

Isle of Lismore

Community Shop/Stores and Post Office



Business Plan

Draft at 17th September 2023

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This business plan has been produced by a working group of Lismore Community Trust. It is based on the information and knowledge available to the group at the time of publication. All calculations and predictions are, in the opinion of the Interim Management Board (IMB), reasonable estimates of the business potential. The IMB will be responsible for keeping the Business Plan up to date on a regular basis, until it is dissolved or transitions to a constituted Management Board approved by members holding community shares.

1 Executive Summary

In April 2023 the current owner of the shop/stores and Post Office (PO) returned to teaching and presented the business as being for sale. With few interested parties coming forward and a recognition that it was a marginally viable financial business prospect, Lismore Community Trust conducted a survey, as part of its community empowerment programme, and established it was extremely important that the facilities and services were retained. Additionally, the survey made it clear that the Trust should explore the idea of a community enterprise to take over the shop/stores and post office.

Lismore Community Trust invited members of the community to come forward and form a working group to fully explore the idea of forming a community enterprise to take on the shop/stores and Post office. Community Shares Scotland <https://communitysharesscotland.org.uk> provided guidance and advice for fundraising including issuing community shares and bonds. The idea of issuing community shares was explored through a further community empowerment survey and over 80% of the resident population were in support and said they were likely to purchase shares. There has always been a shop/stores and PO on Lismore. While its prosperity, popularity, support and function has changed over time the need remains and it would be considered an enormous loss to the community if it closed.

The potential for a community enterprise has been carefully studied, which amongst much else, has involved carrying out a SWOT analysis, risk assessments and scenario planning.

The marketing strategy is focused on comprehensive measures to keep the community informed about the shop and what it will offer. This includes a communication plan.

The market mainly consists of island residents, some of whom are elderly; second home owners, those occupying short lets, casual visitors and tradespeople working on the island. The shop will attract a broad range of people who will benefit through convenience, meeting others and becoming more involved in community life.

The shop will sell food and household items, including much fresh and local produce. There will be a coffee machine in part of the premises and certain extra services will be provided, such as an advertisement board, free Wi-Fi and a copier.

The shop, currently leased, will be sited in the current premises initially. As trading settles to sustainable levels the intention is to relocate to larger more suitable premises with storage and improved parking. Opening hours will fulfil the Post Office contract as a minimum and we will look to extend these further towards longer days and throughout the week as demand or opportunity is proven. The shop will have a designated manager and Postmaster with all opening hours covered by paid staff. All staff will be trained in customer services, management of EPOS systems, ordering and Post Office Counter duties. The environment will be safe and accessible and will continue to be a hub of island activity.

Lismore Community Trust has provision for up to 12 directors. Currently there are 8 one of whom is co-opted. In exploring the idea of developing a community enterprise to buy the shop and Post Office business an interim management board of two Trust directors and a further four people with

relevant knowledge and expertise have been appointed. There is a designated chair, secretary and treasurer.

Lismore Community Trust is converting from a company limited by guarantee (CLG) to a community benefit society (CBS) and is registered with the Financial Conduct Authority. This allows the Trust to sell shares to support the community enterprise. The CBS rules allow for two levels of membership, community members and contributory members. A community membership is a £1 and a contributory member £25. The rules ensure that the community will always be in the majority where decisions are concerned. Contributory members can increase their contribution through purchase of more shares up to £25 for specific projects as is the aspiration for the community shop/stores and the subject of this business plan.

Extensive revenue forecasting has been undertaken basing the figures on historic accounts and other community-run shops with similar characteristics. This practice, together with conservative assumptions, gives confidence that the figures in the plan are robust and the shop will achieve a profit or breakeven no later than in year three and possibly sooner depending on turnover and profit margins.

2 Mission

Phase 1 - To meet the needs and preferences of the community through taking on the shop/stores and Post Office as a community enterprise.

Phase 2 - To relocate the shop stores to more suitable premises

2.1 Aim

1. To run a not-for-profit enterprise owned by the community, operated by the community, for the benefit of the community.
2. To co-operate with other bodies, businesses and projects in the community to mutually enhance an easily accessible hub for activities and services on Lismore and for the whole community.
3. To provide local employment opportunities.
4. To provide training and voluntary work for the community.
5. To create an environment to enable social interaction, community cohesion and promote health and well-being.
6. To source products and services locally wherever practical and be mindful of environmental issues.
7. To consider relocation to a more suitable situation in due course.

2.2 Objectives

1. To generate sufficient turnover to sustain the business by Year 3.
2. To reduce the average 'food mile' round trip.

3. To employ island-based shop and post office staff.
4. To maintain a bank of 10 volunteers willing to staff the shop on an occasional basis.
5. To promote other bodies, businesses and projects through advertising, holding events and by maintaining a local map of businesses.
6. To identify 3 individuals to develop an appropriate support and mentoring programme for volunteers.
7. To provide comprehensive induction and continuation training to each staff member volunteer.
8. To organise opening hours which will suit the needs of the community.
9. To have a coffee machine and potential hub for social interaction.
10. To provide a workstation and free Wi-Fi.
11. To identify quality suppliers.
12. To secure efficient delivery arrangements for stocking.
13. To provide a range of services and produce including fresh and frozen foods and convenience products.
14. To reduce the number of plastics and non-recyclable products used in the shop.

2. 3 Background to the Proposal

Lismore is an inner Hebridean island with a population of about 160. The history of the population, island clearances and occupation dating back to the 12th century is well documented. The island is served by two ferries, the vehicle ferry travels between Achnacroish and Oban and a passenger ferry runs between Port Appin and Point at the north end of the island. The island has magnificent vistas to the northern hills including Ben Nevis the Morvern hills to the west and the Garvellachs to the south. There are well preserved historical artifacts and well visited heritage centre.

The island hosts many tourists who come to visit the National Scenic Area. There is a bunkhouse and facilities for camping and campervans. While the main industry is farming there are many local entrepreneurs covering small crafts like soaps, candles and sauces.

There is a small primary and pre-school on the island. There is a village hall, historic church and heritage centre.

On notification of the intention of the current owner moving to another profession the Trust initiated a number of surveys among the population and the wider diaspora.

A survey conducted in Early May 2023 with over 100 responses suggested there was universal support for the importance of a PO and only two thinking a shop was not crucial to the island. The survey indicated that many residents were concerned that the shop/stores provided a social and emotional focus to a significant number of islanders

A further survey with 94 responses of whom 78% were island residents conducted in June indicated over 85% overall and 82% of island residents felt the Shop/store PO should become a community enterprise.

Having carried out this research and analysis of comments the working group formally created an Interim Management Board for the shop and Post office as a working group of the Trust. All minutes of the group are posted on the website. www.isleoflismore.com

3 The Need for a Shop/stores and Post Office on Lismore

In addition to the comments made through the survey, drop in events and conversations, it is noted that in 2012, The Plunkett Foundation published a report on addressing rural isolation that states:

“Community shops...offer a vital source of retail provision within rural communities, regardless of their distance to neighbouring towns and villages; particularly so for the elderly and less mobile, and for all in times of bad weather...”

“Community shops address social isolation by stimulating community and social activity. Regardless of the products and services sold in these shops, for example, they act as a community hub; they involve large numbers of people and rely on the interaction between those people...”

The Interim Management Board (IMB) believe that a community-led shop and Post Office on Lismore will stand four-square with current shopping patterns and the findings of the Plunkett Foundation report.

Island residents alternative to using the shop/stores and Post Office is to travel to Oban or use the Co-op shop in Port Appin which for the passenger is a short 10 minute ferry trip followed by a short walk. The trip to Oban is only available 4 times a day and involves a 45 minutes ferry ride. A return trip to a wide range of shops and services is generally considered a day out. A shop on Lismore provides a convenient, and sometimes essential opportunity for residents to buy the everyday items often overlooked.

The island has a number of visitors using short-term letting accommodation. While many of these visitors arriving by car may bring supplies from big supermarkets there is a need for those travelling by alternative means, eg on foot or by bike to have access to a shop where they can purchase things they need to enjoy their stay. There is also an opportunity for the shop/stores to provision in advance for these visitors.

The island has a range of people who run and offer crafts and specialist grown supplies who could readily sell more easily through a community shop/stores including grass fed beef, organically produced meat, eggs along with drizzle sauces and candles.

The IMB believes that a community shop/stores and PO would serve some of the above circumstances and would benefit Lismore in a number of ways:

- The shop will provide a community focus, open from early morning until early evening on most days per week giving a sense of place and purpose.
- A broad range of people will benefit through meeting others and becoming more involved in community life enhancing general health and well-being.
- Retail goods and services will be provided from a village location within walking/cycling distance for most Lismore residents reducing residents' carbon footprint.

- The shop will support local business and the local economy by providing an outlet for local products eg. meat and dairy, preserves, surplus home-grown produce, hand-made cakes and locally made ready-meals.
- The shop will offer training and voluntary work opportunities for all ages and abilities including supporting curriculum-based activities for local primary school pupils.

3.1 The Market

The market for the shop falls broadly into:

- Retired residents who may have limited opportunity for travel outside the community.
- Families with young and school age children who may be confined to the local area during the working day.
- Residents who work away from the community during the day, but who may have limited opportunity to buy essential items during that time.
- Visitors to and staff to all businesses in the area and an increasing number of home workers and the self-employed.
- Visitors to the island such as walkers, cyclists and other tourists visiting the island.
- Tradespeople undertaking work on the island eg. plumbers, electricians and refuse collectors.

4 The Market Analysis

To establish the need for a shop/stores and Post Office within the community and to identify the obstacles that need to be addressed in order to start and maintain a community shop, the following have been undertaken:

- Surveys (see website 1, 2,3)
- Discussion with founder and chair of Appin Community co-op.
- Drop in session for residents.
- Publication of FAQs on the website.
- An analysis of targets, outcomes, outputs and impacts (appendix 5)
- A SWOT analysis of a shop and PO on the island
- Risk assessments focusing on pre and start-up predictions (appendix 7 and 7a)
- Discussion with the current owner on custom and practice.
- An analysis of potential shop relocation (appendix 8)

5 The Marketing Strategy

News concerning the idea of taking the shop/stores and PO into community ownership has been communicated by social media as well as word of mouth. There have been drop-in sessions and surveys.

The key decision for the Trust to actually commit will be agreed through a special resolution and notified through notices, social media and word of mouth.

As the target transfer date gets closer, leaflets and posters will be produced to publicise the change, and advertise the range of goods that will be stocked, opening hours and launch event details. Leaflets will be delivered to all households in the areas around the island as well as local businesses, and posters will be displayed wherever possible.

On the opening day a launch event will be held with local press invited, to ensure maximum publicity is gained.

Once the community shop is open, the marketing objectives become the promotion of the shop and its services. This will be achieved by supplying the right products and creatively displaying them on good quality fixtures. The costings are based on repeat customers and therefore it is important to encourage a positive experience. This includes the environment, but most importantly it is the way staff deal with them. Customer service will be of the highest importance. Our customers must feel confident that whatever they buy from us will be of the quality expected. Feedback forms will be provided in the shop to encourage customers to express what they think, what products we should offer and what can be done better. If the village shop provides a positive experience for all customers and volunteers, then this will encourage word of mouth publicity.

The marketing planned for the shop includes posters and promotion on the website and through social media.

- Developing a brand identity for the shop which will be used on all promotional material and communications. A local competition will be held to submit designs for the logo/brand for the shop/stores and Post Office.
- A special page on the Isle of Lismore website is set up and will be developed to include details of opening hours, contact details, products and promotions. The website will also give customers the opportunity to provide feedback on what they want to see in the shop.
- The English and Gaelic languages will be used on all signage and formal documents where practical.
- Ad hoc marketing activities will include advertising special promotions and seasonal goods on posters placed in the entrance area and newsletters distributed door-to-door; selling branded paper bags; providing Recipe of the Week leaflets with the corresponding ingredients prominently available in the shop. Regular “tasting” sessions for produce such as wine, cheese and deli meats will also be organised.
- Prominent signage will be sited at the shop/stores PO and on the road past the shop.
- Support for other local activities and groups such as donation of raffle prizes in return for publicity in a programme.

- Co-operation will be encouraged with other organisations and shops in the local area including local charities and businesses.

6 The Communication Plan

Shop/stores and Post Office Publicity Programme						
Action	Date	Facebook	Website	Leaflet	Notice Board/ferries	Word of Mouth
Conversion to CBS	Complete	x	x	x	x	x
Advertising of shop manager	September	x	x	x	x	x
Appointment of shop manager	October	x	x			x
Offer of bonds as required						
Share issue	Mid September	x	x	x	x	x
Stock preference survey	Complete	x	x			x
		x	x	x	x	x
Review of funding for phase 1	6 th October	x	x			x
Formal transfer	late October	x	x			x
Fit out decoration	late October	x	x	x	x	x
Opening shop as community enterprise	late October	x	x	x	x	x
Training and logistics for PO transfer of PO	Nov- Jan 2024					
Further work for phase 2 relocation		x	x	x	x	x

7 The Products and Services

The shop/stores PO offer will primarily be designed to meet the needs of convenience shopping and local produce shopping. This will be tailored to the needs of the community and surrounding villages.

The range will include:

- Staple products
- Local produce such as seasonal fresh fruit, vegetables and local farm produce
- Bread, milk etc.
- Wines and beers
- Newspapers, magazines, cards and stationery

- Household essentials
- Frozen food
- Confectionary
- Over the counter medicines
- Impulse items, e.g boxed chocolates, gifts etc
- Niche items, e.g. local cheeses, local wines and possibly local crafts
- Cycling and walking supplies
- Baby products
- Limited café facilities (coffee machine)
- Cigarettes and alcohol

The following ancillary services will be provided (subject to agreement):

- • Parcel collection and delivery point for local residents who are away during the day
- • Advertisement Board

A community empowerment survey undertaken by the Trust in July 2023 with over 80% of the community responding reinforced the need for a wide range of products and highlighted a need for perishables and key medical and hygiene elements which could be seen as important components of the island's resilience plan

8 The Operating Plan

Continuity of the business is to be secured in **phase 1**

Premises

Agreeing a suitable short-term (3 – 5 years) lease with the owner of premises.
Undertaking minor refurbishment works depending on funding availability. This may include reorganisation of shelving to accommodate more stock, internal paint refresh, improved signage and price listing.

Opening hours

The existing opening hours Monday, Tuesday, Thursday and Friday 9 – 5 with no lunch closure along with half days Wednesdays and Saturdays 9 -1 would be continued. A key feature of the legacy PO contract is that the shop is open to offer post office services. A

community empowerment survey in May 2023 created a number of change options including 7 days, earlier opening, different times in summer and winter. While these will all be carefully considered in the initial 3 months the historic times will be maintained.

Staffing

The opening hours will be covered by paid staff. Evidence from other community shops and the results of a community engagement survey all support this approach. Of 60 residents responding to the question in the June survey "Do you think the day to day running of the shop/stores and PO should be through paid staff" 59 (99%) thought it should. It creates employment opportunities on the island and does not put further strain on unpaid volunteers used on the island.

Coverage of the opening times requires 2080 hours annually. The hours are likely to be covered by a number of regular paid staff, but a pool of trained assistants is to be created to cover unexpected availability.

There are no TUPE, staff transfer issues to be addressed and the IMB will be looking to recruit assistants at an hourly rate of £10.90.

In addition to assistants there is need for a manager to take overall responsibility. This is a key post. The IMB are keen to delegate detailed responsibility of matters like the sourcing of suppliers, setting prices and margins, discounting practices, managing staff including rotas etc to a key individual ideally with knowledge and experience. The role is not considered necessarily a full-time position but ideally, they would be resident on the island. An advert will attract enquires and the position negotiated with interested parties such that pay can be met from within expected budgets.

Deliveries are an important logistical issue which on a paid hourly rate can be costly. With the purchase of a van the IMB in conjunction with the manager will be looking at the use of volunteers to support the collection of goods, getting the benefit of a trip to Oban or further afield as suppliers are identified. A vehicle ferry trip can potentially use up much of the day.

Training and support for all staff is very important for the success of the community enterprise. The IMB, manager and assistant will all be provided with support and guidance along with the opportunity to explore the experiences and roles of other working on island in a similar enterprise. These include Jura, Rum and Gigha and Raasay.

Digital support and tech system

There is recognition that digital systems are essential for the efficient running any enterprise. An electronic point of sale system is in place and is included in the purchase price. There is a monthly cost to system and its effectiveness and efficiency for staff, managers and IMB will be monitored and capability used to the full.

Stock and Margins.

The range and quantity of stock will be matched to suit the community needs and absorb season variations from sales to tourists. At peak sale times the stock is thought to need to

be around £30k, at more off season times this will reduce and the importance of not over stocking is recognised as it can lead to significant wastage.

The sales margins vary and are dependent on the item and the supplier. A robust approach will be taken to exploring options to ensure community satisfaction with the prices, and availability of stock. A community empowerment survey in June 2023 of the 79 responses to the question about margins only 5 (6%) did not agree that prices on an island shop would have to be higher than in the mainland towns and cities.

Deliveries

Being an island obviously presents challenges in relation to deliveries. There are two ferry services and the options can be many and varied. Some suppliers will deliver for free, but are maybe squeezing the margins, others will not deliver and it is necessary to collect. A van is an essential purchase and the manager will make decisions about sourcing products from different suppliers looking for best value to the enterprise. Some supplies may be orderable through websites and therefore volunteer drivers may be engaged to collect. Others goods may require a very personal “hands on” approach to get the required quality and the best price and could therefore require trips beyond Oban including Glasgow on a considered frequency.

Phase 2

The community will be consulted on suitable relocation options which will include the options of

- 1) Refurbishment of existing facilities eg hall, wee manse
- 2) Build new facility, perhaps at Clachan, Achnacroish or adjacent to the current premises. including a multi-functional building providing increased storage, improved parking and waiting area for the ferry along with toilets if at Achnacroish. There will be space outside the shop for a small seating area in the summer which will be equipped with chairs, tables, table umbrellas and discreet waste bins.

Diversity and inclusion

The IMB is committed to ensuring equality in all aspects of the shop's operation and will promote equality in recruitment to achieve a diverse and committed workforce. From their training, volunteers will have an understanding and awareness of the need for equality in all aspects of their work including social inclusion, disability, Gaelic, dementia, mental health and child protection. Roster patterns will provide family friendly working hours that will encourage recruitment of those with young children and people with disabilities. Whenever possible a Gaelic language speaker will be available at the shop.

Daily and Sunday papers will be available for those who have ordered them in advance, with a small extra number for casual shoppers. Below are a number of photographs of village store interiors which have inspired us.



9 The Organisation

Lismore Community Trust (LCT director) has established an Interim management board.

The members of the members of the Interim Management Board are all residents of the community and are:

Andy Hough (Chair)

Brona OSullivan -

Peter Walker

Donald McColl

Julie Livingstone (Secretary)

Laura Savill (LCT director) (Treasurer)

The Board will appoint a manager responsible for day-to-day operations and staffing. The community empowerment survey and professional advice we have sought suggests that while volunteers have a role, the enterprise should not be reliant in them.

10 Governance and Legal Structure

Lismore Community Trust is a member led Development Trust. A Development Trust is a community-owned and led organisation, working to combine community-led action with an enterprising approach to address and tackle local needs and issues. The aim of a development trust is to create social, economic and environmental renewal in a defined geographical area. Lismore Community Trust is currently a company limited by guarantee but is converting to a Community Benefit Society (CBS) – a corporate body registered under the Co-operative and Communities Benefit Act 2014 and authorised by the FCA.

Lismore Community Trust is also registered with [OSCR](#), the charities regulator in Scotland, and operates in line with charity law and regulations. It is eligible for Community Asset Transfer and all standard third sector and public funds.

A copy of Lismore Community Trust Governing Rules can be downloaded from our website at: www.isleoflismore.com

Lismore Community Trust is a corporate body and, therefore, all members benefit from limited liability, meaning that all individuals involved in setting up, running and/or investing in the community shop would not be personally liable for any debts that may be incurred. The Rules governing a CBS expressly state that the enterprise will not directly benefit any specific individual(s) but is for the benefit of the community, the community identified for this purpose as the Isle of Lismore

Membership

Lismore Community Trust is a member led organisation. Anyone over 16 who supports the society's aims can apply for membership. In order to become a member of the society, an individual or body must apply for a share or shares issued by the society.

There will be two classes of Member Shares:

Community Member Shares (£1) – Only available to those residents on the Island of Lismore (the area defined as “community” in our governing Rules). These will be of the nominal value of £1 each, with no-one being entitled to hold more than one Community Member Share. Community Member Shares are withdrawable but carry no right to payment of interest.

Contributor Member Shares (£25 each) – Available to any individual or corporate body regardless of location. Contributor Member Shares are withdrawable and do carry a right to payment of interest (at the discretion of the management committee). Multiple Contributor Member Shares may be purchased.

For the avoidance of doubt:

- Residents of the Island of Lismore can apply for both (one) Community Member Share **and** (one or multiple) Contributor Member Shares
- an individual who holds both a Community Member Share and Contributor Shares shall have only one vote
- a holder of Contributor Shares shall have only one vote, irrespective of the number of Contributor Shares which he/she/it holds.

Community Control

At least three quarters of Lismore Community Trust members must, at all times, be holders of Community Member Shares. Community Members must also constitute a majority of the members present (or be represented by proxy) to deem a meeting quorate.

In relation to any resolution of the nature referred to in Rule 99 (for example amending Rules and electing Directors) which is proposed at a general meeting (or which is the subject of any written resolution by the members), the holders of the Community Member Shares shall be the only members of the society who are eligible to vote on that resolution.

Director Elections

The Directors of Lismore Community Trust are elected **from** the membership and **by** the membership at each AGM. Every member has the opportunity to stand for election to the management committee. The management committee may also co-opt people onto the management committee in the period between AGMs if they have skills that are required. Co-opted Directors must stand down (before potential re-election) as the following AGM.

The maximum number of directors is 12; out of that number at any given time, the number of Community Member Directors in office must comprise more than half of the total number of directors in office at that time.

11 Tax Advantages

A gift to the CBS will be eligible for Gift Aid. This means that UK taxpayers making donations will get tax relief at source at a rate of 20% by way of a direct contribution to the charity by HMRC. They will also get additional relief if they are higher or additional rate taxpayers by making a claim in their tax returns – meaning up to a further 27% tax relief. To illustrate, if an additional rate taxpayer made a gift to the CBS of £10,000 they would be able to reclaim relief on their return of £2,700 and HMRC would also provide a £2,500 contribution to the charity. The net effect for the person making the gift is a cash outlay of £7,300 and the net effect for the CBS is a net income of £12,500.

Shares subscribed for in the CBS will be eligible for Business Property Relief in your estate, meaning that the value of that asset is not taxable on your death. This relief arises after the shares have been in your ownership for 2 years.

Finally, should the business fail and the funds you have invested are lost, it will be possible to make a claim for tax relief in respect of this loss. The relief can be claimed against capital gains, and potentially also against income – meaning a reduced net loss. To illustrate, if the above

additional rate taxpayer lost their investment of £10,000, they could offset this loss against gains at tax rates of up to 28% (meaning a lower tax bill of up to £2,800), or they could potentially offset the loss against income meaning a reduction in their income tax bill of up to £4,700.

This is our understanding of the tax situation. Anyone interested in the tax benefits should seek advice from a tax specialist.

12 Revenue Forecasting

The financial prospects for the Lismore Community shop/store and Post Office have been extensively analysed and the estimates and projections have been compared with published information for comparable community projects that have already been set-up and traded successfully for a number of years. A Financial Plan for the Lismore shop/stores and Post Office has been drawn up covering the start-up and the first 5 years of operation. The Financial Plan is provided as Appendix 3.

The Post Office has a legacy contract worth approx. £17,000 a year. If there is a successful purchase of the shop/store and PO and the current holder agrees this will continue.

Inevitably there is variation in monthly turnover due the seasonal habits of tourists.

The shop/stores and Post Office was run by a husband and wife team for 15 years before the current owner took over on 2020. There is therefore some reliable data on which to base likely annual turnover predictions. In this situation a credible methodology has been used to predict the shop's financial performance although small changes to the underlying assumptions can lead to significantly different outcomes.

The turnover predictions are built on historical data and information about likely usage patterns and margins. This information shows a historic annual turnover of circa £180k and an annual sales profit of £36,000 thus suggesting annual profit average profit margin on sales of 20%

Research, knowledge of community shopping habits and discussion with other similar facilities suggest the profit margins and turnover could be increased. A shop on the west coast of Scotland was referencing profit margins close to 40% and turnover circa £300k with a community of approx. 120 (Lismore has circa 160)

Consistent with a conservative approach to estimating, the first 2 year of trading will see a catch up to previous turnover levels, with subsequent years growth being achieved by attracting increased commitment from residents and visitors alike.

Comparison with other successful Community Shops serving similar sized communities gives confidence that the turnover predictions are well within reach.

The shop's income is based on an average 20% margin on sales recognising that achievement of this average figure will require a blend of zero for essential items such as newspapers and perishable goods, and a necessary higher margin on all other items. The coffee machine operation should achieve an even higher margin which will bolster overall gross margin performance.

Staff costs are the largest single discretionary item and the intention is to employ a manager before opening day as there is a recognised need for hands on retail experience beyond that of Management Committee members. These staff costs drive the poor profitability of the shop in the

early years but they cannot be avoided as they will ensure that the enterprise has sound foundations and a successful future. As the shop cannot sustain trading losses particularly in its early years, a contribution to the staff costs has been included as part of the cost estimates.

Forecasting profit and losses is dependent on a variety of factors but there is a clear view that by year 4 the shop and PO will show a sustainable profit. Profit is dependent on.

- a) **Turnover** – It is thought that volume of sales can be increased by stocking more of what customers want and providing it reliably at an attractive price. The sense of community feeling the shop is serving them is thought to be an important factor.
- b) **Margins** – The average margins are considered to be about 20% but different products have different margins some considerably more than others. Margins may be affected by a variety of things including suppliers, competition and volume of sales.
- c) **Costs** – Managing cost effectively, minimising escalations and maximising opportunities to reduce.

The assumptions that underpin the predictions are captured in the initial year of trading profit and loss table at appendix 1

Funding and Finance incl. Community Share Offer

The required start-up funding will be raised through a combination of grants, loans, bonds and community shares. The project will also benefit from generous donations in kind and from the efforts of volunteers.

The required start up demands including those where there may be, opportunities or constraints depending what finance is raised are;

1. *Purchase price* - fixed and agreed by sellers
2. *Vehicle* for stocking and deliveries – variable dependent on finance available
3. *Stock* – There are seasonal variations and it is important to get the best balance of ensuring there are goods, in both range and quantity that customers want while not overstocking and having wastage.
4. *Recruitment and training* -
5. *Legal costs* associated with lease etc
6. *Limited refurbishment* - There are elements that it is felt could be refreshed (eg signage, painting, shelving)

Appendices

1 - Annual profit and loss

Shop and PO Draft projected annual profit and loss		
Income		
Full year PO salary	17,000	Assumes legacy transfer but clarification needed as to the reliability/consistency of this.
Sales	170,000	Clearly a variable figure but assumes turnover of £170,000 with average margin of 20%
Total income	187,000	
Expenditure		
stock purchase	138,211	Margin
salary wages	37,000	Allows for deployment of staff to offer flexibility and balance of assistant(s)/manager. £35,984 covers full time assistant for all opening hours at living wage (£10.90) and 2 days of manager time at £16 an hour.
salary on costs	1,110	NI and pension costs will vary depending on staff engaged but assumed 3% of wages
Rent	3168	annual increase of 10%
Insurance	1000	£632 is historical known figure
Light and heat	3000	considered high - fixed contract with SSE which will end on 24th September 2024.
Digital infrastructure, training	1600	Alcohol licence course is now delivered online, at a cost of £130, this has to be refreshed every 5 years at a cost of £85. The annual premises licence fee is £220,
Advertising	250	Notional figure
Travel	2800	Based on weekly trip to Oban (perhaps twice at peak sales periods) and £1000 for vehicle depreciation
Maintenance	1500	Covers occasional call and service of fridges etc. plus some refresh of fixtures and fittings
Legal and accountancy	1200	Based on historical costs
Contingency		
Total	190,839	
Balance for a community ent	-3,839	

2 - Start-up capital

Start up capital					
			Min	Max	
Price of business			12,000	12000	From Ainsley independent valuation +goodwill
Vehicle			8000	15,000	very rough estimate
Stock			15000	30000	including stock in shop
Working revenue to cover intial trading losses			8000	8000	
Initial legal fees, valuation costs etc			2000	2000	
Marketing of share offer			0		Support from CSS
refurbishment			0	3000	
total			45,000	70,000	
Start up income					
	Min	Max	Min	Max	
Bonds @5k each	6	6	30000	30000	
	balance of shares	Balance of shares			
Shares at £25	600	1600	15000	40000	
Total			45000	70000	

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3 - Cash Flow from Start Up.

Lismore stores/shop												
	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Opening Balance - (Month 1 = from start up capital)	8,000.00	4,911.83	3,587.00	1,512.17	1,487.33	1,462.50	487.67	262.83	238.00	63.17	838.33	1,613.50
Money in												
sale of goods	14,000.00	13,000.00	13,000.00	13,000.00	13,000.00	12,000.00	12,000.00	13,000.00	16,000.00	17,000.00	17,000.00	17,000.00
PO salary				1,300.00	1,300.00	1,300.00	1,300.00	1,300.00	1,300.00	1,300.00	1,300.00	1,300.00
Other												
Total money in	£ 14,000.00	£ 13,000.00	£ 13,000.00	£ 14,300.00	£ 14,300.00	£ 13,300.00	£ 13,300.00	£ 14,300.00	£ 17,300.00	£ 18,300.00	£ 18,300.00	£ 18,300.00
Money Out												
Wages	3,083	3,083	3,083	3,083	3,083	3,083	3,083	3,083	3,083	3,083	3,083	3,083
On costs at 3% as PT staff	93	93	93	93	93	93	93	93	93	93	93	93
Purchasing	11,200.00	10,400.00	10,400.00	10,400.00	10,400.00	9,600.00	9,600.00	10,400.00	12,800.00	13,600.00	13,600.00	13,600.00
Rent	264	264	264	264	264	264	264	264	264	264	264	264
Utilities			750			750			750			750
Insurances	1500											
Delivery charges (includes ferry, fuel and veicle depreciation)	240	240	240	240	240	240	240	240	240	240	240	240
EPOS licences and IT	133.33	120	120	120	120	120	120	120	120	120	120	120
Staff recruitment	200											
Maintenance	125	125	125	125	125	125	125	125	125	125	125	125
Advertising	250											
legal fees												1200
Total money out	£ 17,088.17	£ 14,324.83	£ 15,074.83	£ 14,324.83	£ 14,324.83	£ 14,274.83	£ 13,524.83	£ 14,324.83	£ 17,474.83	£ 17,524.83	£ 17,524.83	£ 19,474.83
Closing Balance	£ 4,911.83	£ 3,587.00	£ 1,512.17	£ 1,487.33	£ 1,462.50	£ 487.67	£ 262.83	£ 238.00	£ 63.17	£ 838.33	£ 1,613.50	£ 438.67

4 - Forward profit and loss forecast

Forward Profit and Loss summary	Use Summary tab to adjust						
	Historic	Latest figure 2022/2023	Projected Y1 from cash flow	Year 2	Year 3	Year 4	Year 5
Annual PO income (assumed consistant)	17000	16804	11700	17000	17000	17000	17000
Sales	1800000	165538	170,000	180,000	190,000	200,000	205,000
Total income			181,700	197,000	207,000	217,000	222,000
Stock purchase			138,211	144000	149606	156250	158915
Expenses (staff, insurances, maintenence) + annual 2% inflation			52,628	56884	57351	57875	58359
Profit loss			-9,139	-3,884	42	2,875	4,727

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