15th October 2010

Dear Jane,

We apologise for the delay in replying to your letter of 21/09/10. Both Jenny and I have been very busy. We also had problems accessing information, especially as all of our files are in the possession of the liquidator.

In looking back over our original forecasts, we realise that Lord Sempill confused the breakdown of the Passport sales with the sale of Highland Games tickets.

In our Business Plan of 17/07/07, which was presented to our Partners, we forecast that The Gathering 2009 would sell 7,500 passports (All inclusive 2 day passes for clan and society members) and 30,000 Highland Games tickets to the general public.

There was no breakdown for the latter figure, apart from our assumption that two thirds (approx. 20,000) of them would be local. With the Edinburgh Festival following a week later we were confident that we would attract a good number of overseas visitors to the City.

This breakdown was impossible to gauge, but in hindsight we can confirm that we had a very high number of Europeans.

The only breakdown made was related to the Passport holders.

Our marketing objective was to sell 8100 passports, broken down as follows:

<table>
<thead>
<tr>
<th>Country</th>
<th>Passports</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>2500</td>
<td>30.8%</td>
</tr>
<tr>
<td>UK</td>
<td>3500</td>
<td>43.2%</td>
</tr>
<tr>
<td>Canada</td>
<td>1000</td>
<td>12.3%</td>
</tr>
<tr>
<td>Australia</td>
<td>500</td>
<td>6.0%</td>
</tr>
<tr>
<td>New Zealand</td>
<td>250</td>
<td>3.1%</td>
</tr>
<tr>
<td>ROW</td>
<td>350</td>
<td>4.3%</td>
</tr>
</tbody>
</table>
By June 2009, we had sold over 6500 passports, and the following pie chart, is a good indication of what the final mix would have been on the 7400 eventually sold.

The main significance of these figures is that we sold a higher percentage of passports overseas than originally forecasted.

However, the initial forecast proved to be remarkably accurate, and without the global recession, we feel confident that we would have sold out.

The shortfall of 700 passports accounts for £60,000 of the overall loss.

USA 38%
UK 35%
Canada 10%
Australia 7%
New Zealand 2%
ROW 8%
The ROW (Rest of the world) consist of: Austria, Belgium, Denmark, France, Germany, Holland, Hong Kong, Ireland, Italy, Japan, Luxembourg, Netherlands, Norway, Romania, Russia, Singapore, South Africa, South America, Spain, Sweden Switzerland and United Arab Emirates.

32 individual countries in total were eventually represented.
As this enquiry is focussed on the Public funding of The Gathering, we thought it useful to also include the ROI calculations made in that Business Plan. The figures were collated by VisitScotland. The ROI calculation was based on Public Funding amounting to £325,000. This amounted to 21.6% of the initial budget of £1.5 million.

<table>
<thead>
<tr>
<th>Scotland (incl. Edinburgh)</th>
<th>ROI: 18.27</th>
</tr>
</thead>
<tbody>
<tr>
<td>£5.94m</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Edinburgh only</th>
<th>ROI: 9.42</th>
</tr>
</thead>
<tbody>
<tr>
<td>£3.06m</td>
<td></td>
</tr>
</tbody>
</table>

The final funding from the Public Purse was £480,000 on a revised budget of £2.35 million. This amounted to 20.4% of the budget. We wish to stress this point, as there is a general impression created by the media that The Gathering was totally funded by the Public Purse. This could not be further from the reality.

The final ROI calculation, which includes the £180,000 Government loan, is still ahead of the Government requirement that public investment in the Homecoming had to seek a minimum ROI of 8:1.

<table>
<thead>
<tr>
<th>Scotland (incl. Edinburgh)</th>
<th>ROI: 15.76</th>
</tr>
</thead>
<tbody>
<tr>
<td>£10.4m</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Edinburgh only</th>
<th>ROI: 13.33</th>
</tr>
</thead>
<tbody>
<tr>
<td>£8.8m</td>
<td></td>
</tr>
</tbody>
</table>

Finally, in regards to the question on cash flow projections, we can confirm that the only detailed cash flow projections were submitted to government officials and to the senior management of Event Scotland when reviewing our request for a loan. Our regular meetings with our event partners would always start with an update on progress in relation to budget forecasts. Cash Flow would be discussed when appropriate, but detailed documents were not presented.

We would also like to take this opportunity to apologise to the Committee for incorrectly stating that following our meeting with Mike Russell, we were contacted by the First Minister's Private Secretary, when in fact it was Mike Russell's Private Secretary.

We hope that this helps the Committee in their further deliberations.

Yours sincerely,

Lord Sempill

Jenny Gilmour
Dear Jenny

I am writing on behalf of the Public Audit Committee to thank you for the oral evidence you gave to the Committee at its meeting on 15 September 2010, as part of its inquiry into the Auditor General for Scotland’s report entitled “The Gathering 2009”.

You will receive a written transcript of the evidence given to the Committee from the Official Report in due course. This will give you the opportunity to examine it for factual errors. A copy of the Official Report is available on the Scottish Parliament’s web page at:

http://www.scottish.parliament.uk/s3/committees/publicAudit/or-10/pau10-1401.htm

At the meeting you and Lord Sempill agreed to provide the Committee with further written evidence on a number of issues. I have set these out below and I would be grateful for your response to the questions by Monday 18 October. Please do let me know if this time frame presents you with any difficulties. Further information on the publication of written submissions is contained in the enclosed policy on the treatment of written evidence by committees.

As agreed with Lord Sempill I have sent this request for written evidence to you but also copied it to Lord Sempill.

Projected attendance numbers
At the meeting on 15 September Lord Sempill provided a breakdown of the projected attendance figures for the Gathering 2009. Lord Sempill indicated that of 30,000 people projected to attend, 5,000 people were projected to come from overseas with the remaining 25,000 from within the United Kingdom.

The Committee sought information on how many people, of the 25,000, were projected to come from Scotland and how many people were projected to come from the rest of the UK and I would be grateful if you could provide this information.

Cash flow projections
At the Committee meeting, you indicated that you were unsure as to whether you had provided cash flow projections to the steering group. I would be grateful if you could confirm whether you provided any cash flow projections to the steering group and if so, when.

You and Lord Sempill also agreed to consult your diaries and provide further information in relation the dates and attendees of various meetings. The Committee has agreed that it will pursue these matters with the Scottish Government and therefore you do not need to respond on these points at this time.

I have enclosed a witness feedback form and I would be grateful if you could complete and return the form via the pre-paid envelope provided.

If you have any further queries please contact me on 0131 348 5390.

Yours sincerely

Jane Williams
Clerk to the Public Audit Committee