

Report to Members for the year ending 30th September 2019

EXECUTIVE SUMMARY

This report covers the activities of Hinton St George & Locality Rural Community Services Limited (HRCS) during the financial year from 1st October 2018 to 30th September 2019, the eighth full year of operation following the completion of the purchase of the shop by the community. The Committee is once again pleased to report another satisfactory year.

The main features of the year were:

- shop sales up 6% on 2018 at £233,671 and 2.4% up on budget;
- total turnover exceeded £250,000 for the first time;
- profit before tax almost on budget (before donations) at £5,129;
- cash up £2,134;
- improvements in IT to improve efficiency;
- continuing pressure on margins;
- some staff turnover;

PROFIT AND LOSS ACCOUNT

The full Financial Statements for the year will be made available at the Annual Members' Meeting and sent out to Members by e-mail. These show a continuing trend of stability with modest growth in profitability on the back of a significant increase in shop sales and a year-on-year growth in the value of the Company.

As mentioned above, shop sales were up 6.0% on last year at £233,671, significantly over inflation which ran out at less than 2%. Total turnover of the business, including Post Office and rental income, was £256,872, exceeding a quarter of a million pounds for the first time. Gross margin was slightly down at 22.6%; action has now been taken to correct this. Post Office income increased slightly and with continuing stable tenants, property income was slightly up on 2018. Unfortunately, the effect on profitability from increased sales was offset by the lower gross margin and increased costs of running the business; principally these were higher than budgeted salary costs and higher IT costs arising from the second EPoS terminal. The overall effect was a slight fall in trading profit from last year £12,916 to £12,651. After taking into account continuing lower interest costs from the effect of reducing loan principal, higher depreciation (from the investments in IT) and lower income from donations, the bottom line profit for the year fell slightly from £6,757 to £5,718, although it was ahead of the budget figure of £3,807.

BALANCE SHEET

The value of our fixed assets was slightly down in the year, due to the fact that depreciation exceeded the value of additions. Current assets were stable, with a small inflow of cash. The outstanding principal on the mortgage at the end of the year was £152,784 and the value of shareholders equity increased from £254,836 to £260,574.

Capital expenditure during the year was restricted to a spend of £1,775 on IT equipment..

During the year, we drew down a grant of £3,000 from Somerset Community Foundation to assist us over a slight cash flow hump, caused partly by purchases of IT assets last year and partly by increased sales requiring increased working capital. Some £4,350 of funds continues to be held on our behalf by Somerset Community Foundation, which we treat as a strategic reserve and which does not form part of these accounts.

our OPERATIONS
STAFFING

At the end of the financial year we said goodbye to Julie Pearce, who has now retired but continues to help us out occasionally. Although only with us for short time, she was a popular and efficient member of the team. In her place, we were fortunate to be able to recruit Kerri Julier from South Petherton who came to us with Post Office experience and has immediately fitted well into the team. Jillian and Lizzie continue to be the rocks on which the shop's success is built.

We have had a few comings and goings as we have tried to find people to work on Saturdays but we have recently welcomed Anne Galton to this role; we hope she will be happy and stay with us for a long time.

It is difficult to envisage the shop without Jillian at the helm but all good things must eventually come to an end and she has decided to retire at the end of June. She will be an immensely hard act to follow and we all owe her an enormous debt of gratitude for all she has done, which has been far beyond the call of duty. The Committee will start searching for a replacement at the end of March.

MARKETING

The product range and the quality of our merchandising keeps improving and we now sell very fine tea-towels, based on a painting by village resident Eric Burgess. We are very grateful to him for allowing us to use his picture in the designs. Jackie Bristow also produced a design for bookmarks, which have proved popular. However, wine sales and Cook's meals continue to be the major contributors to revenue growth. Visitors to the village frequently say how amazed they are at the range of items we manage to stock in a small village shop.

We continue to think of ways of increasing our footfall and this year we did a flyer drop in Dowlish Wake, which again resulted in some new customers. Our village leaflet continues to be popular with tourists and we also have a village page on the Visit Somerset website; both of these have been organised with great professionalism by Jackie Bristow at no cost to the shop, for which we are hugely grateful. They have undoubtedly increased the number of visitors to the village to the benefit of the shop and other village businesses; this is of course a two-edged sword and we have to be conscious of the sensitivities of village residents.

We have had a long and frustrating battle over our efforts to get a sign at the far end of the Merriott Road; initially it was successful but then proved to have been erected by Somerset CC in the middle of an overgrown gateway. Re-erection was then opposed for some months by Merriott Parish Council but I am pleased to say that this opposition has now been withdrawn and we are hopeful that the sign will soon re-appear.

Overall, the main success of the shop continues to stem from Jillian's ability to pick out products and display them attractively in a way that our customers will want to buy and also to create a welcoming and friendly atmosphere.

IT

Having to enter till totals manually on the card machine has been an irritating source of errors in the past and I am pleased to say that Mike Shaw managed to create an automatic link so that the credit card machine reads the correct amount from the till. This has significantly reduced the number of errors in the end of day reconciliation.

We continue to improve our Data Protection procedures and all sensitive material is now stored on Dropbox, with access limited on a need to know basis. Thanks are due to Mike Shaw for his work on this and also to Linda Eardley for her work as Auditor, checking up on the committee to see that procedures are being followed correctly.

HEALTH AND SAFETY

Health and Safety continues to be a standing item on the agenda of the Management Committee and once again I am pleased to say that no working days have been lost due to accidents.

We became aware that in order to continue to have Duke of Edinburgh's Award Scheme children working in the shop, all staff supervising them needed to have DBS (was CRB) clearance and I am pleased to say that this process has now been completed.

COMMUNICATIONS

We continue to communicate with the outside world via our website, Facebook and Twitter. A major achievement during the year was the putting in place of a new Website, which has resulted in a much-improved image for the shop. Big thanks are due to Jackie Bristow and Mike Shaw for their work on this. The power of Facebook continues to amaze us and our recent recruitment was carried out entirely by Facebook without any expenditure on advertising and resulted in several suitable applicants.

our PROPERTY

We have once again had stable tenants in all our properties during the year and the letting of the flat and the garage continues to provide vital revenue for servicing the mortgage.

There has been no major maintenance necessary during the year.

our GARDEN

Steve and Louisa Turvey continue to lease the southern 2/3 of the garden at a peppercorn rent, an arrangement which suits both parties. Liz Hunkin continues to keep the rest of the garden, which forms part of the flat tenancy, in good order.

our VOLUNTEERS

The diminishing band of people willing to volunteer to help behind the counter is one of the most serious concerns facing the future of the shop. Currently what our loyal volunteers do is worth some £20,000 per annum to the shop's profitability and without them, the shop would make a loss or have to increase prices by at least 10%. The Committee would welcome views from members as to why villagers are increasingly reluctant to volunteer.

Jackie Bristow has continued to run the volunteer rota very efficiently, supported by Sheila Hayler to help in holiday times. We are all grateful to them for fulfilling this very important task.

The obvious way in which we can show our thanks to our volunteers is at the Annual Barbecue; this year, numbers were down at just over 50 as many people were away on holiday. We were lucky yet again with lovely weather for the event and, as ever, my thanks are due to Andrew, David and Keith for helping on the day and also to the many others who helped with gazebos and the transport of barbecues, chairs, tables, crockery, cutlery and glasses.

our MEMBERS

There were 2 new members during the year and sadly 4 of our long-standing members died. Total membership at 30th September 2018 stood at 381 individual members and 17 corporate members - all of the latter have supported the shop from the outset. We continue to encourage newcomers to the village to join as we seek to have the broadest possible base of membership. We plan a welcome pack for residents of the new houses to encourage them to join and to use the shop.

Communications with members continues to be quarterly in the Hinton Hound with occasional Newsletters in the intervening period, distributed by e-mail wherever possible to save money.

our COMMITTEE

This year, the Management Committee, unchanged since the last AMM, met 9 times during the year. It is a function of the 'business as usual' nature of the year that we were able to meet less frequently and meetings continue to be short, business-like and good-humoured. It is an excellent committee on which everybody makes a significant contribution.

Sadly, since the end of the year, we have had two resignations. Mike Shaw has left the Committee having moved to Kent; we will miss his fantastic IT skills and he made a big impact during the 10 months he was on the committee. Also, with Keith Hurse having taken over as the Designated Premises Supervisor for the purposes of the Liquor Licence, Salle Wroblewski has left the Committee as she now lives in Bicester. We have been very pleased to have her professionalism in looking after this aspect of the shop's activities.

In addition, 2 long-standing members of the committee, Judy Craig and Les Farris, have decided not to seek re-election at this AMM. I would like to place on record our thanks to them both for their valuable contributions; Judy has alternated as Minutes Secretary with Jean Roberts and Les has handled all our Press Releases with great professionalism. We shall miss their contributions to our discussions.

Once again, you will see that you still have the same Chairman! As I said last year, I believe that it is past time for a change in the Chairmanship and this is my eighth AMM and it is essential that the next Chairman is fully involved in the process of succession planning.

The other office-bearers have remained unchanged during the year, with Andrew Norton as Deputy Chairman, David Wheeler as Company Secretary and Jeremy Rook as Treasurer. The rest of the Committee continue to carry out their individual responsibilities with good humour and professionalism.

Our CHALLENGES

As we said last year, our main focus is on how to maintain profitability and cash generation against the background of a rising wage bill, driven by annual increases in the National Living wage and the increasing cost of pensions (although the latter has now stabilised for the moment). The only way we can do this is by increasing our gross margin by increasing our prices but we are not alone in this - the impact of NLW increases affects all retail businesses. That is not to say that we would not like to reward our staff more highly but we cannot escape economic realities, with 2 supermarkets just a short distance away in Crewkerne.

CONCLUSION

Sales in *our* continue to grow very satisfactorily but as discussed above, gross margin has not kept pace. Addressing this issue and also the key matter of succession planning will determine success or failure in the future.

On behalf of the Committee

David Clements - Chairman
14th February 2020