

*Going Forward
Together*



Sealladh na Beinne Moire **Business Strategy**

Written by

Huw Francis
Chief Executive, Stòras Uibhist
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Bornish
Isle of South Uist
Western Isles HS8 5SY
www.storasuibhist.com



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Executive Summary

South Uist Estate Ltd. has been in community ownership since November 2006. Primarily a Sporting Estate at the time of the purchase, the company has since significantly changed its focus to become a Crofting Estate with a remit to drive social and economic regeneration.

A new management structure has been introduced, a development department created and a commercial review undertaken as part of the transformation process.

Grogarry Lodge is now run as a commercial sporting lodge, the commercial activity has been placed on a sound footing and the Board of Directors has set a clear agenda for the development projects necessary to deliver the expected social and economic regeneration of the islands of Eriskay, Benbecula and South Uist.

In 2008 the Estate business that was bought by the community has shown a small surplus, which has been re-invested in progressing the development projects. This surplus is expected to grow, allowing further investment to be taken forward.

As the development projects progress the underlying value of the Estate will increase in parallel with the creation of jobs, increase in GDP and reduction and reversal of population decline. This will further impact on the social regeneration of the islands and increase the attractiveness of the Estate as a place to live and work.

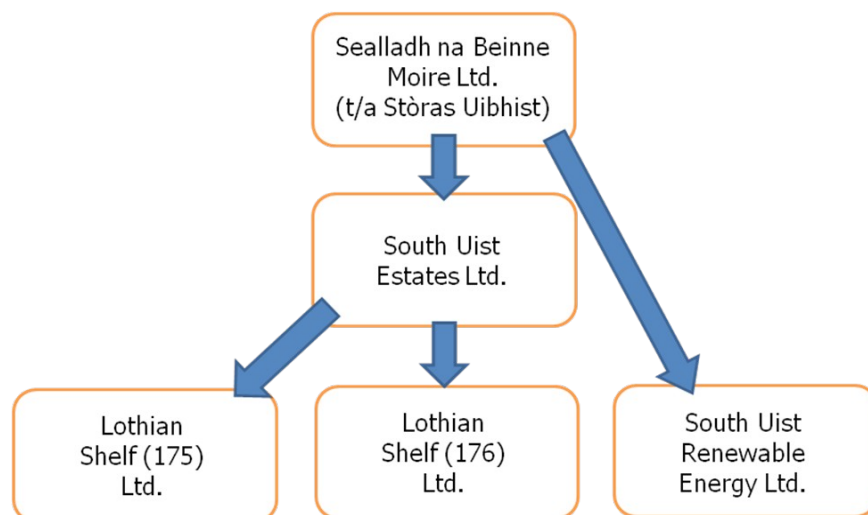
Introduction

Sealladh na Beinne Moire (SnBM) is a company limited by guarantee, established in Scotland to buy South Uist Estates Ltd. as part of a community buyout in 2006.

SnBM completed a share purchase acquisition of four companies in December 2006 when ownership of South Uist Estate Ltd. (SUE), Lothian Shelf (175) Ltd., Lothian Shelf (176) Ltd., and South Uist Renewable Energy Ltd, (SURE) transferred from the private syndicate to community ownership.

The purchase was funded with assistance from HIE (Community Land Unit), BIG Lottery, CnES, SNH and an international fund-raising appeal. Royal Bank of Scotland also supported the purchase with a commercial loan.

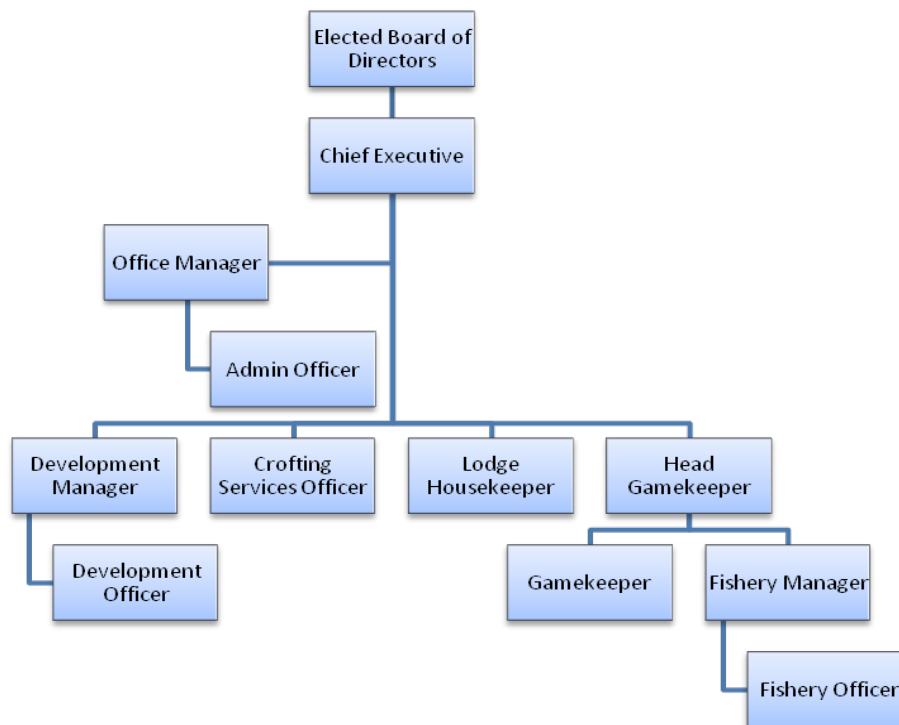
The share ownership structure is:



Local residents on the Electoral Roll within the Estate boundaries, and croft tenants on Benbecula with a share of Benbecula General Common Grazing can become Full Members of the company, whilst other interested individuals and organisations can become Associate Members, or Junior Members, as appropriate.

A Board of Directors is elected from within the Full Members list as laid down in the Memorandum and Articles of SnBM.

The current staff structure of the group companies is:



Background

South Uist Estate in its current form is much reduced in size from its greatest extent and now consists of the vast majority of the islands of Eriskay, South Uist and Benbecula. In 2006 Sealladh na Beinne Moire bought the Estate, on behalf of the local community, from a syndicate of owners with the intention of using the assets of the Estate to drive economic and social regeneration and stem the chronic de-population of the islands.

The Estate covers approximately 93,000 acres, with close to 97% under crofting tenure (850+ tenants) and much of the rest occupied by commercial tenants (30+ sites) or short-lease agricultural tenants (16 grazing leases).

Grogarry Lodge and the Sporting rights rest with South Uist Estates Ltd. Grogarry Lodge is a traditional hunting lodge, offering fully-serviced exclusive use accommodation, with exclusive access to the highly regarded sporting activity (snipe, woodcock, duck, goose, stalking, salmon, sea-trout, brown trout) for its guests. When not required by Lodge guests, the sporting activity is made available to other individuals to support the local tourist sector. Grogarry Lodge is also used for activity based holiday parties, weddings, by local organisations for events and as a conference venue.

The non-industrialised economy and traditional agricultural methods have resulted in a rich bio-diversity with a number of species that are rare elsewhere being common on the Estate.

The Red Deer are genetically pure. The sea-trout and salmon population is particularly strong with unfettered access to the North Atlantic, whilst the brown trout thrive in the alkaline machair lochs as well as the peaty hill lochs. Populations of otters, corncrakes, corn-buntings, golden eagles, sea-eagles, falcons and harriers, waders and greater yellow bumble-bees are also significant to Scotland's natural heritage and this is reflected in the density and number of designations applied to the islands.

The recently restored 'Old Tom Morris' Golf Course on Askernish machair is also owned by SnBM, though operated by Askernish Golf Course. The course is expected to generate £1m of revenue for the local economy within five years and attract significant inward investment to develop additional services for visiting golfers. The course has been identified as 'one of the top 10 links courses in the world', by an American golf magazine.

Social & Economic Regeneration Delivery

Prior to the 2006 buyout the Steering Committee identified a number of projects to deliver the social and economic regeneration agenda, including:

- Implement a full business review and establish Sealladh na Beinne Moire and South Uist Estate as a commercially viable company,
- Improve the crofting administration,
- Improve housing options for the local community,
- Restore the drainage system,
- Upgrade Grogarry Lodge,
- Complete the restoration of the Askernish 'Old Tom' Golf Course,
- Develop the sporting and wildlife tourism opportunities,
- Build a community renewable project to deliver long-term revenue,
- Lochboisdale Port of Entry regeneration.

In the two years to December 2008, the following milestones were achieved:

- Stòras Uibhist office established,
- Business review completed,
- Business restructure completed,
- South Uist Estate made profitable,
- Crofting administration system upgraded,
- Loch Skipport/Loch Bee Floodgate repaired,
- Tenders requested for Smercleit floodgate repair,
- Askernish 'Old Tom' Golf Course restored and opened,
- Planning application for 3 x 2MW wind turbines submitted to CnES,
- Application for funding (£432,000) towards the construction of six 4 bedroomed houses submitted to Scottish Government,

- Project plan for Lochboisdale regeneration developed and £600,000 of funding secured from CnES.

Additional recognition of the achievements of the Steering Group and Directors came with:

- Nomination of the Board Chairman for IoD Community Company Director of the Year,
- HSBC Start-up Star Finalist, 2008,
- Selection of Sealladh na Beinne Moire as one of 14 HIE hi-growth companies that will contribute significantly to Highland and Island region GDP growth.

Ongoing Development Plans

For 2009 and beyond the Board of Directors of Stòras Uibhist has agreed to progress the following projects:

- Lochboisdale Port of Entry regeneration,
- Wind turbine construction (subject to planning approval),
- Increase turnover of Grogarry Lodge and the Sporting Activity,
- Progress the community housing project (subject to Scottish Government funding),
- Promotion of South Uist Estate as a premium tourist destination,
- Establish a suitable business environment to foster entrepreneurial activity in the local community,
- Secure at least one inward investment project.

Each of these projects is covered in detail in the attached Appendices.

Financials

Audited company accounts are released for approval at each Sealladh na Beinne Moire AGM and posted on the company website (www.storasuibhist.com). A summary of the accounts for 2008 and projections for 2009 are included in Appendix G.

Delivery of the development projects listed below will significantly increase the turnover of the company and impact significantly on the local GDP.

Appendices

Appendix A – Lochboisdale Port of Entry

Summary

Stòras Uibhist aims to submit a full planning application for the phase 1 development of the Lochboisdale regeneration project by Autumn 2009, with the construction phase commencing in 2010.

Background

A strategic regeneration vision has been outlined for the development of Lochboisdale, and has been developed from within the community through Iomairt aig an Oir, and the community buy-out consultation process. The project has been highlighted by the community as a key aspiration for delivery. The project comprises a series of interlinked developments, which will enhance the tourism, housing, ferry port, commercial and fishing facilities and opportunities within Lochboisdale.

In 2008 Stòras Uibhist considered the proposals and undertook an assessment of the needs of the various sectors and users of the existing facilities and assessed future requirements. This study highlighted the critical failure of the existing facilities, which does not allow for any users' existing or future needs to be met without seriously restricting the activities of the other users.

Rationale

Each individual development need can only be met through a strategic development project which provides leisure tourism provision, fishing pier, twin berth ferry pier, commercial sites and housing.

The project will have significant regeneration impacts for the Western Isles, and will deliver a Western Isles destination port for marine leisure tourism, which is a key requirement of the sector for Scotland, opening up west of Hebrides tourism opportunities.

The first phase infrastructure required is estimated to cost around £3.5m and includes the installation of a new road and causeway to open up the Lochboisdale bay and development of a new ferry port out-with the 3.5m draft restriction currently in the Lochboisdale pier. This project will provide the balance required to facilitate all the existing and future needs requirements for development at a cost scaled to the benefits accrued.

Delivery

- Formation of a Lochboisdale regeneration working group
- Funding secured for technical feasibility stage
- Technical feasibility commissioned
- Phase 1 project plan finalised

- Full planning application submitted phase 1
- Funding for phase 1 secured

Project Plan

The project will seek to deliver:

- A deep water ferry pier, with marshalling area and terminal building fit for current requirements, including RET and daily services to the mainland,
- A deep water pier for commercial boats and small cruise liners,
- Improved fishery pier, slipway, shore facilities and processing options,
- Leisure craft facility and marina area,
- Land for housing,
- Land for commercial development,
- Land for development of local services.

In conjunction with CnES, Scottish Government, Crown Estate and HIE Stòras Uibhist will facilitate installation of the infrastructure to open access to serviced sites for further investment to be secured to deliver individual aspects of the project.

Costs

Technical feasibility - £20,000

Business plan, including Stòras Uibhist costs to planning - £30,000

Securing funding package - £5,000

Planning application - £50,000

The initial project cost for the construction of the basic infrastructure will be in the region of £3,500,000 sourced from the public sector. It is anticipated that this will attract a further £20,000,000 of additional investment for the establishment of the new facilities.

Appendix B – Loch Carnan Community Wind Turbines

Summary

Stòras Uibhist plans to install a 6MW, three turbine, wholly community owned wind farm in Loch Carnan South Uist. The project will generate significant returns to the local community for re-investment in socio-economic regeneration projects within the South Uist Estates area

Background

In 2006 the South Uist Community Steering group commissioned a feasibility study on potential renewable energy projects in the South Uist Estates Area. The study identified Loch Carnan as the most suitable development site for a project of this type. In 2008, following completion of an extensive feasibility and environmental impact assessment process, Stòras Uibhist submitted a full planning application for the three turbine development.

Rationale

The total project cost for the development is £8.5million, which will return £27 m to the local economy of the South Uist Estates area throughout the 25 year lifetime of the project.

The project will generate £8 million in direct revenue to Stòras Uibhist for use in economic and social regeneration projects. Accounting for local economic multiplication, this represents a return to the local community of £18.6 million.

Stòras Uibhist will reinvest this revenue in further community regeneration projects such as Lochboisdale harbour regeneration, drainage and land management, housing and renovation of Grogarry Lodge.

These significant development projects will further increase the economic multiplication of the initial finance returned to the community. The money will be used to lever in significant levels of private and public finance to support future projects.

In addition to the revenue returned and re-invested directly by Stòras Uibhist, the project will generate further revenues and economic gains for the local community through site rental, the Western Isles Development Trust and through a community share issue.

The project will be financed through a mix of grant, loan and equity; the project is anticipated to be funded £1million Big Lottery Fund, £1.5million share issue, £6 million bank finance.

Delivery

- Planning application approval - April 2009
- Funding approved – July 2009
- Build plan finalised – September 2009
- Infrastructure installation – September/ Oct 2009
- Turbine installation – Oct 2010.

The costs for delivering this project will be in the region of £8,500,000.

Appendix C – Commercial Activity

South Uist Estate Ltd. leases over thirty sites to local businesses and organisations. The majority of these are for commercial rates and a full commercial review has been undertaken to ensure the community company sees a return on its assets that are not onerous on the local business community.

Non-commercial sites used for community benefit are leased at reduced rates to foster social regeneration and provision of services to the local community.

The commercial activity contributes significantly to the turnover of the company and supports the crofting activity and other Estate management functions.

Anticipated turnover for this section of the business in 2009 is in the region of £200,000 per annum.

The main commercial sites leased by the company are:

- Market Stance (Benbecula)
- Stiaraval Quarry (Benbecula)
- Bridgend (Benbecula)
- Loch a'Laip shore site
- Salar Smokehouse
- Loch Carnan Pier
- Loch Shielavaig shore site
- Loch Carnan Quarry
- Rueval Quarry
- Clachan Hatchery (Loch Carnan)
- Mingarry Hatchery
- Loch Eynort Quarry
- Loch Skipport shore site
- Loch Carnan Offices
- Askernish Quarry
- Various fresh water lochs for smolt production
- Drimore & Grogarry Farms
- Orosay Net Station
- Acarsaid Pier shore site

Additionally, there are a number of grazing leases of land outwith crofting tenure.

Appendix D – Grogarry Lodge and Sporting Activity Development

Summary

Until 2006 Grogarry Lodge was primarily run as holiday accommodation and sporting base for the benefit of the syndicate of owners, with paying guests utilising the Lodge at other times.

Background

Following the buyout Grogarry Lodge operated for the first time as a commercial venture in 2007 with 12 weeks booked by visiting groups. The majority of the paying guests who had booked for the Lodge for many years returned to enjoy their traditional sporting weeks and were provided with a continuing high level of service by the existing staff, as they had previously enjoyed.

Grogarry Lodge and the sporting activity directly employs fourteen full and part time staff and results in significant spend in the local economy for food, fuel, vehicles and other goods and services.

The sporting activity offered to guests covers wildfowling, stalking and fishing, with the Estate internationally renowned for its sea-trout fishing and snipe shooting, that attracts guests from across the UK and Europe.

Recognising the potential of the Lodge and sporting activity to further contribute to the local economy, Stòras Uibhist instituted a marketing programme to attract additional guests to the Lodge and the sporting activity.

Two websites (www.grogarrylodge.com, www.southuistfishing.com) were created, adverts posted with VisitScotland, www.fishhebrides.co.uk and www.visithebrides.co.uk and used to compliment other marketing efforts to attract editorial in magazines, the press and on TV.

Ongoing Development

Additional activity options are now offered through the website for guests and the Lodge is also used for local events and conferences.

The 2008 season saw an increased number of guests and revenue compared to 2007 and this is expected to increase again in 2009, with over 20 weeks currently booked.

Due to a lack of maintenance in previous years significant structural repairs and facilities upgrading of Grogarry Lodge will need to be done within the next five to ten years. An ongoing review of the estimated costs and options available is underway to determine how to make best use of the asset in the long term and maximise its contribution to the community.

A review of the sporting activity and ecology of the Estate is also underway to establish the future commercial potential of both traditional sporting activity and wildlife tourism and the options for supporting the local tourism sector in this area.

The ongoing development of Askernish Golf Course is expected to attract increasing numbers of golf tourists to the islands and Grogarry Lodge is well-placed to attract the larger groups of visitors.

Anticipated turnover for Grogarry Lodge and the sporting activity of the business in 2009 is in the region of £200,000.

Appendix E – Community Housing

In 2008 Scottish Government launched the Rural Homes for Rent Pilot project. The Sealladh na Beinne Moire Board of Directors identified the project as a way of delivering affordable rental homes for Estate residents that would assist with the economic regeneration activity.

An initial Phase I application was successful and the company was requested to submit a full application for six four-bedroom houses in Askernish to be built on land outwith crofting tenure. This application was submitted in early February 2009.

The submitted application was for £432,000 of grant from Scottish Government to support a £909,000 project cost, with an additional £250,000 of grant to come from a secondary source. If the grant application is successful all works are expected to be carried out by local contractors during 2009 and 2010.

Additionally, Stòras Uibhist has extensively researched the potential to make building plots available to local residents and other identified groups (key workers, returnees, etc.), at a affordable prices, for housing. A key aim was to ensure any plots created remained within the locally affordable price range and continued to be used as permanent residences.

Release of leasehold plots is not an option due to the twenty year limit on leases for domestic property. Restrictive covenants placed on plots sold would also be difficult to enforce and can be lifted after a set period of time.

However, Stòras Uibhist has identified the use of section 75 planning restrictions as a potential way forward to facilitate the release of affordable building plots for homes that can only be used as permanent residences for people on the local electoral roll. This will allow the release of plots at affordable prices and limit the potential for speculators to sell these on once released by the community company and sold for large profits.

Discussions are continuing with CnES to determine the best way to utilise Section 75 agreements and how this can be done in practice.

Appendix F – Tourism Promotion

During 2008 a number of hosted visits were arranged by Stòras Uibhist to promote the islands of South Uist, Benbecula and Eriskay as tourist destinations.

Journalists, travel writers and TV crews were invited to experience what is on offer on the islands to help promote the whole tourism sector.

TV crews visited to film machair flowers (BBC Gardeners World), fishing (STV), Askernish Golf Course Opening (Channel 4, BBC, STV), Grogarry Lodge (STV) and Aquaculture production (German TV), as well as the Estate in general.

A number of press and magazine writers visited from across the UK, Europe and North America to report on the Stòras Uibhist project as well as the Estate and life on it.

This activity was carried out in conjunction with a number of local accommodation providers and tourism service companies.

Further work will be carried out in 2009 and beyond to build on the successful activity of 2008.

Appendix G – Economic Development & Inward Investment

As part of the economic development activity Stòras Uibhist is also actively seeking to promote local entrepreneurial activity and secure inward investment to the Estate area that will create new jobs and wider career options for local residents and address the chronic depopulation of the islands.

Studies have been undertaken to identify land that can be made available for commercial activity and employers that can potentially create new jobs. Where these have been identified the company is working in conjunction with HIE, CnES and Scottish Government to deliver specific projects.

To promote local entrepreneurial activity Stòras Uibhist is working with CnES to develop a framework to deliver business support services and facilities for small businesses using existing unused infrastructure.

Appendix H – Financials

Draft Summary of 2008 Figures

Department	Income	Expenditure	Net Total
<i>Grogarry & Sporting</i>	<i>150,437</i>	<i>168,892</i>	<i>(18,455)</i>
<i>Crofting</i>	<i>41,923</i>	<i>55,701</i>	<i>(13,778)</i>
<i>Commercial</i>	<i>197,894</i>	<i>29,394</i>	<i>168,500</i>
<i>Drainage</i>	<i>10,000</i>	<i>17,568</i>	<i>(7,568)</i>
<i>Fishing</i>	<i>40,425</i>	<i>42,860</i>	<i>(2,435)</i>
Overall Estate Activity	440,697	314,416	126,281
<i>Corporate/Management</i>	<i>35,187</i>	<i>114,777</i>	<i>(75,590)</i>
<i>Development</i>	<i>87,291</i>	<i>155,469</i>	<i>(68,178)</i>
Total	563,157	584,664	(21,507)

Draft Projections for 2009

Department	Income	Expenditure	Net Total
<i>Grogarry & Sporting</i>	<i>159,667</i>	<i>148,890</i>	<i>10,777</i>
<i>Crofting</i>	<i>36,000</i>	<i>52,885</i>	<i>(16,885)</i>
<i>Commercial</i>	<i>207,080</i>	<i>39,563</i>	<i>167,517</i>
<i>Drainage</i>	<i>10,000</i>	<i>9,184</i>	<i>816</i>
<i>Fishing</i>	<i>39,000</i>	<i>26,478</i>	<i>12,522</i>
Overall Estate Activity	451,747	277,000	174,747
<i>Corporate/Management (including (£65,000 of loan repayment and interest))</i>	<i>32,140</i>	<i>160,147</i>	<i>(128,007)</i>
<i>Development (Including £238,000 bank finance)</i>	<i>2,550,504</i>	<i>2,597,244</i>	<i>(46,740)</i>
Total	3,034,391	3,034,391	0

Expected value added to the company by year end 2009:

1. Askernish Golf Course: £1,000,000
2. Consented turbine site: £1,500,000
3. Six consented house sites: £90,000
4. Lochboisdale development: £1,500,000