The FY26 budget, and the one number we are asking you to move

The budget attached to this memo balances at **$4.31m** of revenue and **$3.86m** of cost. It is the third cut and it differs from the second in one line only. This memo is about that line, because everything else in the pack was agreed in March and has not moved since.

From Dana Whitfield, managing director   **Date** 22 September 2025   **Decision** Required at the October meeting

Part one

What has not changed. Revenue is held at the March figure. Eleven of the fourteen wholesale accounts have signed for another year at the same terms, the two retail sites are trading within 3% of plan, and the online line has been flat for four quarters and is budgeted flat again.

Cost of goods, rent, and the wage bill for the fifty-one people already employed are all unchanged. Between them they are 84% of the budget, and none of them is a decision for this meeting.

The pack circulated in March is therefore still the pack, and the reconciliation on page four of it still reconciles. Members who read it then do not need to read it again to take the decision below.

Part two

The line that moved. The second cut carried $180,000 for a warehouse move in May. Since then the landlord has offered a three-year extension at a 9% increase, which is $61,000 a year against a one-off move cost of $180,000 and a higher rent thereafter.

Staying is cheaper for two years and more expensive from the third. It is also the option that does not put the autumn peak at risk, which is the part of the argument that does not appear in either number.

Option	Year 1	3 years
Extend the lease	$61,000	$196,400
Move in May	$180,000	$241,800
Difference	**$119,000**	**$45,400**

The three-year difference is $45,400, which is inside the tolerance the board sets for a capital decision of this size. The one-year difference is not.

Part three

What we recommend. Extend for three years, and put the $119,000 released in the first year against the second picking line, which is the constraint that the move was meant to solve in the first place. The line pays for itself in nineteen months at current volume.

That is a smaller decision than the move, it is reversible, and it can be taken in October without a further paper. **It does not remove the need to move eventually** — it moves the question to FY28, by which time the online line will have either grown or been closed.

Part four

What we are not proposing. No change to headcount, no change to the wholesale price list before April, and no drawdown against the facility. The budget stands on trading, as the last two have.

Nor are we proposing to revisit the online line before the year end. It has been flat for four quarters and a decision taken now would be taken on the same information we had in March.

Part five

The risk in the recommendation. Extending the lease concentrates two decisions into FY28: the move, and the renewal of the wholesale terms that expire in the same quarter. If both go against us the year carries an unbudgeted $240,000, and the facility is the only cover for it.

We think that is the right risk to take, because the alternative spends $180,000 now to avoid a coincidence that may not occur. But it is a real risk and it belongs in the minute rather than in a footnote.

The mitigation is cheap and it is already in hand: the wholesale renewals will be brought forward to Q2 FY27, so that at worst the two decisions are separated by three quarters.

What the board is asked to decide

1. Approve the FY26 budget at $4.31m revenue and $3.86m cost, as attached.
2. Approve the three-year lease extension at a 9% increase, in place of the May move.
3. Release $119,000 to the second picking line, to be committed before December.

Recommended by Dana Whitfield and Ava Cruz. Reviewed by the audit committee on 18 September and returned without amendment.