued at £3.5K with SLF grant funding noted. Note 5 in the accounts explains further but realistically property is worth at least £70K. (Again, the plan is to revalue the shop once the extension is concluded)
- Creditors – Amounts falling due after more than one Year. Bounce-back Loan - balance outstanding of £21K (Original drawn balance was £27K).

### **General comments**

- The shop has once again continued to trade throughout the pandemic without interruption. 'Shop local' has continued to resonate.
- Welfare Funds – Since summer 2020, the shop has wanted to ensure that we helped anyone, or family within our pre-defined catchment area, that was financially disadvantaged from the lockdown. So far, £3,512 has been provided to assist families and individuals. Funds continue to be credited to the Treasurers account, (separate from the shop trading account), and shop costs are re-imbursed once assistance provided. This act has not only helped those in difficulty but continues to be exceptionally well received by our funding partners. Furthermore, we expect with the increase in utility costs that the fund will be provide much needed assistance especially over the winter period.
- Cash balances – just to highlight that whilst this may appear significant for the shop at £85K, circa £15K is to assist with shop cashflow, with the remainder a combination of welfare funds, grant monies (allocated to shop extension plans) and shareholder funds.

### **Grants**

- The 12mths to 31 March was a much quieter period in terms of grant applications than previous with one grant submitted and approved.
- A grant of £17.7K was drawn in April 2021 (again SSE Clyde Wind Farm Fund), but is not reflected on the P&L, again as per accountant's advice. This grant was for a mixture of capital costs, (improvements to the shop), with the majority allocated to the professional fees associated to shop extension costs, and has been fully utilised.
- As an aside, a further grant of £41K was approved from SSE Clyde Wind Farm Fund, but not drawn until June 2022. These funds are being used with respect to professional fees associated with the Broughton Hall Cottage and the expected refurbishment costs. This grant is not reflected in the accounts due to being drawn after year-end.

### **Appointment of Auditors**

Charles Gray & Co Accountants continue to assist us with the accounts, vat returns, payroll, NIC and pension. This continues to be invaluable, and Charles and his team have provided excellent support knowing that this is a community effort.

Again, the rules that we need to follow do ask that we present to the audience tonight the option as to whether or not an independent auditor should also be appointed. If this is required, then we would need to have the auditor's details confirmed, and what their fees will be to audit the books. That said, we would like to exercise the Society's option under the Community Benefit Societies Act 2014 not to appoint an auditor.

So quite simply....can I ask for your support by way of a show of hands.

**Plans for the forthcoming year**

- Keep the sales steady and maintain/improve margins where possible.
- Proceed with grant applications when appropriate, and 2<sup>nd</sup> shareholder round
- Ensure trading performance from hall cottage is managed with as little disruption to sales as possible.
- Oversee from a financial perspective the funding of the, Broughton Hall Cottage refurbishment, and further down the line, shop extension costs.
- Retain staff / ensure employee well-being

***Donald Stewart***