



*At the Heart of Stoke St Gregory*

## **Treasurer's Annual Report 01 February 2020 to 31 March 2021**

Well.

That was an interesting 18 months.

Two acquisitions, a major refurbishment, trading out of a sea container, aligning multiple systems and getting to grips with the arcaneries of double-entry book-keeping. All done by volunteers in the middle of a pandemic.

From a Treasury point of view the 14 months from February 2020 to March 2021 broke down into five main areas:

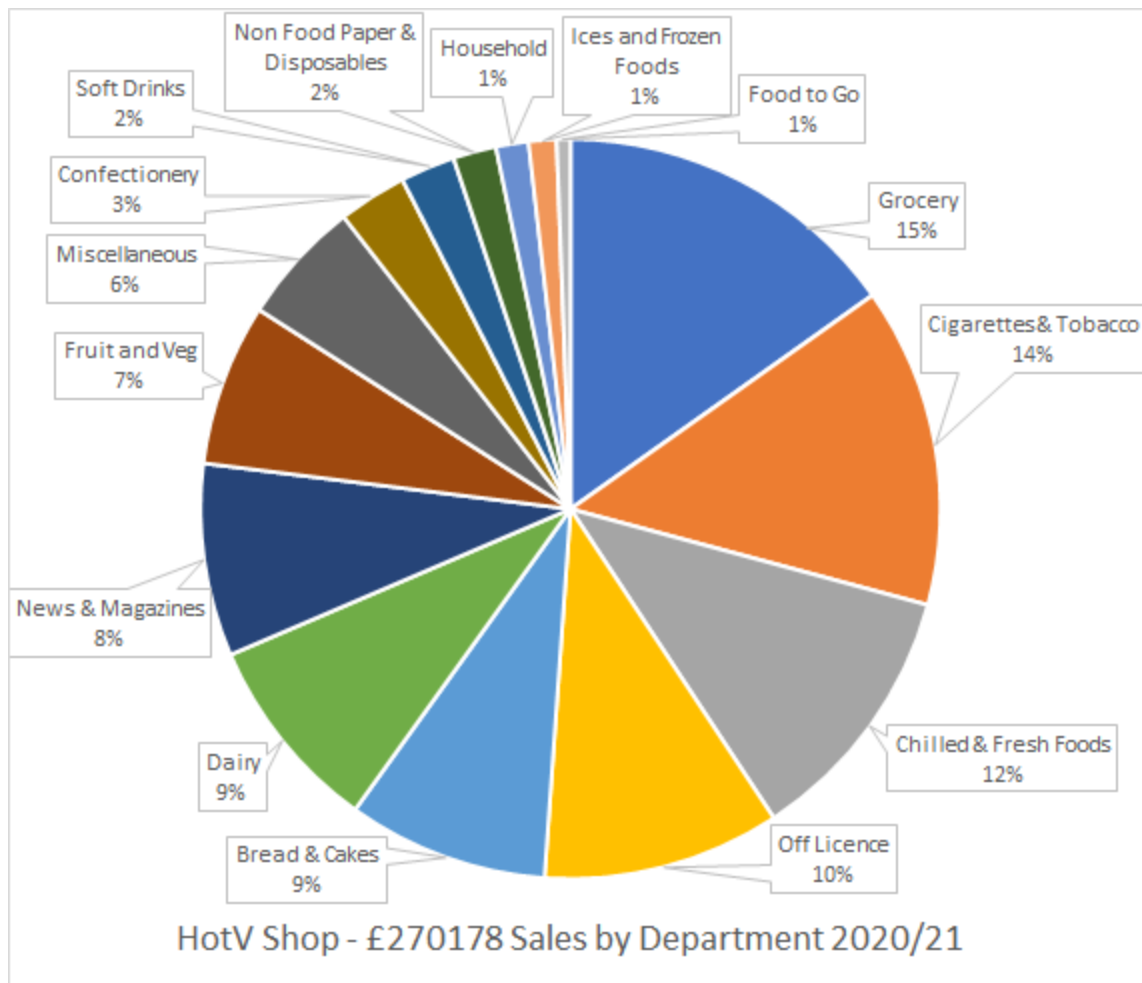
- **February and March 2020** – major push on fund-raising from shareholders and donators. This was spear-headed by John and others and successfully grew the shareholder funds from £149.4K to over £200K in these two months. This then triggered the access to grants, loans and mortgages. The writer thanks the team that made it happen
- **17 March 2020 to 30 May 2020** – as COVID broke, plans were well advanced to acquire the fixtures, fittings, stock and goodwill of The Village Stores (TVS) on 1 April 2020. TVS was operating out of the Shop in a Box (SIAB) which Heart of the Village (HotV) took over. The reality was that the card payment system and supplier accounts did not transfer over to HotV immediately and ultimately would not for a further two months. A rapid process and effective system of co-ordination and reconciliation had to be put in place whereby TVS continued to take card payments, do PayPoint transactions and pay certain key suppliers on behalf of HotV. My thanks to Ian Upshall for his patience and goodwill in supporting this transition, without which we would have struggled to trade effectively
- **31 May 2020 to 29 November 2020** – using two sales recording systems in the shop and coming to terms with a new accounting system required primarily for digital VAT returns. Of which more later
- **June to August 2020** – banks and lenders – mostly handled by Graham and revision of the business plan/budget to take account of the pandemic. Monitoring of the refurbishment costs
- **30 November to 31 March 2021** – move of shop into refurbished Royal Oak and switch to the full new EPOS system, turning off the old system

Accompanying this report are the signed off Profit & Loss and Balance Sheet which have been extensively reviewed and agreed by our accountants AC Mole. As a Community Benefit Society, we took advantage of the option to disapply the requirement to have a full audit although in this first year of operation. Considering the complexities of the new business and that we are a volunteer organisation, we have welcomed the active support and guidance of our accountants over and above what they were required to do. My comments and notes are on the following pages.

## PROFIT AND LOSS

### **Sales, Cost of Sales and Shop Operational Costs**

Although this report covers 14 months for the first and only time, our trading started on 1 April. Subsequent years will be 12 months from 1 April to 31 March. The only activity trading during the year was The Shop. I am pleased to report that sales, excluding VAT, for the year were in excess of £270,000 ex VAT – an excellent result considering the constraints of COVID – due primarily to Carolyn and Jo and their selection of product to sell and customer service. Below is a breakdown of the value of what we sold by main category/department.



The detailed breakdown is included in an appendix to this report, but it is interesting to note that chilled/fresh, bread/cakes, dairy and fruit&veg together account for some 37% of sales by value which reflects the focus on providing fresh foods to the community.

In terms of weekly sales, during the period April to November, they averaged around £4500 whilst trading within the constraints of SIAB and since the move into the Royal Oak they average, and continue to average, around £6600.

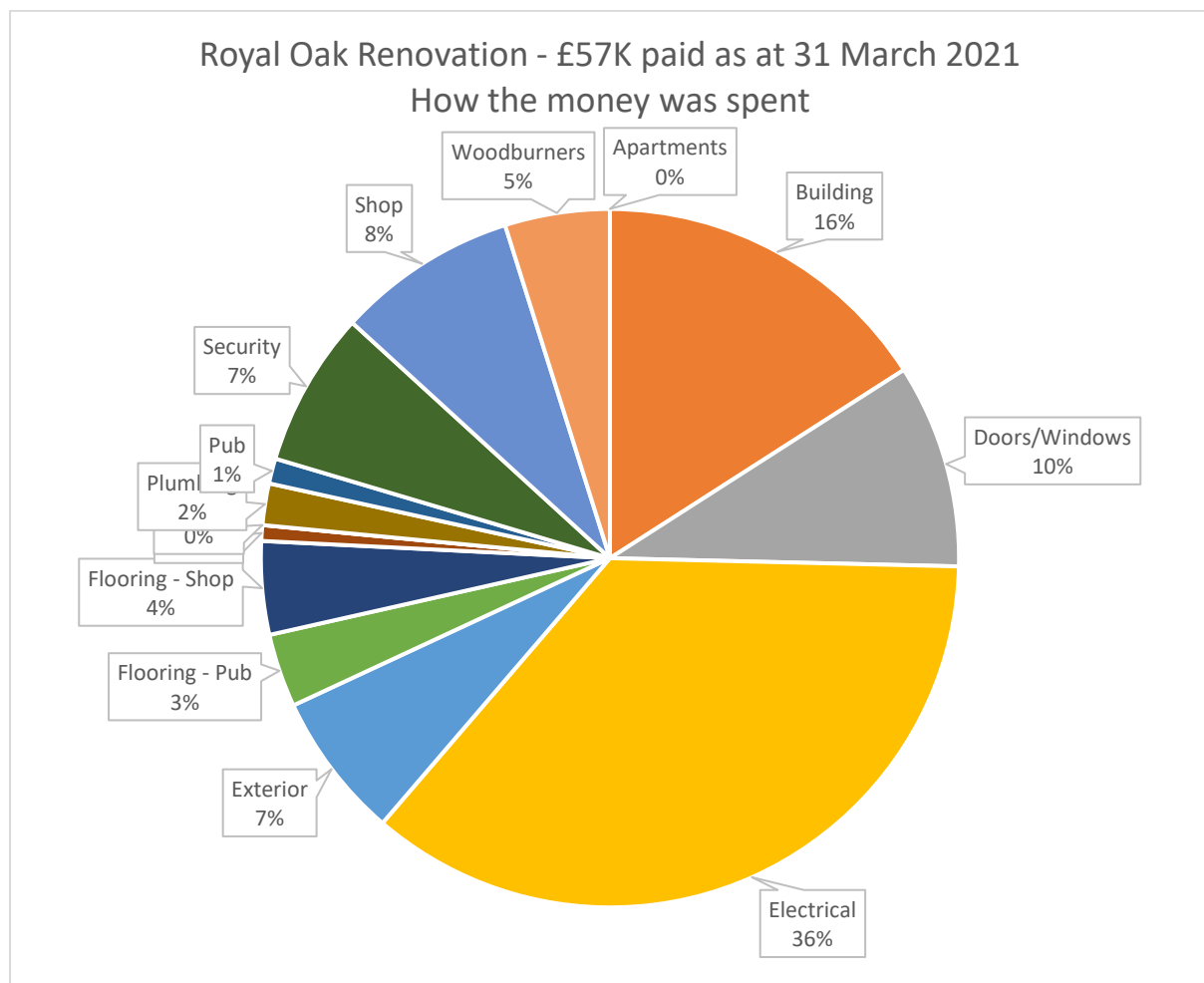
In addition, we processed over £37.7K of customers' PayPoint transactions for utility bills, council tax, phone top-ups during the year. We make a minimal net income from this – no more than £150 in the year, but it is an essential service to the community which provides an opportunity to visit the shop.

Cost of sales – ie goods from suppliers for resale to customers – were just under £198.0K for the year. This yielded a gross profit of £72.5K, representing a margin of 26.8%. This is less than some previous reported figures for gross margin – more of which later.

Direct administrative costs were £73.5K, of which £51.3K were wages and pensions. These and other running costs were in line with expectations. This means at a Shop operational level there was a loss of just under £1K. For comparison, in our revised budget/plan of July 2020, we were forecasting a loss of £8.3K. A copy of the comparison is attached to this report.

**Set-Up Costs**

Of course, there were exceptional set up costs in the year. Taking the advice of our accountants, £24.4K of building repairs and maintenance has been allocated to the profit & loss account, but off-set by the release of £25.0K of capital grants from the balance sheet. In all, in addition to the purchase of The Village Stores’ fixtures, fittings and goodwill, and of course The Royal Oak itself, we spent £57K in the year on refurbishments, new plant and equipment. It is recognised that this figure would have been significantly higher were it not for the dedication of the army of volunteers who gave of their time for free and made it happen.



A detailed breakdown is included as an appendix. It shows not just what was spent last financial year, but also to August 2021 and commitments made to remaining capital/refurbishment costs. From April to August we spent a further £25K with a potential for £12.7K on top of that for completion of “Phase 2” works. Note the cost of electrical works – a combination of refurbishment

and upgrading across the whole premises. All in all, at time of writing we have spent or committed over £94K in getting the project to where it needs to be today.

### ***Other one-off costs***

There were also further exceptional costs of £5.5K (eg support during April to June before PayPoint was activated, re-valuation of the Oak).

This means the loss before interest, tax, depreciation, and amortisation is £2.5K.

Depreciation and amortisation accounted for £6.7K and interest paid on bank loans was £7.6K, plus one-off set-up fees for bank loans of £2.7K.

This means our loss before (and after) tax is £19.5K for the fourteen-month period. This compares favourably with our budget/plan which was forecasting a loss of £26.8K

### **BALANCE SHEET**

On the balance sheet side, we had £397.7K of fixed assets and net current assets of £60.9K (basically the cash in bank and stock held less short-term creditors such as accruals and loan repayments due within the next year). The remaining capital grants held as deferred income after release of funds for the refurbishments stood at £77.4K (this is a technical treatment of grants – we do not owe this – they have been given to us provided we complete the project) and bank loans/mortgage at £210.9K meaning we had repaid £5.7K of capital.

Shareholder investments rose from £149.4K at 31 January 2020 to £207.7K by 31 March 2021, the bulk of which was raised in the two months before the shop went operational. This meant the capital and reserves, after charging the loss in the profit and loss account stood at £187.9K.

### **UP ON THE ROOF...**

One development I am particularly pleased to have been involved with is putting Solar PV panels on the roof of the pub. Although these have just been installed (*updated 7 November 2021*), the bulk of the leg work to get these in place, and funded, took place in the last financial year. I wish to thank all of the Parish Council for their active support in obtaining funding from Somerset Council's Climate Emergency Fund to the tune of £15K which will allow us to install a 22kWp array. After wages and loan repayments, electricity costs were set to be our third biggest expense, especially with current well publicised increases. We estimate they could cover up to 25% of our electricity demand – saving us money as well as doing our bit for the planet.

### **NOTE ON SYSTEMS AND PROCESSES**

In the p&l, you may have noticed that the cost of sales has increased compared to some previous drafts. This occurred because, while checking the balance sheet, we had to go back and look at the cash paid from till to Booker and other suppliers.

The work we and AC Mole undertook to correct the aged receivables highlighted that some £14K of supplier payments - mainly between June and December but also the last three weeks of March – had not been properly recorded in Xero and therefore in earlier drafts the gross profit had been overstated.

Fixing this has been the main reason the publication of the accounts was delayed, for which I profusely apologise to Members. Although getting to grips with a new (to all of us) accountancy system was a significant factor, the root cause has been the reliance on, and habit of, paying in excess of £1K a week in cash to suppliers. As many of you know, I have never felt comfortable with this, but recognised that it was a necessary evil in the past year due to circumstances. I can assure Members that as a matter of urgency the whole process of paying of cash from the till will be reviewed to ensure these anomalies are kept to a minimum in future.

### **THANKS**

In addition to those already mentioned above, I would like to thank Rachael House, especially for her work on the annual stocktake and Sally Taylor for the book-keeping and trying to keep us on the straight and narrow. Also my colleagues on the Management Committee for their support, particularly over the last weeks as we grappled with the accounts.

And, of course, my dear wife, who has put up with a lot over the last 18 months including finding paperwork strewn everywhere and my random shouting at the laptop.

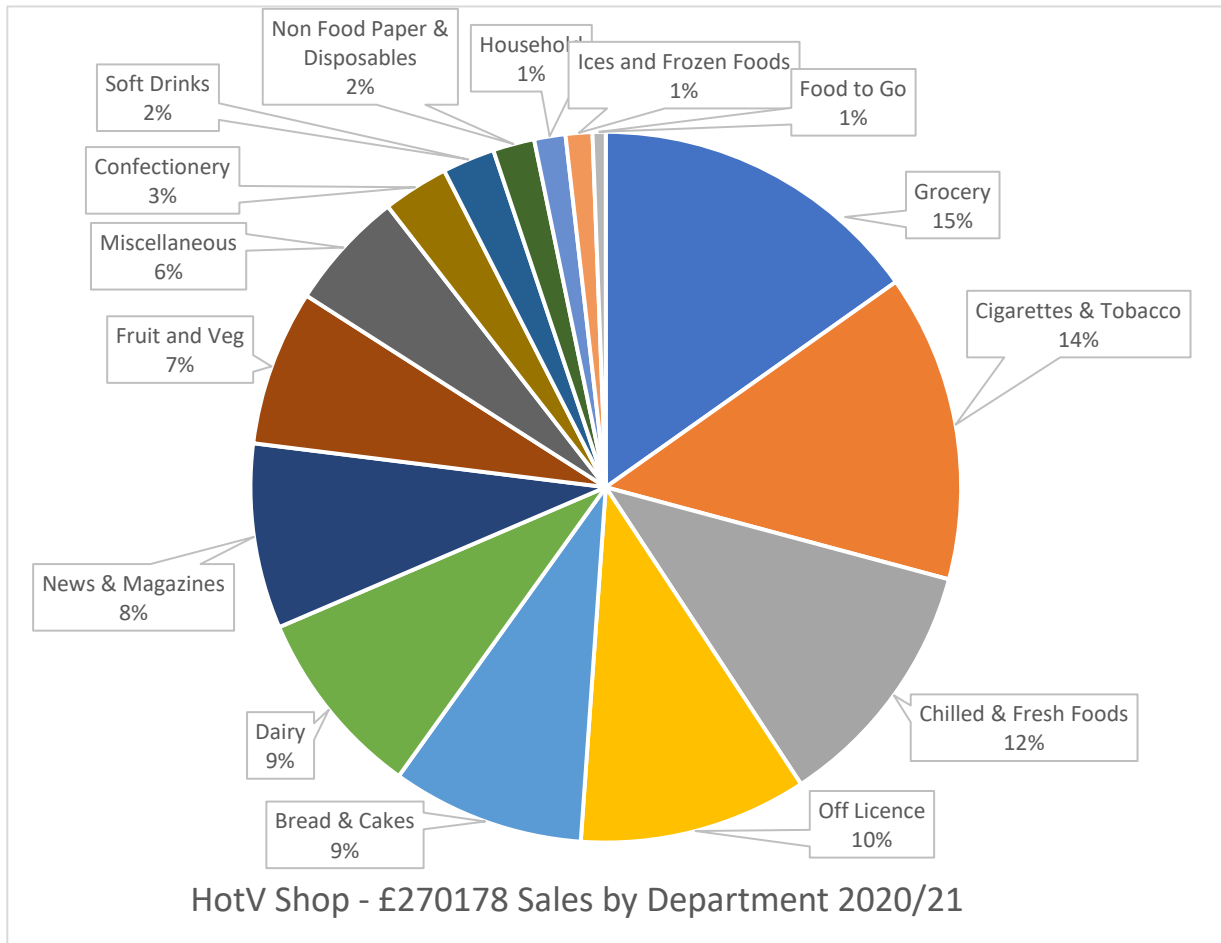
David Crabbe  
Treasurer  
Heart of the Village (Stoke St Gregory) Ltd

26 September 2021 (*updated 7 November to include revised treatment of capital grants*)

## Heart of the Village (Stoke St Gregory) Ltd - Comparison of Budget/Plan and Actual Profit and Loss 1 February 2020 to 31 March 2021

BUDGET/BUSINESS PLAN as at JULY 2020	ACTUALS FEB 2020 to MAR 2021 (AC Mole agreed)	Difference	NOTES AND COMMENTS
2020/21 £ ex VAT	2020/21 £ ex VAT	ACT - BP £	
<b>Revenue</b>			Budget/Business Plan referred to as BP below. Actual referred to as ACT
Royal Oak Pub - bar	17,000		
Royal Oak Pub - food	1,700		Pub/Café forecast to open Sep-Dec 2020. Did not happen. £67 is open day
Coffee Shop	2,750		ACT included in Shop Sales
Village Stores	243,430		Move to RO boosted sales. Average BP £4680/wk; ACT £5200/wk
Rental	-		
<b>Total Turnover (A)</b>	<b>264,880</b>		<i>Difference in black is better than BP; difference in red is worse than BP</i>
<b>Cost of Sales</b>			
Hospitality	10,166		BP assumed no stock movement. Opening stock = £0. Closing stock from stock take 31 March. Goods Purchased from recorded trade supplier invoices, plus aged receivables adjustment
Retail	172,862		
<b>Total Cost of Sales (B)</b>	<b>183,028</b>		
Assumed Hospitality Margin	52.6%		
Assumed Retail Margin	29.0%		
<b>Gross Profit (C) = (A) - (B)</b>	<b>81,852</b>		
		<b>72,498</b>	<b>(9,354)</b>
	Actual Gross Margin as % of sales	26.8%	
<b>Other Income</b>			
		27,795	27,795
		500	500
		63	63
<b>Total Other Income (F)</b>	<b>-</b>	<b>28,358</b>	<b>28,358</b>
			Release of capital grants from balance sheet for renovations (see below)
			Added back after exceptional items. See below
<b>Overheads</b>			
Salaries	75,461		BP assumed Pub Manager(s) from October. Did not happen. ACT includes £500 one off ex gratia payment in lieu of TUPE obligations
		13,347	(24,157)
		2,242	
Insurance and licences	2,340		Primarily for volunteer Food Safety training (places still available)
		160	160
		775	(901)
		664	BP a best guess. Fees includes £350 one-off SIAB alcohol emergency licence. Insurance now c £114/month
Services	3,154		Services BP was a best guess. Now have confirmed operating costs by line item
		513	2,007
		310	Plunkett Foundation annual subscription
		200	Rates refund of 2020/21 due from SW&T; includes £206 of water charges
		817	2,007
		2,167	Attention! Especially electricity. Hence the solar PV project
Telecoms	733		Includes Viridor contract
		421	148
		881	BT giffgaff vodafone dongle
Professional services	4,879		Coombers, general repairs, excludes renovation of RO (see below)
Bank charges (trans fees)	1,635		2,515
Rent SIAB / Sundries	1,936		8,256
		2,390	3,377
		1,332	754
		(604)	0.75% of all card transactions including Paypoint. Excludes loan set-up
			SIAB contract finished 16 December 2020, refund of £540 deposit
<b>Total overheads (D)</b>	<b>90,138</b>		
		<b>73,438</b>	<b>(16,700)</b>
<b>Trading Profit/(Loss) (E) = (C) - (D)</b>	<b>(8,286)</b>		
		<b>(940)</b>	<b>7,346</b>
		4,031	4,031
		1,500	1,500
		24,354	24,354
<b>Total Exceptional Items (G)</b>	<b>-</b>	<b>29,885</b>	<b>29,885</b>
			April to June COVID restrictions, set up of employee pensions
			Needed for Triodos loan
			Technical treatment of all refurbishment works
<b>Add back other income above (F)</b>	<b>-</b>	<b>28358</b>	<b>28358</b>
<b>EBITDA Profit/(Loss) (H) = (E) - (G) + (F)</b>	<b>(8,286)</b>		
		<b>(2,467)</b>	<b>5,819</b>
			EBITDA is Earnings before interest, Tax, Depreciation and Amortisation
Depreciation and Amortisation	8,541		ACT as reported in statutory accounts
One-off bank fees for loans set-up	-		(1,823)
Finance charges - MTAP	3,056		2,690
Finance charges -SSEF	2,664		2,690
Finance charges - Triodos	4,210		(887)
Interest on Members' shares	-		(887)
		2169	Start of loans delayed. SSEF is interest only until August 2021
		2657	In addition there were capital repayments of £5768 on the Triodos and MTAP loans which are shown in the balance sheet
		2754	
		-	
<b>Net Profit/(Loss) before Tax</b>	<b>(26,758)</b>		
		<b>(19,456)</b>	<b>7,302</b>
			ACT is as reported in the statutory accounts by AC Mole

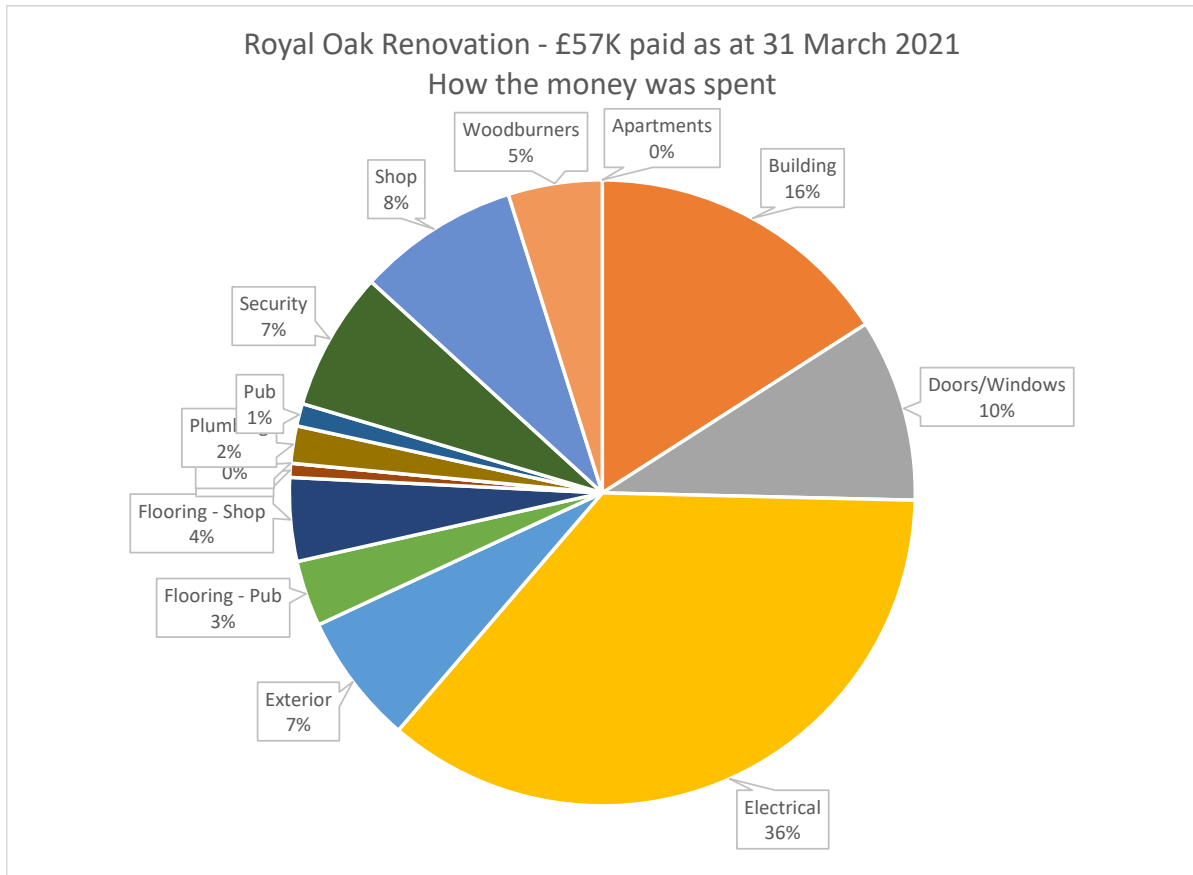
## HotV Shop Sales Report April 2020 to March 2021 : grouped by Department



In £	Apr - Nov	Dec -Mar	Apr -Mar
Description	Sales ex VAT	Sales ex VAT	Sales ex VAT
Grocery	22301	18757	41058
Cigarettes & Tobacco	24934	12835	37770
Chilled & Fresh Foods	14713	16531	31244
Off Licence	17868	10186	28054
Bread & Cakes	11064	12638	23702
Dairy	18493	4909	23402
News & Magazines	14058	8683	22742
Fruit and Veg	10777	8370	19147
Miscellaneous	5625	9047	14672
Confectionery	4505	3591	8096
Soft Drinks	4604	1835	6439
Non Food Paper & Disposables	1135	3969	5104
Household	2875	972	3847
Ices and Frozen Foods	1769	1515	3284
Food to Go	0	1619	1619
<b>TOTAL</b>	<b>154722</b>	<b>115457</b>	<b>270178</b>
<i>Weeks</i>	<i>34.5</i>	<i>17.5</i>	<i>52</i>
<i>Sales per week</i>	<i>4485</i>	<i>6598</i>	<i>5196</i>

Note: excludes net Paypoint commission of c £130 on £37722 of transactions

## HotV - Capital Expenditure Report - August 2021



In £ ex VAT	Spent as at 31/03/21	Further spend up to 16/08/21	TOTAL	
Apartments	-	2,347	2,347	3%
Building	9,047	3,156	12,203	15%
Doors/Windows	5,362	2,109	7,471	9%
Electrical	20,399	3,317	23,716	29%
Exterior	3,850	2,607	6,457	8%
Flooring - Pub	1,931	554	2,485	3%
Flooring - Shop	2,450	-	2,450	3%
Garden	412	909	1,321	2%
Kitchen	-	2,788	2,788	3%
Plumbing	1,093	1,136	2,229	3%
Pub	660	4,293	4,953	6%
Security	4,076	-	4,076	5%
Shop	4,749	1,723	6,472	8%
Woodburners	2,758	-	2,758	3%
<b>TOTAL CAPEX</b>	<b>56,787</b>	<b>24,940</b>	<b>81,726</b>	<b>100%</b>

**Note: In addition, as at 16 August 2021 there is potentially £12.7K currently committed or planned, primarily for finishing off building works & electricals, the re-furb of the apartments and a top-up from reserves to the grant for installing the solar PV panels. Estimated £2K for shop awning and RH skittle alley ON HOLD**