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Web Brief

A Scottish Tourist attraction

Jan 2012

BFS Ref.: AP/339/020

Investment required: up to £250,000

Summary

The Isle of Arran is one of Scotland's leading tourist locations. Last year there were in excess of 300,000+ visitors to the Island and that number is steadily increasing year on year. The Island currently has one shortcoming, however, in that it lacks what could be called a significant family attraction, especially in the South of the Island.

Our clients have identified an opportunity to fill this substantial niche in the Arran tourist market. The concept is a simple one, as the proposal is to establish an animal park based on a disused 52-acre farm in the south of the island which will generate an EBITDA of £89K based on a turnover of £187K in its first full year of operation.

Our clients have already spent considerable time in talking with a number of key institutions such as North Ayrshire Council, their roads authority and Scottish Natural Heritage, all of whom have given indications of support for the project, as has Lord Jack MacConnell the previous First Minister of Scotland. The Scottish Media are also already showing interest.



The planning statement has been submitted and is supported by letters from Visit Scotland, Visit Arran, Arran Trust, local community groups and every school on the island.

Our clients have been offered a mortgage for the purchase of the farm, but are seeking funding of up to £250K to cover the costs of carrying out the necessary work to convert it into a popular tourist attraction and an all-year-round learning centre. Investors will be offered an equity stake and a position on the Board. A loan option would also be considered. Investors/ Lenders with direct experience in the tourist industry will be particularly welcome

The Client

The business will be run by husband and wife team Gordon & Kathleen, who will be employing suitable members of staff from the Island. On a day to day basis Kathleen will be responsible for the animals and their welfare along with training and education while Gordon manages the general running of the café, visitor management, and maintenance.

Kathleen has over 14 years of experience of looking after both domestic and 'exotic' animals with the Royal Zoological Society of Scotland, much of it spent as a head keeper. She also has the necessary training and experience to manage the basic veterinary services for the animals. The local vet has also confirmed that he will be happy to work with them on the health and welfare of the Park animals.

Gordon has considerable experience in the Hotel industry and work for a time for a major bank, having special responsibility for the Highlands & Islands. Recently he set up his own business teaching the art of fly fishing. The rest of the time he manages a friend's fishing tackle shop.

Gordon & Kathleen will have joint responsibilities over payroll, accounts, marketing and administration.



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Other staff, both part and full-time will be recruited locally, another reason why the local authorities are keen on the project.

The Business

Isle of Arran Animal Park will be a unique visitor attraction for Arran. It will be home to various animal species with which visitors can engage, be entertained and educated. An indoor café, using local produce, and a sheltered children's play area will be constructed in order to add value to visits and produce additional, year-round, income streams. The visitor facilities will include a large outdoor children's play fort, and picnic areas. Staff and guest 'experts' will provide daily talks and displays, such as sheepdog shows, fly fishing demonstrations and educational presentations, along with providing facilities for visitors to feed animals in order to provide maximum interaction.

The intention is not for the Park to be a Zoo with a large number of exotic animals which are expensive to keep and maintain. Thus whilst there will be a number of well known and popular 'exotic' animals such as Zebra and Meerkats, there will also be a large number of well known species from the British Isles such as Dexter cattle, donkeys plus rare breed pigs and sheep.

The main attractions at the Arran Animal Park will include (but are not limited to)

- Domestic Animals
- Exotic Animals
- Enclosed children's play area.
- Out door play area.
- Café.
- Talks & demonstrations e.g. Fly fishing.
- Interaction with the animals

Consideration will also be given to introducing other sources of income, particularly where these help to smooth out the seasonality of the business.

The Market

The Isle of Arran is well placed to attract quality business not only from Scotland, but from a wide area throughout the North of England. The main target market will be visitors to the Isle of Arran, where numbers have increased steadily over the last ten years with the total reaching 300,000+ last year.

The majority of customers will be families but the Park will also appeal to couples and senior visitors. There are currently relatively few attractions on the Island for the younger generations. This is one reason why the Island authorities are in favour of this new attraction. Having said this, our clients anticipate that a significant number of Islanders will visit the attraction and local schools will also make substantial use of it as a learning resource. Our clients intend undertaking educational modules in conjunction with the schools.

The business plan revenue projections are based on only 5 % of Island visitor numbers coming to the Animal Park. This is to demonstrate that, even if they have quiet periods as a tourist attraction they can still service **all** payments to lenders, all running costs, payment of staff and animal welfare and still turn a profit. In terms of current visitor numbers to the Island, discussions with local business and authorities indicate that the visitor numbers are likely to be far higher; in the region on 15-30 %.

Our clients have already developed a good relationship with Cal Mac Ferries, the Ferry Company that carries all road transport to the Island. Advertising the Park on the Ferries will not be a problem. Even better news is that in 2014 Cal Mac are introducing an RET (Road Equivalent Tariff) scheme that will see a drastic reduction in Ferry charges with the aim of encouraging even more visitors.

As an indicator of visitor potential, Head of Ayr (nearest mainland Animal Park) last year had 129 thousand visitors. Also the Isle of Mann gets over 300,000 visitors and from that their animal park gets over 45,000 visitors per year (they are only open in the holiday season).



Future Plans

The 5-year goals are:

- To be in the top 3 most visited attraction on Arran.
- Generating sufficient profits to grow the business.
- Expanding facilities and animal collection.
- GTBS accreditation increased to Gold level and Visit Scotland to 4 star.
- Bespoke cabins introduced toward the end of the 5 year period to increase revenue.
- Heavily involved in local and community groups in terms of education.
- More activities added for visitors to participate in, which may incorporate a further charge to increase revenue.
- Increasing café area to incorporate a shop to increase revenue.
- Develop corporate sponsorship.
- Education Centre (SRDP or successor scheme funding will be sought). Well established school modules are already in place for this purpose.
- Develop additional revenue sources, particularly for the 'quiet' seasons.

Financials

The Investment Opportunity

The Farm (including 52 acres) is on the market for £275,000. An additional £250,000 will be needed to provide capital to convert the farm into an animal park with all the necessary animal shelters, visitor facilities, café & class rooms etc.

Bank funding is available for the farm purchase with our clients providing the necessary deposit (min £82K). They have already invested £12,000 of their own funds into the project. Our clients are therefore seeking the additional funding of £250,000. It is anticipated that most, if not all, of this will be required immediately following the completion of the farm purchase.

Three-year projections are available and are summarised in the table below. These are predicated on there being a capital repayment mortgage with additional funding being made as equity investment. Our clients are, however, prepared to consider Loan finance or a combination of equity & loan finance.

Bear in mind our earlier comments that these figures are based on the conservative estimate of only 5% of total visitors to the Island visiting the Animal Park.

In view of the nature of the business it would also be advantageous if an element of seasonality could be built into repayment schedules. Having said this, our clients are well aware of the problems that arise as a result of this seasonality. They will be seeking additional sources of revenue to smooth out the income flow.

3 year revenue/cost forecast

Totals £000's	2012	2013	2014
Revenue	128	187.5	239
Cost of Sales	11.5	18.5	21
G.P.	116.5	169	218
O'heads	78	80	83
EBITDA	38.5	89	135

Notes: (i) Year end 31 December

(ii) Figures rounded



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Exit route

Assuming that the funding includes an element of equity investment, this will be repaid from profits at the end of the investment period.

For further information please contact:

Peter Douglas Phone: 01327 349779 Mobile 07770 866955 or e-mail to peter@bufinserv.co.uk

Or Lynn Cowley, Mobile 07935 102445, e-mail lynn@bufinserv.co.uk

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