

# Ilmington Community Shop Limited

## We Need Your Help: 2019 Share Offer and Fund Raising

### Why a Share Offer and Fund Raising?

1. We are inviting members of the community to help us to raise funds to sustain and improve the community shop and café through a share offer or by donations. If you are interested in becoming a member by purchasing shares, or are considering adding to an existing share-holding, please read the prospectus that accompanies this note.

2. The community shop opened in May 2015 and the café in July 2016. In terms of the mission, the management committee, believe that they are delivering what the community told us they wanted when the venture was envisaged.

3. However, we are not complacent. Despite significant growth in turnover (driven primarily by the café), a number of factors mean that we are seeking to put the shop and café on a firmer financial footing and to ensure that they offer what the community wants and needs. Relevant factors include:

- a. A broadly stable shop turnover, with some signs that custom has plateaued and in recent months has fallen, particularly after taking account of the impact of significant food price inflation in the last two years. Changing shopping and consumer habits also require constant vigilance and a need to regularly remind all those who care, that using and supporting the shop and café is crucial if they are to be sustainable in the longer term.
- b. As originally envisaged, revenue from the café was to provide a measure of support for the shop. This was based on a model of employing a single salaried manager to oversee running both shop and café, with significant volunteer input to both sides of the operation. However, given an understandable volunteer reluctance to help in the café without paid staff being present, it was decided in 2017 (with member agreement) to employ a full-time café manager. We successfully increased turnover to cover this cost, but café custom has grown further and this growth has necessitated the need to employ additional part time staff and increased management input from the committee. In effect, this means that extra turnover has not translated into an additional profit, although there are synergies between shop and café that help (e.g. avoiding some waste in the shop and cross selling).
- c. The net result of these challenges for our Financial year to 30<sup>th</sup> September 2018 was a small loss of around £300 before depreciation, as reported to the AGM in February 2019. We projected a small surplus of around £1,200 before depreciation for the financial year to 30<sup>th</sup> September 2019 and expect to modestly exceed this once accounts are finalised.
- d. Inevitably, after 4+ years of trading, we are beginning to need to maintain the fabric of the building and grounds, and to replace some items as they reach the end of their working lives, including fridges, chillers, freezers and IT equipment.

We also need some improvements to aid effective operation of both shop and café. Annex 1 lists these. Examples include a fruit and vegetable chiller and better means to manage the thermal performance of the shop, particularly in hot weather to reduce waste.

- e. We have also faced some demands for one off expenditure including installing a lightning conductor in a previous financial year and to replace failed equipment in 2018/19.

4. In essence, the need is to:

- a. Take steps to improve shop and café margins to underpin basic profitability and a sustainable business model and pattern of trading for the future; and
- b. Fund raise both to:
  - Afford necessary capital improvements; and
  - To create a 'war chest' with a target reserve of £20,000 after affording current demands for repairs and improvements to guard against the unexpected and to comfortably afford future repairs and replacements over the next 2 – 3 years whilst we adjust the business model. Typically, we have a bank balance that fluctuates between £8,000 - £12,000 although it is currently swelled through some recent successful grant awards and kind donations from members of the community.
- c. Ideally, a share offer and / or donations and grant applications therefore need to raise £30,000 to achieve that £20,000 balance after repairs and improvements.

## **Action to Date**

5. We have and are taking a number of steps to address these challenges, including:

- a. Careful management of shop pricing, investment in stock, and waste: there are early signs that this is helping to improve the shop margin, but we must await our annual accounts to confirm, and this is insufficient to address the challenge.
- b. A review of café pricing and the café offer, after examining sales and comparators, to increase the margin on café sales.
- c. Holding promotions and fund-raising events, and developing our marketing and communications. A vibrant social media presence is helping this.
- d. Fund raising through grants and events etc. (Annex 2 shows progress to date).
- e. Market research: we will be asking shop customers to complete and return a questionnaire to tell us what they like or like less well in terms of the shop, and whether there are changes that customers would like to see.

## **Next Steps**

6. We will publicise the share offer and encourage both new investors and any current investors to add to their investment; or for either to make donations if they prefer.

## **Finally**

7. A warm thank you to those of you reading this who have already invested either through recent share purchase or through donations.

8. If you would like to discuss our fund raising work further please feel free to either email Tim Allen ( [t.d.allen@btinternet.com](mailto:t.d.allen@btinternet.com) ) or phone 01608 682646.

**Fiona, Lee, Mark, Nicky & Tim**  
**Ilmington Community Shop & Café Management Committee**

**October 2019**

## Questions

The prospectus that accompanies this note addresses some stock questions. Here we address some specific contextual questions.

### **Is Ilmington Community Shop and Café in an Unusual Position?**

No.

Two current management Committee members are also advisors to the Plunkett Foundation. This includes helping other community shops and cafes at various stages in their development and , so we have the benefit of this experience.

In a challenging retail environment, rural community shops are viable because they typically rely on volunteers as well as paid staff to operate, and they have the commitment that stems from community ownership.

A few manage to sustain a reasonable profit in proportion to turnover and costs and this typically stems from specific factors such as benevolent property owner or – unusually – operating without paid staff although we question the long-term viability of such arrangements. Most community shops and cafes operate on small margins and are in a broadly similar position to Ilmington.

The aim of this share offer, and accompanying activity, is to put Ilmington Community Shop into the vanguard of those that have secured long term sustainability.

### **Is Ilmington Community Shop and Café Viable?**

Yes, provided we act now to ensure this for the future.

This share offer is to both help whilst we shift the business model into one that generates a better margin, but also that allows us to invest for the future in improvements that will help sustain that viability, e.g. in fruit and vegetable chillers, appropriate climate management for the shop and better storage and accessibility arrangements.

## Annex 1: Maintenance & Capital Investments that are Either Required or Desirable

### Projects funded to date or requiring funding 2019/2020

Description	Est. cost	Funds Raised?
<b>Funds raised and improvements to date</b>		
Replace Outdoor Chairs and Tables	£2,100	Yes & Purchased with a kind donation and successful grant application
Café Counter Chiller	£500	Yes & Purchased
<b>Items for the near future</b>		
Vegetable Chiller High Priority but see below	£4,500	Yes, again funds raised through a kind donation, fund raising and successful grant applications, but see below.  The cost assumes aesthetically suitable solution for the front of the shop.
Temperature Control in Shop: High Priority	£13,000 (net of above £8,500)	Includes the fruit and vegetable chiller above, but also other substantial modifications to chiller arrangements to manage their impact in generating internal heat
Update Office Computer & software: High Priority	£2,045	System is aged and we rely on it
Maintenance of café exterior: Medium Term Priority	£1,500 Est	
External Shed for Extra Storage: Medium Term Priority	£1,500 Est	
Improve Car Park Accessibility: Longer Term Priority	£1750 - £3500	
Roof repairs: Medium Term Priority Given Short Term Repair Effected	£1500 (short term)- £4500 (longer term)	
Total <b>Without</b> Shop Temperature Control	£11,545 - £14,545	Higher Figure Assumes full long term Roof Repair
Total <b>With</b> Shop Temperature Control	£20,045 - £23,045	Higher Figure Assumes full long term Roof Repair
<b>Other Expenditure</b>		
General repairs & maintenance to building:	£1,000 Est	Medium term priority affordable from general revenue

## **Annex 2: Funds / Donations to Date (Including to Funding External Chairs and Tables) as of October 2019**

(Figures rounded)

<b>Source</b>	<b>Total</b>
Donations / Events	£5,000
Grant Warwickshire County Council	£600
Grant Calor	£2,500
Grant Warwickshire County Council	£1,000
Other e.g. hosting grant aided visits to café & shop	£400
<b>Total</b>	<b>£9,500</b>
<b>Total Spend to Date</b>	<b>£2,100</b>
<b>Available Balance</b>	<b>£7,400</b>