

Harrogate Fairtrade Shop

(A company limited by guarantee)

Report and Financial Statements

For the Year Ending 31 December 2022

Charity number 1164801

Company number: 07097275

Report of the trustees for the year ending 31 December 2022

The trustees present their annual report together with the financial statements of the charity for the year to 31 December 2022 which are also prepared to meet the requirements for a directors' report and accounts for Companies Act purposes. The financial statements comply with the Charities Act 2011, the Companies Act 2006, and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard 102 (effective 1 January 2015).

Structure, governance and management

The Charity is constituted as a company limited by guarantee and its governing document is its Memorandum and Articles of Association.

The charity is managed by the trustees who are also its directors for the purposes of company law. Trustees are nominated by members and elected at the annual general meeting of the company

Objects

The charity's objects, as stated in its Memorandum of Association are:

- a) The prevention or relief of poverty and the relief of suffering and distress in any part of the world.
- b) The furtherance of exclusively charitable purposes of such UK registered charities which work directly in relieving or preventing poverty, relieving financial need, hardship, suffering or distress in any part of the world as the trustees see fit.

The principle of the fair trade movement is that producers and manufacturers in developing countries receive a fair price for their products and the charity aims to achieve its first object by selling goods produced and sourced in accordance with the principles of the World Fair Trade Organisation. That this generates the public benefit of alleviating or preventing the poverty of the producers was agreed by the Charity Commission in correspondence culminating in the registration of the Charity on 10 December 2015.

While making a profit is not the primary purpose of the Charity, it is necessary that its trading is profitable in order to ensure its long-term survival. The second object allows any excess profits not required for the maintenance of the Charity's activities to be donated to other charities working in the field of the relief of poverty.

Activities

The principal activity of the company is the sale of fairtrade goods through its shop in a porch of St Peter's Church in the centre of Harrogate.

The shop is staffed by volunteers, some of whom are members and some of whom are trustees. All volunteers are invited and encouraged to become voting members at no cost. The volunteers are organised by our shop manager who is supported by an assistant, both of whom are paid and work part-time.

Fair trade goods are also sold by members and others through stalls in local churches, schools etc. Apart from the income stalls generate, they are of course a useful way of raising awareness of fair trade. Alongside this, some of our trustees and members and our shop manager have undertaken outreach work in churches and schools from time to time and a new trustee has recently provided the impetus to make this a more frequent activity, though at little or no cost to the charity.

In 2020 the first steps were taken to sell our goods online and the online shop was further developed in 2021. While the small amount of income generated through this channel has yet to cover costs, the online shop functions effectively as a website to display our goods and principles to the outside world both near and far.

The only source of income of the Charity is the sale of fairtrade goods as described above. Donations are not sought and any donations made by customers in the small collecting box in the shop, and occasionally by other persons, are passed directly to Traidcraft Exchange (now Transform Trade), a charity registered in England and Wales.

Similarly, none of the goods sold are donated, as is the case with the majority of “charity shops” and the main expense of the trade is the purchase of goods for resale. It is actually the purchase of fairtrade goods, rather than the sale, which generates the public benefit but of course the enterprise would not continue very long if the purchased goods were not sold to the public to provide fresh working capital to buy new stock.

Financial Review

Business in the shop recovered strongly this year following the closures imposed by the pandemic in the two previous years. Income from stalls, while still relatively small, also showed a return to normality. On the other hand, sales through our online shop actually fell back, indicating that this new enterprise was helped by the inability of customers to shop in person in the previous year.

Overall sales, at £89,324, were 8.9% up on the pre-pandemic level of 2019 and correspondingly purchases were increased by 4.8% to £50,981.

This level of turnover breached the threshold for obligatory registration for VAT for the first time and the first VAT return, for the period ended 31 March 2023, has been filed. If sales in the current year amount to £90,000, the VAT liability for the year will be around £6,000, which will have a serious impact on net profits (£7,294 this year). It is felt however that this should be absorbed without increasing prices, which could have a negative impact on sales. Our primary object is to sell fairtrade goods on behalf of the producers, not to maximise our profit and, as long as we make even a small net profit, we will remain viable and able to continue to meet that object.

Reserves

During the pandemic we qualified for, and duly received, business support grants from the government which, in the event, we did not fully utilise. We applied some of this money in creating the online shop in its present format and placed the remaining funds into a reserve to fund further development of our trading activities.

In addition, the charity has for many years maintained a deposit with the Shared Interest Society and this has been regarded as only to be drawn upon in the event that we are not otherwise able to meet our liabilities, in other words, although it has not been formally reported as such, a business continuity reserve.

As with most other retail trades, our business is cyclical and more than half of our annual sales are made in the ten weeks or so leading up to Christmas. Until this period begins, sales generally do not cover overheads, including wages and rents, and so our bank balances fall steadily through the year. The necessity of beginning to stock-up for Christmas in the late summer accelerates this depletion of the bank balances and, in the past, with the bulk of net profits being donated, this led to a distinct cash-flow squeeze in October each year which, however, was always overcome without the need to draw on the Shared Interest deposit.

In recent years a slightly higher retention out of net profits has steadily built up a buffer against this cash-flow squeeze but, even in the present year when the low point fell on 1 November, the balances on the current accounts, excluding the residue of the government grants, totalled £6438. The comparable figure at the start of the year was £23,809 and at the end of the year, £25,312. If the donation of £6000, voted for at last year's AGM, had been paid before 1 November, the margin would have been only £438.

The trustees have considered the possibility of expanding the charity's trading and, although no clear way has yet been identified by which this can be achieved, they wish to build up funds to support an expansion should the opportunity arise. With this in mind, it was decided that, instead of donating the £6000 voted last year outright, it should be added to the Shared Interest* account so that this becomes our business development reserve. In this way, the money is applied to support fair trade enterprises while remaining available to us should we need it in future. An AGM proposal that this be repeated with the current year's net profit was approved by the members and the sum of £7000 transferred.

The trustees have also considered the question of a business continuity reserve. In practice we have always retained the bulk of our bank balances as explained above, which together with stock, account fully for the balance on Profit and Loss account carried forward. Without this retention we would not survive the next trading cycle. It is not available for distribution as donations and is therefore now labelled as "General Reserve".

*The Shared Interest Society uses the deposits of its investors to provide loans and credit facilities to primarily fairtrade businesses, to ensure that farmers are paid on time for their crops. The deposits are not covered by protection such as the Financial Services Compensation Scheme (FSCS) and are therefore at risk.

Reference and Administrative details

Charity name: Harrogate Fairtrade Shop
Registered charity number: 1164801
Registered company number: 07097275
Registered office: Community House
46 – 50 East Parade
Harrogate
HG1 5RR

Directors and trustees

The directors of the charitable company (the charity) are its trustees for the purpose of charity law. The trustees and officers serving during the year and since the year end were as follows:

Dr Philip Thake	Chair	Resigned 6 April 2022
David Seaman	Treasurer	
Erica Miller		Resigned 14 March 2022
Dr Gillian Parkin		Acting Chair from April 2022
Judith Simpson		
Debbie Handslip		Resigned 20 July 2022
Rachel Batchelor		
Diane Maguire		Appointed 14 March 2022
Roger Elliott		Appointed 25 November 2022

None of the trustees receive remuneration or other benefits from their work with the charity.

This report has been approved by the trustees and is signed on their behalf



Dr Gillian Parkin
Acting Chair

HARROGATE FAIRTRADE SHOP

Company limited by guarantee No 7097275

Charity No 1164801

BALANCE SHEET AT 31 DECEMBER 2022

		31 December 2022	31 December 2021
Fixed Assets			
Computer and Till Equipment		330	450
Fixtures & Fittings		<u>230</u> <u>560</u>	<u>330</u> <u>780</u>
Current Assets			
Cash at Bank	Co-operative Bank	7625	24746
Cash at Bank	CAF Bank	28669	10058
Cash at Bank	Shared Interest Society	11730	5716
Cash in Hand		516	144
Stock		22300	22600
Debtors		<u>536</u> <u>71376</u>	<u>296</u> <u>63558</u>
Current Liabilities			
Creditors and Accruals		-2196	-1920
Net Assets		<u>69740</u>	<u>62418</u>
Reserves Note 2			
Government Covid Grant Reserve		0	10981
Business Development Reserve		11730	0
General Reserve		<u>58010</u>	<u>51437</u>
		<u>69740</u>	<u>62418</u>

HARROGATE FAIRTRADE SHOP
Company limited by guarantee No 7097275
Charity No 1164801

TRADING & PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31st DECEMBER 2022

	Year to 31/12/2022		Year to 31/12/2021	
Shop sales (card)	69312		52645	
Shop sales (cash)	14550	83862	10184	62829
Online sales		1950		2421
Stalls etc		3512		2444
Total Sales		89324		67694
Cost of Sales		51395		34704
Gross profit		37929		32990
Employee costs	18963		15837	
Job Retention Support received	0		-514	
Rent & Rates	5754		5396	
Online sales expenses	1118		749	
Credit Card Fees (Shop)	1049		869	
Electricity	493		201	
Insurance	349		349	
Music licences	414		395	
Harrogate BID	360		0	
Consultancy	300		0	
BAFTS Conference	229		0	
Postage, Phone & Stationery	43		62	
Subscriptions & fees	96		91	
Advertising and publicity	0		60	
Window cleaning	100		64	
WiFi charges	311		358	
Small equipment purchase & repair	219		178	
Consumables and Sundries	244		149	
Fast Fashion Film	0		77	
Gifts	163		84	
Bank charges	161		72	
Recycling charges	49		71	
Covid measures	0		12	
Depreciation	220	30635	270	24830
Net Profit / Loss		7294		8160

HARROGATE FAIRTRADE SHOP

Notes to the 2022 accounts

Note 1 Restatement of online trading results for the year ending 31 December 2021

The charges made to customers of the online shop include postage and packing which amounted to 22% of the total in 2022. Although the figures are small, it is clearly incorrect to include P&P charges as sales of goods and so, in 2022, these charges have been extracted and set against Online Sales Expenses.

The comparative figures for 2021 have been re-stated in the same manner.

A small amount of sales made during lockdown by email or telephone order has also been re-classified as stalls sales so that only sales actually made through the online sales platform are shown as such.

Note 2 Reserves

As explained in the trustees' report, the Shared Interest deposit is identified as our Business Development Reserve and the balance of government Covid grants merged into general reserves required to support the business through its annual trading cycle.

	31 December 2022	31 December 2021
Government Covid Grant Reserve	10981	11334
Further Grants received	0	8097
Less Development Costs - Online Shop	0	-8450
Transfer	-10981	0
	<u>0</u>	<u>10981</u>
 General Reserve		
Balance b/f	51437	43263
Profit / Loss for the year	7294	8160
Interest	28	14
Covid Grant Reserve	10981	
Business Development Reserve	-11730	0
Balance c/f - General Reserve	<u>58010</u>	<u>51437</u>

Independent Examiner's Report to the Trustees of Harrogate Fairtrade Shop ('the Company')

I report to the charity trustees on my examination of the accounts of the Company for the year ended 31 December 2022, as set out on pages 6 to 8 of your report.

Responsibilities and basis of report

As the charity's trustees (who are also the directors of the Company for the purposes of company law), you are responsible for the preparation of the accounts in accordance with the requirements of the Companies Act 2006 ("the 2006 Act").

Having satisfied myself that the accounts of the Company are not required to be audited under Part 16 of the 2006 Act and are eligible for independent examination, I report in respect of my examination of your charity's accounts as carried out under section 145 of the Charities Act 2011 ("the 2011 Act"). In carrying out my examination, I have followed the Directions given by the Charity Commission under section 145(5)(b) of the 2011 Act.

Independent examiner's statement

I have completed my examination. I confirm that no material matters have come to my attention giving me cause to believe:

1. accounting records were not kept in respect of the Company as required by section 386 of the Companies Act 2006; or
2. the accounts do not accord with those records; or
3. the accounts do not comply with relevant accounting requirements of section 396 of the 2006 Act other than any requirement that the accounts give a 'true and fair' view which is not a matter considered as part of an independent examination; or
4. the accounts have not been prepared in accordance with the methods and principles of the Charities SORP (FRS102).

I have no concerns and have come across no other matters in connection with the examination to which attention should be drawn in this report in order to enable a proper understanding of the accounts to be reached.

Signed:

Date: April 2023



Karen Washer ACA
Harrogate