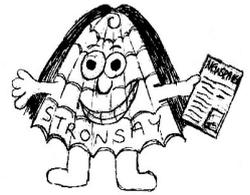


STRONSAY LIMPET

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THE PROPOSED PURCHASE OF THE LIGHT HAULAGE BUSINESS SERVING STRONSAY/EDAY AND THE DEVELOPMENT OF AN ENTERPRISE ZONE



This is a special edition of The Limpet.
There is a voting form at the back of the document.

INTRODUCTION.

When Jim and Vicki Holland first approached the Stronsay Development Trust (SDT) and asked it to consider purchasing the light haulage side of their business from them, it was something that needed a great deal of consideration. The most important thing was the need to secure this vital lifeline business on the island. It was also clear that the Trust could not run the business. Since that day this has remained the case.

The Trust asked me in my role as Community Development Officer to look at all the issues and to present possible solutions to the SDT.

After much consideration it was agreed by the board that the best option was to try to obtain funding and assist in the setting up of a trading subsidiary to the Trust. The idea being that the haulage business runs independently on a day to day basis. This would be in the form of a Community Interest Company. Like any business it has to run as a professional profit making concern.

To ensure this is the case a Steering Group will be formed comprising a representative of the Trust and several representatives from Stronsay farms and businesses.

The bonus of buying the light haulage business is that the large site gives us the opportunity to develop the area to encourage new business start ups and training facilities both of which have been identified as a need by the residents of Stronsay, and the whole enterprise zone is completely within the objectives of the Development Trust.

Once the haulage business is up and running, the land can be developed over the next couple of years.

Please take the time to read through this proposal and use your opportunity to vote on this very important matter.

SPLITTING THE BUSINESS.

After almost 20 years serving our community Jim Holland has decided to reduce his vast workload. He has failed to secure an outright purchaser despite the business being on the market for several years. As a compromise he decided to offer the light haulage side of the business for sale separately. Sadly no-one with a serious offer has shown interest in this option either. Jim wants to spend more time with his family. Having worked at least six days a week for 12-14 hours a day, he has had enough! Most of us could not contemplate such a workload.

Last year Jim and Vicki approached us to see if we could help.

WHAT'S ON OFFER?

The light haulage company as offered consists of the following:

- The Haulage Yard and shed in Whitehall.
- Contracts with the Post Office, Parcel delivery companies etc to the tune of £25,000 + p.a.
- Goodwill and mentoring during handover and beyond.
- Present experienced staff in post.
- A large area of land ideally suited to develop an Enterprise Zone.
- Business, Yard, land for a total price of £70,000.

THE TRUST'S PROPOSAL

As briefly outlined in the introduction the Trust proposal is to set up a Community Interest Company. This is run just like any other company with all the legal and employment responsibilities and needs to provide a good service and be profitable.

Any profit made will be gift-aided to the Trust to help fund other community projects. The intention is to retain existing employees and create another job. Vicki has said she is prepared to continue her role as admin/ company book keeper. Paul Burrige will also be kept in an extended role. The Eday post will also be retained and extended to take off and put on our vans and trailer there. The relief driver employed by Jim in Kirkwall will take on a permanent role as delivery driver.

There are considerable cost savings to be made by not having a driver paid to be on the ferry all day by using this system. There is a commitment to several contracts meaning the service will run Mon-Friday and on Saturday when necessary.

As well as retaining the staff for continuity reasons Jim Holland will be offering a mentoring service whilst the business is getting established. He will also help us when a load is light but very bulky and take it for us to save unnecessary extra journeys and this arrangement will be reciprocal.

It is intended to use two 3.5t vans with tail-lifts and a trailer. One on the ferry and one on Stronsay deliveries, and the trailer for Eday. All light haulage will be carried by us and an agreement with Jim means he will not carry light haulage if approached, but refer them to the new company.

The aim is to complete the purchase by the end of 2010 with a phased takeover period to ensure everything runs as it should.

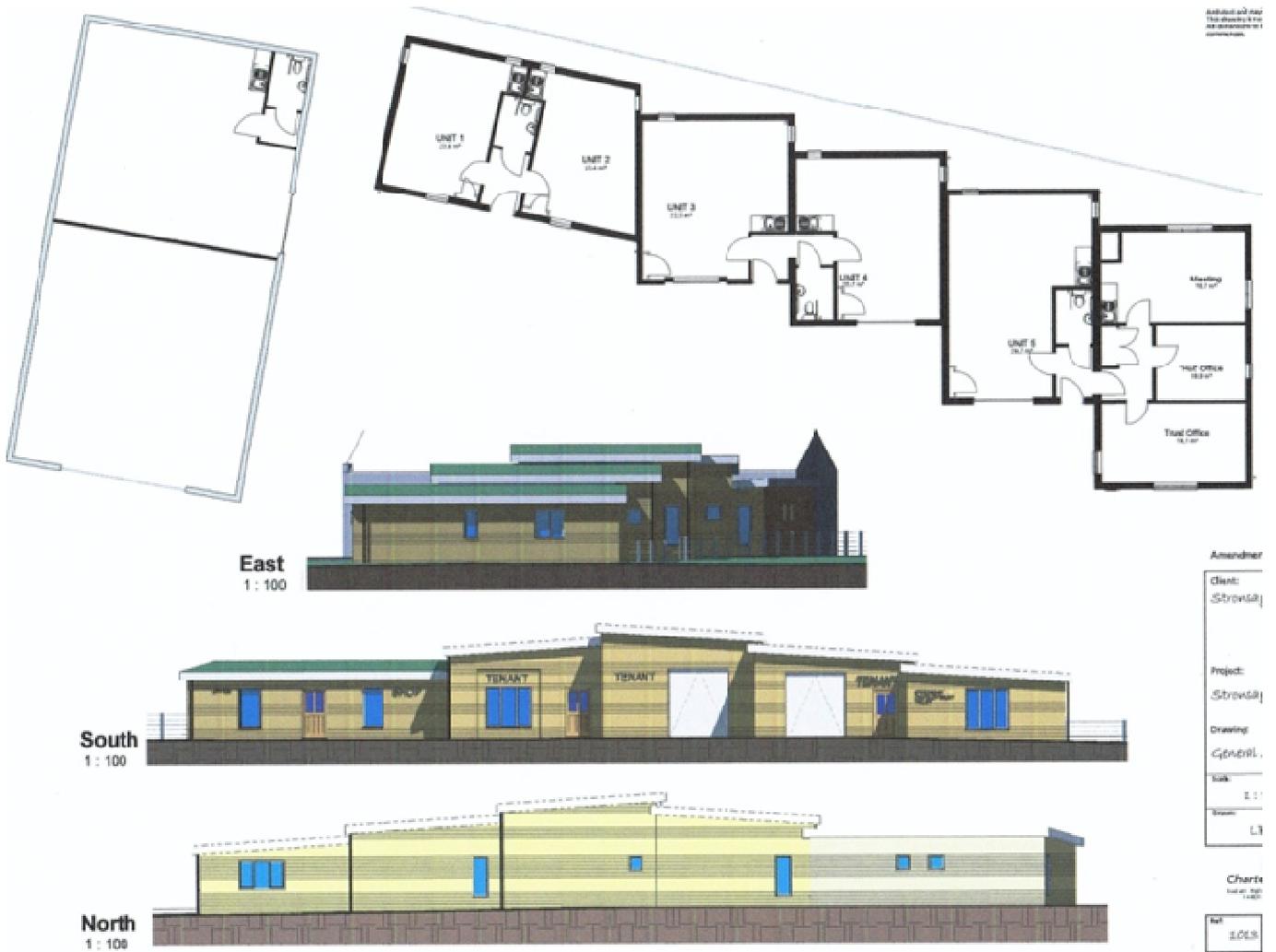
Light Haulage consists of the following:

- DHL and Streamline deliveries.
- Postal Contract
- Commercial and small business deliveries including:
 - Cartons/ trays /cases/crates.
 - Gas cylinders and kegs. (pub and shop)
 - Frozen containers.
 - Pallet groceries from Wilsons and JBT.
 - Flowers
 - Orkney Water
 - Shellfish
 - Eggs (pallets/boxes/trays)
 - Northvet.
 - NHS and WHB Sutherlands /surgery supplies.
 - Oxy bottles.
 - School supplies, food/stationery/library boxes etc.
 - Household appliances/furniture/flat packs/carpets/misc household deliveries
 - Feeding bags and fishing bait.
 - Car parts
 - 5 gallon drums
 - Roofing felt rolls/insulation.
 - Bikes/mowers/ladders
 - Small timber /DIY materials.
 - Agricultural inc. AI flasks/alkethene/drainage pipe/fencing wire rolls/wraps/covers/twine.

(This list is only for general reference and should not be read as definitive.)

We understand that changes are not always welcome but the Trust and steering group will strive to make the transition as seamless as possible. We shall be inviting people to represent their interests on the Steering Group. As well as a Trust Board member and Jim Holland's advice/input, it is hoped that someone from the shops, fishermen and farmers, for example, will join the group in order to iron out any issues and continue in this minding role once trading begins with tri-monthly meetings to check financial and service matters.

THE ENTERPRISE ZONE



The need for business units on the island had been identified in past surveys and development plans. The Trust realised that the purchase of the haulage yard was an ideal opportunity to make this happen. Funders were keen for us to show how the purchase of the yard and business would benefit the community. Obviously the continuation of a life-line business is of paramount importance. The potential funders also require us to create extra opportunities for the community on the site of the light haulage business. They are only prepared to help fund the purchase under these conditions. When the Trust put forward the Enterprise zone concept to potential funders the response was very positive.

The SDT community turbine application included the intention to use some of the income produced to support the development of an Enterprise Zone. The Big Lottery were so impressed with the idea they suggested we apply for funding from them to do a feasibility study into this project. We did so and won a £10,000 grant to do further work and pay for professional advice.

This level of due diligence means we can present a business plan that is realistic, professional and truly reflects the social and economic benefits it will bring.

WHAT WILL THE ENTERPRISE ZONE OFFER ?

Situated at Woods Yard the Enterprise Zone will consist of the following:

It is the Trust's objective to start a rental business (EZ Rental) with a shared office/training facility, SDT office. There will be 5 units and a communal area plus a Keder Greenhouse; all of these to be rented out either to start-up or existing businesses.

The benefits to the community are that it will encourage business growth on the island and attract new residents to Stronsay. It offers the chance for younger islanders to remain or return here to either work for or start their own business with very reasonable rental rates.

Funding to buy the haulage business and the land will be from grants and development of the land will continue with some match funding from the community turbine income. The completion date is likely to be 2013-2014.

Our management accountant, Mr. Andrew Stennett, has kindly produced a short financial summary of the project:

Date: 12 August 2010

Financial Feasibility of the Enterprise Zone Businesses and the Light Haulage Business, as a whole.

Summary Report for Stronsay Development Trust

This is to confirm that, (subject to key assumptions, detailed assumptions (as confirmed by the trust), and recommendations re: overdraft facilities), **each of the following businesses** are financially feasible, based on 6 years Income and Expenditure Forecasts and 6 year Cash Flow Forecasts:

- ✓ Light Haulage Business
- ✓ Enterprise Zone Rental Business
- ✓ Enterprise Zone Compost Business

However, built into the assumptions is a "3-way" dependency, **where each business offers social benefits to the other**, by the use of:

Shared Resources and Services

Rental business to utilise land for development from the Haulage business

Compost business to use the rear of shed for storage and the rent of van from the Haulage business

Haulage Business to use communal space in Rental business for office facilities

Administrative and Accounts support shared between businesses

Tenants of the Rental Business and customers of the Compost Business can utilise the Haulage business to deliver goods to and from the island.

Shared Growth

As the Compost business and the Tenants' businesses grow, so too, will the Haulage Business grow to support them.

More effective outward haulage journeys

Currently, most haulage traffic is one way (i.e. inward from Kirkwall), reducing its cost effectiveness.

Having these new businesses will, ideally, create export opportunities, which will in turn better utilise the outward journey (for example: off island sale of compost bags, bakery products, fresh grocery products).

Note:

Each business is forecast to make only a modest surplus each year.

For this reason, cash flow forecasts dictate overdraft facilities are likely to be necessary.

It is assumed that these will be provided by, either a bank (for the Haulage Business), or by the Community Owned Turbine Company (for the Rental and Compost business).

Therefore, the businesses will not be dependent on each other, for overdraft cover.

Conclusion

Each business is financially feasible, but has a degree of social dependence on each other, for its success.

If any business were removed from the “group”*, assumptions about how each business depended on the other, would need to be changed.

Therefore, reviewing all businesses as a group*, ensures all dependencies are fully utilised, and each business is most likely to meet its Income and Expenditure forecast and Cash Flow forecast targets.

Therefore, I can confirm that the group* of businesses comprising:

- ✓ Light Haulage Business
- ✓ Enterprise Zone Rental Business
- ✓ Enterprise Zone Compost Business

is financially feasible, as a whole (subject to key assumptions, detailed assumptions (as confirmed by the trust),

and recommendations re: overdraft facilities).

*No assumptions are made as to the legal structure of the group. The term “group” is used notionally for review purposes.

Andrew Stennett FCCA

Management Accountant



THE COST OF RUNNING THE LIGHT HAULAGE.

It will be necessary for the haulage business to increase its rates for delivery by 15% and renegotiate contract prices by the same, followed by yearly increases of 2.5%. This may seem harsh, but the reality is that once the light haulage is a separate company the transport and man hour saving of running the light and heavy haulage together is lost.

Any planned price increases on our plan will be adjusted according to the current pricing structure when we take over the business.

Jim's prices have not risen for many years. The new company or any other provider could not operate at current prices. As an example a parcel delivered to Stronsay or Eday for £1.50 costs almost £4.00 to Westray so this modest increase puts things into perspective.

A statement from Jim Holland:

“When Vicki and I approached the Trust with our decision to split the business and only operate the heavy haulage side from home it was only after failing to secure a private purchaser. I have given my assurance to the board that I will help the new company during the handover and continue to offer support and advice once they are operational. I will also help them with any oversize load that still falls under the light haulage remit.

The fact that Vicki and other members of staff will be retained will in my opinion help secure the future success of the business.”

IN CONCLUSION.

What is being proposed by the Trust is a business model that will not only secure the future of light haulage to Stronsay and Eday but also provide us with the chance to improve the Island’s long term sustainability by providing opportunities for the younger generation. The steering group will ensure that the haulage business is run properly and efficiently.

Employment and training opportunities will increase and Stronsay and Eday will continue to enjoy a top rate haulage service.

Please take the time to vote using the voting form in this special *Limpet* and feel free to contact me with any queries or concerns on *01857 616300* or *cdostronsay@btconnect.com*

Thank you, Tony Withers, CDO/TDO Stronsay.

Enterprise Zone voting form

This voting form should be signed and your address should be given in order for the vote to be validated please.

Completed forms should be placed in the collecting box provided, inside the post office, by 16.00 on 6 September 2010.

To vote you should be resident within the community (defined by the Stronsay Community Council area) and aged 18 or over.

Option A

I agree with the current proposal by the Development Trust to buy the light haulage business, to set up a community owned Haulage Company and to develop an Enterprise Zone in the haulage yard.

(Option A) Name	Signature	Address

Option B

I do not agree with the Development Trust's proposal above

(Option B) Name	Signature	Address

