

ANGELS PART OF RECIPE FOR £4 MILLION DESSERT BUSINESS

This March, work will begin on a new 17,000 sq ft factory in the Somerset town of Highbridge. It will mark another phase in the successful growth of Isleport Foods, an after dinner desserts manufacturer, which may never have got beyond the recipe stage, were it not for a £210,000 investment put up by a group of Business Angels over three years in the early 1990s.

Husband and wife team David and Isabel Shute, whose original background had been in farming and accountancy, had already clocked up three years in a food manufacturing business. But those three years, when they had pooled their interests with a group whose management style involved putting together an expensive team well before the order book warranted it, had convinced them that Isleport should be run in a much more cautious way. Nevertheless, the initial capital required was well beyond their personal resources and so outside help was needed.

“We put together a business plan and approached accountants, venture capitalists and so on, but were getting nowhere,” recalls David Shute. “Then it was suggested that we should see Peter Hepburn of Business Link West in Bristol.”

Business Link West are the agents for what is now the National Business Angels Network and they suggested that Isleport’s details should go in its national publication. As a result a group of Angels based in London put up an initial £140,000 and Isleport was then also able to get a £140,000 loan under the Loan Guarantee Scheme. The Angels subsequently invested a further £70,000 three years later.

Now the company has a turnover of approaching £4 million and once the new factory is up and running it will have capacity for £10 million. It employs 95 at its present factory in Highbridge and its products, ranging from carrot cake to tarte Tatin, grace the shelves of Waitrose and the tables of Whitbreads, as well as being distributed nationally by leading wholesalers Brake Brothers.

From the product viewpoint one of Isleport’s strengths lies in Isabel’s prowess in product development and design. She listens to what the customers want and is very precise in specifying how to deliver it. The range is deliberately not too extensive but everything is produced to a very high standard.

David Shute has strong views on the way to build such a business, particularly in its early days. “The trick is not to spend too much at the beginning. We were very cautious in expanding. We could always sell more than we could produce and I did the books by hand

for four years!” He recognises that this may have seemed a parsimonious approach but it meant that Isleport was in profit within six months and now has a strong balance sheet.

David also commends the value of the Business Angels approach in raising capital when it might not be available from more conventional sources. But he advises that from both parties’ point of view, the initial agreement should include a clear potential exit for the Angels at the end of a given period and a price basis on which it should be done. This is particularly important when there are several Angels involved.

“Angels are business people, not saints, and it would be expecting too much for them always to agree unanimously on what to do with their investments over a long period of time,” he says.

Further information about becoming a Business Angel or seeking funds from Business Angels can be obtained from: National Business Angels Network, 40-42 Cannon Street, London EC4N 6JJ.

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