

CONCLUSIONS

From the figures shown in the two scenarios it can be seen that profitability in the first year is very fragile.

Our appointed accountant for the financial report, Allan MacCaskill of CIB Services, states:

Normally in a community shop situation I would expect there to be an uplift in patronage/turnover because the community embrace a 'use it or lose it' mentality along with enhanced loyalty... I think it is important that the community are aware of the loss making potential (and therefore viability) if shop usage is not increased from its current level.

The above statement is very important. Based on the assumption that the products, services and turnover of the shop would be similar to before, then the shop may struggle. To be sustainable the shop will need to have the wholehearted support of the community and a review of the current products/services will be necessary to ensure they meet the ongoing community's needs.

In the event of a YES vote, community support for the shop would need to start immediately and a large part of the community will need to step forward to:-

- Form a Management Group of committed members to carry the project forward
- Support a monetary Share Issue
- Support fund raising events
- Become active and involved when consulting on various issues
- Volunteer to refurbish the shop

With everyone's help and support the shop could be viable and sustainable into the future.

It is over to you ...

Read all the information, ask questions and
CAST YOUR VOTE



HOW MUCH DOES A COMMUNITY SHOP COST TO PURCHASE?

Using the existing site at Crossapol:-

Property	£175,000
Fittings and Equipment	£25,000
Total Purchase of Assets	£200,000
Fees and Contingencies	£20,000
Working Capital	£40,000
Total Initial Cost	£260,000

WHERE DOES THE MONEY COME FROM?

Initial research shows that the following funding source opportunities are available:-

Community fund-raising events – a good way of getting people on board as well as raising money. This can be useful in the early stages to cover some initial costs

Grant funding – the main ones in Scotland are Big Lottery Growing Community Assets and the Scottish Land Fund, Highlands & Islands Enterprise who can grant up to 95% of the purchase price

Community Shares – selling shares in the shop is a good way of raising money and creating a sense of ownership and a good incentive to use the shop!

Loans – if the shop will be a viable business then taking out some loan finance could be an option. A number of loan schemes are available specifically for community enterprises and offer a favourable rate of interest

*On Tiree we are fortunate enough to have the **Windfall Fund** which could be utilised to lever and support grant funding*

Suggested by Allan MacCaskill, CIB Services appointed accountant, a possible funding scenario would be:-

Grant Funding	£135,000
Fund raising and share sales	£25,000
Term Loan	£100,000
Total Funding	£260,000

If the shop became a community owned asset, once purchased and operational, the Trustees of the building would be eligible to apply to the **Windfall Fund's Community Owned Buildings Fund**. This fund is a small percentage of Tilley's money set aside each year to assist with the maintenance of all Tiree's Community Buildings.

ASSUMPTIONS

It is necessary to stress that the assumptions are just that and will not be the final figures. The Management Group, together with the community, will decide on various matters including:-

Products and services
 Staffing levels
 Funding
 Shares
 and many more issues as they arise

The two scenarios displayed on the next poster use costs which are based on the following assumptions:-

- Minimum trading levels will be the same as enjoyed by MacLeod's i.e. with a regular trading pattern but with substantial turnover increases in the summer months
- The new business will be able to enjoy a similar level of gross profit margin as achieved by MacLeod's
- No allowance has been made for voluntary labour – all figures are based on employed paid staff. Total costs of staffing per annum are £58,000 and include statutory costs
- The staffing numbers assumed to operate the shop are:-
 - 1 x full time manager
 - 1 x full time assistant
 - 2 x part time assistants
- The general overheads are deemed to be similar to such costs previously incurred (electric, rates, telephone etc.)
- No vehicle will be leased, but travel expenses have been included for business use of a vehicle

SCENARIOS

How can we predict the viability of the proposed acquisition?

To assess the viability we have appointed an expert financial consultant who specifically deals with community shop acquisitions and he has reviewed and analysed the performance of the MacLeod's business over the last four years. This financial data forms the basis for the financial forecasting within the context of a community owned shop.

The following financial projections show two possible trading scenarios. Both projections assume there will be annual growth in the turnover of the shop and in its profitability.

Scenario 1	Year 1	Year 2	Year 3	Year 4	Year 5
<i>Turnover - year 1, as existing</i>					
Sales	360000	396000	435600	479160	527076
Gross Profit (24%)	85200	93720	103212	113773	125511
<i>Turnover, after year 1, forecast to increase 10% year on year</i>					
Overheads					
Wages & NIC	58000	60900	63945	67142	70499
Running Costs	19260	20460	21660	22860	24060
Loan Interest	2124	2124	2124	2124	2124
Depreciation	3000	3000	3000	3000	3000
Total Overheads	82384	86484	90729	95126	99683
Net Profit/(Loss)	2816	7236	12483	18647	25827
Bank Balance	26928	29261	37048	51227	72836
<i>Wages and Running Costs forecast to increase 5% year on year</i>					

Scenario 2	Year 1	Year 2	Year 3	Year 4	Year 5
<i>Turnover - year 1, as existing</i>					
Sales	360000	378000	396900	416745	437582
Gross Profit (24%)	85200	89460	93963	98721	103747
<i>Turnover, after year 1, forecast to increase 5% year on year</i>					
Overheads					
Wages & NIC	58000	60900	63945	67142	70499
Running Costs	19260	20460	21660	22860	24060
Loan Interest	2124	2124	2124	2124	2124
Depreciation	3000	3000	3000	3000	3000
Total Overheads	82384	86484	90729	95126	99683
Net Profit/(Loss)	2816	2976	3234	3595	4064
Bank Balance	26928	23981	21345	19127	17438
<i>Wages and Running Costs forecast to increase 5% year on year</i>					

The Community Shop Steering Group would like to thank Ian and Fiona MacLeod for their assistance and to Allan MacCaskill of CIB Services for the preparation of the financial report.