

## 8. REVENUE IMPLICATIONS

8. REVENUE IMPLICATIONS

801 Introduction

We have prepared an outline Business Plan based on the capital investment shown in Section 7. This needs to be contrasted with the current business plan for the Palace which, based on the limited data available, shows an operating deficit of nearly £60,000 per annum or £1.50 per head on current visitor numbers. Interestingly, it also shows that some 32% of visitors are free entry admissions (either because of Historic Scotland membership or for another reason).

The development proposals provide opportunities for greatly improved income generation. We outline the revenue implications for each component and then generate a Business Plan based on two options of admission price.

802 Admission

We have built up our visitor projections as follows over the first five years after opening :

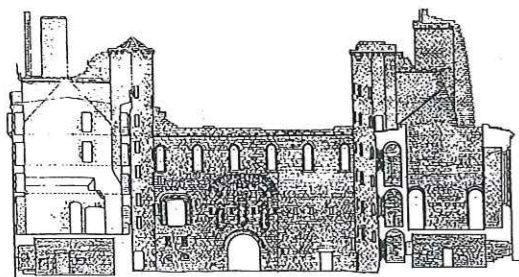
Y1	Y2	Y3	Y4	Y5
88,000	105,000	120,000	120,000	120,000

We have assumed the following visitor profile based on the findings of recent market research modified to a visitor mix most advantageous to the Palace :

Adults	40%
Concessions	7%
Children	10%
Family	20%
Groups	5%
Education	10%
Free	8%

We have assumed that the admission price includes the Gallery Guide Audio Tour and that there are two options for price :

Type	Option 1	Option 2
Adults	£5.00	£5.50
Concessions	£3.00	£3.50
Children	£3.00	£3.50
Family	£3.00 p/h	£3.50 p/h
Groups	£4.00	£4.75
Education	£2.50	£3.00
Free		



Based on these assumptions then the income from admissions can be summarised in relation to both options :

Option 1	Y1	Y2	Y3	Y4	Y5
Gross	291,280	347,550	397,200	397,200	397,200
Less VAT	43,382	51,763	58,157	59,157	59,157
Net Income	247,898	295,787	338,043	338,043	338,043
Net Income per visitor	£2.81	£2.81	£2.81	£2.81	£2.81

Option 2	Y1	Y2	Y3	Y4	Y5
Gross	328,460	391,913	447,900	447,900	447,900
Less VAT	48,920	58,370	66,709	66,709	66,709
Net Income	279,540	333,543	381,191	381,191	381,191
Net Income per visitor	£3.17	£3.17	£3.17	£3.17	£3.17

803 Retailing Potential

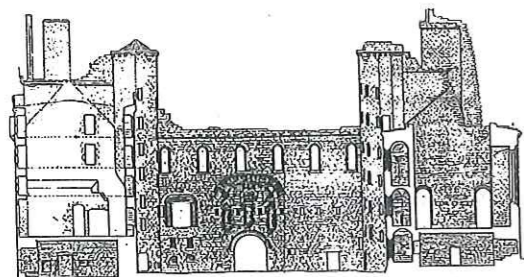
The retail proposals reflect both the creative potential of the shop and its merchandise in order to maximise its full sales potential and financial return. We summarise below the sales levels and returns together with the shop capacity :

The existing retail operation based on 1994/95 figures, is illustrated below.

Type	%	Admission Charge	Visitor Numbers
Adults	47%	2.00	18184
Concessions	10%	1.25	3869
Children	12%	0.75	4646
Complimentary	32%	-	12381
Gross Total		48,354	38,691
Less VAT		7,202	
Net Income		41,152	

The existing retailing operation can be summarised as follows:

- i) The NET Visitor SPH - £1.06 (exc. VAT)
- ii) The Visitor survey shows that 68% of the audience didn't purchase - and we can assume therefore 32% of Total Visitors made a purchase - 12,381 Transactions P.A.
- iii) The Average Sales Transaction is - £3.28 Gross - £2.79 (exc. VAT)
- iv) This spending level is concurrent with a 47% adult audience



**Visitors Making A Purchase**

The improved retail offer and shop location will increase the number of visitors who will actually make a purchase. Experience shows the number of visitors making a retail purchase from a heritage attraction shop ranges from 30% to 70% of the total visitor numbers. Applying the retail proposal for Linlithgow Palace to the statistical factors we would expect in the region of 45% of the total audience to make a purchase. This comprises some 54,000 customer transactions.

Visitor spend is influenced by :

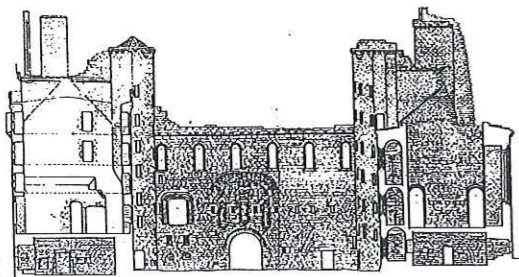
- \* the age mix and socio-economic profile of the visitor
- \* the style and theme of the shop
- \* the quality, range and value of the merchandise
- \* the efficiency and professionalism of the trading operation

The proposed merchandise mix should reflect that adults will make up more than 50% of the audience which will be primarily A, B and C's socio-economic mix. This audience profile will be interested in higher priced original gift merchandise, thereby increasing the average sales transaction value and the resultant spend per head.

On this basis the price banding of merchandise should be as follows:

Price Band	%
0.50 - £ 2.00	28%
£2.00 - £ 5.00	37%
£5.00 - £10.00	25%
over £10.00	10%

This should be taken into account in the initial pricing strategy and merchandise planning.



Applying this price banding structure over the forecasts of our visitor and profile categories, it suggest that the average sales transaction will be £3.70 gross of VAT. Assuming 45% of visitors will make a purchase in the shop then the total retail spend per head will be £1.66 and should be increased by Year 2 to £1.74 and Year 3 to £1.82 (gross of VAT).

Applying this to projected visitor numbers, sales forecasts and gross profits would be as follows:

	YEAR 1	YEAR 2	YEAR 3
VISITOR NUMBERS	88,000	105,000	120,000
SPEND PER HEAD	1.66	1.74	1.83
GROSS SALES	146,080	182,700	218,400
LESS VAT	21,757	27,211	32,528
NET SALES	124,323	155,489	185,872
LESS COST OF SALES	64,648	80,854	96,654
48% GROSS PROFIT	59,675	74,635	89,218
NET INCOME PER VISITOR	0.68p	0.71p	0.74p

NB. A gross profit of 48% has been used to allow for mark-downs and stock shrinkage. The average mark up is 2.35 on all goods.

Experience suggests that heritage/visitor attraction trading produces a much lower sales per square meter. than high street retailing. This is principally because the nature of the merchandise does not lend itself to high intensity supermarket self select presentation and is not offering the same planned purchase situation. Trading is also affected by the overall seasonality of the tourism market.

Where space is not at a premium, average sales per annum achieved in the heritage industry range from £1,200 to £3,500 per square meter. This figure can be increased but the reality of the situation is that because the retail space is so crowded, the number of visitors who actually make a purchase decreases. (i.e. the busier the shop the lower the spend per head).

Recommending the optimum amount of space for retail, therefore, is not just a question of visitor capacity, but also allowing flexibility for maximising spending levels. It is in this context that we believe the retail area to require some 90 square metres. This will allow for a growth in visitor numbers and the percentage of visitors using the shop. The projected visitor numbers of 120,000 will, therefore:

- \* generate £2426/ sq. m
- \* sales intensity capacity would be £3,000/ sq. m
- \* total visitor capacity of shop £165,000
- \* the optimum sales capacity would be £271,000 p.a.

Based on the projected sales scenario and stock-turn research data, we would recommend a stock-turn of 3.5 during peak trading period April-October, down to a low of 1.5 maximum during the quiet off season period. This would produce an average stock-turn of 2.5 the cost value of retail sales. This will require a stock-holding of £40,000 to support the April-October peak trading period.

804 Catering Operation

In the course of our consultations we have discussed the catering proposal with Wheatsheaf Catering (now part of the Gardner & Merchant Group), who franchise manage Edinburgh and Stirling Castle catering operations, and we gratefully acknowledge their help and assistance.

We believe Linlithgow Palace would be best served by a quality professional franchise operator in order to maximise the quality control and sales potential, and provide risk free income for the project. This concurs with the view of Historic Scotland, and indeed, is their common practice at other sites.

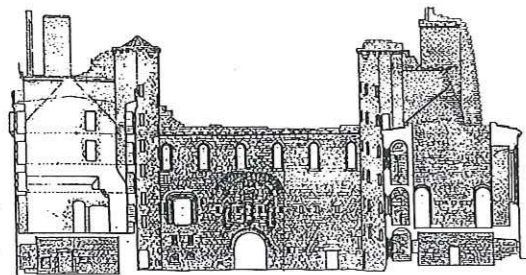
The level of turnover percentage that can be negotiated with a franchise operator is dependant on a number of factors which would require tendering and negotiating at a later date. However, for the purposes of the Business Plan we have developed our projections on the following assumptions : We have assumed a turnover rental rate of 15% of gross catering sales.

- \* Number of Covers 75
- \* Average Cover Charge
  - Y1 - £2.35 inc. VAT
  - Y2 - £2.50 inc. VAT
  - Y3 - £2.65 inc. VAT
- \* 40% of total visitors use the Café
- \* total visitor spend/head
  - Y1 - £0.94 inc. VAT
  - Y2 - £1.00 inc. VAT
  - Y3 - £1.06 inc. VAT
- \* Assumed franchise operation based on 15% turnover rental

	Y1	Y2	Y3
Visitor Numbers	88,000	105,000	120,000
Spend/head (inc. VAT)	0.94	1.00	1.06
Gross Sales	82,720	105,000	127,200
15% Turnover Rental Income	£12,408	£15,750	£19,080
Net Revenue Income per Visitor	£0.14	£0.15	£0.16

Our assumptions in relation to evenings and special events in the café are slightly different:

- \* number of covers 75
- \* assumed occupancy @ 50% 37 covers average per function
- \* average charge per head £20 (inc. VAT)
- \* gross income per function £740



- \* Assumed number of functions:-
  - Y1 average @ 1.5 per week - 78 functions
  - Y2 average @ 2.0 per week - 104 functions
  - Y3 average @ 2.5 per week - 130 functions

\* Assumed Franchise Operation based on 15% turnover rental

	Y1	Y2	Y3
Number of Functions	78	104	130
Gross Income per Function (inc. VAT)	£740	£740	£740
Gross Sales	£57,720	£76,960	£96,200
Franchise @ 15%	£8,658	£11,544	£14,430

This, therefore, generates a net income per function of £111 excluding staffing and operational costs.

We have developed our projections further in relation to banquets and events in the Long Gallery :

- \* number of covers 80
- \* number of events per year
  - Y1 30
  - Y2 40
  - Y3 50
- \* average cover charge/head £25 (inc. VAT)
- \* Assumed Franchise operation based on 15% turnover rental

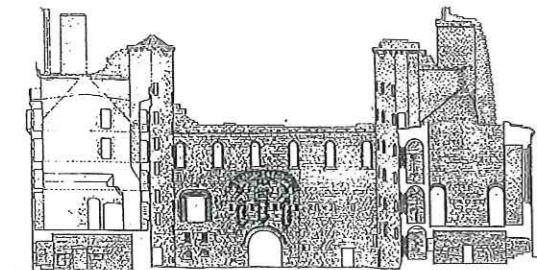
	Y1	Y2	Y3
Number of functions	30	40	50
Income per function	2,000	2,000	2,000
Gross sales	60,000	80,000	100,000
Franchise @ 15%	9,000	12,000	15,000


This generates a net income of £300 excluding staffing and operating costs.

805 Meeting Room Hire

It has been assumed that these would be hired out for 45 weeks per year, with a yearly build up of occupancy at an hourly charge of £5.00 per hour. This is set out as follows:

	Y1	Y2	Y3	Y4	Y5
45 weeks x no hours hired	10	15	20	25	30
Charges per hour	5.00	5.00	5.00	5.00	5.00
TOTAL INCOME	£2,250	£3,375	£4,500	£5,625	£6,750



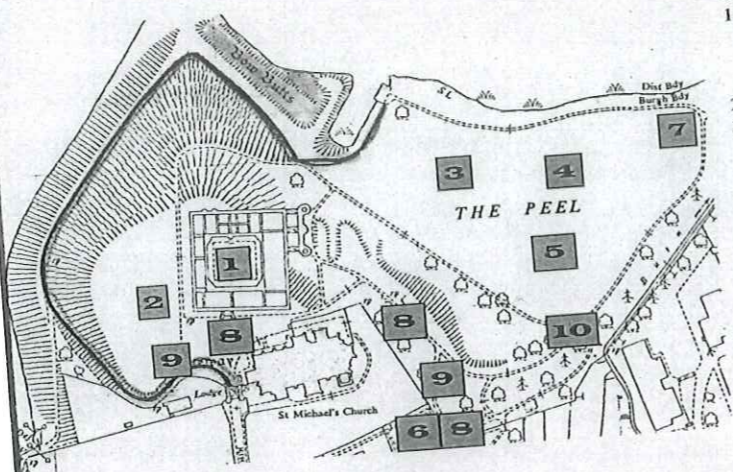
HISTORIC  SCOTLAND

presents

# LINLITHGOW PALACE EXTRAVAGANZA

Welcome to two days of fun and spectacle at Linlithgow Palace and Peel.  
We hope you will take the opportunity to enjoy the vast  
range of entertainment on offer.

This event is only one of over 140 taking place throughout our properties this year.  
Why don't you pick up a Historic Scotland Events Programme during your visit?  
This map and information leaflet will hopefully provide a useful guide to help you  
find your way around the Palace and Peel.




Key:

1. Palace - White Cockade  
Scottish Traditional  
Storytellers  
Drama Workshops
2. Music Marquee
3. Combat/Weaponry Displays -  
The Clann  
Carrick 800
4. Falconry Display Area
5. Gaddgedlar
6. Drama - Heritage Events Company  
Linlithgow Festival Trust
7. Childrens Activity Area
8. Face Painters ( 3 locations)
9. Toilets ( 2 locations)
10. First Aid facilities.

Details overleaf.

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**806 Special Events Programme**

The special events programme assumes a growth of events from 15 to 35 events per year over a 5 year period, and at the same time annually increasing income per event. This has been summarised in the following table:

	Y1	Y2	Y3	Y4	Y5
No of events per year	15	20	25	30	35
Income per event	400	500	600	700	800
<b>TOTAL INCOME</b>	<b>£6,000</b>	<b>£10,000</b>	<b>£15,000</b>	<b>£21,000</b>	<b>£28,000</b>

**807 Business Plan**

The Business Plan is based on a series of assumptions in relation to:

- \* income generating activities (as described above)
- \* staffing costs (as described in Section 5 )
- \* general running costs

The latter has taken account of the existing operating budget and industry norms and shows a build up over the 5 year period to reflect increases in visitor numbers and the inevitable increase in wear and tear through intensive usage.

The 5 year profit and loss account is an analysis of all of these factors, based on two options in relation to admission price, and shows a significant operating profit (before depreciation) which covers the pre-opening operating costs (when minimum income is generated) in less than two years. In any event it would be expedient to present the pre-opening costs as part of the capital development if at all possible.

In both options we have also prepared sensitivity analysis to reflect the implications of a reduction in visitor numbers by 10% and a similar reduction in income generated from other sources.

The two options are set down overleaf:

Linlithgow Palace  
Business Plan Option 1  
Assumptions

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Visitor Numbers</b>	88000	105000	120000	120000	120000
<b>Visitor Profile</b>					
Adults	40.0%	40.0%	40.0%	40.0%	40.0%
Concessions	7.0%	7.0%	7.0%	7.0%	7.0%
Children	10.0%	10.0%	10.0%	10.0%	10.0%
Family	20.0%	20.0%	20.0%	20.0%	20.0%
Groups	5.0%	5.0%	5.0%	5.0%	5.0%
Education	10.0%	10.0%	10.0%	10.0%	10.0%
Free	8.0%	8.0%	8.0%	8.0%	8.0%
	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Ticket Prices</b>					
Adults	5.00	5.00	5.00	5.00	5.00
Concessions	3.00	3.00	3.00	3.00	3.00
Children	3.00	3.00	3.00	3.00	3.00
Family	3.00	3.00	3.00	3.00	3.00
Groups	4.00	4.00	4.00	4.00	4.00
Education	2.50	2.50	2.50	2.50	2.50
Free	0.00	0.00	0.00	0.00	0.00
<b>Admission Income</b>					
Adults	176,000	210,000	240,000	240,000	240,000
Concessions	18,480	22,050	25,200	25,200	25,200
Children	26,400	31,500	36,000	36,000	36,000
Family	52,800	63,000	72,000	72,000	72,000
Groups	17,600	21,000	24,000	24,000	24,000
Education	22,000	26,250	30,000	30,000	30,000
Free	0	0	0	0	0
	<b>313,280</b>	<b>373,800</b>	<b>427,200</b>	<b>427,200</b>	<b>427,200</b>
Less VAT	(46,659)	(55,672)	(63,626)	(63,626)	(63,626)
<b>Income from Admissions</b>	<b>266,621</b>	<b>318,128</b>	<b>363,574</b>	<b>363,574</b>	<b>363,574</b>
<b>Retail</b>					
Gross Spend / Head (based on 45% Purchasing)	1.66	1.74	1.82	1.82	1.82
Cost of Sales %	52%	52%	52%	52%	52%
Gross Income	146,080	182,700	218,400	218,400	218,400
Less VAT	(21,757)	(27,211)	(32,528)	(32,528)	(32,528)
<b>Income from Retail</b>	<b>124,323</b>	<b>155,489</b>	<b>185,872</b>	<b>185,872</b>	<b>185,872</b>
Retail Cost of Sales	64,648	80,854	96,654	96,654	96,654
<b>Catering</b>					
Gross Spend / Head (based on 40% Purchasing)	0.94	1.00	1.06	1.06	1.06
Cost of Sales %	40%	40%	40%	40%	40%
Gross Income	82,720	105,000	127,200	127,200	127,200
Less VAT	(12,320)	(15,638)	(18,945)	(18,945)	(18,945)
<b>Income from Catering</b>	<b>70,400</b>	<b>89,362</b>	<b>108,255</b>	<b>108,255</b>	<b>108,255</b>
Catering Franchise (on Gross Income)	15.0%	12,408	15,750	19,080	19,080

Linlithgow Palace  
Business Plan Option 1  
Assumptions

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Audio Tour Hire</b>					
% of Visitors	0.0%	0.0%	0.0%	0.0%	0.0%
Hire Charge (Net of VAT)	1.75	1.75	1.75	1.75	1.75
<b>Income from Audio Tour Hire</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Performance Events Programme</b>					
Events / Year	15	20	25	30	35
Income / Event (net of VAT)	400	500	600	700	800
<b>Income from Performance Events</b>	<b>6,000</b>	<b>10,000</b>	<b>15,000</b>	<b>21,000</b>	<b>28,000</b>
<b>Meeting Room Hire</b>					
Hours hired / Year (45 wks p.a.)	45	10	15	20	25
Revenue / Hour	5.00	5.00	5.00	5.00	5.00
<b>Income from Hire of Meeting Rooms</b>	<b>2,250</b>	<b>3,375</b>	<b>4,500</b>	<b>5,625</b>	<b>6,750</b>
<b>Banqueting - Café (Franchise)</b>					
Banquet Nights / Year	45	78	104	130	130
Net Revenue / Night	740	740	740	740	740
Franchise Fee	15.0%	15.0%	15.0%	15.0%	15.0%
<b>Income from Banqueting</b>	<b>8,658</b>	<b>11,544</b>	<b>14,430</b>	<b>14,430</b>	<b>14,430</b>
<b>Functions / Corporate Hospitality - Long Gallery</b>					
Events / Year	30	40	50	50	50
Revenue / Event	2000	2000	2000	2000	2000
<b>Functions / Corporate Hospitality - Franchise</b>	<b>15.0%</b>	<b>9,000</b>	<b>12,000</b>	<b>15,000</b>	<b>15,000</b>



Linlithgow Palace

Business Plan Option 1  
Assumptions

			Year 1	Year 2	Year 3	Year 4	Year 5
<b>Staffing Costs</b>	No.	Salary					
Custodian / Director	1	30,000	30,000	30,000	30,000	30,000	30,000
Business Development Manager	1	22,000	22,000	22,000	22,000	22,000	22,000
Marketing Assistant	1	14,000	14,000	14,000	14,000	14,000	14,000
Operations Manager	1	16,000	16,000	16,000	16,000	16,000	16,000
Education Officer	1	12,000	12,000	12,000	12,000	12,000	12,000
Interpretation Officer	1	15,000	15,000	15,000	15,000	15,000	15,000
Technician	1	11,000	11,000	11,000	11,000	11,000	11,000
Retail Manager	1	12,000	12,000	12,000	12,000	12,000	12,000
Reception / Sales Assistants	2	8,000	16,000	16,000	16,000	16,000	16,000
Personal Assistant / Administrator	1	12,000	12,000	12,000	12,000	12,000	12,000
	0	-	0	0	0	0	0
Royal Park Constabulary	0	0	0	0	0	0	0
			<b>160,000</b>	<b>160,000</b>	<b>160,000</b>	<b>160,000</b>	<b>160,000</b>
NI & "On Costs"		15%	24,000	24,000	24,000	24,000	24,000
			<b>184,000</b>	<b>184,000</b>	<b>184,000</b>	<b>184,000</b>	<b>184,000</b>
<b>Live Interpretation Costs</b>			<b>84,560</b>	<b>70,160</b>	<b>70,160</b>	<b>70,160</b>	<b>70,160</b>

## Linlithgow Palace

## Business Plan Option 1

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Income</b>					
Income from Admissions	266,621	318,128	363,574	363,574	363,574
Income from Retail	124,323	155,489	185,872	185,872	185,872
Catering Franchise (on Gross Income)	12,408	15,750	19,080	19,080	19,080
Income from Audio Tour Hire	0	0	0	0	0
Income from Performance Events	6,000	10,000	15,000	21,000	28,000
Income from Hire of Meeting Rooms	2,250	3,375	4,500	5,625	6,750
Income from Banqueting	8,658	11,544	14,430	14,430	14,430
Functions / Corporate Hospitality - Franchise	9,000	12,000	15,000	15,000	15,000
	<b>429,261</b>	<b>526,286</b>	<b>617,457</b>	<b>624,582</b>	<b>632,707</b>
<b>Direct Costs</b>					
Retail	64,648	80,854	96,654	96,654	96,654
Catering	0	0	0	0	0
Live Interpretation Costs	84,560	70,160	70,160	70,160	70,160
	<b>149,208</b>	<b>151,014</b>	<b>166,814</b>	<b>166,814</b>	<b>166,814</b>
<b>Contribution to Overheads</b>	<b>280,053</b>	<b>375,272</b>	<b>450,643</b>	<b>457,768</b>	<b>465,893</b>
<b>Overheads</b>					
Staff	184,000	184,000	184,000	184,000	184,000
Grounds Maintenance	30,000	30,000	30,000	30,000	30,000
Building Maintenance (Routine)	20,000	20,000	20,000	20,000	20,000
Energy	18,000	18,500	19,000	19,500	20,000
Office Equipment / Telephones	5,000	5,200	5,400	5,600	5,800
Cleaning	8,000	8,250	8,500	8,750	9,000
Security	5,000	5,000	5,000	5,000	5,000
Training	4,000	4,000	4,000	4,000	4,000
Uniforms	2,500	2,500	2,500	2,500	2,500
Sundries	5,000	5,000	5,000	5,000	5,000
Marketing	50,000	35,000	30,000	27,000	26,000
<b>Total Overheads</b>	<b>331,500</b>	<b>317,450</b>	<b>313,400</b>	<b>311,350</b>	<b>311,300</b>
<b>Surplus / (Deficit) before Depreciation</b>	<b>(51,447)</b>	<b>57,822</b>	<b>137,243</b>	<b>146,418</b>	<b>154,593</b>
Depreciation - Visitor Attraction Costs	165,000	165,000	165,000	165,000	165,000
Depreciation - furnishings & fittings	40,000	40,000	40,000	40,000	40,000
<b>Net Surplus / (Deficit)</b>	<b>(256,447)</b>	<b>(147,178)</b>	<b>(67,757)</b>	<b>(58,582)</b>	<b>(50,407)</b>

Linlithgow Palace

Business Plan Option 1  
Sensitivity Analysis

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Income / 10,000 Visitors</b>					
Admission	30,298	30,298	30,298	30,298	30,298
Retail (net of cost of sales)	6,781	7,108	7,435	7,435	7,435
Catering (net of cost of sales)	6,590	7,011	7,431	7,431	7,431
	<b>43,669</b>	<b>44,417</b>	<b>45,164</b>	<b>45,164</b>	<b>45,164</b>
<b>Surplus / (Deficit) per Plan</b>	<b>(256,447)</b>	<b>(147,178)</b>	<b>(67,757)</b>	<b>(58,582)</b>	<b>(50,407)</b>
Visitor No Reduction	12500	(54,586)	(55,521)	(56,455)	(56,455)
Other Income Reductions:-	% Reduction				
Performance Events	50.0%	(3,000)	(5,000)	(7,500)	(10,500)
Meeting Room hire	100.0%	(2,250)	(3,375)	(4,500)	(6,750)
Banqueting	100.0%	(8,658)	(11,544)	(14,430)	(14,430)
Functions	50.0%	(4,500)	(6,000)	(7,500)	(7,500)
<b>Revised Surplus / (Deficit)</b>	<b>(329,442)</b>	<b>(228,618)</b>	<b>(158,142)</b>	<b>(153,092)</b>	<b>(149,542)</b>

Linlithgow Palace

Business Plan Option 2  
Assumptions

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Visitor Numbers</b>	88000	105000	120000	120000	120000
<b>Visitor Profile</b>					
Adults	40.0%	40.0%	40.0%	40.0%	40.0%
Concessions	7.0%	7.0%	7.0%	7.0%	7.0%
Children	10.0%	10.0%	10.0%	10.0%	10.0%
Family	20.0%	20.0%	20.0%	20.0%	20.0%
Groups	5.0%	5.0%	5.0%	5.0%	5.0%
Education	10.0%	10.0%	10.0%	10.0%	10.0%
Free	8.0%	8.0%	8.0%	8.0%	8.0%
	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Ticket Prices</b>					
Adults	5.50	5.50	5.50	5.50	5.50
Concessions	3.50	3.50	3.50	3.50	3.50
Children	3.50	3.50	3.50	3.50	3.50
Family	3.50	3.50	3.50	3.50	3.50
Groups	4.75	4.75	4.75	4.75	4.75
Education	3.00	3.00	3.00	3.00	3.00
Free	0.00	0.00	0.00	0.00	0.00
<b>Admission Income</b>					
Adults	193,600	231,000	264,000	264,000	264,000
Concessions	21,560	25,725	29,400	29,400	29,400
Children	30,800	36,750	42,000	42,000	42,000
Family	61,600	73,500	84,000	84,000	84,000
Groups	20,900	24,938	28,500	28,500	28,500
Education	26,400	31,500	36,000	36,000	36,000
Free	0	0	0	0	0
	<b>354,860</b>	<b>423,413</b>	<b>483,900</b>	<b>483,900</b>	<b>483,900</b>
Less VAT	(52,851)	(63,061)	(72,070)	(72,070)	(72,070)
<b>Income from Admissions</b>	<b>302,009</b>	<b>360,351</b>	<b>411,830</b>	<b>411,830</b>	<b>411,830</b>
<b>Retail</b>					
Gross Spend / Head (based on 45% Purchasing)	1.66	1.74	1.82	1.82	1.82
Cost of Sales %	52%	52%	52%	52%	52%
Gross Income	146,080	182,700	218,400	218,400	218,400
Less VAT	(21,757)	(27,211)	(32,528)	(32,528)	(32,528)
<b>Income from Retail</b>	<b>124,323</b>	<b>155,489</b>	<b>185,872</b>	<b>185,872</b>	<b>185,872</b>
Retail Cost of Sales	64,648	80,854	96,654	96,654	96,654
<b>Catering</b>					
Gross Spend / Head (based on 40% Purchasing)	0.94	1.00	1.06	1.06	1.06
Cost of Sales %	40%	40%	40%	40%	40%
Gross Income	82,720	105,000	127,200	127,200	127,200
Less VAT	(12,320)	(15,638)	(18,945)	(18,945)	(18,945)
<b>Income from Catering</b>	<b>70,400</b>	<b>89,362</b>	<b>108,255</b>	<b>108,255</b>	<b>108,255</b>
<b>Catering Franchise Income</b>	15.0%	12,408	15,750	19,080	19,080

Linlithgow Palace

Business Plan Option 2  
Assumptions

		Year 1	Year 2	Year 3	Year 4	Year 5
<b>Audio Tour Hire</b>						
% of Visitors		0.0%	0.0%	0.0%	0.0%	0.0%
Hire Charge (Net of VAT)		1.75	1.75	1.75	1.75	1.75
<b>Income from Audio Tour Hire</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Performance Events Programme</b>						
Events / Year		15	20	25	30	35
Income / Event (net of VAT)		400	500	600	700	800
<b>Income from Performance Events</b>		<b>6,000</b>	<b>10,000</b>	<b>15,000</b>	<b>21,000</b>	<b>28,000</b>
<b>Meeting Room Hire</b>						
Hours hired / Year (45 wks p.a.)	45	10	15	20	25	30
Revenue / Hour		5.00	5.00	5.00	5.00	5.00
<b>Income from Hire of Meeting Rooms</b>		<b>2,250</b>	<b>3,375</b>	<b>4,500</b>	<b>5,625</b>	<b>6,750</b>
<b>Banqueting - Café (Franchise)</b>						
Banquet Nights / Year	45	78	104	130	130	130
Net Revenue / Night		740	740	740	740	740
franchise Fee		15.0%	15.0%	15.0%	15.0%	15.0%
<b>Income from Banqueting</b>		<b>8,658</b>	<b>11,544</b>	<b>14,430</b>	<b>14,430</b>	<b>14,430</b>
<b>Functions / Corporate Hospitality - Long Gallery</b>						
Events / Year		30	40	50	50	50
Net Revenue / Event		2000	2000	2000	2000	2000
<b>Functions / Corporate Hospitality - Franchise</b>	15%	<b>9,000</b>	<b>12,000</b>	<b>15,000</b>	<b>15,000</b>	<b>15,000</b>

Linlithgow Palace

Business Plan Option 2  
Assumptions

	No.	Salary	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Staffing Costs</b>							
Custodian / Director	1	30,000	30,000	30,000	30,000	30,000	30,000
Business Development Manager	1	22,000	22,000	22,000	22,000	22,000	22,000
Marketing Assistant	1	14,000	14,000	14,000	14,000	14,000	14,000
Operations Manager	1	16,000	16,000	16,000	16,000	16,000	16,000
Education Officer	1	12,000	12,000	12,000	12,000	12,000	12,000
Interpretation Officer	1	15,000	15,000	15,000	15,000	15,000	15,000
Technician	1	11,000	11,000	11,000	11,000	11,000	11,000
Retail Manager	1	12,000	12,000	12,000	12,000	12,000	12,000
Reception / Sales Assistants	2	8,000	16,000	16,000	16,000	16,000	16,000
Personal Assistant / Administrator	1	12,000	12,000	12,000	12,000	12,000	12,000
Royal Park Constabulary	0	0	0	0	0	0	0
			<b>160,000</b>	<b>160,000</b>	<b>160,000</b>	<b>160,000</b>	<b>160,000</b>
NI & "On Costs"		15%	24,000	24,000	24,000	24,000	24,000
			<b>184,000</b>	<b>184,000</b>	<b>184,000</b>	<b>184,000</b>	<b>184,000</b>
<b>Live Interpretation Costs</b>			<b>84,560</b>	<b>70,160</b>	<b>70,160</b>	<b>70,160</b>	<b>70,160</b>

Linlithgow Palace					
Business Plan Option 2					
	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Income</b>					
Income from Admissions	302,009	360,351	411,830	411,830	411,830
Income from Retail	124,323	155,489	185,872	185,872	185,872
Income from Catering	70,400	89,362	108,255	108,255	108,255
Income from Audio Tour Hire	0	0	0	0	0
Income from Performance Events	6,000	10,000	15,000	21,000	28,000
Income from Hire of Meeting Rooms	2,250	3,375	4,500	5,625	6,750
Income from Banqueting	8,658	11,544	14,430	14,430	14,430
Functions / Corporate Hospitality - Franchise	9,000	12,000	15,000	15,000	15,000
	<b>522,640</b>	<b>642,121</b>	<b>754,887</b>	<b>762,012</b>	<b>770,137</b>
<b>Direct Costs</b>					
Retail	64,648	80,854	96,654	96,654	96,654
Catering	0	0	0	0	0
Live Interpretation Costs	84,560	70,160	70,160	70,160	70,160
	<b>149,208</b>	<b>151,014</b>	<b>166,814</b>	<b>166,814</b>	<b>166,814</b>
<b>Contribution to Overheads</b>	<b>373,432</b>	<b>491,107</b>	<b>588,074</b>	<b>595,199</b>	<b>603,324</b>
<b>Overheads</b>					
Staff	184,000	184,000	184,000	184,000	184,000
Grounds Maintenance	30,000	30,000	30,000	30,000	30,000
Building Maintenance (Routine)	20,000	20,000	20,000	20,000	20,000
Energy	18,000	18,500	19,000	19,500	20,000
Office Equipment / Telephones	5,000	5,200	5,400	5,600	5,800
Cleaning	8,000	8,250	8,500	8,750	9,000
Security	5,000	5,000	5,000	5,000	5,000
Training	4,000	4,000	4,000	4,000	4,000
Uniforms	2,500	2,500	2,500	2,500	2,500
Sundries	5,000	5,000	5,000	5,000	5,000
Marketing	50,000	35,000	30,000	27,000	26,000
<b>Total Overheads</b>	<b>331,500</b>	<b>317,450</b>	<b>313,400</b>	<b>311,350</b>	<b>311,300</b>
<b>Surplus / (Deficit) before Depreciation</b>	<b>41,932</b>	<b>173,657</b>	<b>274,674</b>	<b>283,849</b>	<b>292,024</b>
Depreciation Visitor Attraction Costs	165,000	165,000	165,000	165,000	165,000
Depreciation Furnishing & equipment	40,000	40,000	40,000	40,000	40,000
<b>Net Surplus / (Deficit)</b>	<b>(163,068)</b>	<b>(31,343)</b>	<b>69,674</b>	<b>78,849</b>	<b>87,024</b>

Linlithgow Palace						
Business Plan Option 2						
Sensitivity Analysis						
Income / 10,000 Visitors		Year 1	Year 2	Year 3	Year 4	Year 5
Admissions		34,319	34,319	34,319	34,319	34,319
Retail (net of cost of sales)		6,781	7,108	7,435	7,435	7,435
Catering (net of cost of sales)		6,590	7,011	7,431	7,431	7,431
		<b>47,690</b>	<b>48,438</b>	<b>49,185</b>	<b>49,185</b>	<b>49,185</b>
Surplus / (Deficit) per Plan		<b>(163,068)</b>	<b>(31,343)</b>	<b>69,674</b>	<b>78,849</b>	<b>87,024</b>
Visitor Nos. Reduction	25000	(119,226)	(121,095)	(122,963)	(122,963)	(122,963)
Other Income Reduction:-	% Reduction					
Performance Events	50.0%	(3,000)	(5,000)	(7,500)	(10,500)	(14,000)
Meeting Room hire	100.0%	(2,250)	(3,375)	(4,500)	(5,625)	(6,750)
Banqueting	100.0%	(8,658)	(11,544)	(14,430)	(14,430)	(14,430)
Functions	50.0%	(4,500)	(6,000)	(7,500)	(7,500)	(7,500)
Revised Surplus / (Deficit)		<b>(300,702)</b>	<b>(178,357)</b>	<b>(87,219)</b>	<b>(82,169)</b>	<b>(78,619)</b>



808 **Conclusion**

Based on the business plan assumptions, the visitor projections and the wide ranging ancillary uses and income generation opportunities that are available, the Palace could make a significant operating surplus of up to £292,024 (before depreciation) by year 5. It is important to emphasise that this is based on:

- \* the use of debt free capital
- \* no allowance for depreciation on capital investment of the built fabric.

This represents a major turnaround from the present operating deficit and represents a substantial and commercially viable operation. Further, it is clear that even if the projections in visitor numbers and income generation are not met then the plan is robust enough to remain sustainable with less than 100,000 visitors.

